

New Topic A: how to curb land speculation

Officials and builders alike are blossoming with new and old ideas for attacking land speculation.

Builder Edward Eichler used his testimony on President Johnson's housing bill to give some views congressmen hadn't expected (*see p. 6*). "The federal government has invited speculation," he charged, by making property taxes and interest tax-deductible and allowing capital gains on sales of raw land. Eichler also was a key man in getting the first new statewide political group in years to back a plan to let localities hike taxes on land and cut taxes on improvements (*see p. 18*).

Suburban officials in New York and California seem to be getting the message that bargain basement assessments on raw land inflate housing prices in the end (*see p. 18*). One Florida land dealer got a rougher message: a widely advertised land auction flopped (*see p. 18*).

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The sweeping plan for FHA-insured loans up to \$50 million for giant new communities is running into opposition from big segments of private industry plus disinterest by key senators and congressmen. It looks all but dead for this year.

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Florida gets a foretaste of trouble in land sale fiasco

A land auction in Florida, ballyhooed nationally as the largest in the country since 1923, has just turned into a sickening flop.

Major Realty Co., unhappy holder of 40,000 Florida acres, tried to unload 4,062 acres in February. It sold only 6.3. The fiasco describes better than anything else the state of the Florida land market.

Major's plight, may well reflect the out-

look for Florida land promoters generally. Major was pieced together in 1960, under the leadership of George Friedland, chairman and president of Food Fair Stores, large Eastern super market chain. Friedland tediously assembled \$25 million in land from more than 800 Florida owners.

For a while Major did well. Its stock price rose above \$5. But then came a

HHFA counterattacks. As the new-town plan faded, HHFA rounded up supporters to testify. President Allan H. Lindsey of Sierra Pacific Properties, developer of El Dorado Hills (N&N, Feb. '63) outside Sacramento, pointed out that the proposal would save \$1,000 in land cost per house if it cut interest from 10% to 6% on a \$15 million town of 600 homes a year.

Edward P. Eichler, on leave as president of Eichler Homes, in Palo Alto, made a lonely trip to the hearing (*see photo*) to voice his strong support. Eichler also warned: "There could be considerable difficulty in administering this program." Then he urged Congress to probe real roots of the land-cost problem. Said he:

"From 1950 to 1960, the per-unit cost of raw land rose ten times more than the consumer index or the construction cost in California. By making property taxes and interest deductible from ordinary income tax and the profit on the sale of raw land taxable only at capital gain rates, the federal government has invited speculation. The cost of land is increased and sprawl is encouraged as land is held off the market for future gain. I strongly urge this committee to consider recommending changes in tax laws as well as other efforts to bring housing costs down."

drought in sales. Major, like other land developers, sank into a cash bind. Resorting to debt boosted expenses. Friedland left, and Major brought in Board Member Delson as president to "keep the company alive." Delson cut overhead, discontinued some unprofitable operations, and tried to shave his financial burden by selling off land. Meanwhile the stock price has dropped to 25¢ bid.

Land taxation, assessment flare into a big new issue

At opposite ends of the nation, local and state political rows are developing over taxation of land and its assessment.

The California Democratic Council, which calls itself the largest grassroots political organization in the nation, has just endorsed a proposed state constitutional amendment to let cities put "a higher assessment on non-agricultural land value and a lower assessment on improvements on the land."

"The differential," says the council, "will encourage good construction and repair and will make long-term raw land holding for speculation, which skyrockets housing costs, unprofitable." A constitutional amendment opening the door to such site-value taxation has been kept off

the ballot by California's legislature for two years in a row.

A committee headed by Builder Edward Eichler of Palo Alto drafted the plank. It was adopted without comment.

Two statewide groups, the Statewide Homeowners Assn. and Incentive Taxation Committee, plan to ask the United Republicans of California to take similar action and to take their pleas before the platform committees of both national political conventions this summer.

Near Los Angeles, Supervisor Alton E. Allen of Orange County (pop. 703,925) is pressing for increased assessments on raw land. He claims homes are valued at 22% to 28% of value for tax purposes while raw land is assessed at only 5%.

In suburban Nassau County on Long Island (pop. 1,300,171), County Executive Eugene H. Nickerson, a Democrat, is meeting bitter opposition to raising assessments on vacant land. Says Nickerson:

"Today homeowners are assessed at one-third of the value while vacant land is assessed as little as one-hundredth of the market value. Since 1939 the value of improved land has gone up three times while vacant land has increased 100 times."

To eliminate this "very serious and discriminatory tax burden" on homeowners, Nickerson began upgrading the value of 49,000 parcels of vacant land to one-third of market value. Assessments jumped \$3.9 million on the first 1,898 parcels.