

## THE QUESTION OF "OWNER'S VALUATION"

By James Dundas White, M.A., LL.D.

### *Need of Equitable Valuations*

If the system of requiring those who hold the land to pay the people a rent for it is to be just in principle and satisfactory in practice, the valuations of land-value on which the charge is based must be of an equitable character as between the different properties. That is to say, if several properties are of the same land-value they should have similar valuations, and if they are of different land-values their valuations should be proportioned accordingly.

### *Valuation Lists and Maps*

It would also be an advantage if—following in this respect the example of New York and various other cities where land is valued apart from the improvements on it—we had not only valuation lists, but also large-scale valuation maps, with the land-values of the various properties set out on them. This development would facilitate the working of the system and would operate as a graphic and automatic check on the valuations. It is not, of course, suggested that area is the only factor: consideration has also to be given to differences of level and of soil, to the proportions of frontage to "backage," to the case of corner sites, and to a number of other factors; and general rules for the guidance of the valuers in these and in other respects would gradually be evolved here as they have been evolved elsewhere.

### *Information as to Facts*

The valuation authorities should be entitled to obtain from any person having an interest in landed property information as to any facts within his knowledge which are relevant to valuation; such, for instance, as the approximate area of the property, the rent (if any) that he pays or receives for it, the name and address of the payer or receiver of that rent, and so on. That person should also have an opportunity of giving an estimate of the land-value of the property; but he should not be required to do so, as an estimate of its land-value is a matter of opinion rather than a matter of fact.

### *Unimproved Land*

Even in the case of a property which consists of land alone, without improvements, which is up for sale, we must remember that there is often a considerable difference between the price that the vendor asks and the price that he would accept, and that the question for the valuer is not what he would accept but what the land would fetch if sold in the open market by a willing seller. In such cases the valuation authorities should, of course, be entitled to know whether any, and if so what, reserve price has been put upon the property, as a relevant question of fact. But even so, and even with properties of this character, the general principle of maintaining a just proportion between the valuations of different properties should be maintained. There is no call for penal valuations. The normal working of the proposed system, and the pressure of having to pay the charge, whether the land is being used or not, would suffice to stop the withholding of land from use.

### *Land with Improvements*

In the great majority of properties, however, there are improvements as well as land, and in practice both are taken together for selling purposes. Even in selling the property as a whole, the proprietor generally seeks expert advice; and he would certainly require expert advice if he had to give an estimate of the amount obtainable in the market for the land apart from the improvements. Thus if, in addition to requiring him to give information as to facts within his knowledge,

we were also to require a competent estimate of the land-value, we would necessitate a large amount of individual expenditure on private valuations of individual properties, which in practice would afterwards have to be subjected to general revision by the valuation authorities, in order to secure something like equitable proportioning. It would be far more simple and satisfactory to have the valuations made by the valuation authorities, who will have the information as to all the properties, and the materials for dealing with each of them, not merely as an isolated unit, but also in relation to the others.

### *Proportioning of Valuations to Values*

It cannot be seriously suggested that, for example, different properties of the same land-values should be valued differently, merely because individual proprietors have different ideas of the prices that they would ask; or that one should be penalized because, for instance, family associations make him particularly desirous of retaining a property, or that another should be let off because he chooses to put his estimate ridiculously low. Any such plan would be grossly unjust, and would lead to the valuations being submerged by appeals for equality of treatment. Sooner or later—and sooner rather than later—we shall require a general valuation of the different properties in just proportion; and it is quickest and best to get on the right lines from the start.

### *Meaning of "Owner"*

Another difficulty arises when we ask what is meant by the word "owner." Technically, of course, all land belongs to the Crown, and the largest "estate" that any private person can have in it is what is known as an "estate in fee simple," which is frequently called a freehold. Where all the interests in a property are in the hands of one person, that person would naturally be the person contemplated. But where, as in a vast number of cases, there is not only a freeholder, but also a lessee, a sub-lessee and so on, and perhaps also persons entitled to rentcharges or other interests, difficulties arise at once. If—as is just—the land-value charge on each property should be borne by the parties interested in proportion as they participate in the land-value, then each of those who participate in the land-value and may have to contribute to the charge upon it should have a voice in making the "owner's valuation." How are they to be found, in view of the fact that over most of the country there is no registration of titles? What is to be the procedure if they fail to agree on a figure which may very well happen where their interests are conflicting? Whose estimate is to be preferred? Let it be remembered also that the land-value required is the land-value of the particular portion of land, and not the value of any individual interest in it, which latter indeed cannot be estimated until the land-value of the land has been ascertained.

### *"Owner" under the Finance (1909-10) Act, 1910*

The word "owner" has, it is true, been used in various Acts; but in each case it has been defined having regard to the character of the legislation. Thus, for example, in the Finance (1909-10) Act, 1910 (see ss. 41, 42), it was defined to mean the owner of the freehold or, if there were one or more leases or sub-leases with an unexpired period of more than 50 years, the lessee under the latest of them. This definition was related to the definition of "assessable site value," which was practically this particular "owner's" share in the "full site value," or the "full site value" after deducting from it the value of any rentcharges, etc.; so that if the rentcharges were equal to or greater than the "full site value," the "assessable site value" might be *nil* or even a minus quantity, however great the "full site value" might be. This instance is a sample

of the confusion that arises when we proceed on the principle of dealing with a particular "owner" instead of placing the charge on the land. If we place the charge on the land, the only valuation that we have to consider is that of the land-value of the land; and if we adopt the rule of proportional contribution, the owner of a rentcharge on the land would have to contribute to the public charge in proportion to the amount of the land-value which is absorbed by his rentcharge. He, therefore, as a participant in the land-value, should have a voice in the "owner's valuation" of it; and the same observations apply to any lessee, sub-lessee, or anyone else who is to any extent a participant in the land-value and may have to contribute to the charge on it. The difficulties in the way of defining "owner" for the purpose in view, and of making suitable arrangements for the very common cases of divided and divergent interests, are additional reasons for having the valuations made by the valuation authorities, subject, of course, to the usual rights of appeal.

#### *Delays and Appeals*

Two further considerations may be mentioned in favour of requiring interested parties to furnish information as to facts, of enabling them to submit an estimate of the land-value if they desire to do so, but of leaving the valuation to the valuation authorities, who would have the information about all the properties and could apportion the valuations justly. The first is that the Valuation Department already has the information obtained and the provisional valuations of "full site values," etc., under the Finance (1909-10) Act, 1910, and, with the further information as to facts, could complete the work in a comparatively short time. If, however, the "owners" are also required to make estimates of their land-values, they would need not only professional assistance but also additional time, so that the valuations would be delayed, and even when they were ready they would have to be revised by the valuation authorities in order to secure just proportioning as between properties. "Owners' valuations," taken by themselves, would result in such glaring disparities that as soon as the list of these valuations was published there would be a perfect epidemic of applications to revise them into something like just proportions as between one property and another, and there would be any quantity of appeals. If, on the other hand, the valuations were made by the authorities in just proportion from the outset, there would be very few appeals, particularly if the valuations were kept well within the mark, and if it were provided that an appeal against the valuation of any particular property should re-open the valuation altogether, and should enable the Appeal Court either to reduce, or to confirm or to increase it. The keeping of the valuations within the mark is necessary in order to avoid over-valuation, and also because the working of the system, by preventing the holding-up of land and bringing more land into the market, would operate to make land cheaper than it is now; and this result should be to some extent anticipated in the initial valuations.

Taxes on wealth—including farmers' improvements—discourage production, and, therefore, result in scarcity of jobs and high prices. Cheap land, security of tenure, and relief from all taxation on improvements and earnings is what land users need. According to Lord Bledisloe, there are thousands of acres of badly neglected land that, by the application of labour and capital, might be made to yield three times as much meat and milk as at present. He suggested that improvements be exempted from taxation for five years. Henry George said, exempt them for all time.—Fred Skirrow, in the KEIGHLEY NEWS, 2nd August.

## A LUCID AND EFFECTIVE HANDBOOK

The following review of Dr. James Dundas White's LAND VALUE POLICY appears in the MANCHESTER GUARDIAN, 13th August:—

Dr. Dundas White has compiled a lucid and effective handbook on a subject to which public attention has deservedly returned. Within the limits of a small volume he has stated the case for site-taxation and the untaxing of improvements with a clearness and force that are particularly helpful, and he has added to his argument a brief account of land taxation as practised in other countries. For the public speaker this reassertion of an essentially liberal policy, whose object is the creation of freedom of opportunity and the creation of wealth in all its senses, is certain to be of great use. For the book is both handy and comprehensive, explanatory and persuasive. The subject is not altogether easy for those whose knowledge of land-tenure and land-taxation is small, but Dr. White has given such people an excellent incentive for increasing their store of facts and opinions upon an issue which can hardly fail to become more prominent in the near future.

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From the SHEFFIELD DAILY INDEPENDENT, 19th August:—

Mr. White, who has represented Scottish constituencies in Parliament for 11 years, has written an invaluable hand-book on the policy of taxing land values, untaxing houses, and on other improvements; and on applying this policy to both national and local taxation.

Not only does Mr. White explain clearly and simply the character of the taxation advocated, but he also outlines the evolution of the principles on which the policy is based. The international aspect of the policy is dealt with, and not the least valuable portion of the book is that which sets out the progress which has been made in other countries.

The taxation of land values is in the Liberal programme, and all interested in this subject will find this little book of absorbing interest.

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From T.P.'s AND CASSELL'S WEEKLY, 9th August:—

The Taxation of Land Values and the principles underlying it are continually forcing themselves to the surface when any matter concerning the welfare of the community is under discussion. This little work is a handbook of the whole policy, and contains much useful information upon all points likely to arise. It deals with the fundamental conditions of the housing problem.

The relations between rent, wages and interest are explained. The evolution of land value principles is described, and the growth of land value legislation in different countries is shown. An appendix contains a number of memorable sayings on the land question. To the student it is indispensable, and for the general reader it is as indispensable as it is interesting.

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From EXPRESS & STAR, Wolverhampton:—

As a handbook and guide the work is admirable. It sets forth all the points in the fight for real land freedom. If only the proper relation of the people to the land can be determined, we shall find the solution to economic and industrial problems. We cordially welcome and commend to all thoughtful readers this well-written book, which is a reliable mentor. Apart from the exposition of the land value policy, the book contains much of value from the standpoint of reference and should certainly be in the library of all students of social and economic problems.