

by Michael Perelman

Our present attitude toward land is primarily based on the profit system. We buy our land in the hope that the price will go up. We must remember that the determination of land values is not quite so simple as supply and demand. For instance, we consider our surroundings when we think about how desirable a home is. How are the sewage facilities, the schools? Are stores nearby? Are the neighbors nice (white?) people? Is the view pretty? Now let us envision a farm, maybe 20 miles from an urban center. The farmhouse is OK, but there's not much doing out there in the sticks. Along comes a developer. Why not build a community out here? The land's cheap. If I build 500 homes there will be enough people so that nobody will be lonely. I can get the senator to get a super highway built out here so the people can get to town easily. While the land isn't worth too much to the farmer, each of the five hundred homebuyers will pay a pretty penny for their houses and land.

Another version of the same story is that the developer can rent the houses to the community. He can tell the tax collector that he is losing money on the project and lower his income taxes. Essentially, the idea is that the developer claims that the community loses a certain percentage of its value each year. He subtracts this value from his taxes as a loss. Actually, it is much more likely that the community becomes more valuable. Further, if the developer waits a certain number of years before selling his community he can claim that his profits were one half as large as they actually were. The other half is called capital gains and is non-taxable.

Another common trick is for the developer to package his community and sell shares in the community to wealthy people who want to lower their taxes through the two loopholes of claiming depreciation of the investment and capital gains.

Another effect of the capital gains tax is obvious to any city dweller. The capital gains period is very short. The investor is well advised to sell the property as soon as he can take advantage of the capital gains loophole. He builds his apartments to last only a little longer than the capital gains period, because his hands will be washed of the whole matter after that. He can still hope to sell his apartment at a profit because the subsequent owner can depreciate the property all over again. The prospective profits for the next owner are high thanks to the tax laws; the next buyer will find a way to turn a nice profit on the building even though it might be in violation of numerous building codes.

Furthermore, many apartment houses are built on money borrowed from banks. The interest charges from the loan can also be deducted from paper profits so that taxes can be lowered still further. When profits are calculated on the basis of the money actually invested, profits are extraordinarily high.

The home owner who lives in his home year after year does not get these tax benefits. He feels the tax squeeze and will eventually sell his home and become a tenant in one of our ugly apartment buildings. His property will be converted into an apartment building and the cycle will continue. The landlords will continually raise the rents and talk about how low their profits are. They will not mention the tax benefits that they can count on or the appreciation of their property which they can expect to further swell their profits.

The mindless misuse of land is multiplied manyfold in California. We are diverting our water to Southern California at a cost of about \$12 billion, according to former Governor Brown. The effect of this monstrous distortion of the ecology of California will be to raise land values in the desert. The harm will be compounded by the ^{*} which is intended to carry the agricultural wastes from the Central Valley back north and dump them in the Bay delta. These wastes contain high concentrations of nitrates which have made the water supply in several cities unfit to drink. These nitrates attack the hemoglobin in children's blood. Furthermore, it is likely that the amount of DDT brought back to the Bay will be significant.

* Master Drain

The cost of this project will be well above the \$12 billion mentioned above for two reasons. (1) The ecological damage from this scheme is incalculable. (2) The project is paid for by bonds. When the state sells these bonds, school districts and municipal governments have a difficult time selling their bonds. This adds to the tax burden of these entities and often the bond issues are not passed. Necessary schools and urban improvements are not made. Furthermore, the cost which the school districts and municipal governments are forced to bear is passed on to the homeowner's property tax bill.

The effect of the real estate activities which I described is merely to transfer value from individual to individual. The property tax paying individual homeowner or tenant is soaked while the land speculator is enriched. Northern California is despoiled; Southern California booms.

Much of our booming and building is just an unproductive tug-of-war between different elements of society to see who gets the most. True, our Gross National Product increases, but our technology which produces our goods and services also pollutes the air and water. Already we have carelessly allowed over one half of our topsoil to erode away. All civilizations before our present North American-North European civilization have made the same mistakes and their deserts will be among their most lasting contributions. Remember that the Sahara desert was once one of the most fertile areas of the world. Few people realize that the protein content of our food is constantly decreasing.

We can avoid the fate of earlier civilizations and build a better future only if we learn to husband the wealth of nature very carefully. This course requires many changes in our value system.

A NOTE ON LAND USE, FROM GARBAGE AS YOU LIKE IT,

by Jerome Goldstein

The annual U.S. production of packaging materials totals:

- 188 pounds of paper per person
- 250 metal cans per person
- 135 bottles and jars per person
- 338 metal and plastic caps and crowns per person

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