

# Uplifting attitudes

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**Although developers broadly accept that land value capture needs to be reformed and extended this will have varied consequences for valuation, as recent research suggests**

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Whether considered broadly as planning gain or through a tight definition of land value capture, the future of developer contributions to public finances through community infrastructure levy (CIL) and planning obligations in England is uncertain. Calls to extend land value capture, however contentious, are not limited to the fringes of politics, as can be seen by the creation in early 2018 of the parliamentary select committee on the issue.

The resurgence of interest is not limited to England either. [The Lincoln Institute of Land Policy](#), a think tank based in Cambridge, Massachusetts, has been promoting land value capture for decades and is apparently having successes.

Agreement that land value capture should be reassessed is rife, but as [Philip Booth wrote](#) in 2012, coming up with a credible policy is an altogether different issue. ?The general premise that if the state creates value by declaring land developable, the state should be a beneficiary of that value, is unimpeachable. Knowing exactly what that value might be or when return of it to the state might take place is quite another matter ? How to arrive at land values is a fundamental issue that appears to confound everyone from real-estate experts to government officials?.

Although there is international interest in land value capture, development and landownership arrangements around the world vary. Each country has its own rationale for creating a particular form of land value capture, and these often have distinct agendas. There is a danger therefore of trying to enforce uniform best practice between countries with different land value capture aims and institutional contexts.

For example, if land supply is constrained in 1 area because land is owned by a small number of people, what impact will adding an affordable housing requirement have on the release of land to the market?

How will differences in the number and type of organisations bidding for land affect the way a land value capture mechanism imported from another jurisdiction will operate? If policy is being transferred wholesale between countries, then governments and voters should be aware of the explicit logic of the capture mechanism and be able to explain its likely outcomes.

To help understand these issues myself and colleagues at the University of Liverpool and University of Sheffield have recently researched attitudes to land value capture in the development sector in England and Scotland for RICS. We interviewed 20 experienced surveyors, planning consultants, landowners, housebuilders and land promoters about their approach to valuing land and developments, and their engagement with land value capture

practices. Interviews considered the existing system, whether it should be amended and, if so, how.

All interviewees agreed that the state should capture a proportion of the uplift in land values from development, and some argued that there was scope to revise this proportion upwards. However, they consistently maintained that recent public calls for further value capture through development had led to confusion over the purpose of doing so in the first place.

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The rationale for extending or introducing new forms of value capture is often designed to achieve more specific goals than Booth suggests. Political arguments for amendments to land value capture may be based on the notion that housebuilders' profit should be further taxed, that landowners are supposedly passive recipients of land value uplift, or that land prices might be threatened by additional taxation. But each of these logics differs from the existing planning gain and taxation system rationale in England.

The dominant objective of planning obligations is to make development acceptable on a site in planning terms? although there is a large critical literature on the role of affordable housing here. For CIL, meanwhile, it is about meeting infrastructure needs in the area around a development, and for corporation tax it is about funding state expenditure at a national scale.

Commenting on this, 1 developer in the south of England remarked: 'People have got to ask themselves what their priorities are. Do they want housing or money for infrastructure? The answer is probably both, but if so, they must acknowledge that there is only so much value in land.'

Responses to our questions on the impact of land value capture were diverse. While the development sector is routinely considered a single entity in the media, there needs to be clarity about the different roles played by landowners, land promoters and housebuilders in relation to land value capture. It may be self-evident in the surveying profession that the motivations across these categories differ; however, such heterogeneity is rarely given column inches. We found distinctly different perceptions about the purpose of land value capture, and about where this money should be spent, within and between these groups.

Crucially for land value capture mechanisms, there are also differences between the points that landowners, promoters and housebuilders extract profit from the development process. This has different impacts on whether and what level of land value capture is likely to result in development, depending on the stage at which uplift is assessed. On paper, land values may be assessed at any stage in the process, but in practice making these assessments with precision is complex, prompting diverse approaches.

In deciding to discuss development with a promoter, a landowner does not require a well-evidenced residual valuation but may be informed by its own perceptions of the market. Without a clear development plan, it is not possible to assess accurately the change in land value from initial use to completed development. As 1 planning consultant, operating across England, noted: 'Until you get detailed designs there is uncertainty, so when a developer is negotiating to buy the site it will put some sort of contingency, such as 'We will give you x amount of money because we don't know exactly how much the junction might cost.' But

as it could be higher, the developer covers itself by giving a reduced land offer for the site.?

There are high-quality valuation methods that could be used to support new forms of land value capture. However, the efficacy of these new mechanisms will depend on the degree to which they take account of discrete stages in the development process. This is to an extent why planning obligations and CIL are effective ? there is a moment in time where value can be assessed by multiple parties using the same data to agree what may be extracted from development. Altering this approach is possible, but there needs to be an awareness that these will operate in the context of highly variable markets, where there are diverse attitudes towards the value that is present and could be captured.

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### **Further information**

- Related competencies include: [Spatial planning policy and infrastructure](#) , [Valuation](#)
- Further information: RICS land value capture research will publish in the spring
- This article is taken from the [RICS Land Journal](#) (January/February 2020)
- Related categories: [Valuation](#)