

# Letter to Lucy

Dear Lucy:

Glad to receive your recent letter with all the news of the Cape. With regard to our friend, Phoebe, and her decision not to sell her woodland acreage to developers, she's ahead of the game. She's also done the whole community a big favor without costing herself anything. She's really better off NOT selling, considering all the financial, aesthetic, environmental and sociological reasons.

Taking these in order: Phoebe lives comfortably on her present income, even though her living standard might be viewed as "modest" by more profligate people. She has none of that grotesque psychological need, so frequently seen today in those who had a deprived childhood, to indulge in mindless (and often tasteless) conspicuous consumption.

Financially, she has everything she needs and a little left over. She has self-esteem and inner personal resources that make her immune to attempts by the strutting herd to incite invidious comparisons. Another friend of ours put it this way, "There's a surprisingly large, relatively well-off, lower class today."

Be that as it may, the financial picture remains bright for Phoebe for we know that 20 years ago she paid \$5,000 an acre for that tract. An offer of \$30,000 an acre today seems quite attractive, but remember that \$30,000 will only buy what \$10,000 did in 1962.

Real estate like hers is assessed at about 70% of current market value; 70% of \$30,000 is \$21,000. With a tax rate of \$23 per thousand, the taxes run \$485 an acre on her land. Since property taxes are deductible from income taxes, and her tax bracket is a modest 25%, her real tax is \$365 an acre.

If she were to sell, she'd pay a capital gains tax on \$21,500 an acre (\$30,000 minus \$5,000 original cost, less realtor's commission of \$3,000 and legal fees of \$500.) Again assuming a 25% tax bracket, and knowing 50% of capital gains are subject to tax, 12.5% of \$21,500 is \$2,688 an acre.

For reinvestment purposes, Phoebe would net \$18,800 an acre. Figured conservatively, a 9% return is \$1692 a year. (She could get more just now, but that only exacerbates the problem.) Income tax on this in her bracket would be \$423. If she sold the land, she'd pay \$58 more income tax, annually, than it now costs in property tax on each acre (assuming the additional income didn't push her into a higher tax bracket.)

Superficially it appears she would be better off to sell the land and invest the profit, but the value of her land is appreciating considerably faster than the 9% return and faster than inflation. And it's doing so tax-free. Further, invested cash is constantly eroded by inflation since it's denominated in the "cigar coupon" U.S. dollars. Therefore, since she really doesn't need additional direct income, from a purely financial viewpoint Phoebe would be making a mistake to sell her land.

From aesthetic and environmental viewpoints, the impact of selling the acreage is devastating. Houses would be built on the property. We recently watched a tract of Cape woodland undergo residential development. First the trees,

where houses and sewage systems were to be located, were cut down and the stumps torn up. Then a combination backhoe and front-end loader came in and dug holes for the cellars and drainage.

This generated enormous piles of sand which were heaped indiscriminately, smothering all native flora, much of it "protected" species. (Protected species are those which, if you pick the flowers, you're subject to arrest, but if you rip them up with a bulldozer, that's okay!) Trailing arbutus, lady slippers, Indian pipes, pipsissewa, star flowers, princess pine, edible and inedible mushrooms, and many other plants, were destroyed.

Next, foundation forms were set up and filled with concrete brought by huge ready-mix trucks. Note, in passing, that the roads carrying these mammoth vehicles were never designed to support such loads. Eventually these roads must be rebuilt at taxpayers' expense, but that's all right. "It's good for the construction business," so Town Fathers close their eyes to this destruction.

When the foundations were solid, house construction began; the houses, themselves, were completed in a surprisingly short time. Profits, estimated from what such houses sell for, must be tremendous. "Obscene" is a favorite word of the media in describing oil companies' relatively modest profits. What word could describe adequately the profits of the house-building business . . . nailing up plywood boxes?

Once the houses were finished, the "landscaping" went in. All remaining fill was spread to almost entirely cover the remaining areas of the lots. Topsoil was trucked in (by more road-cracking behemoths) and spread, raked, seeded and rolled. Foreign shrubs (foreign to the Cape) such as hemlock, yew, azalea, and andromeda were placed around the houses, suburban style. Shady spots were planted with pachasandra. Driveways and walks were laid with asphalt. Now this residential neighborhood is indistinguishable from hundreds of others packed closely around every eastern American city. Slob-urbia!

Each of these houses will add one more family to Cape Cod's already over-burdened natural and municipal resources. New families add to traffic, air pollution, sewage and refuse disposal, water use and water table contamination, and noise; school, police and fire protection requirements as well as highway maintenance demands increase.

What is sometimes not immediately apparent is the "leverage" each new house exerts on the economy. Construction of but one single-family house affects the financial picture of the entire community. Houses are rarely bought for cash; they are bought on credit with large mortgages. This considerable sum of money (for practical purposes created from thin air by banks which can lend several times the amount of money actually on deposit) supports, through a "trickle down" process, several more families.

Multiplied by the number of new houses, builders, their employees, realtors, lawyers, insurance agents, truck drivers, telephone and electrical workers, and gas station operators are but the obvious beneficiaries. Additional teachers required to educate the children in these new families become an important budget item since state and federal governments make large per-pupil contributions of "aid" to schools. More people means more service business of all kinds which, in turn, means more people, more houses, more land gobbled up, and, again, more demand for services.

Much of the construction industry, of course, is just like the strip-mining and lumber industries. Mine, and move on; cut, and get out; build, and split. They all need more land.

Phoebe, in deciding to hold onto her acreage, is slowing this process. All of us who feel the Cape is a special place that merits protection should hole our open land and encourage our friends to do the same. If we know elderly people living on marginal incomes who need to sell acreage, we should approach them and offer to buy it to prevent more development.

From the standpoint of taxes, there's no advantage to more housing. Study after study has demonstrated clearly that every new house requires more in municipal services than it generates in taxes. Stop the "trickle down" and all the destructive things happening to the Cape today can be brought to a halt.

Some wise old Cape Codder has suggested, "Charge everyone coming over the bridges a dollar, and give everyone who leaves permanently two dollars." That won't work, of course; but, if enough of us are dedicated to keeping Cape Cod green (FOREST GREEN) we'll be dollars ahead.

Pass the word. And when you see Phoebe, tell her how much we appreciate her wisdom and good common sense in holding onto her land.

Love,  
Oliver