

A NEW GARDEN CITY

Shelter's entry to the Wolfson Economics Prize MMXIV

In March 2014, Shelter submitted an entry to the Wolfson Economics Prize MMXIV. Shelter's proposal is one of five shortlisted for the final prize.

This briefing note is a summary of Shelter's entry to the prize. The full 10,000 word proposal is at https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/response_wolfson_economic_prize.

Building the homes we need

As Shelter has long argued, as a country we are not building the homes we need. In fact, we are barely building half of what we need. Families across the country are feeling the impact of decades of government neglect, and as a result our housing crisis is rising up and up the political agenda. In order to provide some tangible solutions to the project, in May 2014 Shelter and KPMG published our landmark report, 'Building the homes we need'. This called for an ambitious programme of investment, reform and increased local leadership. One crucial element of that programme is a new network of garden cities.

For that reason, we were delighted that this year's Wolfson Economics Prize posed the question: "How would you deliver a new Garden City which is visionary, economically viable, and popular?" While we firmly believe that garden cities are not the sole solution to the housing crisis, they are a fundamental part of any long-term plan to build the homes we need – and our shortlisted submission to the Prize clearly shows that it is possible to design and deliver a 21st century Garden City that has a bold and ambitious vision, that is economically viable, and that will prove to be popular with local residents.

A New Garden City on the Hoo Peninsula

Our vision is for a new Garden City with a population of 150,000 people on the Hoo Peninsula, in Medway in Kent. Our proposal focused in detail first on building a self-sufficient town, of 35,000-48,000 people, at Stoke Harbour. This town would then be the hub for an overall Garden City settlement with a number of other towns neighbouring Stoke Harbour.



Our model shows how it is possible to leverage massive new private investment into the provision of high quality homes, jobs, services and infrastructure. We achieve this by prioritising building lots of new homes quickly, rather than focusing on generating the maximum possible profit margin. This will create an attractive, sustainable new place to live, with a thriving economy, in just 14 years – and will give local people in the area the opportunity to invest early in the new town and reap real financial rewards from the new development. We demonstrate how it is possible to purchase the land for the new city at low cost, ensuring that the value generated from developing it stays within the hands of the local community. In turn, this means we can provide returns to investors, transfer valuable assets to a Community Trust, and make homes in the city genuinely affordable – all without relying on public spending.

We have designed – and set out how it is possible to deliver – a Garden City that is **visionary**, economically **viable** and **popular**.

1. A visionary New Garden City

Our city will be “the city that builds itself”. It will be built quickly and at scale by mobilising land owners, major investors, self-builders, small firms and local residents all together. The city will foster a vibrant and diverse community right from the start.

The city will be well-connected to both Medway and London, but it wouldn't be a commuter belt 'dormitory town'. Instead, it will have a thriving local economy – with high quality infrastructure supporting service, technical and creative start-ups, and light industry.

- To attract residents, **private homes in the city will be sold at below market prices.**

And we will create a healthy social mix by making 37.5% of all new homes genuinely affordable. Half of all new homes will be family-sized, and we will also include homes specifically designed for older people.

- We will also provide **plots for self- and custom-builders**, allowing people on all incomes the chance to build or commission their own new home. This will get building underway quickly, and add diversity and character to the new homes being built.



- Our city will have a **vibrant town centre**, focused on a living harbour, with green space and waterways throughout. It will be served by excellent community facilities and transport – 45 minutes to London by train – funded by the city itself.
- At the heart of financing our new city will be a **charitable Community Trust**, which will own freeholds and assets in the local area amounting to a turnover of over £25 million a year. This money will support excellent services, reduce demands on council revenues, and provide over £5 million of education and training grants for local people every year.

2. A viable New Garden City

The plans for our New Garden City are eminently deliverable, thanks to a combination of (i) mutually beneficial land purchase; (ii) an investment structure that aligns risk and reward; (iii) a rapid delivery model to get homes built quickly; and (iv) a rapid sales model to get the homes into the hands of the people who want to live there.

Land purchase

We will offer landowners the opportunity to benefit from the advantages that come from regenerating a local area, either by:

- Co-investing their land in the new city
- Taking an upfront payment and a share of future development profits

These options mean that the city can buy the land at almost existing land value, and at the same time landowners can get a better long-term return on their land than they would if they sold it at current values. If landowners do not cooperate, then there is a credible threat of designating their land as permanent Local Green Space (meaning that its value as residential land cannot be realised), or as a last resort compulsory acquisition with compensation.

Investment structure

Our structure for investment in the new city aligns investors' risks and returns with their investment objectives:

- A single promoter will take all of the land through the planning cycle, to ensure that a single overall vision is maintained, and that the risk is ring-fenced
- Long-term investors, like pension funds and other institutional investors, will fund the city's social and private rented homes through 'patient capital'
- Shorter-term, risk-taking investors will fund the city's homes for private sale

Delivery model

Our delivery model will ensure that we can build over 1,000 new homes a year, by:

- Removing the high cost of buying land, and the high risk of seeking planning permission, from the house builders themselves – so that the only risks that they retain are those of construction, and a share of sales risk
- Licensing small and medium-sized house builders to build on small plots of land, and incentivising them to compete on price, quality and rate of building new homes
- Encouraging new homes to be built 'off site' to reduce construction time while retaining quality, traditional form and materials



Sales model

Our sales model will overcome traditional market absorption limits by:

- Ensuring that the design of our new city focuses on creating a 'sense of place' right from the start
- Investing in transport connectivity and social infrastructure up front
- Offering local residents a range of tenures to choose from
- Making sure that traditionally 'underserved' communities – like self- or custom builders, or families who are interested in shared ownership – get early opportunities to buy new homes
- Selling new homes in the city at below market values

3. A popular New Garden City

We will also ensure that our New Garden City is popular with local people – both those who already live in the area, and those who would like to move in to homes in the new city. We will do this by:

- Offering local people unique **opportunities and share-based incentives to invest in the new city**. There will be stronger incentives for those who invest earlier. This way, we will create local communities who have a real interest in the success of the city. We estimate that an initial investment of £10,000 would grow to £82,500 over the life of the development.
- Encouraging local people to collaborate and participate in the pre-planning process. This will allow existing residents, parish councils and community groups to actively shape the new settlement.
- Investing in new infrastructure and excellent services – in particular, great new schools – which will benefit the whole of the Hoo Peninsula.
- Avoiding protected ecological areas and flood risk zones, and reserving areas as designated Local Green Spaces, which will reassure local people that our city will never encroach on existing villages.
- Building a range of new homes that respond to people’s real needs and desires – from affordable starter homes, to larger family homes at reasonable prices, to high quality homes designed for older people and embedded in the community.



Conclusion

Shelter’s entry to the Wolfson Economics Prize MMXIV shows that it is possible to build a 21st century Garden City that has a bold and ambitious vision, that is economically viable, and that will prove to be popular with local residents. Shelter has long argued that as a country we need to build more homes, and in our landmark report with KPMG we showed how that can be done – and that garden cities are essential to any long-term vision for building the homes we need. While they will never be the answer to our housing crisis on their own, garden cities are a vital part of our country’s housing future and are eminently deliverable for a government with the ambition to get building.

In our proposal, we have even demonstrated how our ‘community asset’ financing model could be used to seed-fund a national ‘Garden City Infrastructure Fund’. This would use an innovative tax receipt-sharing agreement to fund transport infrastructure which would unlock sites for future Garden Cities, generating receipts for the Exchequer, growing the UK economy – and without requiring further public borrowing.

We will now be developing our initial entry into an expanded, 25,000 word submission over the next two months. We would welcome any comments, contributions or discussions to this process. For more information, please contact public_affairs@shelter.org.uk or call 0344 515 1182.