

(February 24th, 1913.)

## Municipal Taxation

By MR. LAWSON PURDY.\*

AT a regular luncheon of the Club on the 24th February, Mr. Purdy said:—

*Mr. Chairman and Gentlemen,*—When I come to a Canadian city, it almost always is the case that I am obliged to say that Canadians have advanced farther and more wisely than the United States. I have the same thing to say to Toronto. In many respects, tax laws in Canadian Provinces are superior to tax laws in American cities. One reason for your advance has been the fact that you have not hampered Canadian Provinces by constitutional restrictions to such an extent as in almost all the States of the American Union. Our early constitutions generally were short, simple, and did not impose restrictions on the power of legislative bodies, for they were along very broad lines. But commencing about seventy years ago the States of the West began to attempt to control many matters of detail in their fundamental law, and then made it very hard to change that fundamental law. So changes in taxation have been comparatively slight in most of the cities west of the Rocky Mountains. But even in the United States we have seen during the last twenty-five years a slight movement going on that is going on in most of the European countries, in Great Britain, Australia, New Zealand, and Canada; the effort in one way or other is to relieve the burdens upon the consumers as such, upon wage earners, upon the poorer classes of the community, and to impose heavier burdens upon privilege in one form or other, and upon accumulated wealth.

That tendency has worked out in different ways in these countries. Thus in Germany it mostly finds expression in income tax laws, in taxes upon unearned increment off land when sales tax place, and to some extent in taxes upon inheritances. In Great Britain it furnished one of the chief points of contest in the last election; it was carried out to a somewhat minor extent in the budget which is known as the Lloyd

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George budget. In New Zealand and Australia they have more and more relieved the masses from taxation, and imposed heavier taxation upon land values. In the United States we have ratified an amendment to our Federal Constitution, and will shortly have an income tax for Federal purposes; and various States have more and more developed inheritance taxation; and all these methods have had their motive in the imposition of heavier burdens on those who have been the recipients of privilege, and who for one reason or other have accumulated great wealth; and so gradually the burden has been shifted somewhat from the poorer classes of the community on to those who have enjoyed such privileges.

In Canada, I need hardly tell you here, in the Western Provinces you have been trying experiments which have appealed to many in the United States, and which we have found difficult to follow because of constitutional objections. In relieving improvements of taxation they are practically relieving the farmers of the Western Provinces of all taxation, and imposing taxes upon ground values, a social product. In this Province there is a strong sentiment for going in the same direction, and it seems very probable that the next few years will see the same kind of change (applause) take place in the Province of Ontario that has taken place already in the Provinces of British Columbia, Alberta, Saskatchewan, and I believe to a certain degree in the Province of Manitoba.

In the United States we have advanced somewhat in the same direction through improvements of administration. I remember very well, only seventeen years ago, or eighteen, appearing with a committee before the Mayor of the city of New York, who had been elected on a platform of law enforcement, and asking him to direct the Assessment Department to enforce the law in the assessment of real estate. The law then required real estate to be assessed at its full value, but in practice in those days it was assessed on the average at about 60 or 65 per cent. in the old city of New York, but there was great discrimination. Land as a rule was not assessed fully as compared with buildings, and vacant land was on the average much under assessed. In those days the assessment was set down on the assessment roll in one lump sum, and it was somewhat difficult to analyze it and find out how much was on land and how much on improvements. The spokesman said to the Mayor: "Your Honor, you are pledged to the enforcement of the law; and we have here tables showing great discrimination in the assessment of real estate, not so much of properties of similar kind, indicating special

favoritism, but as between classes of property there is great discrimination; land is not fully assessed; we have a great many instances of vacant land not assessed at more than 20 per cent. of its value, and improved property is assessed at 70 or 80 per cent. of its value. We trust that you will correct this, by directing your Assessment Department to assess all property at its full value." The Mayor was a very nice old gentleman, but one who had had no experience, the result of one of those popular movements to "make a business man Mayor." (Laughter.) He said to us: "Do you mean that land in the northern part of the city, of which you have spoken, ought to be assessed at its full value?" We said: "That is what the law says." He said: "That would be awful! Why, those people would have to sell it." (Laughter and applause.) I think the Mayor correctly expressed what was the ordinary sentiment throughout the city of New York eighteen years ago. And, needless to say, he did not give any direction to the Assessment Department to do what we asked him to.

In these eighteen years there has been a complete change of public opinion. I don't mean that the opinion of everyone is changed; but the average opinion is now against any discrimination as between classes of property under the law as it is. Not but that there is an active sentiment in favor of changing the law in the direction in which it has been changed in some of the Western Provinces of Canada. But the sentiment, under the law as it is, is almost unanimous in favor of equal enforcement.

Since I have been in the Assessment Department it has been a common thing for men who are developers of real property to come to me and say: "I think your assessments are low on such an acreage tract. I have tried to buy it, for so much, and your assessment is not as much as that, and I could not buy it." I don't say that to discredit the work of my own Department. One of the most difficult things to do is to get evidence of the value of vacant property when there is no activity in the real estate market. Assessors must always follow the evidence of value, they cannot precede it. When it happens that there have been no sales in a certain territory for a time, the assessments are advanced as fast as seems practicable, but must sometimes fall behind the actual increase. The point I wish to make, therefore, is, there is a sentiment among those dealing in real property and who are developers, in favor of assessment without discrimination in favor of vacant land such as there was twenty years ago.

The administration of the law has improved in many American cities. In the city of New York the improvement began by the ordering of a separate statement of the value of land in the assessment of real estate, so the assessments could be compared more easily with one another. Methods of publicity have been devised. Land value maps are published showing the value per front foot of lots 100 feet deep, so anyone can compare values of land in any part of the city with values in any other, and judge if the assessments are properly made, and if not, criticism may be effective. That same policy is being imitated by other cities of the United States.

With that tendency to assess land value fully and to impose heavier taxes upon land than upon improvements, there is a tendency intensified which always exists: there is always a pressure upon the owner of valuable land to put it to that use which will yield the greatest return, and as taxes increase that tendency is intensified; there is the more necessity for suitable regulation to prevent the rights of land owners from being infringed.

In this country, and when I say that I mean North America, we were brought up from our earliest colonial times with a strongly developed idea of personal liberty; and often we have lost sight of the fact that to protect men's liberties there must be good legislation, to prevent their liberties being infringed upon by the license of their neighbors. The countries of Europe, including Great Britain, have been more alive to the necessity for protecting men's rights from the license of their neighbors in many ways than we have in the United States and Canada. The result of that carelessness may be seen by any of you who visit the city of New York. It saddens me every time I walk along the streets in certain sections of Manhattan, to see what ruin is being wrought by the fact that we do not regulate the height and style of buildings, and the area which may be covered. (Applause.) For a good many years men have been alive to the fact that public health was in danger from overcrowding, and that the beauty of our city was liable to be destroyed, and they have made appeals on the ground of beauty and public health for the regulation of buildings. Unfortunately these appeals have fallen upon comparatively deaf ears when they have been addressed to land owners, and with us land owners are a very potential power in legislation. They are here. They are throughout this country. The appeal has not been made to them sufficiently that their own interests are left unprotected so long as their neighbors are given license to do what they please.

As President of the Department of Taxes and Assessment I sit on the Review Board of Assessments. During the last seven years I have passed personally on probably nearly fifty thousand applications for reduction of assessment values. I am somewhat familiar therefore with the reasons alleged for requests for the reduction of assessments. You would be surprised at the number of cases where the reason for reduction is that light and air has been shut off by neighboring buildings. Probably all of you know something of the Island of Manhattan and the territory south of Brooklyn Bridge, where we have our highest land values and office buildings. We have allowed men to erect office buildings just as they pleased. They have gone up twenty, thirty, and now forty or fifty stories in the air. A few years ago a building twenty stories high overtopped all its neighbors, and the tenants of that building had splendid light, air and view; rents were satisfactory, and income return ample. Presently, owing to the enormous land value that grows from the right to erect a twenty or thirty story building (applause) the neighbors were obliged to erect similar buildings; the first one was blanketed, its light and air was gone; its tenants left to go into some building where they could get light and air, and from which they could see something; the rents fell; and then we would have an application to reduce the assessment because there was no light and air. (Applause.)

Because we have allowed such buildings to be erected, the land values along Broadway and a few parallel streets, and a few cross streets, are enormous. Near the corner of Broadway and Wall Street there are corner lots worth a million dollars for 25x100 feet, while within two or three hundred yards there are lots not worth \$25,000. This license to erect buildings has concentrated values on these few streets. That has been in the interest not of all those who owned land on Manhattan Island, but of only some of the owners on those few streets. Had we years ago limited the height of buildings, as is done in London, Berlin, Paris, Frankfort or Munich, we should have no \$25,000 lots left, and we should have no million dollar lots. There would not be the congestion of population through the day that there is now, but the people would be spread out more evenly. There would not have been three-fourths of the population working by artificial light during the day; and the streets would not be so congested that you could hardly walk in the direction opposite to that which the crowd takes when going down in the morning or back at night. (Applause.) It is practically impossible as a finan-

cial matter to provide adequate walking room for the enormous population of our office buildings in some of the few streets through which they must travel south of Chambers Street. (Hear, hear.)

I have taken my illustration from that part of the city of New York with which probably all of you are familiar. I could give you many others. I have a special grievance myself with the conditions on Forty-Second Street. Near the Grand Central Station, to which most of you go when you go to New York, if you walk west on Forty-Second Street from the station, you come presently to Fifth Avenue, and see that superb new Public Library, appropriately set back from the street,—a work of art of which any city might be proud! (Hear, hear, and applause.) But you look on the right, to the north of it, and you see a building, oh, fifty or sixty feet wide, with a fairly decent façade, and a great blank wall on the side, no finish! That building will stand there, an eyesore, for probably forty years; it is twice as high as it should be,—fronting on that beautiful avenue, in front of that Library! If buildings should be erected of equal height, the value of that building would be seriously depreciated. To-day it is hogging the light. It may be profitable, but it has spoiled the appearance of all that street!

If you go south a little way, you come into what we call the loft zone. A few years ago some architect unfortunately planned a loft building, twelve stories high, or about 125 feet high on a 60-foot street; and other buildings 90 feet deep have been erected on lots 100 feet deep, leaving a distance between buildings of only 20 feet. The first loft building there was successful: it had light on four sides; it was profitable. But when another building was erected at the rear, only 20 feet away; another on the east, and another on the west, on this 60-foot street, its light and air was gone; and now we have applications for the reduction of assessments on these loft buildings.

In those streets on lower Fifth Avenue and the cross streets the congestion is such at certain hours that the people are attempting to relieve it. There is a serious plan to have the luncheon time of the employees arranged so that they will not all go out on the street at once, (laughter) but start at half-past eleven, and go in attachments every five minutes till two o'clock, because the streets are not wide enough to let all the people out of the buildings at once to get a little light and air! The thing is horrible! The whole appearance of the city is spoiled, and millions of dollars are wasted! (Applause.)

I have been discussing this thing mostly from the standpoint of those that own the land. I have a few words more to say about it. It is too late for us to do what we should have done on Manhattan Island: it is not too late for us to deal with our suburban territory. Ten years ago we made an advance in the matter of tenement house regulation. Prior to that we allowed 90 per cent. of the land on which a house stood to be covered by the building; and we had the most terrible congestion of any city in the world: most of the rooms were dark, many had no windows. We did the best that was then legislatively practicable. (Laughter.) We reduced the area to be covered by a tenement from 90 per cent. to 70 per cent. of the lot; the building must be a certain distance from the rear of the lot, and farther and farther from the rear of the lot with every additional story. We allow six stories of semi-fireproof building. Even allowing these buildings to cover 70 per cent. of the lot, is a great deal better than the old style. But do you know, there is hardly a city in Europe that allows tenements which cover over 50 per cent. of the lot? (Applause.)

People who own outlying land, in the boroughs of Brooklyn, Queen's, the Bronx, and Richmond, want you to allow people to go from the congested centres, and make new congested centres on their land! (Laughter.) You can't congest the whole borough of Queen's: it contains 129 square miles; if we allow tenement houses in Queen's that cover 70 per cent. of the land, it is not possible for every one of the land owners of Queen's to have a congested centre on his farm.

If now we will limit the area which the building may cover to, let us say, 50 per cent. of the lot, and if it be not more than four stories high, just as an illustration, why there are half as many again of the land owners of Queen's who will get something out of it, perhaps twice as many. It will be more in the interest of the greater number, to have the people not huddled together in a small space, but spread out a little thinner. Now this is so everywhere; it is true in the business section, and it is true where there are to be residences.

May I commend to you here, in this great growing city, that is still in a condition such that you can regulate it in time, (applause) to look at the pictures, if you have not seen them, of German cities, and read the regulations as to buildings which have made those cities what they are. They are developed along lines of beauty because of utility. (Applause.) They are not allowing people to be herded together too closely. They are not allowing men to erect buildings that destroy the

light and air of their neighbors. They are applying what I believe is the correct principle to city building, the principle which is necessary to protect the rights of all; (hear, hear, and applause,) and that principle is, that no building should be allowed to be erected which impairs the right of other owners to the equal improvement of their property. You should not have a building erected such that the entire territory suitable for that type of building may not be completely covered with buildings of the same size, and still be suitably improved. (Applause.)

This is a practical program, simply in the interest of all the people, including the land owners. And then, besides that, it has a tremendous appeal to everyone who has any concern at all for the health, morals, and well-being of the whole people that are to live here in the future! (Long applause.)