

“Tax the Treasure Underfoot”

By Lancaster M. Greene

The rent provisions of a new ground-lease negotiated by Landlord Columbia University and Tenant Rockefeller Center again reveal how tax-paid municipal services, plus enormous sums invested in building construction, plus the economic demands of a swelling business community, inevitably bring about a constant rise in land values. But as usual the benefits of the increase do not go to those who create it.

The new lease (reports the New York Times) extends to 1994, with options to 2069, and covers twelve of the twenty-four acres comprising the center, on which fourteen of its twenty-one buildings stand, including the RCA Building, the Channel Gardens, and Radio City Music Hall. For this land, the first year's rent will be \$9-million, and annual increments of \$200,000 will augment the final year's rent to \$13-million. In addition, the University will receive a \$4-million “gift” for its endowment fund. (It is noteworthy that for the past twenty years the center has been paying “only” \$3.8 million annually.)

In return for this huge income, Columbia University is doing and will do nothing — except permit Rockefeller Center and its sub-lessees to use and enjoy about three square blocks of desirable space in the heart of midtown New York. Incidentally, title to the area was granted gratis to Columbia by the New York Legislature in 1814, after the property had been transferred to the state by its owner, who could not afford to hold it because of increasing assessments.

If the people of the state, or the city, collected the economic rent of the land involved in this transaction, its proceeds could be devoted to public services for all who live or work there. However, although the site-value of the area is created by the enterprise, the industry, the labor, and the economic demands of all those who directly or indirectly make use of it, only a comparative few are in a position to derive any advantage from it.

In this particular case, some satisfaction may perhaps be found in the fact that the landowner is an educational institution that will apply the moneys collected toward its undoubtedly commendable purposes. But this is slight consolation when one contemplates the thousands of square blocks in the city whose rent is channeled to the pockets of private landowners, whose sole purpose is personal enrichment.

“Tax the Treasure Underfoot” is the headline on an excellent New York Times article by Philip Finkelstein, a deputy administrator of New York City, who soon found himself pressured out of office. Mr. Finkelstein, now a professor at Brooklyn College, is currently working on a study of real estate assessment in the city, showing that a real estate tax is really two taxes, one on private production and the other on publicly created location values. The completion of his study should show clearly how New York could encourage the rebuilding of this great city through a just system of taxation.

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