



Reluctant Reformers

THE LATEST in a long line of legislative attempts to counteract or mitigate the inevitable economic and social effects of our land tenure system is contained in the Government's White Paper *Widening the Choice: The Next Steps in Housing*,* presented by Mr. Geoffrey Rippon, Secretary of State for the Environment and Mr. Peter Thomas, Secretary of State for Wales, in April.

The White Paper deals with a variety of proposals including "new planning guidelines" for housing, a grudging and apologetic release of certain green belt land, the promise of a nibble at surplus land held by the nationalised industries, and further exhortations and pleas to local authorities to "come forward" with land they hold.

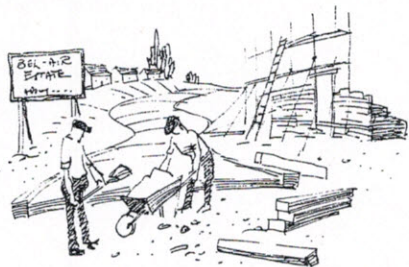
The main proposal and the one that has excited most attention is a land hoarding charge. The charge will be levied for failure to complete development within a specified period from the grant of planning permission. Legislation will prescribe a normal completion period of four years from the grant of outline permission or three years from the grant of full permission where no outline application was made in the first instance.

The charge will be levied on the full market value of the property on the day after which the relevant planning permission is granted or, in the case of land with permission granted before the date of the White Paper, the value on the date of the White Paper. The charge will accrue from the end of the completion period by reference to a fixed percentage of that value for each year's delay, the charge to be levied for the actual year of completion being

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based on the proportion of that year which has elapsed before completion.

The Government's present intention is that the



charge should be at a rate of 30 per cent for each full year of delay. On this basis, a person who had three years in which to complete development and was allowed no extension of the period would become liable to the charge if, on the first day of the fourth year, the development was incomplete. The amount of the charge would increase day by day until at the end of the fourth year it would be 30 per cent of the value at the beginning of the first year, at the end of the fifth year it would be 60 per cent of that value and so on. Where part of the land is completely developed, the charge would apply only to so much of the site as had not been completely developed.

The charge will not be deductible for tax purposes.

There will be exceptions as follows:

- (1) Cases where the planning permission is for the improvement or conversion of an existing structure, or for the extension of an existing structure involving creation of not more than two dwellings.
- (2) Plots of land for which there is planning permission on the date of the White Paper for the construction of not more than two additional new dwellings.
- (3) Land which is the subject of a mixed permission for housing and some other materially different form of development, if the local planning authority considers that housing is not the predominant form of development.

To prevent evasion the charge will be secured on the property itself. Ordinarily the person chargeable will be the owner or the holder of some other relevant interest in the property such as a long leaseholder. To safeguard the position of owners of land who are opposed to the development of their land, the existing planning law will be amended to provide that the written consent of the owner will in general be necessary before an application for planning permission for housing could be valid. If the owner withholds that consent, the local planning authority will be able to resort to proceedings for compulsory purchase with a view to re-selling the land for development, just as it can now do where an owner is unwilling to sell land which is ripe for development.

Were it not for the fact that some kind of action was forced upon the Government by virtue of the intractable and worsening housing situation, it might be said that it had good intentions. But whatever the view, the basic principles governing land availability and land price have again been ignored.

The less obvious effect of land legislation that involves some form of taxation - whether described as a levy or a charge - is that land-value taxation becomes discredited, for not everyone understands the vital and fundamental distinction between:

- (a) an *ad valorem* tax on all land irrespective of its use or non-use, or of any action that the landowner or developer takes within the limits of planning permission and
- (b) a charge or tax which falls selectively on some land and is dependent upon the action or initiative of landowner or developer.

But what can we say of this new land hoarding charge within the context of its intentions?

It has precious little virtue to commend it — and that only if the charge is effective in its limited purpose, which seems doubtful.

Our detailed criticisms have been anticipated by able commentators (see below) who have discerned the weaknesses in this half-hearted attempt to come to grips with the land and housing problem.

ILLUSORY BENEFITS

FRANK OTHICK, *Local Government Review*, March 17

There will be massive loopholes in this land hoarding charge scheme when it is applied, there will be a difficulty in defining those landowners who are to be charged and those who escape, the position of the developers working to a programme will justify special treatment, the small builder and individual plot owner will wring tears from us all. Far better include everyone, large or small, but on a more rational and uniform basis. There is no reason why all undeveloped land should escape local taxation. Community growth and public services materially contribute to increasing values. To syphon some of this off by way of an annual



site rate would be fair and feasible. Valuation would take care of the shades or degrees of readiness for development. The Inland Revenue could cope if it enters

into contracts with valuers in private practice as an emergency. The sooner legislation is produced the sooner will land release be assured. And a very useful annual income (for local government?) collected. Both the land hoarding charge and the help to the ratepayer will be largely illusory but in a budget statement both have the right sound. Part of the trouble with government in these crisis days is that promises made cannot be honoured. They are too often overtaken by events. Equally, solutions to problems are too often made to sound effective but a little later the hopes are dashed and more disillusionment is spread.

DRAMATIC GESTURES, MINIMAL EFFECT

FRANCES CAIRNCROSS, *The Observer*, April 15

The Government's housing policy seems to have degenerated into a series of dramatic gestures which will have a minimal effect on the most serious of our housing problems.

The land-hoarding levy, announced in last week's White Paper, will almost certainly fall into the same category of grand and meaningless gestures.

The levy will not catch land which does not yet have outline planning permission. It may encourage some builders to delay getting permission until the last moment. It will not affect the local authorities, whom many property developers regard as sluggish builders.

18,000 ACRES SHORT

DAVID WILCOX, *Evening Standard*, April 9

The policies outlined in the White Paper will be dismissed by some housing experts as largely irrelevant to London's enormous problems on two counts.

First, the key problem in securing more land in London for housing is persuading - or forcing - the outer boroughs to grant planning permission.

Until council permission is granted the question of hoarding or higher densities does not arise, and the outer boroughs just don't want any more homes. The proposed release of 2,000 acres of "tatty" Green Belt will help, but nearer, 20,000 acres are needed to really boost new house building.

FULL OF LOOPHOLES

"CHARTERED SURVEYOR" - A Correspondent, *Estates Gazette*, April 21

The effect of the proposals will not only be to encourage speculators to hold on to ripe land without applying for planning permission but many genuine developers will be discouraged from making a plan-

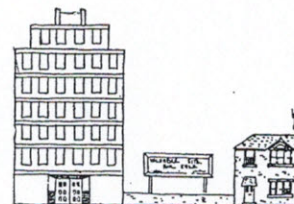
ning application in the fear that development might not be completed within the prescribed period or such longer period as may be permitted.

Mr. Rippon's declared remedy for dealing with the land speculator in these circumstances is the wider use of compulsory purchase powers. As the basis of compensation is market value at the date of entry, speculators will be able to obtain maximum benefit from the increase in value of their land up to the time entry is taken, which may not be for some considerable time. The two main time consuming stages would be the identification of the site as ripe for development, and the making of the Compulsory Purchase Order. The latter stage is already quite lengthy but is likely to become more so as an increasing number of speculators decide to adopt compulsory purchase as the most beneficial method of marketing their land.

There is also a very real possibility that, in withholding land from the market, speculators will increase the amount of compensation above the figure which would have been realised had they sold voluntarily in the open market. This is because the withholding of land would tend to increase the prices realised for the other, marketed land and these "inflated" prices might be accepted by the Lands Tribunal as evidence of the value of the land being compulsorily acquired.

The shortcomings of the White Paper do not end with the grant of planning permission. If the value of a plot of land increases say threefold during the period of three years from the grant of planning permission (rises of this magnitude are now commonplace), the tax of 30 per cent will in effect be only 10 per cent of the value of the land at the end of the three year period. If, at the beginning of the fourth year, the speculator considers that the value will increase by much more than ten per cent during the following twelve months, he will not be persuaded to commence development of his land. As each year passes, and values continue to rise, so the effective rate of tax will diminish.

One minor point is that even if a developer decides



to implement his planning permission, he may still, if it suits him, withhold the completed development from the market.