

In *Fundamental Economics*, we teach the pervasiveness of the land speculation problem; this implies that we ought to be able to walk right out our front door and find good examples of its effects. In fact, we can - and at the New York HGS, situated as it is in midtown Manhattan, the task is ridiculously easy.

The nearest subway station to the school is the IRT #6 train at 28th Street and Park Avenue South. Our staff and students climb streetward from this public conveyance, which struggles to make ends meet, continually cutting back on services and increasing fares - but whose presence nevertheless increases the value of surrounding properties. In the two-block walk from there to the school, we invariably pass homeless panhandlers - and nice residential units that we can't afford. We also walk past, on that very corner, a surface parking lot.

Now this is a very valuable lot. That fact is seen in its location, the proximity of public transportation and other amenities, and above all by the sort economic activities that take place on the other three corners of the intersection. Across 28th St. to the north is 404 Park Ave. South, a 16-story mostly residential building on a 7300 square foot lot. At ground level, it houses a jewelry store and a thriving computer dealer, and one vacant storefront. Moving to 403

Park Ave., the northeast corner, we see a twenty-six story building of housing units on not quite 9500 square feet, with a restaurant, a photo shop, and one vacant storefront at street level. Turning south, we see a huge 12-story building at 401 Park, on over 18,000 square feet. It houses no less than six businesses on avenue

and street: a furniture store, a department store, a large & bustling deli, a dry cleaner, a pharmacy and a Federal Express office. Many people live and work here. These buildings are viable, multi-million dollar improvements, notwithstanding their property tax bills.

A quick trip to the assessor's office is summarized in the table below.

A few notes on this data are in order. It is interesting that 401's land value assessment is so low. It is by far the largest of the four plots, and it would seem reasonable to expect a square foot on one side of Park Avenue to cost about the same as a square foot on the other side. One explanation could be its proximity to the huge armory/public shelter between 26th and 27th. But, it is the only building of the three with tenants in all its commercial spaces. In fact, the vacant storefront in 404 used to be occupied by the furniture store, Jennifer Convertibles, that has just moved

to 401 - possibly due to lower rent! It ought also to be noted that if the tax bill on 26-story 403 seems low, it is because this year's assessment exempts some \$6 million worth of new housing units. And, observe that the city assessors seem to consider the parking lot utterly unimproved. It is paved, has a tiny structure which houses its one employee, and has a steel contraption which enables two cars to be stacked in one space. Apparently the ramps are removable, hence not considered a structure, and the shack's value is not enough to bother with.

The parking lot's tax bill, while sizable, would appear to be low enough not to deter speculation. Certainly not in midtown's parking market: the lot has 85 spaces, at a daily rate of \$15 each. If only half of these spaces are filled on each working day for a year, that would bring in a gross income of about \$168,000 - just about enough to break even after taxes. The lot's property tax bill amounts to a mere 4.5% of its assessed market value of \$3.3 million - and its actual selling price could be considerably more than that.

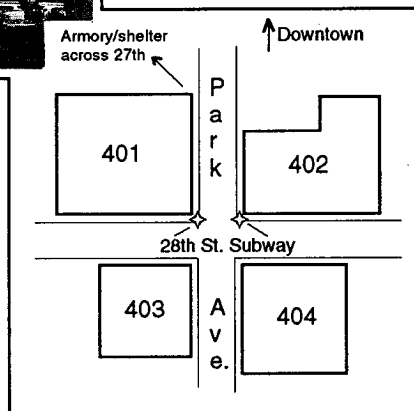
As if the low tax rate weren't encouragement enough, New York law provides land speculators with a further

incentive. Increases in land value are not assessed all at once, but are phased in over a five-year period. This means (roughly) that were the market value of that property to shoot up to \$5 million next year, only one-fifth of that \$1.7 million appreciation would be reflected in next year's tax bill. Why build?

It is abundantly clear, in any case, that the economic use of the lot at 402 Park Avenue South is not a surface parking lot with one employee. It is an eighteen-story building, providing lots of construction jobs initially, before setting down to employ a few dozen and house a few hundred.

The real moral to this story, though, is that you don't need to be an expert at assessment to gather real-world evidence to support the theory of Henry George. The property-tax rolls are public information, and aren't too dauntingly hard to decode. And if you can easily document an example that is, literally, right in front of your students' noses, so much the better!

## TEACHERS' CORNER



### ADDRESS

	402	404	401	403
Land Value	\$3,300,000	\$2,700,000	\$3,150,000	\$2,902,500
Square Feet	11,250	7,332	18,315	9,476
Bldg. Value	\$0	\$8,803,400	\$9,718,300	\$13,541,300
Taxable Assm't	\$1,485,000	\$5,176,350	\$5,790,735	\$6,048,768
Stories	0	16	12	26
Value per sq. foot	\$293	\$368	\$172	\$306
Tax Bill	\$147,164	\$512,976	\$573,862	\$599,433
Tax per sq. foot	\$13	\$70	\$31	\$63