Site-Value Rating — Replies to Questions

HOW EASY would it be to apply site-value rating —how many valuers would be required?

Mr. Hector Wilks the highly qualified valuer who made the 1963 and 1973 land valuations of Whitstable is emphatic that under a site valuation, far fewer valuers would be required than under the existing valuation system for rating, and that generally the whole system of S.V.R. would be easier to apply.

Would site-value rating be likely to produce a furore similar to that besetting M.P's in areas where rates have been increased substantially?

It is not likely that rates will be 'increased substantially' in particular areas. The redistribution of the rate burden will be as between different rateable properties rather than between rateable areas. Ideally, a uniform rate would be levied and a rate equalisation scheme introduced to take into account the different levels of land values in rateable areas.

To what extent would S.V.R. undermine the Nation's credit base?. How would any such undermining be ameliorated?

The credit base of the nation ultimately depends upon the real assets of the country, not artificial ones. Without S.V.R. we have witnessed large falls in the value of land without any apparent forewarning and with great suddenness. Developers who borrowed money at high rates of interest with property as a security are now in difficulties, but nothing like a major catastrophe has occurred although some fingers have been burnt. The official implementation of site-value rating would take some time — a valuation would be required first. The time lag between political promise and political performance would be ample for adjustments to be made in investments, and long before the tax fell most of it would have been anticipated on the market, making the transition fairly smooth. The speculative value of land would go first, leaving the true value of land a real security.

What would be the rate at which S.V.R. should be first applied and later increased?

For site-value rating to be at all effective, it would have to be levied so as to raise an amount at least equal to that already collected by local authorities. Ideally it would also include an amount equal to the government grant making possible a reduction in general taxation that now falls upon the active factors of production—labour and capital.

What exemptions or reductions, short term and long term are to be recommended? The interests of farmers must be considered including those whose land is heavily mortgaged.

In principle we would recommend no exemptions or reductions short term or long term. If churches, charities, etc. are to be subsidised, then let this be done directly or within the national taxation system, and not through the rating system. As far as farmers are concerned, they have no claim to special treatment. If those who have land heavily mortgaged are to receive any concessions, it should apply to all mortgagors, not particularly farmers, but this is not recommended. Hardship or need should be looked at in the context of whole incomes and whole outgoings—not just the rates.

There appears to be an assumption on the part of many that, because farm land is large in area it would bear a high rate. This is not necessarily true and there is no reason to suppose that a rate on agricultural land would be any more of a burden to the owners than rates on other land. In any case the farmer is not necessarily the owner and it is the owner who bears the tax out of his residual (economic rent) and is arrived at after all outgoings including interest on capital and wages for labour have been met. It is a fallacy to suppose that rates on land will increase agricultural prices. When agricultural land was de-rated the price of food did not fall, but the value of land rose!

How would we treat sites occupied by buildings with many years of useful life remaining but which failed to realise fully current site value?

Sites on which occupied buildings still have a useful life will not be treated any differently from other sites. The laws of economics are not altered by the introduction of a site-value tax. At present, the Army & Navy Stores building in Victoria, London, which had a long useful life ahead is being pulled down and the site rebuilt upon with a new store and offices above. It is obviously economic to do so.

Site-value Rating will give an added incentive to redevelop if planning permission were given, and the economic question to be faced by the owners would be simply one of whether the cost of the new development would be more than offset by the value of the planning permission, etc. If the margin between the new use and the old use were low, it would be less profitable and there would therefore be less incentive to redevelop. By the same token, where the difference between existing use and newly permitted use is small, so the incrase in site value would be equally small. There is no problem here.

Would S.V.R. be payable by owners or occupiers? How would allowance be made for leases, covenants and planning restrictions?

Site-value rating could be charged to the owner or to the occupier. If it were charged to the occupier, he would simply deduct it from the rent he pays to his landlord. This would perhaps be simpler than levying the rate upon the land owner, because in some instances owners are not that easy to locate. Further, there may be one or two sub-lessees, in which case the rate would be apportioned according to the amount of land value enjoyed by each particular interest. Thus, where there are a number of lessees, the site-value rate for each interest would be passed back so that eventually everyone enjoying land value directly or indirectly made his contribution. This would apply where the land value were higher than that actually charged in rent to the sub-lessees. This is dealt with more fully in *Land Value Rating* by Lord Douglas of Barloch.*

Would local planners be able to frustrate the collection of potential site revenue by restrictions on planning permissions?

It is not likely that local planners would frustrate the collection of site revenue. It would not be in their interests nor in that of the local authority. But what is required is positive planning in place of negative planning. However, until that were an accomplished fact, the procedure could be that the valuation officer would assess a property from the knowledge he had of what planning permission would be likely to be granted if the property were ripe for redevelopment. If subsequently, the site owner found that the local planning authority were not willing to give him permission, then the assessment would be downgraded to the existing permitted use. The prime purpose of planners is to ensure good planning and it is more likely that planners would find a site valuation an aid to them.

The effect of site-value rating if fully applied would be to activate all idle and under-developed land to the limits permitted by the local planning authorities. This would mean that there would be available to would-be users a far larger variety and quantity of land for their use. With the opening up of the land market, the price of land would be cheapened thus making the new opportunities cheaper for users.

To what extent would S.V.R. lead to a redistribution of population and industry and perhaps vary the need for regional subsidies?

The trouble with government subsidies to the regions is that these grants are ultimately capitalised in the price asked for land in those regions. It is no secret that certain real estate advisers do, in fact, recommend the buying up of land in these regions with the advice that it will become valuable because of government subsidies. Population, like water, would tend to find its own level, once opportunities had been equalised by a site-value tax.

Would the application of S.V.R. affect the competitive ability of our industries within the E.E.C.?

There is no way in which site-value rating would affect the competitive ability of our industries within the E.E.C. Site values do not enter into costs of production, but are a residual. That rent of land is not part of costs is both classical and modern economic theory.

* Available from Land & Liberty Press Ltd.