THE SUBWAY IS NEXT DOOR. SHOULD NEW YORKERS PAY EXTRA FOR THAT, by James Barron New York Times, Jan. 29, 2018 https://www.nytimes.com/2018/01/29/nyregion/subway-real-estate-nyc.html

Comments by Wyn Achenbaum, Ardencroft, Delaware, (interspersed with and responding to other's comments)

We all know, I think, the first rule of real estate: Location, Location, Location!

The closer one lives to desirable amenities, the higher the land value. The closer a commercial building's site is to transit, the higher the land value. The higher the foot traffic past a storefront, the higher the land value. The higher income the neighborhood, the higher the land value.

The value of a particular building doesn't vary much depending on where it is – its cost of (continued on p. 14) construction is approximately the same anywhere in the city.

What varies -- hugely -- is the land value.

When the Jubilee subway line was built in London, it raised land values in the surrounding area by more than the cost of the project. [PDF, Fred Harrison, Wheels of Fortune.] All that value went into the pockets of the landowners. But it could have been collected, year in and year out, to fund that project, and to fund other projects. Picture a fountain that recirculates the water.

Instead, we treat that increase in land value as a firehose, bestowing it on those who happen to own the valuable sites near good transit and other amenities, which have been provided not by the individual landholders, but by the community as a whole!

Note that NYC's assessments of sites and of buildings currently bear little relationship to the market value of either, and that, on top of that, property tax rates vary widely and weirdly across kinds of buildings.

A tax system based primarily on land value is wise and just. <<

and later in the day:

". . . the subway has fueled NYC's economy, delivering workers from homes in distant neighborhoods to jobs in Manhattan and enriching landlords and real estate developers near stations."

Eniching landlords and real estate developers.

I don't have a problem with enriching RE developers, necessarily. They work hard for their money, at least a part of it. They coordinate complex projects to bring them to completion; they employ a lot of people; they create housing, office space, the venues for all sorts of things people want. Landlords, however, are a different matter.

They didn't create the land they own and profit from. Neither did the fellow from whom they bought it, or any of the 5 or 10 or 100 who owned the site earlier. They add nothing more to the neighborhood's vitality than do people who occupy the apartments or offices or commercial venues. They don't even need to be resident in NYC or NYS.

The price they paid for the land reflects their expectation that land values will continue to rise over time, permitting them or heirs to collect more rent next year, next decade, next century without "supplying" anything other than the land itself.

Buildinglords -- the ones who own and manage the building, collecting rent from their tenants, and paying land rent to their landlords -- provide useful services.

Profits from owning, running a building, are the result of labor; but that which comes from land value should be treated as NATURAL PUBLIC REVENUE. Collect it! <<

and

TJ asked, "Why shouldn't transit proximity be a reason for higher taxation rates?" and answered, "Because homeowners and renters are ALREADY paying more."

It is a pretty strange system in which homeowners paid a lot to a homeseller to get access to a site that the seller didn't create or add value to. And, in the process, got to take on a 30 year mortgage which costs them 30%, 35% of their income.

What they pay in annual property taxes to maintain the infrastructure and provide schools, public health, emergency services, trash, recycling, streets, plowing, libraries, and dozens of other services is dwarfed by what they pay in mortgage interest and in mortgage principle. Those in coops and condos often pay more to the coop or HOA than they do for all the services the city provides. <<

and

Your hotel charges you for the convenient location in its room daily rate. (If you doubt this, check the weekday rates at a Marriott Courtyard in midtown and another 50 miles from Manhattan; their rooms and amenities are of fairly uniform quality and size from place to place.)

So does your landlord. If you live in NYC, the value of the land on which your unit sits is a significant share of your rent. (The remainder is for your unit's qualities and view, for the building's shared amenities, and for the services the landlord provides, such as maintenance and doormen.)

So does the guy selling you a house, and the guy collecting a commission on your purchase, and your mortgage lender. And they all get to keep that money.

The alternative? Treat the value of land as our COMMON treasure. Collect it in the form of a monthly rent. So the hotel owner would keep the portion attributable to the lovely room, the great elevators, the services provided, and forward to the city the portion attributable to the convenient and well-served location.

What incentives would this create? The owner of a well-located site would put a 40-story hotel instead of a 10-story or 20-story, because he'd not be taxed on the value of the building, and could maximize his profit by building higher (assuming the neighborhood justified it). He certainly wouldn't keep a surface parking lot in that choice location.

and

Let the landlords keep all the value that relates to the building itself (the apartment, the lobby, the elevators; the services provided such as trash removal, doorman, vacuuming the halls, maintenance, utilities provided, etc)

But require the landlords to pass through the lion's share of the portion of the rent which relates to location, location, location, to the community, which created that value.

Don't tax the buildings, just the land value.

As a transition, one would start by getting the assessments right. Value the land first, and treat the existing building -- be it a new skyscraper or a worn-out wreck -- as the difference between what the "package" would sell for and the land value. (It might be a negative number!)

Then, instead of taxing land value and building value equally, raise the millage rate on the land (continued on p. 15)

by, say, 10%, and lower the millage rate on all buildings by whatever percentage keeps the total revenue collected the same.

After a year or two, increase the millage rate on land again, and lower the millage on the buildings. Repeat, until all the property tax is based on land values.

And treat all classes of buildings alike. <<

And

Yes -- but bring the assessments up to date, valuing the land at market value, and treating all classes of buildings alike.

Assessing land value well is not all that difficult or expensive, and ought to be done regularly. Map it, for all to see and understand.

NYC was doing it 100 years ago. Time to relearn what New Yorkers knew then! <<

And

Back in the 1920s, there was an abatement for new construction, and it led to a huge building boom, including many of the much-desired "pre-war" buildings. Read Mason Gaffney's "New Life for Old Cities." Spread the abatements on buildings to everyone!! Just tax the land value. <<

<u>Comment by Scott Baker, New York, NY</u>

Great comment.

I would only add that every major mass transit system in the world uses some sort of value capture, whether simply from congestion pricing (London, Singapore), or owning the land outright and issuing very long term leases and collecting the value added by new stations (Hong Kong). A mass transit system of NYC's size and breadth, by far the largest in the country, and one of the largest in the world, simply cannot meet its costs through fares and general tax revenues alone. The land owners, including the banks, are reaping an unearned windfall in the billions, that rightfully belongs to all of us who supported and now use, the Second Avenue Subway. It is our common demand that created the value and that should come back to us in the form of rent capture for some of the most valuable locations in the world. <<