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The Assessment of Real Estate By LAWSON PURDY

UNDER THE statutes of all the states real estate is taxed on its capital value and provisions are made for its assessment. In some states the county is the unit of assessment and in others the town or city. In many cases assessors are elected, in others appointed.

There are examples of excellent real estate assessments where the form of administration is poor. If it has the will, a city can achieve a good assessment in spite of poor administrative forms. The assessment of real estate is an art which can be learned by study, application and experience.

The rule is general that real estate shall be assessed at market value. This idea is phrased in various ways. A former New York law was to the effect that real estate shall be assessed at "the sum for which it would be appraised in payment of a just debt from a solvent debtor." Some laws say at "full value" and "fair cash value." Judges have sometimes said that these phrases mean the same thing. If a parcel of real estate has no market value we may consider its "full value."

The aim of real estate assessment is to secure such a valuation of each parcel, that the tax imposed upon it shall bear a proper relation in proportion to its value, to the tax imposed on every other parcel within the tax district. To achieve this an efficient administration is required, calling for the employment of skilled assessors, and the use of methods and tools of the profession which experience has shown to be of value. The assessment should be made annually, and assessors should be busy every day in the year—allowing for a reasonable vacation.

Every state should have a State Board of Tax Commissioners to make rules for local assessment and to supervise the work of assessors. The law of New York, as amended in 1915, is a good model. The State Tax Commission in its report for 1945 recommended these additional powers: "that a statute be enacted requiring the adoption and use in all cities of the state, of land value maps and tax maps, index cards of individual parcels of property and such other records and data as are now recognized as essential for a modern and efficient assessing office, with adequate power granted to the State Tax Commission to enforce its provisions."

In every city the assessing department should be directed by one person appointed by the executive head of the city. Associated with him should be two or more members to compose a board of review. In small cities where the duties of the executive head may be light he may engage in other business, but in a large city where his duties are supervisory, he should devote his entire time to this work and have an adequate number of assessors.

According to the report of the Tax Department of the City of New York for 1946-47 about 121 assessors are assessing ordinary real estate, with an average of 6800 parcels for each.



In a district such as lower Manhattan, with very valuable parcels of irregular shape, the number per assessor would be less; also in a district with parcels of many acres. On the other hand an assessor can assess many more parcels where they are small and uniform, with homogeneous buildings.

Assessors should be appointed after a thorough Civil Service examination designed to test their ability to appraise real estate. The appointing power can select fit men from those who pass such an examination. Assessors should hold office as long as they do good work and they should be removable only for cause. In small cities, the city engineer's department may prepare the tax maps, but a large city should provide the assessing department with its own surveyors.

Tax Maps

It is essential to have accurate tax maps showing the dimensions of every separately assessed parcel. In the thickly settled part of a city where parcels are small, the scale of the tax map should be 50 feet to the inch. In the rural section the scale may be reduced to 200 feet to the inch or even more. For country towns very successful tax maps have been made from the United States topographical survey at a trifling expense to the town.

Since 1890 there has been a system in New York of recording and indexing instruments

Lawson Purdy has rendered distinguished service to the City and State of New York. The reforms which he introduced while President of the Department of Taxes and Assessments in New York (1906-1917) have been copied by other municipalities, and have had their influence in foreign countries. Mr. Purdy is responsible for the separation of land and improvement values for tax purposes and for the use of land value maps in New York. He was a friend of Henry George and his work has always reflected the influence of "Progress and Poverty" which he read some sixty years ago.

affecting land by reference to a land map which divides the city into blocks having permanent boundaries. The boundaries are never changed unless physical changes take place. Instruments cannot be recorded unless the block number is given—a block is usually about 200 by 800 feet in area. The plan of making the tax map blocks identical with the land map has proved of great value.

A city may be divided into sections of convenient size, each having an area of two or three square miles. These, likewise, should never change and should be numbered consecutively from one up. The division into sections facilitates statistical comparison. The blocks also should be numbered from one up consecutively for the whole city or for a borough as in New York. The blocks should be divided into lots according to ownership and numbered from one up, commencing at the lower left hand corner; and rules are in use for the appropriate marking of changes in lot boundaries.

An assessing department should have two sets of maps; one to be preserved in the office and the other for use in the field by the assessors. The field map may, for convenience, be bound in volumes half the size of the office maps. The length of all boundary lines should be shown on the maps in feet and inches; and on valuable lots of irregular shape, the area should be shown in square feet. On large parcels the area should be shown in lots or acres.

Tax maps should be the basis of the assessment of real estate and it is necessary that if they are so used they shall be accurate. The law should prescribe that the assessment should be made against the land itself and not against the owner. The validity of the assessment of real estate should not be affected by any error in the name of the owner. In the assessment roll, lots should be described by section, block and lot number in accordance with the tax maps, and the law should prescribe that "such numbers shall import into the assessment roll of real estate any necessary identifying description shown by the tax maps."

Field Book

Assessors will find that the use of a field book—which is not the official assessment roll, but is intended solely for office and personal use—will be a great aid. If the block system is in use, the field book will be arranged with blocks in numerical order. If this system is not in use the arrangement should be in similar form so that blocks will succeed each other in an orderly geographical relation.

The field book may be arranged with the following columns: in the first the name of the owner; in the next and succeeding columns the following information: size of lot, size of house, building factor, number of stories, number of houses on lot, house number, lot number, land value, total value, and five additional columns so that the total value may be carried for

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six years. There may be two land value columns for the preceding and current years.

If entries are made in pencil, obsolete entries in the land value column may be erased to permit the preceding valuation and the current one to appear. Remaining space may be used for conveyances, mortgages, rentals and other information.

Determination of Value

The best evidence of the value of real estate is furnished by a number of recent sales made under ordinary conditions, supplemented by rentals and mortgages. The consideration for a sale is not conclusive. It is evidence, and it may be good or of little value. The circumstances of the sale must be known. Rentals are a good guide to value when properly interpreted. In some locations a lot 100 feet wide is worth much more than four times the value of a lot 25 feet wide. In others there may be little value added by plottage. A corner lot 25 by 100 feet may be worth double the value of an inside lot, while in other locations a corner position adds little to the value.

Assessors are often puzzled by the problems presented by lot developments or subdivisions. A lot developer when able to market his lots quickly must ordinarily receive about three times his purchase price to get fair wages for his labor, recover the cost of marketing, and realize some interest on his capital. If the sale is slow he must get more. Ornamental gate-posts mark the abandoned hopes of many subdivisions that cannot be sold for the arrears of taxes.

Land Value Maps

It will be found in practise that to create land value maps is not only a great help but almost a necessity for the ordinary assessment of real estate. These must not be confused with tax maps, as land value maps do not show separate parcels of real estate, merely the boundaries of blocks. Such a map has the space of the street distorted so as to be wide enough to permit writing in the land value figures. In small cities and country districts it is well to make a wall map or maps to show the whole city. These should be open to public inspection at all reasonable times, and, in larger cities, they may be produced in book form for distribution.

The land value map is designed to show the value of the land per front foot on every side of every square in the built-up portion of the city, and the value per acre on acreage tracts.

These front foot values are called unit values and must always refer to the same thing. It is customary to use a depth of 100 feet as the unit. If, however, lots in the city are generally 125 feet or 150 feet deep, it may be better to use that depth as the standard unit. In any event there must be a standard unit from which there is no departure. The land value unit relates to lots unaffected by corner influence and lying normally with reference to the grade of the street. Under these conditions the unit of value means the same thing everywhere. It is strictly a site value.

Unit values are determined from the best evidence available, such as sales, mortgages, rentals and asking prices. Where it can be done it is an excellent plan to put tentative values on a wall map and get a committee of competent citizens to discuss them and agree.

The necessity of setting a unit value tends to

impose a check upon the use of any particular evidence of value. The unit values must form a harmonious mosaic with all units in proper relation to each other. Every one familiar with a locality will have an opinion as to the relative value of neighboring streets even though he may know little about the actual value on any of them.

Having determined the value per front foot for a lot of normal size, all other lots of the same size will have the same value as far as the unit extends. There are rules established by experience for valuing short lots and deep lots and corner lots of various widths. The assessor should know these rules and be guided by them but he must not be a slave to them. He must use the rules and not let rules use him, but if he departs from the usual rule he must give his reasons. Ordinarily a lot on grade is worth more than one with a hill or a hole, but not always. I have known the owner of a lot with a hole to be paid a good price by the owner of a hill, to be allowed to put the hill in the hole.

Appraisal of Buildings

Assessors should utilize to the full the help of engineers, architects and builders, but they must realize that theirs is a different problem. Otherwise they will be misled into valuing buildings on the basis of the cost of reconstruction less depreciation, regardless of whether the building is suited to the site or not.

The full value of any building is the sum which it adds to the value of the land. Occasionally one may find a new building so badly planned that the best course to pursue is to tear it down. Such a building has no value. In every growing city there are costly single family residences that cumber the ground because they are no longer suited to the site. When a building adds anything to the value of the land, and is rented, the fair rental capitalized at the going rate will give the total value of the property. If the value of the land is known, deduct the value of the land; and the remainder, if any, will be the value of the building.

It may be assumed that new buildings of the ordinary type, suitably placed, are worth the cost of reproduction. The number of types of buildings is not very large. They should be classified, photographed, the cost ascertained, and the photographs and facts filed for reference. With the help of architects and builders the cost of the various types of buildings should be noted in a manual for the assessors, showing photographs and measurements of such buildings together with their cost and factors of value. For some types the best factor is cost per cubic foot, for others cost per square foot of floor space; and for many cottages the cost per square foot of ground covered serves best. New York and a number of other cities have manuals of this type for their assessors.

The best manual can be very helpful when used by a man of judgment and educated by experience. Obsolescence, for instance, is more important than depreciation. Some old buildings are earning their living well, while some new buildings are worth less. Only judgment and experience, with full knowledge of all pertinent facts, can deal with obsolescence.

Supplementing the field book a card index should be maintained showing all the facts about a property including dimensions of the lot and building, a photograph of important

Recommendations

It is suggested that land value taxation be introduced into our present municipal tax system as one phase of an integrated community plan. The procedure which would least disturb present practise is the placing of a progressive tax on the assessed value of land and the untaxing of all improvements. Extending the principle of scientific assessments and the classification of land according to its potential would make such a scheme comparatively simple to apply. The revision of laws concerning the disposition of tax-delinquent land and the substitution of government grants for tax exemptions would be concurrent reforms of great significance.

The speed with which such a plan should be put into effect is primarily a question of political tactics. Whatever the pace of its introduction, the economic consequences of land value taxation would begin to be felt immediately, since capitalization of the tax would take place at once. Gradual adoption of the new tax, with minimal disruption of established procedures, may appear to be the best guarantee of public support.

It must be remembered, however, that the urgency of the problems here discussed cannot be underestimated. Conservation of the capital resources of the American City and the planned future growth of that City depend in large part upon the intelligent restructuring of municipal tax policy. To delay this restructuring is only to render more difficult the ultimate solution.

—From *The Yale Law Journal*, December 1947, "Municipal Real Estate Taxation as an Instrument for Community Planning." Reprints of the entire article available from the Schalkenbach Foundation, 50 E. 69th Street, New York, at fifteen cents a copy.

buildings, and a record of conveyances and mortgages.

Relation of Assessors to the Public

If assessors are intelligent and industrious they have nothing to fear, and everything to gain, from publicity—both as to methods and details. Owners of real property are apt to be timid and easily irritated, and they are prone to assume that the assessors merely guess at values and are guilty of intentional favoritism. The only way to correct these misapprehensions, if they are untrue, is by publicity. It is desirable to get local papers to print descriptions of the methods of assessment employed and whenever possible to reproduce the land value maps.

For a number of years *The Record and Guide*, the leading real estate weekly newspaper of New York, published the annual volume of land value maps of the City of New York as prepared in the Tax Department. By arrangement with the department, this volume was sent to subscribers to *The Record and Guide* as a supplement, without charge, and was sold to the public for a dollar a copy. The newspaper was allowed to reimburse itself in part by publishing a few pages of advertising. This assured a good circulation to those best able to appreciate the maps and criticize the values. It was good for the Tax Department to know its work could so easily be studied.

The assessment roll should also be published, so that any one could buy it and study it, but the price must be low in order to reach and inform the maximum number of persons, and it must be well advertised. Such things do not sell themselves. Publicity and more publicity is what helps to educate a community and get a good assessment. The proper tools achieve little unless those who use them are competent, responsible and trained for their work. While the theory of assessing can be learned in a short time, proficiency in its practise takes years of experience.