

# A Natural Source Of Local Revenue

By B. W. BROOKES

WHEN Lord Rank closed the doors of his Beckenham "Odeon", at least five local shopkeepers felt the draught. And at the Valuation Panel, in March, 1958, all five were granted reductions in their rating assessments. The panel decided (reported the *Advertiser*) that "the closing of the cinema had had a detrimental effect on trading."

As readers of this journal will know, British rates are levied on the composite annual value of land and buildings. Now obviously the closing of the Odeon did not affect the value of the bricks and mortar of which these five shops were constructed. (It would cost no less — and no more—to build a shop alongside a dormant Odeon than alongside an active one.) So Lord Rank's action must have had its deadening effect, not on the value of the shops' premises, but on the value of the land they stood on — their sites.

This illustrates how the value of the owner's plot of land, even with a building on it, is affected by the activities of another. Often, of course, as with the opening of a new cinema, the effect is beneficial. In fact, almost any development, public or private, will either raise or lower surrounding site values. Every time a bus company extends its route; every time a derelict space is filled in with an attractive shop-front; every time the local authorities provide a new road, street lighting or a public library, the value of neighbouring land is sensibly affected. In short, while the value of a building is due to the efforts of the owner, its "position value" — the value of the site underneath it— is due to environmental factors.

This phenomenon has made development by the local authority into a double-edged weapon. For as it builds its roads and provides amenities, it finds the cost of acquiring land for further development increasing, piling up before it like snow from its own snow-plough. As Winston Churchill put it: "The municipality, wishing for broader streets, better houses, more healthy, decent, scientifically-planned towns, is made to pay in exact proportion, or to a very great extent in proportion, as it has exerted itself in the past to make improvements. The more it has improved the town the more it has increased the land value, and the more it will have to pay for any land it may wish to acquire."

Moreover, if such land had been held idle it would, under our present system, have paid no rates. In the process that gave the land its value, its owner, as the owner, would have played no part. Irrespective of its market value, the land might for years have remained untouched

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and untaxed — ripening under the sun-ray treatment of community expenditure.

For this reason, more than any other, the thoughts of local authorities have turned to the site-value rating system. Between 1936-1946 well over a hundred authorities passed Resolutions in its favour. For under this system all land, urban or rural, occupied or vacant, contributes to the local revenue in proportion to its value. Moreover, so that no citizen shall be penalised for his own enterprise and initiative, all buildings and other man-made improvements are completely relieved from local taxation.

Under the site-value system, qualified Valuers assess each property as at present, but they confine their attention to the site. They examine its size and shape. They consider the advantages of its location in relation to railway stations, shops, cinemas, buses and other amenities. But they completely disregard the buildings that stand upon it. They ask themselves: "If everything around stands just as it is, but if this property were a vacant site, what would be its market value?" It is on this value — the community-created element—that rates are paid.

Experience in Australia, New Zealand, and other countries proves that the site-value system is practicable and effective in town and country alike. In large measure it has been freely adopted by ratepayers themselves at specially-held polls — not imposed from the centre. And it is a striking fact that no country that has adopted the site-value system has ever discarded it.

This overseas experience has shown that the system bestows many benefits upon the ordinary run-of-the-mill ratepayer. (It also stimulates slum clearance and aids good town planning.) Certainly those who put up fine houses, who modernise old ones, or who otherwise improve their properties pay no more rates on that account. And in two main ways it helps to overcome housing shortages. On the one hand its "de-rating" of buildings has the stimulant effect of the removal of a purchase tax. On the other it taxes idle land into use, especially the more valuable urban land. As "For Sale" boards appear on vacant urban sites, the tendency to gobble up the countryside relaxes. Land generally is in more plentiful supply and its price is lower.

But the greatest direct benefit comes to the ordinary householder. Site values are "heaped up" in the commercial centres of towns; they thin out on the residential outskirts. Site-value rating shifts the burden from the over-rated householder to these valuable central sites. The resident gets a long-needed "New Deal".

The regressive nature of our present rating system demands remedial action of a radical kind. But any proposed reform must take account of the position and dignity of the local authority and pay due regard to its need for a reasonable measure of autonomy. In site values we have a source of revenue almost entirely under local control, in the creation of which the local authority pays a far

from insignificant part. To levy rates on site values is to use for public revenues a fund peculiarly suitable for the financing of community services; a fund that owes its very existence to the presence and activity of that community.

As was said in an editorial last year in the *Surveyor*

& *Municipal & County Engineer*: "It is difficult to think of a fairer basis for rates than the value of land in any area. It expresses with a neatness which cannot be surpassed, the benefits which the landholders receive from the general prosperity of the area and the local services which it enjoys." Here, in a nutshell, is the case for this radical reform of our rating system.

## RATING REFORM CAMPAIGN

## SECOND PROGRESS REPORT

# "So Once More To Fight!"

**T**HE *Real Estate Journal* for February contained a four line report about our "so-called national Rating Reform Campaign. The aim of course is to press Parliament to introduce legislation for rating site values. So once more to the fight!"

We immediately offered the editor two pages of this issue in which to fire a salvo. Unfortunately the offer was not accepted or even acknowledged. Reserving comment at this stage, we have offered the hospitality of our columns in the April issue.

The *Real Estate Journal* is published by the Association of Land and Property Owners, successors to the Land Union formed in 1909 to oppose the Lloyd George Budget proposals. The Association is a relentless opponent of land-value taxation, national or local. Since it purports to protect "all interests in land and property of every kind" its negative attitude appears mistaken; many property owners would gain very considerably if their buildings were untaxed as we propose.

**T**HE Campaign made rapid headway during the four weeks from January 15. A letter was sent to editors of about 400 local newspapers circulating in areas where no local representative has been appointed. This was widely published and brought enquiries and enrolments from many parts of the country. Some newspapers published supporting editorials (two are reprinted on next page) or included a note in their "local gossip" column; one paper plans to carry a feature article on land-value rating.

Most local representatives have been able, through their local newspapers, to keep public attention focussed on the Campaign. A constant flow of cuttings is coming into 177 Vauxhall Bridge Road. A press release issued to daily, evening and

Sunday papers appears to have been generally ignored although the important *Municipal Journal* published a brief report.

Bold display advertisements were published in *The Liberal News* and in *Forward*, the Labour weekly paper. For one week the Campaign was advertised daily in the Personal column of *The Guardian*, Manchester. These advertisements, supplemented by direct mail advertising from headquarters and individual approaches made locally by representatives, have produced a fair volume of new support.

**A**N association of hoteliers and caterers and a large firm of builders and civil engineering contractors have made generous membership contributions. The managing chairman of a large industrial concern was so interested that he asked the firm's rating surveyor to call at Campaign headquarters.

The National Association of Tenants and Residents is supporting the Campaign and is urging local Tenants' Associations to do so.

Several ratepayers' associations are interested but none has yet formally affiliated. No doubt that will come. Meanwhile the Morecambe and Heysham association arranged a public meeting to provide the R.R.C. local representative, Mrs. F. G. Sumner with a platform to outline the Campaign. The meeting was prominently reported by local newspapers on February 12 which carried also reports of impending heavy rate increases. Mrs. Sumner has since been asked for literature by the Morecambe Women's Co-Operative Guild and has agreed to address the Heysham Guild in April.

A few local authorities have already considered their attitude to our Campaign. Several more have the matter

on the agenda for their February or March meeting.

The appointment of representatives for Fulham (Mr. H. B. Southcott), Kensington (Mr. John Kemp), and Farncombe, Surrey (Mr. Joseph H. Sharpe, B.Sc. Estate Management, A.R.I.C.S., A.A.I.), during the period under review brings the total to 48.

Readers are requested to lend all possible support to their Representative, where one has already been appointed, or to represent their district in this great new venture.

### AUTHORITIES AGAIN QUESTIONED ON LAND-VALUE RATING

**L**ocal authorities which since 1919 have passed resolutions favouring the adoption of land-value rating are to be asked by the Rating Reform Campaign to indicate their present attitude. Others will be urged to pass resolutions in favour.

In a statement issued this week, the Rating Reform Campaign said the coming into force of the Town and Country Planning Act, 1947, with its "harmful financial provisions," halted municipal agitation for land-value rating. Repeal of the development charge now left the way clear for councils to resume their demand that local rate revenues should be derived from a rate on land value.

"Since, fundamentally, the rating system today is the same as it was before and immediately after the last war, there is no reason why they should not do so," said the statement.

### LIBERAL SUPPORT

**L**INCOLN Liberals are supporting the Rating Reform Campaign. On January 26 they passed the following resolution, copies of which were sent to Mr. Geoffrey de Freitas, M.P., the town clerk, and the local press.

"The Lincoln Liberal Association,