National Housing Conference 2017
Sydney Convention Centre, MIN 18 Friday

Land use planning, value capture and density the keys to affordable housing supply

Where can Australia halve the cost of housing? As achieved by first UK Garden City?

Dr Shann Turnbull, sturnbull@mba1963.hbs.edu

Principal International Institute for Self-governance

Co-founding member of the New Garden Cities Alliance http://gardencities.info/

PO Box 266 Woollahra, Sydney, Australia, 1350

Ph:+612 9327 8487: Cell: +61418 222 378; Skype ID: shann.turnbull

Question:

How can housing costs be halved-Without cost to government or developers?

Question:

How can housing costs be halved-Without cost to government or developers?

Answer:

Eliminate the cost of land by forming a Real Estate Investment Trust (REIT) - owned by home buyers and renters

Question:

How can housing costs be halved-Without cost to government or developers?

Answer:

Eliminate the cost of land by forming a Real Estate Investment Trust (REIT) - owned by home buyers and renters

Result

Massive private investment in rental housing commercial developments and infrastructure establishing sustainability

How was this done in the UK?

In 1903, First Garden City Limited (FGCL) listed on the London Stock Exchange to raise £84,328 to purchase 15 square kilo-meters of farmland around the village of Letchworth with 96 residents, 35 miles North of London.

FGCL borrowings funded roads, water, sewerage, school, hospital, farm & amenities
(Nil government infrastructure costs!)

FGCL investors obtained 5% cum. Dividend paid from <u>commercial sector</u> ground rents

Attracted massive private investment
Without expenditures on land & infrastructure!

Date	Population	Buildings	Private investment
1904	400	36	£12,000
1908	5,250	2,897	£993,775
1912	7,912	8,762	£2,743,980*

*15.6 times equity of REIT or

7.2 times REIT total funds (includes debt)

Today enhanced returns obtained by:

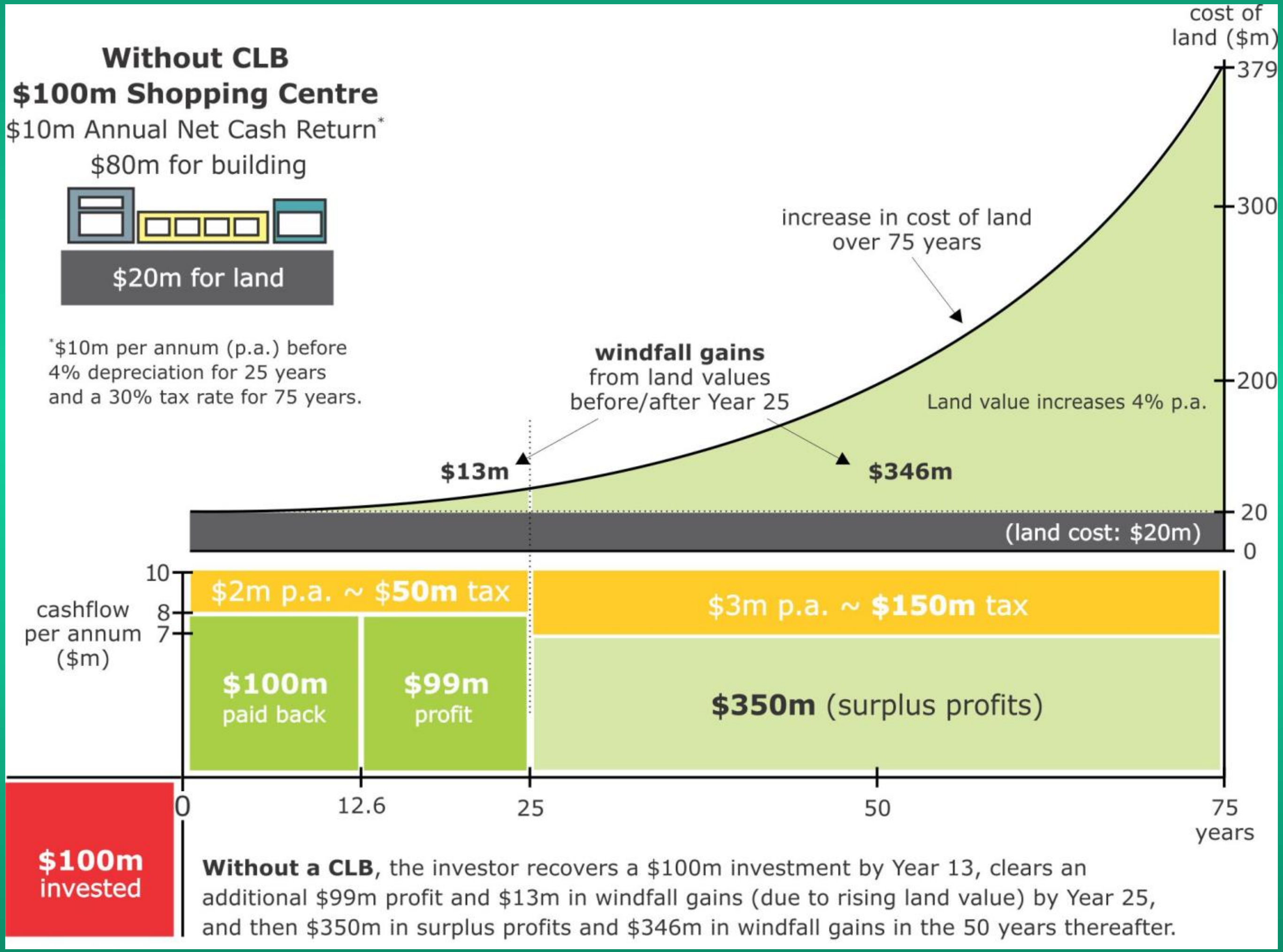
a) Avoiding cost of a public listing by issuing 5% cumulative preference shares to investors;

b) Using participating redeemable preference shares to acquire land (convertible for residents) with lease back of improvements;

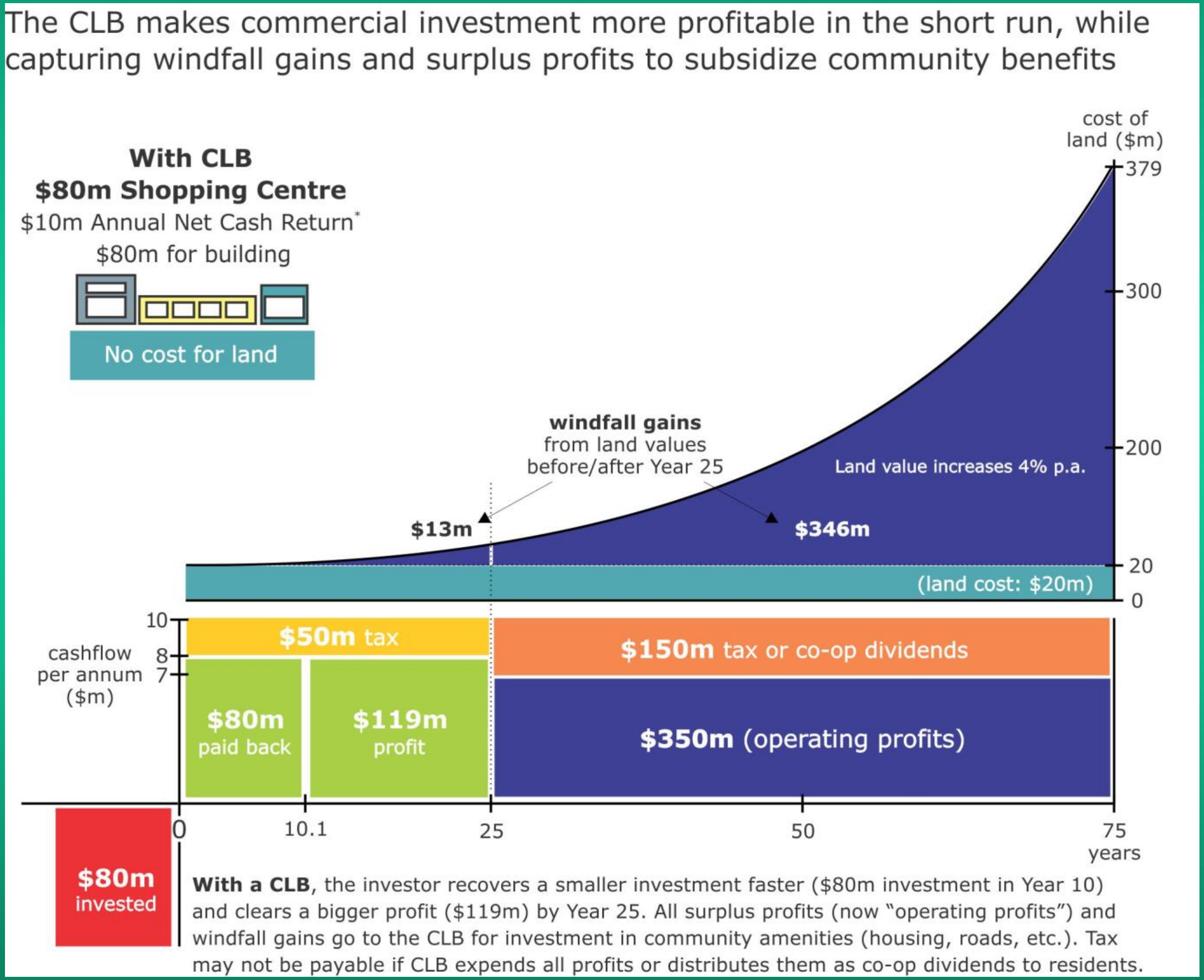
c) Profits from selling ordinary shares gifted to residents when they exit Land Bank precinct;

d) Surplus profits not reported by accountants from equity acquired in commercial investments at tax depreciation.

How investors get overpaid with surplus and windfall profits



How surplus profits and windfall gains are captured: to make CLB's self-financing & pay dividends



How a CLB makes commercial investment more attractive while acquiring their windfall and surplus profits!

	$80M Shopping Center (No CLB) $20M Land cost	$80M Shopping Center in CLB No land cost
Total Investment	**$100M**	**$80M (20% less)**
Payback period*	12.6 years	10.1 years (20% less)
Rate of profit*	4.8%	6.0% (25% higher)
25 yrs cash profits	$99M	$99M
25 yrs Windfall gain#	$13M	Nil

Years 26 to 75	**For Investor**	**OR**	**For CLB**
Surplus profits		$350M	
Windfall land gain		$346M	
75 years total gains	$808M		$717M

*Assumes $10M earnings before 4% depreciation for 25 years & 30% tax rate for 75 years. #4% annual land value increase over 75 years

Community Land Banks (CLBs) distribute wealth in seven ways: <u>without taxes or welfare</u>

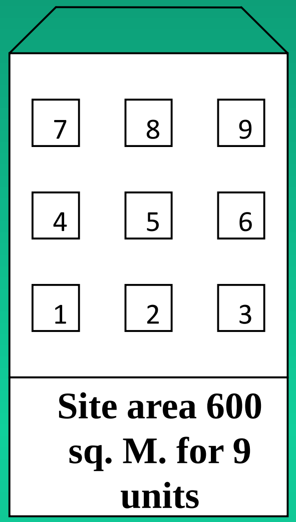
Not provided by FGCL or by Community Land Trusts (CLTs)

1. Pioneer home builders get free equity in all urban precinct;
2. Tenants acquire free co-ownership of dwellings;
3. Tenants acquire free equity in all urban precinct;
4. All home owners and tenants (residents) can capture value of any improvements they may make to their dwellings;
5. All residents share windfall gains in non residential land;
6. All residents obtain share of surplus profits accruing to commercial investors;
7. All residents share in the profits obtained when the CLB buys back its shares at a discount for resale at market value.

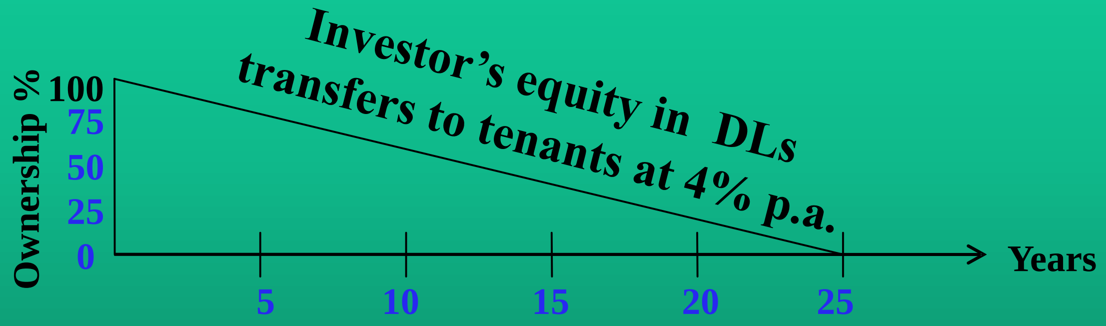
Aggregate outcome in mature CLBs would be an Universal Basic Income (UBI)

Dynamic Duplex Tenure

Investment accommodation in a Community Land Bank (CLB)



Dynamic Leases (DLs) (Strata Titles)	**Nine Dynamic Leases (DLs): One for each apartment** **Ownership of DLs transfers from investor to tenants over tax write off period)**
Shares in CLB	**1,800 shares (200 shares/apartment) held by CLB in trust for tenants**



With a 4% depreciation rate tenants acquire full ownership of both dwelling and CLB shares over 25 years. **"Ecological" property rights**.

Wanted: 360 hectares

(Green and/or brown field)

Where might Australia create halve cost housing and a commercial investment magnet?

- Western Sydney airport precinct?
- White Bay redevelopment?
- Please inform me of others at: shann.turnbull@gmail.com

Thank you for your attention

Questions ? Discussion?

Further details: Turnbull, S. 2017, 'Democratising the wealth of cities: Self-financing urban development', *Environment and Urbanisation*, 29(1): 237-250, http://journals.sagepub.com/doi/full/10.1177/0956247816685985

Shann Turnbull PhD sturnbull@mba1963.hbs.edu
Ph: +61 (0) 418 222 378; Skype & Google ID: shann.turnbull
Principal: International Institute for Self-governance
Co-founding member of the New Garden Cities Alliance
http://gardencities.info/

The need for facilitating legislation

- It becomes highly counter productive to expend any funds on infrastructure development before ownership of a precinct becomes mutually held in a REIT for existing and future residents.
- The expenditure of public money should become conditional upon existing land owners sharing in the rewards of any new or redevelopment through becoming shareholders in a Community Land Bank.
- To protect politicians, the decision to maintain private ownership of buildings but pooling ownership of the precinct needs to made from the bottom up by a citizen referendum that they can initiate.

How facilitating legislation could operate (1)

1. Citizens would obtain the right to hold a referendum over a prescribed precinct if: (a) At least one hundred residents signed a petition to form a REIT; and (b) one or more property developers reported that the formation of a REIT would add value and/or attract new investment.

2. At least 75% of the registered voters residing in the precinct supported the formation of the REIT.

3. All property owners in the precinct would be provided one share in the REIT for every square meter of land occupied by their property plus a stapled strata title for any improvements on their site.

4. Property investors would obtain a 4% tax deductible depreciation allowance on any new development.

How facilitating legislation could operate (2)

5. Common shares would be issued to all citizen resident owners with rights for all resident non-owner citizens to acquire common shares without cost at say a rate of 4% per square per year. 100% ownership would be obtained without cost in 25 years. Their co-ownership rights would be retained on leaving any property and added to any new co-user entitlements to the dwelling.

6. Redeemable, participating non voting preference shares would be issued to all non-resident owners. To protect their equity, the redemption value would be indexed to the cost of living.

Why residents would vote for duplex tenure? (1)

1. The residential area of an urban precinct of say 100,000 residents would typically occupy from 10% to 20% of the total site.

2. The non voting owners of the 90% to 80% of the precinct would not share in the windfall gains so the resident voters would have their share of windfall gains leverage by a factor of 10 to 5 times! This creates a compelling incentive to adopt duplex tenure.

3. Shares issued to new home owners are redeemed at a discount that reduces according to the years of their occupation created housing demand and paying rent/rates.

Why residents would vote for duplex tenure? (2)

4. A virtuous self-reinforcing process results with increasing windfall arising from attracting both commercial developers and new home builders.

5. Eliminating the cost of land halves the cost of new housing and significantly increases the rate of return for commercial developers.

6. In return for reducing their investment cost, commercial investors are required to transfer a co-ownership of their improvements to the REIT at their depreciation rate. This does not change their reported profits. <u>All tenants become 100% owners of both their home and its stapled shares in 25 years</u>

Economic, social & political implications for new a economy

Duplex tenure should not be considered as just a way for making housing affordable and democratising the wealth of Nations (Turnbull 1975) but as a way to increase the economic efficiency, equity and the sustainability of capitalism by adopting ecological characteristics (Turnbull 1992, 2007, 2008).

Duplex tenure restrict the concentration of wealth and its misuse by eliminating firms from being subsidized by windfall gains created by demand for home sites.

Duplex tenure (CLBs) reduce the ability of firms to concentrate wealth from being subsidized by surplus profits

At a national level, CLBs counter the "unlimited, unknown and uncontrollable foreign liabilities“ described by Penrose (1957).

The manifold benefits described above provide compelling arguments for requiring that approval for public infrastructure expenditure and/or urban development be made conditional upon adopting duplex ownership of urban realty as is inherent in a CLB system (Turnbull 2016).