

LAND AS A SHARE OF ALL WEALTH, LOS ANGELES COUNTY, 1971

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The following data were taken from the assessment rolls of Los Angeles County for 1971-72 by Dr. William Truehart and presented in his dissertation at Claremont Graduate School, 1973. They are valid as very general indicators, but the assessor and his staff, Dr. Truehart, and I, all three, have handled them in our separate ways, so see the various notes and warnings before interpreting them.

Los Angeles County is the largest single assessment jurisdiction in California and the world, in values, population, and number of parcels. If there are diseconomies of scale in organizing an assessor's work they will be found here. There is also politics: at the time of these data a teacher at San Marino High was suing the elected assessor, Phillip Watson, for undervaluing lands in the Malibu Hills held by Ronald Reagan, Bob Hope, and other prominent individuals.

The U.S. Census of Governments periodically reports on the ratio of sales values to assessed values, as a check on the validity of local assessments. Various biases show up regularly. The one most relevant here is a widespread tendency to undervalue land relative to buildings and movable capital. The true value of land as a share of all wealth is considerably higher than shown here.

"Fractional assessment" is the universal practise in California. (It is a bad practise, but hallowed by tradition.) Assessed values are about 20% of market. Truehart says 25% but he is being generous. There is an average 5 years or more between reassessments so the average one is 2.5 or more years old, generally guaranteeing the assessment is less than the "target" 25%. So to put these data in market terms, multiply by 5.

But the major interest in these data is comparisons among cities, and among uses of land. Both cities and land use classes are heterogeneous, some of them extremely so, so bear in mind that the data given are simply means for the classes, requiring interpretation for individual cases. There are 1,800,000 parcels of real estate in L.A. County, and no simple summary figures will do justice to their variety. Still, what follows is a good start.

Assessed values of property, L.A. County, 1971-72 roll.

<u>Kind of prop.</u>	<u>Assessed Value</u> (\$000,000)	<u>Share of total</u>
Land	7,248	.39
Improvements	8,329	.45
Personal	3,113	.17

What is "personal" property? It doesn't really mean personal, but movable. What you or I would call personal property is mostly exempt. Improvements means mostly buildings, but also includes "fixtures", meaning machines and counters affixed to the floor, wall, ceiling or grounds (but with capricious exceptions, such as, e.g., that trees and vines are "personal property").

Selected cities ranked by ratio of Land/(Land + Improvements)

<u>City</u>	<u>Assessed Values (\$000,000)</u>		<u>L/(L+I)</u>
	<u>Land</u>	<u>Improvements</u>	
1. Avalon	5.62	2.42	.70
"Resid."	.571	.354	.62
2. Irwindale	9.68	5.89	.62
"Gravel"	5.17	1.35	.79
3. Signal Hill	12.7	9.29	.58
Lt. Mfg.	2.11	1.55	.58
Petr. & Gas	1.24	1.09	.53
Resid.	1.84	1.24	.60
4. Beverly Hills	162.	133.	.55
5. Lawndale	18.3	15.1	.55
Resid.	7.70	4.83	.61
6. Culver City	60.6	52.1	.54
Hvy. Ind.	4.90	4.80	.51
7. Montebello	50.1	50.2	.50
Resid.	24.0	23.7	.50
L.A. COUNTY	7,248.	8,329.	.4653

8. Palmdale	20.3	24.8	.45
Resid.	1.53	4.92	.23
9. Pasadena	143.	184.	.44
Resid.	43.5	43.4	.50
10. La Mirada	15.3	22.7	.40
Resid.	6.02	11.3	.35
11. Carson	90.8	145.9	.38
12. Cudahy	5.66	9.38	.38
13. Baldwin Park	19.4	32.0	.38
14. West Covina	21.2	36.5	.37
Resid.	11.0	23.9	.32
15. San Fernando	7.08	12.8	.36
Resid.	2.35	3.95	.37
16. Vernon	41.9	80.5	.34
17. El Segundo	47.8	100.1	.32
Refineries	12.3	55.1	.18
Aerospace	7.11	17.4	.29
18. Claremont	16.9	47.1	.26
Resid.	6.00	18.8	.24

Truehart does not furnish the data for the City of Los Angeles as a whole, but for selected neighborhoods, which I have ranked separately below. Truehart selected the neighborhoods for their distinctive character.

1. Park-La Brea	10.2	5.34	.66
2. Venice	6.43	5.66	.53
3. East L.A.	18.6	17.1	.52
4. San Pedro	6.40	6.69	.49
5. CBD	81.4	111.	.42
6. Century City	32.2	54.9	.37
7. Watts	3.91	7.01	.36
8. Wilshire Blvd. (improved only)	10.4	26.4	.28

Comments and interpretation follow for the various cities and neighborhoods above..

1. Avalon, pop. 1520. Resort, Sta. Catalina Island. Playground of the rich and reclusive. Older buildings. High values for few people. The Island was entirely owned not long ago by one family (Wrigley) and is doubtless still very closely held. An example of land as a "superior good".

2. Irwindale, pop. 784. Produces cement, sand, gravel, etc. from the San Gabriel River. Enormous values per resident, few residents: an "industrial enclave" so-called. It may well be one of those like City of Industry, Emeryville (up north), etc. that zone out residents deliberately to hold down school taxes on the dominant industrial interests.

3. Signal Hill, pop. 5,582. Oil everywhere. It was subdivided before they struck oil, so many, perhaps most of the parcels share in monthly royalty checks from the oil operators. This is what accounts for the high land values, even on residential parcels.

The "Petroleum and Gas" class includes storage tanks.

4. Beverly Hills, pop. 33,500. High values per capita, both residential and commercial -- whoops, we hate that expression, make that retail, or le haut monde, or something posh. Another case of land as a superior good, less extreme than Avalon. Palatial homes that you see; invisible land values more majestic than the palaces.

Achieves high values per capita without including anything dirty like cement, oil, or industry. In an affluent society the "amenity" value of land for recreation and ostentatious living and socializing becomes a higher and higher share of the total.

5. Lawndale, pop. 25,000. This is no Beverly Hills, but a group of old houses due for demolition and replacement.

6. Culver City, pop. 35,000. Old buildings, 11 miles from city center, land approaching the eve of renewal.

7. Montebello, pop. 43,000. Another older city, 9.2 miles from city center.

8. Palmdale. Highly speculative, far out from center. Large Lockheed Plant, possible new commercial airport, keep hopes alive and elevate value of vacant land. Note low land share in existing residential, indicating low unit values of land reflecting remote location.

9. Pasadena, pop. 113,327. Older city of superior location, hence the high land share in "residential".

"Residential" as used here is my interpretation of Truehart's term "homeowners", which I am quite sure refers to detached single family dwelling units (some of which are rented).

A good deal of the single units in Pasadena are probably on land whose value is enhanced by demand for multiple-unit apartments, helping account for the high land share there. A troubled city in process of adjusting to drastic changes, Pasadena defies simple generalizations.

Per capita values are moderate to low, reflecting large recent immigrations, apartments, and subdivision of old residences.

10. La Mirada. Dormitory suburb, new and high quality in moderate location, hence the modest land value share.

11. Carson. Truehart thinks it is a dormitory suburb but he is tentative, and I just plain don't know.

12. Cudahy. No information.

13. Baldwin Park, pop. 47,000. Very low land values per capita, about 1/12 of Beverly Hills. Also a lower ratio of land to improvements, .38 as opposed to .45 for Beverly Hills. People of lesser means need shelter first and location second; people of greater means reverse the order. That is what it means to say that land is a "superior good".

14. West Covina. Dormitory suburb, too far away.

15. San Fernando. Older dorm, too far out.

16. Vernon. Industrial enclave, but unlike Irwindale (the cement city). Vernon's industries are manufacturing and warehousing, calling for a higher ratio of improvement to land. Vernon also has an unusually high amount of "personal" property, i.e. inventories of raw materials and warehoused goods in commerce. That kind of capital is not "supposed to be" included with improvements, but Truehart says that some of it is.

17. El Segundo. Refineries and aerospace, costly improvements make for a low share of land value. However, in Milwaukee I found that industrial land was nearly always underassessed by a very large factor. That is because it has not been subdivided, and the practise is to reassess land upwards when it is subdivided, but not generally beforehand.

What does the U.S. Census of Governments tell us about this? Very little! Its studies of sales/assessment ratios are generally limited to subdivided residential lands. What little it does tell us about acreage, however, is that it is the most underassessed of all classes of taxable property.

So take these El Segundo and Vernon figures with a grain of salt. In addition, today the growth of values around LAX has undoubtedly pushed these land figures upwards.

18. Claremont. Dormitory and college town, small lots, remote from city center, employment for intellectuals willing to live in genteel poverty and breathe smog in return for intellectual and cultural amenities which command less of a premium in the southern California culture than in New England.

Truehart also carved out small sections of the City of L.A. for study, as noted earlier. Comments on these follow.

1. Park-La Brea. 35-year old apartments in superior location. Land value is beginning to outgrow the buildings,

presaging early demolition and renewal.

2. Venice. In spite of the extremely small crowded lots the buildings are old and the location promising, so location is still a large factor in value.

3. East L.A. Mixed.

4. San Pedro. Older section, harbor influence.

5. CBD. This is the big surprise. In most cities the CBD shows a higher land share. The low share shown here is the product of several factors. One, the CBD of L.A. has always been relatively weak compared with other cities: the premium on locating there is less. Two, 1971 was a time when CBDs in most places were weaker than before or since. Decentralization had been the mode for a long time, and recentralization had hardly begun. Today as you know the unit land values downtown have multiplied. So, of course, have the buildings, but probably in lesser proportion.

6. Century City. Here we have a limited area uniformly improved with new and upscale buildings, hence the low land share, even though unit land values are high. (The high land share which we expect in most CBDs is the product of a few high buildings shedding high speculative expectations over lots of vacant and underimproved parcels.)

7. Watts. The poor put a higher premium on shelter than on location.

Watts is not very crowded per square mile. It is just that unit land values are very low. What is land value? It is what someone will pay for empty land, for the purpose of building a new improvement. Few want to do that in Watts, because of low incomes, high unemployment, and high crime.

Truehart interprets the data differently, stating that Watts is not a slum area. I do not know the area well enough to evaluate that. My analysis is derived from observations in the corresponding area of Milwaukee, known locally there as the "inner core". When surrounding conditions get inhospitable enough, some land is practically abandoned and cannot be sold at any price.

8. Wilshire Blvd., improved parcels only. Truehart cut out the vacant parcels, of which there are many, to get the ratio on improved parcels only here.

His data come from 4 separated strips: Vermont to Ardmore; Windsor to Hudson; La Brea to Fairfax ("Miracle Mile"); and the "Westwood Area".

The point of this selection seems to be that even high-rise apartments and condos commanding fabulous rents and prices are not enough to push the land share below .28.

Remember that within each city, and within each class of land use within each city, there is wide variation, depending on age, intensity, location, and other variables. The figures given show general tendencies, and for that purpose are a useful way to get a feel for the economic forces swirling around inside cities and regions.

Truehart also presents data by class of land use, provided by the office of the Assessor of L.A. County. "Intensity", measured by the ratio of capital to land, depends on the combination of two things: the location of the land, which we have let be represented by the name of the city; and the use to which it is put, as represented in the classes below.

The Assessor had his data on tape and classified by "land use". As you run through these uses you will get a feel for how arbitrary some of them must be, and what different actual facts are included within the same "class". Still, you will get a good feel for how the intensity of use varies according to the use to which land is put.

The data below are similar but not identical to those presented above. There are two differences. First, what we show below is the ratio of Land to (Land + Improvements + Personal). (Previously we omitted Personal from the denominator.) This is necessitated by the way Truehart gathered the data, for a purpose different from the present one.

Second, minor errors are introduced by the fact that I have had to calculate the land share from other data presented by

Truehart, by reconstructing his program from the description in his text, and working it backwards to the original data, which are not presented there. I believe this has resulted in minor errors, not exceeding two percentage points. The point is not worth pursuing here; assessed values are not that accurate anyway.

Land as share of all capital by land use classes, L.A. County

<u>Land Use Class</u>	<u>Land Share</u>
Food Processing	.186
Multi-story Office Buildings	.197
Mineral Processing (refineries)	.225
Heavy Industrial	.238
Packing Plants	.246
Apartments: 5+ units	.259
Hotels, multi-story	.279
Professional Buildings	.279
Produce Houses	.287
Canneries	.287
Financial Institutions	.294
Hospitals	.342
Regional shopping centers	.343
Warehousing, etc.	.347
Motels, 1-3 stories	.349
Dept. stores, multi-story	.357
Light Manufacturing	.361
Apts., 4 units	.388
"Homeowners"	.389
Neighborhood shopping center	.393
Supermarkets	.409
Single-family residential	.411
Misc. residential	.412
COUNTY AVERAGE	.412
Auditoriums	.414
One-story office buildings	.422
Bowling alleys	.424
3-unit residential	.433
Service shops	.445
Mortuaries, cemeteries	.446
Nursing homes	.451
Duplexes	.484
Store and office	.485
Restaurants	.494

Night Clubs	.500
Stores	.505
Recreation	.530
Nurseries	.532
Lodges	.532
Rooming Houses	.533
Auto Sales	.552
Race Tracks	.553
Mobile Home Parks	.597
Vines	.598
Poultry	.617
Water Companies	.619
Lumber Yards	.637
Irrigated Field Crops	.656
Service Stations	.673
Non-irrigated fruits	.674
Mining	.677
Desert	.678
Vacant recreational land	.685
Misc. Natural Resource land	.700
Field Crops, non-irrigated	.701
Agric., misc., non-irrigated	.706
Golf Courses	.713
Dairy	.714
Open storage	.723
Pasture, dry	.725
Rivers, lakes	.730
Feed lots	.731
Private rural pumps	.732
Petroleum and gas	.746
Drive-in theatres	.753
Pipe lines, canals	.761
Vacant or near-vacant ind. land	.770
Highways & streets (pvt.)	.778
Irrigated pasture	.782
Rural "waste" land	.784
Timber: pine	.785
Vacant or near-vacant commercial	.788
Parks: pvt.	.800
Agric.: truck crops	.814
Parking lots	.815
Water rights	.815
Add'l. vacant or near-vacant coml. land	.816
Rights of way	.849
Vacant: suitable for single- family residence	.854

Agricultural: irrigated fruits and nuts	.895
Vacant: suitable for 2 res. units	.902
Dump sites	.906
Vineyards, non-irrigated; City of L.A. only	.921
Vacant: suitable for 3 or more residl. units	.921

OX, there you have it. Now, why does all the vacant land near the bottom of the list have ratios so far below 1.00? What is there besides bare land? Beats me, maybe the assessor puts a value on the weeds. What we have here is probably strong evidence of the tendency of assessors to undervalue vacant land, and put fictitious values on whatever scraps of capital, movable or not, they find about.