



High Street Whitstable

THE IDEA of rating on site values and of exempting houses, shops and other buildings and improvements on the land is not novel. It is based upon simple economic principles which have been well known for the last one hundred and fifty years or more. So long ago as 1885 the Royal Commission on Housing suggested that vacant land ought to be rated on its real value so as to discourage owners from keeping their land out of the market and raising the price above its natural level. In 1901 the Chairman (Lord Balfour of Burleigh) and four other distinguished members of the Royal Commission on Local Taxation went further and proposed that all urban land should be liable to a special rate on site values.

Meanwhile this idea had been taken up by local authorities such as the London County Council and the Glasgow Town Council who sought the grant to them by Parliament of power to carry out this reform.

In other countries the idea was turned into reality. In Queensland the method was applied to rural areas in 1887 and to urban areas in 1890. Other Australian states and New Zealand followed this example to greater or less degree. Other examples are now to be found in South and East Africa, Denmark and some cities in the United States.

Despite the simplicity and cogency of the economic arguments in favour of it, and the practical experience of successful operation in diverse conditions in other countries over periods of up to nearly eighty years, doubts have been expressed from time to time about the feasibility of site-value rating in this country.

VALUATION SIMPLE AND EASY

The making of a valuation of the site value of all land in Whitstable conducted under the auspices of the Rating and Valuation Association should put an end to such doubts for ever. The Association deserves the warmest congratulation upon the initiation of an instructive and valuable enquiry.

It is clear that the valuation was conducted in a systematic and scientific manner designed to ensure that every

A New Rating

By LORD DOUG

"A truly remarkable and triumphant vindication of the site-value rating system."

site was identified and valued, and that the value attributed to each site was based upon the best information to be had regarding the value of sites in the immediate vicinity. The result is a consistent and integrated valuation of every site within the area of the urban district.

Mr. H. Wilks who had the responsibility of conducting and organising the investigation has made it clear that the task was simpler and easier than that of valuation under the existing system of rating. This is a very remarkable conclusion because he had to start from nothing; he had no pre-existing valuation to work on as the rating valuer normally has. He had to prepare a complete map of the district, showing on it every plot which had to be valued, whereas once site-value rating is in operation second and subsequent valuations will merely entail correcting an existing map to take account of sub-division or consolidation of sites or other changes. Moreover, he had to assemble sufficient data about transactions in land to enable him to fix the unit values (i.e. site value per foot front of normal depth) for each street. Here again, the revision on a subsequent valuation (necessary and important though it be) would be an easier task.

The work was carried out in eight months with a staff having no previous experience, of whom a few were full-time, a few part-time, and the rest volunteers who came for a week or two and had to spend a good deal of their time learning what to do.

The result is truly remarkable and a triumphant vindication of the feasibility of site valuation under the conditions which prevail in this country.

It is evident that an experienced staff provided with proper facilities could have made the initial valuation still more quickly, and that subsequent valuations would be even more simple and expeditious.

A SURVEY OF THE RESULT

The rateable value of Whitstable under the existing system stood at £724,104 as at 1st April 1963. (This figure includes an adjustment to represent the rate contribution of British Railways). The annual site value was £642,254. This is 88.72 per cent of the present rateable value, or very nearly eight-ninths.

The rate in the pound at Whitstable was 11s. To raise

Vista In Reform

AS OF BARLOCH

ation of the feasibility of site valuation"

the same revenue a rate of 12s. 5d. on site value would be needed.

Hence, site value is much more than sufficient to provide the revenue required.

The amount of the rate assessed against any particular property will naturally depend upon the valuation of that property. If the site value of a property were eight-ninths of the present rateable value, the rate assessed would be practically the same. If the site value were a smaller fraction of the present rateable value, the site-value rate would be less than under the existing system. If the site value were more than eight-ninths of the present rateable value the site-value rate would be higher.

It is self-evident that vacant sites which now are exempt from rating would make a substantial contribution under site-value rating.

It is also evident that the rates assessed in respect of the central shopping area with its high site values would be increased, and those assessed on dwelling sites outside the town centre would generally be reduced and in many cases very much reduced.

A warning should be given against sweeping comparisons of the effects on large classes of properties. Although it is generally true that the rate assessed on houses would be less, there could be cases in which it was more. Similarly, although the rate in respect of shops in the central area would generally tend to be higher, it does not follow that this would be so in the case of all shops.

The determining factor in every individual case is whether the ratio of the site value to the present rateable value is above or below the average for the town; that is to say in the case of Whitstable whether it is above or below eight-ninths of present rateable values.

If a few streets are taken as examples, we find:

	Present R.V.	Rate	Site Value	Rate
High Street	£18,632	£10,248	£26,638	£16,537
Northwood Rd.	£13,484	£ 7,416	£ 8,436	£ 5,237
Russell Drive	£ 5,238	£ 2,881	£ 2,050	£1,273

But it must be remembered that these are global figures, and that individual properties may deviate from the average.



High Street Whitstable

The general conclusion is clear: the great majority of householders will benefit to a considerable degree. This holds true even where they are owner occupiers.

The encouragement which site-value rating would give to house building and to home ownership is an outstanding feature. This arises both from the relief from rates on the value of the house itself, and also from the fact that vacant sites will be rated and owners will be willing to sell them to would-be builders at reasonable prices.

The development of land for industrial and other productive purposes would also be encouraged.

The impetus that all this could give to the national economy is enormous.

TECHNIQUE OF VALUATION AND COLLECTION

The Whitstable valuation was made upon the basis of the definition of site value contained in the London Rating (Site Values) Bill, 1938. This provided that the value of sites should be an annual value, and not a capital value as in most existing systems of rating site values. This choice was made by the London County Council after careful consideration for good economic and practical reasons which need not be detailed here. It has the practical advantage of making it much easier to compare the results of the valuation with those under the present system, and simplifies the provisions with regard to assessment and collection of the rate, all of which were carefully worked out in the L.C.C. Bill.

Mr. Wilks has stated that if he had made the valuation on the basis of capital value, the relative values would have been the same, and therefore the rate assessed on each site would have been the same.

The L.C.C. Bill provided that where land was held under lease the rate would not fall wholly on the lessee but that the lessor would contribute on the basis of the rent he received. This is obviously equitable and necessary.

It follows therefore that rating on site values not only effects a change in the amount of rate assessed against individual properties in the way indicated above; it also effects a change in the proportion contributed by each where several persons hold different interests in the land.

WHITSTABLE SURVEY MAKES "LAND-VALUE RATING"

By Lord Douglas of Barloch

MOST PERTINENT READING

The author explains the deficiencies and ill effects of the existing system of local rating. An examination is made of local income tax, extension of government grants, and equalisation of rates, and the reasons are stated why these are inadequate. The remedy proposed is the rating of land values and the exemption of buildings and improvements; the economic and social effects of this proposal are fully considered.

The author is a Solicitor and is Chairman of the British Section of the International Research Committee on Real Estate Taxation. From 1940-46 he was Chairman of the Finance Committee of the London County Council.

The book is one which should be studied not only by Her Majesty's Government, but also by anybody inside or outside Local Government interested in the creation of new forms of local revenue.

— Allan Royle in *The Municipal Review*.

This short and unpretentious volume will serve to bring the case for land-value rating concisely within the reach of all who may wish to consider it...

— *The Local Government Chronicle*.

Such a scheme ought to get the backing of every builder in the land... Do buy this book and read it...

And it wouldn't be such a bad idea to ask your would-be M.P. at the next election what he knows about land-value rating.

— *The Master Builder*.

This book should prove helpful to local authority officers wishing to make an appraisal of land-value rating or who are faced with questions about it.

— *The Surveyor*.

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UPON WHOM WOULD A SITE-VALUE RATE FALL?

Although it is no part of the Whitstable valuation itself, discussion of the idea of transferring rates from the present basis to site value inevitably raises the question: who will pay? In other words, can the owner of the land in a free market increase rentals so as to pass the burden on to his tenant?

This question has meaning and relevancy in respect of free market transactions. It has no meaning in relation to tenancies controlled by statute where the rent is fixed by statutory rules and not market forces.

Let us look first at the central shopping area where in many, if not in most, cases the rate on site values is likely to be higher than under the existing system. Owners must be presumed to be getting as much rent as occupiers are prepared to pay. There is nothing in rating site values to induce occupiers to offer higher rents. On the contrary the occupier of a shop could only offer a higher rent if he expected to be able to get a higher price for the goods he sells. Competition will prevent this. Hence, rents in the central area will not rise and the rate will not be shifted on to the tenant.

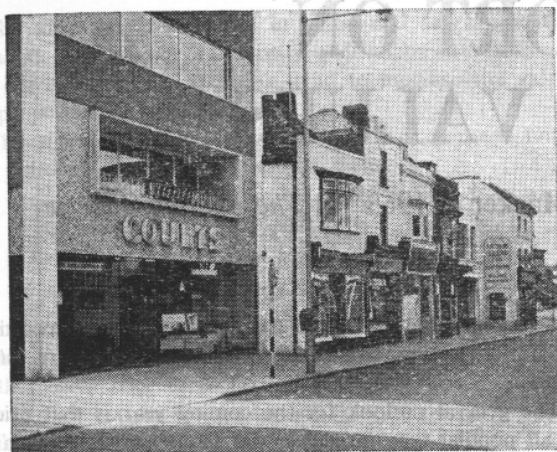
Consider now the outer residential areas where, as we have seen, substantial reductions in the rates on dwelling houses will usually occur. It may be said that owners would then be able to exact higher rents; the tenant had previously paid so much in rent and rates, and he would be willing to pay as much in higher rent. Here again the forces of competition would prevent this. The speculative builder would step in and build on some of the vacant sites which he would now find it much easier to acquire, for it would not pay the owners to keep them idle. The offer of more houses, whether for sale or for letting, would ensure that rents did not rise because of the rate relief.

If it were true that rents would go up by the amount of saving in rates, then it would follow that the selling price of land would go up also. But if the selling price of occupied land went up, so would the price of vacant land despite the fact of it being liable to pay the site-value rate. This is obviously nonsense. No such thing has happened in any place where rates have been transferred on to site values.

It is not necessary to elaborate the economic foundations for the proposition that a rate on site values is borne by the owner and cannot be shifted. As Professor Seligman has said, virtually all economists since Ricardo are agreed upon this matter. "The point is so universally accepted as to require no further discussion."

THE WAY FORWARD

Discontent with the present rating system is rampant. During the past seventy years many attempts have been made to patch it up. None has succeeded and none will, because its basis is fundamentally absurd. It penalises the use of land for housing and other purposes. It exempts unused land and encourages the holding up of land for higher prices.



The new and the old, High Street Whitstable

Public expenditure in the provision of all the services which are needed for the comfort and convenience of

Land Values and Population

By P. R. HUDSON

IN THE OCTOBER 1963 issue of *LAND & LIBERTY* attention was drawn to the work of Mr. P. A. Stone, who produced a thesis entitled *Housing, Town Development, Land and Costs* which was primarily concerned with the cost of development in new towns as compared with redevelopment within existing urban areas. Mr. Stone has now produced a report for the Building Research Station, Department of Scientific and Industrial Research, concerned mainly with comparative housing land costs in relation to geographical location and permitted density, something which was suggested as being worthy of further investigation.

Taking as his basis the site prices resulting from public auction quoted by the *Estates Gazette*, Mr. Stone has made a comparative study between residential land prices in the Birmingham and South-Eastern regions. Land values are clearly related to geographical position in terms of proximity to both the capital and to regional centres and sub-centres. Similarly there is a direct relationship between permitted density and site value within small and regional areas. Some of the examples are interesting:

*The highest price asked in the Sussex coast region is almost a continuation of the London region prices, being upwards of £10,000 per site acre.

*An increase in one dwelling permitted density per acre in Greater London causes a price increase of £900 per acre but only half as much in the Birmingham region.

*Average land price per dwelling falls from about £1,400 at ten miles from Westminster to £1,000 at twenty

living increases the rent or price of land. These services are paid for by the general body of ratepayers, but the owners of land who benefit from them financially make no express contribution to meet the cost.

The Whitstable valuation has demonstrated that the means of remedying these errors can easily be provided without undue difficulty and expense. It has also demonstrated that the change to rating on site values would be advantageous to the great majority of the occupiers of property.

The way is now open for a genuine and permanent reform in our system of local taxation, and one which will not make the local authority more dependent upon government grants and more subservient to central control. It is to be hoped that these authorities will renew the demand for the grant of powers to rate on site values. If they do so, they have an unanswerable case; but it would be better still if responsible Ministers seized the opportunity and introduced the necessary legislation forthwith.

miles and £600 at forty miles, the pattern around Birmingham being similar but with lower figures.

*An increase in density of five dwellings per acre might on average reduce the land cost per dwelling by £50 to £100 but would also benefit the land owner to the extent of £2,000 to £3,000 per acre site, or more on a larger area site.

From these facts we are led to Mr. Stone's original contention, in his first thesis, that for the community as a whole low density development in new and expanding towns is more advantageous than high level density in the conurbations. The speculative developer and builder, however, not to forget some local authorities, are more favoured towards the more expensive kind of development.

If Mr. Stone's first thesis pointed indirectly towards the advantages of introducing a system of land-value taxation, this second study reinforces the argument considerably. A land-value tax will tend to encourage development at the geographical margin and establish a decentralising mechanism which town planners, local authorities and sociologists are seeking.

Mr. Stone's factual analyses are most valuable. I would suggest two further lines of enquiry: can Mr. Stone provide an estimate of average increases in value when land is rezoned by local planning authorities from agricultural to residential or other purposes, and can he give examples of land with planning permission which is not being developed at present and which is being withheld from use for speculative rather than for constructional programming reasons? Perhaps the *Estates Gazette* can help him provide some answers here. If so, we might even be able to strengthen the merits of our solution to the problem of how to produce more houses at greater speed.