Planning, Property Speculation, and Betterment Taxation

by

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In 1909 David Lloyd George succinctly stated what has no doubt been the single most important reason behind betterment legislation both here and abroad[1]:

> The growth in value, more especially of urban sites, is due to no expenditure of capital or thought on the part of the ground owner, but is entirely owing to the energy and enterprise of the community. . . . It is undoubtedly one of the worst evils of our present system of land tenure that instead of reaping the benefits of the common endeavour of its citizens, a community has always to pay a heavy penalty to its ground landlords for putting up the value of their land.

The thrust of his argument is thus directed against the landowner who finds himself able to make personal capital from community influences—who as John Stuart Mill once remarked "grows richer in his sleep without working, risking or economizing". Whether the "unearned increment" be attributable to the consents of a planning system supposedly operated in the public interest, to some community project or alternatively some less positive influence, the solution Lloyd George clearly implies is its restoration to the community at large.

Nowadays, although there is still mixed reaction to suggestions for the recovery of gains attributable to general community influences only, there are few who would deny the merits of the Lloyd George implication, at least with regard to some percentage of the proceeds derived from either a change of zoning or a positive community project.[2]

[1] Official Reports 29.4.2909, Vol. IV, Col. 532.

[2] Tracing the English Community Land Act 1975 in its progress through Parliament, I was unable to find a single opposition Conservative member who disagreed with this basic principle.

Both the method and extent of restoration are of course important issues. However, before turning to an analysis of these problems it is worthwhile to record six criteria which the English Royal Institution of Chartered Surveyors considered it essential to observe if a lasting legislative solution is to be achieved in this area.[3] First the Institution suggested that

> . . . the measures must be patently fair to all: fair to the national community, fair to the local community and fair to the landowner and developer. More particularly there must be an equitable division of development gains amongst the Treasury, the local authority and the landowner/developer. And there must be no confiscation of gains whether or not they are realised, which have accrued lawfully in the past.

Secondly the Institution pointed out that

> . . . the measures must encourage the orderly development of land in a manner and at a pace consistent with the needs of the community.

Thirdly it suggested that

> . . . the administrative machinery required to operate the legislation should be within the capacity of government (both central and local) and should not be disproportionally costly.

Fourthly that

> . . . the measures must avoid the two tier market situation which arises when land is compulsorily acquired at a price below the open market levels.

Fifthly that

> . . . the system must be consistent with a mixed economy and must encourage an adequate rate of private investment in development especially from institutional sources.

And finally that

> . . . the solution must be such as to command broad political support, so as to avoid the damaging cycle of enactment by one government and repeal by another.[4]

Because the substance of these recommendations is not contentious, they provide a useful backdrop against which to examine the merits of New Zealand and overseas attempts to recover the unearned increment.

The first step in conducting such an examination is to firmly establish a distinction already implied—that between gains attributable to positive community projects, those attributable to an actual or proposed change of zoning, and those simply flowing from general community influences, which often cannot be isolated in their specific effect.

Legislation requiring payment of betterment in the first of these

[3] The suggestions were contained in a 1975 publication *The Land Problem—a fresh approach.*

[4] English legislation 1947-79 is a classic illustration of this cycle, witness:
(i) the betterment provisions of the 1947 Town and Country Planning Act repealed on change of government in 1951;
(ii) betterment levies under the Land Commission Act 1967, which was itself repealed upon election of a Conservative administration in 1970;
(iii) the Conservative Party's avowed intention to repeal the Community Land Act 1975, an intention which will no doubt reach fruition now that it has been elected to government.

three categories has been long upheld on the principle that "persons whose property has clearly been increased in market value by an improvement effected by local authorities should specially contribute to the cost of the improvement".[5] New Zealand examples include section 326 of the Local Government Amendment Act 1978 (which relates to road widening) and the as yet unrepealed section 219A of the Municipal Corporations Act 1954 (which deals with betterment contributions where a watercourse is covered in). In compensation claims there is also the ability to set off any increase in the value of land caused or likely to be caused, by a specific public work, against the sum otherwise payable.

However, increases in market value attributable to causes such as these are unimportant when compared with increases attributable to influences within the latter two of the three categories suggested.

In theory, it is the first of these latter two categories which gives rise to the strongest claim for community profit participation. The Australian Asprey Committee obviously thought this to be the case in advocating a higher rate of taxation on capital gains resulting from a change of zoning than from general influences such as inflation. In the words of the Committee[6]:

> Where the actions of the community give rise to a sudden increase in land values as in the case of population growth leading to the rezoning as residential of outer suburban or rural land, the community has a right to a greater share in such increases.

The nature of the community's claim to participation in increases due to inflationary pressure and other general influences is itself sufficiently important to warrant discussion later in this paper, but the immediate relevance of the Asprey Committee's report lies in the extent to which it isolates betterment particularly attributable to the operation of the planning system.

In the New Zealand Town and Country Planning Act 1926 a similar attempt was made to isolate this "planning component" as it is probably best called.[7] The relevant provision was section 30 which provided that where the value of a property was increased by the operation of a provision in a planning scheme, or by work carried out under such scheme, the enhancement in value was to be assessed and one half paid to the relevant local authority, if necessary by annual in-

[5] *House of Lords Select Committee on Town Improvements (Betterment)* House of Lords Papers 159 of 1894.

[6] *Australian Taxation Review Committee Preliminary Report (1974)* Ch. 9, Para. 9.52.

[7] Whereas the Asprey Committee isolated it in order that it might be subject to a heavier rate of capital gains tax, such was not the case under the 1926 Act since no levies other than those payable on the planning component (and as a result of works) were contemplated.

stalments.[8]

Although repealed by the Town and Country Planning Act 1953, section 30 still commands its own particular place in the history of New Zealand betterment legislation in that it contemplated payment even before any profit had been realised. Nevertheless, the fact of the matter is that no betterment was collected under section 30 and we must now ask why this was the case. Apart from the fact that the proposed levy was clearly dependent upon the introduction of planning schemes which, with a few exceptions, never eventuated, and apart from the political objections with which the levy doubtless met, it has been suggested that part of the problem may be attributable to the scheme's attempt to isolate the planning component from other more general components in any increase recorded. In the words of the Uthwatt Committee[9] which considered a similar provision[10] in the 1932 English Town and Country Planning Act[11]:

> The fact of the matter is that while the dissection of any increase in value with a view to ascertaining what portion is due to a particular planning provision or work, presents no difficulty in regard to giving expression to it in a statue, it presents practical problems of valuation which are largely matters of conjecture and of personal opinion and which obviously afford a fruitful area of disputes.

The Committee concluded by remarking that although it unhesitatingly accepted the principle of betterment as a fair one, it was convinced "that the segregation of betterment which is particularly ascribable to planning is impractical".[12] Against this background we now turn to discuss current New Zealand betterment legislation.

The relevant statutory provisions are no longer contained within the Town and Country Planning Act. With section 30's repeal in 1953 the community was, in fact, left with no general claim against betterment until the introduction of the Land and Income Tax Amendment Act No. 2, 1975, section 3[13] (the provisions of which now constitute sec-

[8] In N.Z's current legislative counterpart there is no specific mention of gains attributable to work under a scheme although there may be circumstances in which these sort of gains are recoverable under the Local Government Amendment Act 1978, s.326 and the Municipal Corporations Act 1954, s.219A. At any rate a profit of this type will be recoverable under section 67(d) Income Tax Act 1976 provided at least 20% of the total profit made on any sale is attributable to a change of zoning or a proposed change of zoning.

[9] *Expert Committee on Compensation and Betterment (Final Report)* (1942; Cmd. 6386).

[10] The analogous provision was s.21 (although note this section did not require payment of betterment before realization of the profit.

[11] Uthwatt Committee report, 124.

[12] *Idem.*

[13] There was (and still is) provision for the payment of income tax on transactions where a purpose or intention to sell was present at the time of purchase. The problem of proof are substantial but this aside, the justification for taxing gains in these circumstances, like the justification for taxing the income of a professional property dealer, must be distinguished from the justification for imposing a betterment tax as such. Note also the provisions for the collection of betterment under the Municipal Corporations Act and the Counties Act which were in force.

tion 67(d) of the Income Tax Act 1976). This amendment brought *all* profits made on the sale of land within the definition of assessable income provided:

(a) the profits are realised on a sale made within ten years of acquisition;

(b) the Commissioner is satisfied that at least 20% of the profit is attributable to any one or a combination of any two or more of the following;

  (i) Any zoning or change of zoning in relation to that land after the acquisition of that land by the taxpayer or

  (ii) the likelihood of any zoning or change of zoning[14] or

  (iii) any consent granted in relation to that land or any decision of the Town and Country Planning Appeal Board where the consent was granted or decision made after the acquisition of the land by the taxpayer or

  (iv) the likelihood of any such consent being granted or decision made or

  (v) the removal of any condition/obligation, restriction, prohibition or covenant or the likelihood of such or

  (vi) any change or occurrence in relation to the land.

The most notable feature of this section is that it is not restricted in its operation to the gains one might normally associate with the operation of the planning system.[15] Although the tax is inapplicable unless the profit realised has a "planning component" of at least 20%, it is not only the planning component as such which is potentially assessable. All profits are vulnerable whether they be attributable to improvements,[16] to public works or the effects of inflation during the period between acquisition and sale. And all such profits are taxable at an equivalent rate.

The influence of the Uthwatt Committee's recommendation is unmistakable. But it is not without considerable cost that one eliminates the supposed difficulties involved in isolating the effects of a planning decision. There is, of course, a penalty in terms of academic consis-

[14] Cf. s.30 of the Town and Country Planning Act 1926 (N.Z.) which was concerned only with those gains actually attributable to the introduction of a scheme. The material date was that at which such a scheme came into operation with the result that gains made in anticipation of a proposed re-zoning were not taxable. "Likelihood" is probably the most contentious single word in the new legislation. A. P. Molloy suggests that "likelihood" demands present evidence that such events are reasonably forseeable, mere possibility or speculation being insufficient—but the word's precise meaning is still unsettled. Cf. *Molloy on Income Tax* (1976).

[15] Including those arising from associated or consequential development on the re-zoned land.

[16] The claim against improvement value is particularly unfortunate, given the fact that this is not in any sense of the word 'unearned increment'. Even in the Uthwatt Committee's proposals for developed land, increases in value due to improvements were excluded.

tency. As the Asprey Committee pointed out, the community's claim to participation is stronger in respect of gains attributable to the operation of the planning system than it is in respect of the inflationary component in any profit made.[17] Whereas planning decisions are made by public authorities, in the public interest in response to specific public needs, the community could only be said to have the most general of claims on profits attributable to inflationary pressures. Moreover, these academic objections aside, there are certain practical problems potentially associated with the convenience of combined assessment. Consider the misfortune of a person whose land is taken by compulsory acquisition within ten years of its having been rezoned. Let us assume that the planning component accounts for more than 20% of the profit realised with the payment of compensation. Let us assume also that our displaced proprietor is able to find a replacement property which has not been rezoned and which is available at a lower price on that account. Nevertheless, this replacement will not have avoided ordinary inflationary increases in value, and he will be particularly disadvantaged if he is required to concede a substantial proportion of the inflationary component in his compensation.

Thus, while in practical terms it may be difficult to distinguish between those gains attributable to actual or potential planning decisions,[18] and those attributable to general community influences,[19] there tend to be inequalities in any betterment legislation which fails to do so.[20] This is not to suggest that inflationary increases need necessarily be completely exempt from taxation,[21] but a lower rate than that which could be quite fairly imposed on the "planning component" is certainly justified, both on the theoretical grounds which found favour with the Asprey Committee and for the very practical reasons mentioned above.[22]

Of course, it may be for reasons quite unassociated with the general concept of betterment that it is in fact desired to assess inflationary gains. Such appears to have been the case with the New Zealand Pro-

[17] A view endorsed by *Molloy on Income Tax,* (1976), 691-692.

[18] It is conceded that the community might technically be thought to have a greater claim on profits resulting from an actual change in zoning than on profits made in anticipation of a future change. But in this limited context, theory must clearly be tempered by the practicalities of the situation. (See n.14.)

[19] Inflation is of course the most obvious and significant example.

[20] Of course many of these may not have been apparent to the Uthwatt Committee given the fact that its report was tabled in 1942, long before inflation had become the problem it is today.

[21] Some would argue that the public has a right to participate in any unearned profits irrespective of how general the community influences were in their creation.

[22] In New Zealand, however, there is no general capital gains liability on inflationary increases and consistency would, therefore, seem to demand their total exemption. Either all inflationary gains should be assessable or none should be. To isolate those which are by chance associated with a planning decision seems inequitable.

perty Speculation Tax Act introduced in 1973 and only recently repealed. It provided that profits on the sale of land owned for less than two years were to be subject to rates of taxation varying between 90%[23] and 60%.[24] Profits assessed in this way were to be exempt from any income tax which might otherwise have been payable.[25]

The important thing to note about this legislation is that it did not appear to have been introduced out of any philosophical desire to restore the product of community influences to the public purse. Its very name suggested an application less esoteric than this. In fact, it was enacted out of a very real concern for first home buyers who had been threatened by a wave of speculation investment with the arbitrary two year cut-off period tending to support the view that this legislation was designed as an instrument of speculation suppression and not as an instrument of betterment collection.

That some taxation advantage accrued to the community was a fact ancillary to the principal purpose of the Act. The scale of attack which the legislation made on inflationary gains is, therefore, not open to the sort of academic criticisms which could have been made if its purpose had been the collection of betterment.[26]

In addition to the above it is also worthwhile noting that there can be no objection to the convenience combination of planning and inflationary components in the case of an annual site tax introduced for the specific purpose of stimulating development.

It was not the Uthwatt Committee which first suggested the idea of a periodic levy on property values. However, its reasons for doing so must be distinguished from those with which we are concerned. It saw periodic levies as a means by which to recover betterment in developed areas. Their suggested application here is in encouraging landowners to bring their land forward. In the first case, combined assessment meets with academic objections, in the second it does not. Therefore, although the British Liberal Party has long advocated a system of periodic levies and although similar proposals have been taken up in America and parts of Australia, it is suggested that the approach be limited to those situations where it is intended to secure the particular purpose specified above (at least in so far as the levies ultimately introduced take the convenient course of assessing planning and other profits without distinction).

At this point, we are in a position to draw some conclusions. Firstly, it is worth reiterating the distinction between gains attributable to

[23] For sales made within six months of acquisition.
[24] For sales made within 21-24 months of acquisition.
[25] Section 56, Property Speculation Tax Act 1973.
[26] There may still have been some practical problems in terms of purchasing a replacement property but the Act was aimed fairly at the speculator and this was probably considered the price he has to pay.

positive community projects, those attributable to a change or potential change of zoning, and those simply flowing from general influences. With regard to the first two the claim to public profit participation is particularly meritorious and has been statutorily recognised (see the relevant provisions of the Municipal Corporations Act 1954 and Local Government Amendment Act 1978 and the Income Tax Act 1976, section 67). With regard to the last, it is not nearly so strong. Inflation, for example, is so general a community influence that some would consider the individual's claim to be a windfall[27] no less than the public's to participation. At the very least, this disparity in claim strength justifies a lower rate of taxation on the inflationary component of an increase than on the corresponding planning component. Practical problems in the purchase of a replacement property reinforce this view. Thus, although there are very real convenience advantages in combined assessment, it is considered that practical and academic objections override. I do not overlook the fact that in isolating the planning component one might perhaps court the inadequacies of New Zealand's 1926 legislation, although it may be that this argument is not as strong as it once was, given the very professional character of today's valuation techniques. Of course what has been said should not be thought of as undermining the legislature's right to tax inflationary gains for ulterior purposes or its ability to make a convenience combination of inflationary and planning components in legislation designed to promote development.

At this point it is also appropriate to consider the general merits of taxation as a method of solving the betterment problem.[28] When measured against the six criteria which the English Royal Institution of Chartered Surveyors considered it essential to observe it certainly seems a most satisfactory method. It is consistent with a mixed economy, commands broad political support[29] and requires no undue proliferation of the bureaucracy. Moreover, if set at a realistic level it can provide both an incentive to the seller and fairness to the community at large.[30] In New Zealand there may be some room for

[27] Which is itself often illusory given the price which will have to be paid for a replacement property.

[28] Within the general category of taxation I include what are often described as 'development charges' (see the U.K. Town and Country Planning Act 1947—payable before development commenced) or 'betterment levies' as imposed under the U.K. Land Amendment Act 1947.

[29] As evidenced by the fact that the National Party has no intention of repealing s.67 although this provision was introduced under a Labour administration. Note also general acceptance of taxation by Conservative members in debate on the English Community Land Act 1975; see for example, comments by Mr Benyon, Official Reports 29/4/75, 281 and Mr Raison, Official Reports 14/10/75, 1267.

[30] In N.Z. inclusion in assessable income means an effective maximum taxation of 60%. This accords with the recommendations of the Royal Institute and appears a reasonable compromise. Inflationary gains should, it is suggested, be taxed at a lower rate.

improvement with regard to the division of proceeds as between central and local government.[31] But this is a matter of detail only and at any rate one must avoid giving local government an incentive which might perhaps override good planning principles.

It would be convenient to conclude by simply endorsing the merits of the taxation system as we have just done. But this would leave us with an incomplete picture given the variety of alternative betterment collection schemes which have either been suggested or implemented at one time or other. These alternatives must be examined also.

I would like to start by considering the English Community Land Act 1975. The approach adopted in this Act betrays support for a stream of academic authority which would have us believe some degree of public ownership to be essential to a successful attack on the betterment problem. This stream can be traced to the Uthwatt Committee's recommendations in respect of undeveloped land, and emerges with full force in the 1974 White Paper on which the Community Land Act was based.[32]

The Uthwatt Committee had advocated that the State be immediately vested with the development rights to all land lying outside built-up areas,[33] such vesting to be made on payment of fair compensation, and to be secured by the imposition of a prohibition against development otherwise than with consent of the government, coupled with compulsory powers of acquisition when the land itself was required. The influence of these recommendations is apparent when one comes to examine the scheme outlined in the White Paper and introduced in the Community Land Act. The principal features are:

1. An obligation on the part of local authorities to purchase all land required for development, coupled ultimately with a prohibition on development, coupled ultimately with a prohibition on development save that proceeding on land owned by such public authority or made available by it for this purpose.[34]

[31] By paying part of the proceeds of taxation to local authorities one may well serve to make them more positive in their approach to developers with proposals for acquisition (if such be considered desirable).

[32] The White Paper on Land : Great Britain Papers by Command No. 5730.

[33] The fact that a separate scheme was proposed for undeveloped areas reveals that the outline above was probably just as much intended to secure positive planning principles within the English sense of the phrase as to secure betterment for the public good. See post.

[34] In the interim the Government set an 80% development tax. This has been increased progressively in step with the build-up of local authority acquisition programmes. Since purchase at current use value is equivalent to a 100% tax on the planning component, it was necessary to retain this balance in order to avoid a two-tier price structure. Note that the British Labour Government never in fact brought into operation the provisions of the Act requiring compulsory public purchase of all development land. All that was given to the councils was an option to acquire land offered for sale.

2. A local authority requirement to pay no more than current use value for property purchased in the above circumstances,[35] that is to say no more than the market value of land for its current use without including any additional value representing the hope that it might be developed for any other purpose. In simple terms this includes the inflationary but excludes the planning components.[36]

No one would doubt that purchase at current use value is an effective method by which to restore to the community the planning component of a profit made on the sale of land. However, given the fact that it is necessarily no more effective than would be a 100% taxation rate on this very same component, we must ask whether this whole system of public purchase is essential. Apart from the supposed advantages to be won in terms of positive planning (to be considered later) the Uthwatt Committee saw it as necessary to unify development rights in the state if one was to achieve a balance of compensation and betterment payments. The Committee argued that development values are dependent on economic factors which determine the quantum of development required throughout the country and that because planning does not reduce this quantum, so it does not destroy land values but merely redistributes them over a different area. In the words of the Committee[37]:

> Planning control may reduce the value of a particular piece of land, but over the country as a whole there is no loss.

Given these facts it was suggested that compensation and betterment ought theoretically to balance, but that in practice this would never occur without development rights being vested in a single person or body.[38] However, the whole substance of these comments rests on a generous view to planning compensation[39] which is not reflected in current New Zealand or English legislation.[40] Such being the case they are now suspect authority for state purchase.

However, this whole matter aside, there are numerous specific objections which can be made to schemes of the Community Land Act type. They certainly offend the fifth principle which the Royal Institution of Chartered Surveyors considered it essential to observe. By giv-

[35] It was conceded that to move over to this basis of compensation immediately would discourage land being brought forward for development, since present owners may have purchased at a price reflecting development potential.

[36] This is not to suggest that the inflationary gains are totally exempt. They are subject to a capital gains tax, although this runs at a rate very much less than the confiscatory rate effectively imposed on the planning component of any increase.

[37] *Expert Committee on Compensation and Betterment* (1942; Cmd. 6386), 23.

[38] The Committee attributed this fact to the principle of 'floating value' and it was said to apply to compensation payments. Interested readers may like to read paragraphs 23-25 of the Report where there is a concise treatment of the principle.

[39] See paragraphs 32-36 of the Report for confirmation of this observation.

[40] In Britain the change came with the Town and Country Planning Act 1947. This Act provided that no compensation would be payable where "planning permission" (within the English idiom) was refused.

ing the State the monopoly which they do they strip the individual of many of the rights normally associated with property ownership and in so doing compromise the freedom and independence which many would consider these rights ensure. But on a little less subjective plain it can certainly be said that:

1. Such schemes are ill-advised in that they do not command the broad political support which it has been suggested is necessary to ensure a lasting solution in this area.[41] Left wing proposals inevitably invite the rebuke of conservative administrations[42] so establishing a damaging cycle of enactment and repeal.
2. The approach is extremely bureaucratic and unwieldy. Consider for example, the industrialist who has acquired land for long-term expansion. Even the White Paper conceded that in cases such as these there are good reasons why development should be entrusted to the landowner himself. Nevertheless, before such development could be made the Act would have ultimately required the property to pass through local authority hands. In other words, the Community Land Act provisions would prove nothing more than a bureaucratic diversion before dealings with the property could resume their original course.
   Moreover, introduction of the Act was said to require the appointment of fourteen thousand extra British public servants. Theory had it that the expense involved in these appointments would be offset by the profits local authorities would make on resale of the development land they had purchased.[43] But experience has taught an altogether different lesson with numerous English local authorities now facing acute financial embarrassment.
3. Such schemes confuse the role of the planner by subjecting him directly to the financial pressures which come on the developer. "The conflict of interest is clear", said Mr Tim Sainsbury, in the first reading debate on the then Community Land Bill.[44] "However conscientiously local authorities try to discharge their planning function they will inevitably be faced by financial considerations which are unrelated to planning requirements and will have a strong incentive to approve development which on planning merits should be rejected." This criticism was forcefully echoed by the editorial board of the English Law Society

[41] See the Royal Institute of Chartered Surveyors criterion No. 6.
[42] The new British Conservative Government, for example, has promised repeal of the Community Land Act 1975.
[43] Remembering of course that such purchase would be made at current use value and resulting sales at full development value (if indeed sales were made at all—the White Paper advocated leasing arrangements in preference).
[44] Official Reports 29/4/75, 324-5.

Gazette in an article dated 7/5/75.

In light of the above it is suggested that public acquisition represents an unnecessary and undesirable solution to the betterment problem. One might of course ask whether the method adopted is any the more desirable for the corollary advantage it supposedly secures in providing the capacity for "positive planning".[45] Although discussion of this alleged advantage is technically beyond the scope of this present inquiry, it is worth noting that the principle may itself be ill-conceived in that it seems to imply that local authorities are the unique repositories of wisdom and understanding in planning matters and that they alone can identify the needs of the community. In Britain especially, however, local authorities have all too often shown themselves to be less sensitive to human requirements than have private developers whose very livelihood necessitates the promotion of consumer preferences.[46]

Having criticised the approach adopted in the English Community Land Act, must we conclude that taxation is the only answer to betterment problems? It is suggested that this need not necessarily be the case and that taxation could be supplemented by:

1. Extension of the provisions requiring dedication of open spaces so as to make it mandatory for developers to gift a certain amount of land for schools and community centres. In doing so the developer would certainly be returning to the community some of the increase in value for which it was responsible.[47]
2. Extension of provisions requiring contributions to local authority infra-structure costs.[48] Many New Zealand local authorities levy drainage and reticulation charges in respect of rural properties soon

[45] By providing the 'capacity for positive planning' the British Labour Government clearly envisaged making local authorities the initiators of development. It would, of course, have been a fallacy to assume that public ownership was essential to ensure positive planning if all that Labour Party use of this term had been intended to imply was an active authority role in determining the detail of development—for such can be secured via traditional planning procedures; witness the provisions of ss.36(4) and 36(5) of the N.Z. Town and Country Planning Act 1977.

[46] There are allegedly cases in London where local authorities have taken over an area, been undecided what to do about it, moved people out in an ad hoc way, boarded up buildings, and left the area abandoned. Consider also the unpopular nature of many Council developments in England e.g. the notorious tower blocks.

[47] Difficulties are conceded in the application of such proposals to small scale developments. Perhaps in cases such as these, local authorities could levy cash contributions which could be applied in construction of intended schools and facilities. (In effect of course this differs very little from taxation with provision for the distribution of proceeds at local authority level).

Needless to say, primary taxation liability would have to be adjusted with the extension of dedication schemes so that the owner/developer is not disadvantaged as against the proprietor who simply sells to a development company (and in respect of whom dedication is obviously less appropriate).

[48] Of course one ought not to overlook the substantial contributions many owner/developers are making in terms of the roading they themselves must provide with every new subdivision.

to be developed. The levy is usually included in the quarterly (or annual) rate bill and is deductible from future accounts if after five years no provision has been made for such amenities.

Coupled with a reasonable rate of taxation, expansion of these procedures guarantees community participation without at the same time compromising the mixed flavour of New Zealand's economy, or discouraging an adequate level of private and institutional investment.