

Site-Value Rating: A Conservative View

IT is the fate of many reforms that they get adopted by a minority party which has little hope of forming a government in the foreseeable future. Such reforms are automatically rejected by the major parties on the principle that one's opponents' policies must always be opposed. There are exceptions to this rule and these operate when there is a large body of professional or public opinion in favour of a particular reform.

Sometimes a policy is partly accepted on these grounds so that while some of the underlying arguments are acknowledged, the policy is modified or tailored to suit the purpose of the party adopting it.

This seems to be the case with site-value rating. A new booklet published by the Conservative Political Centre, *Money for the Council*, by Roland Freeman, while advocating the re-rating of agricultural land and the rating of vacant sites, nonetheless comes down firmly against the rating of site values. Agriculture, by which is meant farm land and buildings (unfortunately), should be rated, it is argued, because the present exemption is a concealed subsidy which is undesirable and because it is unfair to other classes of rate-payers that agriculture makes no contribution to the rates. Vacant sites, argues Mr. Freeman, should be rated on the ground that "those who benefit from windfall increases in the value of undeveloped land arising from planning permission should obviously contribute towards local services." The author rightly says that the rating of vacant sites would have stimulated development while the Government's Land Commission Levy is more likely to discourage it.

Thus while it is acknowledged that taxes on bare land *encourage* development and improve-

ment, the concomitant, that taxes on buildings and improvements *discourage* it, is ignored. By splitting the argument in two, as it were, and adopting a policy based upon one half, only anomalies are bound to be created. For instance, what of the case where a vacant plot is valued higher than a similar sized plot in an equally desirable position merely because the latter had a tumble-down building on it? (It has to be valued lower because of the criteria of our present rating system that the letting value of the building, not the potential value of the site, determines the assessment.)

But what of Mr. Freeman's arguments against the rating of site values? They are neither original nor new but are perhaps worth restating if only to show their weakness.

1. *"Valuing on the basis of the potential worth of the land only is a hypothetical exercise which can lead to misunderstanding and unfairness."*

Comment: The valuation of sites alone is no more hypothetical than valuations, under the present system, of houses, shops, machinery, tunnels, fire stations, etc. The plain fact is that a trained valuer is taught how to value land alone and such knowledge is being applied every day in the business world and by government valuers in those countries which have adopted site-value rating. Misunderstanding and unfairness are far and away less likely under this system.

2. *"A valuer is trained to appreciate the principle of valuing someone's home (sic) assuming the imaginary situation of no building standing on the land, but with all the other houses still there in the street, all the power, water, sewerage and access services still laid on and all the amenities of the district available just the same. Mr. Everyman will want to see a more realistic basis on which to pay his rates than that."*

Comment: This extraordinary statement is completely nullified by the author's advocacy of the rating (and thus the valuation) of vacant sites. "Mr. Everyman," we are sure, is not so stupid as not to be able to see how the freehold value of the land on which his house stands can be arrived at.

3. *Evidence of actual site value is scarce.*

Comment: Then it must be scarce also for valuing vacant sites. But this is no barrier. Ask any estate agent to value for you any piece of land anywhere locally. Evidence would be useful but it is not indispensable; the higgling of the market elsewhere is usually quite sufficient.

4. *Under site-value rating the potential improvements are included in the valuation—therefore when you rate site values you rate improvements.*

Comment: This is sheer sophistry. It is one thing to rate land potential—(land has no value otherwise) but quite another to rate actual existing improvements.

38

5. *"Advocates of the system argue that one of its merits is to encourage property development. In new countries there is something to be said for using the rating system in this way. Highly developed urban communities on the other hand cannot be rebuilt overnight and site-value rating merely places permanent penalties on the backs of people living in older accommodation."*

Comment: Site-value rating puts the same penalties on underdeveloped properties as on vacant land and if the site is valuable it will more than recoup the rates demanded when redeveloped. "New" countries apply their site-value principles in "highly developed urban communities," not on the prairies.

6. *"Although the site-value rate is charged to the owner of the land and not the occupier of the building, it must be assumed that the rate would be passed on to tenants and long leaseholders either directly or through higher rents. (If this were not so, all householders other than freehold owner occupiers would escape rating altogether!)"*

Comment: It certainly cannot be assumed that the rate on land is passed on to the tenant and noted economists assume no such thing. As for householders other than freehold owners (who by and large would pay less) escaping rates altogether, this is one of the prime objects of site-value rating.