

# Housing Voice Affordable Homes Alliance

## National Independent Inquiry into the Affordable Homes Crisis

### Give written evidence

Written evidence is invited from community groups, charities, advocacy organisations, consumer groups, businesses, trade unions, tenant organisations, local authorities, housing associations, students and other young persons, academics, politicians and housing experts. Please submit written evidence responding to the ten issues set out in the Terms of Reference for the Inquiry by emailing [s.barwick@connectpa.co.uk](mailto:s.barwick@connectpa.co.uk). Your submission should be no more than 3,000 words and include an executive summary. Please ensure you include your contact details. Hard copies of evidence will be accepted and should be mailed to the above address.

**The deadline for all written evidence is 30<sup>th</sup> March 2012**

### Terms of Reference

#### 1. People's housing aspirations and how these are being met in the current housing market including in different parts of the country.

For example, is there adequate provision of affordable and decent (warm, not overcrowded and viable space for people who work from home) homes?

**The fact that so many homes remain unrented and unsold for long periods reflects the fact that house prices and rent are unaffordable; people do not chose to live in poor, inadequate and overcrowded homes.**

#### 2. The factors that influence affordability in different parts of the country.

For example, are wages/salaries keeping pace with housing costs? What other household costs impact most on people's ability to afford where they live?

**(i) The UK economy is distorted geographically and socially because of our (unfairly) favourable and generally inefficient treatment of land ownership within our tax system.**

**As areas lose employment opportunities, house prices (for rent or purchase) stay the same because there is no tax penalty placed on those who leave homes empty. In other words there is no cost to speculating in a scarce resource - land - which we all need in order to survive; and which has no cost of production; and furthermore is not made by humans. For landlords, mortgage interest is tax deductible. Why?**

**Wages and salaries vary widely between regions, as well as over time, i.e. according to the economic cycle of boom and bust, which UK is excessively exposed to, (for example, in 1983 a property in Kensington could purchase 3 in Levin, Fife. In 2003 it could purchase 24. *Dorling, Thomas, 'Know Your Place' 2004*).**

**The resulting precarity of individual incomes under the current economic model is why so many people have had to forego their mortgages in the current recession.**

**(ii) Increasing costs of marketised care for older people and disabled people is particularly an issue in rural areas. Here the lack of economies of scale affect the market for personalised care so higher costs accrue to these groups, which impacts their income vis a vis accommodation.**

**(iii) Inflation and lower incomes at times of unemployment, wage freezes etc all affect how much people can afford to pay for their home whether it is rented or being bought.**

### **3. The barriers, which exist to the availability of new affordable homes in different parts of the country.**

For example, are there issues around availability of land? Are there sensitivities amongst existing communities towards the development of new affordable homes? Is the planning system facilitating the delivery of enough affordable homes?

**Land speculation leaves so many buildings and sites in our towns and cities unused or underused, thereby creating an artificial shortage of this natural resource.**

**Our member, Michael Cullen cites the following instance as detailed in a letter to his local council earlier this month:**

**“I believe that although business rates are levied by the Local Authority on properties which are unoccupied, this is not done if the premises are classified as uninhabitable, and understand that this loophole has been the case for the Plough PH at Gallows Corner for about seven years. The value of sites is closely related to their location and will rise if the surrounding area is improved. The Plough PH building has been affected by fires and possible developments and improvements to the corner are delayed whilst the 'land bank' owners sit on the rising site value. Will you please advise me if the Council has any means to deal with such blots on local areas. This must have a significant affect upon housing and other developments such as improving the very narrow footway of the A12 joining Straight Road.**

**If a levy were applied annually to the land value (instead of other taxes) this anomaly would be less likely to continue. Please let me know if Councilors and or Officers are aware of this and many other such cases. “**

**Michael Cullen, 2 Whitmore Avenue, Harold Wood, ROMFORD RM3 0WY**

**Land speculation encourages urban sprawl with all the pollution, road deaths and injuries and long distance commuting that it brings.**

**Many approved developments do not take place, sometimes for many years, until the developer/landowner is prepared to go ahead with the homes included in the planning permission because of land speculation.**

**There is no current incentive on the landowner to build the homes even though the value and therefore the price of their land has risen through no effort on their part.**

**Land values are generated by the total activities of society - public investment in transport, good schools, good health care, parks etc all paid for by tax payers along with private investments generate land values. But this activity helps increase house prices and rent beyond the means of ordinary people without society recouping any benefit.**

**Thus Landowners confiscate land wealth even though they have not created it - actually we all have, as taxpayers and consumers - but in particular it is tenants (residential and commercial) who subsidise property (i.e. land) owners most of all. This is because they pay the same taxes as freeholders but they do not bank the unearned uplift in the value of their home/ business premises, rather instead receive a rent increase in return for their social participation.**

**If land wealth were collected and used to pay for public services, land speculation would stop. Negative taxes such as VAT, income tax and corporation tax might also be reduced and homes become more affordable and small businesses more profitable.**

**By fundamentally changing our tax system and shifting taxes off wages and production and on to land and other natural resources (as Gordon Brown did with the £24,4bn receipts from the 3G airwave auction), land will be used more efficiently and land wealth will be shared by everyone - including tenants - instead of being leached**

by landowners.

#### **4. The specific issues regarding affordable homes and the private rented sector.**

For example, do tenants need more protection and extended tenancies? Will private investors deliver affordability, decent homes and security for tenants?

**Tenants (residential and commercial) subsidise property (i.e. land) owners - they pay the same taxes but do not get an unearned uplift in the value of their home/ business premises, just a rent increase. This is not fair.**

**John Hill's study ('Ends and Means' 2007, commissioned by Tessa Jowell) showed all housing is subsidised, even owner occupied. He showed tax favourable treatment of owner-occupiers amounted to net benefit of £15bn against £12 bn housing benefit in that year.**

#### **5. The specific issues regarding affordable homes and the social rented housing (council housing and housing associations).**

For example, how can housing associations and local authorities build more homes for rent? Is the "affordable rent" initiative help or a hindrance? Does giving a higher priority to those in work on waiting lists have a role to play in a revitalized public housing sector?

**The greater the demand for building homes by housing associations and local authorities, so the more owners of land will demand a greater price for the land those bodies will have to purchase.**

**If current property taxes were replaced and other negative taxes were reduced/ replaced by an annual Land Value Tax, then all homes would become affordable, because land would become cheaper as land speculators would disinvest and look for more sustainable, responsible and productive activities to invest in.**

**Homes built would satisfy demand and one group would not need to be played off against another in rationing new homes.**

#### **6. The specific issues regarding affordable homes and the owner occupation sector.**

For example, could community land trusts play a bigger role in providing cheap homes to buy for example using intermediate options such as shared ownership? Does the FSA need to re-evaluate (reduce) risk associated with intermediate ownership and mutual ownership? Could compulsory insurance help provide security to buyers and lenders? Should more help be provided to people saving for a deposit?

**Once there is an increase in the demand for land, prices rise and land owners benefit from even more unearned income at the expense of those needing homes and taxpayers who have to foot the bill.**

**A solution for making homes more affordable and to stop land speculation and urban sprawl is to introduce an annual Land Value Tax to replace current inefficient property taxes and other negative taxes.**

**No home can be built without first rewarding a land owner who did not produce it or do anything to give it its value - the whole of society creates land wealth but land owners unfairly take the community create wealth as their own.**

#### **7. New and innovative models.**

For example, is there a need to do more to promote original methods to facilitate more house

building for example mutual and co-operative solutions?

**No new ideas are needed. Land value tax, Lloyd George's increment tax, capital gains tax and property taxes including a land element on residences are all deployed effectively in different parts of the world in modified forms. These curtail speculation and divert investment into productive activity, which creates jobs.**

**However once Glass-Steagal Act in US was repealed, countries without such tax arrangements and hitherto in receipt of this nominal protection were sunk, and now are undergoing fiscal consolidation under diktat from the EU.**

**Germany is exceptional because it has an economy with higher employment and balance of trade because, along with a supportive banking system, speculative investment in property is curtailed by application of a residential property tax (owners only), capital gains applied within 10 years of ownership and rent controls. Only 59% of the population are owner-occupiers of residential property, the lowest in the EU. It has suffered least through the bursting of the recent property asset bubble. We need to stop treating homes as financial assets.**

#### **8. Welfare reform changes.**

For example, are housing benefit changes making it difficult to manage housing costs and/or impacting on access to decent housing? What will be the cumulative impact of? Introduction of universal credit, the cap and direct payments as well as changes to crisis loans?

**Introducing a fairer society by shifting taxes off wages and production and onto land and other natural resources, would provide better wealth distribution, create jobs, reduce poverty and allow a more positive welfare/support system for the reduced numbers of claimants who need it.**

**Other measures being proposed that might help to address the affordable housing crisis.**

For example: rent controls, easing planning restrictions and/or creating a new planning use class of housing for rent, large investment in new homes provided by local authorities and housing associations, an affordability standard, assisting institutional (private) investors to fund affordable housing provision, a Royal Commission on Affordable Homes?

**As argued above - an annual Land Value Tax would be a catalyst in providing affordable homes with supply meeting demand.**

#### **10. Prioritisation.**

For example is it felt that the Government should give greater priority to delivering affordable housing? Is housing for supported (vulnerable) people also receiving sufficient attention from policy makers and politicians given its future importance?

**A decent affordable home is a basic human right as is good health care, education and decent income at all stages in life. The government must look imaginatively at what is fundamentally wrong with our economy and our tax system and change it - otherwise, we will always have poverty, unemployment, poor housing and inadequate resources to pay for good public services across the UK. If everyone was living in a decent home, in a decent location and with a decent income, then many social problems could be more easily tackled as people gain a positive self-image.**