

## **Would a Land Value Tax reduce the housing backlog? Klaus Schade**

Much has been said and written about the lack of housing in Namibia that is often linked to the slow pace of serviced land delivery. In addition, high land prices and high costs of servicing land limit the affordability of housing. However, we do not use serviced land optimally. Some mixed-use developments in Windhoek where the lower floors are used for commercial purposes such as shops and offices, while the upper floors are used for residential purposes indicate a shift in the use of a scarce resource – serviced land. However, in the suburbs we are continuing to use the land sub-optimally by constructing single family houses. The costs of providing basic infrastructure to family houses is high. Every house needs to be connected to the sewerage, water and electricity infrastructure and be accessible by a road. Increasing the density of buildings such as the multi-storey flats in and near the city centre demonstrate would reduce the costs of infrastructure per household since the same length of a road, water or sewerage pipe and electricity cable would serve many more households than it is currently the case. At the same time, the higher density will accelerate the supply of residential space, since the new infrastructure enables the construction of multi-storey flats instead of single houses. Tens of families can be accommodated on space that is currently occupied by two or three families. Denser residential areas also increase the viability of public transport, since a bus stop will serve more people and hence can attract more customers than in the case of family houses. Or, they reduce the need for travelling, since the workplace, the shop or the service provider is just around the corner or even in the same building.

The introduction of a Land Value Tax could provide incentives for developers to plan suburbs differently, increase the density of urban land and reduce cost and time of delivery of housing. It is not only the buildings on the land, but land itself has a value owing to its proximity to other facilities. The tax is based on the value of the land less the value of the buildings on that land. Therefore, the higher the value of the buildings the lower the tax base and consequently the amount of tax paid. The value of the buildings will increase with increased density. Hence, the introduction of a land value tax could result in a more optimally use of a scarce resource – serviced land – and accelerate the supply of housing at lower costs.

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