Using land values to fund infrastructure: Will the Community Infrastructure Levy Work?

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Contents

Background;
Planning-gain Supplement;
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Betterment;
Conclusions
Issues:

Housing shortage in parts of England;

Existing Planning Obligations (s. 106 agreements) linked to development site;

Barker Review on supply of housing:
  • “Windfall gains” should be taxed;
  • To benefit Community more widely;
  • To fund infrastructure for new housing.

Planning-gain Supplement (PGS)

Proposed Planning-gain Supplement;

• Payable on grant of planning permission;
• Based on uplift in value - Betterment tax;
• “Modest Rate”;
• Burden of tax to fall on landowner;
• Rejected by property industry.
Why was PGS rejected?

Experience of Betterment taxes in UK:

- Reduces/halts supply of land;
- Expensive and complicated to administer;
- Yields little or no revenue;
- Huge administrative burden on authorities;
- Politically unacceptable.

Community Infrastructure Levy

- Designed to recoup uplift in value;
- Funds Infrastructure for new developments;
- Development Plan-led;
- Cost of infrastructure apportioned to development;
- Hypothecated to local authority area;
- Some Regional funding;
- Burden to fall on land owner.
Local Planning Authority

- Identifies land available for development;
- Decides what infrastructure is needed to support it;
- Cost of infrastructure;
- Apportions cost on a property-by-property basis;
- Negotiates payment with developer;
- Developer buys land at a reduced price.

CIL does not necessarily rely on an uplift in land values
Milton Keynes’ “Roof Tax”

- Planning Tariff;
- Provision and timing of infrastructure agreed;
- English Partnerships acts as “Banker”;
- Being adopted by other local authority areas.

S. 106 agreements

- Specific off-site benefits linked to individual developments;
- Source of funding for affordable housing;
- May be “scaled back”.
Betterment

Increase in land values caused by community activity;

Development value:

• Accrues on a specific event;
• Result of public actions;
• But no funds available to pay at that time.

Whose betterment is it?
Planning Bill

• No details included;

• Needs further regulations;

• No clear mechanism to ensure land owner bears tax burden;

• Allows for a betterment tax.

Watch this space?

Thank you very much.