

## Housing and how we can really make homes more affordable

It seems that every day we read about how great it is that home owners are getting wealthier because of the increase in their property values and then we read about the terrible situation whereby an increasing number of people cannot afford to buy any property because of the ridiculous high prices they are forever chasing.

Is it really good enough for us to accept a society where those who can afford to own their own home are deemed lucky because of the unearned wealth they enjoy but those who cannot afford to get started on owning a home actually subsidise the home (and commercial property) owner?

First of all we need to understand that it is not buildings that go up in value – it is the site the building sits on that increases in value. The price of each site differs in value (and therefore in price) according to where it is located: near parks, rivers etc; good schools; jobs; accessible good public transport and roads; hospitals and other good public services all give each site its value. Take the above away from high priced homes and ask will the price still be the same – of course, we know it will not, the price will fall.

It is the total efforts of society together with Mother nature's gifts that create land values – as taxpayers we pay the cost of providing our public services; as workers we create the goods and services that get sold and as interested residents and business owners we influence positive planning and improved services etc.

Yet, even though they make an equal contribution to the wealth we all create, the residential tenant gets no return on the increases in land values we see that are as a direct result of our expanding economy. Is this fair? Is it sensible? Is it changeable?

There are a few ways that the Government can change this unequal system and enable everyone to have a share in the increases in land values that we all create:

- Bring back all land (a product of nature, not of humans) into public ownership and charge a rent for each site based on its optimum permitted use annual value.
- Allow local authorities to charge a site value rate to every site based on the optimum permitted use annual rental value.
- Introduce a Land Value Tax on every site based on its optimum permitted use annual value.
- A combination of the last two options.

Assuming the first option would bring uproar given more people are now home owners than tenants, it is accepted in this paper that consideration is given to the last three options but using the generic term Land Value Tax.(LVT)

So, what are the effects of the introduction of a Land Value Tax? We can turn to Harrisburg, capital city of Pennsylvania, USA to inform us of how a small LVT has a positive result. They have a two-tier property tax on just 52% of the City's properties – Federal and Charity properties cannot be included in this tax. There is one tax levied on buildings and one levied on every site, based on the value of the site at its best permitted use value (ie not at its current use value which may be lower because it is a derelict brownfield site). The actual tax rate levied on the site is six times greater than it is on the building. The immediate result was to bring most unused and underused sites into full use thus increasing the supply of land available for development and which reduced the price of the land. New buildings happened, old buildings were re-furbished and existing businesses were able to expand. New jobs were created from the new and

expanding businesses; new more affordable homes were available to workers and the City had more money to spend on services including provision of social housing, parks and leisure facilities, increased police and fire fighters and improved streets etc. Along with the increased number of police and fire fighters, more jobs led to less crime and arson. More money in people's pockets led to home improvements, increased self-esteem and increased spending on goods and services.

Nothing magical or inexplicable about what is going on in Harrisburg and other places that realise that by capturing at least a small part of the increases in land values that we all create, this wealth can be used to benefit all of society rather than just go as unearned and undeserved income into the pockets of the few.

If land was cheaper for those building new homes through the introduction of a LVT, we **all** get a share of the wealth we all create. Land is a most valuable natural resource and should be protected, accessible for all and benefits should be shared by all of us today and tomorrow.

## **LVT Benefits the whole of Society**

### **Just some reasons why LVT is a sustainable, fair and just tax:**

- It recognises every individual helps create land values through their work, their community activities and their spending – so why should it **only** be property owners (big and small, commercial and residential) who reap the financial reward
- It recognises that every new investment – public and private – helps create land values, whether it is in public transport; businesses; leisure facilities; schools; hospitals; airports; smartening neighbourhoods; homes or jobs
- It also recognises **existing** services and businesses – public and private – add to land values
- By including land that is currently kept idle, it encourages better use of land, particularly in towns and cities and discourages long distance commuting by road
- Use of urban brownfield sites will actively contribute towards protecting the rural environment
- It enables the protection of green land and avoidance of urban sprawl
- It will rid communities of derelict sites and buildings that encourage anti-social behaviour
- It stimulates more jobs and businesses and affordable homes
- It will bring about a real redistribution of wealth on an individual and regional basis
- Because it reduces the price of land (not its value) housing costs becomes cheaper and therefore more affordable for lower income earners
- Lower land prices make it more affordable for new business start-ups and expansion of existing businesses
- It cannot be avoided by any individual or business
- It is a means to pay for public development and services
- It can be used as a model for other countries to adopt for the above same reasons to benefit the world's population of today and for generations to come

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(For more information on LVT see [www.labourland.org](http://www.labourland.org))