

The Lords And Land Values

On the initiative of Lord Silkin, the House of Lords debated the Housing Situation on December 2. There were many references to the artificial scarcity and high price of land but only Lord Douglas of Barloch discussed how reform of the rating system would help to solve the problem. His speech (condensed) is reprinted here, followed by extracts from other speeches.

I WISH to confine my attention mainly to the economic aspects of the problem. Lord Auckland referred to Schedule A income tax as being an obnoxious tax and detrimental to the provision of housing accommodation; but is it not true that a still more obnoxious and detrimental tax is the local rates which are levied upon houses and which so much increase the cost of occupancy?

Looking at the figures for a single county — Northamptonshire — I found that a large proportion of houses fell into the category of £19 to £25 rateable value. According to the district, it ranged from one-third to nearly one-half. I also noticed that in most cases the rate per £ which was levied was well over 20s. If we take a mean value of £22 rateable value, and the moderate figure of 20s. in the £ rates, that is £22 per year which is levied upon the occupancy of these medium-class houses. That is a cheer tax upon housing accommodation.

In a sense, I do not disagree very much with the decision to discontinue the general housing subsidy, but it seems to me to be a corollary of that, at any rate, that the rates upon houses ought to be relieved.

In the course of the next two or three years there is going to be a general revaluation, because those houses at the present moment are being rated upon a 1939 level of values, and when they come to be reassessed the rates imposed will undoubtedly be much higher; they are bound to bear a larger proportion of rates levied in the district. That is a serious tax upon the provision of housing accommodation. It is really quite ridiculous to continue upon that basis, hoping to improve the housing conditions of the population and at the same time putting this restraint upon doing so.

There is, of course, quite a simple solution to this problem, which unfortunately we have never yet adopted in this country but which has been adopted and tried and endured for many years in other countries — namely the rating of site values.

I hope that the noble Earl who is going to reply and his colleagues who sit behind him are not going to bristle up with prejudices over this, thinking of events which took place fifty years ago and the bitter controversies which ensued over something which was really quite different.

I would point out also that in countries such as Australia, New Zealand, Denmark and others which have adopted this proposal it has continued under Governments of every political complexion, once it was introduced. So that I hope it will be considered dispassionately. I do not think the noble Lord, Lord Auckland, is present now, but I rather think that the Association with which he is con-

nected, the National Association of Ratepayers' Societies, (*sic*)* at a recent conference passed a resolution inviting the Government to consider this matter. That was a resolution passed by a body quite correctly described as non-political. If it had any political inclination it would, I should think, lean towards the noble Earl opposite and his colleagues.

This has a bearing upon some other matters which have been mentioned during our discussion this afternoon. Lord Albemarle referred to the difficulty which builders were experiencing in getting land at an economic price; and Lord Auckland talked about the use for building purposes of good arable land.

If you examine conditions in a great many towns, especially those of moderate size, you will find that there is a large amount of land which has not been developed, or which has not been developed adequately. It is not really necessary to encroach upon the surrounding arable land in order to find the space in which to house the population decently.

That has been proved by cases such as Letchworth, Wythenshawe, a suburb of Manchester, and so on, where an area has been planned on rational lines and has been fully developed without the gaps and imperfect development which is encouraged by our existing system of rating. This exempts undeveloped sites from local taxation and positively encourages people to hold them idle in the hope that the growth and pressure of population will in the course of time add to the value of the land.

This also has a bearing upon the problem which Lord Stonham referred to, of providing housing accommodation in the central areas of London, or of other large cities where the site value has risen to enormous heights and where the provision of housing accommodation has, upon that account, become extremely difficult because it is so expensive.

I do not suggest that it is either necessary or desirable that such a change as a rate on site values should be made at one single blow — although, in fact, it has been done in that way in other countries without any serious trouble or inconvenience — but a gradual changeover from the one system of rating to the other would help to solve these economic problems which up to the moment have been quite intractable.

Quite clearly planning has failed to control the proliferation of office accommodation in the centres of the cities. This gives employment to far more persons per acre than

* The 1959 annual conference of the National Union of Ratepayers' Associations (in two resolutions) criticised the present rating system as "unfair and outmoded" and recommended "a further enquiry into the practicability and desirability of meeting local expenditure by a rate on site values". Ed. L&L

does the building of factories, which it has been one of the principal aims of the town planners to control. It is office accommodation in central London which is giving rise to the enormous site values and to the great density of traffic travelling into the centre. Unless some stop is put upon that it is evident that the price of land will continue to rise and the density of traffic will increase. A point will come where the whole thing will come to a standstill, because the increased values of land which are so created make it so expensive to increase the capacity of the streets by widening and improving them.

The time has come for a consideration of this problem of local rating, particularly in its bearing upon housing. It is becoming quite urgent when the near approach of a revaluation based upon present-day values is going to throw a still higher burden upon housing accommodation.

LORD SILKIN: To build 300,000 houses a year we shall need something like 20,000 to 25,000 acres a year — say up to 300,000 acres for the next 12 years. Many local authorities are not zoning enough land for residential purposes; others are desperately short of land. For both these reasons land costs are rising, and rising very rapidly indeed, so helping to accentuate the problem. This is becoming a serious factor in the cost of housing.

The cost and scarcity of land are combining to create pressure for greater densities in our cities and high flats are becoming more common. They are becoming more and more expensive to build. I think the optimum height for a block of flats with lifts is about 9 or 10 storeys. Once we go above 9 or 10 storeys we add very considerably to the cost. The London County Council whose rents are by no means low, find that they have to contribute a subsidy of £100 per dwelling per annum in respect of most of these high flats. That is an impossible position.

LORD AMULREE: There are parts of London which I knew quite well in 1925 when I was a medical student which even then had absolutely worn-out buildings—floors rotten, bug-ridden, and everything else one can think of. A large number of them have been pulled down but in those areas today I still find many of the same old buildings which probably should have been pulled down before the First World War.

The Town and Country Planning Association told me that if you build a block of six-storey flats with an average square-footage of 860 each flat costs about £2,465; if you build a block of twelve-storey flats of the same type the cost would be £2,847; whereas if you build two-storey house, particularly round about London, the figure drops to £1,615. These tall blocks are very expensive and unpopular. I am rather suspicious that some of them may not last very well and may, in an even shorter time than some of the houses, turn themselves into slums.

THE EARL OF ALBEMARLE: When the 1947 Act made the green belt, it immediately threw a blight on certain land on one side of the line and gave a sort of semi-monopoly value to land on the other side of the line.

The house-builders think that more white land should be put at their disposal, but not at the price of £9,000 an acre which has been reached and which is, of course, of no use at all.

Next to food (which is our lifeblood), we want shelter. We must therefore put houses on the ground, and we must make the ground on which they are built of a value that enables house-builders to carry on their activities. That cannot be done under the present methods. We need a land bank.

LORD AUCKLAND: The Schedule A tax is a niggling tax. The revenue obtained from it is small, and it means only that the person who is purchasing a house other than by direct help from the taxpayer or from local authorities is further penalised. I must declare an indirect interest because I am a Vice-President of the National Union of Ratepayers' Associations. This organisation, although some people seem to think that it is one of these secret Tory societies, is in fact a strongly non-Party organisation. We as a body are out to press the Government for at least a review of the Schedule A Tax. We do not say necessarily that it should be taken off in one fell swoop.

LORD STONHAM: One of the most important developments in the Metropolis (and I imagine this largely to be the case in other large towns) over the next few years will be a tendency to come in, because so many problems are solved when we re-build our cities on the old derelict, ruined ones. The transport problem is solved, for people are near to their work, and we solve many social and community problems.

Shoreditch is a village which basically has not changed for a thousand years, with distinctive people who do not want to go away and will not go away. The cost of sites has been enormously increased in this old borough, where many of the areas ripe for residential redevelopment include scattered shop property, licensed premises and other such non-conforming user as factories and warehouses. The Town and Country Planning Act, 1954, added development value to the cost of acquisition in cases where Part VI claims had been admitted under the 1947 Act; and the Rent Act, 1957, increased rents of residential properties held as investments and thus raised the cost of acquisition of sites by 25 per cent.

As a consequence, for some of the worst properties in the worst streets in London, where people should have been paid to live, the cost to the council of site acquisition was in one case £64,000 an acre and in another case £49,000 an acre. A site cost of £64,000 an acre for forty flats to the acre works out at £1,600 per flat for land alone, and some of them were only one-bedroom flats. The interest and repayments on the land alone amount to more than 40s per week, and over sixty years the interest and repayment will total £7,000 for land alone for a single flat. The cost of building the flats, exclusive of site works, varies according to size from £1,400 to £2,000. The economic rent, exclusive of rates, would be at least £6 a week, which is wildly beyond the means of a man earning £12 or £13 a week.

LORD MESTON said it was impossible for the private developer wishing to build houses to let "to compete with subsidised houses and, secondly, it is impossible for him in a great number of cases to buy land at an economic figure. If only local authorities would clear the land and then, subject to the approval of the Minister, tender it to private developers" some of the obstacles to building houses to let privately could be overcome.

LORD LATHAM: The cost of land in London is just fantastic; and it is the local authorities who have to bear a substantial proportion of that increased value. In some cases they have to bear all that increase in value — an increase which, of course, is very largely created by the activities of the community.

REPLYING to the debate, Earl Waldegrave said: I do not know whether it would be wholly unfair to say that a city grows rather like a tree: it puts on rings outside. One does not want to take the simile too far, but everyone knows what happens to the centre of a tree—it gets rotten. By the same simile the outside part of a tree is the sapwood — the flimsy bungalows and teashops, while there is a mixture of banks and slums in the centre. I think we must always see, and must take the greatest care, that when the centre of our tree, good solid heartwood, begins

to rot, we infill. We cannot afford to go on and on outwards all the time (the country has only a certain size) and leave nothing in the middle, although we shall then be immediately up against the problem of the very high cost of land in the centre and that must be tackled—and I hope to show that it is being tackled.

Where dwellings are erected on an expensive site an Exchequer subsidy is available towards the cost of purchasing and developing the site. The sort of thing taken into consideration is the purchase price, including legal expenses, the cost of clearing, the construction of roads, extra deep foundations, and piling and retaining walls.

Lord Douglas of Barloch considered rates an obnoxious tax—and I am inclined to agree with him. However, I am not prepared, if he will forgive my saying so, to debate whether rating on site values would be more or less obnoxious. I think that is a matter that we must leave to another day, although I have taken note of the suggestion.

Two principles must guide all our thinking on this matter. First, we must zealously safeguard and preserve the assets we already possess, and we must never let up on adding to the assets by new construction. That must be the aim. And the second principle is that we must not allow any preconceived prejudice or doctrinaire political bias to frustrate that aim.

Roads And Land Values

Extract from article by SIR ARTHUR COMYNS CARR, recently retired President of the Liberal Party. Reprinted with due acknowledgment to author and editor from the Liberal News, November 9

NOTHING delighted me more in Jo Grimmond's brilliant speech to the Council and candidates than his remarks about site values, with particular reference to road construction.

That the increase in site values since the war has been fantastic, there is no doubt. It is the basis on which fortunes have been built by take-over bids, and it has been a serious handicap to private building. But detailed facts are not so easy to come by as they used to be, and I should be greatly obliged if your readers would supply me with plenty of local examples comparing post-war with earlier prices . . .

Meanwhile, here is a striking fact: the booklet just semi-officially published—The London-Birmingham Motorway, by L. T. C. Rolt, which is full of interest—shows that the total cost of the 55 miles of roadway, 105 ft. wide, with 134 bridges of varying size and type, was almost exactly £300,000 a mile. Now it happens that in 1929 I was able to prove that within five years the construction of the Southend by-pass, a much simpler affair, which cost £60,000 a mile, had added at least £300,000 per mile to the value of land north of Ilford, only half a mile on each side of the road, mostly agricultural previously. But the

public paid for the road, including compensation to the adjoining land-owners for land actually taken — leaving them to collect the £300,000 which by this time will be vastly more.

I pointed out at the time, and later when unemployment became even far greater, that if we would only collect these values we could have all the road building we wanted. The same is true today, but probably more so.

There is a tragic-comic passage in the booklet about the District Valuers negotiating compensation to the land-owners for putting untold wealth into their pockets, as it certainly will.

The Liberal record on this point is good. The 1906-'14 Liberal Government passed legislation whereby (a) the land on each side of new roads could be taken to pay for their construction; and (b) the proceeds of motor taxation were to go into a Road Fund.

Then came the war, and subsequent Tory and Labour Governments (a) refused to use the land powers, as I personally besought the Labour Government to do in 1924; and (b) misappropriated the Road Fund for other purposes. Finally, the Tories repealed the legislation. So there we are.