



The Rating Of Site Values

THE SIMPLE PRINCIPLES

WHEN WE SPEAK of the "Rating System," we mean the system of local taxation whereby what are known as "the rates" are levied by the local governing authorities in their administrative areas and for their own purposes. The rating laws ordain for the councils of the local authorities (1) what shall be rateable by them, (2) what criterion shall be applied for assessing that rateable subject, and (3) who shall be responsible for the payment of the rates.

The Rating of Land Values (also described as the Rating of Site Values), were it adopted, would resolve the above three questions thus: (1) The rateable subject is the site and the site alone belonging to each plot or holding of land. (2) The assessment is based on the market value (as at date of valuation) attaching to the land *excluding the value that can be attributed to any buildings thereon*, i.e., assuming that the buildings thereon did not exist. (3) Liability for payment rests on those who enjoy the land value. (The term "buildings" is used here as comprising structures of all kinds and the results of any expenditure of labour or capital placed on or in the respective landholding — things other than buildings being referred to as "other improvements.")

HOW THE RATES ARE NOW LEVIED

The existing rating system resolves the same three questions thus: (1) The rateable property is the composite subject of land and buildings taken together, and rateable properties include parts of buildings such as flats that are in separate occupation. (2) The assessment is based on the rent which the property in its then existing condition might be expected to yield supposing it to be let from year to year. (3) Liability for the payment of the rates rests on the occupier. If and so long as the property is unoccupied, no rates are payable.

The existing rating system taxes all buildings and improvements. The better the land is developed as the result of buildings erected or improvements made, the heavier the tax. The keystone of the existing system is its definition of "rateable value." The assessor has to estimate what a property is worth to let *in its existing condition* and if let in that condition for a year only. The implication of those instructions can be readily seen. Where the land carries a good and well-adapted building the property in that condition commands a higher rent than another where the building is shabby or obsolete

and the assessment in the first case is put high and that in the second case is put low. Yet it may well be that the shabby building, worth less to rent because of its state of repair, stands on a much more valuable site. The true value of the land, realisable only when improvements or redevelopment takes place, is *excluded from consideration* because no one under a yearly tenure would make such improvements. And thus, in obedience to the rules or in their necessary interpretation, vacant land, however valuable it may be, is either not entered in the rolls or is assessed at a purely nominal figure.

When a building is erected where none was before, or when a property is improved or enlarged, increasing what it is worth to rent, the valuation authority can be required at once to make a new valuation, and immediately the burden of rates is imposed or increased. But where properties are allowed to deteriorate the assessor must write them down, and when lands lie vacant he must pass them by.

RATING LAND VALUES — EXEMPTING BUILDINGS

The Land-Value Rating system on the contrary automatically exempts buildings and improvements, and, even more important, all new constructions, all additions or improvements to existing buildings are similarly freed. The rates are levied solely on the land value, so that the amount of the charge varies in accordance with the land value. Thus all land comes under contribution in proportion to its value, and it does so *irrespective of the use to which it is being put and whether it is used or not*. Whatever may be the actual or the zoned use of the land (let it be for residential, commercial, industrial, agricultural or other use) the criterion for rating purposes is one and the same. It is the market value of the land, as land, apart from buildings, which are not accountable.

In valuing "land apart from buildings" or "land apart from buildings and improvements" it is to be stressed that the exclusion of the buildings, etc. applies purely to the buildings within the boundary of the particular piece of land that is being valued. Everything beyond that boundary is, of course, regarded as remaining in its present state. (To disregard the existence of all surrounding developments when the valuation of land, lot

THE RATE'S PROGRESS

Solid Opposition

"I SHOULD not like to tell you my opinion of the Rating Acts but I do feel that when a person is expected to pay the full amount without compensation for inconveniences caused, then he has the right at least to have his complaints heard in a public court. When this has been done I shall be somewhat satisfied as I find it quite painful banging my head on the wall of authority. Thank you for listening."

Highly Honoured

"I AM not disputing the fact that the road has been re-metalled and the path paved, because I have had the honour of paying for it."

Self Criticism

"BUILDING new houses always brings down the tone of the district. It was a very nice district until we came here."

Working to Rule

"I DECIDED to make improvements to my bathroom and as I was a plumber by trade I did the work myself — and it took me about three years."

Worse than Woodworm

"THE garage has been there for about four years: it is not very elaborate, it is built in those self-destructing metal sheets."

— from *Rating and Valuation*, January.

by lot, is being undertaken would be to disregard what gives land its value.)

It is the social advantages derived from its position and all the surrounding environment that gives land its value, as anyone can confirm who studies the advertisements of the real estate agents. These are extraordinarily illuminating, as the following typical examples show:

RUGBY: With unrivalled transport facilities. Close to M1 and M45 roads, main line railways and canals. Half acre site. £4,000.

SOMERSET: Light industrial land, busy market town about ten miles Bristol, twelve miles Weston-super-Mare, five miles Clevedon. Good railway facilities (it is understood that the station will not be closed). Seven and a half acres. £12,000.

BRIGHTON: Main London road overlooking park, convenient to main line station and town centre. Excellent site with frontage of seventy-five feet. Planning consent. £28,000 freehold.

WEYBRIDGE: Five minutes walk railway station. Thirty minutes Waterloo. Two and a quarter acres.

Outline planning consent. All main services. £35,000 freehold.

WINCHMORE HILL: In first class residential position on bus route No. 244 connecting with Southgate Tube Station (five minutes). Freehold building plot, frontage fifty-two feet. £4,250.

A PROPER SOURCE OF PUBLIC REVENUE

Land value varies from place to place and from spot to spot, low here and high there, and marked differences are noticeable from street to street. In the centres of cities it can reach astonishing sums. It is dependent upon the advantages which nature and situation give to any particular piece of land; such as fertility, subsoil, natural drainage, aspect north or south, elevation and so on; such as proximity to roads, railways and other means of communication, to markets, shops, facilities for education and other attractions which form the environment created by the community individually and collectively, and by local and national government expenditure of the tax-payers' money.

Understanding the factors that give rise to land value, and observing not merely how it has arisen but how it is *maintained* from day to day by the continuing life and economic activities of the community, we may observe that it is a rightful and proper source of public revenue. Therein, above all, is the justification for the Rating of Land Values.

THE LAND VALUATION

The introduction of Site-Value Rating would, of course, first require a land survey and valuation. The ease and simplicity of this is due to the fact that only one thing is to be valued, namely, the land value as such, eliminating the need for valuing either the composite subject of land and buildings taken together or the buildings alone — no question arises about the nature, the state of repair and the suitability to the site of any existing buildings. This has been effectively demonstrated in the pilot valuation at Whitstable, Kent.

The annual land value would be defined as the annual rent which the land comprising the land unit might be expected to realise if demised with vacant possession at the valuation date in the open market by a willing lessor upon a perpetually renewable tenure, and upon the assumption that at that date there were not upon or in that land unit any buildings or other improvements, nor anything growing except grass, heather, gorse, sedge or other natural growth; and that the annual rent had been computed without taking into account the value of any tillages or manures or any improvements for which any sum would be payable to an outgoing tenant of a holding.

The first valuation should be succeeded by revaluations at one or two yearly intervals. The shorter the period of revaluation the easier, quicker and less costly it is. For yearly revaluation comparatively few changes would need to be registered.

Detailed discussion of the methods followed in making the valuation is beyond the scope of this article. An

essential matter, however, is that the valuation rolls be open to public inspection. It is also desirable that the established value of adjacent lands should be receivable in evidence in respect of any disputed valuation.

PAYMENT OF THE LAND-VALUE RATE

In the legislation for the Rating of Land Values, the collection of the land-value rates would be combined with provisions whereby liability for the rate payment would be borne by those who enjoy the land value, and so in proportion to their respective shares therein.

This distribution of the liability for payment of the land-value rate would apply under existing as well as under future leases or tenancy agreements and any agreements inconsistent with this provision would in that respect be void. Thus in England and Wales ground landlords and lessees, and in Scotland superiors and feuars, would each contribute to the land-value rate in proportion to their respective interests in land value. The land-value rate would, until paid, be a charge on the land, payment, if necessary, being enforced by the means open to mortgagees.

TWIN FUNCTIONS OF LAND-VALUE RATING

The Rating of Land Values is the alternative to the existing system. The raising of revenues from land values and the simultaneous removal of the present rates are twin functions of Land-Value Rating. The latter function is as vitally important as the former, for thereby would be brought about the abolition of the taxation, as disruptive as it is unjust, that comes into action only as and when land and buildings are brought into use, imposes a burden irrational and frequently intolerable, and obstructs, where it does not actually frustrate, desirable development. Local government, endowed with its own resources, the rent of land, would not need to take toll of any person's individual industry.

OPERATION IN OTHER COUNTRIES

The Rating of Land Values is in practical operation in a considerable number of countries. Various fully documented publications on the matter are available at the offices of the United Committee for the Taxation of Land Values. The countries so giving effect to the policy, most having had it in operation for many years, include Denmark; New Zealand; Queensland, New South Wales, Victoria, South Australia, Western Australia; the Union of South Africa (particularly the Transvaal); Rhodesia; Kenya and Tanganyika; and the Western Provinces of Canada.

It is hardly necessary to remark that in all these countries the separate valuation of land is a well-established institution. Altogether, here is a capacious portfolio giving competent reply from the experience gained to questions that may be put, whether Land-Value Rating can work, whether it does work and how it works in practice.



Background to Whitstable

SUGGESTED READING

Single copies of these leaflets free on request

The Building: Land-Ratio by Dr. David B. Ascher, M.A.I., Registrar of Lands, Haifa, Israel. Fascinating study of the relationship between building value and land value and the problems of assessment, laced with wit and wisdom.

Lloyd George's Land Taxes. Summary by the late Sir Edgar Harper, F.S.I., showing the glaring defects of the Act.

Rating Land Values. A simple statement of the principles of land-value rating, showing its distinct advantages over the present system.

Section of a Copenhagen Land-Value Map. Full scale reproduction in two colours. On reverse, explanation of map and brief description of Danish land valuation technique.

Site-Value Rating: Objections Answered. A report by a special study group is analysed.

Penalty or Incentive. An official Australian survey contrasts two rating systems — with evidence in favour of LVT.

Unimproved Site Valuation for Rating Purposes as practised in Mombasa, Kenya, by Brian T. Yonge, F.R.I.C.S., F.R.V.A. Article shows how a system used in North America and Australia was adopted for use in East Africa.

For Field and Village. A bid to interest countrymen and especially the farming community in the campaign to secure land-value rating.

What Is Wrong With Our Rating System? A brief explanation of how the present system operates and a comparison with the alternative system which levies rates on land only.

Land Valuation. Results of a land-value taxation experiment carried out in two parishes in Jamaica.

When Homes Are Taxed by Mary Rawson, M.A. A note on housing, planning and municipal taxation reprinted from the journal of the Community Planning Association of Canada.

Why Land-Value Taxation? The tax explained, with a sketch map of Copenhagen showing land values.