



Golden Locations in the Urban Landscape

THE VAST MAJORITY of the world's people live in an urban environment. Even the "greenest" future scenario will not change the fact that for most voters "environment issues" mean transport, streetscape, grime and fear of crime. Inner city living is generally second-rate, often barely above subsistence level. For city dwellers, global and rural environmental issues are over the horizon, someone else's problem.

At the urban margin, the flight from city life causes problems of sprawl, leaving behind a new generation in rotting old premises. That is why some unlikely alliances have been made between campaigners for the poor, for civic heritage, democracy, wildlife and public transport. In the UK a "Real World Coalition" has just published its second UK pre-General Election manifesto: *From Here to Sustainability*. Tucked away near the end of 200 pages, is the admission that "ending exclusion: a sustainable new deal" requires "recognising the connection between poverty and unsustainable development and using investments in environmental regeneration and revenues from eco-taxes to eliminate food, fuel and transport poverty and regenerate local economies".

As far as it goes, not bad. But this is their "long term programme". What is being done by governments in the short term? As far as Britain is concerned, not a lot.

In June 1999, two years into the first New Labour term of office, international architect Lord Rogers' Urban Task Force (UTF) published his insightful report, commissioned by the Deputy Prime Minister: *Towards an Urban Renaissance*. Among its ninety-some recommendations were several fiscal measures, although all the report's positive comments about land value taxes somehow failed to survive the cut.

A long-awaited policy White Paper emerged in November 2000. No mention of any kind of LVT, despite three reports in the interim independently endorsing the need for further research in this area. There isn't even the much heralded levelling of the tax playing field as between new build (mostly on green fields, currently untaxed) and renovations (sustainably on used land, taxed at 17.5%).

The dead hand of Treasury strikes again! No doubt guided by corporate interests into tax concessions for those who graciously invest in run-down areas: 40% of FTSE100 assets are in real estate.

On the day that the Urban



Tony Vickers assesses urban eco-politics

White Paper was revealed to local government representatives by Minister Beverley Hughes, she signed a letter to Liverpool MP Louise Ellman, who had endorsed that city's request to be allowed to pilot LVT "as a matter of urgency" to aid urban renewal. The Minister did not close the door – but explained why incentive or "smart" taxation doesn't yet get New Labour's vote.

Three reasons (see box for their demolition) were offered:-

1. Where demand for land is poor, low land values (and hence low LVT) will not produce an incentive for owners to redevelop.
2. Many sites require substantial costly remediation and "a tax on derelict land may exacerbate the problem".

1. **Low value land.** If LVT was a national or regional tax, it would automatically create a level playing field between rich and poor areas. Investment would be attracted to less favored, low-value/tax areas from high-tax high-pressure land: wealth redistribution. Even within a single authority where LVT was being piloted locally, there would be pockets of high value land where revenue to pay for regeneration elsewhere in the authority's area would come from.
2. **Paying for remediation through LVT.** However contaminated, a site retains location value year after year. Unused, it blights surrounding land values, whether contaminated or not. The one-off cost of remediation, however large, should be regarded as a form of infrastructure investment, like roads and sewers. With a rolling fund from LVT, public bodies can restore, maintain and enhance the fabric of cities at no cost to general taxpayers.
3. **Pork barrel vs. LVT.** It has been called redevelopment without ribbon cutting. If taxpayers realised that the "dependency culture" of grants and subsidies only benefits politicians and their friends, there would be no argument about the relative merits of LVT.

3. New Labour likes to be seen giving money away. Announced a week earlier, reminds Ms Hughes, was "the introduction in Budget 2001 of an accelerated tax credit for the costs of cleaning up land". An election give-away: "Budget 2001" March; expected election May!

Other tax measures are promised, all costly to monitor: an interim lowering of tax (to 5%) for converting large homes to multi-occupation; full tax exemption for renovation of houses empty more than ten years and of space above shops and offices turned into rented dwellings. Lots of property inspections to come: great for surveyors!

Consultation on reform of local government property taxes ended a few weeks after the Urban White Paper came out. Complacency oozed from the Green Paper: *Modernising Local Government Finance*, especially concerning a tax (the Uniform Business Rate – UBR – a "flat rate" tax) which one expert has called "unfair, arbitrary and inexplicable" and is regarded by the Federation of Small Businesses as the worst of all taxes on enterprise.

Several UK Georgist organisations tried to keep open the door for LVT as an urban policy instrument under Labour (which is expected to win a second term of office), using Government's suggestion of allowing a Supplementary Business Rate for councils who can persuade their business communities to adopt it. We say that if this "extra tax" is levied on land values alone it will widen the tax base and enable the UBR itself to be reduced within an overall near-neutral total (see figure opposite).

"Extra means less" has the makings of an intriguing slogan! The Landowners Rate (LoR) would always be higher than the residual Occupiers Rate, which would also be lower than the UBR which other cities choose to retain. So there would be some benefit to enterprise, some price for wasting land. Even this puny form of LVT would allow debate to develop about its merits in urban areas.

Ms Hughes expressed interest in Liverpool's initiative and my Lincoln Fellowship project to help the city prepare detailed plans for a Smart Tax Pilot. Her officials have asked to be kept informed. She admitted, upon being questioned, that the White Paper was only a start. Others in the regeneration business agree.

After the election, other ideas will be re-visited, including LVT.

Lord Rogers gave the Government "six or seven out of ten": hardly an endorsement. Many share his disappointment. Sir Peter Hall, professor of planning at University College London, pointed to the lack of a tax on vacant land or a "revolving fund for land purchase". The package on offer is worth one billion pounds (£1,000 million) but, says Hall: "It's doubtful whether it will release brown-field land in sufficient amounts at sufficient speed – especially in the worst-hit areas".

The Fabian Society's long awaited report on taxation and citizenship *Paying for Progress* (reviewed on page 10) calls LVT a form of eco-tax. The revenues from LVT could create the "revolving fund" for infrastructure development that Professor Hall, the Real World Coalition and Lord Rogers call for, instead of allowing grants to developers and local authorities to end up enriching landowners. Brisbane and Hong Kong have been doing it for decades. Urban regeneration is merely a class of infrastructure: the stuff of sustainable cities.

Any high-school student could demonstrate, using property adverts in their local papers, that the building of a new road or railway results in property price increments that more than exceed the capital cost of



those projects. But regeneration is also about having more policemen on the beat, good schools and affordable homes for nurses and teachers. It is neither just about people nor just about their environment or economy: it has to be about all three, moreover the prod-

uct of all these investments – increased land values – must not be allowed to leak away.

To reverse the drain from inner city slums to sprawling suburbs world-wide, we need to keep cities livable. A study for the Urban Design Alliance, which the UTF drew on, showed that only a fifth of British households (generally families with young children) would prefer suburban or country life to safe, clean, exciting cities.

The solution to urban decay is under our feet. Tax land values and cities will renew themselves through the workings of a freed-up land market. Not just because speculation will become unprofitable but because the revenue from LVT will enable governments to reduce taxes on production (wages, transactions and profits), which now account for 93% of all global taxes.

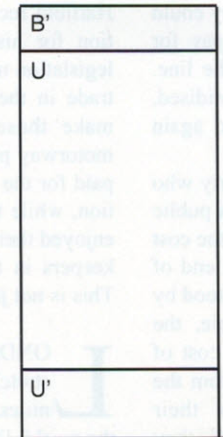
Reform of local property taxes like UBR is just a start. Freeing up the land market can go hand-in-hand with an unburdened labour and capital market, putting wealth back where civilisation itself began: in enterprising cities.

Illustration of revenue effects of LoR

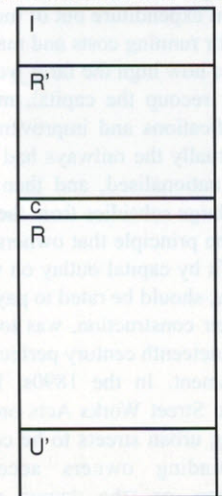
Current UBR



UBR + SR (Green Paper)



"split-rate" LoR + discounted UBR



Notes:

- U is the theoretical contribution from an authority to the national UBR pool with multiplier M (U + U')
- U' is the contribution to the national UBR pool from an authority with multiplier M'
- B' is the product of a 5% supplementary rate (after 5 years of increase at max. 1% of M per year)
- R is the revenue from the Occupier's component (OcR) of a two-tier business rate (a discounted UBR at local multiplier M') after 5 years
- R' is the revenue from the Landowner's component (LoR) of the two-tier business rate (at multiplier M') after 5 years
- c is the cost of administering the two-tier business rate, paid for out of local revenue
- I is the additional revenue raised by a two-tier business rate, resulting from the two 'incentive effects' of LoR on local economic activity: reduced UBR multiplier (rate rebate to occupiers); and tax on under-used land.
- M' is always higher than M
- M'' is always lower than M
- (M' - M'') can change each year by no more than 5% of M
- (R + c + R') is always the same as (U + B')

Mankind Remoulds Earth's Surface

Satellite maps reveal that one half of the Earth carries the "ecological footprint" of humanity. Scientists have produced new maps showing that 24% of all available land has been ploughed up or paved over. Another 26% is pasture for livestock.

This impact on nature is "comparable to volcanos or to cyclical variation in the Earth's orbit", claim the scientists who assembled the maps using data from high-resolution radiometer satellites.

The maps have been published in an Atlas of Population and Environment, and circulated at the February meeting of the American Association for the Advancement of Science conference in San Francisco.