

wasted, but I have got my freehold, and it is worth double in value. The position is that when I pay £3,000 for the site I do not pay only for the present earning-value of it—what it can bring in in interest on the amount of the capital—but I am paying the present value upon the future prospective increase and profit. The present Corporation say, “We ought to have 5 per cent. on the freehold value.” That is their ideal, but that is not a fair position.

3. That is, charging 5 per cent. on the prospective value as well, and without bringing it down to its present value?—Yes. Take our lease for forty-two years. When that lease was granted I think the rental was £25, which was 5 per cent. value on the then price. When they had an appeal the Corporation asked for something approaching £200; in other words, an increase of a thousand per cent. on the freehold value within forty-two years. We do not say that the next forty-two years is going to see an increase of a thousand per cent., but the freeholder—the man who holds the land—is on velvet all the time. He has a constantly increasing asset, whereas the leaseholder has a wasting asset. Then, in regard to the matter of finance, that is a great disadvantage to the City Council and a great disadvantage to the leaseholders. They have huge funds there, and they cannot advance on their own freeholds. It would be very greatly to the interest of the City Council, seeing that at the present time trustees are debarred from making any advance on these perpetual leases, if the City Council could advance up to 60 per cent. on their own freehold; it would be a benefit to them, and it would be a benefit to the leaseholders. It would increase the demand for these leases. As business men we do not want to put our money into property, but into business. When we want to put up a £20,000 building and ask a bank for an advance they say, “We do not like to touch leasehold.” And the A.M.P. say exactly the same thing.

4. The city might show its faith in its own leasehold by advancing money on it?—I consider the city would increase the value of its leaseholds 10 per cent. by that simple method of procedure. And, with regard to these other bodies, there is great need that there should be some more businesslike method of procedure. In order to get the highest rental you must issue the lease with the least possible restrictions; let the tenant make as much and as free use of the property as though he were a freeholder. That is the drawback with regard to a great many of these leases issued, more particularly by Hospital Boards; there are all sorts of restrictions in the leases. The only restrictions necessary are those imposed by the City Council, and they are drastic enough; in fact, they are depreciating their own leases by such stringent regulations in regard to the buildings. That is affecting their own leases—the restrictions imposed by the City Council. The leaseholder ought to be able to do anything he likes in the same way as if he were a freeholder.

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AUCKLAND, MONDAY, 22ND JANUARY, 1917.

HENRY WILLIAM WILSON examined. (No. 20.)

1. *To the Chairman.*] I am Town Clerk of the City of Auckland. Our present system of leasing is contained in the Municipal Corporations Act, section 136, subsection (1), paragraph (iii). We have been adopting that, I should think, for the past nine or ten years. There is provision that the lessee may either renew at the end of his term or have the lease put up to public auction. Before that our system was rather complicated, as we had taken over a number of legacies from the old Improvement Trust Commissioners which existed before there was a City Council at all. Those were leases or areas round Government House, Albert Park, Wellesley Street, Symonds Street, and others. Those leases were for periods generally of ninety-nine years. In some cases there was revaluation and in others not. Apparently the Improvement Commissioners had discretion as to the form of lease. In some cases a lump sum was paid down, giving the tenant practically a freehold for ninety-nine years. Then, coming to the city endowments, the leases were generally for thirty-three, fifty, or sixty-six years. In some cases there was no compensation for improvements, in some there was a third, and in others half. Generally the third applied to wooden buildings and the half to brick. The leases for the long terms without valuation worked out very badly for the Corporation. In the last ten years or so the tenant did as little as possible, and consequently the improvements were of very little value when the lease fell in. At the end of the term they had generally to be sold for removal. The tenant usually put up a building which would not last more than the term of the lease. A tenant in Ponsonby Road stated so to me openly. The term of thirty-three years with valuation has not worked satisfactorily. The valuation being only a small proportion, the people have not taken proper care of the buildings. The year before last a number of our leases in Hepburn Street fell in, and in most cases the houses required about £150 to be spent upon them before they were decently habitable again. The value of the houses themselves ranged from £150 to £300. These were, of course, residential sites. Then when a valuation is made the tenant, of course, wants full value of a new house. We pay for value of the house as it comes to us. From the Corporation's point of view the valuations made were always fair. We endeavoured to come to an agreement with the tenant first of all—that is, after the city valuer had given us a good idea of the value. If that failed the matter was referred to two valuers and an umpire. In most cases the umpire decided. It is generally a one-man valuation in the end. I think in some cases the umpire makes a separate valuation on his own account. Tenants who had become accustomed to the long lease are being gradually educated up to the Municipal Corporations Act form of lease. They, at any rate, ought to realize the advantage of getting full valuation. The lease that gives perpetual right of renewal was adopted some eight or ten years ago, and it is coming into favour as it becomes better known. The only disadvantage I can see with regard to it is this: that in the case of