

# Planning Incentives for New Towns and Suburbs

RAY THOMAS

**T**HE CRUCIAL flaw of the system of planning introduced by the 1947 Act has been the failure to control the price of land. Instead of nationalizing development rights the system has actually defined development rights more clearly. Any kind of action which limits these development rights in any way has become exorbitantly expensive to the public purse. As a result the only significant kind of positive planning which has taken place has been in the new and expanded towns (where development rights have been nationalized effectively). The rest of the planning system has steadily become more negative in character. It has become a matter of granting or refusing planning permission for development proposed by individual persons and developers who may be unwilling or unable to take into account the interests of other members of the community. The planning system has actually created a conflict situation where any degree of coincidence between the interests of the developer and those of the planning authority (acting in the name of the community) is fairly fortuitous. It is hardly surprising that the planning system has fallen into disrepute.

This failure is partly attributable to lack of understanding of the way in which the property market works, which in turn is associated with the lack of statistical data on property transactions. Non-economists generally seem to believe that the price of land and property is the inevitable result of uncontrollable forces of demand and supply. In fact the supply of land on the "open" market depends upon conditions which are almost entirely created by governmental action. Unfortunately economists who might appreciate

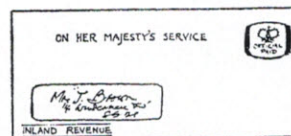
this fact don't often seem to get interested in town planning. Lack of good advice has meant that politicians haven't got the matter right either. The last Labour Government vainly hoped to increase the supply of land by putting tax on development. The Minister of Housing should have consulted with the Minister of Agriculture and asked him what would happen to the supply of farm products if they were taxed instead of being subsidized. Instead of a tax on development there should be a tax on non-development. Land zoned for residential use should be taxed or rated quarterly or annually on the basis of its market value. It would then cost money not to develop land. There would be an incentive to develop. The supply of land available to developers would increase and the rise in prices would be checked if not reversed.

At present the owner of land zoned for residential development has no particular incentive to sell. There is in Britain, unlike in most other countries no tax on land as such. The landowner is aware that land prices are increasing much faster than the general level of prices. He can confidently expect the longer he hangs on to his land the more he will get for it, and that the rate of inflation will probably outweigh the opportunity cost of using his capital in some other way. Furthermore he knows that it is a seller's market. If he offers his land for public sale he will get a good price. But he will not be in such a strong bargaining position as he would be if he waited for

would change the situation. Even a low rate of taxation would provide some incentive to sell. A high rate of tax would make holding the land an expensive business. With such a tax the landowner would justifiably complain if he couldn't find a buyer, and there should obviously be provision for him to serve a purchase notice on the planning authority in these circumstances.

At present a planning authority can irresponsibly zone land for residential use whether or not the land is suitable for such development and whether or not any developer is interested in developing it. In many cases there are genuine differences of view between what the planner and what the developer considers as suitable for development. Differences of this kind account for the paradoxical situation which exists in many parts of the country where builders complain that they can't get hold of land while the county council insists that it has zoned the equivalent of five to ten year's supply.

A tax on land zoned for development, coupled with the requirement that the planning authority buy such land where there was no other prospective purchaser, would oblige the planning authority to face up to the consequences of its zoning policy. Planning would become more positive in many ways. Zoning would be more effective. Planning authorities would be more aware of the financial implication of their activities. Inter-departmental co-operation within planning authorities would increase as the planning departments became important spending units like most of the other departments. There would be no need for a rigid distinction between new and expanded towns and private development. Planning authorities could everywhere play a role intermediate between that of a development corporation and a planning permission-giving body.



some land-hungry developer to make an offer.

A tax on land for development

Extract of an article in *Town & Country Planning* January 1971. Reprinted with the kind permission of the Town & Country Planning Association, 17 Carlton House Terrace, London S.W.1. Y 5 A S