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The Challenge of the Future

by PERRY PRENTICE

WEEK after week, year after year, each average week from now to 1999, urban America will need to build the equivalent of another brand-new city with nearly 70,000 population. We will also need shops, streets, schools, colleges, hospitals, water supply, sewage and sewage disposal, transit, police and fire facilities for 70,000 more people. We will at the same time need to tear down and replace perhaps half of all we see standing today in most of our cities.

A very conservative minimum estimate of what all this will cost is at least three-and-a-half trillion dollars. That is ten times today's national debt and something like twenty times more than all the money in our savings accounts. This \$3500 billion challenge is our \$3500 billion opportunity to tackle all at once the interrelated and intertwined problems of our cities. For example, little good can come of making them better places for poor people unless at the same time they are better for middle income families. And we can't hope to make the suburbs much better unless we give them better cities to subtend.

But the Douglas Commission on Urban Problems warns us that without a lot more forethought, vision and coordination we will end up with our

\$3500 billion spent on a worse mess than ever. And vision, alas, is what we are not getting. On the contrary I'm afraid we are suffering from less understanding and more misconceptions about our housing and urban problems than about all others combined, with the result that more nonsense is being talked and believed and written about them.

If you still believe the nonsense about "good land around our cities getting scarce and that's why its price is skyrocketing" I can only repeat Roy Wenzlik's advice that as you fly home you should look out the airplane window and see for yourselves that there is no shortage of land ripe for development or redevelopment around any city. Says America's No. 1 land economist, Dr. Mason Gaffney of Resources for the Future, the only reason land prices have gone crazy is because "vastly under-estimated millions of acres are being held off the market in anticipation of vastly over-estimated future demand." What you will see out of the airplane window is not a shortage of land, but a tragic waste of land.

I wish we had time to deflate the nonsense about all our cities being too big so the federal government

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should put up billions of dollars to start 300 brand-new cities of 100,000 population, with a lot more cheap houses.

About the hope that government subsidies will effect some miraculous cure for our housing and urban ills, a six-year lot by lot research was launched in Milwaukee by the Urban Land Institute. It shows that the only two reasons big federal subsidies for housing and urban renewal seem to be needed for what we want our cities to become is 1) to provide a partial offset to the far greater hidden subsidies our local governments are giving everything we don't want, including blight and obsolescence, slum formation, sprawl and land price inflation, by their crazy undertaxation of location values, and 2) to provide a partial offset to the tremendous obstacle our local governments are putting in the way of urban progress and betterment by their equally crazy over-taxation of improvements.

Change is coming faster and faster in our technology, so there isn't a chance in the world that our cities of 1999 will be any more like today's cities than were the autoless, subwayless, skyscraperless, air conditioningless almost elevatorless cities of 1899.

The reason and purpose of cities is to overcome the time and money handicaps of distance, and so give people quick, easy and economical access to a great diversity of job, recreation, and cultural opportunity, and give business and industry easy access to labor skills, supplies, customers and markets. Today's cities do not measure up to these requirements. They are wastefully non-planned, sprawled and needlessly traffic-choked.

The cost of every municipal service is multiplied by distance, and a University of Pennsylvania study found

P(erry) I. Prentice prepared a message for the Housing Industry Presidents Conference, which he organized, entitled "The Long Run of Housing America." This is a shortened version of his address at Sandy Lane, Barbados. The former vice-president of Time has moderated more than 40 industry round tables related to the building field, and he serves as trustee, director or member of nearly a dozen business and service organizations.

His opinions are eagerly sought by HGN readers. In November 1967 he wrote for HGN about the (then) "\$640 Billion Question" (now it's a "\$3500 billion challenge). In the July 1968 issue he outlined "The Biggest Subsidy," having sprung this subject on startled participants of a property tax conference in San Francisco.

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that millions of middle-income families spend two-thirds as much money just getting to and from where they have to go as they spend to own their own homes, and half as much as they spend to eat. Why do cities waste so much of their land on vacant lots and obsolete buildings? Mostly because misapplication of the property tax harnesses the profit motive backward instead of forward to urban progress and urban development, too often making it more profitable to leave valuable land idle or underused than to put it to good use—more profitable to let buildings decay than to improve or replace them.

We assess and tax the location-values of urban and suburban land—values that are created not by the owner but by the community—so lightly that many owners of unused, underused and/or misused land find they can hold it off the market for a yearly tax cost of well under 1/2 of 1 percent (well under \$5000 per \$1 million) waiting for inflation and enormous nearby investment of other people's money and other taxpayers' money to double, triple, or quintuple its price. Studies for the Regional Plan Association suggest that around New

York the other-taxpayer investment alone runs over \$16,850 per single family lot. Studies for the Southern California Research Council suggest that the other-taxpayer investment required in Los Angeles runs only a little less. This undertaxation gives land speculation a multi-billion-dollar hidden subsidy—a hidden subsidy that may well be bigger than all our farm subsidies plus foreign aid combined. Big, bigger, or biggest, a taxpayer-subsidy of \$16,850 to enable the landowner to sell his lot for, say, \$8000, is a pretty enormous subsidy.

Conversely we tax the improvements for which the owner must spend his own money, more heavily than any other major product of American industry except hard liquor, cigarettes, and now perhaps gasoline. The enormity of the improvement tax becomes self-evident when we restate it in income tax, sales tax and consumption tax terms.

A 3 percent of true value tax on improvements is apt to tax away nearly two-thirds of the income a new building would otherwise earn. It is the equivalent, on the installment plan, of a 52 percent sales tax, that is, it will cost the improver as much as a 52 percent single-payment sales tax would cost him if he could finance it at 5 percent interest over the 60-year life of the improvement. And according to tax expert Dick Netzer of New York University, 3 percent of true value tax on improvements will cost the consumer almost as much as a 25 percent consumption tax (i.e. it will add more than 25 percent to the rent a tenant must pay, or almost 25 percent to the carrying costs an owner must meet). Says the Douglas Report: "It is inconceivable that society would consciously place such a tax on such a basic commodity as shelter—but it has."

Why will it be twice as important that tomorrow's cities should be less

wastefully planned—because you can't house tomorrow's twice as many by sprawling our cities twice as far out into the countryside. It would be impossibly costly in dollars, intolerably costly in wasted land and unbearably costly in added travel time to and from work. Doubling the area by growing up instead of out would cost far less and add only seconds instead of minutes to everybody's travel time . . . so urban growth in the next 30 years will have to be up—not out.

Where should our thinking in three dimensions begin? In the recognition that horizontal stratification is natural, economical and desirable between those activities that need and profit by easy access to street and sidewalk vs. those of which it can be said that the further above the street the better. This natural stratification makes it easy and logical to use heart-of-the-central-city land over and over again in layers to meet different needs.

For stores, factories, service industries, restaurants, banks, schools, churches, theatres and garages, easy access to street and sidewalk are essential. Except for schools, these seldom need or benefit by outside air or daylight on all sides, so they can be packed solid—three, four and sometimes even five or six stories high from street to street.

With more intensive vertical development wider streets will be needed; this suggests the desirability of arcading the sidewalks behind the building line to permit wide roadways. It also suggests tunneling the busiest sidewalks under the intersections (as in Vienna) to permit traffic flow: it may even require two-level streets (as in the new plans for downtown Dallas).

In office buildings the 50th floor commands higher rents than the 40th—much higher than the 10th—and the same holds true of apartments. Elevators take office workers to the

50th floor in less than a minute. This does not require congestion. Apartment towers spaced 100 feet apart above stores and factories could house 2 million people within 3 miles of downtown—4 million within 4 miles—so millions could walk to work in less time than it takes them now to ride.

The tools needed to build in three dimensions were not available in the past. Now we can have air-conditioning, artificial daylight from high level electric lamps, air pollution controls for cars, incinerators, central steam plants, long-line high tension electrical distribution, and new water pollution controls that make the waters inside our cities safe (as is the Ruhr in Germany flowing right through the world's biggest industrial concentration) for far less money than city dwellers now spend driving out to lakes and beaches.

### **Elevators are No. 1**

In the past we did not have high speed electric elevators and escalators that at last make it not only possible but economical to plan whole cities in three dimensions instead of two. Too few people seem to realize the elevators are already the No. 1 mass transportation vehicle. They carry each day far more millions of passengers, the horizontal equivalent of four or five times as many millions of miles, as all other forms of mass transportation combined. They are the cheapest, fastest, safest and cleanest of all means of transportation. They offer the only mass transportation that can be fully automated; the only urban mass transportation that pays billions in taxes instead of needing a subsidy; and they may well change the face of our cities as much between now and 1999 as the automobile has changed them since 1899. (Alas, neither the Douglas Report nor the Kaiser Report even mentions the ele-

vator.)

Such compact urban development could give city dwellers almost all the advantages of greenery, outdoor recreation and shared community life for which they now move to the suburbs. Conversely it could bring the suburbs so much closer to the center that suburbanites could enjoy most of the city advantages.

We close our eyes to what is already happening in almost every important city. Cincinnati started by putting a new hotel in a terrace garden atop a new department store. Rochester went Cincinnati two better by putting a hotel on top of an office building, on top of a department store, on top of three levels of underground parking. Hartford put a three-city-block park on a solid base of stores, banks, restaurants and garage space, and that started people asking why parks should ever need to be down at the traffic level. Now San Francisco is going Hartford many times better by putting 45 acres of parks and greenery on the store-and-garage rooftops between the new tall buildings along the Embarcadero. Pittsburgh made a rooftop park over the garages between the towers of Gateway Center. New York is planning a big riverfront park over its new sewage plant, and Yonkers is projecting an 8-acre park on the roof of a new factory, with apartment towers at either end of the park. Chicago, San Francisco, Pittsburgh, Denver and New York, to mention just a few, are all putting apartment towers on top of office towers, and booming Atlanta is boldly pushing plans for spending billions to make its downtown "America's first multilevel platform city."

With so many needs to meet—so many new opportunities to serve—what should we do first? Suggested answer—harness the profit motive forward instead of backward to urban

renewal and urban development, and give the enormous dynamism and resourcefulness of private enterprise a chance to help meet our need for better housing and better cities as it meets our other needs. Sure we need help from government to meet our \$3500 billion-plus challenge; we need a lot more help than there is any chance of getting. But let's stop kidding ourselves that any government can or will put up more than a very small part of the money that will be needed. Instead let's concentrate on getting government to stop doing so many things that have been making it unprofitable for private industry to do the job.

Let's try to get the federal government to stop subsidizing obsolescence and decay by letting the owners of aging buildings depreciate them over and over again for tax purposes as often as the relic is sold, with the fastest and therefor most profitable depreciation allowance awarded to those structures that are most obviously overdue for demolition.

Let's get local governments to stop subsidizing land speculation with temporary large-lot zoning and temporary open-space reserves whose real purpose and effect is to justify lower assessments and lower taxes while the land is "ripening" for enormous profits of conversion to higher-density urbanization.

Let's stop letting state governments choke the trade-up market with archaic title search and title transfer requirements that serve only to make work (and provide needless fees) for law-

yers. Let's stop letting local governments frustrate building industry progress and economy by entrenching make-work, waste and yesterday's materials and methods in thousands of conflicting and archaic building codes. Most of the tax billions government has spent for housing and urban renewal have served only to offset a small part of the needless costs some level of government has forced on us by penalizing new construction and abetting land price inflation, obsolescence, make-work and technological backwardness.

Now even the subsidy-biased Douglas Report devotes page after page to retelling the failure or inadequacy of every subsidy program tried to date, and New York offers us exhibit A of their failure. Despite or because of more subsidy spending than any other city, New York now manifests the worst of all urban messes and the worst of all housing messes, with almost a quarter of its housing decayed or decaying and new private construction almost at a standstill, except for new office buildings renting at \$12 to \$15 a square foot and new luxury apartments built to rent at more than \$100 a room or sell for more than \$10,000 a room. And even this high cost construction would have stopped long ago without the federal subsidy of letting the sponsors use accelerated depreciation to show a tax loss while inflation was building up their profits. It is high time to stop asking or expecting government to do what no government should be asked, expected, or given tax dollars to do.

**A few copies of the entire address by Perry Prentice, in booklet form, are available on request from The Henry George News.**

