

Ground for Hope: The Smart Tax and Urban Renewal

A conference, held between the 3rd and 5th November in the comfortable environment of the Regency Hotel, Bournemouth was a huge success for organisers, speakers and delegates. We all covered considerable ground, raising many of the issues that would have to be tackled during a transition to Site Value Rating and learning a great deal from each other, writes *Katherine Deighton*.

These issues were raised particularly in the workshops that took place on Saturday afternoon. The following summaries of the workshop reports may help give a taste of the range of what was discussed.

Workshop A – Land Valuation and Property Law (Led by Owen Conellan and Joseph Hyde)

The workshop explained how land values can be assessed, and that although these are related to perceptions, there is no need to indulge in 'spurious accuracy' when there are some effective methods available. Any value calculated should be regarded as fair and calculated as far as possible by a method that is straightforward to understand. In this way, confidence in the system is maintained and appeals would be minimised.

Land law was explained as giving security and title to the occupier of the land. If someone owns land but doesn't occupy it, they have to lease the land to show occupancy. Alternatively, if someone occupies land for long enough, then the title becomes theirs. These principles of common law can be useful in bringing in LVT and showing that the same principles operate in both.

There was some discussion about the effect that contamination has on a site. Joseph Hyde explained that this could be treated like a negative building, with no permanent effect on land value. Another useful point was that it wasn't necessary for an authority to collect 100% of the rent, only what was required to meet expenditure.

Workshop B – Planning and Urban Economics (Led by Greg McGill and Derek Aldous)

Most people in the groups recognised the need for planning controls of some description, but generally felt that there should be more community involvement to make this a more democratic process. (In fact this is happening in some parts of the country where people are involved in their own local development plans). Valuation could then become part of the plan making. This would involve a certain amount of feedback with the valuation having an impact on the permitted use and vice versa. Up-to-date valuations would also be necessary for the process to work and for people to feel that it was fair.

A key question is over when a change in LVT should take effect following a change in permitted land use. The possibilities would be immediately after the allocation of land to a new use, or when planning permission had been granted to a developer or when the new land use

had taken effect. The majority decision was when land had been allocated although implementation of the tax could be stepped to take into account potential difficulties with third party applications above the owner's wishes.

More research is needed into how public uses of land such as parks and roads should be taxed, whether the system of planning gain would still be necessary and to compare the results of different rating systems on how land is used.

Workshop C – Political and Legislative Steps (Led by Ian Mason and Peter Gibb)

This group looked at the issue of reaching people, and identified a number of important areas. These included listening to people first to find out what agenda they want to discuss, to be able to answer the questions that are important to them. Answering these questions therefore involves having enough knowledge and examples to be able to give a substantial reply. It's also important to value people's time by taking up less time and fewer words than offered.

A short and long term strategy is useful, ultimately aiming to reach the people who draft the legislation. In the nearer future, looking at local government is the best way ahead, but there are also opportunities in responding to the 'Reforming Local Government Finances' and Urban Task Forces White Papers.

In addition to the workshops, we were very fortunate to have the presence of some very able speakers. **Dave Wetzel** (Vice Chair, Transport for London) talked about the impact of transport on land value and the potential that this gave for raising revenue as well as explaining some of the transport changes hoped for in London.

Josh Vincent (Executive Director, Center for the Study of Economics, Washington DC) gave two very encouraging talks on the impact that LVT has had on some of the poorest towns in Pennsylvania and the US. Josh was due to meet council leaders in Liverpool after the conference: what he has to say can only further support their arguments to trial LVT in the future.

Billy McCluskey (Professor of Property Studies, Lincoln University, New Zealand) was able to explain the technological developments that would enable LVT to take place and said that valuations would be able to take place every year with this.

Richard Harbord, Margaret de Woolf and Peter Gibb also gave informative and inspiring speeches. It seems remarkable to think how much fitted into so short a space of time, but this is largely due to the organisation of Tony Vickers and Gordon Brennan. All concerned deserved their round of applause.

resistance from the usual sources to these ideas, not helped by Kenya's shortage of cash to invest in public services. "Tax collection and enforcement is weak", says Konyimbih, "but land tax is increasingly being seen as the main source of growth in revenue for local government, as grants from central government reduce."

The main activity of this research is establishing an education programme for officials and local politicians: reform will have to be 'bottom-up', given the resistance from certain top officials. Interestingly, little or no further legislation is required to implement full LVT: the barriers are procedural and institutional inertia.

TODD Litman is a transport consultant from Victoria, British Columbia, whose interest in LVT is linked to his desire to see more efficient use of land set aside for transport systems. He believes that if the opportunity cost of such land allocation – for parking as well as movement – was properly reflected in land value assessments, it would assist the justification of sustainable transport systems. His research aims to develop ways to measure the amount of land devoted to transport, how it varies under different circumstances, how to value it and how tax policies and other regulations are – or could be – optimised in terms of various social and economic objectives.

BOB Gloude-mans is the author of a recently published text-book *Mass Appraisal of Real Property*. His research aims at deriving a method for assessing land values for individual sites on a very large scale with very little market evidence from bare land sales. He has taken several complete property tax jurisdiction data sets and applied non-linear regression and feedback statistical techniques, hoping to empirically derive formulae that can be proven to offer realistic land values for taxation. Results so far appear very promising: real market data compares with values derived from Gloude-mans' model to within 5-10%.