THE KINGSWAY IMPROVEMENT

An Example of Land Nationalization

A report presented to the London County Council on 15th December by its Highways Committee gives an account of the financial results of the Holborn-Strand improvement which created the great thoroughfares of Kingsway and Aldwych out of a mass of mean streets and slums which formerly stood on the site. It is a striking illustration of the difficulties of land nationalization by purchase, but as the story is a complicated one we will quote the report verbatim before making any comment :—

The Council obtained powers in 1897 to carry out the Strand and Holywell Street improvement, and also in the same year decided to widen to 80 feet Southampton Row, between Holborn and Theobald's Road. Powers were also obtained in that year for the Clare Market Clearance Scheme, the surplus lands of which were later merged in the Holborn to Strand Improvement, which was eventually sanctioned under the London County Council (Improvements) Act, 1899. The scheme provided for the construction of new thoroughfares 100 feet wide, having a total length of approximately three-quarters of a mile. More than 600 properties, covering an area of approximately 28 acres, were acquired for the improvement and demolished. The area of the land dedicated to public streets was about 12¼ acres, leaving about 15¾ acres of surplus lands to be dealt with for recoupment purposes. The properties acquired included 51 public-houses and beerhouses, the licences of which the Council decided, in January, 1901, to abandon.

The letting on building lease of the surplus lands of the improvement began in 1903, and, whilst it took several years to establish the confidence of building lessees in the value of the position from the building point of view, the letting of the sites proceeded steadily during the ensuing decade, especially in Kingsway, the development of which was practically completed, together with a considerable part of the land in Aldwych, before August, 1914.

The sites near the Strand, having higher ground rental values, were the last to be dealt with and conditions during the years 1914 to 1918, undoubtedly had the effect of restricting building operations, whilst the difficulties of financing building schemes experienced during most of the period since 1918 delayed the completion of the redevelopment of the surplus lands at the southern end of the improvement. It was not until 1930, that the last of the vacant sites with a frontage to the Strand was let on building lease to complete the original conception of the Bush House group of buildings.

The Council receives about £143,000 annually in ground rents from the surplus lands of the improvement, upon which buildings of the approximate cost of £5,000,000 have been erected. In addition a sum of £966 a year is received in respect of betterment charges. A total sum of £735,507 has been received from the sale of sites, and other sites valued at £225,191 were transferred in settlement of claims on a reinstatement basis.

The total debt charges incurred to 31st March, 1936 (£5,209,563) plus the net debt outstanding at that date (£3,208,607) amounted to £8,418,170. Against this the aggregate rents received, plus the value of the leased sites amounted to £6,009,931. The difference (£2,408,239) may, therefore, be said to represent the net cost to the ratepayer up to 31st March, 1936.

The annual net charges on the rates (that is the total debt charges less the rents and improvement charges), which in 1935-36 amounted to £60,752, will be reduced as loan charges fall out. In the year 1955-56, it is anticipated that there will be a small surplus of £2,000. This and ensuing surpluses will be a credit to rate account year by year. A large part of the debt will become extinguished in 1961-62, so that the total debt charges in that year will decrease by about £114,177. In 1965-66 the surplus for the year is estimated at £143,725, increasing later to £146,000, the debt being finally paid off in 1987-88. The properties will thereafter be an unencumbered asset, so far as existing debt is concerned. The cost to the ratepayer of the improvement would have been less but for the delay occasioned by the war.

The present accumulated charge on the rates is £2,840,676 and this will increase to over £3,500,000 ; after which the annual surpluses should gradually extinguish the accumulated deficit. This process should be completed in 1986, by which date the aggregate result will be a credit. Thereafter the revenue from the unencumbered asset should add annually to the surplus.

The forecasts of the position subsequent to 1936 are necessarily tentative and are given under reserve for the purpose of illustrating the trend of the finance of the improvement. They do not allow for interest on deficits and they assume that rents and improvement charges will remain at their present level and they do not take into account changes which may take place when the existing leases expire.

Taking the figures as they stand, they show that a considerable charge has been and will continue to be imposed annually upon two generations of ratepayers for the ultimate financial benefit of their successors, but that this benefit will not commence to accrue until twenty years' time from now. If interest on deficits were allowed for, there would always be an annual deficit, unless the rents ultimately greatly exceeded £146,000.

This report deals only with the financial aspect of the improvement, but, in assessing its value to the community, regard must also be had to the great increases in rateable value and in the value of property which have accrued and to the advantages to traffic from the improvement.

The salient points are : (1) That about fifty years must elapse from the inception of the scheme before it ceases to be a burden on the rates ; (2) That a period of about eighty years must elapse before the debt is finally paid off.

The report does not say what was the original capital cost of the improvement. It may be presumed that it did not exceed the amount of the total debt charges incurred up to 1936, say £5,000,000. In order to deal with this transaction, a charge amounting at its maximum to £3,500,000 has to be imposed on the rates. This is at least 70 per cent of the original cost of the scheme.

Of course, as the report points out, there have been other benefits from the improvement. The most tangible of these is the enhancement of the value of other land left in private hands. It does not follow, however, that if the County Council had bought a larger area the financial results would have been any more satisfactory. The die is loaded against all schemes of land purchase by the fact that the market price anticipates future increases of value so far as they can be foreseen, and as a general rule a public authority has to pay much more than the market price.

Another extremely significant fact is that the lettings or sales of land effected after the war were done upon the basis of post-war values. Owing to the depreciation in the purchasing power of money, higher prices were obtainable. The results therefore are more favourable than they would have been but for currency changes.

The whole story shows that land purchase on a very wide scale involves financial burdens which make it almost impracticable, and certainly most undesirable. The only satisfactory general method of dealing with the land question is to tax and rate the communal value of land into the public treasuries.