A Capital on Leased Land

"ONE can travel for miles in a veritable enchanted land of lovely trees of many varieties, broad boulevards and flowery gardens," wrote H. Bronson Cowan in 1940 of Canberra, Australia, "the only capital city in the world in which there is no private ownership of land." Recently in The New York Times it was reported that the "raw town of 15,000" had grown to a metropolis of 110,000, with modern high rise buildings, excellent educational facilities, a concert hall, theaters, sports fields, clubs, restaurants and a 9 million dollar library modeled after the Library of Congress in Washington. The city lies in undulating sheep country halfway between Sydney and Melbourne and is not easily accessible, but the jibes of a decade ago are no longer heard since the population threatens to reach 250,000 by 1980, despite efforts to control its growth.

Canberra captures our interest because of the LVT feature and because it was planned as a garden city 60 years ago and laid out by an American architect, Walter Burley Griffin of Chicago. It was intended from the beginning that no land in the new city should be privately owned and the rentals, to be fixed at public auction, would be collected for the community. This clear-cut decision must have flowered from seeds of wisdom dropped by Henry George or others who shared his views in the 1890's.

There was embarrassment from observers in 1947 over the slow growth of this daring enterprise, and Mr. Cowan noted (Feb. HGN) that it was almost impossible to determine the value of land because there had been no sales to act as guides. In spite of its many critics, Georgist writers of 20 years ago seemed to agree that Canberra might serve as the best available model for LVT study. Now that two more decades have elapsed it comes as no surprise that the patient is alive and doing well.

Two things were uppermost in the minds of the planners — that there should be no opportunity for land speculation either in the proposed city area or the near vicinity, and that the "unearned increment created by the expenditure of the people's money" in the enhancement of land value should belong to the people. The first residential leases were disposed of in 1924-6 and 7. In all cases the successful bidders undertook to pay land rent at the required rate of 5 percent per annum of the amount bid as the unimproved value.

Residential leases are granted for 99 years and the unimproved value of the land is reappraised every twentieth year. The lessee is required to commence and complete erection of an approved residence within 6 and 12 months respectively from the date of the lease. After completion of a building, if the land is used during any one - year period for purposes other than that for which the lease is granted, it may be terminated by the authorities. A lease may be renewed at expiration date unless use of the land is required by the Commonwealth. If renewal is refused at expiration of the lease the lessee must be reimbursed for his improvements on the land.

Until fairly recent years a prospective lessee could make a leisurely selection of available sites and virtually arrange a lease over the counter, paying only the nominal survey of title fees and the first year's rent. As the interest of entrepreneurs increased and people gained confidence that they could build or buy a home in Canberra and not lose money, population growth rapidly exceeded expectations and reached 90,000 by the end of 1965.

Faced with failure to keep the supply of land equal to the demand, a Joint Committee on the Australian Capital Territory made an exhaustive study of the city's growing pains. During the early 1950's concern had arisen over what were regarded as high "premium" payments and the undesirability of using what were in fact Commonwealth funds to intensify the already keen competition for leases at public auction. Any contention that the premium was intended to cover the capital outlay for services was considered fundamentally in error. The land rent was imposed for that purpose and any premium obtained was merely an additional impost on the lessee and highly inflationary of land values, according to the committee's report.

But to provide for builders whose competition for individual blocks at normal auction sales was felt to be causing bids to rise unduly, a method of offering residential blocks in small groups was instituted. It was announced that leases could not be transferred during the first 5 years without the prior consent of the Commonwealth. Only those were to be allowed to bid at restricted auctions who had not, for a period of 3 years preceding that date, registered as a lessee of a parcel, and they were not entitled to be granted a lease for more than one block.

Irregularities born of the rapid growth were also occurring in the nearby rural area. Some agricultural lessees were accepting payment for the value of improvements with nothing being paid for the termination of the lease. They were warned by the Department of the Interior that such action would result in refusal to renew. The authorities proposed to offer new leases of 50 years' duration in these areas providing the sites were not required for Commonwealth purposes.

In an effort to speed the servicing of more land for building purposes the joint committee was asked to examine the feasibility of releasing unserviced land to private enterprise for subsequent building. This was rejected as inflationary with the reminder that the whole leasehold structure was built around the outlay of funds by the means of land rental.

Bidding Reflects Rise in Rentals and Service Costs

Many details were examined and clarified in the long government report completed 3 years ago. Average annual rentals on blocks sold at auction since 1959 were found to have risen steadily from £25 in 1960 to £53 in 1965. A comparison of the cost of developing a block in the same years showed an increase from approximately £700 to £1,000, most of the increase being due not to inflationary factors but to the higher cost of servicing larger lots and opening more undulating areas for use.

Brasilia, the dazzling new capital of Brazil, which was also begun as a planned city "in the middle of nowhere," proved so costly that the country went broke, though everyone connected with it is reputed to have become a millionaire.

By contrast, recent reappraisals in Canberra showed improved values higher by 700 percent, with general rates somewhere between 3 and 4 percent in the same sliding scale. The investment in the famed "sheep paddock" was therefore profitable and far sighted, since Canberra has developed steadily without sacrificing its value standards or its strict land policy. The young Australian metropolis may be saying something to planners of future cities.