



# This Could Be Home: making use of Scotland's vacant and derelict land

Report for the Green MSPs

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# Introduction

*#ThisCouldBeHome* is a Scottish Green campaign to use more of Scotland's vacant and derelict land for affordable housing.

There are more than 20,000 football pitches worth of vacant and derelict land in Scotland; a vast opportunity to meet our need for affordable homes.

This report makes the case for a levy on vacant land. This would remove a tax break that helps keep land out of productive use, and raise additional money for public services in the short term.

## What is derelict and vacant land?

Vacant land is land that could be used but is not. Derelict land is land or buildings damaged and abandoned in some way. More precise definitions are given in Box 1.

Good data is available on the area and locations of this land. This is available through the annual Scottish Vacant and Derelict Land Survey and Site Register.

The latest Site Register records 12,763 hectares of vacant or derelict land. 69% of this land is classed as developable (see Table 1), a quarter of that developable in the short term (within five years).<sup>1</sup> The total area of derelict and vacant land is greater than the area of the island of Bute.

### Box 1: Definition of vacant and derelict land

The Scottish Vacant and Derelict Land Survey defines vacant land as 'land which is unused for the purposes for which it is held and is viewed as an appropriate site for development'. Urban vacant land is defined as within settlements of over 2,000 in population

Derelict land (and buildings) is defined as 'so damaged by development, that it is incapable of development for beneficial use without rehabilitation' or 'if it has an unremedied previous use which could constrain future development'.

To be included in these definitions, vacant and derelict site records must be at least 0.1 hectares in size – roughly equivalent in area to a 32m by 32m square.

Some of this land is vacant or derelict because its owner has decided not to develop (or to pause development) of buildings or facilities for which the land is intended. Some of this land is derelict because the owner is unknown, or because of mismanagement of the land and buildings.

## What is keeping land vacant?

The reasons for land being vacant or derelict is varied.

**Practical hurdles.** For some land a range of practical problems will inhibit development, for example contamination or legal disputes. However, we know that over a quarter of vacant land in urban areas does not face these practical problems and is ready for development in the short term.

**There is no financial penalty for holding vacant or derelict land.** This land is not normally liable for non-domestic rates (NDR) and therefore the owner is likely to pay no tax on this

<sup>1</sup> Scottish Vacant and Derelict Land Survey, 2016

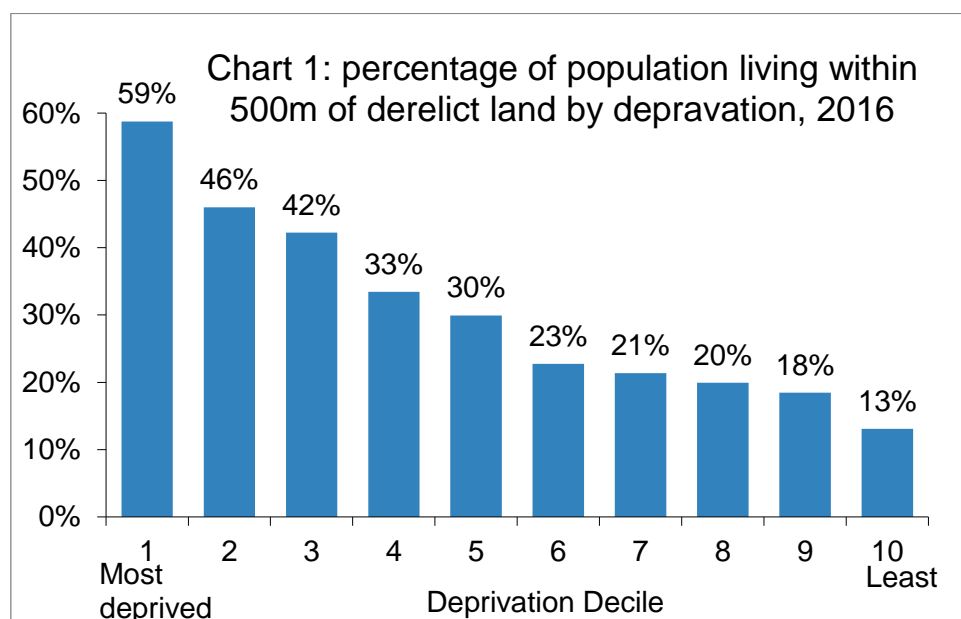
asset.<sup>2</sup> The NDR system apportions tax liability based on the rental values of land or buildings; vacant land by this definition has no rental value. That said, the NDR system has a method for apportioning tax liability to other land without a rental value (such as ambulance stations), and other properties such as hotels pay rates calculated on a different system again.

*Vacant land is an attractive asset store for wealth.* Coupled with its tax-efficient nature, vacant land provides a good place for assets to be stored as its value can be expected to rise. This is particularly true in areas with increased demand for land, for examples areas of urban housing shortage.

## Why is derelict and vacant land a problem?

Land is strictly limited in supply and is therefore a valuable asset. Making productive use of land is important, as homes, for public services, as natural habitats or food production. Unused land represents a drain on local community resources and a curtailment of the potential offered by amenities, businesses or social and affordable housing.

There is more vacant or derelict land in disadvantaged communities who typically lack access to services. In 2016, it was estimated that 30% of Scotland's population live within 500 metres of a derelict site. This rises to 59% of people in the most deprived decile, and falls to 13% of people in the least deprived decile.<sup>3</sup>



<sup>2</sup> Nationally, the Scottish Assessors Association do not have a specific policy on valuing derelict land. This judgement is held by the local Assessor. However, in the Lothian Valuation Joint Board region – incorporating the local authorities of the City of Edinburgh Council, Midlothian, East Lothian and West Lothian – we understand that the Assessor has established a rental rate on derelict land. This means that if an area of land is in the process of being cleared or redeveloped then a sum of money should be paid to the local authority in line with current practices of the valuation roll (See LVJB's practice note 'Valuation of Land', March 2017: <http://www.lothian-vjb.gov.uk/download/pn/2017/2017%20LVJB%20Land.pdf>). Overall it is clear that there are variations throughout Scotland and it is at the discretion of local Assessors whether or not landowners should pay money to the local authority for holding vacant or derelict land.

<sup>3</sup> Scottish Vacant and Derelict Land Survey, 2016

## Box 2: case studies

### *Leith Waterfront, Edinburgh*

Edinburgh has a housing problem. House prices are the highest of any Scottish city and [predicted](#) to increase by 23% by 2021, almost double the UK average growth.

At the Waterfront in Edinburgh lie large swathes of land intended to have had many new homes built on it by now. The financial crash in 2008 however forced developers to put plans on hold due to the collapse in the property market.

Today, much of that land still lies unused, some of it owned in tax havens such as the British Virgin Islands and is not liable for any local property taxes. As this land is not being developed it is no longer an effective part of the city's housing land supply, forcing new housing developments to be located on land in Edinburgh's greenbelt. This land could provide a site for essential affordable and social housing to help address the city's housing crisis.

### *120-130 Morrison Street, Glasgow*

In November 2011 a devastating fire destroyed much of the derelict property known as the Gusset Building in central Glasgow. It had previously housed offices and warehouses of the Scottish Co-operative Wholesale Society and was purchased for £4.2m four years previously by a property development firm.

At the time of the fire no work to develop the property had occurred and the firm was exempt from paying non-domestic rates on their investment because it was classed as an empty industrial property.

Over 100 firefighters attended the blaze and successfully put out the fire. Fire and Rescue is a public service paid for by local residents' Council Tax and businesses' NDR payments. As the building was derelict, the owners of the Gusset Building were exempt from property taxes and therefore made no contribution towards Glasgow's fire and rescue service. Yet in 2011/12 Strathclyde Fire and Rescue itself paid over £2m in non-domestic rates.

Exempting derelict property from paying property taxes deprives our public services of essential funding, forcing the taxpayer to pick up the bill for protecting investors' property.

# How to make productive use of vacant and derelict land?

This report has identified the extent of developable vacant land in Scotland and outlined why it can be profitable for the owner to keep this land vacant. The policy suggestions below set out ways to convert more vacant land into productive use.

## Bring vacant and derelict into the Non-Domestic Rates regime

Making vacant land liable for NDR would create a financial disincentive to hold land vacant in the knowledge that future land prices will likely be higher; and a corresponding incentive to bring land into productive use sooner. It is also unfair that that hairdressers, pubs and offices all have to pay rates but companies holding vacant land pay nothing whilst speculating on future land values.

Bringing vacant land into the NDR regime is unlikely to require primary legislation, and brings this land into a well-established system of taxation. Some vacant land or derelict land is currently not included on the Valuation Roll and will need to be added.

This brings benefits such as greater transparency. Using evidence of recent rents to calculate the rateable value of vacant land may not be possible and so a method known as the contractor's basis is likely to be appropriate. This is used for properties such as oil refineries, hospitals and schools there is little or no direct evidence of actual rents.<sup>4</sup>

We estimate bringing vacant and derelict land classed as developable into the NDR regime could raise £200m per year for public services. Our calculations use the poundage rate for 2017/18, assume vacant land to be worth £1m per hectare, and use a 5% decapitalisation rate to calculate the rateable value of vacant land (i.e. following the contractor's basis).<sup>5</sup>

### Box 3: political opportunity

After rejecting Green MSP amendments to the Land Reform (Scotland) Bill 2016, the Scottish Government agreed to explore ways to help regenerate vacant land and accelerate the supply of land for housing.

*"The Government has great sympathy with the principle that [Patrick Harvie] outlined of trying to secure regeneration... on 2 March [2016] the Scottish Government committed to a consultation on the taxation of development land and vacant and derelict land."*

This report sets out possible options for a future consultation.

## Introduce a locally-controlled levy

A locally-controlled levy on vacant or derelict land would reduce the tax breaks as described above which help keep land out of use. It would make holding onto vacant land

<sup>4</sup> See for example <http://www.gov.scot/Publications/2015/08/9606>

<sup>5</sup> Using data from England and Wales (because recent data from Scotland is lacking) we estimate the value of vacant land to be £1m per ha. Latest Scottish Government data shows 8,786ha of vacant land in Scotland classed as developable (see Table 1). So the total value of developable but vacant land is roughly £8,786m. Taking a recapitalisation rate of 5% provides a rental value of £439.3m per year. In 2017-18, the standard poundage is 46.6 pence. So the estimated non-domestic rate yield is £439.3m\*£0.466 = £204.7m. Rounding gives £200m.

less valuable because it is liable to a tax. The design of the levy should be to tip the economics of land holdings towards development and productive use, such as addressing Scotland's ongoing shortage of affordable homes.

Ireland introduced a 'Vacant Site Levy' through the Urban Regeneration and Housing Act 2015.<sup>6</sup> This law created a levy on the owners of vacant land that is suitable for housing and in an area of housing need, or, if the land being vacant has an adverse effect on amenities or the character of the area. The first levies are chargeable by local planning authorities from 2018.

Scotland could take a similar approach. The information required for a vacant land register is already collected but new legislation would be needed to establish the power for local authorities to set and levy a charge.

#### **Box 4: Public land and community-led regeneration**

The vacant land survey tells us that 21% of all derelict and urban vacant land has a single public owner. There are some procedures currently in place for short-term community management of vacant or 'under-used' land, for example Glasgow City Council's Stalled Spaces initiative. This can offer a guide for ways in which future approaches should – and should not – be structured. Whilst sometimes useful in the short term, Stalled Spaces does not offer local communities long-term security over any improvements they make to the site as the site may be sold on (and access withdrawn) for other development. Compare this with the opportunities offered by putting land into a community trust.

Local communities need to be engaged with, listened to and supported to participate in the development of long-term solutions for vacant and derelict land, so that their perspectives are the starting, middle and end point for the use of this land. This could take the form of [Citizen Land Audits](#), and might result instead in plans for local health and social care facilities (for example, disability centres), playgrounds, allotments, community gardens or rewilded land. Without ongoing and well-resourced community engagement, development of vacant or derelict land can be experienced by local communities as continued mismanagement. This is part of [processes of gentrification and social cleansing](#) that exclude, rather than include, leading 'to negative effects for people on low incomes and therefore ma[king] the experience of poverty worse'. These tensions continue to be evident in contestations around land use, for example [Govan's docks](#).

The Community Empowerment (Scotland) Act 2015 provides communities with opportunities to do more for themselves and have a greater say in decisions that affect them. Through such processes as 'Right to Buy' and 'Asset Transfer Requests', communities can apply to take over public assets, such as public sector buildings and land. This means that communities can be strengthened to own and manage the local provision of services. Across the country, community projects have been developed to respond to local demand and needs, for example in the running of sustainable energy efficiency schemes, retail outlets and health and wellbeing programmes.

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<sup>6</sup> <http://www.irishstatutebook.ie/eli/2015/act/33/enacted/en/print.html>

# Conclusion

A levy on vacant and derelict land is a potentially important policy tool.

It has potential to incentivise housing development by removing a tax break that helps keep land out of productive use, and can raise additional money for public services in the short term. We estimate the value of bringing vacant land into the NDR regime to be £200m for public services.

While a potentially important policy tool, the creation of a housing system which delivers decent, warm and affordable homes for everyone will require a much broader shift in housing and land policy. The Scottish Green 2016 manifesto set out a range of policies for a radical housing agenda and a further paper on housing is in development. Box 4 highlights opportunities for public land, community-led regeneration and new community empowerment power.



Local Authority	Number of derelict and vacant sites	Total derelict and vacant land (ha)	Area of derelict and vacant land classed as developable (ha) / as a % of all derelict and vacant land	
Aberdeen City	33	35.53	24.73	69.6%
Aberdeenshire	59	254.3	238.65	93.8%
Angus	52	165.91	164.19	99.0%
Argyll & Bute	37	58.13	28.58	49.2%
Clackmannanshire	27	69.73	57.43	82.4%
Dumfries & Galloway	44	432.62	367.77	85.0%
Dundee City	195	203.79	194.92	95.7%
East Ayrshire	172	2475.77	351.12	14.2%
East Dunbartonshire	29	77.52	42.16	54.4%
East Lothian	32	79.94	63.72	79.7%
East Renfrewshire	46	54.93	52.71	96.0%
City of Edinburgh	76	187.59	171.91	91.6%
Eilean Siar	6	9.26	9.26	100.0%
Falkirk	96	253.05	241.67	95.5%
Fife	223	655.32	133.95	20.4%
Glasgow	782	1110.95	1000.32	90.0%
Highland	191	1359.78	1177.08	86.6%
Inverclyde	117	160.16	153.34	95.7%
Loch Lomond & The Trossachs	16	28.99	28.59	98.6%
Midlothian	60	187.9	70.13	37.3%
Moray	20	16.1	14.5	90.1%
North Ayrshire	281	1350.4	1256.74	93.1%
North Lanarkshire	487	1231.26	1081.94	87.9%
Orkney Islands	4	38.56	35.09	91.0%
Perth & Kinross	33	38.62	36.51	94.5%
Renfrewshire	165	860.42	850.55	98.9%
Scottish Borders	85	80.95	54.72	67.6%
Shetland	8	6.14	1.89	30.8%
South Ayrshire	63	109	108.59	99.6%
South Lanarkshire	235	419.27	307.62	73.4%
Stirling	45	151.55	105.28	69.5%
West Dunbartonshire	71	170.72	167	97.8%
West Lothian	65	428.76	193.1	45.0%
<b>TOTAL</b>	<b>3,855</b>	<b>12,762.92<sup>7</sup></b>	<b>8,785.76</b>	<b>AVERAGE: 68.8%</b>

Table 1: vacant and derelict land in Scotland

Source: Scottish Vacant and Derelict Land Survey 2016 - [Site Register](#)

An online map is available [here](#).

<sup>7</sup> The total on the 2016 Site Register is 12,762 hectares. The Site Register lists 290 additional hectares of vacant and derelict land as it includes sites within settlements of less than 2,000 people; the Scottish Vacant and Derelict Land Survey only includes sites within settlements of 2,000 or more people.