

PLANNING BY GUESSWORK

A SEARCHLIGHT WAS thrown upon the dangers and evils of land speculation when the bombs began to devastate parts of our cities. Buildings were demolished and sites were cleared, but with the disappearance of the buildings the value of the land remained, together with the prospect of future enhancement. Although in some quarters the speculation was belittled or even denied, newspapers of all shades of opinion joined in a chorus of protests against the gamble to derive unearned gains out of the war damage and destruction. We can recall the captions and headlines like "the country wants no bombed-site millionaires" (*Scotsman*), "blitz brigands" (*Star*), "bomb profiteers" (*Daily Mail*), "no blood money" (*Sketch*), "nation's emergency turned to private profit" (*Wolverhampton Express*), "birds of prey" (*Reynolds*), "land leeches" (*Economist*); and authorities like the city architect of Coventry were exclaiming: "Will the landowners again be allowed to smash the ideas of our twentieth century Wrens?" The Press was making capital out of the mood of popular indignation, but the agitation was wholly misdirected in these condemnations of individuals engaged in buying and selling land. The protest should be against the conditions which make possible the holding of land out of use for increased prices. As long as the value or rent of land can be privately appropriated it is false to blame individuals for striving to take advantage of the situation.

The Uthwatt Committee

The hue and cry about the traffic in bombed sites obliged the Government to take notice, and in this atmosphere, in January, 1941, the "Expert Committee on Compensation and Betterment" presided over by Mr Justice Uthwatt was appointed to consider among other things the "possible means of stabilizing the value of land required for development or redevelopment and any extension or modification of powers to enable such land to be acquired on an equitable basis." Thus at the outset the inquiry, where it relates to land values, was restricted to the acquisition of land by public authorities and the price of land when such acquisition takes place, which is an altogether minor part of the land question as a whole. Mr Justice Uthwatt had as colleagues Mr James Barr, Mr C. Gerald Eve and Mr Raymond Evershed, and they were assisted by two officials of the Board of Inland Revenue. They were required also to "make an objective analysis of the subject of compensation and recovery of betterment in respect of public control of the use of land and to advise, as a matter of urgency, what steps should be taken now or before the end of the war to prevent the work of reconstruction thereafter being prejudiced." Their report is a long and highly technical document of 180 pages.

Public Land Purchase

In the matter of "stabilizing the value of land," the Committee recommends that payment of compensation *in respect of the public acquisition or public control of land* will not exceed sums based on the standard of pre-war values, i.e., values as at 31st

March, 1939. The words I have italicized are important, for the so-called stabilization relates only to public purchases and amounts to a dictate that land can be compulsorily acquired *by the public* at not more than the value the land was deemed to have on the date named. The proposal does not in any way touch the transactions between private individuals, where land speculation is left full scope to flourish. Indeed, any talk of "stabilizing" land values is absurd, for the value of land rises and falls under the influence of factors which no such decree can govern. Moreover, the proposal, for what it is worth, has to face the fact that no valuation of land as at 31st March, 1939, or at any date, exists, which could serve as a criterion. It would be necessary to make a special valuation for every case, not of what the land is worth now, but what it was worth several years ago. It would be a task for valuers and arbitrators with any amount of scope for contest. The Committee are sparing with their suggestions as to how it may be successfully achieved.

The Making of Plans

The chief objective of the Committee, interpreting generously their terms of reference, is wise and well-ordered planning in the use of land. Reconstruction, development, compensation and betterment are all considered in relation thereto. They make a distinction between "developed" and "undeveloped" land, the former being the built-up town areas and, to put it generally, any land which has upon it buildings used for any business, trade or industry other than agriculture; the latter being land which is not built upon or not so used.

The Committee recommend that, within the town areas of "developed land," there should be improved provisions for making town planning schemes operative and extended powers of compulsory land purchase for such purposes as the redevelopment of war-damaged and reconstruction areas, and the planning and replanning of other areas; and that local authorities should have power to purchase land for future use without indicating what the requirement may be, and they should have other general purchase powers. It is apparent that subject to the "March 1939 ceiling," which in any case represents a price inflated by land monopoly the Committee are content to hand over vast sums of public money to the ground landlords of our towns as the price of their permission to proceed with the necessary reconstruction and redevelopment; and in the encouragement they would give to local authorities to purchase land in advance of requirements they discount the municipal land speculation which would be provoked, with social and economic effects as deleterious as any that private land speculation produces. As to the cost of all this land purchase and "to what

extent it should fall on local resources or be borne out of national funds," that question is airily dismissed by the Committee with the remark "it lies outside our terms of reference."

Landlord Compensation

The really startling recommendations of the Committee are those that relate to the undeveloped land, with the scheme for State purchase of all "development rights" and the idea that no private owner shall thereafter be permitted to develop (with buildings) any land except under licence from the State. The object is to secure a really effective and centrally controlled planned development of the whole country, including the reservation of land, where needed, for parks, green belts, beauty spots and the like; to prevent the undesired growth of large cities; to provide sites for new satellite towns; and to decide the location of new industries. After the purchase of the development rights has taken place, the owner is still left in possession with all his rights as owner, save that he is forbidden to develop until he (or other person by agreement with him) obtains the permission of the State. When the land, with only the value of the "owner's interest" now attaching to it, is required either for public purposes or for purposes of development, it has to be purchased by the State if necessary by compulsion and at a price agreed on at arbitration. The licence for development having been granted and the "owner's interest" having been purchased, the land is to be leased to the developer and the State is to collect the rent. A feature claimed for this scheme of things is that the increase in value which *thereafter* attaches to the land will accrue to the State. A point to be clear about is that the proposal involves the expropriation of the owner in two stages, namely, first the purchase of the development rights which are vested in the State, and later the purchase of the freehold (at its remainder value) when the land is used either for development or for public purposes.

Capricious Estimates

The Committee's proposal for effecting the first transaction is that the amount to be paid "should be fixed by the Government after taking expert advice"; that the value of all the individual "development rights" should be ascertained and aggregated; and that the amount that has been fixed by the Government should be divided among the owners in accordance with the "development value" of their various holdings.

How is it possible for any experts, however expert, to name a sum that the Government ought to pay, having nothing whatever to guide them in the way of a valuation? It may be true, as the Committee suggest, that if all undeveloped land having a development value came into the market all at one time the total price would be very much less than if the land was sold piecemeal as it is to-day. But that carries us no farther. It only presents, in this document, a piece of fantastic guesswork and the assumption of such arbitrary conceptions as to call for ridicule. It will be regarded as absurd to proceed with the valuation of every

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individual development right (a ticklish problem in itself, just as that of the remaining "owner's interest" will be) in order to ascertain the total and then to allocate it in proportion to a sum which has been quite arbitrarily fixed beforehand. Neither Parliament nor the other high contracting parties, the landowners, would tie themselves to such a bargain, which by the yet unknown and elusive nature of the values to be transferred cannot take as a precedent what happened in connection with the purchase of the mining royalties. The Committee themselves venture no estimate of what might be a fair sum. They escape from the dilemma by saying "it is outside our province to consider the amount of the fund."

What are "Development Rights"?

Let us look more closely at these so-called "development rights." It is a term that has crept into official parlance as a sort of euphemism for what is popularly known as the potential building value or speculative value of vacant or under-used land, of land which although it has a high market value is assessed for taxation at a nominal figure or is not assessed at all. By speaking of "development rights" a sort of respectability or legality is given not to landlord right but to landlord power operating under what is virtually landlord law; and the law is that which, by the methods of taxation it imposes, protects and endows the private appropriation of the rent or value of land.

We are all familiar with the two values which land appears to have where development is taking place, when builders want to build or municipalities are trying to secure ground for schools, houses, hospitals, parks and other public purposes. We are acquainted with what is rightly called the "iron ring of monopoly around our towns." Of the many hundreds of examples that could be cited here are a few, and they are by no means the most glaring:—

For 13½ acres for a school and play ground at Sheldon, Birmingham had to pay £5,400 for agricultural land that had no assessed value.

For 176¼ acres to add to the Green Belt, Buckinghamshire had to pay £24,574, the previous assessed annual value of the land with a farm house being £19.

For 15½ acres for a playing field at Esher, in Surrey, the price was £11,000. The land had been agricultural and had no value.

When part of the Trent Estate came into the market for ordinary building purposes, 74 acres realized £116,000, being equivalent to £1,557 per acre. It was farm land and previously had no assessed value.

In Worthing, 17½ acres on the foreshore of Alinora Estate were bought for £13,527 to turn into a public park. The previous annual assessed value had been £14.

The Local Rating System

It is not necessary to multiply examples. They can be culled from every city and town and village in the country. They are significant of what is going on as a regular feature of land development, in which the landowner holds, as it were, the whip hand. That is not all. I have said that the tax laws protect and endow landlord power. This is particularly true of our local rating system, because while vacant and unde-

veloped land is exempt from any contribution to the cost of local government, however valuable the land may be, the weight of taxation is thrown on the occupation of houses, shops and other business premises.

In the old days we taxed windows and we saw the result in the blocking up of windows to escape the tax. To-day, however, we tax the whole building and every part of it, walls, floors, roofs and windows; and we see to it that if any improvement is made, as when a shopkeeper puts in a new window, the assessment is increased, so that more taxation must be paid. On the one hand we permit the landowner to appropriate the value of land which ought to be public revenue; on the other hand we tax and penalize the builder and the trades and occupations of those who produce wealth and serve the community.

Effects of Bad Taxation

In the circumstances what can be expected in the way of good, healthy, beneficial and harmonious development of the land? Think it out as a simple academic problem. Deliberately we have established conditions in which valuable vacant land escapes taxation, in which owners of empty properties can hold out for high rents without paying rates, in which the burden of taxation is so adjusted upon the occupier that the better his building is the more he pays. Who can deny that the result must inevitably be to produce the sporadic, haphazard and unsightly development about which there is so much complaint and for which a remedy must be found? And inside our towns with the ring of monopoly around them, what can be expected but congestion, much derelict property, prices of land reaching fabulous figures, prohibitive costs for widening streets, and those frontage values that skim the cream of shopkeepers' turnover so that they find themselves often working the best part of the week to pay rent and rates before they are left with a living for themselves and their assistants? The toll which land monopoly exacts is the substantial cause of low wages. From the shopkeepers' point of view, wages are purchasing power, and they and their customers are natural allies in seeking to overthrow the barriers which so hem it in.

In thus referring to the social and economic effects of bad taxation, which favours privilege and represses industry, I am not digressing from the discussion which the Uthwatt Committee has opened. On the contrary. They themselves by the interpretation given by Lord Reith in the House of Lords have stretched their terms of reference so as to include in what may "prejudice" reconstruction anything which may "hamper or delay" it. But in their analysis they have left the operation of the present rating system unexamined, although it is such a potent cause of the conditions they believe can be rectified. If their plans, which aim by administration to secure the better use of land, were to fructify, the future development as much as the present would have to battle against precisely the same handicaps so long as our present tax system, national and local, remains.

6d. LIGHT ON THE LAND QUESTION. A frank inquiry into the Land Value Policy.

Mistakes as to Betterment

With regard to "betterment," the "unearned increment" in land values, the Committee show why the existing legislation has failed in its purpose and they produce a scheme of their own. They recommend an annual levy on all increases in site values to whatever cause the increase may be due. The "annual site value" of all "developed land" would be ascertained, thus automatically excluding agricultural land. This would be done every five years, and where the annual site value has increased beyond what it was on the date of the first valuation, an annual levy of 75 per cent of the increase would thereafter be imposed. There would, of course, be no levy until five years after the first valuation. What the Committee mean by site value in this connection is the annual value of the site in its actual physical state of development, that is, without structural alterations. But vacant land in towns would be valued on quite a different basis. The scheme is most sketchily described, and it would result in many anomalies, because it would operate on nothing resembling the true site value of land. It would not tax land values and it would have no effect in promoting the better use of land.

The True Solution

The solution of this and of most of the problems the Committee has discussed is to levy rates and taxes on the market value of all land, apart from buildings and improvements, whether the land is used or not, making no discrimination whether the value has risen or fallen between the dates of the periodic valuations. Correspondingly, we should reduce and remit the rates and taxes that now fall upon houses, shops and other buildings and improvements. By that means the monopoly price of land will fall and ultimately disappear. By that means every landowner will be induced to make the best use of land, and every good building and desirable improvement will be encouraged. The incidence of such taxation would wash away the precipitous difference between the "potential building value" and the "agricultural value" at the outskirts of towns, and towns would merge into country without all the straggling development we see to-day.

Town-Planning Standstill

To say more in exposition of this reform would require an essay in itself, and I leave it at that, only remarking that it by no means rules out the need for municipal regulations controlling the use of land. But town planning cannot operate unless it has for its basis the taxation and rating of land values. Long ago, when the first Town Planning Act (1909) was being debated, the late Lord Oxford, then Prime Minister Mr H. H. Asquith, said: "I agree with those who think its necessary complement is a complete reconstruction of our valuation and rating system." These wise words have not been heeded. They stand now as a prediction of the failure of the whole series of Town Planning Acts, admitted and emphasized by the Uthwatt Committee in the most illuminating of its papers.

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