

# Valuing Land for a Rent Tax

By George C. Olcott

Land values, like the value of stocks, bonds and commodities of all kinds, handled on exchanges, are determined by the law of supply and demand. On the exchanges, it is the haggling of the market. In real estate, it is the haggling of the market. The only difference is the element of time. In securities, and in commodities of a consumable nature, the velocity turnover—is greater than in durable goods. In both cases they move. In the one case it is readily perceivable. In the other, it is not so apparent. The movement of the hour hand on a clock is not as apparent as that of the second hand. But it does move, measurably.

There is no a priori way in which the value of real estate may be ascertained. It has to be found out empirically, by following the market closely. The three most potent factors in determining land values are, first, sales; second, bid prices, if any; third, asking prices. It is only by keeping all the data obtainable as to these factors, that any rational opinion of the value of lands can be arrived at.

Rents are useful in arriving at a conclusion of values but they vary so, both as to the dates at which leases have been executed and also as to the nature and condition of the improvements that they do not provide precise data; at the best, only an approximation of ground values may be arrived at in that way.

The most modern aid to determining land values is in the form of land value maps. Many cities have adopted this method of assessing the value of the land under their jurisdiction and have maps prepared for that purpose by the various assessors but they are not generally put out to the public. Cities like New York and Cleveland have such maps published and may be obtained on application to the office of the assessors.

Only in Chicago and Los Angeles, so far as is known, is there a land value map book published and cir-

culated by private parties. Of these, the Chicago book was the first published, starting in 1909.

The method adopted in Chicago to ascertain land values is to have appraisers start out in the fall of the year and, beginning at the north end of the city or suburb, to drive carefully over each mile of territory, noting any changes that may have been made since the previous year, such as in building operations, new pavements, sidewalks, curbs, underground improvements, etc.

With this knowledge in this mind, the appraiser consults the local dealers on their ideas of any changes in values that may have occurred since the year before. Most of them co-

operate. Data is secured upon any sales, asking prices of vacant lots offered for sale and the rentals that are being paid. With this data in hand and with a compilation of the transfers made up in the office from published lists in the real estate publications and the asking prices printed in the daily papers in their want ads, a conclusion as to values may be formed.

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A plan for arriving at land values in smaller towns or for farm lands, modified to suit the situation from a plan designed for a large city, has been formulated by the writer as follows:

Have the assessor divide the district under his jurisdiction into, say, twelve subdistricts, one for each month. Appoint a deputy assessor to conduct a survey of the whole district. Have him prepare, with the aid of assistants, land value maps for the different districts.

Send a copy of the tentative values arrived at, on outline maps of each block in the district under consideration, to all taxpayers of record in that district. Call a meeting of those taxpayers and have a large wall map hung up so that all may see.

Determine first the block in the district of highest value, either business or residential, and get the approval of those present as to the selection made. Then proceed to affix a value per front foot of lots in that block, of a unit depth of 100

feet or 125 feet as the case may be, not coming under corner influences.

Prepare tables for determining the value of lots of a greater or less depth than the unit. Also establish corner rules to apply, the unit for inside lots having been agreed upon. Have the deputy assessor prepared to defend his figures with data of actual sales or asking prices. Any taxpayer present is to dissent if he wishes to, provided he is ready to back up his objections with actual facts. If it is the concensus of those

present that the unit so arrived at is practically fair and just, pass on to the next best block and so on to the end.

Upon uniformity of judgment depends equity in taxes and for that reason have one man supervise all the tentatives values and preside at all the meetings. Values so arrived at should be final, as objection, if any, should be made at meetings so held. The tax payer having had his day in court, no appeal should lie.

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## DISAPPEARANCE OF SELLING VALUE—A PROBLEM?

For almost thirty years George C. Olcott, head of George C. Olcott & Co., Inc., publishers and appraisers, of Chicago, has been supervising the appraisal of land values in that city and publishing the results in the well-known map book, "Olcott's Land Values Blue Book of Chicago." He discusses here the problem of modernizing land assessment valuation practise, which was discussed in an earlier number of *The Freeman* by Harold Sudell of the Manufacturers Appraisal Company of Philadelphia, another veteran appraiser.

Mr. Olcott, like Mr. Sudell, is a man whose professional reputation depends upon the accurate measurement of land values as facts and not as hypotheses bred of prejudice and bias; therefore, like Mr. Sudell but unlike a declining minority of professors of public finance, he does not consider that the social appropria-

tion of rent will raise more than a practical problem of measurement, a problem for which a solution is at hand.

In a letter to *The Freeman* which accompanied this article, he said that one point he would like to make was that "Under the social appropriation of rent, after selling values had disappeared, instead of giving the capitalized value of the land I could substitute the annual lease value per front foot, using the same depth and corner tables as I do at present."

Less practical professors have described the problems as insuperable, a strange commentary on the dated character of the knowledge they expound when compared with these opinions of men who do not sit in a swivel chair and guess about land values but actually go out into the field and measure them.

—W. L.

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