

Affordable Housing – On Speed

Britain has the smallest-sized and least well-maintained housing stock in the developed world – and many do not even have a home because they cannot afford this basic human need.

Whilst it is true that house-building has not kept pace with increases in households, the shortfall cannot be produced overnight. The way to solve the housing crisis in the short-term is to reduce the price of decent homes to buy and provide more council houses at affordable rents for those who cannot or do not want to buy.

Houses, like other 'real estate' have two values: the building and the land on which they sit. Buildings need constant maintenance and renewal to retain their value. But land values depend on local amenities. When a new public facility becomes available local land values rise, the landlords' wealth increases and they increase the rent.

The Labour Land Campaign has been promoting land value tax (LVT) within the labour movement since 1983. LVT charges owners for the benefits they receive from that location. The land needs valuing on a regular basis, perfectly feasible using modern, and ownership established (the Land Registry is 85% complete, the remaining, mostly hereditary, landowners probably claim CAP subsidy, so are also known). Registration of landownership should in any case be mandatory as it is our democratic right to know who owns UK land.

Our objective is LVT at a single national rate on all land but the easiest way to begin is replacing business rates. They are set at approximately 50% of the rental value and paid by occupants, like council tax. Most businesses rent their premises, so they get two bills. This is a considerable burden, especially on small businesses and shops, and is the cause of many bankruptcies. But landlords don't go broke as they always have a valuable asset to sell. This is now Labour Party policy but even the Tories are now talking of it.

However, this is what Tories won't do ...

Renting homes is a business. If landlords were subject to LVT it would destroy their business model. Most of them, especially in high value areas, would be forced to sell up. This would put lots of rented homes onto the market, reducing prices, and enabling local authorities to buy them up with sitting tenants. It would also provide councils with a secure income from rents.

Now, the first thing landlords would try to do would be to pass on the tax to tenants. There are many who say that LVT cannot be passed on as landlords always charge as much as they can. This is deceptive, because the market will have changed: tenants would no longer pay council tax so there would be some scope for them to afford an increased rent. The market would eventually adjust, but in the meantime many could be out on the streets or would be forced to pay more to keep a roof over their heads, cutting back on other essentials. Legislation would be needed to prevent this.

Of course, we also need to build new, decent, environmentally-sustainable homes in places where people want and need to live. At the moment the house building industry is dominated by a 'cartel' of big players who maintain 'land banks' and eke out completions to suit their long-term business interests. LVT should be applied to all such land, at its full potential value. This would force developers to get on and build or sell on to those who will. A sell-off of such sites with a large tax liability would reduce prices substantially and allow local authorities to acquire land for building council houses.

The other barrier to building homes is the current system of requiring developers to fund some of the local infrastructure and provide a percentage of affordable homes in return for planning consent: Section 106 Agreements and the Community Infrastructure Levy. This merely delays or inhibits development, whilst clever lawyers help their clients to game the system. These development taxes – for that is what they are – should be abolished. Infrastructure could be funded up-front by local authorities, perhaps borrowing from central government, with the costs recouped from future property tax receipts. However, this really requires the replacement of council tax with LVT and that is for a future article.

Carol Wilcox
Secretary
Labour Land Campaign

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