

LVT or Public Ground Rent?

by DAVID B. ASCHER

THE Jewish National Fund does not sell lands, but gives them on long-term lease for a ground rent based on the value of the mere land, strictly in accordance with the principles established by Henry George. The Fund's lands are now administered by the Government of Israel, and government lands are generally given on lease in accordance with the same principle.

From 1939 to 1948 I was one of the legal advisers to the PICA (Palestine Jewish Colonization Association), a public enterprise set up by the Rothschild family. Though I was able, at that time, to persuade some municipalities to levy a higher rate upon unused or poorly used lands, I was unable to persuade them and the government to abolish taxes and rates upon improvements at all. So the next best thing was to persuade PICA to give its lands on lease for a ground rent, too.

What could I tell PICA's manager? He was a disciple and follower of M. Keynes, whose outlook was rather different from that of George. I therefore did not mention George at all, but I told him of "planning covenants" in lease-contracts, as they were proposed at that time by British town planners. He grasped this point forthwith, and so we laid down in our leases a good many conditions in the public interest, e.g.—not to keep on the farm certain beasts undesirable in Israel; not to employ workmen not belonging to the farmer's family; not to sell the leasehold and not to mortgage it but with PICA's consent; to permit government, township or PICA to take parts of the land for roads, railways, bridges, water pipes, pylons, etc. (without compensation); to become a member of certain public associations and institutions, etc.

These planning covenants enabled

us as well as the authorities to carry out their policies without compensation and without laws, to compel the lessee to make the best and highest use of the land and, in general, to establish "happy and glorious" communities. The National Fund and the Government of Israel copied our forms of contracts and everything went fine.

But a few years later lessees applied to the lessors (government, National Fund, PICA, etc.) and asked them to give their consent to certain transactions or acts, as provided for under these planning covenants. To whom did they apply? To a minor official, of course. This good man was employed in order to find out whether or not those conditions are carried out to the letter, and this, and only this, he did. He would not go beyond these limits lest he be dismissed from his post. So what happened?

1) Lessor H took a small farm on lease on the outskirts of a village. Today this village is a town. Around his farm are now buildings of four floors with shops, hotels and stores. Mr. H is not allowed to do agricultural work on his farm owing to a new town planning scheme. A contractor wants to take over his lease in order to erect similar buildings on the land. H asks the National Fund for consent, adding that the land value went up considerably and that the contractor will gladly pay a higher ground rent. The official refuses because, under the planning covenant no work other than agricultural shall be done on this piece of land. Erection of big buildings is not permitted. The fact that H is now forbidden to do agricultural work on his lands leaves him cold. Consequence? The National Fund will not get a higher rent, the land will be left empty as an ugly hole between good buildings,

H goes bankrupt and the contractor misses a good opportunity. But the letter has been saved!

2) Mr. S is the lessee of a plot. He erected a building thereon. Four years later he wanted to build two additional rooms. He is still paying the ground rent of IL 100 p.a. though the land is now worth five times what it was worth when the contract was concluded. When S applied for the lessor's consent he was told that the consent will be given if he pays for it IL 5000 (the contract does not say that the consent has to be paid for). The reason? Just because the lessor failed to make the reappraisal provided for under the contract (so that a higher ground-rent would have been paid), he asked for this amount, as if it were a stipulated fine or betterment tax. Mr. S rightly felt that he would be penalized by this "fine" for his building activities, and cancelled his application for consent. The old building remains as it is!

3) Mr. L is the lessee of a similar plot. The lessor gave his consent to pull down L's old and dilapidated building and to erect a factory on the land. After lots of bickering a bank declared to be willing to grant a mort-

gage loan of IL 80,000 to L in order to enable him to carry out his purpose. Under the terms of the lease the lessee had to be asked for his consent. He refused, but declared to give his consent under the condition that L will pay a consent fee of IL 30,000! The reasons were the same as in the foregoing case. Mr. L cancelled his plan because this additional burden would have made the whole thing unprofitable.

We should learn a lesson from these cases. (a) Both LVT and public ground-rents are good *if* the land is reassessed periodically at the time provided for and without delay. (b) If we have the choice between LVT and public ground rents we should prefer the latter *if* we want to lay down planning covenants in the contracts of lease, and *if* those people who are in charge of these covenants are broad minded and intelligent enough to understand the true interests and requirements of the lessor, and *if* they will not use them for other purposes than those of the lessor.

Dr. David B. Ascher is a land valuer in Haifa who wrote of practical aspects of planning based on his experience, thinking that readers of HGN might like to comment.

George H. Royal became the dean of the HGS in 1951 when he succeeded Domenic Della Volpe. He was one of the first Negro probation officers of the New York State Supreme Court, and his work with troubled families was, until his court retirement in 1961, interrelated with the studious pursuit of economic principles.

"Virtually all devotees of the Henry George philosophy believe they have found the truth," he said. "Prevailing conditions and the trend from natural law toward socialization emphasize the need for this knowledge. Awareness of the trend by our teachers and others with a willingness to counter such effects, helps to perpetuate the democratic processes."

Mr. Royal was a "natural" for the listening clinics that appeared in 1953, for he held that listening was an art in itself. "Don't lecture too much," he urged in his training classes. "Only the person with an inflated ego is afraid to admit he doesn't know everything about a given subject. The person who is intellectually honest can afford to listen. But he has a responsibility after that to find out the answers. Be a responsible individual," he counseled, "never waste time on a negative appeal, earn the respect of your pupils—a sense of humor is important too!"

This long and pleasant association ended with his death on January 8th. Mrs. Royal, a teacher, who survives him, has the heartfelt sympathy of the many friends they made among the teachers and students of HGS.