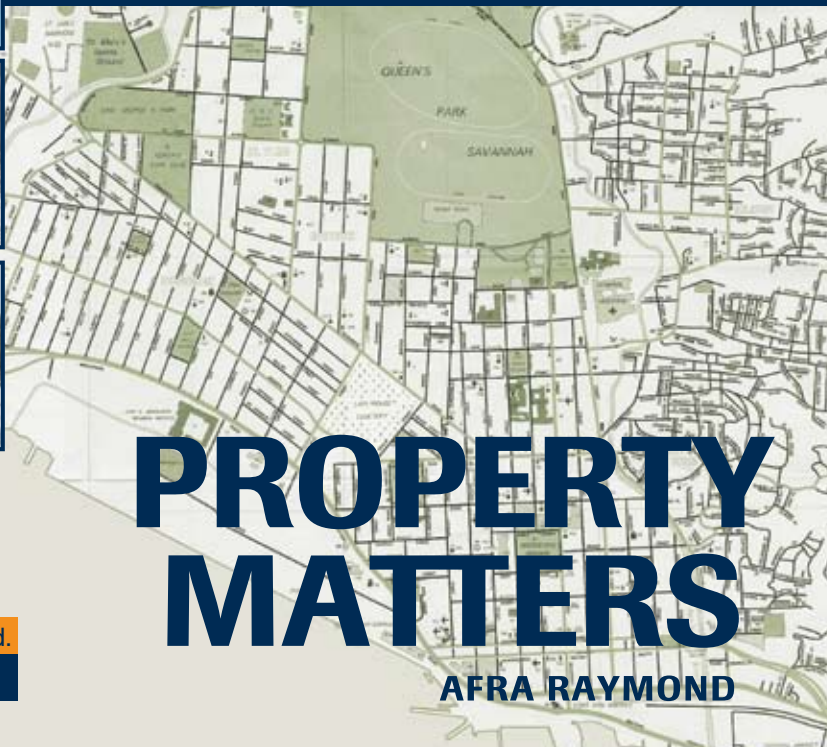




A COMPILATION FROM THE BUSINESS GUARDIAN COLUMN



PROPERTY MATTERS

AFRA RAYMOND

Raymond & Pierre Ltd.

Chartered Valuation Surveyors
Real Estate Agents
Property Consultants

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Afra Raymond
Raymond & Pierre Ltd.

August, 2005.

INTRODUCTION

PROPERTY MATTERS – *COMPILATION FROM BUSINESS GUARDIAN COLUMN*

The settlement, management and overall utilization of land have always been a contentious issue throughout the history of mankind. In developing countries and particularly in small nations, it is even more critical that attention is paid to the proper management of this resource.

As our economy enters another period of robust growth, pressures in the real estate sector will inevitably mount and measures for the proper management and utilization of this resource will assume greater importance.

This compendium of articles by Mr. Afra Raymond touches many of the issues which we need to address in a highly readable and informative manner and is recommended reading for real estate practitioners as well as the layman interested in knowing more about the management of real estate.

We hope that it will serve to stimulate intelligent discussion at all levels in our society regarding this critical resource.

Larry Howai
President – Bankers Association
of Trinidad and Tobago

May 05, 2005.

1. The Real Deal on Property

Despite the high level of national income and development, it is always amazing to reflect on the high numbers of our fellow citizens who are housed in the informal sector, which is also commonly called squatting - some reliable estimates put the numbers as high as 25% of our population.

REAL ESTATE is the term used to refer to property - for example, houses, land, commercial buildings and apartments - and it is one of the principal investments undertaken by most families, even when we include the high-net-worth people who are no doubt reading this!

This is the start of a discussion of the real estate market in Trinidad & Tobago and we begin by looking at residential property.

Although, as mentioned above, property is an important investment, it is really far more than that since the adequacy of a nation's housing - in terms of both quantity and quality - are vital indicators as to the standard of living of its people. The overall quality of life is dependent in large part on the physical circumstances in which that life is lived. For those of us aspiring to First World status, 2020 Vision and the like, it is essential to develop a fuller understanding of just what are the ingredients of the Good Life to which the nation is aspiring.

Despite the high level of national income and development, it is always amazing to reflect on the high numbers of our fellow citizens who are housed in the informal sector, which is also

commonly called squatting - some reliable estimates put the numbers as high as 25% of our population. There is some way to go before we can say that our country is properly providing for its citizens in this important area, but this will be expanded later.

The Nature of Demand

The value of a property flows from the level of effective demand it attracts; effective demand comes from prospective purchasers who are ready, willing and able to buy that property. Arguably, there is demand for any comfortable and well-constructed property; in establishing its value, however, we have to be aware of the level of effective demand for that property. There are several types of demand, with most houses being acquired by families who are going to use these as their homes, while in some cases people purchase as investments and yet others try to combine these objectives.

In our society there is strong demand for homes in communities offering access to the full range of facilities - transport, education, religious worship, recreation, shopping and other ancillaries like medical care. Those neighbourhoods offering that level of services are understandably in high demand with fairly constant price increases.

We can also consider the subtle but critical factors that attract effective demand from various sectors of the population, for example, the ever-important matter of 'who are our neighbours?' This is an example of what can drive prices upward in particular areas. In this 'class-conscious' society of ours, those who can afford to will pay a premium to live in a community with good name recognition, like Lange Park, Westmoorings or Sumadh Gardens. In addition there is the attraction of having famous neighbours and the opposite case in which the introduction of a bad neighbour with a noisy or smelly business can reduce the appeal of a particular area. We can all remember the neighbour whose passion for fixing cars or raising dogs was a source of discomfort, if not the very decision to move.

This explains the old saying that the three most important factors in the valuation of any property are 'Location, Location and Location'!



Demand and Value

In view of the limited supply of land in the country - about three-quarters of our land is forest, swamp or reserved for agricultural use - the rising levels of national income and the growing population, it is not surprising that property prices continue to rise. Many people believe that those factors make property an absolutely unbeatable investment since there is no more land being made, but the real nature of prices needs to be understood if we are to begin interpreting the market.

The housing market, like all others, is subject to the rules of supply and demand with an oversupply having the effect of reducing prices or slowing the rate of price increase. There were significant declines in value here in the last recession - 1984 to 1994 - when the fall in oil prices, consequent increases in business failures, unemployment and mortgage defaults produced a great oversupply of property. In fact, it took several years for values to recover to their pre-recession levels.

The point here is that prices do not move in one direction without adjusting to reflect the underlying conditions. We will go on to consider the issue of social stability and the possible effect on property values. How realistic is it to expect property prices to rise forever?

COST vs. VALUE – The issue of real value

One of the best ways to advance this series of points is to clarify some of the common terms used to define various aspects of property since these are the essential building-blocks of any reasonable discussion.

Cost and value are two of the central concepts used to assess property investments. We therefore need to understand the way these differ and more importantly, the way in which they relate to each other.

In this context, cost is the price of developing land which can be done in a variety of ways – levelling, paving, draining, erecting or demolishing buildings and so on.

Value is the price we might reasonably expect to get for a property if it is offered for sale on the open market. This is related to the level and nature of effective demand, which is of course related to the type of area in which the property is located.

An owner can increase a property's value by investing in it in the ways outlined above; the challenge is to ensure that we make prudent investment decisions. But what is the right decision? As always, there is no single right answer, so the investor needs to be fully aware of the costs of achieving these goals.

Investors have to take a series of decisions on the way in which they spend to develop their property so as to achieve the desired balance between the money spent and the value of the finished product. It is therefore necessary to consider the ways in which these decisions are taken by investors, who fall into two main groups –

- **Borrowers** - The majority of property investors have to borrow money in order to finance the purchase or building of their homes and therefore they require the approval of the institution

making the loan. Before lending, a financial institution will need to be convinced that the amount they are lending will be adequately covered by the value of the completed property. In order to be assured of proper cover, the lenders usually seek the advice of various professionals before advancing these large sums of money – Quantity Surveyors, Valuers and Attorneys-at-Law.

- **Self-financing** - If the investors are financing the project themselves they can afford to indulge personal tastes which do not necessarily add value since they do not require the approval of anyone else before spending their own money. Despite the apparent freedom of choice enjoyed by this class of investor, it is still vital that some balance is achieved between cost and value, since the completed property may have to be used in the future to finance other expenses. If the property had a sum of money invested in it without a corresponding increase in its value, then that investment would have had a negative rate of return in financial terms.

Of course we need to bear in mind that only very few properties are 'pure investments' since most of them are owner-occupied; either by families or, in the case of commercial properties, by businesses. A family home always has a significant intangible, emotional weight, which means that when investment decisions have to be made, non-financial issues can eclipse the usual objective measures.

One of the most common misunderstandings is that the cost of a building or improvement can be automatically equated with an increase in value upon completion. Cost is not necessarily equal to value.

For example, if we moved an identical house, costing the same, from Belmont to Diamond Vale to Toco to Orchard Gardens to Beetham Estate to Fairways, we would naturally get different values. The differences in value are because people will look for homes in the areas offering the best range of facilities to match their buying power.

Most neighbourhoods have a range of values within which most of

the property sales occur – as an example, we might say that Trincity has a range of \$450,000 to \$700,000. An investor might have the idea of acquiring a Trincity home at the upper end of this range and then spending considerable sums to further upgrade that property but they would not be certain to recoup that investment upon an immediate sale. This is because no matter how much we spend we cannot change Trincity to Valsayn. Someone who is able and wants to buy in Valsayn will not pay that price to live in Trincity for the reasons outlined earlier as to the appeal exerted by the ‘right’ neighbours.

The main points coming out of the cost and value issue are –

- The property is the land with everything on it.
- Apportionments between land and building are purely artificial since they are permanently joined.
- Cost is not equal to value.
- Value flows from land value.
- Reinstatement cost (sometimes called insurance value or replacement cost) has no relation to value.
- It is possible to spend too much money on a property with no commensurate increase in value.
- Neighbourhoods have a range of normal values, which is seldom surpassed.

Next, we will begin to look more closely at the relationship between the State housing policies and the rest of the housing market.

2. Home Sweet Home

How the State houses the nation. Real issue is quality of housing not quantity of ownership.

How is our nation housed? Is our housing of adequate quality and quantity? Is it reasonable to expect present State Housing policies to produce an improvement in the areas of shortfall?

In terms of tenure, there are 3 types of housing in our country – owner-occupied, rented and of course, those persons who occupy land without the owner's permission, sometimes called squatters. We earlier referred to the squatting community as comprising an estimated 25% of the national whole and this proportion itself seems proof that the existing 'legitimate' housing market of homes for rent and sale is not working properly. Can we truly be on the path to 'developed nation status' if so many of our fellow citizens are unable to rent or buy their own homes? Is this the way we want it to be? What can we do to start improving that position?

Of course, one has to have a particular outlook in order to declare that a market is functioning in an inefficient fashion. It seems to be accepted, almost without question, that the more people owning their own home, the better the nation is doing. This is not necessarily the case since some of the most developed countries in the world have relatively low proportions of home-ownership and some very poor nations have a high incidence of home ownership. Rather than mode of ownership, the real issues seem to be the quality of housing and of course, the ability to move within the market. Mobility is key in a modern society, which places such a premium on the degree of choices the individual can exercise.

What is the standard and price of accommodation available to the new entrant to the job market? Is there adequate provision



for elderly people in either the rented or for-sale market? How are our poorer citizens to be housed? If this is not properly addressed, we can expect a further expansion in squatting with consequent environmental degradation as well as the social fallout from widening inequality.

The long-time value systems, which provided a place for poor relatives in the homes of the better-off ones or older family with the younger generation are by and large finished. We are not claiming that those practices were perfect, but when we consider the limited resources available here say 50 years ago, they did allow a degree of mobility and possibility. The nation is today far wealthier and yet the evaporation of those practices has created new challenges as to how we house ourselves. How can we make better use of our resources to meet these?

Some of the critical policy initiatives would include -

■ **Squatting**

It has been established that the most significant source of wealth in most developing countries is the owner-occupied home. This seems to be a fairly obvious conclusion, given



the relatively undeveloped state of the stock/investment market in societies like ours, but it is also true that a large amount of capital is trapped in properties without proper title since the owners cannot raise a loan on the value of their homes. Indeed, one could even argue that with no title the property is 'valueless'. The point is that proper title is essential in releasing value. We have also been recently reminded that our oil and gas resources have a finite life; reliable estimates are that peak production would be over within the next 20 years. If we are to survive as a viable society it is essential that we spawn small, viable non-oil businesses. Of course we are aware of the importance of the cost of capital in the success of a business. Squatter regularization, undertaken with the necessary infrastructural work, can create a source of cheap capital to seed the new generation of businesses the entire nation needs.

■ Rentals

The State policy on rented housing is unclear since there is little evidence of new units for rent being built and the existing rent control policy is badly outdated. Given the tendency towards new mega-projects and the lack of glamour attached to maintenance, it is understandable that the State has little appetite for building homes for rent, but there are other ways to support the provision of rented housing. Who is building decent housing for rent? Who can afford these? There do exist charities and religious bodies, such as the Salvation Army or the Anglican Church, which provide housing for homeless and elderly people without any financial support from the State. These bodies have the experience and credibility to provide a quality service to the needy. With real public/private partnership, there can be a significant expansion in the numbers of people housed for a relatively modest input of State funds.

■ **Owner-Occupied housing**

There is a series of State policies to boost this part of the housing market and these have involved a number of choices as to which parts of the market receive support. As mentioned above, there is an implicit assumption that this is healthy and this has in fact propelled policy formation in this area for some time.

Next, we will examine the State policies on the financing of Owner-occupied housing and the effect of these on the entire market.

3. How the State Finances Housing

The principal challenge identified is the scarcity of resources to meet the scale of demand

Our national Housing Policy is set out in 'Showing Trinidad & Tobago a New Way Home' published in September 2002 by the Ministry of Housing and distributed as a 28-page newspaper supplement.

The document outlines some of the country's serious housing needs and State policies for meeting these. The principal challenge identified is the scarcity of resources to meet the scale of demand; one estimate suggests that about 14,000 new housing units need to be constructed every year to meet those needs.

It is important to understand that the State can finance its policies in 2 principal ways, by spending the money raised from taxes or by granting tax concessions to particular types of activity and individuals. In the first case, Government is spending from the pool of funds we call 'taxpayers' money' and in the second, the grant of the tax concession has the effect of reducing the size of that pool. Both methods involve the expenditure of public funds. Any realistic estimate of available State resources therefore has to consider both streams of funding.

State financing of housing exists in 4 parts as follows -

1. Low-income construction via the NHA and the Housing Ministry – over \$715M has been spent by that Ministry in its Capital Program in the last 10 years. This spending is set out on the attached table¹.
2. Mortgage interest relief of \$18,000 annually to each

¹ This is extracted from the Draft Estimates of Expenditure published by the Ministry of Finance. 11

qualifying taxpayer in respect of their owner-occupied homes.

3. Tax relief to Approved Mortgage Companies in respect of mortgages under the official threshold – presently \$450,000.
4. Tax relief to property developers in respect of profits on units built for sale under that threshold.

This basket of measures is not in fact outlined in the Housing Policy and it is unclear, after enquiries with the relevant Ministries, whether there is any overview as to the quantities of money deployed via these policies. Given the importance of housing to achievement of developed nation status, it is disappointing that we were unable to obtain reliable figures for the number of homes built for this immense investment via the Ministry. Without such elementary data we are unable to assess the unit costs or effectiveness of various design and procurement approaches. But the information deficit is even more serious when one considers that there are no figures for the total sums granted via the relevant tax reliefs. Again, we must ask how it is possible to form or review public policy without some empirical view of the costs and benefits of the present policies.

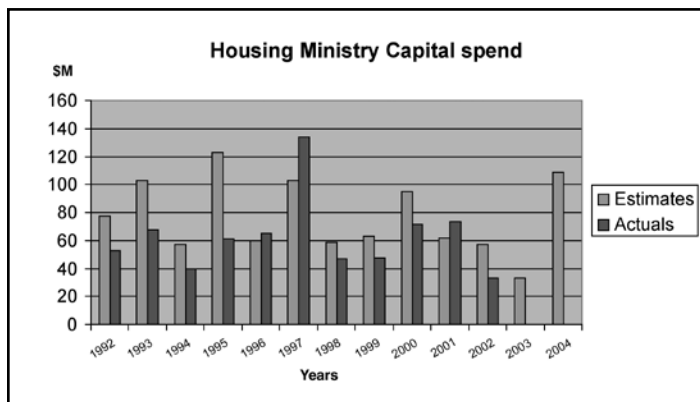
It is a given that policies ought to be subject to periodic review so as to assess their effectiveness in satisfying the original goals and indeed, whether those goals themselves need to be adjusted. The Housing policy does acknowledge that “... *a major deficiency in the Housing and Settlements sector is in policy making and coordination of strategic planning and programming...*”² It is clear to us, from our discussions with the relevant public servants, that steps are being taken to address this critical matter.

The details of the Housing Ministry’s capital spending show a consistent pattern of large variances between the estimated expenditure and the actual, with the norm being that less money is spent than budgeted. The point being that annual shortfalls in budgeted expenditure imply a deepening of the level of unmet housing needs. There is a need for research into the reasons for the variances since this can help in selecting the most effective procurement measures and designs for this sector.

If we are unable to say with certainty what is the level of funds committed via these policies, it is impossible to evaluate their effectiveness.

Some basic points can be made -

- **Value for money** - In the previous chapter we stated that the quality aspect of housing is arguably more important than the more obvious issue of quantity. We would need to enquire whether the funds spent in providing proper infrastructure and title to 'established' squatter communities is better value for money than building new homes.
- **Mortgage Interest relief** - This is a universal benefit in that all qualified people are entitled to claim the \$18,000 relief, regardless of the level of income. All claimants, from the wealthy to the more modest salaried homeowner, therefore enjoy this. The benefit would have far greater impact on the latter and conversely, its loss or reduction would have little real effect on the wealthier claimants. One could even say that the standard of living enjoyed by the middle class (for the sake of this discussion, let us say those living in houses worth less than \$500,000) is significantly higher today than that which prevailed 20/25 years ago.
- **Delivery Capacity** - When we examine the table showing the Housing Ministry's Capital Program, we can see that there is expected to be a dramatic increase in expenditure



from just over \$33M, in 2003 to almost \$109M in 2004. Given the stated deficiency at the Housing Ministry in strategic planning and programming as well as the consistent underspend, it is indeed cause for concern that spending is being more than tripled in just one year.

- **Policy overview** – In the course of doing the research for this column, it is clear that there is a sense of urgency in augmenting the research capacity of the relevant Ministries.

In economists' terms, without the necessary overview the State could be making a potent misallocation of funds in terms of the consequences - poor living conditions, environmental degradation and so forth.

4. A Place Called Home

Given present levels of land/property values, wages and the general diminution of steady employment, how realistic is it to promote the idea that a benchmark of success is property ownership?

We have been examining the Housing Ministry's Capital spending and some basic points were made on the variances between the budgeted and actual expenditures as well as the proposed levels of spending.

Of course, the intention of all this activity and investment is to provide homes for people who are unable to do so in the open market. In so doing, we are aiming to improve the national standard of living and also the state of the nation's capital stock. But these are objective measures of what is an essentially subjective human experience; namely, building the place we call home.

How does the State decide what houses are built? How do they estimate –

- The numbers of houses vs. flats
- The numbers of bedrooms in the units to be constructed
- The mix between homes for rent and those for sale
- The affordable levels of rent and mortgage payment needed to occupy these new homes
- Perhaps most importantly, given the delicate social situation in the country, where these new homes are to

be built.

The case being set out is that even a housing programme which delivered on its stated objectives and kept to the norms of good public administration and transparency needs to satisfy its fundamentals. These homes are for people, point being that even if they were the technically sound output of a well-managed programme, our policies would have been questionable unless these are actually the homes people need. A sound rationale and open consultation is essential in the creation of proper public policy.

One of the most strongly held beliefs in these parts is the desire to own 'a house and land'. The underlying assumption that ownership of property is key to wealth creation is undoubtedly true when we examine the success stories of our own wealthy classes. What is open to question is the issue of the attainability of property ownership. Given present levels of land/property values, wages and the general diminution of steady employment, how realistic is it to promote the idea that a benchmark of success is property ownership?

How healthy is it to promote unattainable dreams? It is probably beyond the scope of this column, but the centrality of housing to our well being as a people and the real gaps between means and ambition are prompting a re-examination of just what is a benchmark of success.

The shortage of suitable development land and the continuing demand for housing has decisively influenced certain norms in the housing market -

■ **Lot sizes** – In the past 40 years there has been a dramatic decline in the lot sizes being offered in even upper-end developments. The typical lot size at Valsayn (North & South), Haleland Park, Goodwood Park, St. Joseph Village or Federation Park was the 'half-acre' lot of about 20,000 sq. ft. but the new developments at Moka Heights or Westmoorings-by-the-Sea are comprised of lots which typically offer about one-third of that original norm! These developments offer lots of about 7,000 and 5,500-sq. ft. respectively.

■ **Houses vs. Apartments** – From modest beginnings 25 years

ago during the last boom, we are now seeing that almost half of the new homes being offered for sale are multiple-family housing – i.e. condominiums and townhouses. Even in the upper-class market, which a generation ago considered a large house to be a ‘given’, it seems that over half of the new homes offered to that market are in multiple-family developments.

- **The ‘Gated’ Development** – The fear of crime and the growing sense of dis-ease has prompted a virtual ‘boom’ in the number of ‘gated communities’ being brought to the market. The appeal to the fearful home-buyer is obvious and the property developer is also attracted by the fact that the marginal cost of a fence and gate can yield abnormal returns in this atmosphere of fear. Given our present social arrangements, it is questionable how much more secure these gated developments are than neighbourhoods where people look out for each other. Whatever one’s point of view, it is clear that gated developments are here to stay.
- **The Supply of Rented Homes** – The supply of rented housing has diminished over the last generation due to a combination of unwieldy rent restrictions and the emergence of more lucrative investment options. The inadequate repair and maintenance of the rented housing stock has further diluted this supply as dilapidated units are seldom rebuilt for rent. There is a pressing need for more rented housing since many people do not have the level of savings or stable employment pattern which the existing mortgage system requires. The Housing Ministry’s Policy document¹ states as the first item in its Policy Features at page 3 under Rental ‘Production of more rental units for NHA’. Given the high levels of Capital allocation specified in the Draft Estimates of Expenditure and the identified need for new rented homes, one is entitled to ask just how many such are to be built. Where and when are these to become available?
- **Maintenance of the rented stock** – The underlying issue with rented homes is the high costs of maintenance and rent collection which of course combine to limit the returns from this kind of investment. Let us bring a Bajan sample to the discussion. Their National Housing Trust (equivalent to our NHA) builds homes from rent at less than 50% of market rents,

¹ Our national Housing Policy is set out in ‘*Showing Trinidad & Tobago a New Way Home*’ published in September 2002 by the Ministry of Housing.

but the norms of Bajan society are so different from ours, that those tenants who fall into rent arrears can be evicted without any of the outcry and protest which is our own reality.

Given the increasing pace of development and the limited supply of suitable land, some even more fundamental shifts in the acceptable norms may well lie in the foreseeable future. We will next discuss some of these matters, among these, the issue of where the new State housing is located.

5. A Sense of Place

The fact is that property is central to understanding the political economy of a society such as ours, where so much hinges on what one owns and who are ones' neighbours.

There is an urgent need to build new affordable homes to preserve and enhance the national standard of living, however, we need to consider where we put these. The issue is one for both private and State housing, since the concerns are related.

The location decision is usually an important one, but here in T&T we have these additional elements –

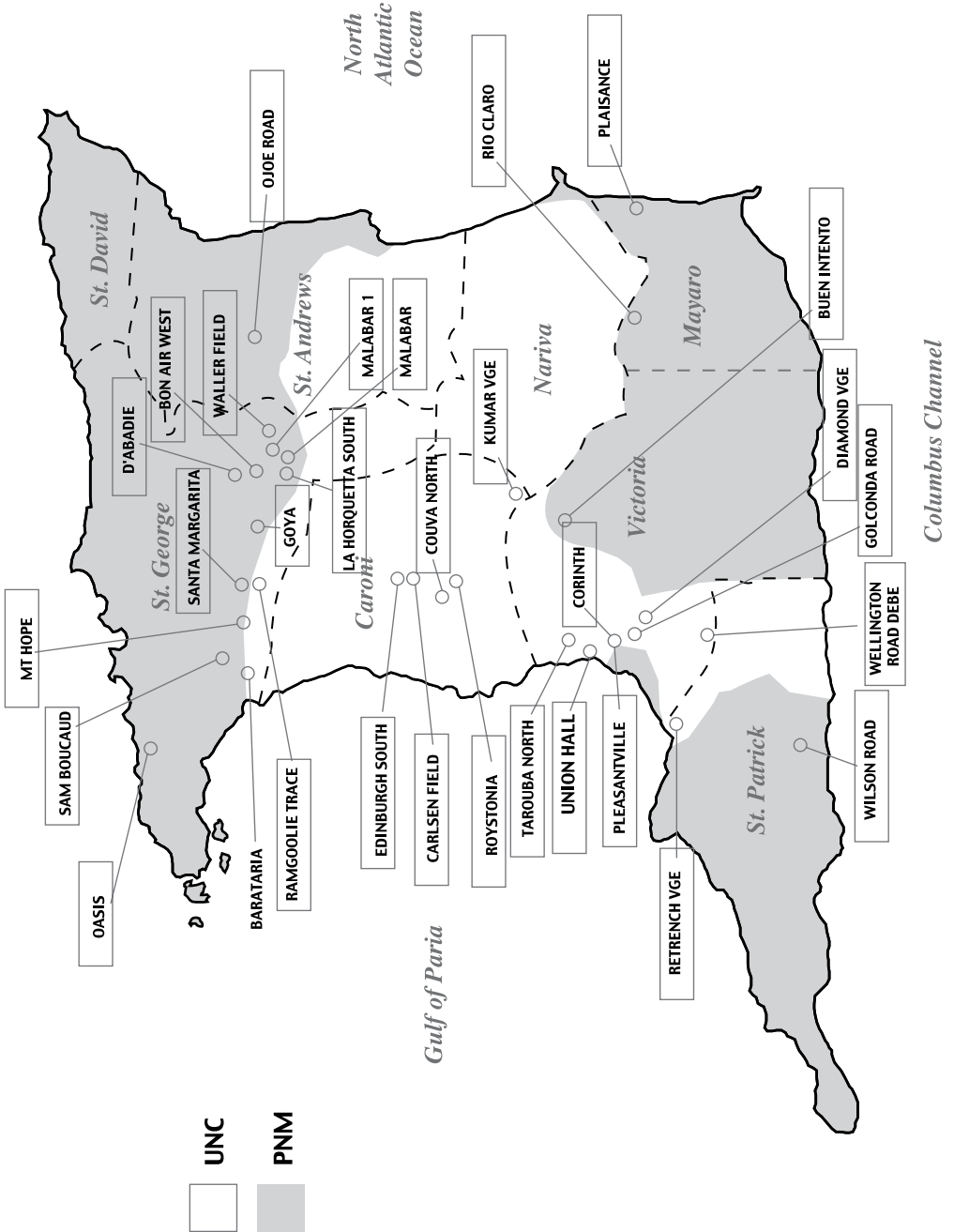
- **Supply** - The limited supply of suitable, available land;
- **The NIMBY factor** – These are the people who agree that more homes need to be built, but they are of the even stronger opinion that these should be Not In My Back Yard (NIMBY). The reasons behind these conflicting opinions are interesting, from 'young people need somewhere to live' to 'what we going to do with all this traffic when they build all these homes? People know that the only way that the steep rises in the prices of homes will be slowed is if the supply is dramatically increased, but they are also concerned over the impact this new construction will have on them as existing homeowners;
- **Political element** – Given the government's ambitious annual target of 10,000 new homes, the recent sequence of very close election results and the delicate balance in the 'marginal' seats, the location of these new homes is an extremely sensitive question. We have even had the allegation that some of the new homes are being carefully located so as to prejudice the party in opposition with

additional allegations as to falling property values from senior political figures.

The fact is that property is central to understanding the political economy of a society such as ours, where so much hinges on what one owns and who are ones' neighbours. Affluent people already own a nice slice of the pie, the value of which can, in their view, only be preserved if the status quo is maintained; i.e. the shortage of housing preserves high values. Those who do not enjoy that position are even more anxious to get a piece of the Trini dream – 'a place to call home' – and the factors listed above only add heat to the discussion.

To bring some light to the discussion –

- **Urban Development** – The redevelopment of serviced urban lands already in State ownership is a better use of capital since the infrastructural costs of raw development land can be avoided. Generally speaking, it makes sense to develop serviced urban land – i.e. with all the services like water supply, sewerage, electricity, roads and so on – in preference to the more expensive choice of other 'raw' sites.
- **Size of the Society** – In light of our limited size, the new affordable homes need not be exactly in the neighbourhoods of the 'homeless' people. We will always need to build new State housing in areas which are already occupied.
- **The value issue** – We have heard from some surprising places that values of private property in certain parts of San Fernando are set to decline if the government proceeds with its planned construction of multi-story apartments off Circular Road. Of course, we have had no evidence of this and I am unaware of any value decline in this country arising from the construction of State housing. Frankly, the entire issue smells of a kind of 'coded' racism disturbingly reminiscent of the mini-furor recently raised by Westmoorings' residents when plans were announced to build new State Secondary Schools in that area. This also brings in the controversial 'betterment' debate, since there are provisions in our Land Acquisition laws for property owners to be compensated for a reduction in value which has arisen as a result of public works. The question here being



Housing developments planned by the State-owned National Housing Authority, 2002.
Maps: NHA and Guardian archive

whether property owners are willing to pay increased property taxes for the increase in value arising from public works. New roadworks like the Cross-Crossing Interchange and the much-discussed Churchill-Roosevelt/Uriah Butler interchange all have the effect of increasing property values.

- **The Medium-term picture** – The loaded question is whether the new, large-scale building of State housing will have the effect of driving down property prices in those areas. It is my opinion that the strong demand for property and its limited availability, together with the strong outlook for national income would limit any declines in values. The most that we might say is that, if the government's ambitious plans bear fruit, there might be a reduction in the present steep rate of price increases. It is also important to consider the role of quality housing in improving social stability. The national picture, with some small exceptions, is one of dynamic price increases; the worst areas are merely static. As the old saying goes - "A rising tide lifts all ships".
- **The Power Equation** – Ultimately, all this is pointing to the fact that in the absence of rational policies and public accountability, there is scope for perceptions of bias, however unfounded these might be. This could flow from any side politically and there needs to be a move towards more open public policy formation and execution. As we said from the beginning, good public administration has a number of implications, among those being the end of some of today's methods of policy formation and delivery.

Next, we will be examining the issue of taxation on property and the future of our cities.

6. The Shape of Things To Come

There is an unavoidable connect between the physical environment and the type of interactions which are likely to flourish within that space. The state of our nation – I am referring to the physical state here – is a powerful reflection of our view of ourselves.

When we consider the manner in which we plan and implement our policies, both public and private, can any of us really imagine what our country will be like in say, 20 years' time? On Sunday 7th March 2004 we had the input of Newsday Editor, Susan Mills on the ills of the development control system and the opinion of Sunday Express columnist, Dr. Kirk Meighoo, who wrote on the meanings of public space to our society. Plenty food for thought.

Do you think that this country will be a nicer place to live in? What will our streets and parks look and smell like? Will our public spaces be safer for us all? Will we have more comfortable homes? Will we be able to afford a fair standard of living after paying our mortgages or rents? Will it be easier and safer to get to work in the morning or home from a night out than at present? Can we say, with confidence, that any of the questions asked above will have positive answers?

If we are not able to muster that confidence, why not? What is the alternative? We need to confront certain matters squarely if we are to make a fair estimate of our prospects.

Some of the key questions arising are -

- **The quality of our towns** - In my view, the quality of our towns is one of the principal measures of the success of our society. Yes, spoken like a real 'townie' I know, but look at the vibrant cities in the developed countries to which we aspire. The best homes, shops, parks, theatres and restaurants are all in the heart of those cities. We have had a staggering migration away from the centre of our capital City by anyone who does not depend on passing trade. The issue is complex and will be taken up fully later on, but we can say that the quality of our cities is a key ingredient towards the positives to which we ought to be aspiring.



- **State Housing** - What is the relationship, if any, between the State Housing program we have been discussing, and those homes that make up the 'real market'? The two are interdependent in that a well-conceived and executed State Housing policy will act to promote social equity. This will ensure the degree of stability which is vital, if the quality of life and value of the rest of the market is to persist.
- **Street Homelessness** - One can hardly remember homeless people and vagrants when growing up here in T&T; they were rare and remarkable sights. Purely on the evidence of our eyes, we have had a shocking explosion in the numbers of street homeless in our country. Surely there are reasons behind this disturbing development; one can think of increased drug addiction, the collapse of the extended family and the relentless increase in property prices and rents. Whatever the underlying causes, there is no doubt that our country is a far less comfortable place



with the increase in this kind of homelessness. Women, children and young men have now joined the ranks of elderly men on our streets; can we not, as an aspiring, relatively wealthy Caribbean society, do better? If we are to improve the quality of life, this issue has to be seriously tackled. We discussed some time ago that the State's capital budget for the Ministry of Housing increased from \$33M in both 2002 and 2003 to \$109M in 2004. Given this dramatic increase in expenditure, can we expect to see a real reduction in the levels of street homelessness? If not, what is the future of our cities? What is the future of Woodford Square, Harris Promenade and our other urban open spaces if we do not deal with our least fortunate citizens?

- **House prices** – How likely is it that homes will be more affordable in the next 2 decades? Will our investment in housing yield a better quality of life? Given the high

proportion of most families' disposable income which goes towards shelter, it is clear that affordable housing is yet another key determinant of the 'good life' which obtains in a quality nation.

- **Squatting** – We have heard the Minister of Housing speaking this last fortnight of his determination to enforce the law insofar as squatting on State land is concerned. We must ask to what extent does the Ministry's programme provide solutions for the squatters and street homeless? Furthermore, how seriously can we take the call to law and order when we recently saw the PM canceling an official overseas trip to halt the demolition of an unauthorised community centre in Laventille? We are told by newspaper reports that the centre was built by an NHA contractor on NHA lands. As we concluded in the last chapter, it is clear that the only way we are going to bring some coherence to this area of policy is for there to be some consistent policy guidelines. In the absence of clear leadership there is plenty of room for mischief-makers and one wonders how we can develop in this fashion. What kind of society do we expect to emerge from this type of situation? The old people said that 'A good example is worth a thousand words...'

The decisions we take today will influence the kind of life we have tomorrow. The recognition of this fact is what distinguishes a mature society from the undeveloped state that seems to beset us here in the so-called Less-developed Countries.

Next, we will be examining the issue of taxation on property and the future of our cities.

7. Taxing Thoughts - Taxation on Property

... property owners expect, rightly in my view, a high level of support from the State since this will be to their ultimate benefit.

We started by looking at housing and the important part it plays in the property market and society in general.

Apart from being a place for us to work, live, play, eat and so on, we are all aware of the vital role property plays as an investment. Yes, many people own their homes or business-places and enjoy benefits reaching beyond occupation. For example, one of those extra benefits enjoyed by property owners is the opportunity to borrow against the equity in their property – equity being the difference between what is owed to the bank and the present value of a property – to do any number of things. These would include education, further improvements to their property, travel, repayment of other debts and so on.

There is little doubt that property is one of the principal investments in our country. Most people's borrowings, whatever the ultimate purpose of the funds, are secured by property and most families' wealth is largely held in property.

Earlier on we discussed how the State finances housing and the principal tax benefits available to those who invest in housing. We will now examine some of the taxes to which property owners and occupiers are liable.

Property owners form an important part of the modern economy and indeed, some would even argue that the property-owning middle class is the backbone of the stable state to which we

ought to aspire. That state is sometimes said to exist as a series of 'social contracts' in which those of us who 'play by the rules' agree to study hard, work hard and raise a family the best way we know how. The other side of the deal is that we abide by the law, pay our taxes and in return, expect the state to provide us with adequate basic services – health, education, security and justice, transportation networks and so on – which all work together to enhance the quality of life for us all. The stability and possible enhancement of property values would be part of that 'quality of life' enjoyed by property owners.

Of course this is just a popular idea of how society works and there is a great deal of thought as to the actual relation, if any, between increasing material well-being and the development of a good society. Some say that as people get more comfortable in the material sense, the society improves, while others contend that, when one thinks about the wealthiest societies, there is plenty of room for doubt on that score.

The principal point here is that property owners expect, rightly in my view, a high level of support from the State since this will be to their ultimate benefit. The corresponding question of whether, as a group of beneficiaries, they are equitably taxed is a potent one.

Let us look at the 3 main property taxes –

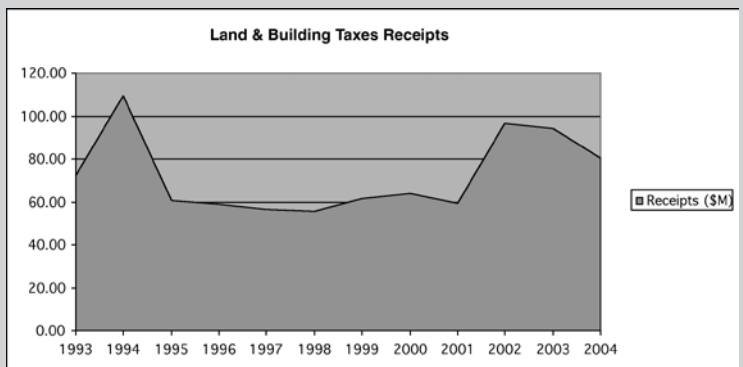
- **Occupation Tax** – Land & Building Taxes are charged for each year the property is occupied; this is supposed to be based on the annual rental value. The estimates of annual rental value ought to be updated regularly so as to ensure that the figures keep pace with changes in value and that will be discussed in another column in this series. This area of property taxation is sorely in need of review to properly reflect the rising level of property values of which we are all aware.
- **Transfer Tax** – This is called Stamp Duty and is payable by the purchaser of property; this is supposed to be based on the proper consideration for the property. This is also to be addressed in this series.
- **Income Tax** – If income is earned from property rental, this ought to be declared in an individual's tax return. There are

a number of investors who earn rental income from properties in their ownership; this will also be addressed in this series.

There is no Capital Gains Tax payable on the profit made when property is sold for more than its purchase price after allowing for improvements.

Land & Building Taxes

The Land & Building tax was originally intended to raise finance



As an introduction to the discussion on Land & Building taxes, we have included a graph showing these receipts for the years 1993-2004 (the 2004 figure is an estimate); these figures are from the Estimates of Revenue published by the Ministry of Finance. When we consider the basis on which this tax is charged, along with the significant increase in property development and values over the last decade, the graph tells an interesting story.

Even if we make the unrealistic assumption that no properties at all were built in the 10-year period under examination, there is still a significant fall in this revenue in the period 1995-2001; receipts of \$109M in 1994, fall to \$61M in 1995 with a continuation of that broad level of income (say \$60M) until 2002 when receipts rose to \$96.5M. Assuming that the figures are correct, we would need to understand the probable reasons for these declining receipts. The causes may be poor collections efforts by the responsible officials, poor estimates by the same parties – for example, the estimated receipts from this tax fall from \$127M in 1995 (when only \$61M was actually collected) to \$68.1M in the next year (when \$59M was actually collected). There may well be other causes for the decline, but the impact of this unexplained fall in income is of the order of \$300M. ■



respond to changes in market value, it is necessary for regular revaluations to be carried out.

There is an understandable demand from property owners for better levels of government services, which would maintain or enhance the value of their holdings. Yet, we all know that Land & Building taxes have not been revised for years and as a result are far too low. A few examples show the picture and the ‘Revised’ figures shown are

our own estimates -

Location/Type	Open Market Value	Annual Rental Value	Existing L & B Taxes	Revised L & B Taxes
Residential Property (Woodbrook)	\$1.0M	\$60,000	\$240	\$6,000
POS office Building	\$1.5M	\$160,000	\$840	\$16,000
Executive home in Maracas St. Joseph	\$1.4M	\$100,000	\$260	\$9,000
Commercial property in Chaguanas	\$850,000	\$275,000	\$500	\$20,000

it is not surprising that these figures bear so little relation to today's market prices, after all, I was told by the civil servants involved that the last time properties were revalued in this country was 1978.

By way of comparison, properties in Barbados are revalued every 3 years without any fuss or protest. Of course, collections of Land & Building taxes have improved since a valid receipt was made a requirement of those applying for the mortgage interest relief.

Given the unrealistically low levels of this tax, it resembles a ‘nuisance tax’ - i.e. one that could have no possible relation to the cost of the service and which is just ripe for phasing out. Of course, this is only if one considers this tax in its present form as a nominal sum barely worth collecting. However, there is a way in which these taxes can be used to achieve more than the financing of local government.

Realistic property taxation and a more proactive land-use planning system could be used to encourage the redevelopment of our

country. Critics suggest that the present system is fundamentally unfair in that it rewards those who leave valuable land empty and undeveloped while taxing investors who develop land and provide jobs. Of course, its supporters make the point that if investors reap rewards from land when they develop it, the State is entitled to a share of those.

Some further points on Land & Building taxes are -

Missing Buildings - Some taxpayers might be surprised to know that there are substantial buildings that are not even on the records for Land & Building taxes. The building enters the records when the Completion Certificate is granted and of course this is a requirement of all lenders. But if you are one of those who can afford to build using your own money you do not need to apply for a completion certificate. What is even more interesting is that all these buildings are connected to WASA, T&TEC, TSTT and so on. There obviously needs to be better communications between these state bodies.

Shortfall - Last week we considered the plunge in receipts from this tax in the period 1995-2001. This shortfall in receipts could have cost the State an estimated \$300M and a number of possible explanations were put forward. It would be interesting to find out how this apparent shortfall arose. We would hope that this tax was not being just ignored by those property owners who are unable to claim the tax allowance for mortgage interest.

Independence of Local Government - One of the possibilities arising from the revision of our property tax regime is a greater degree of independence for local government. The Municipal Act 1990 sets a framework within which certain municipalities can independently review property taxes in their area with the possibility of reviewing these every 3 years. Some municipalities - most recently Chaguanas - have taken these steps and it is interesting to wonder, just how independent a Local government will the Central government tolerate?

Constitutional reform - Yet again, we are hearing that our 2 main political parties are determined to seek Constitutional reform. Like the best calypsoes, these exact words have many meanings to many people, but we do know that the opposition UNC is not going to

cooperate on certain critical matters unless some such fundamental reform takes place. Only recently we heard that the governing PNM had appointed a committee to advise on this aspect of our nation with a senior party member, Mr. John Donaldson, as chairman. Question here being that for constitutional reform to have real impact, more of us must feel as if we can make a difference in our districts. Local government must play a bigger part in our country; if we are to regain some sense of community, we cannot do that by relying on MPs who are seldom seen outside the 'hothouse' of POS. For local government to have a real meaning, it has to be more independent. As we all know, independence is meaningless without financial resources. Local government financing and the role of property taxation are vital ingredients in any meaningful constitutional reform.

Possible reasons for revising taxes now:

■ **Professional support**

The government's property advisers are the Valuation Division of the Ministry of Finance; after a significant loss of experienced professionals, this department is now being restaffed.

■ **Legislative situation**

The legal framework for revising these taxes is in place and a revaluation need not depend on any support from the opposition.

■ **Phase in the Economic cycle**

Of course, we are all part of a politic which has now made increasing any taxes taboo, so there is real reluctance to do so. This has gotten to the point that governments will only raise taxes when they must and this is usually in a recession.

We have vivid memories of the last time a government here tried to raise taxes to balance its budget during a recession; the results are still with us. It is not the usual way of doing things, but there is probably no better time to raise these taxes than now.

No property owner could seriously claim to be under financial pressure and the general buoyancy is such that the level of resistance is unlikely to be as great as at another time.

A calmly phased program of revaluations and increases in these taxes could be done; do our political rulers have the vision to do so or will property owners continue to enjoy their special status?

Income Tax on Rented Property

When we think of the number of people who rent out their properties and the speed with which good properties are sold, it is also clear that there is a growing interest in acquiring property for rental as an investment.

Once again, due to the lack of any official statistics, we have no clear idea of how many people here rent their properties and what rents are being paid.

In fact, with the absence of these basic items of information, it is difficult to imagine how the BIR can assess the accuracy of the returns filed by property owners.

Of course, it is difficult to be certain, but it seems that a number of our most successful property investors do not declare income received from rent.

The rental income seems to be regarded as a “lagniappe” and it is the rare investor who will pay tax on this.

Income is one of the main sources of wealth targeted for taxation since it is one enjoyed by almost everyone.

It is therefore natural that income taxes will receive the intense attention of tax specialists who are paid to find ways of minimising their clients’ tax liability.

There are a number of “tax-efficient” means of arranging the affairs of a wealthy person; indeed, it is settled law that the taxpayer has the right to seek to reduce their exposure to tax.

However, is it right to simply fail to declare a source of income in order to cheat the taxman? Rental income in this country is a healthy stream of money and a significant number of the people making the false claims are well-off.

When one considers the consistently high levels of claims placed on the nation's resources by its ambitious citizens and the level of tax evasion, it is clear the 'freeness' and 'something for nothing' mentality we so love to complain about is very widespread. Everything is really everything here!

Some key points which arise on the issue of income tax on property are:

Landlord v Tenant – There is a fundamental difference in the viewpoint of landlords and tenants and it is extremely unlikely that tenants would willingly collude with landlords to conceal income.

We can therefore expect co-operation from tenants if an effort were made to gather proper records of rents from them.

Collections v Tax rates – It is popular fun here to admire the "smartman" and it is a deeply-bred part of our nature to be suspicious of the intentions of the State. It is little wonder that when one hears of someone successful who is paying too little tax, the common reaction is one of quiet admiration.

The point we should consider seriously is that, despite the amusing anecdotes, the proper enforcement of our tax laws would offer the possibility of a life with lower tax rates.

If the collections net were widened to include more of the missing income, it would be possible to ease the tax burden for everyone.

The role of the BIR – Just recently in the 'Business Guardian' we read impressive plans to merge the BIR and the Customs and Excise Division with their new office complex to be erected downtown by UDECOTT.

These are impressive aspirations, which would tend to align us with some emerging international trends in public administration



and of course we are pleased to see new life being breathed into our capital city.

I think we are entitled to ask whether this is yet another “mega-project” with little in the way of real progress.

Can we really expect to see a re-invigorated Revenue Service with proper linking of data and improved levels of collections?

Residential property – There are growing numbers of expatriate professionals living in our country who have their housing paid for by their firm and this provides a good income for a particular group of local investors.

These rents would count as deductible expenses and ought to be found in the tax returns of the tenant firms.

Non-residential property – The State rents a significant number of office buildings and there is therefore no need to search for the evidence in these cases; do the landlords declare the correct

income in their tax returns?

In the case of private landlords, a bit more homework is needed since the tenants will have filed their own tax returns with the rent as a deductible expense.

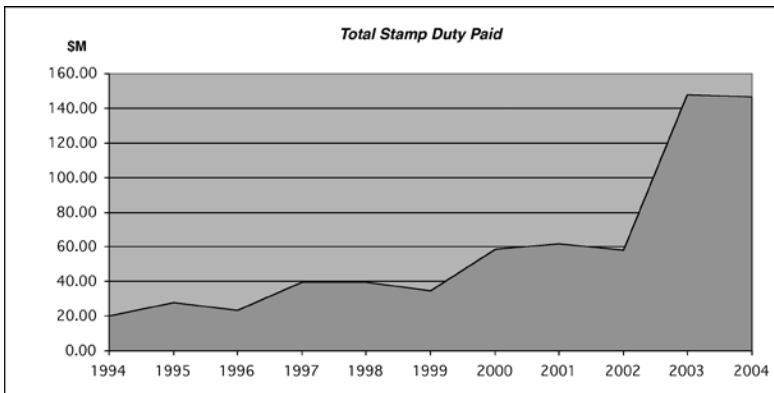
Stamp Duty on Property Transfers

We are next going to examine Stamp Duty and make some basic conclusions from the information presented.

Stamp Duty is the tax paid by purchasers when they buy a property. The rate of Stamp Duty increases with the value of the property with higher taxation applying to non-residential property. In the case of non-residential property, this can be as much as 7% for most of the price. The rule is that the BIR will charge the higher of the stated purchase price or the open market value; they also have the power to seek a valuation if the purchase price seems too low.

Some of the key points arising in the Stamp Duty discussion are –

- **Good job** – The graph shows the State income from Stamp Duty on property over the period 1994-2004 and the rises in this income are truly impressive. From just over \$20M in 1994 to estimated receipts exceeding \$145M in 2003 and 2004. It would seem that the Stamp Duty section of the BIR is meeting the challenge of dealing with a rising property market and its increasingly sophisticated players. We would also add that an examination of the figures published in the Ministry of Finance's Estimates of Revenue show a good degree of correspondence between the estimated income and actual receipts from this tax.
- **Differential rates** – Stamp Duty is also charged on the sales of shares, but at a rate which is a tiny fraction of the rate applicable to property sales. Of course, this seems to be discriminating against the property investor but one could also ask whether the rate for equity investors is too low. Given the rises recently experienced in the local equity market, it is



a legitimate question as to whether that market can sustain a higher rate of taxation.

- **Rises in Stamp Duty** – The increases in Stamp Duty shown in the graph are indicative of the steep price increases in the property market. If this is linked to the static income from Land & Building taxes there seems to be a strong case for the revision of those taxes.
- **Evasion** – The high rates of Stamp Duty have spawned a series of avoidance devices manufactured by purchasers and their advisers. These range from inclusion of fixtures and fittings to artificially reduce the sale price of the property to simple miss-statement of the sale price. The most obvious effect of this is a loss of taxation revenue, but a serious secondary effect can be felt in the distortion of the nation's records of property sales. These records are maintained by the Registrar General's Department and they would be the natural starting point for any research to revise tax rates on property or the construction of a house prices index. If the records are wrong, it is impossible to rely on these and there are hard choices to be made. Either we tighten-up on the accuracy of the deeds entering this database – and hence increase the tax income from Stamp Duty – or we revise the basis of taxation. Cecil Quesnel's letter also mentions the effect of these high taxes in terms of cheating and suggests a lower rate to reduce this level of cheating. It is my view that a reduction in the rate will not curb the appetite for cutting corners and 'smartness'.

but it is essential that the database be restored to its prime position as a record of sales.

Closing points on Stamp Duty

We recently heard the pointed criticism of one of our leading businessmen, Mr. Arthur Lok Jack, on the fact that most of our national budget is spent on recurrent expenditure with only a small part devoted to capital investment. We really do need to spend more on capital creation if we are to develop our country's resources. The question is whether this can be afforded with the current taxation regime of breaks and, in the case of property taxes, outdated and under-enforced taxes on a sector brimming with benefits for investors.

Of course, we all have objections to wasteful State spending and those issues must be tackled by the development of realistic performance measures. Recently we had the beginnings of a fruitful debate on the disappointing performance of TTPost during a Senate debate sparked by the Government's attempt to continue the benefits enjoyed by that utility. It is a legitimate concern that increased taxes could end up being wasted, but we have to call for these performance measures to be put in place.

Some of the key points to be made here are –

- **Purposive Taxation** – It is clear from the series that there is little attempt to use property taxes to achieve objectives beyond financing the expenditure of government.
- **Progressive taxation** – The Stamp Duty regime does contain elements of progressive taxation in that more expensive properties are more heavily taxed upon transfer.
- **Dynamic BIR/C&E** – The new 'Revenue Division' would have access to the vast web of services into which just about everybody is tied - TSTT, TTEC, WASA, TTPost, Registrar General's Department and so on. These all keep records which could be used to improve levels of collections. It is interesting to note that in the last week or so there have been advertisements in the press which would indicate that there are moves to revise the State's stance on Tax Evasion and the Land & Building Taxes.

A question of fixed stamp duty

I have been reading with interest the articles by Afra Raymond in the Business Guardian on the subject of property taxes.

A few years ago the Association of Real Estate Agents (AREA) had many discussions and meetings with persons in government on the subject.

One of the suggestions that were discussed at the time was the idea that taxes could temporarily be based strictly on national land values without regard to the development of the land. We recognised that since it was so long ago that properties were last assessed for taxes (Afra Raymond's article says this was in 1978) that the job of reassessing everyone would take 10 years at best.

During the reassessment exercise there would be a great disparity in the rates that people would have to pay. It was felt that the assessing of land values could be done quickly as fairly large areas would have similar values per square foot. It would not be necessary to go into each property to assess its value. The percentage of the land value that would be fixed for tax purposes would depend on the revenue required.

We discussed this idea at the time with the head of the Government Valuation Divisions which department I think is responsible for assessments and he convinced us that the present basis of assessment is the fairest and if given an adequate level of staff (qualified valuers) they would be able to reassess all the nation's properties within a few years. The fact is, however, that this has not occurred and is unlikely in the near future.

AREA's approach was coupled with the suggestion that stamp duties on sale of property be reduced to a fixed rate adequate to cover the administrative costs of effecting such transfers. In principle we did not like the fact that the present stamp duty is a tax on investment per se and inhibits the purchase of "run down" properties by developers for the purpose of improving them for resale at a profit.

We felt that the reassessment of properties could increase the revenue from rates to cover a loss in revenue from a major reduction in stamp duties. We also felt that there was considerable cheating on stamp duties by buyers reporting lower values than the actual sale prices, an abuse that could be stopped by having fixed stamp duty rates rather than rates based on values.

Nothing came of these discussions and suggestions, but since then there has been a change in Government and perhaps it is time to reconsider the whole question of property taxes. Mr. Raymond's articles could help in the process.

CECIL QUESNEL ■

The Author replies

Let me take a little space to tackle the interesting points raised in Cecil Quesnel's letter published in the Business Guardian. Mr. Quesnel mentioned an earlier discussion on the issue of limiting land taxes to the land element of a property. This is a logical measure which should have the effect of penalising landowners who do not develop their properties, since they will pay the same tax as adjoining owners who have built on their land. The intention is to reward development of land by not increasing the taxes due upon development.

Mr. Quesnel's central proposal is that Stamp Duty rates could be reduced to limit the 'cheating' and that Land & Building taxes could then make up the shortfall if they are correspondingly increased to take account of only land values. In order to assess these ideas we would need to understand the operation of the property market and those taxes.

If we take the two extremes of the market the point can be illustrated since the normal family buys a single home and lives there for several decades. The property trader/investor buys and sells many properties in the course of a year and occupies only one or two. The point here is that the average family would only have a single encounter with Stamp Duty – i.e. when buying their home – while Land & Building taxes are a constant if they want to claim the BIR relief on mortgage interest. The property trader/investor has many encounters with Stamp Duty and limited exposure to Land & Building taxes – and that encounter is balanced by the income they receive from the properties they hold in their portfolios. To alter the existing system as Mr. Quesnel suggests would relieve the trader/investor of substantial tax burdens and shift these onto the ordinary household. ■

Taxes only help the rich

I disagree with the column written by Afra Raymond on March 25 for the following reasons:

I have a friend around 65 years whose only source of income is a small rent from his home. If taxes in the order recommended were to be implemented what then should this person do, especially as he does not have any retirement funds which are indexed for inflation.

I have no issue with the wealthy but what about those who are struggling to be a property owner. It is always the poor who pay for the rich. The masses pay for the wealth of the rich. Most people who have bagfuls of money own businesses and have the option to write off much of their expenses and still don't pay as much taxes as individuals. So an increase in land and building taxes may not hurt them as much as an employee.

Recently you wrote an interesting article on the bad impression that people have of businessmen et al. This time we are saying that they are profiting off the loopholes in the system. Whilst I believe in the need for governance I am not at all comfortable with my tax dollars in the hands of money-trigger-happy politicians whose only motive is to ensure they cash in on their efforts that lead them to hold public office (only my opinion). If one can publicly see where our tax dollars or specific taxes go then great!

In response to your earlier e-mail regarding the best time to raise taxes is in a boom, what about when recession comes around, will those raised taxes be reduced?

*Nicholas Dean
Woodbrook*

Addendum

I also take the opportunity to comment on Mr. Cecil Quesnel in the Business Guardian of April 1. I got the distinct feeling that lowering stamp duty and increasing the land and building taxes would favour those in the buying and selling of property and shift the burden to those who hold properties for a longer term. Again this seems to favour the rich and weaken the struggling property owners. ■

Published 15th April, 2005, Trinidad Guardian

8. The Property Bubble

With the other increases in the cost of living, will our wages ever allow us to save a deposit for a home? Will we ever be able to afford our own homes? Do we have to pay rent forever?

Here we move onto the main topic in the minds and mouths of those of us in the property business. The Business Guardian's Editor has called this the property 'bubble' and some of the main questions investors and owners are asking are – For how long can property prices keep rising this way? Are we about to experience a crash? For those outside the circle of property owners, the questions are more pained – With the other increases in the cost of living, will our wages ever allow us to save a deposit for a home? Will we ever be able to afford our own homes? Do we have to pay rent forever?

Let us say right away that it is impossible to answer any of those questions for certain, but we will start to discuss some of the main features of this stage of the property market. One could well ask whether all good things must come to an end. But it is also interesting to consider whether these steep price increases are really a good thing.

These would need to include –

- **What is the market?** – Many of the calls for an explanation of this extremely dynamic market seem to be based on a 'western peninsula perspective', but it has never been the intention of this column to focus so narrowly on such an important market. The property market and the price movements in it affect all of

us in this small country. Either as homeowners and hopeful homeowners or as business people who have to pay rent and people who want to open businesses, we are all 'in the same boat'. If the scarce resources of the construction industry are engaged in building large projects – such as those by UDECOTT, NIPDEC, HCL and our other property developers – there will be increased costs to those undertaking other projects, such as the building of their own homes. These would include the emergence of less competent contractors, the present increases in material costs and the logjam in the approvals process. The same pressures would apply to the scarce resource of land.

- **Central Bank Monetary Policy Report** – The Governor of the Central Bank recently briefed us on the implications of the present high levels of liquidity and depressed interest rates in the shape of property emerging as a preferred investment. The Governor went on to say that the consequent property price increases are limited to a few areas only. Our own view is different, as there seems to be widespread inflation in property prices.
- **National Increases** – As a matter of fact, we do not have the facts available – in terms of either quantity or quality – to really construct any kind of index for house prices. Our own limited attempts in that direction are private but it would seem that property prices have risen by over 30% in the last 2 years or so.
- **Limited areas with no growth** – In making that kind of estimate one also has to note that only a few areas – perhaps 6 or so – have experienced no price increases in the last 2 years.
- **Vendor/Purchaser behaviour** – In this inflationary climate, both sides in transactions are exhibiting behaviour, which is not justifiable by the usual yardstick. Purchasers are paying more than a property is worth, in the belief that today's overpayment can be eclipsed by tomorrow's price increase. Vendors are dominant in this sellers' market so they can 'call their price' and wait for the right purchaser. Both sides are making long-term financial decisions on the basis of future

price increases. So far events have justified this pattern of investment.

- **Supply-side implications** – The people who actually produce the properties are themselves having their behaviour changed by the new environment in terms of the appraisal they make before investing in a project. The project appraisal process would ordinarily involve analysing a proposal in pessimistic and optimistic modes – to establish the best and worst case scenarios. The behaviour of purchasers and vendors outlined above can result in developers embracing the optimistic scenarios as a matter of routine. So far so good, but when we consider the cost increases in the construction sector and other factors, the risk of mistakes is high.

Next we examine some of the factors expected to affect the property market in the medium-term, foreseeable future.

The present market conditions cannot continue forever and the burning question is when will they change? When the inevitable change comes, will there be sudden or gradual reduction in demand? Will prices tumble, like in the last recession, or will there be a gentle touchdown? Are there signs which can help us to answer these questions?

We must consider the general economic outlook to get a sense of the market. Two critical points are that –

- **Property Financing** – The vast majority of purchasers acquire their properties via mortgage financing.
- **Linkages** – As we said last week, our limited size means that all the parts of the market are linked.

The market is presently being fuelled by a mix of high liquidity, low interest rates, some limited economic expansion and a degree of social stability supporting a belief in the prosperous future of our country. What would happen if one or more of these factors changed? How likely is such a change?

Some of the upcoming events in the next 3 to 5 years which would affect the general economic outlook are –

- **FTAA** – We have all heard of the supposed date for implementation of FTAA here – 1st January 2005. Of course, we also know that T&T is trying to get the FTAA headquartered in POS. There is very limited understanding of what those developments will mean for our business community. There is more discussion now and some speculation as to the impact on our present prosperity. Most pointed of all was Vashti Guyadeen's article on behalf of the IOB – in the Business Guardian of April 8th 2004. Under her evocative title 'Down to crunch time', she outlined IOB research that a majority of our business leaders believe that FTAA will be implemented on time and that they are not ready to manage that change. Most importantly, almost 75% of those interviewed felt that FTAA would negatively impact the manufacturing sector. The last time our manufacturing sector was 'negatively impacted' the ripples were widely felt.
- **Energy Revenues** – On the other side of the balance sheet, we are all constantly reminded of the vast flow of revenues to come from the monetisation of our gas reserves – Trains 4 to 7 and so on. The best estimates are that these revenues will peak in 2008. Given our established pattern of public spending with almost all being recurrent and limited capital formation – recently remarked upon by Mr. Lok Jack – how much manoeuvring room does the government have when our major source of revenues tapers off? UWI's Dr. Dan Mahabir recently commented on the lack of fiscal flexibility and those perils of inflexibility is something we will return to.
- **Government Housing Programme** – We also have an ambitious low cost housing program which seems to be achieving some early success. What will be the impact of the promised increase in the national housing supply? We believe that if the program met its targets we would see a slowdown in the rate at which house prices have been increasing.
- **Social Stability** – The only way we will continue to benefit from the general level of prosperity is if there is social stability. The expected increases in national income mentioned above

will be no use if a large number of our citizens do not share in that wealth. Latest estimates are that 30% of our people lived under the poverty line. Does that matter? If not, why not? Do we have plans to address this? We have an opportunity now, in terms of those rising national incomes, to take the necessary steps. We have mentioned before that good housing is an essential ingredient in quality living; does our national housing programme provide for those most in need? If not, why not? We recently had painful scenes of squatters' homes being demolished; does anyone really believe that that issue will just go away?

- **Balance and inflexibility** – The present market is made up of a significant number of new entrants who have recently bought property for development and sale or rental. These new players have a higher level of borrowings and limited equity in their projects, with consequent inflexibility in terms of the scope for absorbing price reductions. Generally speaking, longer-term players need to borrow less since they acquired their properties when prices were lower. These players can more easily adjust their prices or rents to accommodate any reduction in market value. Last week we made some observations about the way in which the conventional development appraisal process had become distorted by the market in which everyone seems to be taking an optimistic view. It is virtually the norm to expect that prices will keep rising rapidly. Consequently, even a slowdown in price increases will have an inordinate impact on the viability of these new property investments. Coupled with the present increases in construction costs, this market would appear to have a limited capacity to adjust prices.
- **Caroni Lands** – We have all heard of the fact that Caroni's surplus lands are to become available at some point in the near future. These are vast tracts of land and there is no clear picture to the public as to when, how much of and where these lands will be released. If the supply of developable land is increased, it is also reasonable to expect a reduction in the rate of property price increases.

9. Caroni Lands

Our nation's interest demands that we recognise that the Caroni lands are too big, too important and too valuable to be the preserve of any single group or political party. There is apparently a consensus within the political directorate (both parties) that foreign investors are a vital ingredient for national development.

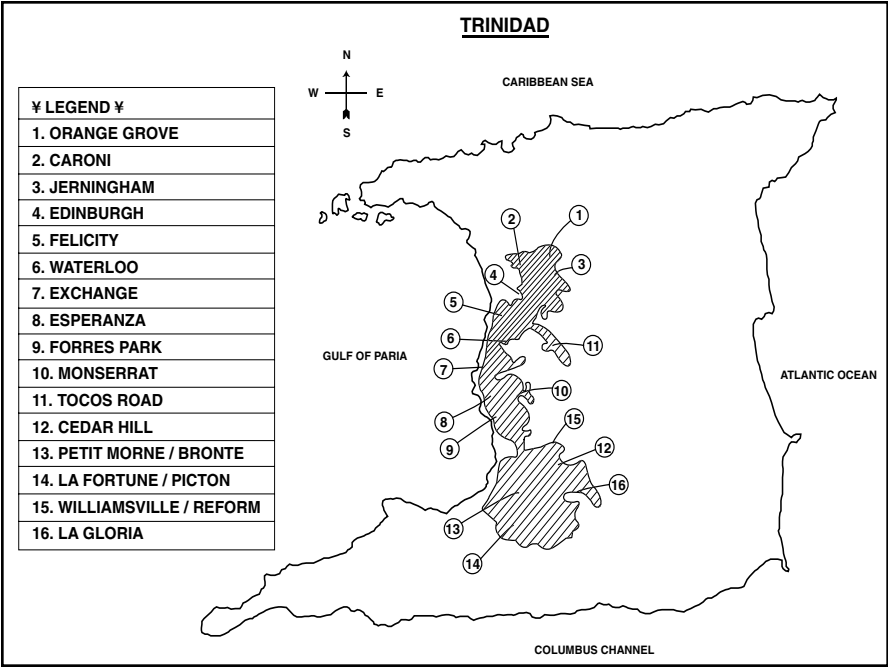
Caroni (1975) Ltd. was closed down by the government on 1st August 2003; Emancipation Day. The loss-making State enterprise was closed amidst much comment and concern as to the future of the workers, their communities and of course, the land.

Despite the range of expressed concerns and long-term national issues arising from this action, there has been no strategic statement from the government on the future of these lands. There have been many reports and reviews of Caroni's operations. Much public discussion of its failings and naturally, most of these have been tinged with politics. That is no bad thing. Our question now has to be, is there a plan for Caroni's lands?

While we are not focussed on the workers and community situation, we cannot consider the elements separately. The people have a right to expect proper consultation in the use of this land; indeed, it is impossible to have any real development without the input and commitment of stakeholders.

The present position can be outlined as follows –

- **Where are the lands** - When we talk about the Caroni lands, what do we mean? We have put in a map showing the areas in which these lands are located so as to give some idea of the locations. The areas in Caroni's ownership stretches from Orange Grove (near Trincity) in the north to Princes Town in



the South; these include property at Mayaro and ‘down the islands’.

- **How much land is there?** - The Caroni ‘estate’ comprises over 75,000 acres and while some of this has been kept in sugar cultivation, there is still a vast area which is to be released for other uses.
- **Caroni’s land within the national land bank** - There is research which suggests that only 9% of our country’s land area is available for development. These estimates were done by excluding heavily-forested or swampy land and those areas reserved for agriculture. The 9% includes the developed areas we now live in. The Caroni lands make up just under 6% of T&T’s entire land area. Although part of the surplus Caroni lands will no doubt be reserved for agriculture, it is clear that the release of these lands has the potential to have a deep and long-lasting effect on the national real estate market to begin with and much more to follow.

- **The Plan** – I have just visited the Ministry of Agriculture’s website and there is no indication of the thinking behind the future of the surplus lands. While it is clear that the sugar-growing business was losing huge amounts of money every year, we would not like to think that there is no plan for the use of these lands.
- **Party politics** – The present political situation is itself a very important part of any such discussion. Apart from the egos of the parties involved and the obvious factors of racial voting patterns with the knife-edge victory of the PNM – less than 3,000 votes separated the parties – there is a greater danger. We are all aware of the terrible fate which is said to await ‘a people without a vision’. The point here is that we might become consumed in a series of timewasting and petty arguments which could blind us to the enormous opportunities for national and regional development which this unique moment offers. Sad to say, but all the ingredients for confusion are present. Can we rise to the occasion?

Our nation’s interest demands that we recognise that the Caroni lands are too big, too important and too valuable to be the preserve of any single group or political party. There is apparently a consensus within the political directorate (both parties) that foreign investors are a vital ingredient for national development. Whatever your view of that position, it goes to show that consensus is achievable. Can our rulers find it within themselves to reach a consensus on this critical series of issues? The national interest and our future generations demand no less.

Redistribution Policy

What are the various considerations which would come into play in devising a policy for the redistribution of Caroni’s lands?

We need to locate this entire series of questions in the context of land redistribution. The Caroni discussion is about the government having the responsibility to divide these valuable assets – belonging to all of us, including generations to come – in our nation’s best interest.

Land plays a central role in building and holding wealth. Virtually

every local success story has a chapter or two on the important part property played in that ascension. Some of the stories are all about property— chapter and verse.

Insofar as we are discussing property here, this is a pregnant moment. The December 1986 elections seem to have started the present phase of single-term governments but these are issues in need of long-term planning.

Key decisions

Role of land redistribution

The real issue here would be the policy of the government in terms of wealth distribution. The release of this surplus land could be seen as an opportunity to redress some of the pressing problems flowing from our unequal access to land and living space.

The present publicity given to the squatters' issues is only the tip of the iceberg and the disturbing images will not go away unless the fundamental issues are dealt with.

The choices here could be contrasted between the distribution of land to our economically successful citizens in the hope that lasting employment might be created or the allocation of land to those who are without, so that the housing shortage might be eased. Both of these processes would need to be managed to avoid the pitfalls of the past.

Timing of land release

The point was made earlier that the Caroni land belongs to all of us—including the generations to come—so the successful

management of this large-scale and unique land distribution would need to include some substantial reservations of land for future needs.

Claims of former Caroni workers

In the last week we saw that



former Caroni workers have taken their claims for land allocations to the High Court with respect to promises made by the political directorate at the time of the company's closure.

Of course, we will be closely observing the case and judgment, but even if the workers' claims to land allocations are upheld there will be other critical aspects of that policy to decide.

Is it good public policy to give away valuable assets? I am not saying that that could not be the case if there were strategic national interests to be served.

If the land is to be allocated on favourable terms—i.e. at less than market value—then that has to be in accordance with some national target or goal such as food production or long-term employment.

If that is to be the allocation policy for these lands then we need to ensure that there are effective safeguards.

We are against the allocation of these lands for some stated policy only to find it resold or developed without regard to the purpose stated in the original grant. (See clawback clauses).

FTAA

There are further medium-term possibilities here. If we enter the FTAA without detailed discussion or negotiation, would our ability to allocate these lands be restricted?

Put another way, even if there is a High Court victory for the former Caroni workers, will our FTAA obligations allow us to favourably redistribute these lands? Might such a programme not be seen as unduly favouring local producers?

One size fits all

Another area for concern is that the land allocations should take place within a flexible series of arrangements to cater for the correct values of these valuable lands.

There has been an unfortunate pattern here of some critical areas of land allocation falling into a one-size-fits-all trap. A good example of that is that there are valuable lands in the city



of Port-of-Spain which are currently being leased at fixed rates per sq ft. with no regard being had to location or value. One has to say that PLIPDECO and CDA are public bodies with dynamic land management policies for their valuable properties. We would hope that Caroni's lands come under such proactive and beneficial management.

Next, we will be examining the various proposals for the uses of this land. We now consider the proposals for its future. The principal document to which we have referred is the UWI position paper issued in July 2003 called 'A Framework for National Development: Caroni Transformation Process'. As we said, it is unclear what is the government's policy on the use of these lands. The principal concern stated by government was to avoid the consistently high levels of subsidy required to keep the loss-making sugar industry going. The potential of the land to spur national or regional developments has not been publicly addressed and, given our political schisms, the silence on this will naturally feed a sense of insecurity on the issue.

The UWI report was prepared in collaboration between a variety of academics and external parties – including the then Minister of Agriculture, John Rahael, the President of the sugar workers' union and the head of the company set up to administer these lands, the Estate Management and Business Development Company (EMBD), Utharo Rao. The most refreshing thing is that there is a determined effort to look beyond the immediate concerns of the players and see the future of these lands as a broad development issue.

Some of the key issues raised in the report are –

- **Heterogeneity** – This is the bold step of acknowledging our national diversity – in people, flora, fauna and land types – as national assets to be exploited for the peoples' benefit.
- **Democratic involvement** – That the development of these lands cannot be the sole preserve of any government.
- **Long-term planning** – The recognition that the use of this land must take into account the needs of the generations yet to come.
- **Development funding** – A progressive system is suggested for the selective use of lands to allow a great degree of autonomous funding for long-term development.
- **National Planning** – The National Physical Development Plan is seen as being vital to proper control of these lands.
- **New development options** – A fertile variety of these are discussed in areas like livestock, new types of housing settlements, national parks and tourism, nutrition and food security.

Our main concerns on this issue are that –

- **Policy Formation** – Our policy on these lands must be formed in the most open and non-partisan manner possible. The old formulas will not do since this issue has the potential to either be a source of new national development possibilities or generations of confusion and chaos. The choice is ours.
- **Policy Monitoring** – Whatever series of policies we develop must be transparent. We must be committed to constant monitoring of those policies. In today's world of information management, we must improve our performance in this area. In earlier research we were able to establish the levels of spending on housing over the last decade, but unable to get any idea as to the number of units built. We need to improve the transparency of our public administration if we are to avoid

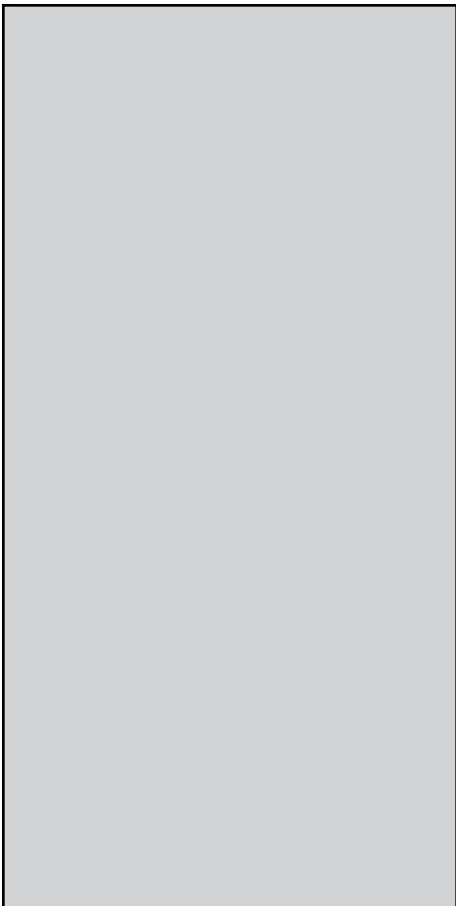
yet more confusion.

■ **Non-partisan Administration** – Whatever the structures we put into place, they cannot be partisan or all-powerful. We need to safeguard against the twin dangers of blind loyalty, usually associated with political appointees, and the possible corruption of permanent appointees. The operations need to be guided by policy and transparent, the managers of the process need to be capable of recall if their performance is found wanting.

■ **Cross-party and creative management** – There must be a bias against releasing these lands on the basis that ‘anyone can apply’ since this would give precedence to those with deeper pockets. We must recognise that this is no guarantee of equitable or better quality development. In view of the long-term potentials and challenges posed by Caroni lands, the price-based approach cannot deliver the required results.

Pricing policy – On the question of price, we need to ensure that if lands are sold or leased they are properly priced. Let us be clear here. Some users will need to be given land on concessionary terms and those users should be obliged to use the lands for the intended purposes. Others will be sold land on competitive terms and these purchasers would also need to be monitored to ensure compliance with the agreed plans for the area. We can all remember the situation in Signal Hill at Tobago a few years ago when State lands were to be sold for residential use. There were calls for reduced prices for a variety of reasons; the lands were eventually sold at less than open market value. The size and quality of the houses in Signal Hill would imply that the owners are not needy people; this episode ought to be a warning as to the dangers of improper pricing.

10. Joint Venture Concerns/Roystonia Investigation or Another Distraction?



We now take a necessary look at some of the issues arising from the furore over the Roystonia Development in Couva North.

The main events are summarised in the sidebar as background to this article. We do not intend to pronounce on the legal and political issues. Leave those to our learned friends and political pundits.

It is our view that the scope of the discussion thus far underlines our limitations when having public policy disputes. Once again, we seem to be drawn to the question of the legality of the contract and so on. It all seems a little distracting.

The issues of investment policy, risk and returns are receiving scant attention. We will only make progress if these are constructively

and openly addressed. We will be making a start here.

It is our view that the legal issues are subsidiary to the fundamentals of any deal. Business-people make deals and these are sometimes passed to lawyers for recording in contracts or deeds. As interesting as the legal issues are, they merely outline the underlying ethos of any arrangement.

We need to outline a series of measures with which we can assess agreements of this type and the key questions would be –

- **Risk** – The investment policy of a properly run company would include guidelines as to the risk levels and the respective proportions of various investments. The approaches can be illustrated as being either low-risk with relatively modest returns or greater-risk with the possibility of greater returns. The correct management of risk and return is critical to successful investment.

Of course the State has a role in providing support in those areas which would not receive the desired levels from the free market. Some examples would include the School Feeding program, Public Health programs, PTSC's rural bus system and so on. Point being that it is acceptable for taxpayers' money to be invested if some critical need is being fulfilled. The public supports these expenditures since they add to the common good.

The NHA seems to have made a significant initial outlay and there now seems to be an issue of the profits from the development being quite limited. The NHA seems to have made a risky investment here. What private landowner would enter such a scheme? What was the return to the public? How much of our government's housing budget was consumed by the initial investment in this project? Earlier research for this column show a government expenditure on housing in 1996 of \$65M and we have heard the figure of \$41M as the NHA investment in infrastructure for this project. Was it policy to allocate funds in this manner? Was there adequate oversight into construction costs?

- **Resource Allocation** – The essence of public policy formation

and administration revolves around the allocation of scarce resources to achieve objectives. These scarce resources would include land, money (via cash or tax breaks) or time; the desired outputs could be better health, transportation or education services.

In this situation, a significant parcel of publicly-owned land was developed; of course, there are differences over the land area and its ownership. In addition, there seems to have been a substantial investment of taxpayers' money into infrastructure for the development. Despite the emerging dispute, it seems that there is some agreement on those broad facts.

The curious taxpayer is entitled to ask certain questions – How did this deal satisfy the NHA's objectives? How many of the purchasers came off the NHA's waiting list?

- **Developer's profit** – We have seen full-page advertisements from the developers setting out their side of the story and amongst the interesting details is the low return of '...less than 7% ...' on their considerable investment.

Given that they too were investing money – they claim to have invested 50% more than the NHA – and therefore putting funds at risk, we are bound to also consider their investment policy. Secure investments, such as fixed deposits, during the relevant period offered returns in the 7% range. One can only wonder – what would have recommended this scheme to such experienced construction professionals? If their initial performance targets were not satisfied by the sub-7% returns, why keep on? As the Minister has pointed out, the developers may have been able to close the company to better invest their funds. Could we be dealing with businessmen who are 'giving something back'?

Whatever the impression given as to the affordability of the Roystonia houses, it is clear that they are priced at market value.

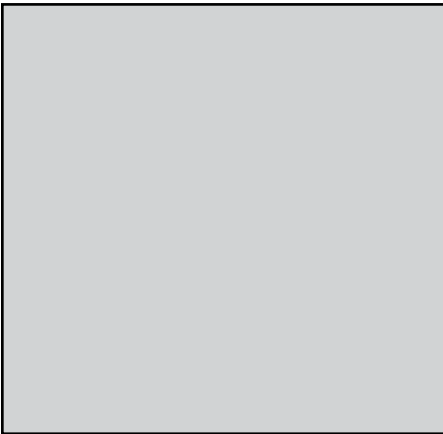
Of course, the NHA's role as investors in housing requires consideration of their investment guidelines. If scarce resources are to be allocated into housing projects, surely it is reasonable to

expect these projects to satisfy some policy objective. If the funds are invested in a relatively risky scheme, it is entirely reasonable to expect some urgent need to be satisfied. That is good public policy.

We need to move beyond the identity of the parties. The NHA Board, the Ministers in question and the Directors of this construction company are all side issues. Did the NHA have any such guidelines? If so, were these followed? If not, why not? Do we intend to put any into place? How do we know that investments of this type are not now being made by the various public bodies in the present large-scale housing program?

When we can shift focus to policy formation and delivery we can start to make some progress.

It would be a pity to miss this opportunity to clarify and improve national housing policies. What was the rationale behind the Roystonia contract? Is that an effective rationale for delivery of low-income housing? How heavily does it consume taxpayers' dollars? Are there better methods available to us?



Of course, there have been accusations that the Housing Minister's calls for investigations into this matter have been nothing less than a series of distractions. We can all remember episodes in which our politicians have tried to distract us from one embarrassment or another. It would be too easy to assume that this is the case here. The critical

importance of housing to the national well-being, the size of the identified housing needs and the scarcity of the critical resources all mean that this is far too important a matter for that easy assumption. How can we evaluate these accusations?

To properly decide on that question, there are some answers we need –

- **Tendering** – I have read both NHA and Hanover statements on this matter with conflicting claims of no tendering and competitive tendering respectively. Which is true?

It is possible to use resources to produce quality houses without competitive tendering. Building contracts can be settled by negotiated tender with contractors, but these would need to be monitored by reference to cost and quality norms to ensure value for money and standards of quality.

Of course, our norm is for public works to be tendered – the reason behind the establishment of the Central Tenders' Board – but that has been changing over the last few years. If there are good reasons for the changing of that system, we need to learn these publicly and have the appropriate cost and quality measures agreed by the respective bodies – NHA, UDECOTT, NIPDEC, JCC, Hardware dealers etc. Does the present housing program use the competitive tendering system or have we diverged from these? Again, for the sake of clarity, there is nothing wrong with trying something new once the necessary safeguards are in place.

- **Risk allocation** – One of the more serious criticisms of the Roystonia scheme is that the contract seems to have allowed rises in construction costs to be passed onto the NHA. Do the present wave of contracts restrict that risk to the building contractors?

The entire rationale behind using the private sector for public provision is their greater efficiency at a number of things, including the critical area of risk. If Joint Venture agreements between the public and private sectors do not allocate risk to the latter, the role and utility of these is questionable, to say the least. Once again, we can support changes to this, but only if the risks retained by the public are matched by corresponding benefits

- **Cost of building** – We recently heard the Minister of Housing voice his serious concerns over the rising prices of building materials and the adverse impact this was likely to have on the thrust to build affordable housing. Appropriate procurement

methods and the associated allocation of risk are critical for the attainment of the government's ambitious targets. There ought to be significant savings in any volume building program. We need to learn to what extent the Roystonia homes were more or less expensive than the prevailing norms for houses of that size and standard. How does the output from the present housing program compare? Has our performance improved? Are we getting value for money? If not, why not? What can we do to improve that performance?

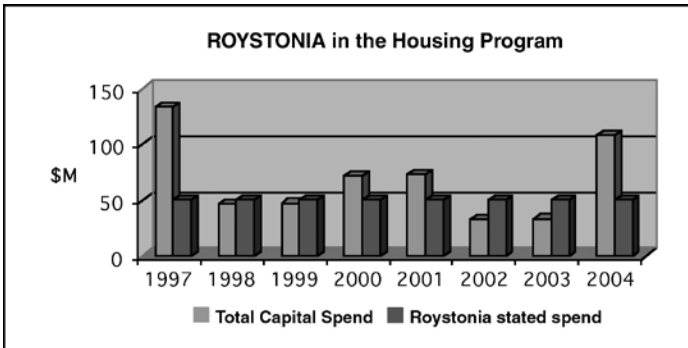
- **Monthly payments** – We read reports of NHA statements that monthly payments exceeding \$4M were being made to the Roystonia contractors. These are large sums of money and moreso when we consider that it is almost the whole of the capital expenditure on housing. This table compares the actual capital expenditure on housing (obtained from the Ministry of Finance publication 'Estimates of Expenditure') with the recent Roystonia figures as reportedly stated by the NHA.

The comparison is striking since in several of the years the stated expenditure for this single project seems to exceed the reported totals. There are several possible explanations and these are set out here, in no particular order –

- The \$4M figure of monthly expenditure is incorrect;
- Incorrect figures have been mistakenly published by the newspapers;
- The Estimates are incorrect;
- The entire project is, for some reason, not meant to be shown in the Estimates.

The questions are fertile and others occur; how could one scheme, even if it were not part of the officially reported expenditure, consume so many resources? One could also ask why what is obviously the NHA's biggest scheme is only now receiving attention.

The directors of Hanover Construction have made their protests of innocence and we need to guard against creating an atmosphere which discourages private sector participation in national development. We are already very close to that point. We need to clear the air and be constructive if we are to develop.



We have to learn from our experiences if we want to do better. It is an essential part of growing up. Do we want to do better?

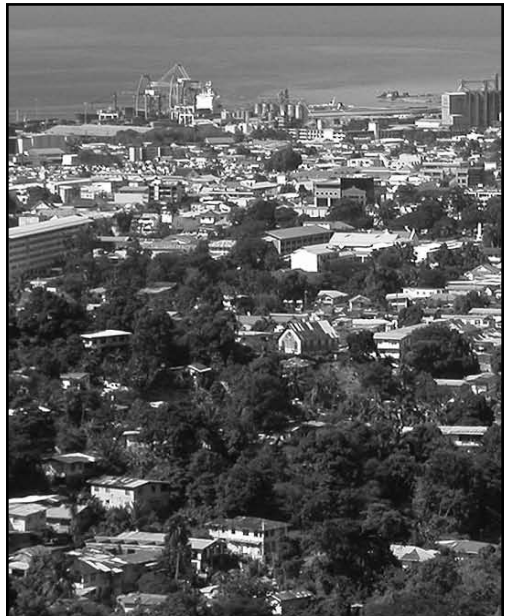
11. Port-of-Spain



Our capital city is the subject of this chapter. We intend to look at the health and future of Port-of-Spain.

We will start by looking at our capital as it is – in all its beauty and ugly parts.

We will outline some of the pressing issues which have arisen recently – the commercialisation of Woodbrook, the fact that PoS is “dead” at nights and the lack of development in the



city “proper.” Finally, we will be examining the various proposals for the development of PoS.

We can start right off by saying that the capital of a country usually gives one of the first impressions to visitors. We can of course understand why most countries take great care to see that their capitals are built and maintained so as to give the very best impression. Can we really say that this is true of our capital?

The essential facts on PoS are set out in the sidebar and we see the extent to which the population has fallen. Most people, when asked, guess the population of PoS to be 250,000 and, of course, they express disbelief when told that it is in fact less than 50,000. In how many of the world’s capital cities is there a falling population?

At every human level of understanding the city is unwell. It is just about impossible to walk 100 paces in any direction without being assailed by some revolting smell or shocking sight.

The “roadside toilets” and homeless citizens are everywhere. This impacts on citizens’ quality of life, both of the homeless and the



people who step over another person to just get to work.

Put it another way the city is unappealing and, consequently, only those who have to will go there. This is a most serious state of affairs for our country given our ambitions.

It would be untrue to claim that the picture is entirely bad for Port-of-Spain and some of the main factors are:

Drift to north, west

The response to the decline in the quality of existence in the city has been as striking as it is understandable. Smelly streets, widespread vagrancy, high crime levels, constant and heavy traffic and inadequate parking are just a few of the problems. Those who do not depend on passing trade have opted out of the original commercial centre of the city. The new preferred locations are St. Clair, the fringes of the Queen's Park Savannah, Woodbrook, Newtown and, to a lesser extent, St. James.

Public facilities

The development of the Brian Lara Promenade and City Gate about a decade ago made tremendous improvements to the city.

These were State-funded initiatives which created what economists call public goods. These developments make the point that public goods have a key role to play in development and also that change is possible if the vision is there.

We must also take the opportunity to say that the maintenance of the constantly-used promenade by the Promenade Management Association is really commendable.

I can remember being there on Carnival Tuesday and seeing rubbish bins being cleaned and loose rubbish being picked up. It is popular sport to criticise governments, but even some of our leading private companies could learn real lessons from this public-private partnership on how to manage their malls and gas stations.

Eating and drinking

The decline mentioned above is signalled by the lack of good quality bars or restaurants in the core of the city. The area south of Gordon Street (which runs along the south side of the State Prison on Frederick Street) and east of Lapeyrouse Cemetery is devoid of these establishments. The only possible exception is the newly-opened Laughing Buddha restaurant on Frederick Street.

Culture

One of the fundamental facets of our people is the deep love of culture even if we are sometimes reluctant to pay for it. The city of PoS needs to get a grip on this element if we are not to lose our most vulnerable and beautiful elements to the cause of development.

Of course, I am here referring to the “Disappearing Panyards” lamented by David Rudder in song in his 1996 classic. Pandemonium on Jerningham Avenue, Starlift and Phase II are only some of the bands that have either lost their homes or are in danger of being marginalised.

Our plans for development must have culture at a position of priority. The growing success of the We Beat festival in St. James gives an idea of what is possible from small beginnings.

One Woodbrook Place

This new development by the CLICO subsidiary, HCL, is an ambitious plan to redevelop the city’s largest single block of land.

On a 10-acre site situated behind Roxy, HCL plans to build over 400 new homes, offices and commercial space in a scheme which will, in their words, embody “The New Urbanism”. The city needs comprehensive redevelopment if we are to realise our potential.

World-class city

Port-of-Spain now hosts several important organisations including the headquarters of the Association of Caribbean States, the Caribbean Epidemiology Centre, the Caribbean Single Market and Economy, the Caribbean Court of Justice and the regional offices of the Inter-American Development Bank.

We hear constantly of the move towards Vision 2020 with the natural push for more of these prestigious organisations to make PoS their home. For instance, we are right now involved in a campaign to have the FTAA headquarters located here.

It is true that we have so far been successful in winning the right to host our present cohort of headquarters, but key challenges now lie ahead.

It is clear that once again money is no problem. But firstly, do we have the will and vision to halt our capital's decline so as not to lose any of the present cohort? Secondly, can we make the necessary improvements to transform PoS into a real contender for the FTAA headquarters?

Now there can be a variety of responses to these points—that the centre of gravity has shifted away from downtown and that uptown is now the place to be: that the capital is extremely vibrant with ongoing development and rising land prices to prove that point and finally, that the capital's boundaries are historic and too closely drawn, with the “true” boundaries extending far to the east, west and north of the present ones.

We will now look more closely at these trends, in particular the shift by commercial users to the western and northern fringes of the capital. These are fundamental, long-term changes which will have implications for the shape and flavour of POS.

We have listed the main commercial users in western and northern fringes of POS and the list is even more striking when one considers that there are at least 6 large-scale commercial schemes in the late planning/early construction stages in those parts of the city. The trend outlined in the sidebar seems likely to deepen with completion and occupation of these schemes.

Even ignoring the human factors, there are significant obstacles to the redevelopment of downtown POS. Some of these include the difficult pattern into which most of the city's land is divided and the stringent carparking requirements the town planners attach to all but retail developments. Of course the two sets of concerns mesh in that even if one is able to put up a first-class office in the traditional core of POS, there is the understandable

reluctance of office users to make that choice, given the more attractive environment now offered by the fringes.

One of the key points in understanding the changes we are discussing is that a large part of the areas to which most of the commercial activity has been directed are in fact owned by the state with the occupiers of those lands being leaseholders. The areas in question are –

- Woodbrook – with leases granted by the POS Corporation.
- St. Clair – with leases granted by the State.
- ‘Corbeau Town’ or ‘Lower’ Woodbrook – with leases granted by the State.

These lands are the majority of the land in the ‘target areas’, with only the relatively small Newtown and Tranquility Estates being freehold in the western fringe of POS. Most of these leases restrict use to single-family residential and that this gives the landlord the ability to control the character and pace of development outside of the town-planning framework. In this situation, the landlord is not usually obliged to agree to a change of use and that bargaining power is used to change the terms of the lease in favour of the landlord in cases where a more beneficial use is being applied for. The landlord can seek payment for their permission to change use by increasing the rent, payment of a lump-sum payment or some combination of those.

As we discussed previously, there are challenging issues in both the funding of local services and the management of POS. How can the growing pressure on these limited resources be managed to ensure the best long-term benefits for our capital?

The consideration of this issue would have to include these points –

- **The benefits of leasehold schemes** – A leasehold scheme is the model used to sell land in an integrated development scheme and the selling point is that there will be some order in the use of the properties in that scheme. For example, there can be restrictions on use: opening hours: quality, height and numbers of buildings and so on. Purchasers of these leases

sign up with knowledge of the restrictions with the assurance that these will preserve the value of their investment. There is a strong feeling here amongst purchasers of leaseholds that they have 'bought the property' and can do as they please, whatever the lease specifies. I have to say that this is sometimes a selective sentiment since one can find the same people determined to both maintain the character of their own upscale leasehold neighbourhoods and ignore the restrictions in leases in the 'target' commercial suburbs of POS. There can be no doubt that the establishment and proper management of a strong leasehold scheme can operate to preserve values by maintaining the intended character of a neighbourhood. Some of the examples of this in 'greater' POS would include Westmoorings, Fairways, St. Clair (north of St. Clair Avenue) and of course, Woodbrook, before the current pressure developed to its present point.

- **Woodbrook concerns** – I listened with great interest to the Power 102FM program on 16th June 2004, which was a live broadcast of a 'Town meeting' of Woodbrook residents with their MP, the Mayor and the Director of Town Planning. The hard impact of the rapid commercialisation of this suburb was in every voice I heard. The complaints were deep and heartfelt. People felt that their neighbourhood was under assault; they were unable to get into their driveways, there were constant parking problems in the area, prices had skyrocketed with only commercial users being able or willing to buy and so on. The biggest questions were 'what are the authorities doing?'.
- **Democratic Deficit** – The seminal point emerging from that tense meeting was the sense of powerlessness these residents felt in controlling the way in which their community was being reshaped around them. When we consider the falling population of POS and the strength of the business lobby, it is not surprising to note the diminishing influence of the residents. Can we build a world-class city if stakeholders feel that their legitimate concerns are sidelined? Proper public policy would give a voice to all the stakeholders.
- **'One size fits all'** – As mentioned in an earlier column, the application of this kind of policy can lead to serious losses to the public purse. For example, in Woodbrook, the City

Corporation's policy is to charge annual residential rents of about 33¢ a square foot for new leases to residential users. The rate for commercial users is \$1.00 per square foot. This policy has the undoubted benefit of certainty, since all the players know the cost of their choices, but there can be serious losses to the public purse if possible benefits are lost. The practical application of this means that a highly-visible corner lot on Wrightson Road or Ariapita Avenue is charged the same rent as one on Roberts Street or a side-street. It is acceptable that the City Corporation would allow limited commercial use on their lands, but it is arguably a mismanagement of those public resources to allow these benefits to escape as a matter of policy. No prudent property owner would rent shops in a mall at the same rents, there are different prices for corner spots, units with external visibility and so on. And rightly so.

- **The Kingston outcome** – The issues raised here are pointing towards a divided POS in the near future, with the downtown being a stark, unappealing place and the west of the city being the trendy suburb. There is a real possibility of our capital becoming like Kingston, with the necessity to invest hugely to recapture the downtown area as an attractive destination. We still have time to avoid the possibility of the heart of our capital becoming 'ghettoised'.

We will conclude by examining the broader proposals for the development of POS.

The map sets out the new commercial developments on the fringes of the downtown area and the ones now under construction or in the late planning stages. It is clear that the downtown area has

Major new commercial users in the West and North of POS

- 2004

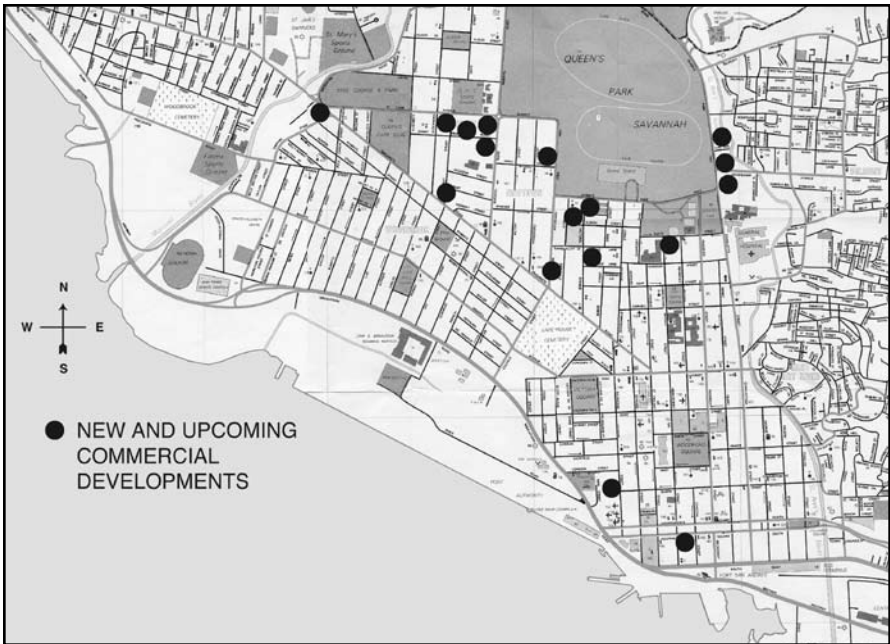
- *BPTT HQ at Queen's Park West*
- *British Gas HQ at St. Clair Avenue*
- *EOG at Sweet Briar Road, St. Clair*
- *PriceWaterhouseCoopers at Victoria Avenue*
- *Caribbean Single Market and Economy HQ at Victoria Avenue*
- *Ernst & Young at Sweet Briar Road, St. Clair*
- *LEX Caribbean (formerly de Nobriga Inniss) at Sweet Briar Road, St. Clair*
- *FCB's new HQ at Queen's Park East*
- *Citibank at Queen's Park East*
- *SAGICOR at Queen's Park West*
- *Guardian Life HQ at Westmoorings*
- *Chamber of Commerce HQ at Westmoorings*
- *Gulf Insurance HQ at Tragarete Road*
- *Inter-American Development Bank's new regional HQ at St. Clair Avenue*
- *UNESCO offices at Wainwright Street, St. Clair*
- *BHP-Billiton HQ behind Movietowne on the Audrey Jeffers Highway*

Some of the major new commercial developments on the city fringes are –

- *One Woodbrook Place at Roxy Roundabout*
- *Ministry of Public Administration and Information at Alexandra Street, St. Clair*
- *Ministry of Health at Queen's Park East*
- *Bretton Hall office development at Victoria Avenue*

lost its appeal and that the 'centre of gravity' of the city has indeed shifted away from its traditional core. Of course, the dispersed pattern of the new developments would seem to challenge the very idea that our capital city even has a single such centre any more.

The growing wealth of the business class, the present low interest rates and the consequent attractiveness of property investment have all acted to spur the wave of investment we are witnessing. How will these trends impact on the quality of life in our capital



city?

The answer to this question would emerge from these points –

- **Traffic** – The main feature of POS, for those who have to live and work there, is the constant and growing level of traffic, together with the difficulty in finding safe, affordable parking. The latest study by UDECOTT estimates that up to 500,000 people travel into and out of the city every working day. There have been no new roads since the construction of the Audrey Jeffers Highway (the 'Foreshore') about 20 years ago and one wonders how much worse can the traffic get? The queues from the west, east and Maraval show no sign of decreasing. Ironically, many of the new businesses in the fringes of the city moved there to escape the heavy traffic and parking problems of downtown and these are now becoming serious issues in the new locations, due to inadequate planning. Given the number and scale of the upcoming developments, what can we do to limit the predictable impact of traffic in the future? There have been long-standing proposals for the introduction of parking meters in downtown POS; will such a

scheme have the desired effect of reducing private car traffic into the city? How will the growing traffic issue in the fringes be handled?

- **Waterfront spaces** – We are unique amongst waterfront/port cities in having no attractive, public spaces where this amenity can be enjoyed. The only 2 public waterfront spaces in the city are very limited; the smelly waters near the lighthouse at ‘Katanga’ and the parking area on the said Foreshore. There is not the slightest public facility, except the benches at ‘Katanga’. The waterfront areas at Cocorite and Westmoorings, west of the city, have been utilised by private landowners. No public access. Are there any proposals for the creation of these kinds of amenities? Will we learn from the errors of the past and begin to trade reclamation rights for public access rights in the future? The proposals for the redevelopment of the King’s Wharf area in San Fernando would seem to be an opportunity to try that approach.

- **UDECOTT’s proposals** – For some time now there has been a series of proposals for the redevelopment of the POS waterfront into an office/commercial complex. We have heard of the new Customs & Excise/Board of Inland Revenue building and the ACS HQ to be located at the Richmond Street site. The state seems to be making a concerted effort to revitalise the fading downtown area with new offices. The UTC headquarters are a tangible sign of that effort, but what are we to make of the new FCB HQ and the proposed Ministry of Health building, both at Queen’s Park East? The waterfront proposals would have been significantly boosted by the delay of these uptown schemes until suitable sites were available in the target area. To return to the concerns raised above, it is hoped that the new, ambitious waterfront proposals have public access as a centrepiece.

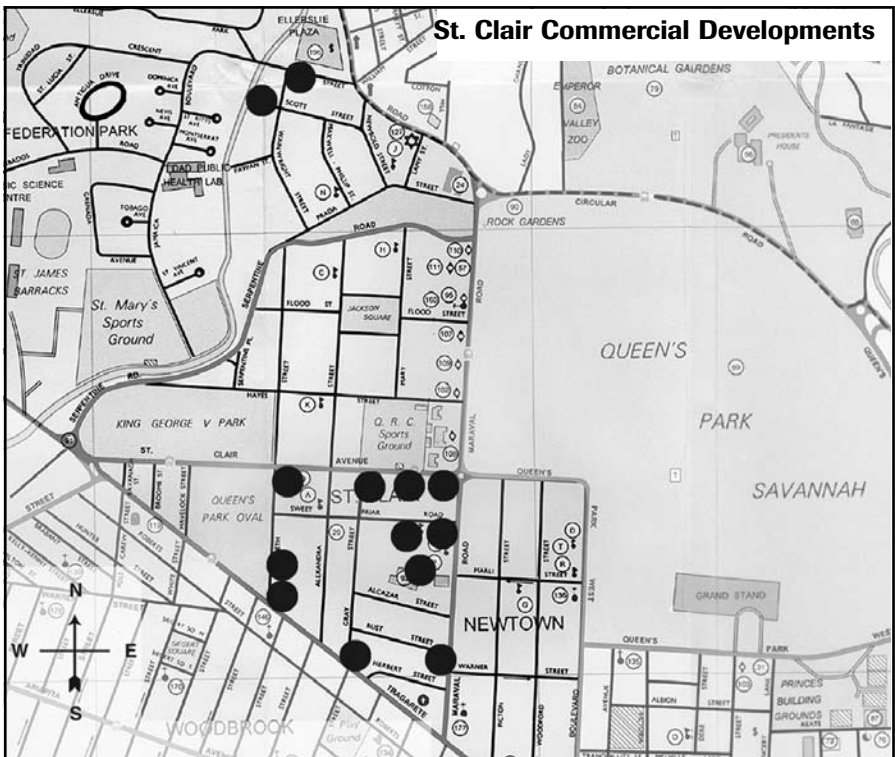
- **Public participation** – As we mentioned last week, the frustration of the Woodbrook residents at their powerlessness is a sign of the need for stakeholder participation in the city’s development. Whatever the future of the city and the scale of the ambitions being played out, it will all be for naught if we do not have proper sight of the proposals and opportunity to

shape these.

We will now examine St. Clair more closely, since very important changes are taking place in this long-established district of our capital.

St. Clair is the large upper-income residential district in the western part of Port-of-Spain. As shown by the map, its eastern edge is Maraval Road and its western extreme being the Harvard's corner on Roxy Roundabout.

The district was established in the late 1800s as a first-class residential district, but this is now changing with the incursion of the commercial users mentioned in the chapter on POS. St. Clair Avenue, which connects the Roxy Roundabout with the QRC Roundabout, is a useful dividing line in that commercial users are not generally allowed north of it. The size of the St. Clair lots and the generous widths of its streets have made this one of the most preferred locations for the large new commercial buildings.



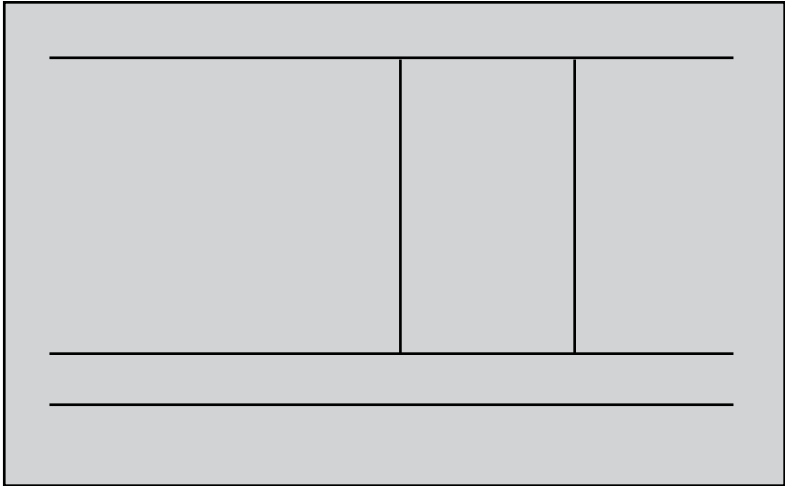
The sheer volume of new commercial space in St. Clair implies serious traffic problems there by 2007/8. In the case of downtown POS, when the traffic and other problems got too great, we saw the beginning of today's commercial migration. In St. Clair large quantities of capital have been invested in commercial schemes with payback periods exceeding 10 years so there is little likelihood of another migration at anytime in the near future. In any case, the lack of suitable options mean that whatever problems arise from these new St. Clair developments would have to be dealt with if these are not to also undermine the success of the area as a commercial destination.

In the meantime, these features are critical in understanding the role of St. Clair-

- **Change of Use** – The area now has a large number of non-residential users and these would virtually all have been liable to seek the State's consent for change of use. Apart from the large schemes detailed on the map, there are a variety of other, smaller non-residential users – some of these are 95.5FM, Bombay, various advertising agencies and restaurants, the new Australian High Commission at Herbert Street and the Body Academy gym on Gray Street. As earlier described State policy is to make a flat charge per square foot for this change of use. The estate has traditionally been managed by awaiting applications for change of use from leaseholders, but the risk of this type of management is that, in the absence of an active monitoring system, those who do not apply can escape without paying for change of use. The information as to the actual changes of users is easily available via TTPost, TSTT or simply walking up the street and making notes. No prudent landlord would wait on his tenants to notify him of situations where more monies were due. Good public policy would have proactive management of State assets as a basic.
- **'One size fits all'** – As earlier mentioned, this kind of policy can lead to serious losses to the public purse. The system of making flat rate charges means that corner sites on Tragarete Road or St. Clair Avenue are charged the same as those on side streets for changes of use despite the obvious differences in value.

- **Loss of opportunity** – In the medium term we can expect the upcoming release of reclaimed lands by UDECOTT at Invader's Bay (off the Audrey Jeffers' Highway, near Movietowne) in large parcels for commercial use. When we weigh the scale of the St. Clair schemes and the transformation of this elegant city district against the ambitious proposals for the development of our neglected waterfront, other aspects begin to emerge. The growing commercial appetite for space which is not in downtown is now being satisfied by using St. Clair lands and those on the Savannah fringes, so where is the momentum to come from for the development of the waterfront? Can there be enough commercial demand for the both to succeed? Has there been a study of this question and if not, is it now timely that we examine the future shape of our capital more closely?

12. Chaguanas



We are looking at Chaguanas, Trinidad’s fastest growing city. When one considers the extent and quality of the developments there, it is easy to understand why some people call Chaguanas the ‘new Capital of Trinidad’.

We begin by setting out some of the main factors acting to propel and limit those developments. The second article will outline some of the main challenges facing the Borough in the medium-term as the effects of current developments take root.

Chaguanas is certainly the capital of central Trinidad and it is arguably also the shopping capital of the entire country. Apart from the busy Chaguanas Main Road, shoppers also have several malls to choose from, the Mid-Centre, Centre Pointe, Centre City, PriceSmart/Price Plaza and the Food Basket complex.

Its location - along the Solomon Hochoy Highway between Port-of-Spain and San Fernando, with easy access to the Couva/Point

Lisas district - is key to understanding the character and pace of Chaguanas' development.

The supply of land in Chaguanas is not as large as first appearances would suggest, since large parts of the surrounding land are in State ownership via Caroni. As a result of that, there is great competition for the limited available land with steep price increases being a consequence.

We were able to have easy reference to the March 2001 UDECOTT Chaguanas Local Area Plan to gather some of the basic data for this article - this is available online at <http://www.nalis.gov.tt/InterimReportChaguanas-.html>. We made several fruitless attempts to get a copy of the Chaguanas Borough Council's 'Chaguanas Development Plan 1997-1998 - A Vision for the New Chaguanas'. If we are really committed to doing better in the future, it is essential that these documents be readily available.

Some of the positive factors influencing Chaguanas' development are -

- **Population** - In complete contrast to POS, Chaguanas' population is increasing significantly. The two are feeding off each other in that the rapidly-increasing property prices in POS and its western districts have made it impossible for most middle-income families to afford homes in these areas. Large parts of the East-West Corridor are fast becoming unreachable for this group and this is driving many younger families to buy the more affordable homes now available in the Chaguanas area. One could see this as a kind of trade in that POS has 'exported' those workers who could afford to move all in order to free its land for more lucrative development, whilst retaining the services of many of them. Chaguanas, for its part, has 'imported' new residents with their spending power, in the process becoming a kind of 'dormitory suburb' for the East-West Corridor. The data shows an overall increase across the district, including the original settlements in the town. The Chaguanas district includes Lange Park, Orchard Gardens, Felicity, Charlieville, Longdenville, Carlsen Field and parts of Cunupia. The population growth is set out in the sidebar. It is true that a number of these new residents work elsewhere, but their spending power plays a key role in the

other aspects of the growth in Chaguanas. The presence of these new consumers has added a substantial impetus to the already strong retail sector in Chaguanas.

- **Traffic** - Like most of our busy towns the constant heavy traffic is an unavoidable feature of central Chaguanas and the projected population increase would only make this worse if the transport system is not modernised. The Borough would certainly benefit from the development of some sort of Traffic hub for taxis and Maxis - like City Gate - to ease some of the constant heavy traffic in the centre of Chaguanas. This is yet another aspect of the infrastructure deficit.
- **Pattern of development** - The Borough is also exhibiting some of the characteristics of POS in terms of the heavy traffic and limited development options in its traditional centre. These have driven the new large and high-quality developments to the eastern outskirts of the centre. Some of these would include - Republic Bank's Centralised Operations Centre and the new UTC building on Mulchan Seuchan Road, the PriceSmart/Price Plaza development and Food Basket Plaza both at the Endeavour Road junction of the SH Highway.
- **Parks** - The Borough Council and the other planning bodies need to ensure that there is enough attention given to the development of enough parks and recreation areas for the needs of the growing population. Parks not only make a beautiful place to live, they can also increase property values and offer employment opportunities. Saith Park off the Chaguanas Main Road is already adding to the amenity in the area.

What are some of the main challenges arising from the rapid pace of development there? In the early period of UNC governance, Lloyd Best made the declaration that the 'pendulum had swung from the Port to the Plantation'. Best's statement provoked much controversy, despite the underlying rationale in our political economy. Today, we can mention anecdotal evidence that, for at least 2 of our major banks, Chaguanas provides the most profitable branches, comfortably outstripping the results of the traditional commercial centres at POS and San Fernando. One would not be surprised to learn that this was the case for all the commercial banks.



In our view, the key difference between development here and in other parts of the country is that most of the private building is self-financed with limited bank financing needed to start. Given that it is not strictly necessary to seek statutory consent if you are not seeking bank financing and our national practice of avoiding regulations, there is a great incidence of unauthorised structures with implications for Chaguanas' future development.

The key issues emerging in the medium term for Chaguanas would include –

- **Town Planning** – The plan being used by the Town & Country Planning Division for this rapidly-growing part of the country is outdated and sorely in need of revision. The UDECOTT document quoted earlier, forms the background study to the required new plan but the existing frame of reference continues to pose a challenge until that revision takes place. The State cannot plan, far less provide, proper infrastructure without quality information on present demand as well as the likely nature and level of future requirements. That is

the rationale behind the regulatory framework.

- **Infrastructure Deficit** - The rate and quality of private development in Chaguanas has been such that the infrastructure facilities lag well behind what one would expect at this point. For example - Most of the surface water is still carried by open earthen drains. TSTT has a perennial shortage of new lines. The Borough is not connected to WASA's sewerage system and therefore relies on privately-built treatment plants or soakaways. Given this infrastructure deficit and the pattern of unauthorised development in one of the country's fastest-growing districts, it is a great challenge to move forward without disrupting the success of the private sector there. For the Borough to realise its potential, it would be necessary for the State to make significant infrastructural investment to provide for that growth.
- **New Commercial developments in Chaguanas** - In tandem with POS, there is a new pattern of development in that the new commercial users are choosing to locate out of the traditional centre of the town. Recently we saw offered for sale, over 9 acres set out in 8 parcels of land at the Mulchan Seuchan Road, on the eastern edge of the towncentre. This is the preferred location for the class of users under discussion and we can expect to see new records being set for land prices in the series of sales, together with some further migrations out of the towncentre.
- **The release of the Caroni Lands** - The unknown factor in all this is the role of the extensive Caroni lands on the pattern of land values and development of the Borough. A significant part of the area surrounding Chaguanas is owned by Caroni and the planned release of these lands can open up new possibilities for the sustainable development of the area. We return to the concerns raised in our earlier series on Caroni lands and the continuing uncertainty as to the proposals for this resource. Risk is a real part of the business environment, but continuing uncertainty on a question of this magnitude is adding to the challenges of taking the Borough to the next level of its development.



The organic and unplanned development of Chaguanas belies its great potential as an exemplar for the nation. The Borough is not yet caught in the depth of problems that beset our other cities so we therefore have an opportunity to develop a city to the very best level we can. The presence and proximity of the undeveloped Caroni lands, the immature state of the infrastructure, the thriving commerce in the area and the relative wealth of the period all signal a new set of possibilities for Chaguanas. This is a challenge to establish a new precedent as to the best new Caribbean city. Do we have the vision and endurance to set a new standard for our children and ourselves?

13. San Fernando



We continue by examining the southern capital of San Fernando.

First we will set out some background to San Fernando's real estate scene and the main elements to its uniqueness. Next, we will outline some of the main challenges facing the southern capital in the medium-term as the upcoming developments take effect.

Most of our country's wealth derives from our oil and gas reserves and further, most of these resources are to be found in the southern part of Trinidad. When we consider that scenario, comparatively little of the nation's wealth and facilities are located in its most productive area. You can see by comparing San Fernando to POS and Chaguanas that the rate of price increase has been quite



moderate. As shown in the sidebar, despite the 100%+ rate of increase, land in San Fernando is still far less expensive than in the corresponding districts of POS.

The difference is stark and prompts one to go further by relating this to the uneven distribution of benefits derived from the natural resources of developing nations like ours to the developed nations in which companies like BP, ALNG, Norsk Hydro (formerly Hydro Agri), BHP-Billiton and ALCOA are headquartered. 'Balanced Growth' is the planning philosophy advocated by HALCROW, the British consultants engaged by UDECOTT for their seminal 1999-2001 studies of our country; these have been referenced earlier. It is instructive to consider the possible use of the land-use planning system to achieve this aim and we will do this later. But one thing is certain, one community's idea of a fair distribution of the nation's facilities and wealth is likely to be another's idea of unfair advantage.

We were able to access UDECOTT's 'San Fernando Land Use Plan and Development Proposals' – published in June 2000 - to gather the basic data for this article.

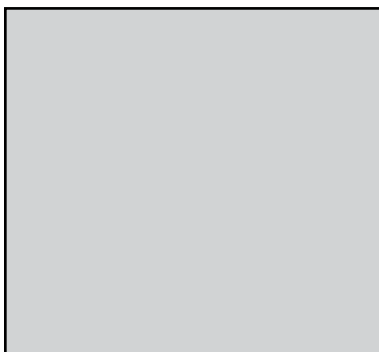
Some of the main issues evident in San Fernando are –

- **City Centre** – The city center shows many of the themes familiar to POS-dwellers – glitzy retail buildings alongside squalid images and smells, constant traffic and the loss of quality restaurants and bars. These missing facilities are common features of any prospering and healthy city. One positive aspect in which San Fernando differs from POS is the erection of a number of good-quality headquarters buildings along the Lady Hailes/Independence Avenue strip, just off the High Street/Harris Promenade/Court district.
- **Population changes** – As is the case in POS, San Fernando is also experiencing a falling population with communities on the outskirts of the city absorbing the migrants from the traditional center.
- **Housing Conditions** – Another aspect of San Fernando's cityscape is the poor condition of its housing stock. A study carried out by Planning & Development Collaborative

International Ltd. (PADCO) in the mid-1990s found that 72% of the city's dwellings were obsolescent – i.e. they had reached the end of their useful life. Furthermore, an estimated 63% of the city's dwellings would need to be replaced by 2009 – i.e. these had reached the end of their physical life. These findings would indicate a pressing need to rehabilitate or rebuild entire neighbourhoods. But, in the increasingly-divided and divisive T&T, this is likely to be fraught with challenges when we consider the strong objections by certain San Fernando residents to the new NHA housing projects along Circular Road.

- **Caroni Lands** – The impending release of surplus Caroni lands on the east of the Solomon Hochoy Highway will make available more developable and accessible land for housing. It remains to be seen how this opportunity will be exploited and whether the city centre will be abandoned to continued decay.

- **San Fernando Hill** – The principal landmark of San Fernando is 'The Hill'. One beautiful feature of this city is the public park/recreation facility/function room built on 'The Hill' by the San Fernando City Corporation there. I attended a family celebration there in 2001 and it was a most scenic setting with



beautiful views in all directions, the facilities were thoughtfully designed and well-maintained. In the midst of the feting, I had to pause and ask myself how come with all the money and educated people, we in POS had never created a similar facility at the scenic Fort George. Of course, there is no pipeborne water at Fort George! This speaks to one of the fundamental and subjective differences between us 'townies' and true-true 'South people'. The San Fernando Hill is a real lesson in what can be achieved with limited

resources once the vision and willpower are sufficiently present. More power to San Fernando.

We will now consider the development proposals for the city of

San Fernando.

The noted imbalance in the national allocation of resources and facilities between north and south Trinidad is even more remarkable when we consider that since 1991 we have had Prime Ministers from South. Does it mean that these men set out to be national leaders and set aside any regional ambitions? Perhaps the patterns we described last week are so deeply rooted that it will take a really determined effort to transform this picture. Our post-1986 norm of one-term governments with its consequent dilution of long-term policymaking may be more responsible than the individual leaders or parties.

The South Trinidad Chamber of Commerce published 'A Vision for San Fernando' in September 1995 and it is a call for action to prevent the continuing decline of the country's 'Industrial Capital'. I was not able to get a full copy of this valuable resource, but some of the key issues raised by this group of stakeholders were –

- Expansion of recreational/entertainment facilities.
- Exploitation of the potential of the King's Wharf area for commercial and office users.
- Improving the poor access between the Waterfront area and the High Street/Harris Promenade by building a pedestrian link.
- Reclamation of part of the King's Wharf waterfront to offer new transport options – both road and sea.

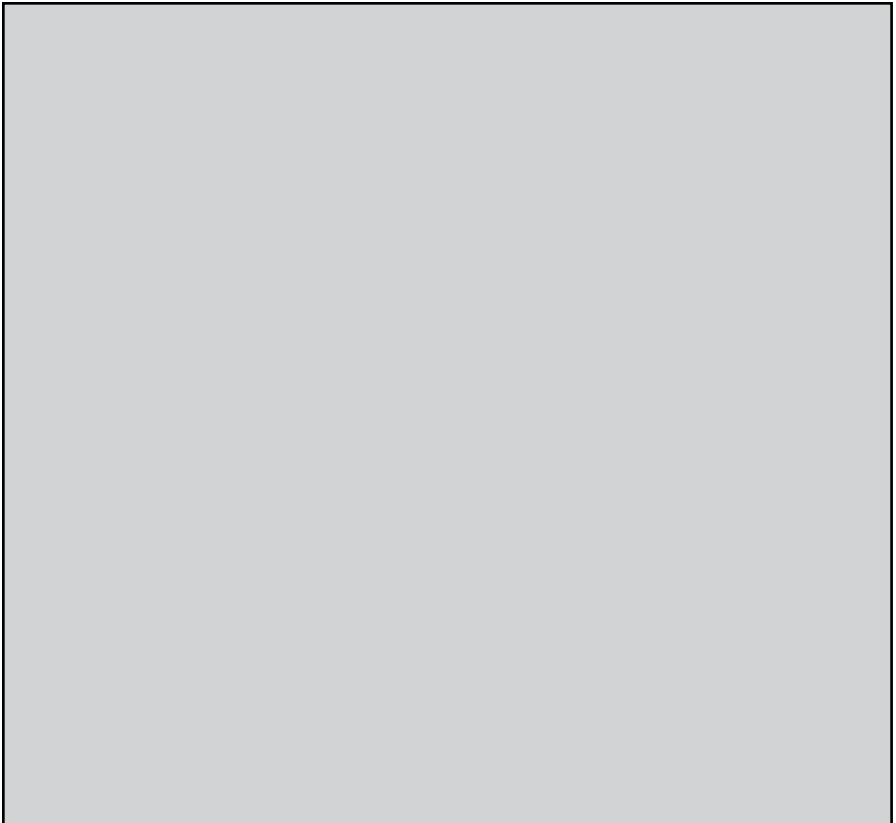
UDECOTT has also published similar proposals but it is clear that the Town & Country Planning Division has not revised its plans to take account of these proposals. The draft plans need to be adopted as the authoritative versions if critical issues are to be properly determined.

Some of the key planning issues would be –

- **Access to the Waterfront** – It is early days yet and we have the opportunity to avoid the notable errors of the waterfront development in and around our capital. Of course I am referring to the fact that private landowners have been allowed by poor land-use planning to effectively deny public access to our waterfronts. We in POS have ended up in a position no developed country would allow; a coastal city

with no public coastal facilities or even pleasant views. We need to ensure that this error is not repeated in San Fernando.

- **Peripheral commercial development** – The Cross Crossing Interchange has significantly improved access along the South Trunk Road/San Fernando Bypass. There are a number of proposals for development along this stretch. One could contend that these are more appropriately located in the city centre, since the intensive development of the lands bordering these roads would act to undermine their essential purpose – i.e. to provide an easy and relatively smooth passage for vehicles. To allow those proposals would lead to this stretch becoming like the perpetually-congested Wrightson Road in POS. Of course, the landowners along that stretch might well object to any attempts to unduly limit



their rights. This tension is natural and expected.

These are potent issues for the planning system to address. The purpose of that system is to balance these contending claims as to the nature and extent of land development and use. The establishment of appropriate public policy can only be achieved by a collaborative process.

There are two distinct types of large-scale development upcoming in San Fernando – peripheral development at the edges of the city and a series of proposals to redevelop the Downtown/Waterfront Area.

14. The Business of Real Estate

We delve a little more deeply into the business of Real Estate by examining AREA's proposed legislation to control the industry.

Ms. Patricia Lazarri, AREA's president (2004), recently outlined the benefits the new system would bring to the consumer and we are engaging those points here.

The Bill is available from AREA at <http://community.wow.net/area/> and its stated aims are the protection of the consumer by creating a regime of examination and licencing for practicing Real Estate Agents with a Compensation Fund to cover losses suffered by complainants.

We should make it clear that we do not support this proposed legislation in any respect and some of our reasons are set out here –

- Necessity – Has there been any public demand for regulations of this type? In a nation where there is the perennial problem of non-enforcement of all sorts of essential legislation, from traffic regulations to building regulations, it can scarcely enhance the respect for law to introduce further laws which are likely to be honored more in the breach than in their observance. In fact, our preliminary inquiries with the Ministry of Consumer Affairs indicate a very limited number of complaints in this area. The question of public demand is somewhat unclear. Given the present legislative logjam on priority matters – remember the 'Anti-Kidnapping Bill'? – and the poor enforcement of the existing property-related legislation, it is straining credibility for any body, claiming to be 'The Property Professionals', to seek the support of our

legislature on such marginal matters.

- Appraisals – At 13. in Part 2 – Relations to Clients - we are told that a real estate broker can offer ‘...a formal appraisal of real property...’ and further that this service should attract ‘...a fair charge...’ This aspect needs to be treated with extreme caution since a probable reading of this clause in the context of the Draft Bill could be that the real estate person, once licenced by the Board, becomes qualified to value property. The established local practice of our Courts, Government Departments/State Agencies, Financial Institutions and Commercial Sector is to obtain the services of a qualified Valuation Surveyor whenever it is necessary to value a property. It would be a major retrograde step to create a fresh class of licenced ‘appraisers’ who would be free to practice.
- Examination for Licencing – At 13., the Board’s power “...to appoint a Board of Examiners...” is set out and we need to ask what is the competence of a Board of attorneys and real estate agents to validate competence to practice? To take the example of Land Surveyors, who are regulated by the Land Survey Board, established under Act No. 33 of 1996, that Board is comprised solely of Land Surveyors. What justification could there be to have real estate practitioners regulated by a mixed Board? Surely it is normal practice to have professionals judged by their peers?
- Complaints – The Registrar’s duties in respect of complaints, as set out at 33. (3), appear to be limited to notifying the person against whom allegations are made. This is fundamentally flawed and contrary to the rules of natural justice. The complaint must be copied to the alleged offender.
- Duty of Care – At 33. (1) ‘...any person who is aggrieved...’ can make a written complaint to said Registrar. This would enlarge the number of persons who can make inexpensive, compensatable and potentially damaging claims against practitioners. Any person. At present, the only person having the locus to sue an agent is the client. The wisdom of the Registrar, the depth of the compensation fund and the

patience of members in this proposed scheme of compulsory registration would all be sorely tested by these proposals to broaden the pool of claimants. Despite the high costs of the administration of justice, we all know that our Courts are barely able to keep pace with events. If this is progress, the price is really high.

- Enforcement – The Draft Bill sets out a number of protective measures for use in cases where licenced members are in breach of the legislation. We have already outlined our concerns on the operation of the proposed compensation fund. If the real estate profession wants to be viewed as responsible stakeholders in today's increasingly consumer-oriented environment, practitioners should be required to hold Professional Indemnity Insurance in respect of advice tendered and post bonds in respect of funds held on trust in proportion with the volume of their turnover. The present position is that only a few real estate brokers hold Professional Indemnity Insurance as a measure of protection to their clients.
- Arbitration – At Part 1 – Professional Relations – in para 2. we are given an ambiguous picture of the preferred manner of dispute resolution. Members are seemingly obliged to seek arbitration first, with a lawsuit being the last option. The end of that sentence advises that decisions in such arbitrations are final and binding. If this is indeed the case, why mention the Courts?
- The Consumer First – The stated objectives of “licencing, regulation and control...” Would be better achieved by adopting the alternative approach of ‘negative licencing’ as practiced in the United Kingdom under the Estate Agents’ Act 1979. Under this system no licences are issued. There has been an intense programme of public education by the respective professional bodies and the State to better inform consumers on what to look for before selling or buying property. If a serious consumer complaint is upheld the authorities have the power to issue a Prohibition Notice to ban a rogue agent; there are serious penalties for breach of these notices. Although there are still imperfections, this

scheme has the merit of focussing scarce State resources on the few against whom serious complaints have been lodged. In our view this is far superior to the present proposals which would oblige the Board to spread itself over the entire range of these activities.

In our view, the efforts put into this draft Bill might be better expended on a program of public education rather than these limiting measures. This is the very heart of the matter and it is here that the Bill's core intentions might be deduced. Is the purpose of this Bill to create a 'closed shop' or is it to protect consumers of services from rogue elements in the Real Estate sector? It might well be that under the impending FTAA, we would be, by treaty, prevented from implementing such protective measures.

We invited a response from the promoters of this Bill. There has been none to date.

15. Our Land-Use Planning System

The purpose of having a planning system is to balance the valid interests of landowners against those of the wider community, including the generations to come, to secure national development.

We begin an examination of our planning system and its impact on property values in the country.

In our country we have the right to own property and this is specified in our constitution to include the right to enjoyment of property. For some of us this has come to mean that once we own a property, it is ours to do whatever we please and this is the reason for having a planning system. The purpose of that system is to balance the valid interests of landowners against those of the wider community, including the generations to come, to secure national development.

The role of the planner is twofold – they are responsible for devising policies which will secure the best balance as outlined above and for managing the development control process which obliges those who wish to develop their property to seek the approval of the planners, within the framework of those policies.

Owners have the right to enjoy – i.e. develop – their properties, but this is mediated by the planning system to ensure that those developments conform to planning policies. We need to understand that although the system places some limits on the right to develop, it also has the capacity to produce a better series of outcomes for the entire society by allocating those rights in an efficient fashion.

The Town & Country Planning Division published the 'Guide to Developers and Applicants for Planning Permission' in November 1989. This is an important document which gives advice on the national development policies for most applicants. There are further policies in respect of particular areas or issues.

But the system explained here must be informed by an approach. In turn, that approach must be developed by reference to our problems and opportunities. What are these vital issues? Is the continued decline of our city centres inevitable? Are there planning policies which could slow or reverse the trend of out-of-town development? In light of the poor quality of our nation's housing, can the planning system play a role in improving the quality and quantity of affordable housing? How can the planning system seek the best allocation of scarce taxpayers' dollars in the improvement of our nation's infrastructure? Are our remaining historic buildings important assets or only fit to be demolished?

These are some of the searching questions we would need to answer to develop those policies - What is the kind of country we want to have? Are we confident in our ability to plan for positive outcomes? Do we have enough of a social contract that most people will 'buy into' the necessity of conforming to planning policies? Can we achieve a consensus that unauthorized development and land uses are not in our collective interest?

A main source of tension is that planning is a long-term activity - working towards results that may take decades to become evident - which must also contend with today's immediate demands for development. The rapid rate of social change to which we are arguably becoming numb is itself heightening the tension on this issue of the different time-horizons. We are forced to go faster and faster to avoid being consumed by the competition, all as we rush into an increasingly uncertain future. The only thing we know for sure is that our children's world will bear little resemblance to anything we can imagine.

Can anyone remember the early days of Westmoorings? Or Valsayn? Lange Park? Sumadh Gardens? Despite their modest beginnings, these are all desirable areas today. It is tempting to try predicting the future and naming good areas in which to invest, but even if that was wise, it is not the function of this column. It is interesting to consider what are the lessons to be learned from



our recorded development and how these might be brought into play in creating planning policies for the future. Those are some of the areas for the development of our nation for 2020.

As we mentioned earlier, there is a permanent tension between the constitutional rights of landowners to develop their property and the duty of the planning authorities to limit those rights. We need to note that there is also a tension between the landowners themselves. This is because the interests of those who have already developed their land can be in conflict with those who are yet to do so.

For example, the development of more apartments or houses would have the effect of increasing the supply and, all other things being equal, slowing the rate of price and rent increases. This is not normally welcomed by property owners, although some of them have the view that any development is good for their area since this would lead to higher values generally.

There are other possibilities, such as the loss of a scenic view or the reduced peace and quiet with the arrival of new neighbours.



All these are examples of matters in which the planning authorities have a role in mediating the needs of both sides.

Some issues which our planning system should address in the future include –

- **Urban renewal** – We have described in previous columns the likely long-term impact of today’s planning decisions in the granting of planning permission for large commercial buildings outside our traditional city centres. When this trend is considered alongside the continuing decline of those city centres – due to generally unappealing conditions, heavy traffic, inadequate parking and public transport – we can see that planners have a responsibility for urban regeneration. Is it a good use of our limited developable lands – in an earlier article, we detailed that only 9% of T&T is flat and

non-agricultural – to allow our city centres to decay while consuming ever more of that limited resource?

■ **Unit sizes** – Earlier on in this series of columns, we had cause to criticize certain State property management policies as being ‘one size fits all’ and therefore inherently inefficient. It has to be said that some of that criticism could also be levelled at private developers who sometimes appear to be emulating these State policies. Of course, I am referring to the fact that we live in a society with diverse needs and a falling size of family unit. This is due in part to the rising number of single person households, single parent families and retirees. Despite this market reality, there is almost no variety in the output of our private sector housebuilders – it is virtually a guarantee that townhouses and houses for sale will have three bedrooms, the exceptions are extremely rare. What this means is that there would be significant numbers of people at the very margins who could only afford to buy a smaller unit than that offered for sale. In other markets the planners would intervene to ensure a greater and more appealing range of choice by only giving consent to proposals which addressed those concerns. Some would say that the private sector is better at allocating capital and that therefore developers should make this sort of choice. But the role of our planners ought to be to balance the developers’ inclination towards cutting costs by reducing choices of units, with the need for variety from the purchasing public.

■ **Access to Information** – A serious reform of the planning system is needed in the area of public access to information on the development control process, since only a limited amount of information is available from the planning register. The register will tell a member of the public what planning permission has been granted on a piece of land and that, only in bare outline. One is simply unable to determine the applications on a particular piece of land: the precise details of what is approved – i.e. how many floors, shape/ footprint of the development, unit mixes (accommodation and number of buildings etc.) – far less see the plans which are approved. We are told that that is a private set of information

and its release is not covered under the law. A more modern, participative planning system needs to have this information readily available since applicants are submitting their details for approval and we the public need to see what is proposed in our neighbourhoods.

- **Development and public access** – We are all familiar with what happens when some large buildings are being constructed and the pavements are blocked. In addition to this inconvenience, we can get the impression that there is little effort to reduce the period in which we have no use of the pavements. Is this permitted? Are there any measures planners could take to stop this or at least minimize the period of inconvenience?

We need to make a determined effort to adopt longer-term thinking about the future shape of our society if 2020 is to be a better time to raise our children. Long-term thinking for a viable future must involve unpopular choices and delaying today's benefits for tomorrow's. Our political parties all exist on a 5-year treadmill, while landowners want to develop their properties now; planning for our future is the only way to manage these tensions. We must, in era of instant gratification, be mature enough to change our thinking. Can we?

The practice of planning involves researching the past and selecting acceptable forms of development and land use. When we consider that permission to develop one's property is a valuable legal right, we can see that planning is an exercise in the allocation of a scarce





resource. That resource is development rights. The allocation of these can have effects in several ways.

The first of these ways is that the proposed development/s could have an effect on the existing land users by changing their amenity, privacy or exclusivity. Another consideration is that every development – housing, commercial, offices or industrial – we permit today inevitably reduces the land area and options for future generations. As we stated earlier in the series, proper land-use planning requires that a balance be struck between competing stakeholders – those who have already developed, those who want to develop now and of course, those who are not yet here with us.

Some of the long-term planning issues which we would need to consider for our future –

- **Alienation of Agricultural lands** – When we permit building on prime agricultural lands, those lands have forever lost their role as sources of food. We can describe these lands as having been alienated from their original use. This is what has happened at Valsayn, Diamond Vale and River Estate. With the flat land in the Diego Martin/Petit Valley, Maraval and St. Ann's/Cascade districts almost completely built over, we are now seeing the loss of agricultural lands in Santa Cruz, Aranjuez and Maracas St. Joseph. There is also continuing concern over the future use of the former Caroni lands. It is in the interest of our food security, especially for our future generations, that we develop a policy to prohibit alienation of good quality agricultural lands. It is true that our agricultural sector is at a low point and that we are now wealthy enough to buy what food we want. But it is prudent to plan for an uncertain future – after all, our children may not have the kind of wealth and choices we now enjoy. The destruction and disruption wrought by Hurricane Ivan to some of our food suppliers is just one example of the possibilities.

- **Flooding** – Returning again to the weather, it is now clear that our drainage system is inadequate. On Wednesday 18th August 2004, we had less than an hour's continuous rain and most of POS was flooded out and there were terrific traffic jams. Of course, we also have perennial flooding in Central Trinidad, parts of St. James and Cocorite in POS, to name a few areas. Imagine what would have been the position if another emergency occurred during the floods on the 18th. Our ambulances, Fire engines or police would simply have been paralysed, like the rest of us, in that incredible traffic jam. Or, even worse, what would be the position if we ever have several days of heavy rainfall? That risk to the nation's well-being is unacceptable and we need to take steps now to prevent the inevitable tragedy. We have already had a nearby warning in the tragic December 1999 floods in Venezuela, in which 10,000 lives were reported lost. For a start, we need to prevent the unrestricted clearing of



hillsides and make the planting of mature trees a condition of that kind of development.

- **Revocation and modification** – It is a common assumption that planning permission is somehow permanent, like buying a freehold property. That is not the case. We are all familiar with cases in which travel along some unavoidable road to our destination is slowed to a crawl by the traffic caused by some successful business. The paradox can be complete in that the success of the ‘offending’ business may be due largely to its location and many of us who complain when inconvenienced are ourselves customers of those very establishments. As mentioned earlier in the series, we need to determine the impact of those land uses on the road users and make choices based on the public interest. We had suggested in the first of the series that certain businesses be required to provide more carparking to ease some of the pressure on the roads, but it may sometimes be necessary to go further. The law permits the revocation or modification of planning permissions to either impose fresh conditions (like more parking/loading facilities) or the

withdrawal of the planning permission. Although there is scope for compensating the landowner if these measures are applied, the provisions are ineffective in the case of completed projects and these need to be revised to properly address these growing issues

- **Unauthorised development** – Finally, we come to the thorny question, can we achieve a national consensus that unauthorized development and changes in land use are not in our collective interest? Can we muster the political will to make this change? Let us be clear that this challenge is not principally for our political parties but with our business organizations, well-known for their vocal law-and-order stance in many other areas. Do the various Chambers, Rotaries and others of that ilk have the will to engage these pressing questions? Will it take tragedy on a Venezuelan scale to bring the necessary change of minds?

16. Property Insurance

We have heard recent expert estimates that over 60% of the properties in this country are uninsured and further, that about 30% of the insured properties are inadequately covered.

What is the role of insurance in maintaining property values?

The purpose of insurance is to provide a level of protection against foreseeable losses. A prudent investor would have their property properly insured in order to limit the extent of losses in the event of damage. The central principle being that, in the event of a loss, a good insurance policy would bring the policyholder back to their original position; as if no loss had occurred.

Mortgage lenders insist that borrowers have building insurance to cover the loss of their funds, since these are secured by the property. This is necessary and valuable since funds would be available to ensure that the core asset can be replaced in the event of its loss. However, as we will see later, there are other aspects which these policies can overlook.

Another point is that some property owners take the decision to let their insurance lapse once the mortgage has been repaid and while this course of action can reduce the costs of holding a property, it is risky. Others may simply not keep their policies up to date and this can also give rise to similar risks. There is a strategic decision to self-insure which some large or wealthy property owners can take. In that case the owner is opting to reduce holding costs by saving the insurance premiums on the assumption that, in the unlikely event of a loss, there would be sufficient liquid assets to pay for the restoration.

We have heard recent expert estimates that over 60% of the properties in this country are uninsured and further, that about

30% of the insured properties are inadequately covered. When we consider the hurricane losses recently experienced by our Caribbean neighbours and the possibility of our property owners suffering in a similar vein, it is clear that this is an important aspect for us to consider.

Some key points to bear mind when considering insurance for your property –

- **Basis of cover** – Reinstatement and replacement are two terms which are sometimes used interchangeably, to describe the basis of cover. They are not interchangeable. In the event of a total loss, reinstatement cover would entitle the policyholder to recover the cost of providing a new building having the same size and facilities with today's techniques and materials. Replacement cover would entitle the policyholder to recover the cost of providing a new building having the same size and facilities with identical techniques and materials. The difference is only really substantial in the case of older buildings constructed with materials not currently available, for example churches and schools.
- **Extent of cover** – The insurance policy should extend beyond the cost of the building to include the site improvements. These are the items outside the building which enhance its utility, security and amenity; ultimately they add value. Some of these would be the drains, fences, external lighting, security systems, terraces, steps, garden, pool and of course, retaining walls. In the case of apartment or townhouse type properties there would be a significant cost to restoring the common facilities such as car parks, driveways, lights and drains. If you live in one of these complexes you should ensure that the cover extends to these items.
- **The Insurable risks** – Your property insurance policy should cover risks well beyond the conventional peril of fire. These would include storm, flood, earthquake, civil commotion or riot, soil movement or subsidence. It is important to ensure that the policy has realistic terms and these are covered in the section on Insurance Brokers.
- **The Insurable losses** – The losses to be covered should

include more than just the cost of constructing the new building and the essential site improvements. Other items to be covered should include site clearance, the cost of professional fees for designing the new building and the cost for rental of suitable alternative accommodation until rebuilding is complete.

- **Level of cover** – In addition to the aspects outlined above, the policy would also have to offer an adequate level of cover. If the level of cover is inadequate, it would be necessary to find extra money to put oneself in the original position. In light of the rapidly increasing cost of construction materials it would be prudent for property owners to consider increasing their levels of cover.
- **Insurance Brokers** – Some mortgage lenders have arrangements with particular insurance providers to offer discounted cover to their borrowers and these can be a convenient and economical way of insuring your property. The better course might be to use the services of an insurance broker to determine the best policy to cover your risks. Insurance brokers are independent professionals who offer to obtain the best cover for clients. The broker's commissions are paid out of the insurance premium and in some cases the results can be better than you might obtain from an insurance salesman.

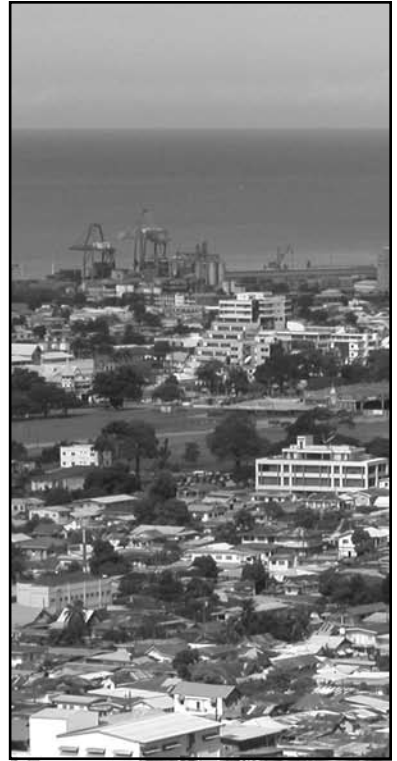
17. Queen's Park Savannah

Apart from being the showcase for national cultural shows and festivals, the Savannah has made it possible for generations of urbanites to exist in the cramped areas at its edges.

What is the role of the Queen's Park Savannah in the development of our capital city and its lessons for the future?

So far we have focused on the tangible aspects of real estate values and property investment; we now turn to some of the intangible, subtle benefits.

There is no doubt that well-maintained parks and leisure facilities add to the enjoyment of living in an area and this is reflected in the higher prices commanded by property near to or overlooking parks. In our capital, it can be argued that the decision to create the Savannah worked out to the benefit of many generations of us city dwellers, as well as others. Can anyone imagine what our capital would be like if we had no Savannah, with intense urban developments - like Newtown or Belmont - merging directly one into the other? Apart from being the showcase for national cultural shows and festivals, the Savannah has made it possible





for generations of urbanites to exist in the cramped areas at its edges.

Some key points are –

- **Size** – Our national population is about 1.3M and the Savannah occupies approximately 200 acres in our capital. Traffic and accidents were commonplace when two-way traffic was the norm around the Savannah. Today, of course, we sometimes jokingly refer to it as ‘the World’s largest roundabout’. Even as we smile at this, it is important to realize that it was possible to change what was no doubt seen as a permanent feature of the capital. All that was necessary was the vision and will to try something new and sensible.
- **Drainage** – The poor drainage of Port-of-Spain, noted in

SOME FACTS

- ***The History of New York City's Central Park*** – This was the first landscaped public park in the USA and its construction was started in the 1850s under the leading landscape architect of his time, Frederick Law Olmsted. Interestingly enough, the demand for Central Park was first from the wealthy classes who wanted a space for their pursuits; a similar transition occurred in both cities, with the space now being the main public facility/good. Central Park is said to have taken 18 years to execute and upon completion Olmsted is reported to have said that nothing he had done in that project would reach maturity for 'at least 40 years'. That is long-term vision.

Of course, Central Park is today a place of pride for the entire city of New York. In a city of about 8 million inhabitants, Central Park occupies approximately 700 acres.

- ***The Savannah's Basic History*** - The Savannah was acquired from the Peschier family in 1817 by Gov. Ralph Woodford at a price of £6,000. It took many years of change, not all of it planned, for the present Savannah to emerge.
- ***New National Parks*** – Our increasing need for leisure due to the pressures of modern life will deepen the demand for affordable and safe recreational/leisure facilities. How and where are these to be provided?

Given the character and pace of the developments in parts of our country outside of Port-of-Spain, it is important to plan and provide for the necessary parks/leisure facilities. The £6,000 spent in 1817 to buy the Peschier Estate to make the Savannah would equate to over \$120M of today's money. What comparable long-term investment are we making toward the beauty and harmony of our future environment?

UWI's publication on the potential of Caroni's lands identified the possibility of creating new National Parks on these disused lands. These would allow the land to be used to promote amenity, employment for women and elders and the preservation of critical areas for future generations.

When we consider the size of the Savannah against New York's Central Park, it is clear that we have a unique and potentially beautiful opportunity to make an Outstanding Caribbean City out of today's distressed capital. ■

previous columns in this series, has been made worse by the unauthorised paving of the Savannah. The 'Cipriani Boulevard corner' of the Savannah is its lowest point and this paving has resulted in unprecedented flooding at that junction whenever there is heavy rain. I cannot remember this being the case in the past and one of the less-known consequences is that the area between the Grand Stand and the All Saint's Church is a virtual swamp for a considerable time after heavy rains. The persistent flooding is only getting worse and there is no improvement in sight if we keep ignoring the problem. It might be necessary to consider taking bold steps to arrest the problem by replacing the paving with more absorbent concrete 'grass-pavers'. Alternatively, we could create a really new feature by building a retention lake/pond in those low-lying areas to control the outflow after heavy rains.

- **Maintenance** – The Savannah needs a better program of maintenance if it is to remain the pride of Port-of-Spain. One only has to look at the vanished cast-iron railings between The Hollows and Queen's Park East, the overflowing bins at weekends and holidays or the appalling state of the Sandtrack to get the point.
- **Motorists** – Over the years we have become almost immune to persistent and high-profile illegality in our nation – from out-of-season 'wild meat' at State functions to heavily-tinted car windows for Cabinet members and yes, the now-normal sight of vehicles – up to trucks – driving over and parking on the Savannah. The presence of vehicles on the Savannah is not only a hazard to non-drivers, it also compacts the soil so that its absorbency is reduced. Can we expect that the illegal vehicular accesses will be closed off? We recently saw announcements that a security firm was contracted to monitor the Savannah. Will their contract extend to enforcing the prohibition against vehicles in the Savannah?

18. The Management of State Property – Whose Business is it?

These are our resources and we can be sure that no minister or senior public servant would allow their home or businessplace – yes, we know that ministers are not supposed to have businesses, but you know what I mean – to crumble in that fashion.

We now begin to draw together some of the matters related to State property which we have touched on in the past.

We will begin with a look at some of the key issues, followed by a discussion of the policy options in dealing with those issues and we will end with the various State bodies which are responsible for this critical area.

In order to draw proper conclusions, it is important to set out the nature and extent of State Property. For most of us that phrase would mean State lands, including estates like the Petrotrin and Caroni lands. While that view is essentially true, the fact is that State Property extends far beyond those areas and would include other parts such as the leasehold estates. Some of these



are St. Clair, Woodbrook and the other leasehold estates in areas like Diego Martin (River Estate and Diamond Vale), Santa Cruz and so on.

Although it is beyond the scope of this series, we should note that our mineral and seabed/marine resources are also part of the stock of State Property.

The key issues which emerge in considering the management of State property are –

- **Maintenance** – This one has to be top of the list. Unless you are building property for sale, maintenance is a critical issue to all property investors and, in the case of State properties, we have perennial concerns. We are all fed-up of the sight of crumbling public buildings – post offices, police stations, schools and so on. They speak to a kind of contempt for the taxpaying public who have to use these facilities, not to mention the public servants who are also bound to put up with the deplorable conditions. We hear very often, from both political parties, of the drive towards ‘developed nation status’. If we are to have any chance of



achieving that goal, we need to develop new norms for the maintenance and cleaning of public property. The simple fact is that, as our elders taught us 'A stitch in time saves nine'; it is cheaper to regularly maintain a property than to carry out last-ditch repairs. It seems to be the norm here to let one of these vital public buildings reach a state of virtual collapse before announcing either an expensive series of repairs or, even more questionable, its replacement by a new building. To put the issue in economic terms, when one of these properties reaches that point of virtual collapse we have depleted that asset prematurely by mismanagement. It's like buying a new car, which ought to give 5 to 7 years' service and then destroying the engine by failing to service it regularly.

- **Project fever** – Following from the last point, in a situation where the State seems incapable of managing its assets, we are also accustomed to the regular announcements of mega-projects. From the Mount Hope Complex at a time when the existing hospitals were (and still are) crumbling to the wave of new Police Stations built while others were crumbling, the picture is not encouraging. Quite a few of the 'new' Post Offices and Police Stations are now themselves in need of basic maintenance. Yet the new projects are announced at a dizzying speed, from the new Ministerial buildings – Health and Public Administration to name just 2 – to the new Revenue Authority complex to house Customs & Excise and the Board of Inland Revenue. One is bound to wonder at the sense of all this; will these buildings be eyesores in the next decade or is there a plan?
- **A matter of time** – When we consider these matters, it is important to know that, because property is such a long-term investment, the decisions we make today have long-term impact. We are thinking about the alleged corruption almost 50 years ago in the allocation of gas station sites. The result is that we have 3 such in lower Maraval, within yards of each other, while St. Ann's/Cascade has none. Even though we know what went wrong at that stage of our development, we have been unable to right the misallocation of resources. These are our resources and we can be sure

that no minister or senior public servant would allow their home or businessplace – yes, we know that ministers are not supposed to have businesses, but you know what we mean – to crumble in that fashion. The lesson can be applied in many other areas if we think about it.

The future is the largest and most unknown territory, but face it we must. A good beginning is to honestly consider the errors of the past. We need a strategy to deal with the needs of the future.

Recently, as we discussed the burning issue of non-maintenance of State properties, we had reports on the poor condition of the San Fernando Magistrates' Court and the disputed State 'repossession' of Mille Fleur from the Law Association, said to be necessary to prevent further deterioration.

A poignant quote is from Albert Einstein, who defined idiocy as 'endlessly repeating the same process, hoping for a different result'. Some food for thought as we strive to do better at managing our limited resources. Do we have the capacity to learn from our mistakes and improve our results?

Some of the policy options in correcting the mismanagement of State property are –

- **Need for a Strategy** – The State policy on land Management is set out in a 1992 document which does not seem to extend to bodies such as Caroni, Petrotrin or the various Local Government bodies. As a result there are illogical and inefficient rent levels between various areas, with some prime property earning the State the same rents as in more remote residential areas. What to do? Should prime rents be increased or residential rents be reduced? There are other management issues in the cases of leaseholders who wish to change the permitted use of the property. An example of these inconsistencies is in the sidebar. There is no sense that there is a policy for our State properties which is part of a whole aimed at national development. No sense of alignment with various medium-term targets related to school feeding, employment or the development of niche agriculture or manufacturing. The document sets out a series of administrative arrangements and is actually

silent as to the vital strategic role State property has to play in the wider development of the society.

■ **Property Allocation** – How is State property allocated?

There is a long-held belief that lucrative leases are granted to those who find political favour and one way in which this has been dealt in the past is the system which forces the most routine lease renewals to be subject to Presidential approval. The mistaken belief that this will somehow comfort a suspicious public is almost as bad as believing that the Head of State actually vets the documents. The various documents are approved on the recommendation of the relevant Public Servants. The Public Servants still operate the system and wield the power. All we have done is to erect another useless layer of bureaucracy, which only acts to delay.

■ **Leasehold management** – We also recently had newspaper

exposés on the alleged takeover of State-owned quarries and the attempts by the responsible Minister to explain the position. The picture is still very unclear, but we are left with the impression that, were it not for those exposés, little would have been done to address the alleged non-compliance with the terms of those leases. Can it really be acceptable to grant leases of property worth millions of dollars if there is no commitment to actively managing the portfolio? Those are taxpayers' properties and we need to ensure that leaseholders comply with the terms of their agreements. To do otherwise is gross mismanagement of the public assets put into the trust of politicians and senior civil servants. Again, we can be sure that none of those people would treat with their own properties in this slack fashion. The poor salaries and consequent staff shortage in the relevant parts of the public service will be addressed, but we need to register that this poor management has serious long-term consequences.

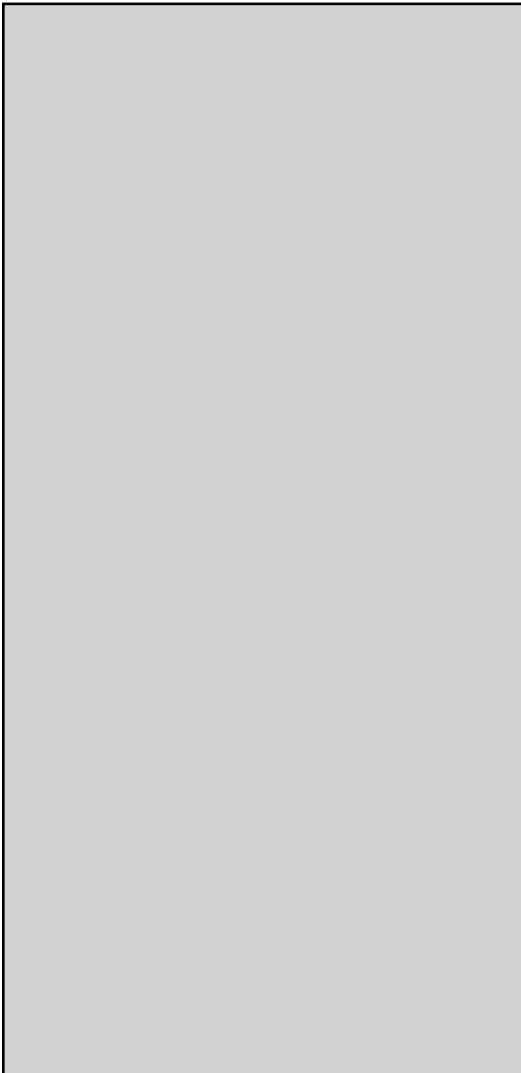
■ **Maintenance Targets** – Of course, we would need to

ensure that our public servants have the necessary monies to maintain the properties which are their responsibility. One way to begin might be to allocate maintenance funds as a percentage of the cost of the properties in the particular

areas. This would need to be checked by examining the extent to which the allocated funds were expended and the level of maintenance.

Next, we look at the organizations responsible for the management of State property.

The responsible parties - More money than sense



Over the last 2 columns in this series we set out some of the challenges and possible solutions to the issue of the management of State property. To close this series we need to locate State property in the drive toward national development and it is necessary to look at the various bodies with responsibility for those assets.

Whatever the carelessness of the State on this question, everyone knows that property ownership is one of the key engines of wealth creation and economic development. Every prosperous person in the country holds a substantial part of their assets in property. When we consider that the State owns the key properties in the country, it is clear that good public policy needs to be developed and implemented in this area. Those State assets are a source of future wealth and it is therefore vital

WHO ARE THE PLAYERS?

Apart from State Corporations like Caroni & Petrotrin or the local authorities like POS and San Fernando City Corporations, there is a virtual maze of bodies responsible for State property management. The main ones are –

<i>Property Management Body</i>	<i>Parent Ministry</i>	<i>Area of responsibility</i>
<i>The Director of Surveyors</i>	<i>Ministry of Agriculture, Land and Marine Resources</i>	<i>State Land Management, Approval of Survey plans and grant of State leases.</i>
<i>Property and Real Estate Services Division (PRDS)</i>	<i>Ministry of Public Administration</i>	<i>Leasing of State office buildings.</i>
<i>Chaguaramas Development Authority (CDA)</i>	<i>Ministry of Planning & Development</i>	<i>Management and leasing of Chaguaramas lands.</i>
<i>Point Lisas Industrial Port Development Company (PLIPDECO)</i>	<i>Ministry of Trade & Industry</i>	<i>Management and leasing of Point Lisas lands.</i>
<i>The Land Management Division</i>	<i>Tobago House of Assembly</i>	<i>Management and leasing of Tobago lands.</i>
<i>The Valuation Division</i>	<i>Ministry of Finance</i>	<i>Property Valuation and Management advice to the State.</i>
<i>E-TECK (formerly Property and Industrial Development Company of T&T)</i>	<i>Ministry of Trade & Industry – this was part of TIDCO.</i>	<i>Management and leasing of various industrial estates.</i>
<i>The Land Administration Division</i> <i>for Tobago, or Petrotrin</i>	<i>Ministry of Agriculture, Land and Marine Resources</i>	<i>Responsible for the management and leasing of State agricultural land, except Caroni lands.</i>

that these are privatized on terms which address the challenges of the foreseeable future. Some of these would include greater food security, creation of a more flexible export sector for niche products and the preservation of our environment.

The main points emerging for formation of good policy in this area are –

- **Strategy formation** – It is impossible to form proper strategy without knowing the nature and extent of the asset base. There is no single database of State property to include the extensive estates of Caroni & Petrotrin, the local authorities and the various ministries.
- **The Commissioner for State Lands** – Some time ago the post of Commissioner of State Lands was created to be the senior technocrat in charge of State property. Given our earlier criticisms of the disjointed State policy in this vital area, this was a welcome step towards better management. It is a matter for concern that the Commissioner has never been appointed; this brings into question the State commitment to proper management of these assets. But we are even more concerned that since June 2004, the officer acting in that capacity has had that role suspended; even the temporary arrangements seem to have ended without any clarity as to how and when we can expect a proper appointment.
- **The 1992 Policy** – Last week we commented on ‘illogical and inefficient rent levels between various areas’. It has since been pointed out to me by my counterparts in the public service that the 1992 policy sought to achieve a level of coherence in the levels of rents and other lease terms between various state properties. It seems that what was lacking was the appropriate mechanisms to ensure that the various bodies could be made to comply with these policy requirements; in the absence of those measures, that good policy was doomed from the start.
- **The officers’ compensation** – The compensation and training offered to the responsible officers needs to be significantly upgraded if the State is to create better public policy or meet the challenge of achieving the best terms in negotiating

with the private sector. It is impossible to attract or retain the required number of quality staff if the salaries are not made more competitive.

Next we look at the implications of traffic and parking issues for property development and values.

19. Plenty Traffic and No Parking – The plague of our times

The irony is that what began as a rational decision for individual investors, is now looking questionable since the lack of parking/traffic policies has allowed traffic to spread to those areas which were formerly easily-accessible.

Let us look at the impact of the growing traffic congestion and parking shortages on our society in general and property values in particular. We are all fed up of the endless traffic jams and the shortage of safe, affordable parking. It seems that we have too many cars on the road. The increasing wealth of our citizens and the low prices of foreign-used cars have combined with the poor public transport system to make it a certainty that the number of cars on our roads is set to increase significantly. Even some commercial developments that are relatively new seem to have inadequate spaces to cope with the number of cars – two examples which spring to mind are the MovieTowne/PriceSmart complex at Mucurapo and the Courts MegaStore at Barataria.

We need to ask how all of this affect future real estate developments and property investments. These issues already have had a profound effect on the declining quality of life in some of our busiest areas, and we can be sure that if we continue with the policies of the past, matters will only get worse.

Some of the ways in which the pressure of traffic and the lack of parking affect our property investment decisions are –



Ministry of Works - London Street, Port of Spain



- **The Location decision** – Traffic and parking are important parts of the decision of where to live or open your business-place. The pressures referred to earlier are key reasons for the departure of many of our leading businesses from downtown Port-of-Spain; these were listed in earlier columns on our capital. The irony is that what began as a rational decision for individual investors, is now looking questionable since the lack of parking/traffic policies has allowed traffic to spread to those areas which were formerly easily-accessible. In the absence of some radical new approaches, we can comfortably say that these areas would soon be afflicted with the same levels of traffic. When that occurs, they will begin to be as unattractive as the downtown area became and the question occupiers of those areas will then have to face is – ‘Where next?’ It is possible to regard this series of developments as being an entirely natural outcome of the increase in activity resulting in a ‘new POS’ with business and residential districts re-arranged to reflect the new demands of the capital. We can scarcely afford to waste our limited resources in terms of infrastructure; we therefore need to

take the necessary steps to preserve and enhance our cities and towns. It is short-sighted to take no measures to limit the spread of these damaging side-effects of progress.

- **The development dilemma** – Another way in which these issues have affected the property industry is the new standards of required parking set by the Town & Country Planning Division for office developments. It is understandable that new, higher standards have been set, but these have created fresh challenges for developers of new offices. The problem in some parts of our country, particularly our capital, is that it is just about impossible to get permission to build a new office building on a single city lot. There was a recent case of a large parcel of land being offered for sale in uptown POS, which, under present planning guidelines, would have required almost 30,000 sq. ft. of parking provision. That is a heavy load, one that can only be supported by premier developments which command the best rents. It is therefore not surprising that there are parts of the city which seem to have stood still in terms of development – most of Park Street, for example.

- **Public vs. Private** – Our roads were built at public expense to carry traffic and parked vehicles but some developers now behave as if the road outside their property is their own. Apart from the blocking of sidewalks by materials, which we referred to earlier, there is the pressing issue of the parking rights. It is expected that in view of this shortage of parking, we would have efforts on the part of private owners to maximize the amount of parking they can secure for their properties on the best possible terms. That is natural, but the poor monitoring performance of our Town & Country Planning Division has allowed a new and adverse practice to emerge in the suburbs outside the downtown area. We must first understand that proper town planning places sensible limits on the vehicular access (these are called crossovers) from the road afforded to property owners; they do not have carte blanche to create as many or as large entrances as they wish. The level pavement, the crossovers and the roadside parking are all part of the streetscape which is a system to manage the pedestrian and vehicular traffic and

parking. What is now emerging is a pattern in which some developers are converting the entire front of their property to a continuous crossover so as to use the entire front yard to parking for their exclusive use. We must understand that this unauthorised construction has several negative effects – a reduced quantity of street parking, reduction in the ratio of level pavements and a greater number of entry-points for vehicles into the street – each of these constitutes a risk. One can even recall recently seeing a commercial property under construction at a busy corner in the area west of downtown POS in which both pavements had been converted to continuous crossovers.

Traffic and parking issues have the potential to undermine the good life we are trying to create; we need to plan for our future.

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PROPERTY MATTERS

AFRA RAYMOND

“In the Trinidad and Tobago context, Afra Raymond is a rare phenomenon: a professional at the prime of his career who is willing to share his insights and knowledge with his countrymen. His columns in the Business Guardian in 2004 were always useful because Raymond understands that the essence of communication is distilling complicated ideas into simple language. At a time when many people feel that land can’t spoil and property only goes up in value, Raymond has contributed an excellent, understandable book on a critical topic that should be required reading for students, participants in public policy, real estate professionals as well as anyone looking to buy or sell property.”

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Business Editor
Trinidad Guardian***

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