

# Where's the Idle Land Agency?

ONE OF THE GREAT cries of Britain's New Labour Government has been urban and neighbourhood renewal. And it has prioritised equally clearly – as its predecessors did – the need to put empty properties to use as homes, especially in cities but also in the countryside. At the heart of this, in England, has been the Empty Homes Agency (EHA).

Shortly before coming to work at the Henry George Foundation, I had applied for the post of Chief Executive of EHA. So I knew from its literature that part of its campaigning strategy was a call for property tax reform. In the UK the tax "playing field" is tilted in the opposite direction to what is needed to incentivise re-use of empty and crumbling buildings.

- Buildings that are unfit for use (e.g. those without roofs) are classed as vacant land, which is not liable for property tax;
- Rates are levied on occupiers, not owners: no occupier means reduced or zero rates;
- Value Added Tax (VAT) is charged at 17.5% on renovation work but zero on new buildings;
- Partially empty buildings, such as upper floors of shops in hundreds of high streets, are exempt from business rates and not liable for residential Council Tax.

When HGF launched Progressive Forum in April 2000 the Chief Executive of EHA, Ashley Horsey, was asked to chair the launch meeting in Southwark (South London), especially appropriate since the meeting was in a building part of which was undergoing conversion into apartments. Horsey demonstrated a thorough grasp of the importance of tax reform in EHA's work.

But EHA stops short of calling for the most fundamental but relevant tax reform of all: a tax on land values. In this it is probably constrained by its name. It is hard to call a vacant site an empty home, easier to see any empty building as a potential home.

TOO OFTEN the housing problem is seen in terms of homeless people, not idle land. Like every market-place, the housing market has two sides: supply and demand. EHA is almost the only housing charity that recognises this and focuses on supply-side market failure. The much larger charity SHELTER, formed in 1967 to spearhead efforts to bring sub-standard housing up to scratch for housing associations, has widened its scope and thereby diluted attention from supply problems. But SHELTER's then Director Des Wilson summed up the overall supply situation in the title of his 1970 book that tells the story

of SHELTER's phenomenal early success: *I Know It's The Place's Fault*.

Too often homelessness is seen as the fault of the people who are homeless: supposedly feckless, idle, incompetent people who can't somehow "get it together". Yet there is no reason for homelessness. However poor the homeless may be, there is plenty of land and



**Tony Vickers identifies a gap in policy**

plenty of labour and materials in places where homes are needed, that could be combined to turn idle land and empty buildings into decent homes. It is not as if, in a so-called civilised country, we let homeless people sleep in the streets: we provide expensive temporary accommodation.

Take London, where 43,000 households were in temporary accommodation in 2000 while at the same time over 100,000 potential homes were empty, identified by EHA. In England as a whole, the number of empty homes stands at three quarters of a million, with only some 100,000 households accepted as officially homeless. Yet governments work harder at stigmatising the homeless than they do at drawing attention to land speculators. They even tolerate moth-balling of land, the prevention of which was seen as a defect – not an advantage – of land-value tax by the Urban Task Force reporting on urban housing problems in 1999.

EHA is very good at highlighting the cost of keeping homes empty: £1.75 billion a year at an average of £7,018 each. Its brochure compares this to the cost of accommodating

homeless families: £375 million a year. Some say that the empty homes are in the wrong place, where there are no jobs and nobody wants to live. That begs the question: why is there such an imbalance between the job-hungry north and the house-hungry south? A national tax on the value of land would level the north-south economic imbalance. The fashionable district of Chelsea in west London was reported recently to be worth as much as the whole of Northern Ireland. That means the same rate of land tax on Chelsea's few thousand valuable plots of "des res" would raise as much revenue as an entire Province of a million people. Ulster desperately needs more jobs to help sustain its vital Peace Process, to give all sectors of its population a stake in its prosperity: Chelsea does not.

A stemming of the inexorable rise in house (i.e. land) prices in London would certainly help maintain London's quality of life. A stemming of the outflow of working-age families from northern industrial cities would sustain their economies too. Teachers and police constables in London have to live at least twice as far from their jobs today as they did forty years ago, assuming similar pay and mortgage interest rates. This is entirely due to land prices soaring ahead of inflation generally. The effect on transport and fuel usage, to say nothing of human stress, is unsustainable.

AFTER TWO or three generations of home ownership, failure to recover the unearned increment of land values under homes has meant that more wealth today accrues to home-owners than to wage-earners. The rate of house price inflation in 2001 means that the daily increase in collateral value of an average home in south-east England (£55) is more than the after-tax average daily wage. Not only does this make it almost impossible for aspiring first-time home-buyers in London (unless asset-rich grandparents provide the deposit): it makes it more profitable for a person who has paid off their mortgage to simply exist than to go to work! We are all land speculators now – if we own our homes.

Fear of the effect of LVT on house prices could be one of the reasons why politicians steer away from it. The thought that a sudden major shift of taxes off wages and other productive enterprise and onto non-productive speculation might trigger an earthquake in financial markets, with millions finding themselves in negative equity, has crossed many minds that know of and sympathise with the Georgist paradigm. But a gradual shift has to

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be seriously considered, for the alternative scenario is worse: more tinkering with land and house markets through benefits, subsidies and other palliative measures, all of which merely fuel land prices further and feed the north-south drift. All the tax anomalies listed above could be easily introduced and would significantly help bring more homes into use. Progressive reformers should support EHA's pressure on government to do so, while urging deeper reforms of a Georgist nature.

Governments should at the very least accept what the Urban Task Force recommended: that serious study of how to introduce LVT in a similar way to several other countries needs to be undertaken. Urban renewal, a defective housing market and the need to protect countryside from unnecessary sprawl are good enough reasons. There is increasing public understanding of and support for the ethical and environmental

benefits of LVT. We are left with an urgent need to study the practicalities: valuation, property law, effects on other taxes and the relationship with the planning system.

Somehow we must ensure that house price inflation no longer climbs faster than inflation generally, not to penalise home-owners but to protect us all from the catastrophic effect of a bursting land-price bubble. A gradual shift, nation-wide, of the tax burden from productive activity onto land-holding inactivity would boost the "real" economy (including house building) by releasing billions of wealth that is tied up in real estate. It need not harm mortgagees if managed carefully.

The EHA should not need to push uphill. Give them – and us – a land-value tax and the housing policy objectives of every government could be met. To say nothing of housing needs of people.