

ISOVALS AND ISOPOLS

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MR. Bryan Anstey's comments on the distribution pattern of land values in urban areas have aroused considerable attention. (Cf. *Land & Liberty*, October, 1960, p.152, and December, 1960, p.192). His *isovals*, lines indicating equal land value, are no new invention. Runge (1938) did exactly the same for Berlin, Wenzlick and others prepared such maps for cities in the U.S.A., and the Danish Land Value Maps are well known. Astonishing is only one thing: there are apparently some countries where land value maps are still unknown! How is this possible? How can you make a good assessment or a sensible town planning scheme without such isovals?

PRIDE AND PREJUDICE

At my disposal are land value maps prepared by the Urban Property Tax Department of my district, and, in addition, I have prepared myself a card index for each block showing both the declared price and the assessed value of lands. I did it when valuing lands in order to assess land transfer fees and land increment duty. I look on these tools with pride—and prejudice. With pride, because they are indeed good tools in the hands of the assessor and valuer; with prejudice, because they are *too* good tools in the hands of the buying and selling public.

The other day, an owner sold a plot for £15,000. Comparing this plot with five other similar ones which had changed hands within the last week, I assessed the plot as being worth £10,000. I noted both the price and the assessed value in my card index, and the Property Tax Department re-assessed the plot and corrected the land value map accordingly. So far, so good. Two hours later, the buyer sold the very same plot to a third person for £10,000. He was entitled to do so and to accept my valuation as true and correct. Perhaps both he and the former owner were swindlers and declared a faked price, the real price being in fact £10,000. But let us disregard this possibility; it is a faint one, because the functional interdependence between transfer fees and increment duty, and that between declared price and the value on which the calculation of increment duty has to be made, make it a poor proposition to swindle about the price. Thus, I was proud on account of my having induced people to base their transaction on my valuation.

But now let me suppose (1) that my valuation was wrong, and (2) that another owner had seen these entries in the land value map and in the card index, believing in my judgement. What would he have done? He would have sold his similar plot for £10,000 and not for £15,000! And poor little me, I would have been guilty

of raising the level of land prices, of inducing people to pay exaggerated land prices, and of being an accomplice in the crime of land speculation and profiteering!

Now you will understand my prejudice, not against land value maps, but against their publication!

In certain countries, all declarations and assessments are kept utterly secret. I appreciate this more-than-confidential treatment, but true democracy demands publicity in such matters.

We *must* publish our valuation maps. On the other hand, the valuer does *not* want to influence the level of land prices by his valuation. Here are the horns of a dilemma.

POMP AND CIRCUMSTANCES

But the *planner* wants to influence land prices, to be sure! If he converts industrial or commercial lands into lands for workmen's housing, he wants to bring down the prices paid for such lands by, say, 60 per cent. Otherwise his plan would be an illusion, and nobody would have the money to build such houses on these lands.

And a good town planning scheme ought to influence land prices, at least in the long run. If lands de-zoned as aforesaid are worth for workmen's houses £5 per square metre, I would not pay £10 per sq.m. that is the price which ought to be paid if shopping centres could be built upon them. Unless . . . yes, unless, that's the point.

The German emperor was interested in a road in the vicinity of his Berlin castle. With all the pomp befitting a mighty emperor he announced that this was his imperial will and intention. He wanted this road to become a shopping centre, with the most modern and beautiful shops of Germany, nay, of Europe or even of the whole world. The scheme was altered in accordance with his wishes, but nobody (except His Majesty) took the slightest interest in this road. When I was born (in 1904), this road was dirty and neglected. When the emperor left the country (in 1918), the road was still dirtier and still more neglected. When I left Germany (in 1933) the road was super-dirty and the adjoining buildings looked as if they were already bombed (as, in fact, they were eleven years later). Circumstances were mightier than the Kaiser's will and the planner's decisions. And what are these circumstances? The opinion and judgement of the buying and selling people. But a few hundred yards away, there was an old, narrow, crooked lane, and *there* prices went up sky-high, though planners, the municipal authorities and even His Majesty did *not* want any commercial development of this lane.

"50 MILLION FRENCHMEN CANNOT BE WRONG"

Mr. Anstey says:

"It is true that the pattern of market values will not necessarily indicate the true pattern of community values, for some choices will have been wrongly made."

I do not think there are right or wrong choices. Who is the supreme judge? The planner or the people? Of course, the one or other buyer might have been mistaken in paying this or that price, but "50 million Frenchmen cannot be wrong". Whatever a great number of buyers will pay, is the price, and this price is the true market value of the land.

Mr. Anstey, however, explains "wrong choice" in this way:

"Certain land will in fact have been found not to possess its anticipated power to serve the needs of the community and certain other land will have its true potentialities overlaid, obscured or even damaged by development running counter to the true lines of its potentialities."

In other words "value" found in accordance with the planner's intention is *not* identical with the true value, that is, with that created by the public's taste and opinion!

Or let me put it this way: the planner's isovals (value lines) are not faulty at all, but they are *not* true isovals. They are *ISOPOLS*—lines showing the planner's value-policy; they show the value which, in his opinion, ought to be paid, if people would act in accordance with his judgement and intention.

THE PLANNER'S AIM : CONVERGENCE OF ISOPOLS AND ISOVALS

In order to prove that these lines are isopols and *not* isovals, let us assume an urban area of 1,500 plots. In the year preceding the preparation of the land value map, three unimproved plots — out of these 1,500 — changed hands. The valuer wants to draw isovals based on actual sales. But one swallow does not a summer make, nor three sales a market!

And even if there were some more actual sales of empty plots, the isovals could not be based on them. For 1,350 plots—out of 1,500—are covered by big buildings, and the prices paid for buildings and plots together do not indicate the virtual price of the land itself. So—what is the real source of the valuer's wisdom?

He assumes that the plot will be improved by the erection of a building representing the highest and best use of the site; then he assumes that this property will be sold for the highest possible price, deducts the cost of construction, and the remainder represents the land value. Fine! But which use is the highest and best one? It is the use which is *allowed* by the town planning scheme and by the zoning ordinances! This means: it is the use which the planner dreams of, and thus this value-line

indicates the planner's intention and policy. It is in *isopol* and not an *isoval*. If we would try to prove that it is an *isoval*, we would soon find out that—as already shown—the whole procedure only begs the question.

Isopols are surely highly important. The public as well as the planner wish to know what is the value adequate to the planner's policy and scheme. But the planner's aim is to translate isopols into true isovals, e.g. *to arrive at a convergence of both lines.*

THE REMEDY : LAND VALUE TAXATION

This convergence cannot be reached except by land value taxation. The matter is quite simple. Let us return to the Kaiser's road. Under land value taxation, taxes would have been imposed on the plots abutting on this road in accordance with their highest and best use, that is, they would have been taxed in accordance with the *isopol*, which, in this case, indicate their value as best commercial plots. Within a few months, the public would have learnt the lesson. They would have pulled down the dilapidated structures in order to substitute modern shops. If there were unimproved plots, people would soon have paid for them prices adequate to their potentialities. Whoever would not have done so, would have been a fool and gone bankrupt. But the lands abutting on the crooked lane would have been de-zoned to third-class residential lands, and their value would, *therefore*, have gone down, so that in the long run people would have refrained from building shops in this district.

PLANNING THE FUTURE

The planner's foremost task is to plan the future, and not the present or past. Let us suppose he wants to build a railway-line connecting two cities. He has to purchase or to expropriate the lands. Here he has to use true isovals, in order to buy the cheapest land. What will he discover? That the shortest and most remunerative line would cross the most expensive lands. If, on the other hand, he leads the line through the cheapest lands, along the *isoval* of the cheapest land prices, then the cost of construction will be far higher than the saving he intends to make by avoiding the *isoval* of high land prices.

Recoupment of the cost by way of betterment tax is not the remedy. We all know that betterment tax is a blunt sword. But even if it were better, we should remember that the higher is the present value of the adjoining lands, the higher is the betterment. The said railway will add thousands of pounds to adjoining highly industrialised lands but not one penny to the value of adjoining marshes. I refer to the "Denver Better Lights" case—cf. *Land & Liberty*, December 1960, p.186.

No! The true remedy (as also in the case of planning the future) is the levy of a land value tax. The planner would draw isopols, and the land value tax would bring the land value to the right level in the nick of time!