

compensation, and held that if they did agree to do so to the extent of 50 per centum or more they would have thrust upon them buildings which ought really to be pulled down.

The Corporation first intimated that compensation would be given in those cases only where it approved of the building. This, however, we intimated was untenable, because it might tend to favouritism. Ultimately the Corporation stated that the value of which it would pay 60 per centum was to be the efficient value of the building—that is, not its value as a structure, but the value, if any, which it added to the land. It was admitted by those who gave evidence on the lessees' side that a lease of the kind proposed would be more valuable than the existing leases. If so, it ought to produce a better rental. We cannot think that the Corporation should be permitted to grant such a lease in exchange for the existing lease without a *quid pro quo*; for if it be the case, as the Corporation contends, that for the existing term of fourteen years without compensation the rent has been assessed at too low a figure, no voluntary extension of the term at the same rent with compensation for buildings should be permitted.

From what we have said with regard to the proposed new tribunal it follows that we cannot regard the agreement to it by the lessees as a sufficient *quid pro quo* for the new lease proposed.

Twenty-one-year Renewals.—Recommendation.

The Wellington City Council's proposal implicitly recognizes that the fourteen-year period of renewal is unduly short for business sites on which permanent and expensive buildings are erected. Much evidence given justified this view. As the city has manifested a desire to improve the character of its lease, with a view to ensuring better returns and establishing confidence in its tenants, we recommend that the Corporation be empowered to agree with all tenants desiring the same to treat their current leases containing provisions for renewal for fourteen years as though they provided for a renewal for a term of twenty-one years, and on the expiry of the current fourteen-year terms to grant such tenants new leases with a right to a twenty-one-year renewal. This power should extend to all those expired leases which are now awaiting revaluation pending legislation.

Proposed Terms of Exchange for a Twenty-one-year Lease.

The power should be exercisable with respect only to those leases the holders of which notify their desire to have the new form of lease. But, as the holders of current leases who may thus acquire a right of renewal for twenty-one years instead of fourteen years will receive a benefit thereby, they should, with certain exceptions to be mentioned, be made obliged to pay for it by way of additional rent. We therefore suggest that as a preliminary to any such agreement provision be made that the Corporation must by special order fix the increased rent to be payable in respect of all the leases. This must be at a uniform rate so that one tenant is not preferred to another, and we recommend that it should be by way of a reasonable percentage on the existing rents. If the Corporation is desirous of making the scheme successful it will doubtless appoint a committee to confer with the tenants, so as to arrive at a reasonable percentage acceptable to both sides before it makes the special order. After the special order is made each tenant can determine for himself whether he will come in or not.

In our opinion the increased rent should not apply to those leases which at the passing of the Act have less than two years to run. Nor should it apply to those cases where the renewal took place and the valuation was made prior to the decision of the Court of Appeal in the D.I.C. case. These are the exceptions referred to. The increased rental would not, of course, apply to the expired leases awaiting valuation.

The increased rent should begin to run on the expiry of one month after the date of the special order, and be payable at the same dates as the original rent, with provision for a broken period. A tenant should be at liberty to notify his desire to have the new form of lease at any time after the special order not later than the date at which the valuation under his lease falls to be made; but at whatever time