

Systematic Appraisals

By WALTER W. POLLOCK



AS CITIZENS and taxpayers we are all interested in equitable taxation without systematic valuation of the objects of taxation I hope to show how it is possible to appraise real property — land and buildings — by analysis of the elements of value in property, and by computation of

the relation of each land site and the buildings thereon to all other sites and structures in a taxing district.

The chief obstacle to equitable assessment of real property is the lack of technical knowledge by tax administrators, and lack of understanding of the laws relating to assessment. We have legalistic, and sometimes idealistic concepts of the fundamental elements of civilized capitalism which we call value, but we have not formally advanced in the science of valuation beyond the expression of such generalizations as "fair" value, "market" value, "true" value, "the price a willing buyer will pay a willing seller" and other similar mottoes, which call for interpretation by a systematic process; but the process is not usually a part of the formal rules of appraisal.

An Australian commentator recently listed about 80 different kinds of value as worthy of consideration by appraisers; but as I see it, there is only one true goal of valuation for the purpose of taxation, and that is the value for use. Every landholding comprises definite elements such as area, location (with potentialities for use), possible cultivable qualities, and adaptability for all other purposes necessary to the life of the people.

In buying and selling land in the United States the seller seeks high prices while the buyer's interest is to purchase at low prices, so it is particularly difficult to apply the term "market" value to land. The materials in a building and the labor required for installation may be appraised at market prices, but the building produced is subject to judgment as to its present condition, and desirability for use. The combined valuation of the land site and the building or buildings thereon comprises not only information as to costs and relation to other properties, but also the adaptability for use by a potential purchaser. In other words, the academic and legalistic theories relating to value need to be supplemented by processes of recording for each property all of the value-elements, and in judging the value-effect of each.

The Somers System

William A. Somers, as City Engineer of St. Paul, devised a system of relative appraisal of land which was designated to analyze the elements affecting each lot and parcel of real estate in the community. In 1910, while he was directing the revaluation of the City of Cleveland, we arranged with Mr. Somers for the use of his formulas, and we have installed his system in nearly 100 municipalities in 18 states. Briefly, the Somers System, when installed in a

community, calls for the expression upon community maps, of the best opinion obtainable as to the unit prices — the value which a single street frontage confers upon each block for an agreed frontage and depth — usually one foot front 100 feet deep. This is like appraising the value of a commodity unit of quantity by the yard or pound or ton.

Mr. Somers insisted that land does not have market value, he said this phrase could apply only to things which were exactly duplicable in both quality and quantity, and that each plot of land was unique as a separate entity incapable of duplication. There is, however, duplication of economic opportunity which may be expressed by unitary judgment as market price or prices for each block frontage, if that judgment is confined to opinion of the useful value of single-street frontage for uniform frontage and depth.

The unit prices, judged by the assessor, published for the criticisms of taxpayers, develop an accurate basis for comparison of single-street values and when finally approved, the value-effects of lot depths, of corner influence and other factors are computed by the Somers formulas. This is followed by a review in which topographical irregularities and other value-detracting elements are considered for deduction from the normal or computed values for each property. The Somers System is fully explained in a book which we published in 1926, *The Science and Practice of Urban Land Valuation*.

Comparison Figures

The laws do not usually require that assessments shall be relative, one to another, but the concept of all taxation laws carries that implication, and the assessor who is earnest in the desire to do a good job will try to establish values which are not only equitable individually, but are also proportionately and provably comparable each with all other land sites in the assessing district. How can this be accomplished?

First—there should be sectional lot and block maps, showing dimensions of the several ownerships of land, with systematic numbering for identification of lots, blocks and wards. These maps are essential as a check against assessment lists which are frequently inaccurate, with occasional omissions of lots as shown by map surveys, and with possible inaccurate lot dimensions.

Second—there should be land-unit price maps, drawn to show block outlines only, with widened street areas for marking unit-foot prices. The assessor, with cooperation of taxpayers, appraises and marks upon the maps the tentative land unit-prices, which are published and exhibited for the criticism of taxpayers, who readily grasp the idea of comparison of street location values, and expression of opinion of comparative unit prices, which may be determined at \$10 or \$25 or \$100 or \$1,000, as the consensus of the values of inside lots might indicate. In judging these unit-foot prices the assessor and taxpayers may be guided by actual sales, opinions, offers, or other credible evidence.

Abstract or summary sheets are used for the compilation, with totals by blocks and wards, of all valuations, showing names of owners, descriptions of properties, land value unit-foot prices as appraised, computed values of land sites, appraised valuations of buildings, the total of land and buildings for each property,

and in the last column, for comparison, the current assessment which is under revision. These abstracts are offered for inspection of taxpayers, who have previously been informed of the method of appraising land unit-foot prices, and who are shown for further criticism before assessment, the analyzed valuations of their own and their neighbors' property.

This process of valuation for assessment of real estate, when expertly managed by competent appraisers, by the authority and cooperation of intelligent and informed assessors and reviewing bodies, should result in full approval by taxpayers, most of whom want to pay their proportionate share of taxes if they can be assured just what that share is. When properly managed, there are comparatively few definite appeals. As a result it is usually possible to reduce the tax rate and still collect the funds necessary to conduct a municipality's business. When there is full cooperation in the plan we have outlined, there is fulfilled what may be called systematic democracy.

The value of land and buildings is the effect or result of occupancy of an area by citizens. The value of land sites is regulated by the competitive demands for land for business, industrial, residential and other requirements. The total real estate values in a typical city may be estimated from the character of the community at, we will say, from \$1,000 to \$1,500 per capita for land site values and \$1,200 to \$2,000 per capita for the depreciated values of all buildings.

In many communities there is a strong disposition to assess at something less than full value. In some states there are systems of county or state equalization under which the full-value community is penalized in computation of county or state taxes. The late Mark Graves, when chairman of the New York State Tax Commission, was an ardent advocate of systematic "full-value" assessment, because of the inherent inequities which are covered up by attempts to assess at some assumed proportion less than full value.

In some cities, after systematically determining all assessments at presumed full values, the assessing authorities have determined to maintain equality by assessing all properties at some percentage of the full values determined by systematic processes. In others, the taxing authorities have sought to relieve the owners of improved properties by reducing building assessments by 25 per cent or 50 per cent of appraised values. In Houston and other places this plan was claimed to have greatly stimulated the construction of new buildings and new enterprises.

Periodic Revaluation

A complete community revaluation will be usable for about ten years, but its relativity can easily be put out of joint in the intervening years by disregard of the rules under which the revaluation was made, through reappraising individual properties without use of the systematic plan. There can never be real improvement in the public function of tax assessment until the processes I have described are established as a legal requirement, with provision for maintenance of the system established for future revaluations.

As students of taxation, you have a definite interest in equitable assessment. The argument favoring adoption of exclusive land value taxation is that while you do not disapprove of private ownership of land, nor to the making of profits from the improvements on land, you



Walter W. Pollock is president of the 51-year-old Manufacturers' Appraisal Company in Philadelphia. Though he knew Tom Johnson, Louis Post and Joseph Fels, he himself never became a single taxer. "My whole philosophy of taxation," says Mr. Pollock, "is that it should be equitable and proportionate as between the subjects of taxation, and that can only be accomplished by systematic appraisal, which is my life work."

do believe that the cost of government for which taxes are collected should be imposed entirely upon "rental value" of land. You do not hold to the socialistic idea that all means of production and distribution should be owned and operated by government. Your advocacy of a single tax under existing economic lines runs contrary to the usual theories of taxation, although there are various plans in several states for the distribution of the tax burden.

In Connecticut, Ohio, Illinois and many other states, machinery of industrial and commercial businesses is taxed locally, in addition to the real estate tax. In Philadelphia personal property of all kinds, including machinery, is excluded from local taxation, except for certain types of securities; but millions of dollars are collected in Philadelphia in wage taxes. In many states taxes are imposed on household furnishings. In some municipalities real estate, assessed under rule other than the usual legal concepts which are interpreted by each assessor by fiat rather than by intelligent processes, is presumed to be assessed at some percentage of value, without first determining values by accurate processes.

While the plan of exempting buildings from taxation is actually unlawful, it is no more unlawful than many present practices. No system of taxation based upon property valuation can operate equitably without a workable system of relative appraisal in which the separate value-elements are disclosed for each taxable property for comparison with similar elements in all properties. There is no hope that the single tax can be adopted as a general tax policy until it shall become possible to make such analyses of value. I suggest that in Henry George Schools there is an important field for study in the Somers System of land appraisal. An equitable assessment would always be the starting point in any move to install the single tax or any other theory of valuation which required relativity in the processes of appraisal.