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LAND DEVELOPMENT-VALUE PROBLEMS AND THE TOWN AND COUNTRY PLANNING ACT OF 1947*

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SINCE 1909, LAND USE in Great Britain has been subjected to increasing government controls which are designed to insure that it makes the maximum contribution to public welfare. The Town and Country Planning Act of 1947 is the latest and most ambitious attempt to achieve this goal.

Government restrictions on the use of land cause its value to be lower in certain areas than would be the case in the absence of those restrictions, while in other sections land rises in value as the demand for building space shifts to new areas. Prior to 1947 compensation was paid to those whose land depreciated and an attempt was made to levy on the increased value of land which benefited from government action. Inability to isolate this "betterment," that is, the portion of land value created by government action, led to the failure of this attempt. The cost of compensation to local governments, however, prevented the planning authorities from exercising adequate control of the land within their jurisdiction.

The Act of 1947 has made town and country planning compulsory for local government units and has given the national government power to direct the type of planning that takes place. It has, by a system of grants-in-aid, increased the municipalities' ability to purchase and develop areas that require comprehensive redevelopment. As a result, every local unit has prepared a plan for the future use of its land.

One of the most interesting features of the Act, however, is its attempt to solve the compensation-betterment problem. By the Act's provision, no land may be developed without permission of the local planning authorities. Thus, the government has acquired the right to develop land, and hence its development value. Compensation for the loss of the development value was to be paid in a lump sum, thus freeing local planning authorities from all future claims.

These payments were to be limited to £300,000,000 because of a belief that much development value was of a speculative nature. Ex-

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perience shows that much land with possibilities of development remains undeveloped. If each parcel of land were handled separately and its development value paid in full, every owner would claim his land would have been chosen for development and payment would be made to many whose development values would never have been realized.

This speculative factor was discounted by setting a limit on the compensation fund. This limit would also have resulted in each claimant receiving less than the full value of his claim.

Private landowners were not to gain if the government permitted them to develop their land. When permission to develop was granted, a development charge was to be levied. This was a payment to the government which was to equal the increase in the value of the land which resulted from the grant of permission. Thus, the development rights which the government now owned were sold back to the landowners whenever development was permitted.

Since the ownership of land no longer included the right to develop, all land was reduced to its existing use value. By this method, the old problem of the shifting development value of land was eliminated since all development rights, and so development values, were owned by one institution—the government.

Critics of the system claimed the development charges were discouraging building, but were hampered in proving their charge by the material shortage which existed when the Act went into effect. When these shortages were overcome, the government amended the Act abolishing the development charges.

The compensation feature was criticized because of its failure to pay each claim in full and because of the heavy drain on the treasury. All compensation claims for development rights were to be paid at once, although much land would not be ready for development for many years. This feature has been amended. Compensation is not to be paid until the value of land is actually reduced by a refusal to permit development, at which time claims are to be paid in full. These amendments indicate that the attempt to solve the compensation-betterment problem has failed.