The Obsession with Betterment

THE Fortunes made by holders of land who are granted planning permission to develop their land beyond existing use are invariably referred to as "scandalous," and every so often voices are raised inside and outside of Parliament demanding that part or all of the increases in land values "created" by planning permission be collected for the community.

This call for some form of betterment tax has gone on unabated for years and the failure of this selective form of land tax in the past has not weakened faith in it; nor have the failures taught anyone any lessons - and there are many to be learnt. The prime lesson is that to confine the problem is to confine the remedy. Since the most obvious and most dramatic manifestations of a problem arouse the most attention, the remedy has invariably been limited to what is assumed to be an isolated problem without regard to the fact that its roots run deep.

Betterment levies purport to deal with unjustified gains arising from the granting of planning permission which is supposed in itself to "create" increases in land value. But permission never created anything. All that planning permission can do is to acknowledge values that already exist - and release them to be exploited.

To focus attention only on land values that are released from time to time to the exclusion of existing land values (which, after all, are merely made up from the accumulated increases of the past) and those increases currently arising from land already developed (by far the greater proportion, agricultural land excluded) is to chop at a single branch. But, more important, it is to ignore the root.

To approach the land problem in this way not only makes economic nonsense, but it also makes nonsense of talk of "social justice" particularly when such talk is accompanied by reference to land values being created by the community, while meaning only those values that are currently being released, or will be in the future.

One may talk of the presence and activities of the community, together with the spending of public funds on development and improvement, as creating land values, yet a more accurate description would be the *maintaining* of land values, for if the factors generating demand for land decline (as they do in some cases) then land values decline also. Let a land holder lose the factors that maintain the value of his land and he loses his land value. Looked at this way, sporadic increases in land value that are revealed by the granting of planning permission are almost irrelevant as an isolated subject for taxation.

The obsession with betterment to the exclusion of all land values continues. A recent study* by the Town and Country Planning Association looks at betterment and planning, examines some "panaceas" for dealing with the problems emanating therefrom and offers its own remedy.

The statement opens in the now familiar manner: "By common consent, profits from the sale of land for development have become outrageous. Yet this scandal has been latent in our planning system for the past twenty years." (One might be forgiven for thinking that development values arose only because of the existence of planning).

Listed among the "panaceas" - which include the release of more land; regulating the land market; land nationalisation; the nationalisation of development land; partnerships between land owners and public bodies and local or regional Land Commissions - is site-value rating. Site-value rating has of course never been advocated as a solution for betterment as though betterment were an isolated problem. However, site-value rating would in practice collect some betterment values, and the amount would depend upon the rate in the pound levied and the frequency of revaluation. Moreover, it might collect more overall than other specific betterment taxes, since betterment values on *developed land* would also be included.

But anyway, the Study Group did not find their answer in site-value rating. The criticisms of site-value rating indicate only a perfunctory examination of it, and their arguments are none too clear:

"It would pose new problems to British planners, who would have to re-assess upon what scales of time and space they could possibly operate." (So what?)

* *Statement on Development Values & Land Assembly,* April 1973

". . . site-value rating would be inimical to large scale and long term planning. " (Why?) ". . . in so far as the rates at which it was set allowed of such planning to function (*sic*), site-value rating would have failed in its purpose in bringing land quickly forward for development. (?)

Other unsupported statements appear: ". . . in those countries in which site-value rating in one form or another operates, the resultant sprawling character of development does not generate confidence in it as a signal remedy."

No evidence whatsoever is offered for this remarkable statement - and there are more of a similar nature which indicate that research of available material (and there is much well-documented evidence obtainable) must have been very limited indeed.

The Association's own proposal is a public land bank, i.e. land must be acquired by the public in advance of development, "just as developers have long since built up private land banks." In other words, public and private enterprise is to compete in land speculation and the withholding of land for use some time in the future.

This study, no doubt undertaken with the best of motives, should quietly be buried.

Galling to Ratepayers

BETWEEN 1969 and 1971, 320 council houses were sold in Dudley, Worcs., at 20 per cent off market price as assessed by the district valuer. Around 77 per cent of the properties were priced at below £3,500, even before the deduction of the 20 per cent discount, whereas only 18 per cent of houses handled by estate agents were below £3,500.

The sale of council houses to sitting tenants has become something of a party political issue in the UK, but whatever one's views on the basic principle, it is reasonable to suggest that if council houses are sold the tenant should pay the market price.

In Dudley the tenants are able to buy their houses at a 20 per cent discount after years of occupation at a less than market rent, and from the figures above it would seem that the district valuer's assessment of value, before discount, is too low anyway. So the council house purchasers are getting a real bargain.

What must be particularly galling to the ratepayers of Dudley, who are the losers in the case, is that, as shown elsewhere in the report, the average gross income of the council tenants buying their council homes is higher than that of other people buying houses in the private market.