

Slow Fire of Taxes in Chicago Worse Than Conflagrations

(Continued from Page One)

the city as unsafe, a total of 1,362 taxable buildings were torn down in the three years.

The exact total of these losses in taxable property is not available. Members of the assessor's staff estimated it, however, taking as a basis of value 20 per cent of the reproduction cost of the buildings. This is the maximum depreciation allowed for age and condition of buildings. On this basis the estimate totaled \$4,826,345. Even after deducting 20 per cent for buildings destroyed by fire, a high percentage, because most burned buildings are repaired or rebuilt out of insurance and do not disappear from the tax rolls, the loss of taxable property in three years was \$3,861,076.

Records for 1934 have not been compiled, but wrecking is continuing at a faster pace, if anything, than it did last year, building authorities say. A significant feature of the 1933 figures was that of the 1,046 buildings pulled down, 514, or nearly half, were in the high-rent, highly taxed central business district bounded by Chicago avenue, Halsted street, 26th street, and Lake Michigan.

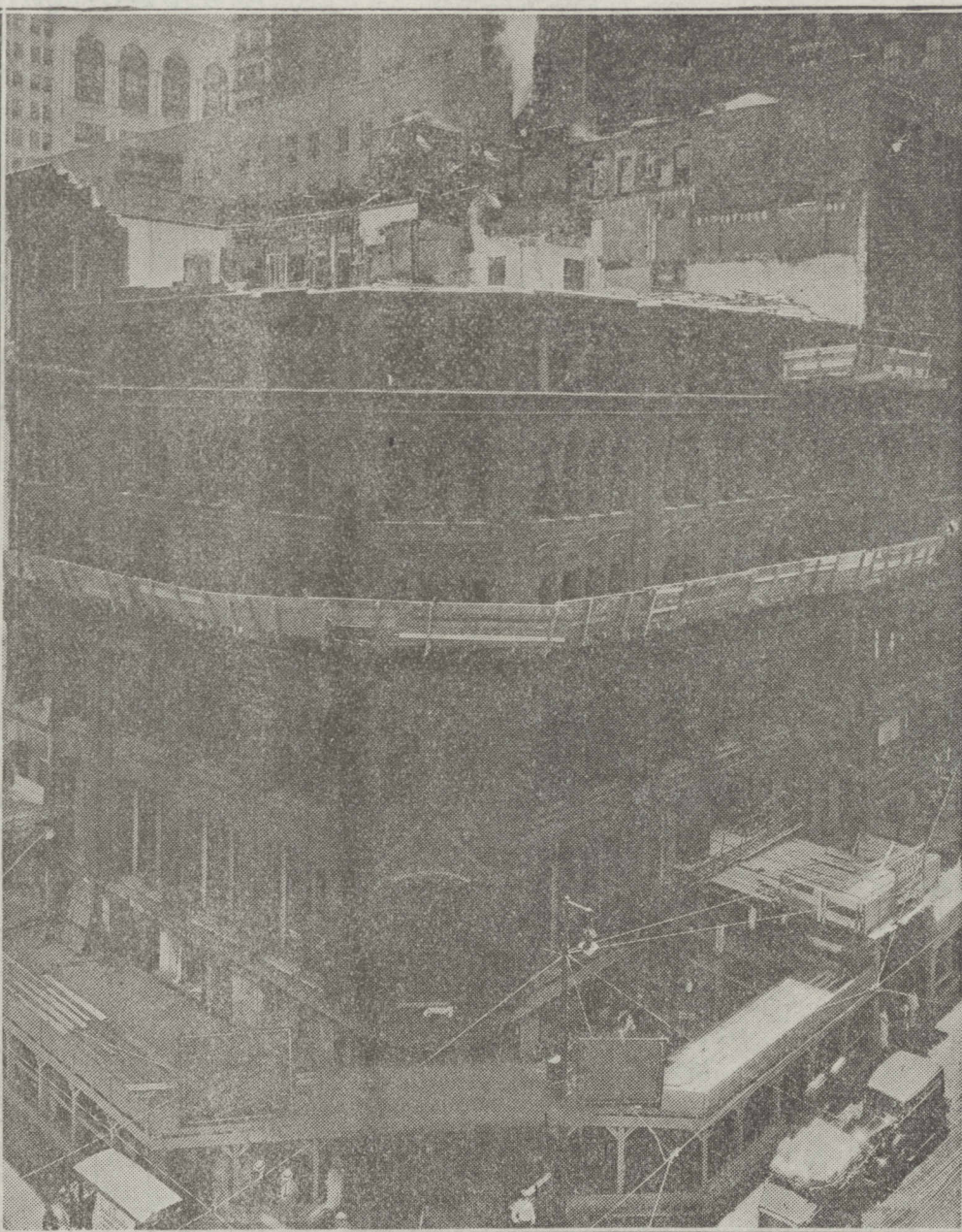
In the downtown business district the last count showed 32 parking lots in the area bounded by the Chicago river, Harrison street, and Michigan avenue. All but one or two of the sites were occupied by buildings a few years ago, and, except for a few rendered useless by the construction of Wacker drive, the majority were tenable, though unprofitable because of their tax load and operating costs, when the wreckers took charge.

Like Wake of Holocaust

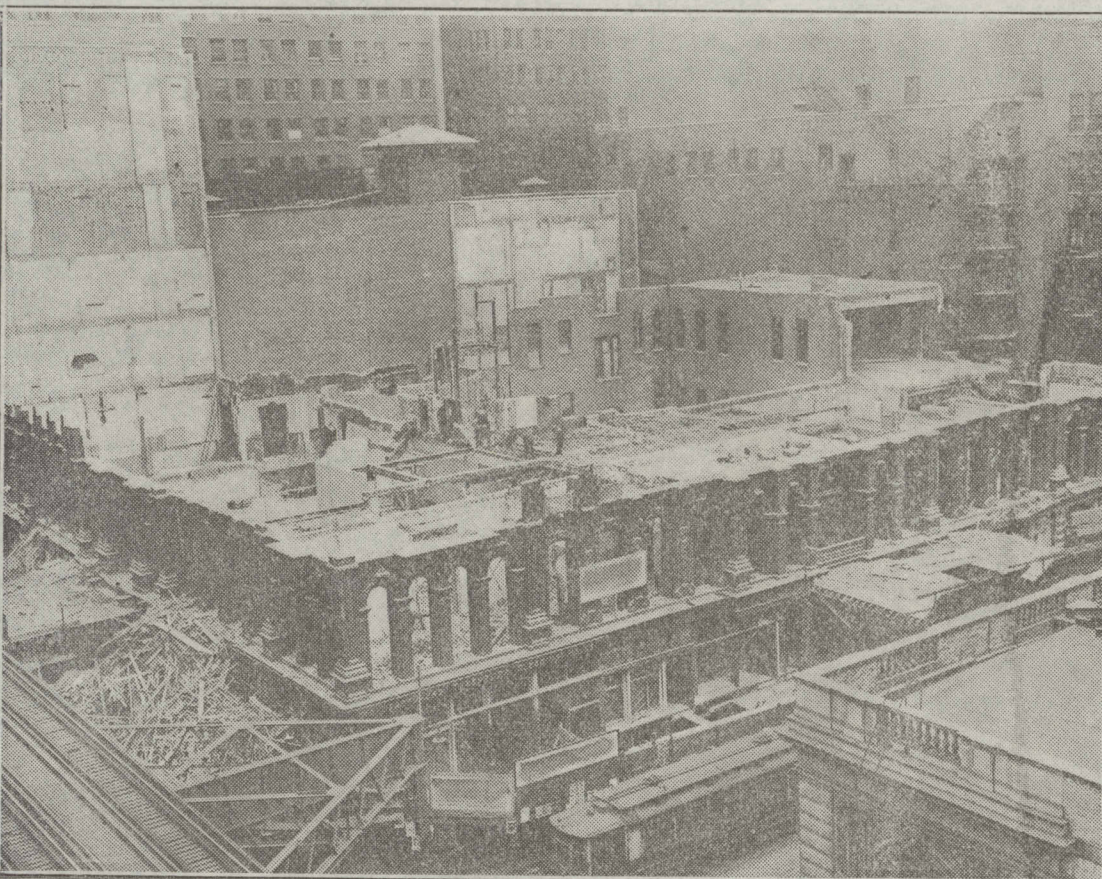
A swing around the belt immediately outside the loop area, occupied except on the near north side principally by slums and factories, will disclose a still greater destruction of buildings. Chicago avenue just east of the north branch of the river, and the industrial-wholesale district south of it, show dozens of vacant areas in which the rubble of wrecked buildings is usually discernible.

The same condition applies on the near west side. There are several blocks just east of Ashland avenue near Fulton street where the area of recently destroyed buildings surpasses that of those left standing. Along Washington and Jackson boulevards, despite the heavy flow of traffic to and from the loop, billboards screen a dozen locations where owners found it profitable to pull down buildings.

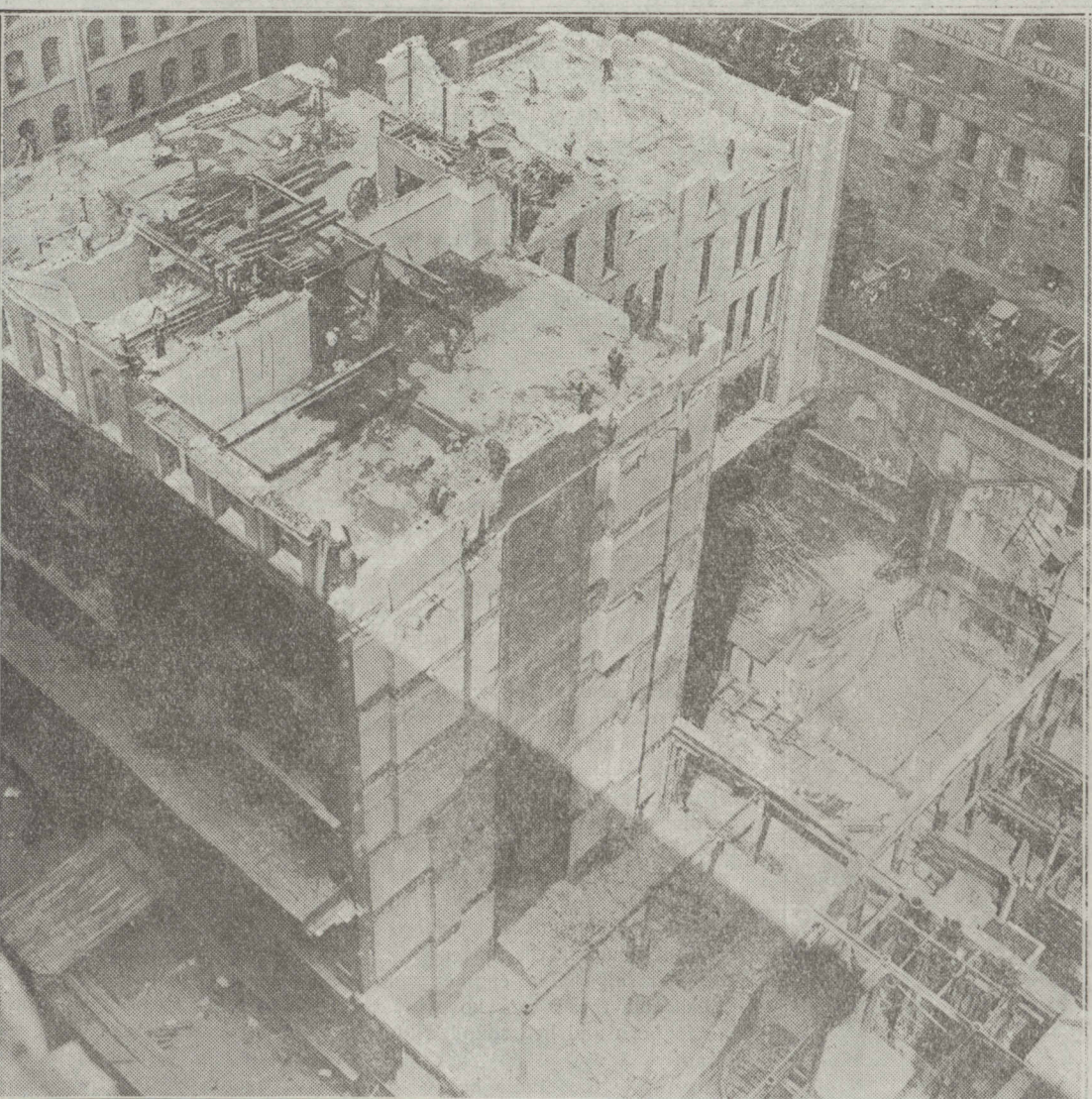
In that approximate half mile square bounded by Halsted and Canal streets, Harrison street and Roosevelt road, where the great fire of 1871 had its first sweep, it appears today as if another holocaust had swept through. In that area whole blocks have been cleared of buildings, and in others solitary flat buildings stand alone. Here, however, the extreme age of



"... ordered it [the Portland block, above] wrecked and replaced with a modern two-story shop and office building. Taxes on the new structures are less than a third of the figure achieved in the old Portland block by the strictest economy."



"Another famous structure which yielded to a parking lot was the Tremont hotel [above] at Lake and Dearborn streets. Built after the great fire, it supplanted an earlier hotel of the same name from the balcony of which Lincoln and Stephen A. Douglas had spoken."



"Estates owning a number of other old loop buildings are taking similar action. The 'taxpayer' building ... in a good retail sales area ... [Guardian Bank building making way for 'taxpayer']"

determining cause is the ravages of old age upon buildings which, though sound physically and safe for occupancy, but because of low rentals, high expenses of operation, and costly fire insurance, cannot be maintained at a profit, regardless of the taxes levied thereon.

But to this argument that obsolescence is the principal cause of building demolition other experienced real estate managers reply that it would not be so if tax assessing officials made proper allowances for economic old age of buildings as distinguished from their physical old age. Assessments are made in Cook county upon the basis of cost of reproduction with new materials. From such an appraisal deductions are allowed for physical old age, in rare cases as high as 80 per cent of the reproduction cost. But slight if any regard is given to the economic old age of buildings still in relatively good physical condition.

Upper Floors Vacant

Many four to six story buildings in the downtown area were built for use of their first floors by retail stores and their upper floors as lofts for light manufacturing or jobbing concerns. The light manufacturers and jobbers who formerly rented these quarters have moved to less central locations or gone out of business in many cases, and there no longer is a demand for such upper floor space.

The owner of such a building finds himself in the position of trying to earn a profit out of the rents for his first floor, or possibly the first two floors, alone, while he still is taxed for several useless upper stories. He can save both taxes and operating expenses by cutting his building off at the first or second story level, and often, in an old building, he is better off to raze the entire structure, renting the land, if possible, for a parking lot.

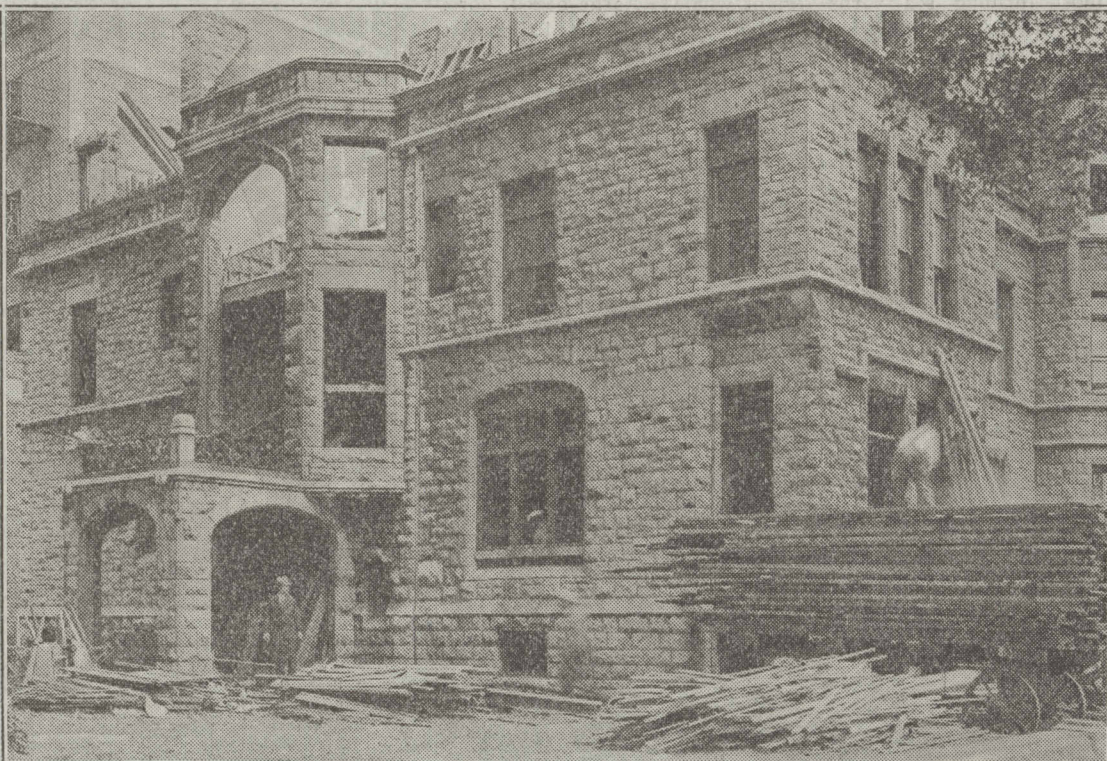
An alternative remedy to the parking lot, applicable only in locations where rents are high for street level store space, is the one or two story "taxpayer" building, so called because its purpose is to earn enough to amortize its own cost within a few years and pay taxes on the land beneath until more profitable use can be found for its site.

One of the more successful of these taxpayer buildings was described by Leo G. Varty, whose management firm handles the building at the southeast corner of Washington and Dearborn streets which replaced the old Portland block. Richard W. Sears, one of the founders of Sears, Roebuck & Co., bought the building for \$1,000,000 in 1909. His widow, Mrs. Anna L. Sears, owned it and owns the "taxpayer" which succeeded it.

Although the original building was erected in 1873, the building assessment was still \$169,000, until, for 1930. It was a fair money-maker right

the buildings, most of them put up after the great fire swept the area and occupied for decades as slum dwellings, has been a more important factor in wrecking than in other districts.

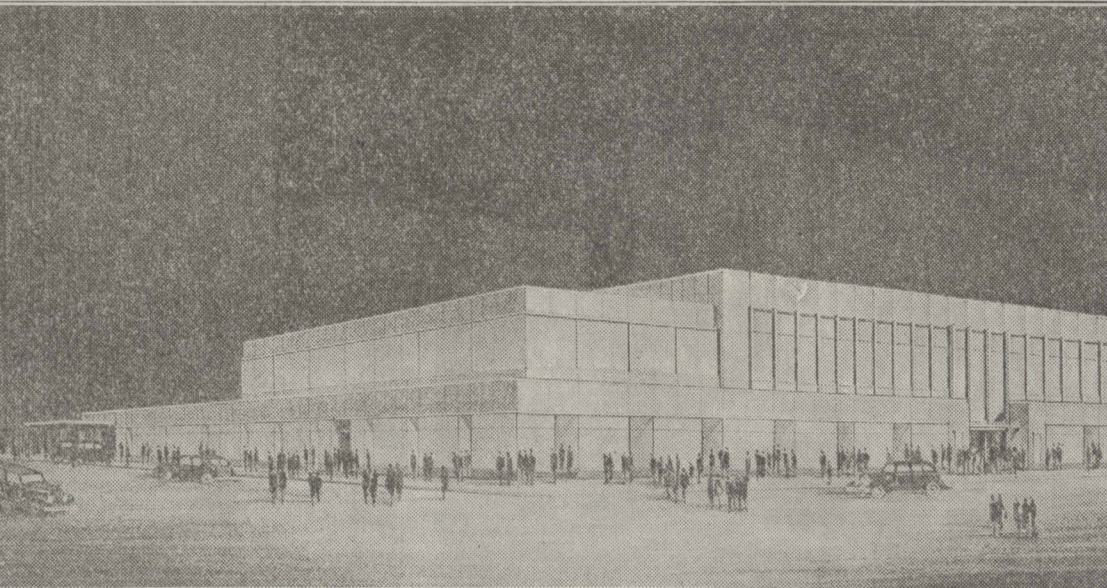
Continuing the swing back toward the lake, inspection shows that the wreckers likewise have been active in what was once Chicago's Gold Coast—along Michigan, Prairie, and Calumet avenues from 18th street for half a mile south. The fine home in which Gen. John A. Logan lived, on Calumet avenue near Cullerton street, still stands, occu-



"... old stone mansion built by the late John V. Farwell ... wreckers have pulled down the building, and now the most profitable use which can be found for the land is as the site of a row of billboards."

pied by a restaurant, but its neighbors on each side have given way to parking lots. Near by, the former home of George M. Pullman, at Prairie avenue and 18th street, was wrecked within recent years as a means of saving taxes, say real estate men in the district.

Among real estate brokers and building managers there are two schools of thought regarding the exact role that taxes play in this wholesale destruction of property. One group holds that high taxes are not the principal factor, but rather that the



"An alternative remedy to the parking lot, applicable only in locations where rents are high for street level store space, is the one or two story 'taxpayer' building ... [A two-story 'taxpayer' designed for the southeast corner of Monroe and Dearborn.]"



"This devastating effect of taxes tearing down a city ... is evidenced by the pockmarks of scores of parking lots which have replaced office and warehouse structures in the loop ... [Business section just north of loop threatened by the great destroyer, 'High Taxes']"



How Chicago appeared 113 years ago, in the days of John Kinzie and the old log fort, and how Chicago might appear again if high taxes were permitted to continue indefinitely their destruction of property."

Clinton and Monroe streets. Wrecking the building saved \$2,242 on a \$6,450 tax bill, and the parking rent is sufficient to meet the remainder of the bill and leave the owners about \$1,000 income annually.

The "taxpayer" building can only be successful, Mr. Varty said, in a good retail sales area where there is a demand for first floor store space at substantial rentals. A parking lot, he contends, depreciates the rental value of adjoining property, and in so doing depreciates its own value.

Huge Business Block Razed

The biggest parking lot in the downtown area is on the space formerly occupied by the Marshall and Field Co. wholesale house in Adams street, extending from Wells to Franklin street. Designed by H. H. Richardson, a world-famous architect, and built of great granite slabs, it was an outstanding business structure and, in spite of its forty years, was still in sound condition when the Field wholesale business moved from it to the Merchandise Mart. The building, however, suffered from economic obsolescence. George Richardson, manager of the Marshall Field estate, owners of the structure, said that its high ceilings made it difficult to remodel for modern use, and its size made it impossible to find a tenant to use it as it was.

Nevertheless, the 1930 taxes were \$33,400 on the virtually useless building and \$77,495 on the land. After wrecking, the rental as a parking lot is now approximately equal to the tax bill, although this was not true for the first two years of operation.

A more profitable parking lease, on a much smaller space, was negotiated by Baird & Warner for a 65-year-old four-story loft building at



"... followed a conflagration in which one heroic watchman lost his life, which 2,200 firemen, using five-sixths of the city's apparatus, fought until the next day to subdue, and which destroyed a dozen famous stockyard structures ..."

nue. The founder of the family fortune had restrained his daughters from disposing of any of the real estate which he owned for a long period of years after his death. When the prohibition was lifted the mansion was sought to make way for a parking lot.

Two blocks farther south on Michigan avenue the Bucklen apartments were one of the show places of the city for many years after their erection in the nineties. They were built by H. E. Bucklen, a druggist who made a fortune with a cough syrup. They have bowed to high taxes, and a parking lot, along with the Bucklen residence next door, which contained a fortune in rare woods and Michael (Hinky Dink) Kenna, boss of the First ward, has had to find a new home after being one of their tenants for 34 years.

The old Everleigh club at 2131 South Dearborn street, probably the most notorious resort on the continent, flourished from the nineties until 1911, when Mayor Harrison ordered it closed. On July 24, 1933, tax bills dealt the finishing stroke, and wreckers began removing expensive mirrors and fireplaces from the building.

Historic Landmark Wrecked

A historic landmark bowed to the pressure of taxes a month later. This was an ancient building at 344 West Kinzie street. Archibald Caldwell and James Kinzie built it, according to tradition, as the Wolf Point tavern in 1830. Sailors and fishermen formed a bucket brigade to save it during the great fire. Henry Gries, who had been superintendent of construction at the Columbian exposition, operated a saloon in it from 1893 until the coming of prohibition. It was wrecked for parking purposes.

Abraham Lincoln, coming to Chicago to try cases as counsel for the Illinois Central railroad in that period when he had lost faith in his future in politics and was living a practice as a corporation lawyer, frequently stayed with relatives in a cottage at 127 South Morgan street. A year ago the cottage and adjoining structures were torn down because of taxes and the land offered for rent as a parking station.

Another famous structure which yielded to a parking lot was the Tremont hotel at Lake and Dearborn streets. Built after the great fire, it supplanted an earlier hotel of the same name from the balcony of which Lincoln and Stephen A. Douglas had spoken.

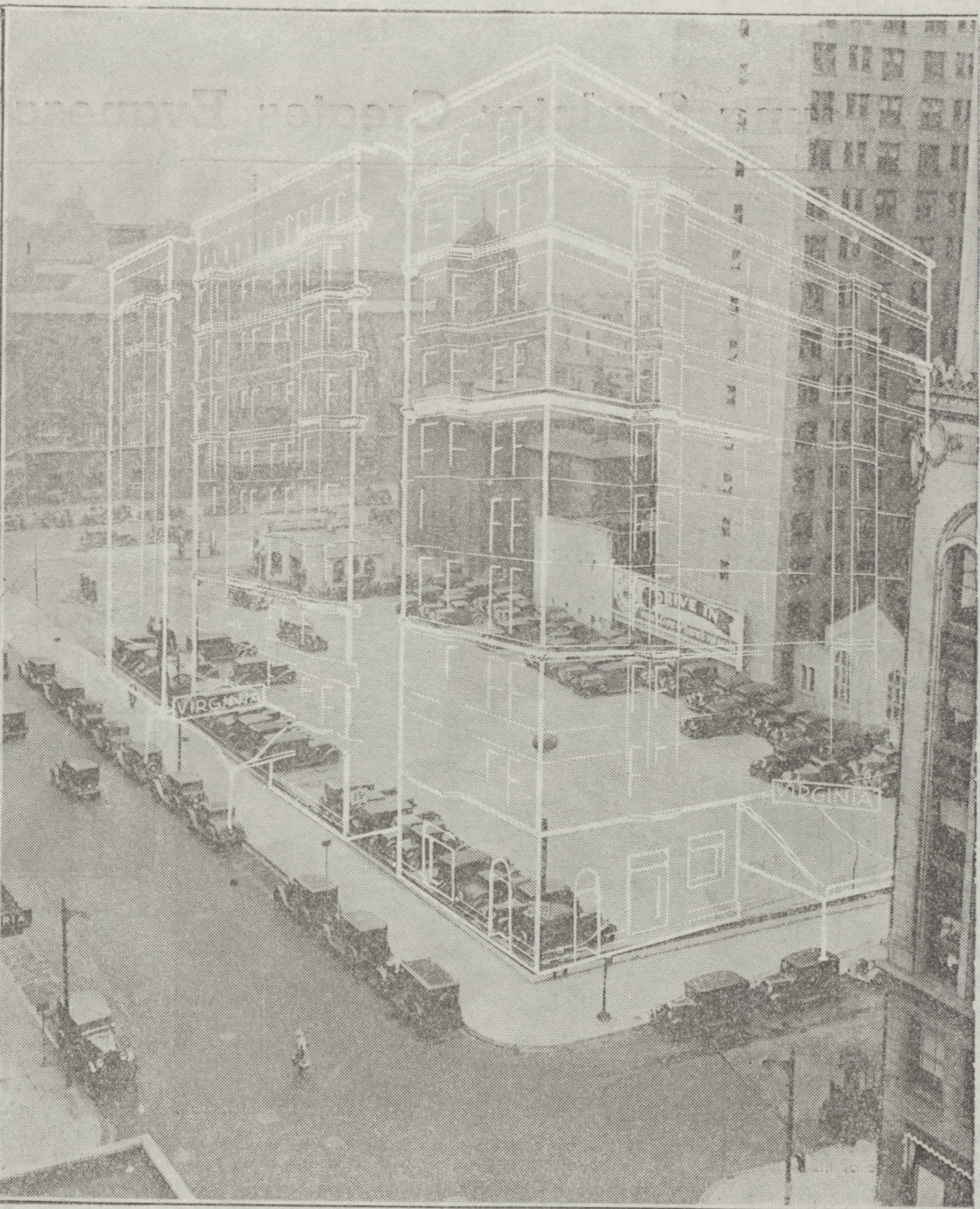
Even the return of beer could not save from the wreckers the old Conrad Seipp brewery at 27th street and the Illinois Central tracks. Built in 1871, the plant could not have been reproduced for \$5,000,000, experts said. It had a pre-Volstead capacity of 750,000 barrels of beer a year. The company went bankrupt after prohibition, and the machinery was sold later. The bondholders who controlled the property decided to wreck the buildings, covering four acres, to save taxes.

Industrial Plant Abandoned

Taxes were only indirectly responsible for what has been pronounced the largest building demolition job in the world, that of the Deering works of the International Harvester company on the north branch of the Chicago river between Diversey and Fullerton avenues. The plant, covering 79 acres originally, and once the second largest farm machinery establishment in the country, has been abandoned. Taxes enter the picture in two ways, first in the failure of tax officials to recognize the economic obsolescence of the group as separate from its physical deterioration, and second in the opportunity to carry on the same business at East Moline on ground owning much lower taxes than those demanded in Chicago. The principal cause of the property destruction, officials of the Harvester company said, was inability to use the old four and five story buildings for their modern heavy manufacturing operations. The plant was built, starting in 1879, in the days of small horse-drawn farm machinery, which now has been supplanted by harvester-threshers, huge machines almost as large as a small bungalow.

These mechanical giants have to be built in a single-floor, "straight-line" plant similar to those of the automobile industry, and it is to such a plant at East Moline, where lower taxes and proximity to Mississippi large traffic are an added attraction, that the company has moved its operations.

The Globe Wrecking company already is carrying out a contract to tear down 13 acres of buildings at the Deering plant, and more probably will be demolished to save taxes if they can.



"Dwindling revenues and mounting taxes caused the owners to order it [Virginia hotel] wrecked and replaced by a parking lot." [Ghost of Virginia hotel above parking lot.]



"The fire was the most widespread since the great conflagration of 1871 ..."

not be rented for light manufacturing purposes. Another large manufacturing plant to give way to a parking lot in the hope of getting enough revenue to pay land taxes was the old Kirk soap factory in Michigan avenue north of the link bridge.

A typical case of the destructive work of taxes even after owners had cut operating costs of an old and unprofitable building to a minimum was that of the Medinah building at Jackson boulevard and Wells street. Fourteen stories high, it was once a highly profitable office structure. High operating costs caused the owners a year ago to move the tenants out of the twelve upper stories, leaving the first and second floors as a theoretical taxpayer. They found, however, that this gained them no reduction in taxes on the useless part of the building, and now they have torn the building down to two stories, leaving the steel framework of the lower floors as the skeleton of a modern two-story office and store building. Rentals from this, they expect, will meet tax bills and pay a small return on the investment.



"But as an agent of destruction that careless motorist [responsible for the above] who tossed away his cigar was a piker compared with that group of public employees ... who in the county building prepare and send out ... tax bills."