THE CHURCH AND THE LAND: Part One

A COMMISSION appointed by the Archbishop of Canterbury has reported on conditions in rural Britain. *Faith in the Countryside* presents a grim picture of neglect, a shortage of money and a fast dwindling infrastructure.

• The failure to provide affordable housing exposes the social tensions in rural life. The Church of England report did call for the provision of low-cost homes, but it was thin on practical solutions.

• Landowners, as well as academics, farmers and businessmen, were represented on the commission. Not surprisingly, then, the report suggests that landowners should be paid for encouraging community enjoyment or rural land.

• *Land and Liberty* here presents the first of a series of articles aimed at encouraging a re-examination of the role of the Christian church in confronting one of the most intractable problems in rural society – access to the land at prices people can afford.

• ANNE NETHERWOOD, an architect from Shropshire, proposes that the church take direct action to provide sites that low-income families can afford. Her solution is reviewed by DAVID REDFEARN on Pages 92 and 93.

Homely visions

THE CHURCH, as an institution, owns land: all denominations have land holdings all over the country. Other institutions, including local authorities, own land. I believe that one major component of the current housing problem is the idea that land is a commodity, with a market value based on demand.

I suggest that taking an alternative view of land value might set officers of the Church and other institutions free, so that they could be instruments of justice without abrogating their responsibility to safeguard the inheritance of the past and provide for the future.

If land value is seen as the value of a commodity in a free market, any valuer is bound to give a theoretical figure for the value of a particular piece of land based on his estimate of what the market will bear.

But the land market is not free. Planning restrictions mean that land with planning permission for housing is at a premium in areas like the South-East of England where demand for housing exceeds supply.

"What the market will bear" gives a maximum possible figure for the land value, calculated by taking the maximum possible selling price of housing, less the cost of construction and site works.

And the maximum possible purchase price of housing is set by the household with two high income earners who sell their existing house for the maximum possible price and get the maximum possible mortgage on their combined income.

In Southend in July 1989, four-bedroomed houses on approximately 1/5-acre plots built between the wars were selling at nearly £300,000. It is quite possible for building land to be valued at £500,000 per acre in the south-east.

This is a realistic valuation from a developer's point of view. He can build a luxury house of 150 square metres at £800 per square metre and still make a healthy profit. But this has the effect of pushing up all housing costs.

Very little accommodation is available under £50,000, and even that price would give the purchaser only a modest one- or two-bedroomed flat. A first-time buyer with maximum concessions and 100% mortgage would still need to earn £16,700 per annum in order to afford it.

It could be argued that this view of land as a commodity is open to question not only because the land market is not free, but also because any estimate of "what the market will bear" is bound to be fickle.

What value, eventually, will be placed on a house in a district where train services are unreliable, hospitals closed and schools understaffed because none of the people needed to operate these services can afford to live anywhere within travel distance? If any area, anywhere, is to remain viable for human society, it must be possible for people at all levels of income to live within it.

I believe that there is an alternative, provided that land is not treated as a commodity and valued theoretically by "what the market will bear". For the sake of argument, I have taken the example of the Church of England and its glebe land holdings.

The problem facing an Anglican archdeacon is the same as the problem facing a local authority official: how can low-cost housing on this land be provided in a responsible way, that does not simply squander our assets and subsidise the profits the first house purchasers make when they resell their houses?

What follows is a dream for the future, but the figures are 1989 salaries and building costs in Shropshire where I live and work. They could be adjusted for other parts of Britain, but the principles would be the same.

THE ANGLICAN Church in the year 2001 has taken seriously its duty as an institution to warn society and to show alternatives: the archdeacon recognizes the role of Christian prophets not only to cry "woe" in warning, but also to point the way forward. He picks up the phone and rings the office of The Lord's Housing Trust, an organisation founded in 1991 for the purpose of building and managing low-cost shared-equity housing schemes in the county.

The Diocese has an acre of glebe at Lower Fledgelington; would the Trust be interested? The Trust manager glances at the chart on his office wall. Yes, there is a housing need in the village. But the glebe land is just outside the village envelope boundary set by the local authority planners. This means that it would normally be given planning permission for housing. Let us check with the local authority, he tells the archdeacon, and let you know.

The archdeacon puts the phone down and thinks how appropriate the Trust's shared equity schemes are for the use of glebe land. Glebe was originally granted to the incumbent of a parish in order for him to earn his living. He could do this either by working the land himself, or by renting it out.

• **Anne Netherwood**

In the past, rent was assessed as a percentage of the *produce*, not as a percentage of theoretical 'market value'. That related to a concept of *use value* of land. We've come full circle, thinks the archdeacon: the Trust's shared equity schemes mean that the land is held by the Church and rented out to the purchasers of houses built on it. Perhaps we've learned a few lessons since Henry VIII's privatisation schemes ......

Meanwhile, the manager of The Lord's Housing Trust is having an informal discussion with one of the planners at the local district council. The planners have a good working relationship with the Trust which is still the only body in the county actually to build low-cost housing. The council have already given planning permission to the Trust for similar sites in other villages.

The planner remembers the trouble he had in the 1980s when the housing problem of rural areas first surfaced. There were developers then who promised to build low-cost housing if planning permission were granted for sites just outside the village development boundary. They would put in an application for outline permission to build low-cost housing for village people, and then, once it had been granted, draw up a scheme for up-market "executive homes".

The council tried to control developers by applying a "section 52" clause, part of planning legislation which acts in a similar way to a restrictive covenant.

The developers appealed when the Council refused planning permission on their high-cost schemes, and the appeal was upheld: an Outline Permission to build housing can not limit the final selling price of the houses.

But the planners and the council know where they are with the Trust. The planner tells the Trust manager that there will be no problem getting planning permission for the land, providing the Trust builds the housing. Section 52 can be applied to safeguard this agreement.

BY NEXT morning, the archdeacon has on his desk the Trust's standard form of agreement, making over the land to the Trust on a 50-year Right of Occupancy. This is similar to a long lease and is similarly negotiable at the end of its term, but carries the important restriction that what is negotiated is the right to occupy the land with housing and not unconditional leasehold use.

Once the terms have been agreed, the diocese has no more to do than to check bank

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THE CHURCH AND THE LAND: Part One

Gospel

IT IS advisable for those who wish to cultivate a Christian attitude to land-ownership to go back to the beginning and to find out what Christ himself thought about it.

Certainty is impossible, for Christ left no writings of his own, and there is clear evidence in his occasional impatience with his followers that he was not always properly understood.

Such incomprehension is doubtless often reflected in the written records, which, as an added complication, are in Greek, although it is probable that Christ spoke in Aramaic. Nevertheless, land-ownership is the basic social adjustment, as the formulators of the Mosaic Laws well knew (see *Leviticus xxv*); so we must make the best of what evidence we have.

Evcerything hinges on the correct interpretation of the Greek word *ktêma* (plural *ktêmata*), which in our versions is usually translated "possessions". It would be easy to assume that any kind of possessions was intended, but for some linguistic indications to the contrary. For example, we are told in *Acts ii, 45* that the members of an early Christian community "sold their possessions (*ktêmata*) and goods (*huparxeis*)", which appears tautologous, but makes better sense if, as Alexander Souter suggests in his *Pocket Lexicon of the Greek New Testament*, the first term refers to landed estate and the second to personal property.

Then again, in *Acts v, 1-3*, we are told how Ananias and his wife Sapphira sold a piece of property (*ktêma*) and were rightly accused by Peter of having kept back part of the proceeds of the land (*tou chôriou*). Here the two terms were evidently intended to be synonymous; but the author was striving for variety.

It was on considerations such as these that Dr Henry Barclay Swete, in his edition of *The Gospel According to St Mark: The Greek Text With Introduction, Notes and Indices*, based his opinion of the meaning of *Mark x, 22*. Here we read the story of the young man who wished to "inherit eternal life", had always kept the commandments, but baulked at the idea of selling everything and following Christ, "for he had great possessions (*ktêmata*)". Probably estates, lands", writes Swete in a footnote.

Sound economic common sense is on our side, as well as the linguistic arguments, if we accept Swete's and Souter's view; for a large accumulation of personal property in the young man's hands would have harmed nobody so long as the means existed to produce more of it. If, on the contrary, the large accumulation were of land, fixed in quantity and essential to the survival of the whole people, his advantages would have been offset by the deprivations of others.

THIS text in *Mark*, I would suggest, illuminates the problem of the Churches to which Anne Netherwood proposes a partial solution; for the Church of England is one of the country's largest owners of agricultural land (over 160,000 acres), and, moreover, derives a considerable income from urban holdings.

In the Middle Ages, when a grant of land was the stan-

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statements at quarterly intervals. The archdeacon looks at the terms the Trust is offering. The value of the acre of glebe land is stated as £73,500. The diocese would receive a rent of £4,000 per annum, payable quarterly: just under 5½%.

At the moment, the market value of agricultural land is £2,000 an acre. If it were inside the village envelope and had unrestricted planning permission for housing, it might fetch £120,000.

But the archdeacon has learned not to think in terms of 'market value'. He and the Trust speak of the *social value* of land. This is not a vague figure. It is calculated precisely from the use to which the land will be put.

This is how the Trust manager worked the sums out:

• The acre of glebe land had road access and was approximately square in shape. It would be possible to build at a fairly high density, say at 16 units per acre. The Trust builds low-cost housing within present regulations, by using local contractors to build habitable shells with basic plumbing and electrical services, full insulation and structurally sound to building regulation standards.

Costs are cut by leaving out some partitions, joinery and decorations to be done by the purchaser. In this way. a 65 square metre shell which will give a two-bedroom house can be built for £300 per square metre, or £19,500.

• The Trust adds 15% to cover professional and legal fees, interest charges and overheads. This is lower than the 20% addition normally made by developers. The reduction is possible because the Trust does not have to pay interest to shareholders and because all its officers take relatively low salaries.

• The huge demand for low-cost housing ensures a quick sale, thus keeping interest charges down. Houses are often bought even before the contractor has finished work on the site. The buyer moves into the completed shell as soon as the contractor has moved out.

He and his family will continue to work on the house, adding partitions and joinery as they need the sub-divisions and as they can afford to do the work. The total cost of the shell to the buyer is the cost of building it plus 15%: £22,400.

• The Trust also has to construct a road inside the site boundary to serve the houses, and sewer, water mains and

truths

DAVID REDFEARN analyses
Anne Netherwood's dream

dard method of financing the performance of public duties, and everybody was a member of the Church, not only in theory but in practice, a strict judgment of its landholding according to *Mark x, 22* would have been a little harsh. Those were the days when land rights were far more evenly distributed, and involuntary unemployment was still unknown.

Now, however, the Church of England is a landowner on the same basis as any other, and shares the same motive to draw maximum rents, on which it largely relies for the payment of clergymen's stipends. It is therefore not unreasonable to consider its case, together with those of other landowning Churches, as analogous to that of the rich young man. What would Christ have said, one may well wonder, if the latter had pleaded his stewardship, and promised to do his best to make sure that the inhabitants of his estates were housed according to acceptable minimum standards?

This is not to belittle the efforts of those, such as Anne Netherwood, who would like to see the Church, *here and now*, doing more in fulfilment of its social responsibilities. If it were to make at least *some* affordable housing available, by accepting less than maximum ground rents, it would not only improve the living standards of a small minority, it would also challenge the common assumption that it is somehow in the course of nature that more and more young people every year should despair of ever having a place of their own.

All the same, it is time for the Churches to realise that the housing problem is only part of the wider one of unemployment and poverty. The existence of a "pool of unemployed" creates competition for jobs and a consequent downward tendency in wages, while at the same time land use or non-use in the interest of a minority of landowners promote an upward tendency in rent. So long as the Churches are part of this problem, they will find no satisfactory solution to their crises of conscience about how to administer their lands.

What is necessary is a return to the Old Testament conception of God as the only landlord, or, in other words, of common rights to land. This may be implemented, not by a process of redistribution, but by claiming the full market rent for society, instead of penalising industriousness, or even mere existence, by means of taxation. As more land came on to the market, which it would, rent would diminish, employment opportunities increase, and wages rise to the point where house ownership could be taken for granted.

It would be a noble and truly Christian gesture if the Churches were to put their special privilege at risk by promoting the application of this measure. Perhaps in the end they might even be rewarded by generous voluntary support, in lieu of rent, from enlarged and grateful congregations.

"For whoever would save his life will lose it, and whoever loses his life for my sake will find it". (Matthew xvi, 25).

electricity, street lighting and parking space. This adds site development costs to the price of the house shells.

A rough estimate for the site development cost works out at £40,000 for the site, or £2,500 per house. The Trust manager adds this cost to the house cost as part of the owner's equity: it saves the Trust having to tie up its working capital in land development costs. The Lord's Housing Trust works without subsidies from Government.

Most subsidies have strings attached, and the Trust is freer without them. But the Trust adds 15% to its site development cost as well as to the cost of building house shells, and for the same reasons: to cover overheads, fees and interest. This gives a total site development cost per plot of £2,900.

HAVING done these sums, the Trust manager can now give a value for the land. The 'social value' is worked out on a rule-of-thumb which applies worldwide: land value should not be more than ⅓ the value of the house built on it.

If the value of the house is £22,400, the value of each plot can be set at £7,500. With 16 houses on the acre, the value of the whole site when developed will be (£22,400 × 16) ÷ 3 = £119,500.

From this figure, the manager deducts his total site development cost of £40,000 + 15%. The **social value** of the undeveloped land is £119,500 − £46,000 = £73,500.

The Trust manager now checks that the total cost is affordable by local families on low incomes.

Each plot has a 'social value' of £73,500 ÷ 16 = £4,600. This equity is held by the diocese and administered by the Trust. Rent at 6% per annum will be £276, or £23 per month.

The total equity held by the purchaser is the shell cost of £22,400 plus the site development cost of £2,900 = £25,300. The Trust assumes the buyers can get 90% mortgages; 90% of house-owner's equity = £22,800. Miras mortgage works out at 1% per month: monthly repayment = £228. Total payment made by the family per month will be £23 + £228 = £251.

A very rough guide to affordability of housing says that monthly payments for housing should not be more than 3% of annual salary. This means that the houses are within range of a family with an annual family

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COMMUNITY FOLLY

By Geoffrey Lee

THE PARADOX of a property slump that offers tens of thousands of houses to people who need but cannot afford them, or the sight of thousands of empty flats rising above the thousands of homeless sleeping rough on the streets of London, seems not to have exercised the minds of politicians of any party sufficiently to make them do more than utter platitudinous expressions of concern.

To attempt a fundamental examination of the causes behind the problem is something beyond the will and wit of government or opposition. We should be grateful therefore to John Muellbauer's *The Great British Housing Disaster and Economic Policy* (Institute for Public Policy Research, £7.50) for having a stab at it.

Unfortunately there are lots of important but secondary issues to cloud the picture – financial liberalisation, the entry of banks into the mortgage market, easy credit, the blunder in the 1988 budget which delayed the implementation of the restriction on mortgage interest tax relief until August, and so on. These helped create the boom that lead inevitably to the slump.

However, John Muellbauer cuts through to the heart of the matter: "Ultimately, it is the rise in the value of the underlying land that is the problem. Between 1981 and the second quarter of 1988 the price of an average building plot, relative to personal disposable income per head in the UK, rose from 1.6 to 4.1 in England and Wales and from 2.3 to 7.2 in the rest of the South-East".

If you can see that you can also see a solution – tax the land. Mr. Muellbauer suggests taking an imputed annual income of 4% of the site value and taxing it at the standard rate (currently 25%). These values would be indexed annually to local house or land price indices.

Of course, putting a tax on land would reduce its value so affecting the following year's tax intake. Unless land prices are running at the high level of general inflation (which is not the case at the moment) then your tax intake is going to fall substantially.

A further disadvantage is that a tax of 1% is not going to lower land prices to any significant extent. But dramatic results would follow if you were to impose a tax equal to the full annual rental return. Land would then have a nil value and houses of similar construction costs would sell at exactly the same price in Mayfair as they would in Maidstone or Muggleswick.

Muellbauer wants to treat site value rent as a private income and tax it as such, but the whole of the site rent was created generally by the existence of the community and in particular by local and central government expenditure on schools, roads, hospitals, parks libraries etc.

The object of the exercise should be to return to the community that which the community created. The rent of the house, factory or office on a site is a private income rightly due to the owner of the building. The rent of the site itself is a public income and belongs to the community.

This may not be a palatable

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income of £8,400. The purchaser will need to find £2,500 deposit.

The manager then checks the return on the diocese's equity. The Trust will handle all administration, rent collection, etc; for which there will be a charge of 10% of the rent paid to the diocese. The total rent paid on the land at 6% of social value = £4,400. The diocese receives £4,000 per annum. The Trust takes £400 per annum and collects £23 per unit per month.

Since there is no subsidy of any kind, and the diocese has charitable status, there is no automatic right to buy the land equity. The Trust retains first option on any house sale, valued to take account of improvements. For example, the first house buyer could sell after two years, having made £2,000 worth of improvements as valued at the original building cost. Current value is house + improvements, multiplied by inflation calculated on *building cost index* and not on fluctuating market value.

New value of house equity = (£25,300 + £2,000) + 12% = £30,600. The buyer would have paid off, say, £500 of his mortgage capital, which gives him an outstanding mortgage of £22,800 − £500 = £22,300. The present value of his house is £30,600. His original deposit has therefore grown to £8,300 from £2,500. He has paid £2,000 in labour and materials, and £500 capital repayment, giving a clear profit of £3,300. The Trust has a saleable asset at, say, £31,000.

And the diocese still owns the land.