

LAND AND HOUSE PRICES

THE MOVEMENT of major companies, and of sections of the Civil Service, out of London is bringing increased demand for houses in the destination towns. (It is usual for a large proportion of the staff to move with the company.) Because house prices are generally higher in London the "newcomers," having sold their London home, are able to pay top prices for a house in their new location.

The following figures, from the *Building Societies' Gazette*, September 1972 show the rise in the average prices of three-bedroomed semi-detached houses in the Cheltenham area, from January 1972.

January: £5,750-£6,000.

February: £6,500, £6,650, £6,750.

March: £6,750-£7,000 (towards the end of the month).

April: £7,000-£7,500.

May: £7,500-£8,000 (vendors were beginning to ask £8,000 or offers).

June: £8,250 and over (levelled off slightly).

July: £8,750-£9,000.

Although the movement of labour out of London raises house prices in the provinces, the prices of houses in London continue to rise. If this migration were not taking place, London prices would presumably be higher still.

HALF FOR THE LAND

A FULL-PAGE advertisement in the *Estates Gazette*, October 28, offers for sale approximately 0.4 acres of freehold building land in Beckenham, Kent.

The land has outline planning consent for sixteen one-bedroomed flats. The present day selling price of a one-bedroomed flat in Beckenham, so the advertisement tells us, is approximately £10,500. So the developer can expect to sell his flats for a total of £168,000.

How much is the owner of the land asking? £84,000.

YOU CAN'T BEAT THE MARKET

GOVERNMENT control of office development was introduced in 1965, and is still in force, yet there is a great deal of redevelopment of office premises in London at the moment, and the increase in net additional space is the highest rate ever.

What happened to the controls? The government has been forced to issue more and more permits in an attempt to slow down the rate of increase in office rents - rent levels largely the result of the 1965 controls!

Land Revenue Columb

MARY RAWSON

(Continued from our last issue)

"Revenues flowing to the public are but a small fraction of the rights to exploit natural resources."

THE PRACTICE of exempting buildings from taxation in British Columbia, or at least of taxing them less heavily than land, has a very long history. Whereas land is required to be taxed at 100 per cent of its assessed value, buildings may be exempted altogether. Or they may be taxed at any percentage up to 75 per cent of their value, but no greater than that.

Over the past twenty years the Department of Municipal Affairs has put pressure on the municipalities to increase the percentage of improvements taxed. It has done this in a number of ways, most effectively by requiring all school districts to tax 75 per cent of improvement values. Thus to tax for general purposes at any rate other than 75 per cent would require municipalities to keep two sets of assessment rolls. Most of the municipalities, especially the smaller ones, have gradually accepted the 75 per cent basis for their general purposes as well as for school purposes. In 1969 even Vancouver, which had held the line since 1918 at 50 per cent of improvements taxed, finally raised the proportion to 75 per cent.

In 1966, of 135 municipalities in British Columbia only sixteen taxed less than 75 per cent of improvements. These were Cranbrook 30 per cent, Fraser Mills 50 per cent, Kimberley 50 per cent, Nanaimo 30 per cent, New Westminster 50 per cent, North Vancouver City 40 per cent, North Vancouver District 40 per cent, Penticton 50 per cent, Port Coquitlam 40 per cent, Port Moody 40 per cent, Prince George 50 per cent, Rossland 40 per cent, Trail 50 per cent, Tadanac 50 per cent, Vancouver 50 per cent and White Rock 50 per cent.

These municipalities had 41 per cent of the population of the province. The proportion of the people who enjoy a relatively enlightened municipal tax system declined still further, and sharply, with Vancouver's 1969 shift to heavier taxes on buildings.

"PROGRESS" IS RELATIVE

Having digressed briefly on the subject of how many municipalities exempt buildings and by how much, I should now return to my original topic which was to estimate the amount of land revenue flowing

fraction of the full value of resources."



into the public treasury in British Columbia. We found that in 1966 the provincial government took in \$103 million from levies on resources and that municipal governments, through the medium of the property tax, took in \$98 million from urban land. This \$200 million by no means matched the needed public expenditure in BC but it was \$200 million that did not have to be raised by more onerous taxes. How much these revenue practices add to British Columbia's economic strength *vis-a-vis* certain other provinces of the Dominion would be an interesting topic to explore. It may well be that some of the regional disparities bemoaned in our country are caused as much by the tax policies pursued by the regional governments as they are by the differences in natural advantages.

Those of us who are interested in the collection of land revenues for the public treasury have certain yardsticks by which we can objectively measure what "progress", if any, is being made in our bailiwick.

Yardstick 1. Comparison of total land revenues collected now with those collected at some prior date.

Yardstick 2. Comparison of *proportion* of public revenue being collected from resources now as compared with the proportion at some prior date.

Yardstick 3. Comparison with practices in other Canadian provinces, by totals or proportions.

Yardstick 4. Comparison of present land revenues with potential land revenues.

It goes almost without saying that in BC progress is satisfactory by yardstick one. By yardstick three, BC's performance, along with that of Saskatchewan is fair while that of Alberta is good. The rest of the provinces are pitifully weak here. But by proportion of revenues, yardstick two, BC is falling well short of its own past performance. Finally, with good statistics on resource revenues and land revenues being hard to dig out, it is difficult to guess where we stand by yardstick four - the potential revenues.

But to take a stab at the potential:

1. That urban land has a sale value proves that the amount taken annually by municipal taxes is less

than the full annual value (that is, less than the true rent). The total assessed land value in municipalities in BC (both taxed and exempt property) in 1966 was \$1,243,480,422. These values existed even though tax revenues of an estimated \$98 million were drawn from the land in that year. Assuming a conservative interest rate of six per cent the untapped annual revenue still remaining in 1966 was about \$75 million. It is safe to say that this is a very conservative estimate both because of the interest rate used and because the assessed values are demonstrably lower than prices in the market place.

2. Urban land values are increasing faster than the decline in purchasing power of our dollar. The Consumer Price Index rose on average three per cent per year in the eight years between 1961 and 1969 (7.4 per cent 1961-1965; 16.9 per cent 1965-1969). Residential property values in Greater Vancouver rose on an average six per cent per year in the same eight-year period. The differential in increase indicates that urban land values could be tapped for greater public revenue.

3. Government granted rights to exploit natural resources (e.g. mining claims, timber through tree farm licences, and so on) are changing hands at high prices. These transactions show that the lease and royalty revenues flowing to the public are but a fraction of the full value of the right to exploit those resources.

SUMMARY

1. The large acreage of British Columbia is deceptive since 95 per cent of it is mountainous and uninhabitable. The other five per cent, which is in private ownership, can be considered the developable area. The population density in the Province, using the latter figure, is ninety-three persons per square mile.

2. The people of BC are concentrated in urban areas, in particular in the extreme southwestern corner of the Province. Less than one per cent of the total area of the Province is within municipal boundaries, yet 85 per cent of the people are. Vancouver has a density of about 9,500 persons per square mile.

3. Land revenues, mainly from resources, make up one-sixth of the Provincial revenue each year. Municipalities tap urban land values for about one-third of their annual requirements. In 1966 this was \$100 million for the Province from resource values and \$100 million for the municipalities from urban values.

4. Reservoirs of resource and urban value remain untapped but recent Provincial policy has tended to allow more of it to flow into private hands, both at the Provincial and the municipal level, than into the public treasury. This is especially seen in the directives to and pressures on municipalities to increase the property tax on buildings.