PRACTICAL POLITICS

May 2008 Issue No. 165

FROM GOVAN TO SOHO, HOSPITAL TO PORN – BUT ALWAYS LAND

(i) “Though minutes away from downtown Glasgow by train, this district… has benefited little from the economic and cultural renaissance sweeping the city in recent years” (Eric Jansson, “Financial Times”, 22nd. March). “Yet, at long last, with moves to regenerate the city’s Clyde waterfront going forward, **Govan** is due to receive a series of large capital inflows that should boost the local economy and reshape the locality. The greatest of these will be the construction of a £800m ‘super-hospital’ with 10,000 staff, replacing the existing Southern General Hospital.” New homes and gentrification of some existing Victorian and Edwardian tenements will absorb part of “a new and highly educated population”. All this will, it is hoped, “lure healthcare companies and non-hospital practitioners into the area”. Following “the crash of Govan’s heavy industry and the district’s subsequent neglect by central planners”, the local population fell “from 100,000…to less than half that number now”, consisting disproportionately of unskilled workers supplemented by “foreign newcomers – many of them Poles, Russians and Africans”. Sadly, it looks as if, yet again, a landless underclass will be left behind in the rat-race: did we forget to mention earlier that in Govan to-day the percentage of council-owned housing is “greater than 50-50”?

(ii) **Doonbeg** in Co. Clare in the Republic of Ireland “is 45 minutes from Shannon airport [and thus] very accessible from North America” as well, of course, as from the U.K. (Cathy Hawker, “Evening Standard”, 2nd. April). A quarter-acre plot “on the bay next to Doonbeg” was bought 12 years ago for £7,300. “Now property by the sea goes at a huge premium.” A “very special [golf] course has been built”, and there are “new restaurants and art galleries” to add to the seven pubs that were there before. Prices of new luxury cottages start at £1.15 million. John Bull’s Other Island can take some pride in this – but why tax building workers’ wages while land value is uncollected?

(iii) The borough of **Gravesham** with its outlying villages in north Kent “is only a 15-minute drive from Ebbsfleet International station [whence] from December 2009 will run a fast passenger service to London” (Nicola Venning, “Daily Mail”, 4th. April). A buyer paid £800,000 for a 1950’s house in “a very exclusive hamlet” and now intends to pay out £600,000 to have it knocked down and rebuilt. Against this outlay of £1.4 million, the new property will be worth £1.2 million, but “its price [will] eventually go up”. Well, the value of the actual structure will decline in real terms, but the owner expects the land value more than to make up for it – with help from that fast train service, obviously, and, even more obviously, thanks to the fiscal sadists who enjoy presenting rich businesses and rich men with what rightfully belongs to the public at large, so as to be able to continue inflicting pain on the real wealth creators in the community.

(iv) As in north Kent, so in north Cornwall. At **Rock**, "one of the most exclusive locations in Britain", stands a 1950's house overlooking Daymer Bay and the Camel Estuary, and with its own path to the beach, "just perfect, the estate agents say, for knocking down and starting all over again" ("Daily Mail", 23rd. February). For £2.5 million, it comes with the necessary planning permission. A new home, double the size, "would cost £600,000 to build… and would be valued at more than £4 million". After allowing several thousand pounds for demolition of the allegedly old house, that makes an expensive site, dwarfing the rebuilding cost. The annual rental land value to-day must be in the order of £100-125,000. "There has been phenomenal interest from buyers across the world". We did record it was "exclusive"!

(v) In neighbouring Devonshire, **Exeter** feels a need to expand eastwards over the next 20 years. "Opening up the sub-region beyond junction 29 of the M5 is seen as essential to ease pressure on available space" (Patrick Clift, "Estates Gazette", 17th. May) "and has left developers anticipating lucrative opportunities". Why not? In principle, we support developers. Developers raise funds, negotiate with planning authorities and other public bodies, bring in architects and consultants, and create the conditions for construction companies, specialised sub-contractors, artisans and general labourers, to ply their trades, before handing over the finished article to the new owner whose property manager who will find tenants and see to the common services. All of this is good work. No, it is not those who provide physical and intellectual labour nor those who furnish capital equipment whose rewards we challenge. Far from it: we wish to see taxes removed from the returns on their efforts. Our quarrel is with the system that permits beneficial landholders (companies or individuals) to appropriate the rental value of land – a value which, merely as holders of title, they neither created nor maintain, and are as powerless to increase as they are to prevent its occasional falls.

(vi) "The reclusive Paul Raymond" died on 2nd. March, leaving "60 acres of rundown real estate, the majority of **Soho**'s 87 acres. These freeholds, amassed over 40 years, are worth at least £300 million now" (Peter Bill, "Evening Standard", 7th. March). Raymond was "content to collect the rents and not redevelop", thereby "maintaining Soho's character" – a double-edged compliment indeed. Left behind is "a developer's dream [estate of] ageing, dilapidated, low-density property located in the most vibrant acres of Britain."

OVER-BUILDING AND UNDER-BUILDING: TWIN CURSES OF OUR LAND SYSTEM

There is no, or very little, actual cost to a landlord in holding land out of use or in seriously under-using it. Indeed, our tax and rating systems go so far as to reward dilapidation by reducing the tax base on a property. By contrast, improvement is greeted by a fanfare of higher assessments. Truly, the lunatics are in charge of the asylum. The indolent land speculator is pampered and the developer is fined.

It does not stop here. Unused and poorly used land contribute, in 'normal' and good times, to land hunger, and prices are forced up by the shortage of land that does become available. This makes it necessary for developers to trim costs by resort to such devices as high-rise buildings on expensive centrally located commercial plots, to maximise the returns from usable floor space in relation to underlying land area. The equivalent in domestic accommodation is a preference for flats, for town-houses, and for pokey homes clustered together with only the tiniest of courtyards or gardens. For all but the wealthiest, the only attainable roomy house to aspire to in much of the country, will be Victorian, Edwardian, or at least pre-1939.

(i) "Building upwards is an obvious way to make the maximum use of limited space" (David Harris, "Estates Gazette", 24th. November 2007). "Tall buildings may be an elegant, economic solution to maximising land value, but they are also very expensive to build. A big City tower will cost around 25% more per m^2 than a low-rise building. In real terms, this means £210 - £290 per m^2 to build a tall City tower, against £200 per m^2 for a smaller building."

(ii) Disorderly markets resulting from 'bubble' land values, have led builders and owners to risky guesses. "Remember the phrase 'city-centre living'...to describe regenerated northern centres such as Leeds, Manchester, Newcastle and Sheffield?" (Graham Norwood, "Estates Gazette", 19th. April). "The story is now one of [flats in] chronic oversupply". One developer, "active in Manchester, Liverpool, Leeds, Wakefield and Blackpool" notes that "The market will correct itself as market forces determine rental values and then price", acutely underlining our own frequently iterated arguments (most recently in Issue No. 164) against the use of capital value as a basis for LVT, council tax, or indeed any tax or borrow/loan transaction dependent on valuation of property.

(iii) "New builds in the U.K. are now the smallest in Europe" (Jon Neale, "Estates Gazette", 19th. April), although what owner-occupiers want "more than anything else, is space." The government's PPS3 document specifies at least 30 dwellings per hectare. Social housing provisions also point to "microflats" at "superdensities". Underlying the lot are land value distortions.

NHS AND THE CIL

The new Community Infrastructure Levy, allowing local authorities "to set a tariff per house or square foot of commercial development…comes into force in April 2009" ("Estates Gazette", 5th. April). Based on what is known as the Milton Keynes Roof Tax, this is in effect Labour's latest offering in a series of failed development taxes which have so bedevilled its thinking since the ill-fated betterment charges introduced in the Town and Country Planning Act, 1947. Not content with existing funding and lottery inputs, our dear NHS "is lobbying the government to factor in…a standard charge to pay for clinics". No one seems yet to have noticed that provision – or absence – of good infrastructure, including medical services, is reflected in land value. Forget single "hits" like the CIL which only hamper development anyway, and adopt LVT instead, collecting annually the rental value of all land, however it may have arisen! NHS funding makes more sense when its benefits are treated as a source of public revenue, not a drain on it.

A REPORT THAT SHOCKS BUT DOES NOT ASTONISH

"A report by the Adam Smith Institute says the work of the Fairtrade Foundation does not promote long-term economic development and leaves most third world farmers worse off" (Lewis Carter, "Daily Telegraph", 25th. February). Those left out of the Fairtrade scheme find themselves even more isolated in the market place on that account; but, yet more significantly, "the system helps landowners, not labourers". No surprise there, then.

CYCLONE

Burma is a rich country, or ought to be. Apart from being one of the world's leading producers of opium (allegedly), it is a major rice producer and also grows a wide range of other crops. It has long been a petroleum producer, and is rich in other minerals, primarily metals but notably rubies too. Forestry is important and timber a major export. Fisheries are likewise significant. Tourism could be big business, but the outside world has been understandably slow on the uptake. No, the country's woes are not due to the niggardliness of Nature, but are solidly attributable to serious misgovernment.

****

Published by the Land Value Taxation Campaign,
54, Woodway, Hutton, Brentwood, Essex, CM13 2JR,
and distributed free to selected members of both Houses of Parliament, of the European Parliament, of the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly.

Internet http://www.landvaluetax.org.uk