

## *Privatization of Illinois Land: A Historical Note*

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Government has long experienced problems in establishing appropriate prices for public property. Even the initial government sales of Illinois land appear to have been stifled by artificially high legislated minimum sale prices. In a 1958 monograph, noted appraiser Walter Kuehnle estimates values *as of 1829* for two tracts in Illinois and Wisconsin. His report, prepared with the help of some U of I faculty members, provides fascinating details on early U.S. and Illinois real estate policy.

In settlement of Revolutionary War debts, all state-owned land (including that in Virginia's Illinois territory) was ceded to the then-new federal government. Federal authorities were able to sell some large tracts to private speculators, but to sell the majority of the holdings they had to rely on a more retail oriented approach whereby sections or half sections could be auctioned. The government instituted a minimum per acre price of \$2.00 on credit or \$1.64 in cash, coupled with a five year exemption on property tax. Selling was brisk between 1816 and 1819, but by 1820 sales lagged and credit defaults were abundant. Responding to slow sales, the government reduced the minimum cash price to \$1.25 per acre and reduced the minimum parcel size. An accompanying elimination of the credit system, however, drastically hurt sales.

At that time the northwestern Illinois and southwestern Wisconsin areas studied by Kuehnle were largely frontier, located on the fringe of the path of westward settlement. Tracts already settled were among the highest quality available, but such tracts were spatially configured such that the government could not connect the developable areas with roads. Illinois land offices reported that even some first-rate land remained unsold for long periods, often as long as 12 years.

In 1824, and again in 1826, the legislature petitioned Congress to reduce the mandated price, with graduations according to quality type. Kuehnle cites an 1828 letter in which a Vandalia clerk explains to the Commissioner of the General Land Office that area land sales had failed to reflect the population increase because immigrants could not afford the minimum prices, and because prospective buyers saw prices as unreasonably high but felt that the government would eventually adjust them downward.

In 1828, the Congressional Committee on Public Lands recommended adoption of the Dutch auction format in the sale of public land. The price was dropped to \$1.00 per acre, with an added \$.25 per acre price reduction for every two years the property remained unsold. If land fell to a minimum price of \$.25 per acre, it

was to be sold to the state at that price plus survey costs. Eighty acre homestead claims could also be obtained in return for 5 years of occupancy and cultivation.

Soon after this recommendation was made, the Senate passed the Resolution of 1828, requiring local land offices to classify unsold lands according to quality type and to estimate values. First-rate land was valued at \$1.00-\$1.25 per acre, less desirable property at \$.50-\$1.00, and remote and untillable land at \$0-\$.125. (There was so little demand for untimbered prairie tracts that some properties could not even be given away.)

Just south of the area Kuehnle studied lay the Illinois Military Tract, a large piece of land the government had held to award as compensation to War of 1812 veterans. Kuehnle found this tract, bounded by the Illinois and Mississippi Rivers, to be reasonably comparable to the subject properties. Prices for timbered sections sold in private transactions by their war veteran owners typically ranged from \$.33 to \$.94 per acre.

Based on the comparable prices, land office reports, and local economic and geographic conditions, Kuehnle's appraisal indicates values for parcels in the two subject tracts of \$.30-\$.40 per acre, prices much lower than those legislated by government at that time. ■

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