



Site-Value Rating Debated

At a special session of their annual conference, held in Scarborough this autumn, the Rating and Valuation Association discussed the implications of the rating of site values pilot survey at Whitstable. The panel of experts who opened the discussion were Phillip R. Bean, F.R.I.C.S., Walter Randell, C.B.E., F.R.I.C.S., N.D.B. Sage, D.P.A., Guy Seward, F.R.V.A., Barrister at Law, and Hector Mark Wilks, B.Sc. (Est. Man.) (the valuer who was appointed to carry out the pilot survey at Whitstable).

OPENING the discussion MR. RANDELL said he wished to make it clear at the outset that he was not an ardent supporter of site-value rating, although he was not prepared to condemn it out of hand. In looking at the rating of site values, he observed that it offered a very much reduced field of valuation enquiry and speculation, but he thought it would bring a fantastic upheaval in the incidence of rate burden. He was much concerned with the definition of value that valuation officers would have to work upon. He foresaw many complications. However, if a tax was manifestly fair, he said, it could be made to work, whatever hurdles were placed in its path. On balance, he thought that at the present time the scales were weighted against the adoption of site-value rating. Problems of converting capital values into rental values, of leasehold interests and of rent-controlled cottages on valuable sites would make things very difficult. The administrative problems involved would be enormous.

There was, however, one feature that appealed to Mr. Randell and which alone, he said, seemed to make the matter worthy of further consideration. This was the effect of site-value rating on the use of land and the fact that the site-value rate would provide a new source of income. Owners of vacant and underdeveloped land would, if they had to pay full rates on its current value, be obliged to put it to use or onto the market.

The pursuit of a share of this unearned profit in land had long engaged the thoughts of politicians and economists. Early attempts in history had failed.

What was not explained to his audience was that the Snowden Act was repealed before it could be put into operation, that the Tories had twice thrown out the Labour Party's London Rating (Site Values) Bill and that the development charges of the 1947 Town and Country Planning Act were taxes on development and not on land. It was, perhaps, beyond the scope of the talk, but it seemed hardly fair to describe all these as having failed, leaving the impression, perhaps not intentionally, that there was something intrinsically wrong with the idea of site-value rating.

MR. BEAN, who was the next to speak, said that his instinctive reaction to site-value rating was that it did not measure up to the requirements needed for any viable alternative to the present system, although the present system itself had many shortcomings. The rating system was a method of apportioning the cost of

local services. If the rating of site values were substituted for the present system it should be considered in that light, although there might, of course, be other grounds for considering its adoption.

Speaking of the Whitstable Survey, he said that many people commenting on the results of the survey had ignored the fact that if local authorities were to pay rates on local parks, school grounds and amenities the amount would have to be recovered from other rate-payers by an increased rate poundage.

Mr. Bean, however, appeared himself to have overlooked the fact that although this might make a difference to the figures arrived at in the Whitstable Survey, *the principle remained unaltered*; even with exemptions granted in all directions, including agricultural land and churches, there would still be a shift of incidence from the small home owner to idle and under-used land.

What also bothered Mr. Bean was how the value of a site would be arrived at, since it had to be valued at its highest potential use. He feared that the value of every site would have to be tested by an application for planning permission and that planning tribunals would be flooded with applications even though there was no immediate development in view.

But these fears might be taken more as an indictment of our planning system than of site-value rating, and if site-value rating helped to make the planning authorities make up their minds, it would be an asset. In any event, land value does not depend upon what is actually erected on the site but upon its potential, consistent with a general zoning plan containing not more than a few designated uses. In fact street upon street and row upon row of houses, shops, offices and factories would be unaffected by such complications. Many would fall into a pattern where potential development was nil, or easily ascertainable.

Other difficulties foreseen by Mr. Bean were those related to changes in planning permission. Would sites upon which buildings had been erected under one planning permission be valued differently from similar sites where planning permission for greater development had been given?

Here again was a legitimate point, but the problem (not an insuperable one) was one attendant upon planning regulations, not upon site-value rating.

A less valid point made by Mr. Bean was that since site-value rating encouraged the best development it

would be unwise to institute it. The situation at the moment, he said, was that pressure on land for redevelopment was so tremendous that it would be wrong to encourage further development as it would be beyond the country's resources. He appeared to overlook the laws of supply and demand: no developer in his senses is going to put up buildings he cannot let. The pressure would be not upon developers but upon land owners, and the only result would be the lowering of the price of land until supply and demand equated.

In spite of his criticisms, Mr. Bean did see some merit in the site-value rating proposals, but he felt that practical difficulties made it no more advantageous than the present system.

MR. SEWARD, who followed Mr. Bean, told the audience that he would deal with aspects of site-value rating as a lawyer, and would examine certain aspects of the problems that would arise. His main point was that it would be inequitable for any owner to be assessed in respect of his land on the basis of a development which, because of some statutory or other restriction, he was unable to realise — a point that we thought was self-evident and taken care of in the definition, market value, but that certainly needs to be stated as often as possible, because of misconceptions that arise.

Mr. Seward felt that green-belt land presented no problems; while development was frozen it would be valued purely for agricultural use. As for "white" land, which although not forming part of the green belt was restricted at the moment, no great difficulty should arise because the ground rent would be that of the existing use of the "white" land at the time of the assessment. The granting of planning permission to develop this land would be a signal for reassessment.

Mr. Seward went on to examine many of the problems of this nature, and although many appeared to present difficulties, none was insoluble.

MR. SAGE said he would first like to examine what had been proved and what had not been proved by the Whitstable Report. He did not think that it had proved how the incidence of local taxation would be shifted as between different classes of ratepayer should site-value rating be adopted. On the Whitstable basis house property would contribute some forty per cent less in rates than at present, or, making a calculation on the assumption that agricultural land, open spaces and local authority properties were exempt, the relief to domestic property would be of the order of 27 per cent. It could not, however, for a number of reasons, be taken that the Whitstable pattern would be followed elsewhere.

The Whitstable Report had, however, proved that most existing classes of ratepayer would be relieved to a greater or less extent in different areas if site-value rating were substituted for the present system. This followed because the site-value rate produced a new source of revenue which was abstracted from the pockets of owners to the extent that the potential value of their sites expressed as a proportion of total site valuation exceeded the actual value of their occupied development expressed

ownership, some decisions concerning land use, building control, preservation, and the provision of basic services will have to be taken. Site-value rating would be practicable, and the valuation had been done cheaply.

Mr. Sage thought that the only practical possibility for implementing site-value rating would be to run the new system side by side with the old, increasing the site-value rate only when more revenue was required, as it inevitably would be. In short, to put all future increases in rates on to site values. This would meet many of the objections raised by Mr. Bean.

Speaking of some of the side effects of site-value rating, Mr. Sage referred to a fifty acre field, part of which was required for redevelopment. £35,000 was being offered for fifteen acres of it. This sum invested in Treasury securities could be made to yield an annual income of £2,160, but the apportioned agricultural rent, which would otherwise have been receivable in perpetuity was only £13 per annum. One could not blame owners for benefiting, but it was wrong that the community should have to do the paying out. If site-value rating were introduced the ordinary ratepayer would not only pay less in rates on the house he built but less in terms of capital cost for his land.

Looking then at site-value rating from the financial and administrative point of view, Mr. Sage wondered why there should be hesitation in introducing a system that the valuer found workable, that would produce new revenue for local authorities, and the side effects of which would be socially beneficial. He wondered whether the difficulties to which his colleagues had referred could not be minimised, met, or overcome, and whether the time had not come for this matter to be further considered, having regard to the present financial difficulties of local government and the developments that had occurred since the Simes Committee reported over twelve years ago.

The last speaker was MR. WILKS who said that the fundamental basis of the site-value rating system was that it was immoral to tax a man on what he had created with his own hands, but that it was perfectly moral to tax a man on the value of land that he had not created and which had been created by the community through its joint efforts. The valuer had therefore to determine the market value, i.e. the community value, of this land. He posed the question: "What was the value to the community of a one hundred acre site in a wonderful residential area that was monopolised by one hundred and fifty or two hundred people who were members of the golf club? Site-value rating must not be condemned as unfair when it had not even been decided whether it was unfair to the person who paid it or to the community who received it. Site-value rating should be considered strictly on its merits or demerits. The basic fundamentals should be closely examined and prejudices should be cast out of one's mind when doing it. It must not be forgotten that site-value rating worked in Canada, Australia and Denmark. He was no advocate of site-value rating but he did ask that it be considered on the facts of the case.