



# GROWING CITIES

How can England's successful cities build the homes we need?

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# CONTENTS

|  |           |
|--|-----------|
| <b>Recommendations</b>   | <b>4</b>  |
| <b>Introduction</b>  | <b>6</b>  |
| <b>Executive Summary</b>   | <b>9</b>  |
| <b>1. Growing Cities: creating jobs<br/>but not enough homes</b> | <b>15</b> |
| <b>2. Co-operation across boundaries</b>                         | <b>28</b> |
| <b>3. Unlocking stalled sites</b>                                | <b>37</b> |
| <b>4. New models for development</b>                             | <b>42</b> |
| <b>5. Overcoming the limits to growth</b>                        | <b>53</b> |
| <b>Bibliography</b>  | <b>61</b> |

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# RECOMMENDATIONS

England has successful cities with booming labour markets, growing populations and new businesses. However, too often these same cities are failing to build enough new homes to accommodate their success. Unless we devolve powers and budgets to our cities, young workers and families will be priced out. There is a better approach.

## Recommendations:

- 1. We should incentivise strategic planning at the city level, not in huge 'regions' or tiny neighbourhoods**
  - Councils within city-regions should be strongly incentivised to work closely together to co-ordinate building more homes.
  - Strategic planning powers and budgets should be devolved to cities and resources such as public land should be pooled and co-ordinated across boundaries.
  - Councils which block growth or refuse to co-operate should face financial penalties. If all other options are exhausted, there should be the ultimate backstop of a boundary review to incentivise working together effectively.
- 2. We should give growing cities the tools they need to speed up house building and unlock stalled brownfield sites**
  - Growing cities should be able to tax land that has planning permission but is being held back from being built, or built only very slowly.
  - Where land with planning permission remains unbuilt, cities should have the backstop power to buy it with a compulsory purchase order, to incentivise market-led growth.
- 3. We should give growing cities stronger powers to lead their own building, negotiate down land costs and invest the savings**
  - Cities should be able to set up New Homes Zones on strategic sites which reduce land costs and therefore provide high quality, genuinely affordable homes.
  - Cities should innovate with alternative models for development such as custom-build, based on national and international best practice.
- 4. We should give growing cities a better offer on their green belts**
  - Cities should conduct green belt reviews to identify beautiful and publically valuable land to protect, with active and democratic input from local people.
  - Reviews should also identify low public value land, which is close to transport links and suitable for growth.
  - Cities should be able to develop high quality, green communities on low value land, with ownership held in perpetuity by a Green Belt Community Trust.

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**Freiberg** in Germany is a successful example of city planning, integrated transport and housing and popular development. Over recent decades the city has built high quality suburbs, such as Vauban (pictured), which combine affordability, environmental sustainability and genuine local support.

Photo credit: Mangan02



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# INTRODUCTION

Cities will be the engines of our future jobs, new businesses and economic growth.<sup>1</sup> Yet many English cities face the same worrying problem: too often economic success is matched with a failure to build enough new homes.

In 2014, IPPR and Shelter visited and talked to four economically successful mid-sized English cities at the forefront of these housing pressures: York, Cambridge, Oxford and Bristol. At present their growing economies are being held back by chronic housing pressures.

The competitiveness of this middle tier of English cities is being held back by the inability to provide attractive, affordable homes for people considering moving to start businesses there, work there or bring new skills.

Increasingly, business leaders across England are flagging housing as a major area of concern for them.<sup>2</sup> Unless our mid-sized cities can offer significant benefits – such as affordable home ownership – to their workforces, they will struggle to compete nationally or internationally.

To combat this weakness, these cities need to build many new homes within attractive new communities, but our analysis shows that currently they are falling far short of what is required.

If our most economically buoyant areas cannot deliver the new homes they need, there is little hope of England meeting its housing supply challenge. But conversely, growing cities also represent our greatest hope of doing things better. **They can pioneer a new approach.**

Cities offer the clearest and strongest long term prospects of building more homes. In

addition to political will, growing cities also have the underlying economic base to support a new approach to housing growth. They need better tools in their armoury to get more and better homes built on both brownfield and greenfield sites while commanding local popular support.

This model of powerful cities shaping their own future may seem novel in England, but it is normal in continental Europe and the US. In particular, cities in Germany, France and the Netherlands offer exemplars of visionary city leadership, combined with greater fiscal autonomy.<sup>3</sup> There is much we can learn.

The case for growing England's successful cities has been very well made on both the political left and right. Lord Heseltine's growth review, Labour's Lyons Housing Review, the City Growth Commission, work by the Centre for Cities, and by URBED, the winners of the Wolfson Economics Prize 2014 all reflect this growing consensus.

What binds these excellent pieces of work together is that they all focus on the central question of how to *devolve power to cities* so that they can shape their own future. This cuts against the recent orthodoxy that the best way to stimulate house building is ever weaker planning rules.

As URBED persuasively argue:

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*'The relaxation of planning would lead to speculation, uncoordinated development without the necessary infrastructure and further conflict with local people. What we need is not less planning but better planning.'*

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1. According to the 2014 Cities Outlook, cities host 73% of all highly skilled jobs in the UK and are 15% more productive than non-cities. Between 2010 and 2012, 96 per cent of net private sector job growth happened in cities. Centre for Cities, 2014

2. CBI, Housing for Growth, 2014. In September 2014 the CBI urged politicians to build 240,000 homes per year to deal with the "chronic" housing shortage which they argued was taking £4bn per year of consumer spending out of the economy.

3. Hall and Falk, Good Cities, Better Lives, Routledge: 2014

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Similarly, IPPR and Shelter want to move the debate on to more productive territory about how growing cities can be given the planning and fiscal tools they need to shape their own futures.

While much progress has been made on developing this agenda, many difficult questions remain.

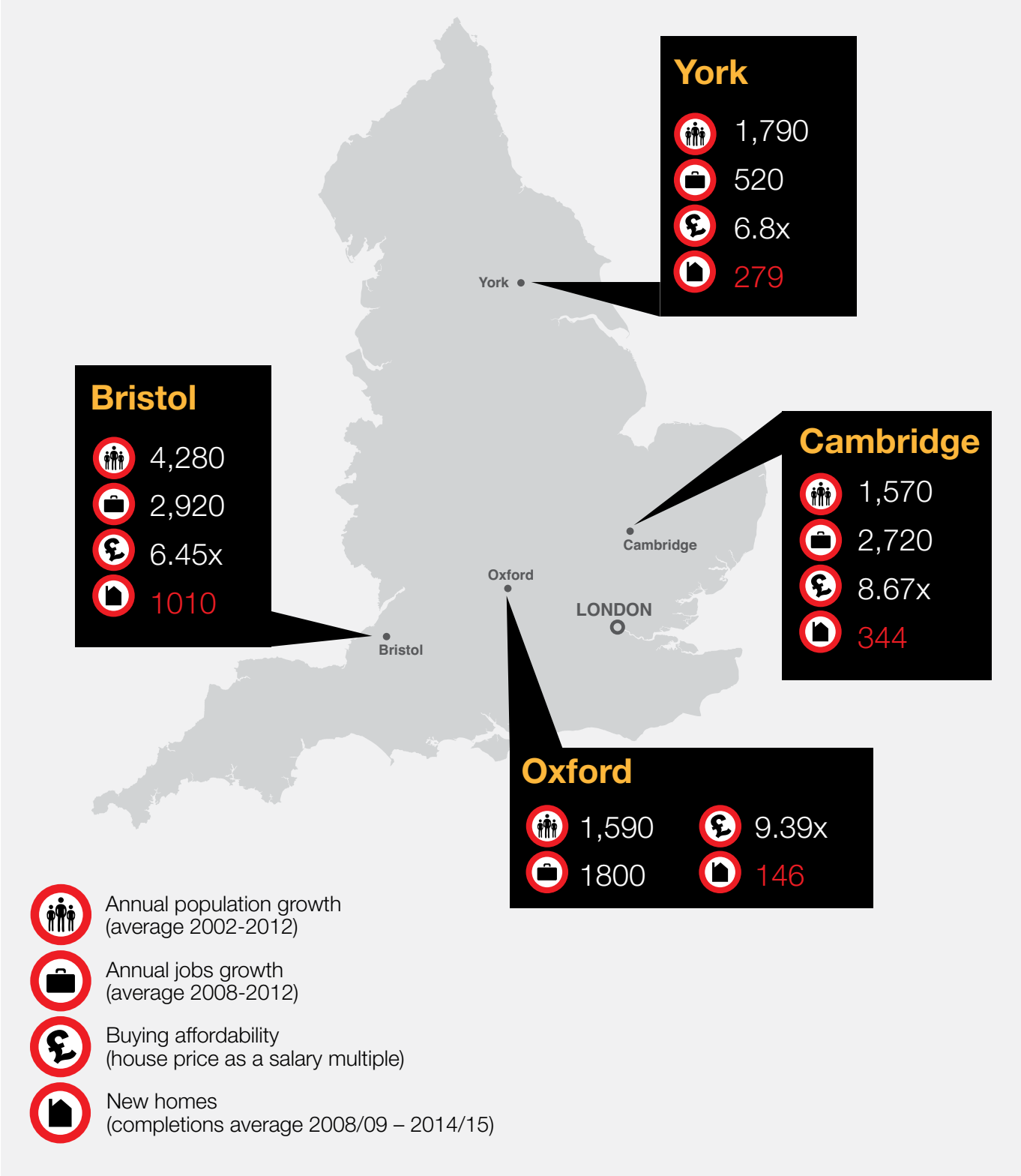
- How can strategic planning and public or private investment be co-ordinated across local authority boundaries when political interests are not aligned?
- How can cities speed up house building on stalled sites with planning permission which are either not being built, or built only very slowly?
- How can new developments achieve higher quality as well as quantity, including a higher level of genuinely affordable housing, in an environment of constrained public finances?
- How can the case be made for protecting our important and beautiful countryside, while recognising that some parts of cities' green belts can and should be developed?

In this report, Shelter and IPPR take these questions head-on, and set out a new strategy for building more homes in the areas where people most want to live.

#### **Our growing cities need:**

- Strong financial incentives to co-ordinate planning, budgets and public land use **strategically across council boundaries** with meaningful penalties for those authorities which refuse to play ball and **meaningful devolution** to those who pioneer a new approach.
- City-wide, independent **Local Homes Agencies** with devolved powers to unblock stalled developments, negotiate with land owners and work with the private sector to put together new regeneration and urban extension projects.
- Tools to overcome the physical and political constraints on their current land supply: notably new ways to **carefully release green belt land** in ways that control land prices, protect beauty and benefit the community.

**Figure 1:** Our case study growing cities



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# EXECUTIVE SUMMARY

## Growing Cities

Through 2014 researchers at IPPR and Shelter spoke with planners, politicians and officials in four mid-sized English cities: Bristol, Cambridge, York and Oxford. These cities have strongly growing economies and jobs markets, but each is struggling to provide enough homes for their growing workforce.

For younger workers considering whether to make one of these cities their home, the financial incentives are weak. While each city offers workers higher wages than its surrounding region, the extra cost of renting a home turns this advantage on its head.

It costs renting workers hundreds or even thousands of pounds more to live in Cambridge, York and Oxford than in their surrounding regions because of the higher cost of rent. In Bristol, the higher wages workers can expect are almost entirely wiped out by higher rents, reducing incentives to move there.

Without building more homes, making renting affordable, and home ownership attainable, England's growing cities will be at a competitive disadvantage and will struggle to attract and retain the workers they need to support growth.

## Why don't growing cities build enough homes?

At the root of why our cities don't build enough homes are two problems.

In the first instance, cities face a challenge of insufficient land for homes to be built on. While physical boundaries (rivers, lakes) exist, in most cases land scarcity is due to 'artificial' problems: unwilling landowners, local authority boundaries or green belts.

The second problem is the way our current high risk development model stacks incentives for developers. Incentives within house building deliver inadequate volume and excessively small, expensive housing. Although entrenched,

this model is not the only way to build homes, and is in stark contrast to the more successful systems or our European neighbours – and our own past.

## Not enough land

As developed urban centres, land that is suitable for development will always be scarcer in the core of our cities. However, the understandable imperative to prioritise brownfield land for development has put inner-city landowners in the driving seat, able to dictate the terms of when and whether they build. Meanwhile, our city authorities have inadequate powers to drive forward development on their existing brownfield land even where it is available.

Unable to properly marshal development within their existing cores, our cities face further powerful constraints on their ability to grow and develop beyond their existing edge. Tight **green belt boundaries** and tight city **administrative boundaries** mean that cities often have a grossly inadequate supply of future housing land and are therefore unable to get enough homes built.

In our fragmented local government system, decisions over green belt boundaries and whether to build on greenfield sites are taken at local authority level. This gives the residents of rural authorities that surround growing cities much greater influence over such decisions than the workers in the cities themselves – who are far more likely to be younger, priced-out renters more supportive of house building.<sup>4</sup>

The city authorities we have spoken to feel disempowered by the way the current system works. They feel hemmed in by their lack of influence over the land critical to their housing supply, and trapped in a weak negotiating position with regard to landowners and developers. They know they currently have few tools or options to close the growing gap between the number of homes they are building and the number of homes they need.

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4. In 2015, Shelter and Meeting Place Communications published a major piece of research showing in fine detail support and opposition to homes by demographic groups and geography. While the overall results showed opposition to local home building to be falling, resistance was higher in city-bounding areas than in inner cities. Shelter and MPC, Engaging the Silent Majority, 2015

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## The wrong development incentives

Even where suitable land is available for new homes, whether it lies within the existing city boundaries or sits at the edge, our model of development severely impedes our ability to build enough of the right sort of homes. This is because the way that land is identified and brought forward for development in England at the moment produces perverse incentives for developers.

Considerable increases in land value can be created by simply getting land identified as permitted for development in the planning system. The biggest gains are to be made by acquiring sites without any planning permission and then “promoting” them through the planning system. This can create huge increases in land value, particularly by getting planning permission to use agricultural land for new homes.

If Cambridge released 500 hectares of agricultural land for homes, less than 5% of Cambridge’s current land area, it would create **£1.4 billion of land value uplift**. In Oxford releasing 500 hectares would create nearly **£2 billion of land value uplift**.

However, this unearned uplift in land value is currently almost entirely captured by the people who own the land or speculative house builders, who have options to buy the land. This has two significant consequences. Firstly, a significant opportunity is missed to capture the increased value to pay for vital infrastructure and affordable housing. And second, the incentives for developers become focussed on buying and promoting land rather than building good homes.

Existing public policy attempts to capture the uplift in land value, such as Section 106 agreements between councils and developers, are inadequate. They happen

once the land has already been bought at a particular price and, as such, attempt to claw back some value for public benefit. While they do capture some of the windfall gains, the amounts raised are typically insufficient for communities’ requirements. The result is schemes that generate local opposition, with poor infrastructure, few affordable homes and inadequate funding for stretched public services.

Greater investment in infrastructure and public goods, funded by land value capture, would not only improve the quality of new housing schemes better, but would also make them more popular locally, and would reduce the volatility of the house building industry, enabling it to scale up.

By giving significant incentives to secure windfall gains from land value uplift, competition within the house building sector is also focused not on building good homes, but on securing a future pipeline of land in places with strong housing markets. This drives up the price of potential sites, increasing the upfront costs of development before any homes are actually built. In turn, this reduces housing quality, increases housing density and concentrates development in low risk, low output small sites.

What’s more, prices are not only driven up, they become more volatile. Studies by IPPR and others have shown that land prices are even more volatile than house prices and have highlighted multiple dysfunctions in the market, such as the high number of non-developers who buy, trade and hold land with planning permission.<sup>5</sup>

In the current land market, development is highly vulnerable to financial shocks. If house prices stall or fall, as happened in 2007/08, the speculative price paid for land by developers can suddenly become higher than the amount they can sell the planned homes for. This can make the sites unprofitable almost overnight, so house building collapses. As a result, many sites are mothballed as the owners wait for house prices to recover, and the affordable housing element in schemes is often reduced to regain profitability.

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5. IPPR, *We Must Fix It*, 2011; Molior for the GLA, *Barriers to Housing Delivery*, 2012.

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## How to let our cities thrive

For our economically successful cities to build the homes they need a new approach is urgently required. We have to give cities the budgets and powers to meet their own housing needs, and to design attractive, affordable new places that will cement their national and international competitiveness.

We need much stronger collaboration across local authorities at economically meaning geographical levels. This means supporting the emergence of city-regions, rather than reviving the old mega-regions or insisting that micro-localism will miraculously deliver homes and communities on the scale we need.

We also need strong, strategic intervention in the broken land market to enable the industry to build more homes in the right places and ensure that inflated land prices don't prevent quality development.

Finally, we need new independent public/private models to deliver large schemes, which are vital to providing the homes, services and infrastructure that growing cities need. In seeking solutions for all these issues we should learn from the best international practice and lessons from our own past.

### (A) Co-operation across boundaries

We need to overcome the constraints on city growth imposed by artificial boundaries, which often reflect decades or centuries-old populations and economies.

In the real world, the operation of jobs markets has little relationship with local authority boundaries. Equally, housing markets pay little attention to where one council area starts and another begins. Growing cities create jobs and new housing demand which flows into neighbouring districts.

But the political geography in which English cities operate now has little relationship to this economic reality. When cities plan and deliver their future housing supply they often do so only within their own narrow administrative boundaries –

which don't reflect their actual housing and land markets.

Cities need a **new framework** to work with their neighbouring authority partners. This needs to offer powerful new incentives for co-operation, to encourage local authorities to work together on delivering housing growth. It also needs to impose strong penalties for non-co-operation, or allow cities to take control of their own housing destinies if they face uncooperative neighbours.

### Joint Strategic Planning Authorities

Building the homes they need will require local authorities within our successful cities to work together effectively. Hoping for greater co-operation is not enough. There are deep political, economic and financial incentives locked into our current structure of local government that hold back the growth our successful cities need.

To move beyond this, we need a bold approach. Local authorities in a city-region should be presented with clear incentives and penalties to work together on housing issues in a Joint Strategic Planning Authority (JSPA), with a city-wide remit. Such an authority can look at the needs of the whole city and plan strategically, rather than be locked into protecting the interests of just one part of the city-region.

### Local Homes Agencies

Joint Strategic Planning Authorities are a political function and will be made up of locally elected councillors. They hold a democratic mandate to represent people in their city and make decisions to benefit the entire local population.

However, on their own, these joint strategic planning authorities will have little proactive power in the local land and housing markets. We therefore recommend that councils who form JSPAs share their strategic planning, land and housing functions in a **Local Homes Agency**. Day-to-day development control would be retained at the local authority level.

Powers and budgets from the Homes and Communities Agency (HCA) would be devolved to them. Agencies would be independent of all participating local

authorities, and accountable to the JSPA. They would be proactive within local land and housing markets, negotiating deals with landowners and driving forward partnership working between the public sector, not-for-profits and the private sector.

By pooling and devolving powers and budgets Local Homes Agencies will be far better resourced and powerful than individual councils are able to be following major budget cuts in recent years.

### **What if local authorities don't co-operate?**

Although housing growth across boundaries should be achieved through partnership and co-ordination wherever possible, there may be situations in which bounding authorities to cities refuse to participate in necessary growth.

Where partnership fails, this cannot be allowed to mean failure to deliver. Cities need the fall back powers to take control of their own housing futures if they face uncooperative neighbours.

Where an authority refuses to participate there will be strict financial penalties – such as being locked out of growth funds. Ultimately, however, providing enough good quality new homes for the people who live and work in a city must be non-negotiable. As such, if all other reasonable options are exhausted and the city's administrative boundaries continue to impede sufficient new development then there must be the ultimate backstop of a boundary review.

### **(B) Unlocking stalled sites**

#### **Powers to intervene when development stalls**

Growing cities need to deliver good quality and locally affordable new homes, in the right places at a much enhanced pace. To do this they need greater powers to make enough land available and to ensure that it is in the hands of those who will build quality homes quickly. As a first step, they need stronger powers to incentivise building on land (often brownfield) which is already earmarked for development.

The best way to achieve this is to support cities with the power to intervene in and

shake up their local land market. This must be done in two ways:

- Give city-regions the power to levy council tax on sites with planning permission that are being built too slowly to meet local house building targets. Council tax would be equivalent to what would be paid if the homes were built. Putting a holding cost on land with planning permission incentivises its use.
- New powers to unblock problem brownfield sites, where land owners are persistently holding back development and get that land into the hands of those who will build. This will require more streamlined powers to compulsory purchase land for the most stubborn cases.

These new powers will change the balance of power in the city's local development market, with city-regions able to influence the pace of brownfield development which they are so often dependent upon to meet housing need.

### **(C) New models for development**

#### **Powers to be pro-active: New Homes Zones**

As well as speeding up the delivery of existing sites with planning permission, cities will need the power to pro-actively drive new large scale development – such as an urban extension.

**A New Homes Zone** is a pro-active planning tool for use by city-regions working jointly across authority boundaries.

The vision is simple: cities should be able to mark on a map where they think growth should happen, declare a New Homes Zone on that land, set the basic terms of the development and then let private or public developers compete for the best masterplan to develop the land with those terms, which has the maximum benefit to local people. Local people would be involved throughout all stages in judging relative bids and setting the priorities for what the development should deliver in terms of new local infrastructure.

The designation of a New Homes Zone will effectively freeze land values at their

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current use plus a defined compensation, as is the case with housing development in Germany.<sup>6</sup> By freezing land values at their current use plus a compensation, the Zone will create huge savings that can be invested in affordable housing, local infrastructure or services.

Landowners who are affected by a New Homes Zone will receive less compensation than if their land had been promoted through the planning system under the current model of development. However they may be offered the opportunity to invest their land as equity into a new development partnership with the potential for substantial development profits and an annual annuity.

## Space to innovate

Devolution of powers and budgets to cities means that they will have more scope to try out new approaches to building more homes. Our case studies in Bristol, Cambridge, Oxford and York all offered models of innovative approaches from self-build to partnerships with legacy landowners.

There are also interesting ideas developing for long term development models which allow landowners to co-invest their land as equity in the development partnership, including Shelter and URBED's prize-winning ideas from the Wolfson Economics Prize 2014. Such a model could offer landowners an alternative long term steady return from their asset. There is also, of course, a huge literature which looks at the best international approaches to city planning and development.

Growing cities should look to national and international best practice to find the models for growth that work best for their geography, finances and local politics.

## (D) Overcoming the limits to growth: green belts

There is a pressing need to reform the current city settlement of building only on brownfield land and then "jumping the green belt" to less sustainable settlements miles away from urban areas. This is

environmentally damaging, against the interests of sustainable city growth and creates long commutes for workers.

Green belts are an important and effective part of planning policy, preventing the urban sprawl seen in too many US cities. They should not be fundamentally weakened as some have suggested.<sup>7</sup> However they were designed for our cities under very different population and employment conditions and should reflect good urban planning for the 21st, not 20th Century.

Sensible growth in cities means prioritising brownfield land, where such land exists, and giving cities new powers to make their brownfield markets work better and to unblock stalled sites.

But we also need to encourage sensible ways to grow for cities for whom a brownfield-only policy is not feasible or running out of road. Rather than push growth pressures into open countryside beyond the green belts we need a new approach to urban extensions close to cities.

Small scale and sensible change is needed. **Releasing just 0.5% of England's green belt land could deliver nearly half a million new homes** and could be done over a relatively long period.

We need to strike a better balance between the need for new sustainable communities and protection and public access to beautiful green spaces. To do this we suggest a new idea: **Green Belt Community Trusts**.

The Trusts also free up the possibility of building a small number of new sustainable suburbs or communities around transport links. Local people will have first say over the type of homes, where they go and new community facilities.

Green Belt Community Trusts could free up billions of pounds of savings from cheaper land to invest in the things local communities want, like improved transport links, schools and healthcare facilities.

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6. Good Cities, Better Lives, Hall and Falk, 2013

7. Adam Smith Research Trust, The Green Noose, 2014

This should make them easier for local politicians to sell to their local communities.

In conducting green belt reviews and setting up Green Belt Community Trusts would have four aims:

In setting up the Trusts there would be four aims:

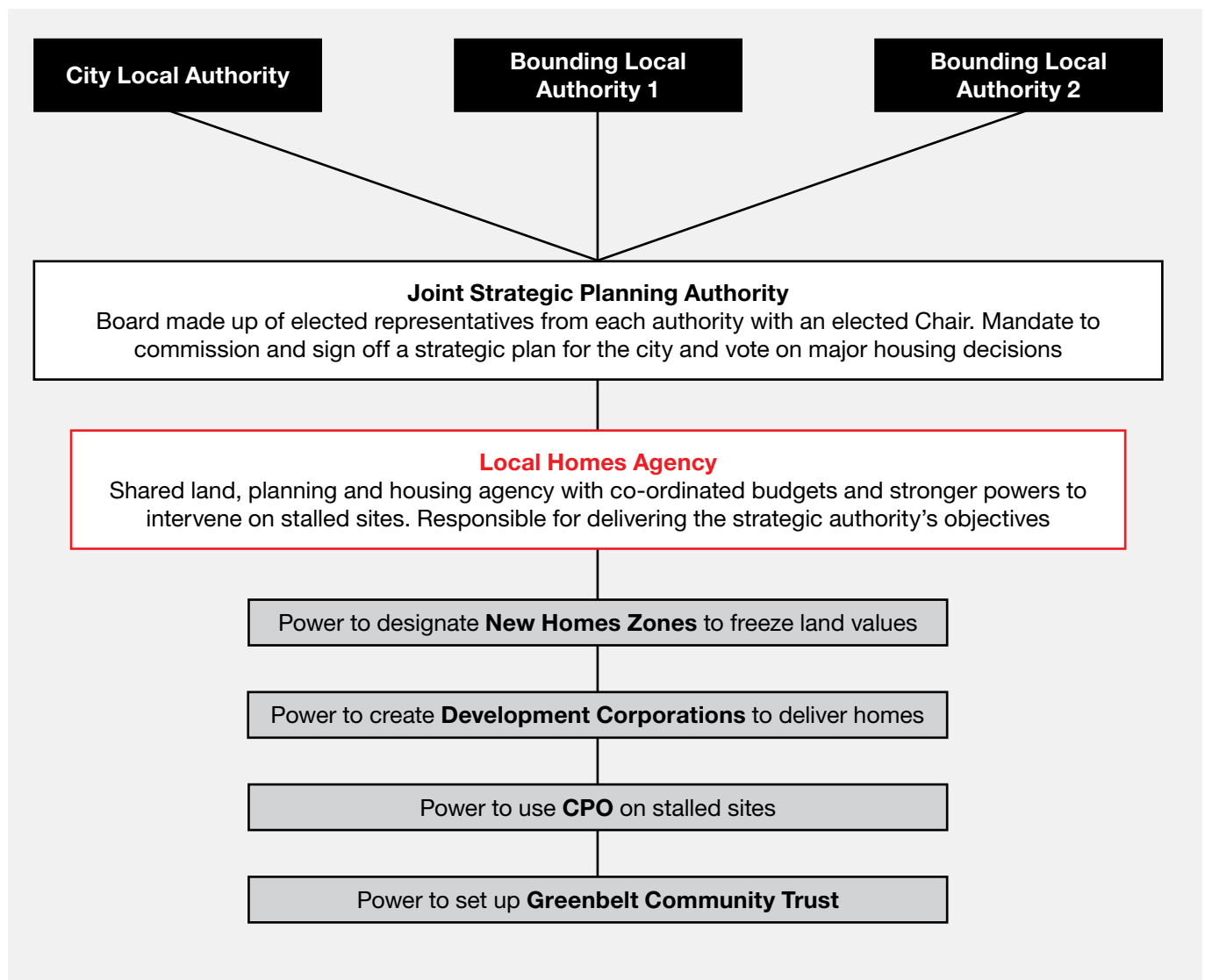
- **Preserve** – and be seen to preserve – quality open and green space around cities, preventing unsightly and unsustainable ‘creeping development’ at the urban fringe.
- **Improve** local people’s access to and stewardship of high quality green space, giving them a real stake in its ownership.

- **Concentrate** urban growth into a small number of the most appropriate locations.
- **Capture** the huge gains in land value that development creates for local benefit, for infrastructure and affordable housing

## Conclusion

England’s growing cities are unable to build the homes they need, but there is a way forward. Rather than going back to a centralised approach or continuing the current trend for localism at the smallest possible scale, we need to give powers and budgets to our cities to lead their own response to the housing crisis.

**Figure 2:** A new model for city growth



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# 1. GROWING CITIES: CREATING JOBS BUT NOT ENOUGH HOMES

Many English cities face the same worrying problem: too often economic success is matched with housing failure.

Cities which have a record of strong employment and output growth, with businesses that are dynamic and forward looking, with a highly skilled labour force, almost invariably, are faced with high house prices, high rents and high housing pressures.

This housing failure creates the biggest threat to the continued economic success of these places and, in turn, to the health of the English economy.

Growing cities are where a large proportion of our future new jobs, businesses and economic growth will come from. Since the recession, 96 per cent of net new private sector job creation has occurred in cities.<sup>8</sup> Increasingly, there is a political consensus to focus on policies that empower cities to release this growth.<sup>9</sup>

Housing failure in these places threatens the future economic health of England.

Housing shortages and rising housing costs put a brake on economic growth – placing pressure on existing infrastructure, threatening business competitiveness and making it harder to attract and retain skilled employees.<sup>10, 11</sup>

Attractive and growing cities are increasingly becoming places where young, talented entrepreneurs and employees are unable to afford to live. In an ever more mobile and competitive world, English cities are pricing themselves out of future growth. Bristol will lose out to Mumbai, Cambridge in Cambridgeshire will be overtaken by Cambridge, Massachusetts.

At the centre of this housing failure rests a failure by cities to build the homes they need.

**York** Photo Credit: Peter Czerwinski



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8. Between 2010 and 2012, Centre for Cities, Cities Outlook 2014

9. In April 2014, Labour announced that it would introduce the “biggest devolution to towns and cities in 100 years”; The Coalition Government commissioned Lord Heseltine to write a report on devolution to cities and growth, which was published in 2013 (No Stone Unturned, HMG, 2013).

10. Cities Outlook 2013

11. A survey of London businesses by KPMG and CBI in April 2014 found 83% concerned about housing affordability with 48% saying that this has increased their costs. Two-thirds of respondents (61%) listed housing costs and availability as having a negative impact on recruitment of entry level staff, with half of respondents saying the same thing for mid-level managerial employees.

## The rent penalty of our cities

For employers and for local and national government who benefit from higher GDP and tax revenues, there are clear advantages to the agglomeration effects of people living and working in close proximity. For some of those actually living in England's cities however, the advantage is less clear cut.

For younger working people in particular – who are increasingly likely to rent from a private landlord– there can be a cost to city living. We've looked at data from the Office for National Statistics and Valuation Office Agency to show that while there is a “wage premium” for those living in English cities compared to their region, this is **more than wiped out** by the extra costs of renting compared to the region.

This was true for three of four major English cities (London, Birmingham and Greater Manchester) and for all four of the “growing cities” looked at in this report (Bristol, Cambridge, Oxford, York).

In reality, those faced with the “rent penalty” may not choose a lower disposable income, but either a long commute out of the city (which would have its own cost) or, more likely, a worse home than they could obtain for the same wage outside a city.

In summary, English cities may generate better wage prospects for workers but they punish those who move there with disproportionately higher rents. For young workers, it is though our cities are pushing them away rather than attracting their productivity and innovation.

### The Rent Penalty<sup>12</sup>

| Major English Cities | Region | Annual wage premium living in city | After “Rent Penalty” |
|----------------------|--------|------------------------------------|----------------------|
| Birmingham           | WM     | £247                               | <b>-£329</b>         |
| Leeds                | YH     | £1,607                             | <b>£107</b>          |
| London               | SE     | £3,608                             | <b>-£4,600</b>       |
| G. Manchester        | NW     | £20                                | <b>-£52</b>          |

| “Growing Cities” | Region | Annual wage premium | After “Rent Penalty” |
|------------------|--------|---------------------|----------------------|
| Bristol          | SW     | £1,935              | <b>-£9</b>           |
| Cambridge        | E      | £2,237              | <b>-£2,119</b>       |
| Oxford           | SE     | £1,599              | <b>-£1,197</b>       |
| York             | YH     | £425                | <b>-£1,687</b>       |

12. Authors' calculation using median wages ONS, ASHE 2014 Table 8.7a and VOA Rental Market Data 2013/14 (2 bed flats).

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## Our Research

IPPR and Shelter met and spoke with local government staff, councillors, housing associations, academics and other policy makers in several English “growing cities” over a three month period in early 2014.

The primary focus was to look at cities that have good economic growth records combined with high housing pressures. We were also interested in cities that had a growing political constituency that would support more housing supply (with high levels of private renters and business sectors which were concerned about the impact of housing costs on their competitiveness).

We chose to look at one large core English city (Bristol), but our other cities are characterised by having high knowledge intensive growth sectors, limited available brownfield land and direct constraints to their land supply – via either tight administrative boundaries or tight surrounding green belts (York, Cambridge and Oxford).

We also met and discussed specific policy issues with Birmingham City Council (on the use of Compulsory Purchase Orders as part of a regeneration strategy) and Bicester Town in Cherwell District Council (who are pursuing innovative development models through both the current Bicester

Eco Town and the Graven Hill Self Build development and Special Purpose Vehicle).

## Rising housing pressures in growing cities

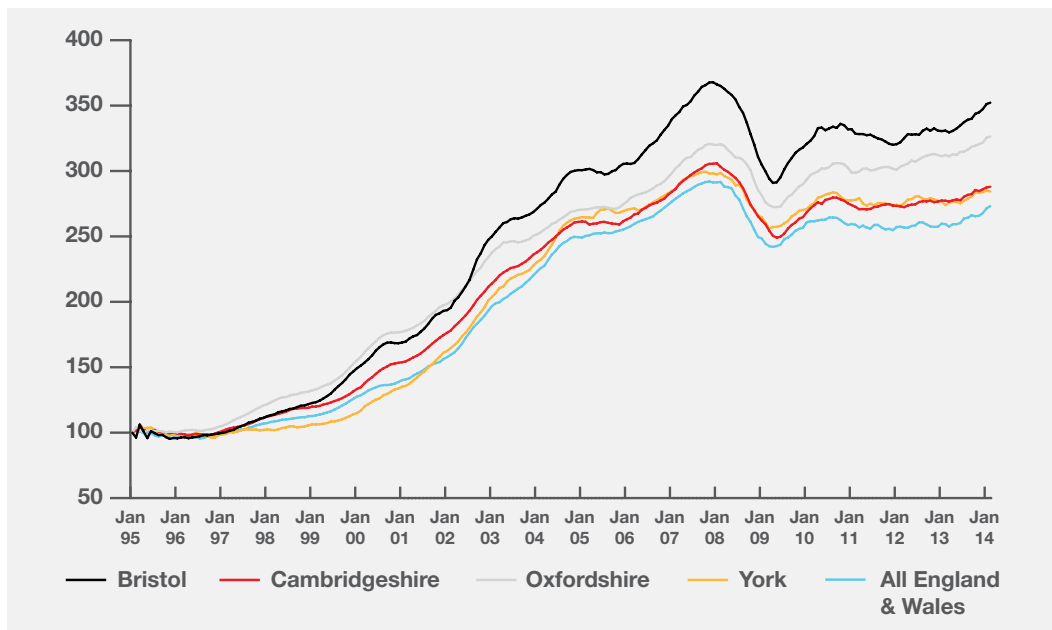
We looked in detail at four growing cities with high housing pressures (Oxford, Bristol, York and Cambridge). These areas have seen sustained population and employment growth and have buoyant local economies (see Figure 7).

All our areas have seen house prices growing faster than the England and Wales average over the past thirty years (see Figure 3).

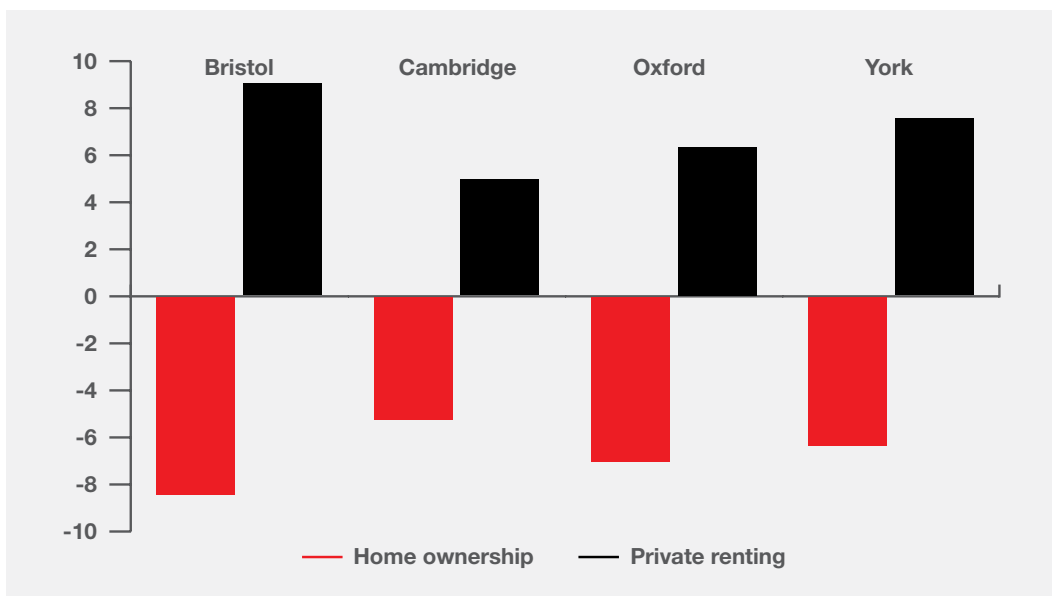
These cities have all seen housing affordability deteriorate markedly and a sharp fall in homeownership occur alongside a sharp rise in private renting.

None of our cities now have average house prices of less than six times local incomes, and in Oxford houses prices are now almost ten times average local incomes (see Figure 5). All our cities also have high rental costs, with median rents in Cambridge and Oxford measuring at over 50% of median take home pay. Housing pressures for those on lower incomes have increased, whilst housing benefit spending has also grown significantly (see Figure 5) – for example more than doubling in a decade in Bristol to £172 million.

**Figure 3:** House Price Inflation, Indexed to 1995<sup>13</sup>



**Figure 4:** Trends in Tenure, 2001 – 2011<sup>14</sup>



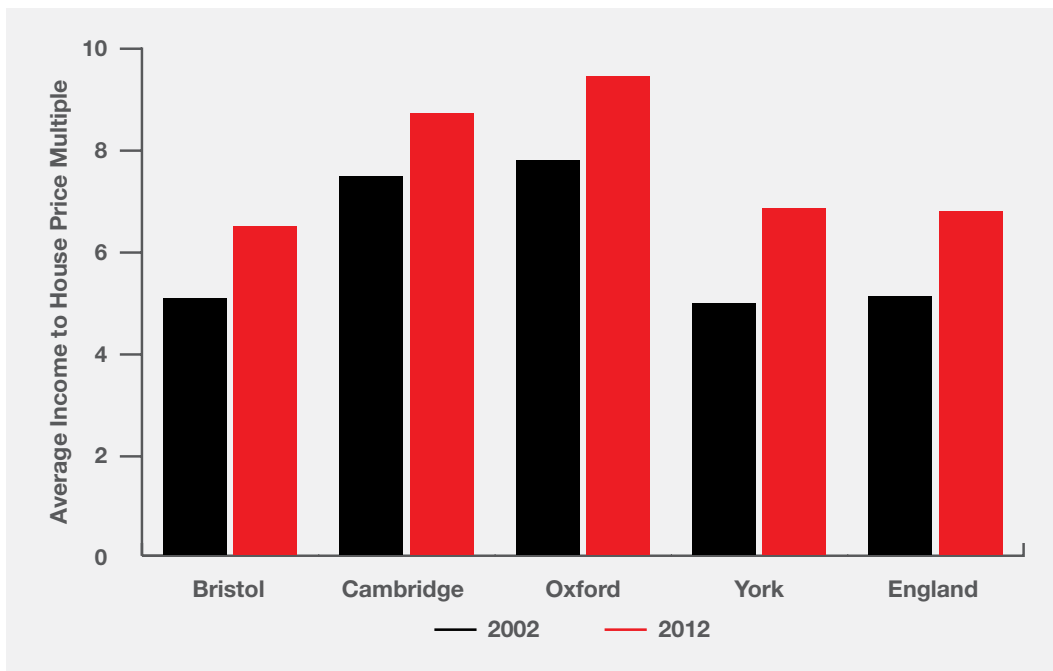
13. By closest available area from Land Registry data

14. Census 2001 and 2011

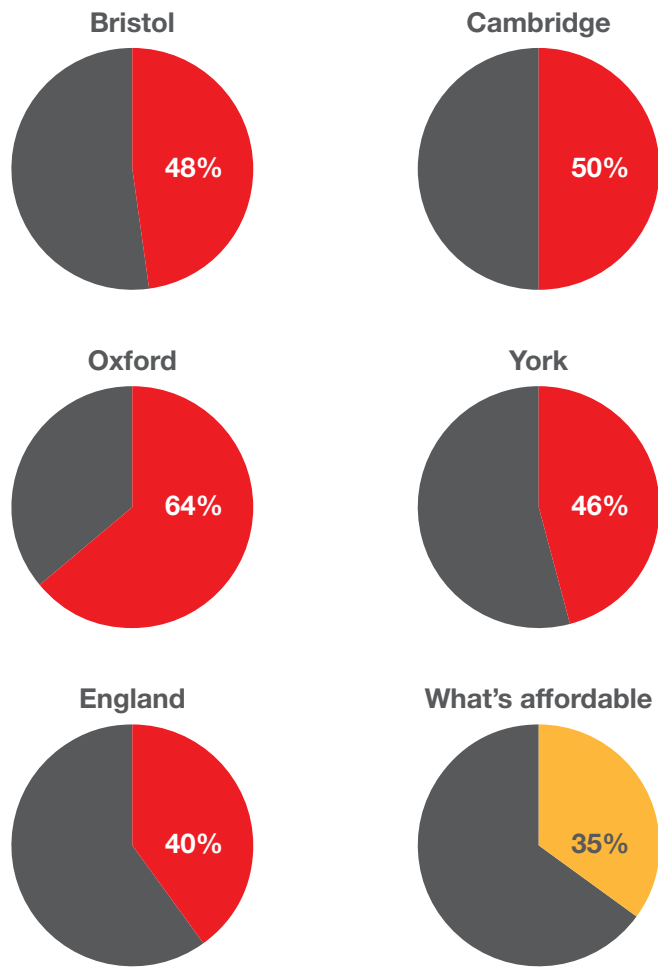
**Figure 5:** Housing Affordability

|                  | Affordability private sale† |                    | Affordability Private Rents                  |
|------------------|-----------------------------|--------------------|--|
|                  | Affordability 2012          | Affordability 2002 | (%) Median rent against median take-home pay |
| <b>Bristol</b>   | 6.45                        | 5.04               | 47.79  |
| <b>Cambridge</b> | 8.67                        | 7.43               | 50.06  |
| <b>Oxford</b>    | 9.39                        | 7.74               | 64.45  |
| <b>York</b>      | 6.8                         | 4.94               | 46.18  |
| <b>England</b>   | 6.74                        | 5.07               | 39.85  |

House price to income multiple (2002 – 2012)



Average private rent as a proportion of average take-home pay



**Figure 6:** Housing Benefit Spending

|                  | Housing benefit spend<br>2010 / 11 (millions £) | Housing benefit spend<br>2001 / 01 (millions £) |
|------------------|---|---|
| <b>Bristol</b>   | 172.1   | 84  |
| <b>Cambridge</b> | 32.6  | 18  |
| <b>Oxford</b>    | 59.5  | 33.4  |
| <b>York</b>      | 40.5  | 23.7  |

**Figure 7:** Population and Employment Growth

| City             | Population Growth<br>(2002 – 2012) | Employment Growth<br>(2008 – 2013) |
|------------------|------------------------------------|------------------------------------|
| <b>Bristol</b>   | 42,800                             | 14,600                             |
| <b>Cambridge</b> | 15,700                             | 13,600                             |
| <b>Oxford</b>    | 15,900                             | 9,000                              |
| <b>York</b>      | 17,900                             | 2,600                              |

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## Delivery is failing to match ambitions

Although they face pressing housing need, our growing English cities have a housing delivery model that is characterised by failure: of low housing output and high development risk.

In the cities we talked to this model has produced disappointing results: the numbers of homes being built have been lamentably small when measured against both need and ambitions. This model is, in stark contrast to European practice, particularly poor at delivering large, or even medium, scale developments – those we need if we are to see a step change in delivery.

We need to change the model by which cities deliver housing. Luckily, the politics of housing in these areas are increasingly supportive of such a change.

## A future political dynamo for housing growth?

The politics of growing cities are increasingly favourable to building more homes.

Two decades of strongly rising housing pressures have changed the debate about housing in these places. Rising rents and house prices, and the growing number of people priced out of owning their own home, have created new local political constituency that will support change. The increasing economic costs of housing failure are creating a more vocal business lobby for reform. The result is more concerned and engaged local political leadership.

In Bristol, housing featured prominently in the last Mayoral election campaign and led to the establishment of a Mayoral Homes Commission. In York, housing growth was the defining ambition of the last Labour Council administration. In Oxford, the Council leadership is articulating its support for housing growth alongside an emergent business lobby finally spelling out the economic costs of housing failure.

In Cambridge, a cross party consensus on housing growth has been underpinned for almost two decades by a forward looking coalition of businesses and the University.

These growing cities therefore all recognise their need for more homes, and have growing political and economic incentives to deliver them. As the costs of failure become sharper the appetite is shifting firmly towards a pro housing growth outlook. This matters for how we, nationally, should plan future housing delivery.

Among the vicissitudes of central government housing policy and the often anti-growth sentiments of many parts of England, cities offer the clearest and strongest long term support for and driver of housing growth.

The political appetite in cities should also help construct a more stable administrative focus on delivery. As one city leader told us, “we have the ideas, the drive and the initiative” to deliver new housing – if given the right tools, capacities and incentives.

In addition to political will, growing cities also have the underlying economic base to support a new approach to housing growth. They have high levels of underlying housing demand, a strong basis for future economic growth, high levels of existing physical and social infrastructure and a strong potential future revenue base.

Because of this they have also attracted strong private investor interest for long term income opportunities. York has been approached by sovereign wealth funds looking for investment opportunities in housing and infrastructure.<sup>15</sup> Cambridge University was recently oversubscribed when it launched an AAA rated £350 million bond to invest in accommodation for University employees.<sup>16</sup>

Cities therefore have the leadership, size, economic health, investor attractiveness and *potential* capacity to deliver new innovative approaches to development. If we want to overcome our decade long failure to deliver enough homes, cities offer the key political and practical driver for doing so.

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15. Discussion with York City Council officials

16. The University of Cambridge issued its first Bond to international markets to finance research and new accommodation in 2012, at just 60 basis points above U.K. government debt: <http://www.bloomberg.com/news/2012-10-10/cambridge-university-sells-first-bonds-as-investor-demand-surges.html>

## Our current failing housing development model

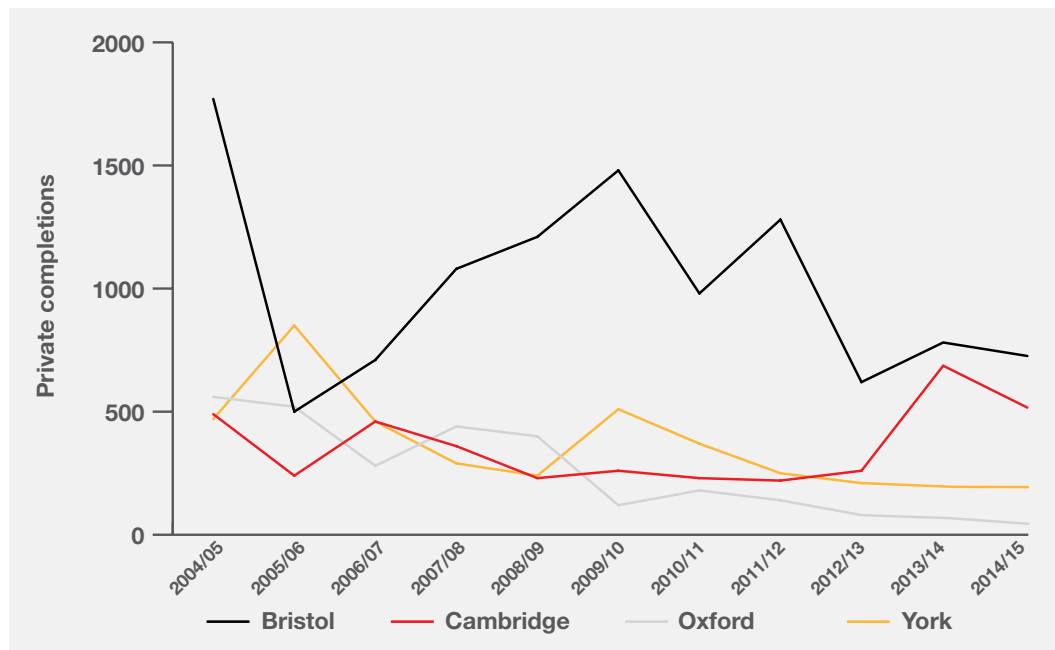
Getting our housing supply system working matters most in our growing cities.

Growing cities face the same local dilemma: how do you increase the overall number of homes that the current development system builds?

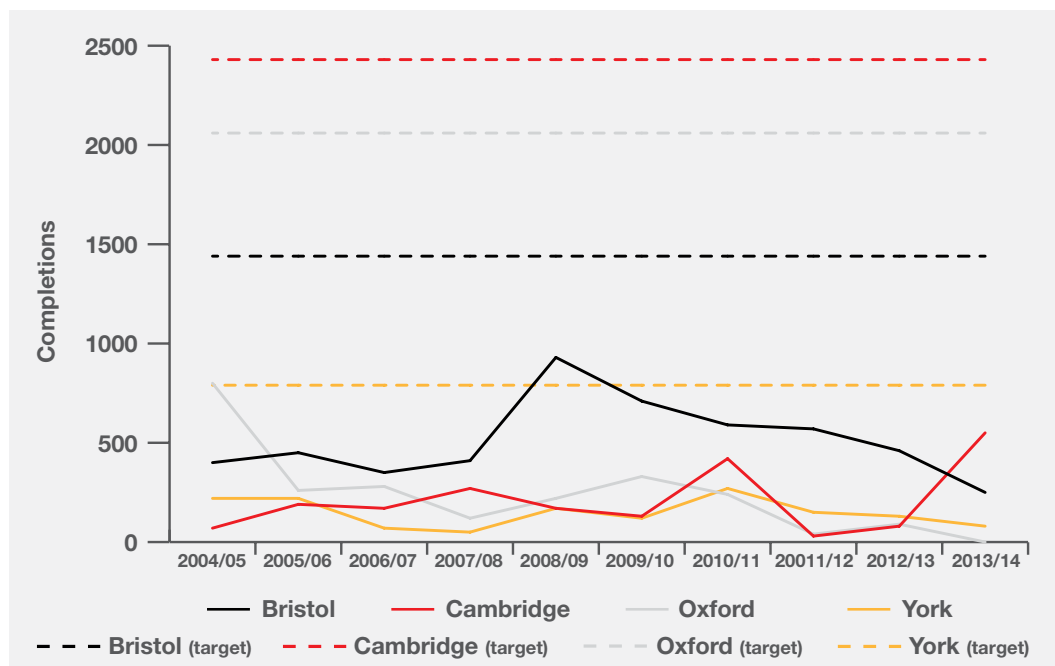
In fact, in growing cities this dilemma is often even more pronounced: local leaders who commit to housing growth and make political sacrifices are often confronted with disappointing supply outcomes.

Like the rest of England, our case study cities have experienced disappointing housing supply growth over at least the last decade, and this underperformance has been compounded by the recent impact of the recession (see Figure 8).

**Figure 8:** Private Market House Building



**Figure 9:** Affordable House Building



This is particularly the case with affordable housing. With the long term decline in council building and delivery increasingly dependent upon Section 106 agreements with private developers, none of our four cities come close to meeting their

affordable housing need. The annual affordable deficits are huge, with none even reaching a third of the affordable supply needed in 2013/14 (see Figure 10). Despite its efforts, Cambridge built only 23% of the affordable homes it needed.

**Figure 10:** Population and Employment Growth

|                  | Affordable housing need per annum | Affordable completions 2013/14 | Affordable annual deficit 2013/14 | Affordable deficit as % of total annual need |
|------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
| <b>Bristol</b>   | 1440                              | 250                            | <b>-1190</b>                      | 83%  |
| <b>Cambridge</b> | 2430                              | 550                            | <b>-1880</b>                      | 77%  |
| <b>Oxford</b>    | 2060                              | 0                              | <b>-2060</b>                      | 100%   |
| <b>York</b>      | 790                               | 80                             | <b>-710</b>                       | 90%  |

This is alarming. If economically buoyant, politically committed areas cannot deliver the new homes they need, there is little hope of England meeting its housing supply challenge.

This has much wider implications – if we are to meet England’s future housing needs and stop damaging levels of future house price inflation we need a step change in house building levels.

Growing English cities, where our housing pressures are highest, must be able to create a housing system that delivers substantially more housing. This currently isn’t happening.

But conversely, growing cities also represent our greatest hope of doing things better, of housing success. The best bet for national policy makers is to empower these cities and remove the critical obstacles they face.

## Cambridge: strong leadership but slow outcomes

Cambridge has an outstanding recent record of leadership in the housing growth agenda.

Rooted in collaborative work dating from the 1990s,<sup>17</sup> Cambridge has managed to articulate a pro housing growth agenda with the support of Councillors, the University, businesses and neighbouring authorities.<sup>18</sup>

This agenda fully recognises the importance of housing in securing Cambridge’s future – and sets out ambitious expansion plans centred around multiple growth sites around its northern and southern urban fringe. This has included tackling head on the politically highly contentious issue of building on the green belt.

17. In particular the ‘Cambridge Futures’ project <http://www.cambridgefutures.org>

18. For an excellent overview see Boddy and Hickman 2014

Cambridge is undoubtedly the leader and exemplar of the housing growth agenda. However, despite these ambitions, reinforced by having one of the most buoyant housing markets in the country, Cambridge's housing output has been disappointing.

The time taken to move from the original vision of growth set out in 1999, to sustained output from growth sites, has been over a decade, with housing completions only starting at meaningful scale in 2011,<sup>19</sup> and with projected site outputs that range between 30 to 100 new homes annually.<sup>20</sup>

Cambridge in particular is suffering from a major shortfall between affordable housing need and affordable housing completions – with a projected need for 2346 affordable homes annually, but with an average delivery of 208.<sup>21</sup>

## **Bristol: vulnerability to development downturns**

Bristol is England's best performing core city when rated by Price Waterhouse Coopers' 'good growth index'.<sup>22</sup> It has strong economic and employment statistics and a highly rated quality of life. But its major weakness is housing. (PWC 2013)

Despite Bristol's overall economic health and resilience, its housing development has suffered badly from the impact of the credit crunch. Total new housing supply has fallen in every year between 2008/9 to 2013/14 and despite an upturn in 2014/15 still stands at two thirds of the 2008/9 peak.<sup>23</sup> Affordable housing completions have also suffered year on year declines since 2008. Since 2010 starts of affordable homes by

Housing Associations at April 2013 are down by 80%.<sup>24</sup>

Bristol's house building pipeline was made especially vulnerable to supply contraction by a cyclically vulnerable land and development market, a concentration of delivery in city centre flats, and developers who are highly reliant on rising house prices and investment demand.<sup>25</sup> In 2008/9, 85% of Bristol's housing completions were new flats.<sup>26</sup>

## **The Roots of Failure**

What then is going wrong with our development sector that even ambitious cities produce such disappointing outcomes?

The problem is twofold.

Firstly, we are failing to bring forward enough new land for development, particularly in cities where need is greatest. In cities this general problem is re-enforced by two specific obstacles: tight administrative boundaries and tight green belt boundaries, both of which limit the ability of cities to grow.

Secondly, the way in which that (inadequate) supply of land is brought forward severely undermines our ability to create adequate numbers of good quality, financially viable housing developments in sensible places. We give disproportionate financial rewards to landowners. This expensive land is, in turn, increasingly under the control of a small number of large developers. These developers therefore face high risks and limited competition. The result is a business model based on limiting the number of homes built to control exposure to risk and maximise profit margins.

19. Spreadsheet of Cambridgeshire Major Housing Completions and Commitments, December 2013, Cambridgeshire County Council

20. Cambridge Growth sites 5 year outlook, May 2014, Cambridge City Council

21. Average affordable housing completions between 2004/5 and 2013/14

22. The 'core cities' are the 8 largest English cities outside of London, including Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. See <http://www.corecities.com>

23. DCLG Live Table 253. Bristol achieved a peak annual net additions to the dwelling stock of 2,574 units in 2008/09, which fell to 878 in 2012/13 (Bristol Residential Development Survey Report 2013)

24. State of the Housing Market Snapshot, Bristol City Council 2013

25. Bristol delivery in the run up to the credit crunch focused on city centre flats targeted at the first time buyer and investor markets. These were hit hard by the recession. Almost two thirds of outstanding planning permissions are concentrated in the city centre. This has had a knock on impact on affordable housing supply – with a third of Bristol's affordable housing provision previously being reliant on Section 106 agreements, and therefore suffering from the wider decline in the development market. Market Snapshot

26. Bristol Residential Development Survey Report 2013

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The result is that our current development system is locked into a high risk, low output model.

The way in which we build our current homes, in stark contrast to our European neighbours, creates low levels of, often, poor quality housing, with a lack of sufficient accompanying funding for infrastructure and services.

These factors add up to deep supply failure.

### **Limited land supply and high prices**

Our development model gifts disproportionate and excessive windfall gains to landowners. The price paid for land makes up a growing proportion of the total cost of a home. In London, the total value of land on some sites is now approaching 50% of total development value.

This squeezes all parts of our development system: squeezing the quality of homes and the contribution development can make to fund roads, schools and other services.

### **Expensive land burdens developers with high costs and high risks.**

- Downturns in the housing market create sustained downturns in the development market, so that with each turn of the cycle future development becomes more perilously reliant on house price inflation. At the same time the limited supply of land falls under the control of a handful of larger developers, creating industry concentration and making it hard for new market entrants to flourish.
- For city housing growth this has damaging implications. It strips all the economic value that should be going to pay for infrastructure, good quality development and the investment that should make new developments attractive, good places to live. Rather than capturing the powerful uplift in economic value created by new housing, cities often face many infrastructural obstacles and financial costs.

### **Lack of development diversity**

The concentration of our development sector gives cities too few choices and little competition in creating new housing. A few big house builders are producing a disproportionate amount of our current housing supply. This has squeezed out other businesses and builders who should be contributing to raising supply. This constrains total supply, puts public authorities in a weak negotiating position when discussing new housing development proposals, and leaves cities more vulnerable to output slumps (see Bristol example above).

### **Development Scale and Output**

In response to high costs and risks, developers tend to concentrate on small sites in high demand areas, as this allows them to better control risk and limit their market exposure in any one area.

Even with larger scale developments, the development industry builds in a way that doesn't maximise housing numbers. When larger scale developments do occur they also produce unimpressive output results. Builders must 'drip feed' small levels of new housing as they seek to tightly control supply and risk – at less than one property a week on average, far below their European counterparts. (Adams et al 2008)

The cities we have spoken to feel disempowered by the way the current development system works. They feel hemmed into a weak negotiating position with both landowners and developers and have relatively few tools to close the growing gap between the homes they are building and the homes they need.

All of our case study cities were critically aware that their land markets weren't working for them and that the current status quo put them in a reactive, often weak, position. They keenly felt the lack of short term and long term control that "business as usual" gave them and the poor outcomes it often produced.

Landowners that hold land that is likely to be granted planning permission "can wait a very long time" before selling, meaning they "hold a large amount of power" and

are in a position to wait until they can extract the maximum sale price for the site. “Landowners know the housing market needs them more than they need it”.<sup>27</sup>

Developers are in turn risk averse, vulnerable to the economic cycle and only interested in a narrow range of sites. When cities attempt to encourage new development, particularly on non-prime

### **Case study: Clay Farm, Cambridge**<sup>28</sup>

Clay Farm is the largest growth site within Cambridge City Council boundaries – with over 2,000 new homes approved for development.

It is a small farm comprising “flat agricultural land” located 2.5 miles south of Cambridge city centre, close to the Addenbrookes Hospital. It represents a key strategic site for Cambridge’s economic, employment and housing growth.

The farm was under the ownership of one landowner and located within Cambridge’s green belt. In April 2002, the large house builder Countryside Properties entered into an Option Agreement with the owners of the Clay Farm site. The farm was released from the green belt and designated for housing development in Cambridge’s local plan in 2006. The first development application was submitted in 2006.

The land was then purchased in full by Countryside Properties on 20 March 2007, with the landowner being paid £62 million. Countryside then spent 2008 and 2009 contesting its affordable housing obligations on the site, in order to maintain a 20% profit margin. This appeal was turned down by the then Secretary of State, John Denham, in early 2010. The first housing completions for the site were in 2012.<sup>29</sup>

sites, it “can be very hard to persuade developers to get out of bed”, developers are frequently “not interested” whilst there is “very little you can do if a developer doesn’t want to develop a site”.

### **A failure to deliver larger sites**

Strikingly, despite their buoyant housing markets, our case study cities rarely sought to develop larger scale sites. In fact, all of the city authorities saw larger sites as presenting serious risks to their delivery plans.

Larger sites involve larger commitments from local authorities and create the starker need to build successful ‘places’, whereas small sites within existing thriving communities are unlikely to fail.

Local authorities were also concerned that concentrating housing supply in larger sites made them more vulnerable to failing to meet their broader housing targets. A large allocation within a local plan does not translate into a large annual output of housing – in fact often the opposite. Housing ambition is often penalised by poor housing delivery.

This is matched by the national picture. The current estimated UK average is 50 homes per year per site. (Adams et al 2008) This is reinforced by the fact that larger sites are often under the ownership and control of just one developer, who faces no competition in delivering homes in this micro geography and also has just one business (and risk) model for delivery: selling owner occupier homes to maximise short term returns.

28. The information from this case study comes from the Planning Inspectors report to the Secretary of State and other material from the public inquiry following Countryside Properties’ appeal in 2009, see [http://www.pas.gov.uk/c/document\\_library/get\\_file?uuid=39ff1601-6ef2-4112-b7fa-375c26a7247b&groupId=332612](http://www.pas.gov.uk/c/document_library/get_file?uuid=39ff1601-6ef2-4112-b7fa-375c26a7247b&groupId=332612)

29. Completions data from Cambridge City Council

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All the authorities we spoke to were concerned that large sites given to one developer would lead to unacceptable levels of lower annual output.

This is not the normal state of affairs for large scale housing development across Europe.

- In a study by Falk, European countries' developments were completed in a fifth of the time of their English counterparts, with infrastructure provided up front. (Falk 2008)
- In Germany, the Netherlands and Sweden "far outstripped" the UK in the number, size and quality of the housing they have built every year.
- In The Netherlands, for example, the ten year VINEX programme increased the national stock of houses by 7.5%: "455,000 new homes were built over the period 1996 – 2005 in 90 new settlements, of which 285,000 were on greenfield sites or urban extensions of major towns and cities." (Falk 2008)
- An urban extension to Amersfoort in the Netherlands of 11,000 homes achieved a build out rate of 600 – 700 homes per year. (Lloyd et al 2014)
- Hammarby Sjöstad, Stockholm, Sweden another urban extension of

11,000 also achieved a build out rate of between 600 to 700 homes a year (Gaffney et al 2007)

- Kronsberg, Hanover, Germany – a settlement of 6,500 – had build out rates of 1,000 homes a year (Lloyd et al 2014)

Even current "innovative" developments being pursued by government are proving disappointing in delivering the level of housing output required to solve the housing crisis.

Bicester Eco Town<sup>30</sup> will have a final settlement size similar to Kronsberg in Hanover, yet has a projected output of 100 homes a year – a tenth of the build out rate of its German comparator and has taken over seven years to go from initial proposal to first housing completions due.

The potential appetite for larger settlements is undoubtedly there in local authorities, and many are actively thinking of creative ways for getting round the low output models pursued by volume house builders (see below).

But, at present, large obstacles in capacity, support and incentives limit the uptake and ambitions of growing cities to move in this direction.

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30. Bicester is the site of the only surviving 'Eco town' from the then government's programme. It is an 80 acre site, with the housing association A2Dominion, acting as master planner in control of the site. The idea of an eco town in Bicester was first proposed in 2007 as part of the government's eco town initiative. Initial planning consent was given in 2009, but land for the first phase of development was not formally acquired until late 2013, the main contractor was named in early 2014 with the first sales estimated to be in 2015. The Eco Town developed was to provide 5,000 new homes over a 30 year period – an initial build out rate of 166 homes a year. The build projections between 2014 and 2031 are at a rate of 105 homes a year. So far the first phase has only just started – caused by delays in planning and in acquiring the land from a private owner. The build out rate for the first four years until 2017 will be 98 per year.

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## 2. CO-OPERATION ACROSS BOUNDARIES

### The Administrative Boundary Constraint on Growth

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*‘The administrative geography of new development is critical’*

City council official

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In the real world, the operation of urban and regional markets has little relationship with local authority boundaries. Trade and employment flows between one authority and another and between the rural hinterland and the inner city. These growing and interlinking activities are central to economic success.

Equally, housing markets pay little attention to where one council starts and another begins. A growing city will create new housing demand, and high housing pressures will flow outwards, with commuting expanding price pressures into neighbouring districts.

But the political geography in which English cities operate in now has little relationship to this economic reality. As Centre for Cities recently found, in the UK 50 per cent of commuters in cities live and work in different local authorities. (Centre for Cities 2014b)

When cities plan and deliver their future housing supply they typically can do so only within their own administrative boundaries. As we note above, the operation of city housing and, particularly, land markets are often wholly inadequate.

These shortcomings have been clear for decades. We fail to plan for housing in a

way that reflects cross boundary housing markets. City local authorities have powers that fail to match their housing market footprints, while their neighbouring authorities have few economic incentives to accommodate city growth, and plenty of local political pressures to oppose new development.

Cross boundary housing sites have too often “poisoned relationships” (city council official) between growing cities and their neighbouring authorities.

Previous regional and strategic planning tried to override these obstacles through stronger regional planning and housing targets – yet this approach was bedevilled by tension between local authorities, strong incentives for local political opposition and weak incentives for co-operation.

Yet the abolition of regional planning has not created a system that works to secure the housing supply we need. The tensions between the high housing pressures felt by cities and the anti-growth politics of their neighbours all too often remain firmly in place. Recent attempts to mediate this via greater incentives such as the New Homes Bonus have been inadequate,<sup>31</sup> whilst the institutions meant to foster greater co-operation have often failed to include any form of serious discussion of housing growth.

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*‘In places with a desperate need for more housing, not least to support the local economy, development is often stopped by neighbouring authorities.’*

Ed Turner, Deputy Leader of Oxford Council

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31. See NAO criticisms of the New Homes Bonus, NAO 2013

## Bristol, Planning for success?

### The West of England Housing Market Area

The Bristol urban area accounts for about 60% (350,000) of the employment in the West of England Housing Market Area while the 'travel to work area' accounts for about 70% of the sub-regional total.<sup>32</sup>

Bristol's strategic housing planning should therefore involve five local authorities. In practice, it often only involves one.

In the wake of the abolition of Regional Spatial Strategies all of Bristol's neighbours implemented drastic reductions in their housing targets – with both Bath and North East Somerset Council and North Somerset Council cutting their targets by around 50%. These housing reductions involved North Somerset Council removing a large urban extension adjacent to the built-up area of Bristol and taking a position that future housing development would be closely linked to local (i.e. North Somerset) need.

Bristol, whose main economic challenge is the rising cost of housing, has yet to substantially influence its neighbours housing commitments through new local governance arrangements.<sup>33</sup> Bristol's City Region City Deal contains no cross boundary housing delivery commitments or new money for housing<sup>34</sup> and the Local Economic Partnership has limited itself to discussing delivery of existing Local Plans.<sup>35</sup>

### Bristol

Photo Credit: Adrian Pingstone



32. West of England Partnership 2009

33. In March 2014 the West of England Unitary Authorities committed to the preparation of a joint Strategic Housing Market Assessment (SHMA). This will identify the objectively assessed needs for the Housing Market Area. The West of England Unitary Authorities then plan to work together to produce a Joint Planning Strategy in response to the findings of the SHMA to inform the review of Local Plan policies from 2016.

34. There is a contribution of some central government controlled land to the Bristol Property Board [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/221011/Bristol-and-West-of-England-City-Deal-FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221011/Bristol-and-West-of-England-City-Deal-FINAL.pdf)

35. See the terms of reference for the West of England LED Planning, Housing and Communities Board which commits to "collaborate in delivering the levels of growth proposed by the authorities' Local Plans" <http://www.westofenglandlep.co.uk/assets/files/PHCB/Agenda%20item%202c%20-%20Draft%20Terms%20of%20Reference.pdf>

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## The inadequacy of the current Localism framework

England is now the only advanced economy to have no regional strategic planning for homes.<sup>36</sup>

The institutions meant to discuss cross boundary economic issues between local authorities are Local Economic Partnerships. Yet in most of the cities we talked to, “housing is conspicuous by its absence from Local Economic Partnerships” (Local Authority Officer)

Local Enterprise Partnerships should be planning for future economic growth – with an ability to look beyond the narrower political pressures of local authorities and take decisions about functional economic areas and long term strategic questions – not least the identification of the future housing growth and the land supply needed for this. Housing should be a central issue for LEPS, yet it is too often not even on their agenda, is quietly dropped or is simply not raised because of the political difficulties of persuading neighbouring local authorities of the need for more homes.

With housing not often on the LEP agenda, ‘the Duty to Co-operate’ fails to provide the sufficient binding force for pro-growth city authorities to persuade their neighbours to improve their ambitions. Cities take the strategic decision that they “need co-operation” in their wider cross boundary relationships “more than they need antagonism” in housing.

We are left with a development system that is meant to be centred on equal partnerships between local authorities, where one member of the partnership often doesn’t want to develop.

This is particularly the case with housing growth and the identification of future land supply close to growing cities.

In the short term, the abolition of the Regional Spatial Strategies has led to planned cross boundary urban extensions being dropped between Bristol and North Somerset and between Oxford and South Oxfordshire.

More seriously, these structural weaknesses in the localism framework threaten to permanently hamstring attempts to make sensible medium and long term decisions and plans on land supply.

Cities’ formal five year land supplies, which have to be identified in their local plans, are solely reliant upon land within their boundaries. Land in adjoining local authorities, whose value is highly reliant on the economic power of its adjoining city neighbour, can only be released if it is put in the neighbouring local authority plan, over which the city authority has no power.

Oxford, Bristol and York have no formal mechanism through which they can review the green belts that lie outside their boundaries.<sup>37</sup>

Nor can they readily make more proactive attempts to strategically identify and assemble land around their edges, or enter into new deals with landowners across their boundaries.

This leaves cities (and the wider economic region) at the mercy a concentrated and underperforming development industry.

Lacking the tools and powers to make their sub-regional housing supply system work better, too often cities choose to avoid housing disputes with their neighbours, leaving it instead to a proxy battle between foot-dragging local authorities and the Planning Inspectorate.

## A new framework for city growth

In the past five years English planning has shifted dramatically from a regional model, strong on cross boundary strategic

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36. Monk S et al, 2013

37. In theory, cities can request their neighbouring authorities to engage in a greenbelt review through the Duty to Cooperate, but there is no duty upon neighbouring authorities to agree. Furthermore, than Planning Inspectorate is unable to tell local authorities to conduct a greenbelt review, even if the greenbelt presents an obvious material barrier to future land supply for housing, see recent Ministerial letter from Nick Bowles to Sir Michael Pitt: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/286882/140303\\_Letter\\_-\\_Sir\\_Michael\\_Pitt.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/286882/140303_Letter_-_Sir_Michael_Pitt.pdf)

planning but lacking in democratic mandate, to a localist framework that is strong on democratic mandate, but which lacks any semblance of sensible strategic planning for highly pressured city housing and land markets.

As we have seen above, local democratic pressures and housing growth have often been in opposition to each other. The administrative geography of growth has hemmed in the cities that want to grow, whilst the lack of incentives for growth have presented strong political pressures for opposition from cities neighbouring authorities.

Cities, with strong political and economic incentives for housing growth, offer England the long term agency to sustain and drive forward a reformist approach to improving development outputs.

Given the dysfunction of their development markets and the inadequacy of their land markets, they need solutions that allow both greater capacity to deliver alongside greater administrative control that reflects their real world, cross boundary, housing and land markets.

Their neighbouring local authorities, in turn, need a new offer to make participation and co-operation worthwhile. Neighbouring authorities need real incentives to welcome growth, but also alternative disincentives that can bring them into meaningful negotiations.

## City and City-Region Solutions

If they are to be sustained over a long term horizon, our proposed solutions have to be grounded in local authority control and democratic accountability.

But local authorities cannot be allowed use their democratic mandate to create blockages on housing delivery – they have to face up to the responsibilities that long term housing need creates. A useful guiding principle is therefore that “power has to be at the lowest level prepared to take a strategic view” (former city planner). In practice, this means an administrative

geography that is prepared to take long term pro-growth decisions.

This requires cities to be able to plan strategically beyond their boundaries, but it also requires incentives for their neighbours to participate in and benefit from this growth.

While Local Economic Partnerships may present the most obvious option for ‘larger than local’ governance, giving greater housing responsibility to LEPS within the existing localist framework is likely to fall victim to LEPS’ lack of democratic accountability.<sup>38</sup> If LEPS acquire housing powers they are likely to be undermined by the withdrawal of support from hostile local authorities. Notwithstanding this, in the short term LEPS can play a useful facilitating role by ensuring Strategic Housing Market Assessments (SHMAs) are conducted to assess housing need across their housing market areas.<sup>39</sup>

A return to Regional Spatial Strategies and Assemblies is also unlikely to be politically viable, and in any case, growing cities need a framework based on ‘smaller than regional’ geographies that mirror cities’ functional housing markets. This framework needs to incentivise local authorities to ‘opt in’, which will require a much clearer calculus of the benefits of participation (and the costs for non-participation) than the old regional structures offered. Regionalism suffered from the lack of positive and negative choices for local leaders to buy into and to sell to their constituents, as it passed down housing targets backed by central enforcement.

For these reasons, the best approach to the challenge of ‘larger than local’ housing needs is to back emerging city regions and growing cities themselves.

Given the growth imperatives facing cities, they need enhanced powers to let them ‘set the pace’ for growth and address current obstacles. This should be achieved through partnership wherever possible, but not at the cost of a failure to deliver. We therefore suggest two alternative models for a new administrative framework.

38. Indeed, part of the possible reason why LEPS do not have a strong record of prioritisation of housing is that their participants realise that their current structure would be unable to cope with the extra political pressures and profile that a leading role on housing would force upon them.

39. See the recommendations made in KPMG Shelter 2014.

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The first focuses on a **City Region** strategic framework for co-operation. This enables cross boundary planning via **Joint Strategic Planning Authorities**, underpinned by pooled planning teams and resources in a **Local Homes Agencies** with greatly enhanced revenue streams and the sharing of the benefits of growth. This case has been well made recently by the Centre for Cities who set out how Combined Authorities could be created for England's larger cities without such a structure already in place and how City-County Authorities could be created for smaller cities.<sup>40</sup>

The second focuses powers firmly with cities themselves: designation as **City Pace Setters** would give them the powers to take control of their housing futures if they face hostility from neighbouring authorities.

Both of our models centre on the creation of a Local Homes Agency, with the power to bring forward and control more land, set up Green Belt Community Trusts, and intervene in stalled sites.

Both models are reinforced by strong financial incentives, made possible by the capture of a much larger degree of land value uplift than is currently the case.

Which model will be appropriate will be dependent upon how much neighbouring authorities are prepared to take responsibility for planning and delivering future growth. Participating local authorities should have the choice of whether to 'opt in' or 'opt out' of the joint structure. 'Opting in' should bring clear and defined benefits while 'opting out' should bring clear and defined costs.

### **Model 1: Enhanced City Regions**

This option would create new governance structures for City Regions, incorporating multiple local authorities that choose to come together to tackle the challenges of growth within a combined housing market and functional economic area.

Strategic planning and decision making would be co-ordinated in a Joint Strategic Planning Authority covering the authorities in the city region.

Delivering housing across boundaries would be planned by the Local Homes Agency – a joint strategic planning agency controlled by the participating local authorities. While the agency would be independent of any single authority it would have a Board and Chair which best reflect the political geography of the city. For example, if there is a Mayor or Combined Authority leader they would chair the Board with Board members made up of elected councillors from each authority weighted by population. As with the Olympic Park a joint planning committee across the authorities would be able to take decisions, with no single authority able to veto decisions alone.<sup>41</sup>

This approach can combine sufficient democratic buy-in with the strategic long term view necessary to deliver continued housing growth.

Housing needs and plans should be based upon a Strategic Housing Market Assessment of the city's functional economic area, taking account of relevant employment and commuter flows.

The Local Homes Agency would then prepare the City Region's plan for future housing and economic growth. This would enable the participating local authorities to make trade-offs between growth in different places – enabling greater consensus on, for example, a policy of urban extensions rather than development in rural areas, or on the balance of urban brownfield regeneration against green field development.

The combined authorities would have the ability to create a Local Homes Agency for the City Region, which would identify new strategic land supply, negotiate with landowners and lead new housing growth. These functions would be underpinned by devolved HCA funding, new housing

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40. Centre for Cities, *Economic Growth Through Devolution*, 2014

41. "We Planned the Olympics, Planning Resource, 2012

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focused City Deals, and enhanced revenue capture from the land value uplift of new development companies as described above. Steps in this direction have already been taken in the 2014 Manchester ‘Devo Manc’ settlement, which included a significant housing element.

### **Model 2: City Pace Setting: Enhancing the Powers of Growing Cities**

If enhanced co-operation across boundaries cannot be achieved, the alternative is to increase the ability of growing cities to set the pace of housing growth themselves.

As for the combined authorities in a City Region, growing cities would be offered central government support and the devolution of HCA funding to support a new city wide Local Homes Agency, able to strategically identify and negotiate new streams of land supply, including unblocking problem brownfield sites. As above, the City LHA would have the powers to lead delivery of new housing growth within the city’s boundaries.

This concentrates both the costs and benefits of development within the city authority, rather than spreading them more widely within a city region of neighbouring authorities. It also risks running into the fundamental constraints of tight administrative boundaries. For these reasons this model should be seen as a second best option, resulting from a sustained lack of co-operation from neighbouring authorities. All authorities in City Regions should therefore be strongly incentivised to co-operate fully, via funding and strategic planning arrangements.

But to overcome the central problem of underbounded cities, and more importantly to incentivise co-operation in an enhanced City Region, those cities designated as Pace Setters would be able *in extremis* to take direct control of their housing future by triggering a boundary review.

## **The penalties for ‘opting out’**

### **Funding**

Failure to co-operate should mean loss of access to LEP funds and the greater capacity and choice offered by the devolution of HCA assets and staff to city regions.

“Opting out” local authorities would not have access to funding to help establish Local Homes Agencies, making it harder to benefit from the new mechanisms to capture land value uplift to pay for new social infrastructure such as schools and hospitals.

### **Planning**

Any new city region driven growth agenda must also provide a meaningful choice between different types of growth. In framing the positive choices that better managed and controlled growth can bring, less favourable types of growth must also be presented as the alternative.

For example, Bicester’s self-build development is happening partly in response to the threat of a worse alternative development.<sup>42</sup> Cherwell District Council has also been able to make a trade-off between concentrating development in Bicester with less development in its rural villages and hamlets.

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*‘Our strategy is to focus housing growth on Bicester and Banbury, to maximise the investment opportunities in our towns, and to ensure that the level of development at our villages respects the character and beauty of our rural areas while meeting local needs.’*

Cherwell District Plan 2006 – 2031

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42. Comments by Cllr Barry Wood, 1st May 2014

If they decided to “opt out” of city region joint strategic planning authorities, non-participating local authorities would still be expected to draw up ambitious local housing plans.

The evidence base on housing need would still be developed through a Strategic Housing Market Assessment (SHMA), but these would be made more nationally consistent and include strong obligations to consider market need generated by their neighbouring cities housing market area.

This would continue to be enforced through the NPPF and the planning inspectorate.

Where a high level of housing need was identified due to a nearby growing and high pressure city, non-participating local authorities would have to identify new more ambitious “growth points”, likely to be developed by existing housebuilders.

## Boundary Reviews

In cases where cities are land constrained and their bounding local authorities are refusing to co-operate in a meaningful way there needs to be a way to break the deadlock. After all other options are exhausted, growing cities should be able to directly request a boundary review<sup>43</sup> from the Local Government Boundary Commission for England (LGBCE).<sup>44</sup>

The aim of the review would be to redraw city boundaries to give the city authority control over the future land they need to grow over a medium term time horizon – meeting future housing need for a projected thirty year period.

The Local Government Boundary Commission for England (LGBCE) already has the power to establish a boundary review for ‘underbounded’ authorities. This includes examining boundaries based on

economic, housing and land use criteria.<sup>45</sup> They can establish a review either at the direct request of the local authorities involved or based on instructions from the Secretary of State for DCLG.

At present boundary review requests require consensus from all affected local authorities. This has meant land constrained cities with unco-operative neighbours have been unable to instigate reviews, even when their present boundaries are objectively too tight.<sup>46</sup>

The ability to undertake swift and effective boundary reviews to enable housing growth is a fast way to unblock the major land market problem faced by many growing cities. There are several benefits of a boundary review between a city and a hostile neighbouring local authority.

Firstly, although it would create six months of political controversy, it would then bring certainty and end to the alternative lengthy strategic planning processes that tried to reconcile the opposite positions of rural and urban authorities. This would bring with it much greater planning and investor certainty and reduce the political risk currently imposed on developers by dysfunctional cross boundary planning.

Secondly, it would align a city’s administrative geography much more closely to its economic geography, especially its housing market. The urban area – usually with higher housing demand – would benefit from closer economic and political incentives, particularly in relation to new affordable housing and to council tax and CIL revenue from new development.

A good example of the benefits of this approach can be seen in the boundary review that redrew and expanded York City Council’s boundaries during the 1990s (see above). This gave York a significant

43. Known as Principal Area Boundary Reviews (PABRs)

44. The Local Government Boundary Commission for England (LGBCE) is an independent government body established in 2009 to conduct reviews of local authority administrative and electoral boundaries, see <https://www.lgbce.org.uk>

45. The overarching criteria for establishing a boundary review are that it will lead to “effective and convenient local government”, examples of which given by the LGBCE include change in land use and housing development across boundaries. For example “the residents living within major developments which take place on the fringes of, for example, a semi-rural authority may look to a nearby large town or city in an adjoining authority for shopping, work, recreation and other services. To the local authorities concerned, and to the residents themselves, it may be that local government services to them could be more cost-effectively and conveniently delivered from that large town or city.” see [http://www.lgbce.org.uk/\\_data/assets/pdf\\_file/0007/10402/pabr-technical-guidance.pdf](http://www.lgbce.org.uk/_data/assets/pdf_file/0007/10402/pabr-technical-guidance.pdf)

46. LGBCE: “we will normally undertake a PABR only where there is agreement between all the principal councils potentially directly affected” [http://www.lgbce.org.uk/\\_data/assets/pdf\\_file/0007/10402/pabr-technical-guidance.pdf](http://www.lgbce.org.uk/_data/assets/pdf_file/0007/10402/pabr-technical-guidance.pdf)

reserve of new land under its administrative control (albeit much of it green belt land). This has enabled the current administration to be much more ambitious in bringing forward land through its local plan and re-designate green belt land without protracted negotiations with its neighbours.

Although clearly intended as a last resort, if neighbouring local authorities are unable make long term strategic housing choices, this alternative option of a boundary review would create a settled land supply and a meaningful alternative for cities faced with non co-operation.

Focussing solely on housing land supply needs in the review would mean that most redrawing could, in practice, be limited to relatively small amounts of agricultural land and be relatively non disruptive to local authority operations.

- A growing city with land supply constraints should be allowed to directly request the Local Government Boundary Commission for England to establish a boundary review, with the explicit aim of increasing its land supply for new housing. This request should not, if necessary, be dependent upon agreement between the neighbouring local authorities.<sup>47</sup>
- The criteria of this review would be to ensure sufficient future land supply needs to meet housing supply for the city authority over a future thirty year period. It should take into account travel to work areas and land availability and suitability for future housing development as the basis for the review. Affected local authorities would be able to make representations to the review and any redrawing of boundaries should aim at minimum disruption to the effectiveness and viability of local authority services.

If the review is seen as a credible threat then it may never need to be used as it will be an incentive for all parties to co-operate meaningfully and form a Joint Strategic Planning Authority.

## Local Homes Agencies

Cities should have the ability to create their own Local Homes Agencies, based on pooled resources and on devolved HCA capacity, assets and funding.

These new Agencies would be permanent local strategic planning and delivery bodies, established by and accountable to either a single or multiple local authorities. They would be charged with strategic planning and delivering housing and infrastructure to meet the city's demographic, social and economic needs, and would have powers in four key areas to achieve this:

1. Land assembly
2. Strategic planning
3. Delivery
4. Investment

Firstly, Local Homes Agencies would be able to acquire and assemble land to create and manage new strategic housing growth on favourable terms.

Secondly, they would take on the strategic plan-making responsibilities of their sponsoring local authority or authorities. This would include the responsibility to identify a future land supply *prior* to the current allocations system, and integrated with their land assembly processes to capture a high proportion of development gain for the benefit of the community.

Thirdly, they would be able to create bespoke delivery vehicles according to the specific needs of each area or scheme. Both the HCA and local authorities already have this power, which could be transferred to Local Homes Agencies via local authority or central government designation. These vehicles could include entering into **development partnerships** with landowners, investors and other public bodies; setting up wholly or jointly-owned **development companies** to build out large schemes; and creating **Green Belt Community Trusts** (see Chapter 5).

Finally, Local Homes Agencies would be the primary conduit for public housing and infrastructure investment distributed by central government.

47. This would require an amendment to Local Government and Public Involvement in Health Act 2007

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## Devolved and additional funding

A new framework for delivering city housing growth should enhance funding streams and revenue incentives for all participating local authorities.

In order to support the step change in city housing growth we are seeking, government should seek to prioritise funding to underpin a new approach to delivery.

This should, firstly, look to support a city based development agency. This should happen through:

- Devolving Home and Community Agency (HCA) budgets, assets, staff and responsibilities to key cities that want to grow
- Direct grants for high housing pressure city regions looking to establish development companies

Devolved HCA budgets would be welcomed by the cities we have spoken too.<sup>48</sup>

Targeted support would help fill local authority capacity gaps, and align limited central government resources with those areas where growth was both economically most important and politically most prioritised. This could bring HCA knowledge, assets and money to the table when formulating and implementing strategic plans.

It should, secondly, incentivise local authorities within key city-regions to plan house building and infrastructure together, through enhanced city deals and offering access to the land value uplift created by new development vehicles.

‘City Deal’ money should come with the requirement for joint strategic planning for transport, housing, planning and growth between authorities.

This could be done through another round of city-deals, which could include allocating a percentage of the pot of existing LEP money city regions can bid for as only for housing and infrastructure.

For example, the additional financial resources re-diverting LEP funds would give housing are relatively small. Allocating ten percent of the annual LEP budget to housing would create an additional housing budget of £200 million for housing across England –enough to pay for approximately 3,400 new affordable homes.<sup>49</sup>

This level of additional revenue streams are unlikely to be enough to win over hostile authorities, particularly given that housing is much more politically contested than other areas of cross border planning.

This underlines the importance of harnessing land value uplift. The only possible source of financial incentives large enough to persuade sustained co-operation is from capturing the gains from increases in land value.

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48. For example Bristol and Oxford

49. Using average spend per affordable house under the NAHP

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## 3. UNLOCKING STALLED SITES

Brownfield redevelopment has been a central plank for both housing and regeneration policy for decades, for good reasons.

It offers cities the chance to rebuild and readapt to changing economic times, whilst also creating housing growth that directly benefits city economies.

But prioritising brownfield development also presents problems for the operation of city land markets. A policy preference for brownfield limits the total supply of overall land available for housing, and so pushes up land prices. It also means that those who own brownfield sites know that they will have preferential treatment under the current planning system. These effects increase the total price of housing and give the upper hand in negotiations to the owners of brownfield land – who have a natural economic interest in securing the highest price, rather than prioritising the wider economic and regeneration interests of the city.

There is a clear case to empower cities to give them greater control over the dysfunctional elements of their brownfield land markets in order to ensure that regeneration remains a viable and central part of cities' wider housing and planning strategies. We believe that a more targeted approach to specific problem sites is needed – particularly to target specific examples of 'land hoarding' by speculators.

### Allowing councils to target land hoarding

#### The incentives for land hoarding

In the current economic environment incentives for 'land hoarding' are strong.

In a climate of historically low interest rates and loose monetary policy, land is an attractive asset class. Land is a real asset, an excellent hedge against inflation and its value often rises with little or no investment. Economic growth and rising development values hold the prospect of amplified returns at some future point in the economic

cycle. Land is also an easy asset to hold, with minimal holding costs for the investor.

This makes a 'buy and hold' strategy common sense for any investment portfolio manager.

Brownfield land with planning permission that is well located in growing UK cities is particularly attractive in this context. Given the tightness of our planning regime and the limited number of brownfield sites available it appears a safe bet that it will rise in value. As a very finite resource, the scarceness of brownfield land "generates an incentive for owners of land with permission to build to treat this as an option to hold in the expectation of future price rises." (Cheshire 2014)

Data on land ownership and trading patterns is patchy at best. But there is limited statistical (GLA 2012)<sup>50</sup> and more widespread anecdotal evidence to suggest that the growing presence of financial intermediaries in the land market. Land with planning permission has attractions to these firms as an asset class with 'book value', whether or not they have any to develop it. Anecdotal evidence of hedge funds and other financial investors acquiring significant land banks in recent years comes from our discussions with city local authorities (see case study below) but also from industry figures, including from existing house builders.<sup>51</sup>

The economic incentives to hoard land with planning permission are strong: land acquisition by non-developers seeking secure assets rather than viable development projects is likely to intensify competition for land, drive up short term land prices and make our development system less responsive to demand. There is a strong case for rebalancing these incentives to discourage hoarding of brownfield land and spur landowners to develop.

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50. The only commissioned study on this subject in the UK found that 45% of all land with planning permission in London was held by actors who had no intention of building on it.

51. Conversation between existing large UK housebuilder and Shelter

## Bristol: Obstacles to strategic sites.

Bristol's growth strategy has a strong emphasis on regeneration and place shaping – something strongly informed by the personal experience of its new Mayor, George Ferguson – an architect responsible for several key city redevelopments.

Bristol's boundaries encompass a moderate amount of former industrial land, while the southern part of the city is large low density and poorly connected, and relatively poor. Bristol is also tightly bounded both by its local authority boundary and by green belt.

Bristol's current housing strategy is therefore closely interlinked with its broader aims of economic regeneration and social inclusion. Its 2011 Core Strategy focused future housing development on brownfield sites, coupled with a policy of densification.

Bristol's brownfield regeneration strategy relies on its ability to bring sites to market at viable prices. But this is being held up on sites where intermediate financial players are involved in land hoarding.

### **Bristol Temple Meads Station**

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*'I'm a big fan of Bristol, it's a great city... (but) This (site) is not a good advert when you come in by train and it's the first thing you see. ... the centre of Bristol has derelict buildings that ought to be a thriving business community.'*

David Cameron, July 2011<sup>52</sup>

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Overshadowing platform 15 at the side of Bristol Temple Meads station, the entry point into the city designed by Isambard Kingdom Brunel, stands a "hideous heap of concrete that was the Royal Mail Sorting Office" Mayor Ferguson.<sup>53</sup>

The derelict building occupies a key strategic site for Bristol. It is within the Temple Quay Enterprise Zone, 70 hectares of brownfield land around the main train station. It has had two private owners and is now owned by Kian Gwan Land Limited, a Thai-based equity company who have failed to sell at a market price since 2008. It has been left derelict since 1997, a 17 year period.



**Derelict building opposite  
Bristol Temple Meads station**

Photo Credit: Pete Jefferys

Another site blocking Bristol's efforts at housing growth and regeneration is the Redcliffe Village residential site.

This is owned by the US financial Carlisle Group. The site is in an important strategic city centre regeneration area, and has full planning permission. Carlisle Group appear to be using it as an asset to create 'book value' within their global portfolio, and have refused to sell at open market prices to mainstream housing developers who want to build out the site.

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52. <http://legacy.thisisbristol.co.uk/David-Cameron-visiting-Libya-8217-s-Bristol-s/story-13031667-detail/story.html#ixzz2vZ68O5pj>

53. <http://bristolmayor.co.uk/upping-bristols-game>

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## Improving the powers of Local Authorities to deal with land hoarding

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*'Ministers believe that compulsory purchase powers are an important tool for local authorities and other public bodies to use as a means of assembling the land needed to help deliver social and economic change. Used properly, they can contribute towards effective and efficient urban and rural regeneration, the revitalisation of communities, and the promotion of business – leading to improvements in quality of life.'*

Compulsory Purchase and the Crichel Down Rules, Circular from the Office of the Deputy Prime Minister 2004

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*'CPO (as it currently stands) is very expensive, takes ten times and long as it should do and means we hardly ever use it except in cases of extremis. Streamlining and making it easier to do would mean it started to become a meaningful part of our operations'*

City Authority Council Officer

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## How can stalled sites be unlocked?

The first tool that cities should be given to tackle stalled sites is the ability to levy council tax on empty sites with planning permission as if the homes had been built. This adds a holding cost to the land and changes its net present value. As modelled by Europe Economics for Shelter, this will increase the rate of house building on all sites.<sup>54</sup>

There is also a strong case for increasing the effectiveness, usability and powers of the compulsory purchase (CPO) mechanism to deal with individual 'problem' sites within the existing development pipeline.

Most of these cases involve purchasing a brownfield site to be used for the same or similar purpose – for example a small shop to be converted into a large shopping centre, which makes the use value less controversial.<sup>55</sup>

In cases where landowners have proven reluctant to develop a site themselves or to sell the site for a reasonable market price, it should be easier for local authorities to act to unblock development.

The CPO mechanism offers development-focused councils the opportunity to unblock sites of strategic importance in a targeted manner.

It would allow councils to be judicious in their interventions, reduce the incentives for landowners to use land in a speculative manner whilst minimising uncertainty for the wider development industry.

In particular, this needs to be made easier where authorities have identified the market need for development and have a development partner to bring forward the site.

We heard that the CPO process currently requires excessive amounts of council resources, creates high levels of risk to the tax payer and takes far too long to implement. The current process is weighted against local authorities who are pro development and creates unreasonable levels of uncertainty for all parties over excessive timescales.

Taking land from its owner is, rightly, a process that requires due legal process and the right for representation from the landowner. However the current CPO process is too heavily weighted in favour of the landowner and creates numerous opportunities for landowners to prolong the process in order to hold out for a higher than reasonable price.

"Currently CPO gives the landowner too many ways to stall the process in bad faith." (Discussion with city council officer)

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54. Europe Economics, Increase Competition, Resilience and Diversity in the House Building Industry, 2014

55. A separate CPO issue is on the need for strong guidance on existing use value where a Garden City or New Town wants to use agricultural land for housing development.

In Bristol, for example, it took 15 years to CPO one building in order to ensure the creation of the city's primary shopping centre and important regeneration vehicle, Cabot Circus.<sup>56</sup>

Our proposed reforms would offer greater certainty for all parties – particularly for developers who want to develop permissioned land but also for those owners for whom the current CPO mechanism offers prolonged uncertainty for years, impeding their own future investment decisions and life choices.

### **Steps to improve Compulsory Purchase Orders (CPO)**

Reforms are needed to make the CPO process less financially uncertain for all concerned.

Implementing a CPO requires the acquiring local authority to demonstrate that adequate funding is available to enable the site to be purchased within the possible CPO timeline.<sup>57</sup> Often this is achieved by local authorities setting aside a budget for site purchase. Given the high cost of land and the fact that the current CPO process can often take a decade or more, this is a large financial commitment for a local authority.

As a result local authorities usually partner with a developer in order to ensure the proposed CPO is financially viable and also to give further justification to the purpose and likely success of the proposed CPO.

This element of financial risk, and the ability to attract a development partner, is made worse by the uncertainty created around values by the current CPO process.

Certainty around the value of the site is not finally settled until either the landowner accepts a proposed price or, if contested, has a final Land Tribunal valuation. This latter process can take many years, during which period market conditions and values can alter significantly, whilst the range of values settled on by the Land Tribunal can also vary significantly.

The process of valuation within a CPO should be made much quicker:

- If value is contested, the land valuation by a Land Tribunal should happen up front, making it easier to find a development partner and reducing the uncertainty associated within the current CPO system.

This uncertainty around values makes it harder for pro development local authorities to find a development partner and increases their exposure to financial risk. In contrast, the landowner faces little risk – they stand to gain from the final development value and have little disincentive to prolong the process unduly. As one city officer commented, “a fundamental flaw in Compulsory Purchase Orders (at present) is that it ignores development risk to the Local Authority.”

In situations where sites are not being brought forward for development, offering market prices for existing use value should not be controversial. A shorter process that provided firmer guidance on use value would help do this and would rebalance the law in favour of development minded Local Authorities.

The process of valuation of land or property within a compulsory purchase should be made more definitive:

- CPO law (in particular the Land Compensation Act 1961, Section 5 (2)) should be strengthened so that compensation is based on existing use value + a percentage uplift, rather than the ‘market value’ of the final development. The current market value guidance means drawn out legal contests around highly unclear ‘hope value’ for landowners (how much they think the land would be worth with planning permission based on future residential prices), amplifying uncertainty for investors and local government and vastly increasing the opportunities for legal dispute throughout the process.
- To determine existing use value, two valuations should be made by independent valuers and submitted to a tribunal for a final decision based on these valuations and any mitigating circumstances.

56. Discussion about the CPO of Tollgate House with Bristol City Council officers

57. See CPO 2004 Circular, page 7

## Measures to help deal with the capacity and knowledge gap

The capacity, knowledge, experience and current use of CPO between local authorities varies widely. Some local authorities, for example Birmingham (see below), regularly use CPO as an integral part of their regeneration and development strategies. Others authorities, even cities with a strong regeneration component to their strategic plans, are very averse to the use of CPO except on an exceptional basis.

In the medium term, local authorities are likely to remain under considerable resource pressures. In order to successfully implement brownfield regeneration policies they will need to draw on other forms of support.

We suggest two routes by which this should happen.

- Under a broader package of reform to incentivise city regions to improve their development performance, HCA resources, staff capacity and assets should be devolved to new pro-growth city region strategic partnerships.
- Central government should offer a faster form of capacity support to local authorities who can identify clear problem sites with reluctant landowners. This could either be via commissioning the ATLAS team within the HCA to intervene, or via cross inter authority use of resources (for example commissioning the staff at Birmingham City Council).<sup>58</sup>

This approach would help unblock some key strategic sites – those that are often vital to redevelopment plans in constrained city centres. Having local authorities hold an effective CPO threat will also do much to reduce the incentives and appetite for land hoarding – making the operation of the brownfield land market much more predictable.

This will create a valuable psychological boost, both for the growth ambitions of the city and for all relevant parties.

- Property and land owners in particular will have much greater certainty about values and timeframes and the legal costs and uncertainties that plague small individual owners will be much reduced.
- Local authorities will be able to plan and develop out key strategic sites without decades of wrangling or of hoping an intransigent landowner can be persuaded to sell.
- Developers will have a new stream of sites at reasonable land prices and the opportunities to enter into partnerships with development focused authorities.

HafenCity in Hamburg is a successful brownfield redevelopment on a former harbour site made possible by local authority leadership, land ownership and long term master planning.

**HafenCity** Photo Credit: Holger Ellgaard



58. We've heard from multiple Local Authorities that until now HCA, although possessing CPO powers, has been reluctant to use them or provide a supportive role towards Local Authorities with CPO capacity shortfalls.

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## 4. NEW MODELS FOR DEVELOPMENT

Growing cities need to deliver good quality new development, in the right places at a much enhanced pace.

To do this they need greater powers to make their land and development markets work for them. We believe this can be done by:

- A new approach to land assembly that brings forward cheap land, captures land value uplift and neutralises land risk – on both brownfield regeneration sites and greenfield urban growth areas.
- A new approach to development management that enhances building diversity and competition and ensures higher levels of development quality.
- Strengthening cities' powers and resources to put these new approaches into practice, by creating new delivery vehicles that can integrate land assembly, strategic planning and development management at the right geographic level.

These approaches will require stronger land assembly powers to bring forward new public and private land for housing, and national government support for growing cities to establish delivery vehicles, to deliver housing growth on that land.

### Capacity and Delivery

Local authorities are under significant resource pressure. Launching a new approach to development is beyond many of their current capacities or skill sets.

The question for government is where to invest resources for the greatest returns in terms of housing output and economic gain.

The Bicester example of direct government grants for capacity shows how small injections of central government capital

can be focused on pro-growth authorities to significantly boost delivery ambitions.

### The scope for innovation

The cities we visited did show that innovation is possible, and that a new approach to land and development is possible.

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*'You can do a hell of a lot more if you control the land'*

City council official

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Many cities are using public land to experiment with new forms of development to help improve housing delivery.

### Enabling Proactive Land Assembly

Cities currently lack the ability to improve the functioning of their local land markets.

At present the existing planning system leaves nearly all control of the land market in the hands of landowners and cyclically vulnerable developers. Cities typically lack the leverage and tools to make land negotiations meaningful and ensure land is brought forward at low enough prices to enable proper provision of infrastructure and affordable homes.

We need to give cities greater tools to shape the land market in order to meet their medium and long term housing market needs. Cities need to be in a more powerful negotiating position within their local land market and to strengthen their ability to pro-actively enhance their future supply of housing land.

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## Case study: Bicester Self Build

Bicester is a market town in Cherwell District Council in Oxfordshire, with a recent history of population and housing growth. It has however struggled to define its own economic agenda. It has high levels of commuting, including to nearby Oxford, and suffers from a lack of sufficient services and facilities for a town of its size. (Cherwell District Plan 2006-2031)

In recent years, the District and Town Council leadership has attempted to take a more pro-active approach to housing, to ensure future development better meets the needs of Bicester.

Cherwell District Council aims to create a development of 1900 solely self-build homes using land bought from central government.<sup>59</sup>

Cherwell took the decision to set up a Special Purpose Development Vehicle to enable Bicester to assemble land and act as master developer.<sup>60</sup> Bicester is funding the development by borrowing against the future receipts from the sale of self-build plots and using this to pay for the required initial infrastructure investment.

This was a direct response to “particular problems of under-delivery”<sup>61</sup> of other major sites in Bicester. Because self-build will be conducted by a diverse range of individuals with a long term interest in the site, Bicester expects annual output to be higher and the development model to be less financially vulnerable.

The seed funding to meet initial capacity needs to establish the project was provided by central government (DCLG), which allowed Bicester to buy in expertise and get the project proposals and finances established.

## Case study: Oxford

Oxford City Council has entered into a joint partnership with commercial developers using Council owned land, in order to create the new Barton Park development providing over 800 new homes of mixed tenure, size and type.<sup>62</sup>

Oxford entered into this joint venture development vehicle with Grosvenor Estates using Oxford city council owned land.

The development vehicle was created through the establishment of a Limited Liability Partnership between Oxford Council and Grosvenor. Oxford City Council has a 50% interest in the company and shares profits and losses with Grosvenor. Oxford contributed the land, whilst Grosvenor contributed the capital and will pay for and manage the development costs. Oxford will also maintain long term income through the affordable rented housing provided on the site.<sup>63</sup>

Through joint ownership the Council have retained a large say in development quality and achieved a 60/40 split between owner occupied and affordable housing. This affordable housing will be entirely low cost social rented housing, helping to relieve Oxford's significant backlog of housing need for those on lower incomes.

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59. There were lengthy and protracted negotiations with central government, primarily caused by the Ministry of Defence wanting the highest market value for the site.

60. Using powers under the Localism Act 2011, the Local Government Act 1972 and the Local Government Act 2003

61. Notably in the slower than expected output of the existing Bicester Eco Town, see above, quote from Cherwell District Plan 2006-2031

62. See <http://www.bartonparkoxford.com>

63. For more details see <http://mycouncil.oxford.gov.uk/documents/s12560/PWC%20-%20Barton%20Development%20Project%20-%20Report.pdf>

## Oxford City high street

Photo Credit: Doc Searls



In particular we need to ensure that cities are able to:

- Increase the supply of new lower price land available for development
- Improve the flow rate of land into development
- Improve the ability to neutralise or reduce cyclical land price risk
- Improve the ability to capture land value uplift to fund infrastructure and affordable housing
- Increase the quantity and quality of housing outputs
- Increase the diversity of their building sector and the speed of new house building

As indicated by the case studies above, the majority of innovative land assembly by city local authorities is currently being done through the use of public land.

For local authorities, using their own stock of land is the simplest way of unlocking public land, but it can also be pursued via accessing central government land (as the case of Bicester's self-build scheme shows).

Public land can be an important method via which new development can happen, but it has its limitations – not least that it limits growth to those local authorities who happen to own a large stock of land in sensibly located places. This works for Bristol, but for a city like York, which owns hardly any land, it is not a practical solution.

We therefore need to consider how land assembly can happen with private land.

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## ***Harnessing the power of land value uplift***

Existing sources of central government funding or local revenue simply don't offer the resources necessary to bind current conflicting neighbours together on consensual housing growth. A new approach to housing development cracks open a game changing new source of revenue.

Land value uplift is the major financial gain from new infrastructural investment and housing growth: "land value increase is the only truly new financial resource created by and available to the (housing) growth process". (Walker 2013)

In Cambridgeshire a hectare of agricultural land is worth approximately £14,000 per hectare.<sup>64</sup> Residential land in Cambridge is worth approximately £2,900,000 per hectare. (VOA 2011)<sup>65</sup>

In Oxfordshire, a hectare of agricultural land is worth approximately £16,000 per hectare.<sup>66</sup> Residential land in Oxford is worth approximately £4,000,000 per hectare. (VOA 2011)<sup>67</sup>

Changing land from agricultural land to residential land gives you a value uplift of approximately £2.9 million pounds per hectare in Cambridge and £4 million pounds per hectare in Oxford.

In Cambridge releasing 500 hectares of agricultural land, less than 5% of Cambridge's current land area, for housing would create **£1.4 billion of enhanced land value**. In Oxford releasing 500 hectares would create nearly **£2 billion of enhanced land value**.

These sums can not only fund the infrastructure and affordable homes needed to meet local need and create thriving places, but could change the local politics of development. The amount of value that can be realised could be more than enough to attract support for development from neighbouring local authorities, and so overcome the problems

of cross-boundary co-operation that bedevil housing growth.

Yet government currently only focuses on recapturing part of this massive increase in value, via CIL or Section 106 agreements, at the point in the development process where high land values have already been imbedded and "priced in" both in the prices paid to the landowner and through the financial commitments of the developer.

A new approach to development, in which communities and local authorities capture the increase in land values, would change the balance of incentives for local decision makers. It would also align future revenue gains strongly with future additional housing and growth plans. The key to this approach is for public bodies to act to control sites ahead of (or simultaneously with) their designation for development in the planning system.

It is common practice in Europe for public authorities to reap a share of the land value uplift created by new development. The German, French and Dutch approach is for local authorities to buy land, front fund infrastructure investment and then sell the land in parcels to developers and keep the land value uplift to fund the initial start-up costs. (Sarling 2013)

In the Netherlands, a municipality can buy future development land at existing land value. It then provides the infrastructure to service the land, parcels the site into smaller plots and sells them to developers at a price that in total would cover on-site infrastructure costs, off-site infrastructure costs and plan making. Crucially, if they generate a surplus the municipality retains the revenue. (Sarling 2013)

Incentives for participating in these cross border development company driven extensions can go further.

Participating local authorities can be offered gains from revenue via increased council tax receipts. They can also be offered long term income streams through

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64. Value on unequipped arable land with vacant possession in Cambridgeshire in Jan 2011, VOA Property Market Report 2011

65. Value of land for residential development as at 1 January 2011 in Cambridge, VOA Property Market Report 2011

66. Value on unequipped arable land with vacant possession in Oxfordshire in Jan 2011, VOA Property Market Report 2011

67. Value of land for residential development as at 1 January 2011 in Oxford, VOA Property Market Report 2011

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a variety of possible mechanisms: for example, a percentage of rental income from market and social rental properties, a percentage share in the freehold revenues or a tax levied on sales or a wider leaseholder management fee.

## Private Land Assembly

There is now considerable interest in just such an approach to the assembly of private land. Peter Hall and Nicholas Falk's recent book *Good Cities, Better Lives* has focussed attention on the success of continental models of urban development. Professor John Muellbauer from Nuffield College, Oxford University, has recently advocated the creation of a state land bank in which government directly buys agricultural land and then either controls development or sells it on for developers.<sup>68</sup>

The current interest in Garden Cities and New Towns has meant private land assembly is now a focus of much policy discussion. Increasingly, these debates and proposals are highlighting the need to integrate land assembly with the allocations of sites in the planning system.<sup>69</sup> Traditionally, the allocation of a site for development in the local plan occurs long before and the public authorities actively engage with the landowner. Allocation then pushes the site's price up rapidly, so that when the planning authority finally engages with the scheme directly – usually in the form of a planning application and accompanying Section 106 negotiations – there is far less development gain left to capture for community benefit.

Here, we outline a proposal for a new, proactive approach to land assembly, designed to capture far more development gain for growing cities.

First we identify three types of opportunity for new private land assembly by growing cities. We discuss the institutional architecture within which this would occur below.

## Opportunities for New Strategic Land Assembly

### One: Deals with legacy landowners

There is the potential space for methods to help break open the current private land market, and in particular the current monopoly of power that concentrates itself around intermediary land traders and developers, by striking new deals with landowners themselves.

This approach would target 'legacy landowners' – landowners who are interested in more than just very large up front one off payments for their land and are therefore more open to long term partnership proposals. There are various reasons why some landowners may be more amenable to such an approach:

- because their land is part of a long term wealth portfolio that seeks steady income over time rather than large capital receipts
- because they have a business interest in long term estate management
- because they have a strong historical stake in their communities, and want to see better forms of housing development with stronger benefits for the local community
- because they see little chance of getting planning permission through the current planning system.

These legacy landowners exist – be they large and medium sized private estates or institutional landowners, for example the Church of England,<sup>70</sup> Crown Estates and Universities and colleges. These groups have estate planning horizons that are often measured in centuries, and tend to view land in long term investment terms. As such they are more likely to be open to alternative investment propositions, rather than simply asking how much can be realised in a one-off asset sale.

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68. Financial Times 3rd April 2014

69. For example, see entries to the Wolfson Economics Prize 2014.

70. The Church of England owns 105,000 acres of agricultural land and large tracts of land in cathedral cities such as Canterbury, Ely, Peterborough and York and in towns such as Huntingdon and Kelmscott.

## North West Cambridge – University as Landowner and Development Manager

The University of Cambridge is a major landowner in Cambridge, and has been an important driver in recent housing growth, including a university-led urban extension at North West Cambridge.

The University first explored development on these land holdings in the 1990s as a response to its projected future research needs, both for staff accommodation and new research facilities. From the perspective of both University and the city, using University land to create more homes makes strategic sense.

High housing costs mean Cambridge is threatened by other universities and research institutes, particularly those with fewer political obstacles to housing growth. Housing costs, especially the availability of affordable, good quality housing for highly skilled but lower income post-graduate students and post-doctoral researchers, represent a key competitive threat to the University within a mobile, highly skilled and international labour market.

Access to good quality homes is therefore central to “trying to recruit the best and the brightest to Cambridge and directly relates to the growth requirements of the University and local economy”.<sup>71</sup>

Direct involvement in development to maximise benefit from its strategic landholdings also made long term sense for the University as part of its asset management strategy.

The University, with an AAA investment rating, was able to access long term finance by issuing an, oversubscribed, 40-year bond for £350 million in 2012. From this, £250 million was allocated by the University to the North West Cambridge Project ‘Syndicate’ (the University’s representative body controlling the development) over a 40 year term at a fixed interest rate of 4.25%.<sup>72</sup>

Through controlling the land required, the University is able to:

### ***Reduce its financial risk***

The major financial cost to the project is construction itself, not land cost. Financial repayments can be managed through a more balanced combination of upfront capital receipts from sales of market housing and long term income generated from the rents from affordable rental properties and commercial ventures.

### ***Control the quality and speed of development***

The projected build rate for the development reflects both the University’s need for affordable accommodation and the anticipated ‘absorption rate’ for the market housing, so that it anticipates a build out of the 3000 residential units over 10 years – a delivery rate of 300 per year. This is made easier by low holding costs for the land, the strength of the housing market in Cambridge, use of a mix of contracted developers for the site and the known strong demand for University ‘key worker’ housing.

In seeking developers through a bidding process, the University has also sought legal commitments that quality will be maintained.<sup>73</sup> By maintaining long-term control of the development and land the University can ensure that it is maintained to a high standard to reflect the University’s values and to provide an attractive community that meets the growth expectations of the local economy.

71. Conversation between author and University of Cambridge Estates department.

72. The University of Cambridge issued its first Bond to international markets to finance research and new accommodation in 2012, at just 60 basis points above U.K. government debt: <http://www.bloomberg.com/news/2012-10-10/cambridge-university-sells-first-bonds-as-investor-demand-surges.html>

73. Including that the architecture and design teams in contracted developers will be retained once contracts have been entered into.

### ***Finance higher levels of social, transport and environmental infrastructure.***

Of the 3,000 homes in the development, the University is delivering 50% as affordable rented accommodation for University key workers, with the balance for sale on the open market. The University will also provide an additional 2000 units for post-graduate students. In addition the University will provide a community centre, three nurseries, a new primary school, police and health facilities and investment in substantial green and social infrastructure. Other investments include in sports facilities, roads, infrastructure upgrades and bus subsidies.



#### **Cambridge**

Photo Credit: Cmglee

These opportunities are particularly strong in those case study cities that are either bordered by major landowning estates (for example the Halifax Estates around York) or by landowners who have close economic links to the city and incentives to use development as a tool to manage their longer term investment and land management horizons (notably the University and colleges of Oxford and Cambridge).

### ***Legacy Landowners: A Force for Market Stability***

Different investment horizons create different incentives. Legacy landowners are more prepared to forego upfront cash windfalls from asset disposal in favour of long term income streams from asset retention.

A share in asset retention combined with long term income streams also creates a different model for investors – reducing short term risk, lengthening income horizons and aligning the investment with the long term economic prospects of a high growth region. This makes housing development not just a short term, high reward – high risk, punt for banking and

private equity firms, as it broadly is at present, but a long term investment for pensions funds, sovereign wealth groups or bond markets.

An interest in long term income is also more likely to coincide with an interest in the long term success of the development: quality of design and build start to matter significantly more, short term margins on build cost matter less, whilst crystallising a very high land price at the start of the development process seems more like an unwise financial risk.

Different time horizons also makes these investment and development models less vulnerable to short term market movements. A development model based on lower upfront land prices and less reliant on recouping 100% of its investment from sales within five years of land purchase is far less vulnerable to the booms and busts in the UK's housing market. A longer term spread of income tied more closely to rents and overall levels of wage inflation over decades would make them a highly attractive force for investment stability.

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## **Two: Innovative land assembly partnerships, incentives and pooling risk**

Single deals with long term land owners, as outlined above, are desirable, but may be limited in their scope.

In some cities large landowners with total control over a viable site for new

development may not exist. There may also be less of an overlap between the strong long term interests that exist between university cities and their universities. Some landowners may also decide that holding out for the highest sales price possible is preferable to the carrot of long term investment returns.

### **Shelter Wolfson Prize 2014 Entry**



Another method of land assembly which reflects a mixed land ownership pattern and a rebalancing between carrots and sticks between financial incentives and strong land assembly powers has been outlined in Shelter's recent submission on Garden Cities to the Wolfson Prize (Lloyd et al 2014).

This offers a broader mix of landowners the opportunity to benefit from the regeneration effect of long term investment and development through participation in a new Garden City investment vehicle (called a 'Garden City Partnership').

The Garden City Partnership would act as a development corporation, managing the development and finance of the new community. It would offer landowners the opportunity to exchange land with no upfront payment for a co-investment interest in a Garden City Partnership.

Alternatively it would offer an upfront payment for the grant of an option to acquire the land, followed by a generous further payment and share in an investment vehicle set up by a Garden City Partnership on exercise of the option. This co-investment model offers the landowners a long term share of future development profits, and a degree of control over the development.

This investment proposition would be backed by an incentivisation strategy. The initial attractive co-investment would offer higher rewards for early participation, such as preferential terms for the first five landowners to sign up.

This would be matched by a credible threat of the loss of development gain via Local Green Space designation.<sup>74</sup> This would disincentivise gaming or lack of participation by individual landowners. The last resort would be a Compulsory Purchase Order via the local authority and the Homes and Communities Agency (HCA).

The Garden City Partnership model for securing land and development finance could be combined with a bidding process for 'Garden City' status from government, led by the cities themselves.<sup>75</sup> Achieving the status would come with a number of benefits, including:

- Priority for infrastructure investment
- Brokering of land deals (for example priority access to ATLAS)
- Additional funding for planning capacity

### **Three: Replicating the European Model**

A more proactive alternative to negotiating with landowners prior to the allocations process is for relevant planning authorities (either a city local authority or a city region joint strategic planning authority) to designate zones for development within which land will come forward for development at reasonable prices.<sup>76</sup> Zoning powers would give cities greater discretion to ensure development happens in strategic locations, for example, within existing brownfield sites earmarked for regeneration or as urban extensions close to existing city transport infrastructure.

A proactive zoning approach to site identification would set the scene for delivery of large scale projects which could actually be built by a wide range of different public, private or mixed delivery vehicles. Whatever the public/private split, development partnerships would have independence, strong governance, private finance raising abilities and dedicated planning team paid for from the development itself.

### **Freezing land values to provide fair compensation**

Crucial to a more proactive approach to land assembly will be ensuring that land can be brought into a development at a

74. Some of the land within this Garden City model would be designated as Local Green Space by the Local Planning Authority, preventing it from being developed for ever, without any change of ownership being required. Any land that the Garden City was unable to acquire would be the prime candidate for such a designation as the masterplan for the new settlement was set out.

75. As developed in URBED, Uxchester, Wolfson Economics Prize 2014

76. Shelter and KPMG have proposed 'New Homes Zones', while the government and the GLA have recently announced very similar proposals for 'Housing Zones'. KPMG and Shelter, Building the Homes We Need, 2014

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reasonable price. This is a price that compensates the land owner fairly, but also gives scope to finance affordable housing and the infrastructure that any new development needs.

IPPR and Shelter argue that land that is zoned for development should in effect have its value frozen at its current value. That way, once the homes and infrastructure have been put in, the extra value created can help the scheme to self-fund – reducing the burden on public finances.

This will require updated legislation to shift the balance in compensation for compulsory purchase (CPO) so that land owners receive what their land is worth now (plus a compensation) rather than what it will be worth in future once the homes are built. The English system is unusual in giving such huge windfalls to lucky landowners whose land is designated for development in the planning system.

In practice compulsory purchase powers may not need to be used as land owners will be incentivised to negotiate. This intervention would be parallel to the existing planning system rather than replacing it and would be at the discretion of local authorities to use.

In Germany a similar system operates through ‘freezing land values’ in areas designated for development. This gives the municipality control of land prices, without having to directly own the relevant land. The developer services the plots and sells them on to builders at the full market price, thus

allowing both the financing of associated infrastructure costs and the reduction of development land risk, for example, in Freiburg and its urban extensions of Vauban and Rieselfeld. (Falk 2008)

In the Netherlands, local authorities use a municipal pre-emption right for land assembly by designating an area within which a landowner who wanted to sell their property was obliged to offer it first to the municipality (Buitelaar, 2010). This is backed by the power of compulsory purchase. In Amersfoort near Amsterdam, the land was then pooled into a joint venture company and serviced sites are sold to a range of builders. (Falk 2014b)

Between 2000 and 2006, the use of pre-emption rights doubled from 33 per cent of all municipalities to 68 per cent, or from a total of 22,700 hectares to 40,800 hectares (Buitelaar, 2010).

We are not proposing direct replicas of either the Dutch or German models, but a form of zoning that freezes land prices and then offers a city authority the option of acting either as third party between the sale of land between landowner and development company or as direct purchaser of land via compulsory purchase.

Administratively, we propose zoning happens either directly by a city authority or through the Local Homes Agency. This could use zoning in combination with the creation of a development company to manage new brownfield housing zones or greenfield urban extensions.

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## Updating compulsory purchase powers

Previous successful examples of land assembly in the UK were based upon the ability of government to acquire land for residential development at existing (agricultural) use value. This gave development corporations sufficient resources to produce viable residential development and fund associated infrastructure costs. It also had the benefit of taking land risk out of the development process.

Local authorities already have land allocation and assembly powers, although few now use them. The result is that local authority CPO powers are now primarily used on brownfield sites, where use value is much less contested.

Successful land assembly underpinning the proposals for New Home Zones, Garden City Partnerships and Green Belt Community Trusts ultimately requires the credible threat of Compulsory Purchase Orders, in particular CPO powers that would allow the purchase of land at existing use value for redevelopment as residential land.

In practice, strong CPO powers mean the need to use them is lessened, as the convincing threat of CPO as a last resort means that landowners have a much clearer incentive to negotiate with the purchasing authority on an jointly agreeable price.

The power to use CPO to acquire private land at agricultural value for residential development has been significantly eroded by the 1961 Land Compensation Act and additional case law, making a revisiting of the New Towns model or new models like Housing Zones, Garden City Partnerships and Green Belt Community Trusts, outlined above, difficult.

To make CPO at close to existing agricultural value not vulnerable to legal challenge for new residential developments would require a revisiting of primary legislation. In particular amendments to the Land Compensation Act 1961, section 5 (b), section 14 and section 15.

The Land Compensation Act 1961 should be amended to ensure that existing use value is paid where Compulsory Purchase involves the purchase of agricultural land for new residential focused Development Companies or in New Homes Zones. The level of additional compensation to existing use value should be substantially more generous at present, and reward agricultural land owners with existing use value plus 50%, but not allow further value uplift payments.

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## 5. OVERCOMING THE LIMITS TO GROWTH

### Overview: land limits to city growth:

Brownfield land can make an important contribution to cities' ability to build more homes. But the scale of housing growth required exceeds the amount of brownfield, unprotected land within the boundaries of our successful cities.

Delivering really significant housing growth will mean expanding the urban footprint of cities. But English cities face two formidable political obstacles to overcome: the constraints of the green belt addressed here, and the constraints of tight city boundaries.

### The Limits to Brownfield Driven Growth

In larger post-industrial cities, brownfield land is available and should be used as part of successful regeneration policies.

But after decades of a 'brownfield first' policy much of that brownfield land supply is dwindling. Remaining brownfield sites are spread across all English regions, rather than being concentrated in those areas of highest housing need – particularly the fastest growing English cities. The brownfield land that is left is often less viable, smaller, contested or contaminated plots in lower demand areas. (HCA 2009)

At a national level, the amount of brownfield land falls far short of what is needed to meet our future housing need. We need to build at least five million homes over the next 20 years in order to meet future growth in population and households. Yet brownfield land, using optimistic figures, can produce at most only around 1.5 million homes and, in reality, this figure may be closer to just 500,000 homes.<sup>77</sup>

There is a role for brownfield land as part of regeneration-focused growth and housing strategies. Smaller plots in low demand areas offer the chance for cities to drive regeneration with new development models and development actors.

In the previous chapter we proposed giving cities greater powers and the capacity to deal with land hoarding. Greater city level land assembly powers will help galvanise a regeneration focused city housing strategy.

But even larger cities with extensive brownfield capacity will still need to build on greenfield at some point in the future. In Bristol, current estimates of housing need justify the current policy focus on brownfield land, but projected increases in economic growth and employment rates, in migration and household growth mean that this policy is time limited.

The problem is even more acute in those growing cities and towns who do not have an extensive former industrial footprint. These often overlap with university towns (Cambridge, Oxford and York) or those better known as locations for domestic leisure and tourism (such as Bath and Brighton). These cities are ideal locations for knowledge intensive economic growth and their very attractiveness is a strong pull factor for new residents and business activity.

A growth strategy in these places cannot fall back on the easy comforts of brownfield – there is simply not the available land supply. Baring sky scrapers that would intrude upon their various spires and Minsters, Oxford, Cambridge and York simply cannot now grow without expanding into greenfield.

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77. The HCA (HCA 2009) estimates that 31,160 hectares of brownfield land is 'potentially suitable for housing'. This would only produce, at most, around 1.5 million units. A large proportion of these projected 1.5 million units are 'projected' from land which is on existing non housing sites or sites with complicated ownership or viability problems which will be difficult to bring forward for new housing. Only 520,000 units of the 1.5 million projected "available" brownfield units are currently allocated for development.

## Constraints on growth

### Oxford

Oxford is tightly bounded by its green belt and has very tight administrative boundaries with its three neighbouring rural district authorities in South Oxfordshire, the Vale of White Horse and Cherwell.

Housing growth within Oxford's existing land supply is now extremely difficult. Brownfield sites are very limited, while green field sites consist primarily of some small areas of green belt left within the city authority boundaries.

Nearly all residential development over the past ten years has been on brownfield sites.<sup>78</sup> Oxford City Council now estimates that it has new land left for just 400 further new homes.<sup>79</sup>

Oxford now faces considerable pressure on its remaining brownfield sites – many of which are small. This means housing development often happens on existing amenity<sup>80</sup> or employment land – despite a chronic shortage of office and business facilities within the city (SQW 2013).

### York

Local government reform and an accompanying boundary review in the 1990s led to the substantial expansion of York City Council's administrative boundaries into the rural districts of Selby, Harrogate and Ryedale.<sup>81</sup> This means that York has a significant amount of land within its administrative boundaries, but nearly all of this is designated as green belt, while York's brownfield sites are almost all already incorporated into the future land supply for housing and business growth. In order to grow further York will have to develop some of its green belt.<sup>82</sup>

This would make good strategic planning sense. York has the potential to develop housing on a 'hub and spokes' model along key transport infrastructure. It would also contain development within existing York City Council boundaries, making the politics and economics of development easier.

But at present green belt allocation has proven politically difficult. The current York Core Strategy included a reallocation of just 1.8% of York's green belt land, and even this has created a considerable political backlash.<sup>83</sup>

### Cambridge

Cambridge City Council is tightly bounded and completely surrounded by South Cambridgeshire District. It has little brownfield land available and most of the available space for future housing growth is both outside of its administrative boundaries and within the green belt.

Cambridge has led the way on green belt redevelopment, due largely to a stronger cross boundary consensus on growth than either Oxford, York or Bristol have achieved.

Green belt development in Cambridge has, by necessity, mainly involved green belt land located in South Cambridgeshire. This has been made possible by close inter-authority relationships, but also by a long history of strategic planning that has created a broader regional view of housing need and land supply.<sup>84</sup>

78. Ranging from 94 to 100% of completions in 2003-10 (Oxford Housing Strategy)

79. Conversation between authors and Oxford City Council representative

80. See the current debate about the redevelopment for housing of Oxford's greyhound stadium: <http://www.bbc.co.uk/news/uk-england-oxfordshire-25576889>

81. See "The North Yorkshire (District of York) (Structural and Boundary Changes) Order 1995" <http://www.legislation.gov.uk/uksi/1995/610/contents/made>

82. The majority of land outside York's built up area has been designated as greenbelt since the 1950s (2011, York Local Development Framework).

83. [http://www.yorkpress.co.uk/indepth/localplan/news/10765829.14\\_000\\_have\\_a\\_say\\_on\\_future\\_of\\_York](http://www.yorkpress.co.uk/indepth/localplan/news/10765829.14_000_have_a_say_on_future_of_York)

84. The basis for agreement on Greenbelt development occurred within the policy context of the 2000 Regional Planning Guidance for East Anglia. Based on conversation and correspondence with Peter Studdert

## Urban extensions or new towns?

Up until now housing growth on green fields has often occurred through the 'jumping of the green belt', where housing development pressures within an urban area are transferred many miles over the formal green belt boundaries that now so effectively ring all our major cities.

This has many downsides – commuting increases, towns outside the green belt are subject to “doughnutting” patterns of successive housing estate after successive housing estate. (Taylor 2008)

The question for growing cities is whether this pattern continues?

A return to the New Towns model would allow this growth pattern to continue, new developments could happen in open green fields whilst the green belt was preserved intact.

But simply following a New Towns model is unlikely, by itself, to address the housing need of growing places. It also has important downsides, particularly in relation to both development viability and city control. New Towns in open countryside are likely to be centrally determined and imposed on non-urban local authorities. Urban extensions offer a much closer link to the cities they would be part of and to the democratic authorities of the affected place.

For most growing cities urban extensions are a more attractive option for expansion than New Towns. As one official we spoke to noted “urban extensions are far faster and far easier to deploy than New Towns” (city council official)

Successful European developments have followed this example. In the Netherlands, the VINEX programme set a specific location requirement that all new housing areas should be extensions of conurbations of at least a population of 100,000 people.<sup>85</sup> (Hall et al 2014) Successful patterns of new housing growth in other European countries have also tended to be via urban extensions rather than the new free standing settlements, for example the growth of Freiburg in Germany or the urban extensions around Copenhagen. (Falk 2008).

This overlaps with being closer to high levels of housing need – hence benefiting from more buoyant market demand, as well as more directly targeting housing at where it is most needed.

Urban extensions plug into existing infrastructure and transport, they benefit from economic agglomeration effects and, because of this, they can happen at smaller scales. Being located closer to existing urban economic centres also increases the opportunities for green transport infrastructure and reduces the associated carbon foot print.

### **Hammarby Sjostad is a modern, environmentally friendly urban extension to Stockholm in Sweden.**

Photo Credit: Hans Kylberg



85. “Not only was their housing stock increased by 8% over ten years, in line with the VINEX plan, but over 90 new settlements, half of which were over 1500 units, have generally been built on the edge of towns and cities with good economic prospects and infrastructure.” Falk 2014a

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## The Green belt constraint on growth

The green belt in England has been in place since the 1930s. It has successfully constrained the growth of all of our major cities, preserved open spaces around the edges of cities, and limited urban sprawl. But the policy has also come with many costs for new housing supply and housing affordability.

Green belt designation is not based upon aesthetic, amenity, environmental or public access value. The green belts in England are very substantial in size (at 13% of England's land area<sup>86</sup>) and often aren't particularly 'green', as they include high intensity agricultural, brownfield sites and low value scrub land in the same category as land with a high environmental or landscape value. Green belts also very often provide no direct public benefits, with no guarantee of public access for enjoyment, leisure or community use. A recent study found that the only amenity benefit of green belts went to those who owned houses within them. (Gibbons et al 2011)

Green belt rigidity also means that development for growing cities – particularly urban extensions – is almost impossible in many sensible, accessible sites in high demand, high employment areas that could be developed with minimal damage to the countryside or the environment. There are 32,500 hectares of green belt within the boundary of Greater London – more than all the brownfield land available for housing in England.<sup>87</sup>

Green belts currently constrain growth in precisely the places where growth is needed most. In York, nearly all future green field land within the City Council's boundaries is greenbelt. In Cambridge, green belt tightly hugs the existing city boundaries, expands over all of

Cambridge's administrative boundaries and is six times larger than city itself.<sup>88</sup>

Rather than help create green growth, green belts all too often displace new housing to the other side of the greenbelt, leading to a much greater negative environmental impact from increased commuting and car dependency. For example, in Cambridge over 40,000 daily work journeys are made over the green belt into the city.<sup>89</sup>

While the fundamental purpose of the green belt remains vital, there is a compelling argument that our treatment of greenbelt land – and its corollary in prioritizing brownfield development above all other growth<sup>90</sup> – has become imbalanced, to the detriment of sensible housing growth.

Small scale and sensible change is needed. **Releasing just 1% of England's low environmental value green belt land could deliver nearly a million new homes.**<sup>91</sup>

We propose new tools to release a small proportion of total green belt land near high housing pressure areas – in ways that maximise the social, environmental and political benefits and help deal most effectively with our housing crisis.

## A new political case for green belt release

The iconic status of the green belt creates a dominant public myth that most politicians are extremely reluctant to tackle, and that anti-development groups use ruthlessly as an emotive campaign vehicle.

Other countries manage to combine urban containment with flexibility to allow for future growth, with boundaries revisited at regular intervals (Monk et al 2013). In the

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86. House of Commons Library 2013

87. HCA 2009 and Professor Paul Cheshire, 7th May 2014 <http://blogs.lse.ac.uk/politicsandpolicy/turning-houses-into-gold-the-failure-of-british-planning>

88. Inside Housing, 20th May 2014

89. <http://www.cambridgefutures.org/futures1/campast.htm>

90. 2008, brownfield sites consisted of 80% of all residential development in the (Wong et al 2010).

91. As of 31 March 2011, the greenbelt in England is estimated to cover a land area of 1,639,540 hectares and thus one per cent would constitute 16,395.4 hectares. Building on this land at a density of 60 homes per hectare would create 983,724 homes. 60 homes per hectare is a level of medium density. Other environmental and social groups recommend levels of density closer to 100 and 120 homes per hectare, see <http://www.bioregional.com/files/publications/WhatMakesAnEcotown.pdf>

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UK however, the opposite has been the case, with growing housing demand in the post war period combining with tighter controls and much larger amounts of land designated as 'green belt'. Between 1979 and 2011, the amount of green belt more than doubled from 721,500 hectares to 1,639,540 hectares.<sup>92</sup>

The example of the Netherlands, a densely populated country, is also instructive here. In the UK, close to 80% of housing development is on brownfield land. (Wong et al 2010) The Netherlands has a government target of between 20 to 40% of development to be on existing brownfield sites. The second priority is then greenfield land directly adjoining the central city, preferably within cycling distance. The third priority is areas adjoining other towns and villages in the urban region. (KorthalsAltes, 2007)

Green belts turn these sensible prioritization on its head – putting development on open countryside far away from city economies before more viable, and greener, development next to them.

## **Barriers to green belt reform**

### ***Political incentives***

Some change of green belt designation is already happening. Cambridge and York have recently either approved or are about to approve housing development on their green belt.

But the process is painstaking and, if the green belt is located across two local authorities, highly time consuming. It easily leads to local incentives for politicians to oppose all potential development, which can undermine any proposals if the local authority changes control.

Change to local green belts also create insufficient political and economic gains for the proposing authority – green belt is a highly sensitive political issue, yet under our

current system, releasing green belt does not produce sufficiently transformational results for housing outputs, nor provide the resources and quality of development sufficient to win over enough objectors. The primary winners are currently landowners – who can walk off with multiple million pound payments from the change in planning designation.

Central government is unlikely to want to take on a radical review of green belt policy across the whole of the country. But it makes good sense to give authorities who are already reviewing their own green belt the tools to make it a much more effective and popular exercise.

The best approach is to find more politically attractive ways to encourage moderate and high quality green belt development, while aligning political incentives to more fairly reflect the people affected.

### ***Land Speculation***

Under current market conditions, green belt release is likely to trigger speculative land trading, undermining the benefits of releasing additional land for development.

The prospect of green belt land being reallocated is likely to stimulate an industry in speculative land trading in green belt areas, as the "hope value" of land in the green belt would increase exponentially, making as soon as redesign action becomes a possibility. This makes cheap land release much harder, as landowners can hold out for high prices on what it potentially very high value land.

Green belt re-designation therefore need to be combined with a new mechanism for securing the land at low cost and eliminating hope value. It also has to offer a compelling enough political narrative that the benefits for new development will outweigh the perceived loss of an amenity. We set out what this could be below.

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92. The 1979 figure is for the whole of the UK, the 2011 figure is for just England – hence this is an underestimate of the size of growth (Source: UK Parliamentary Briefing on the Greenbelt)

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## **Perceived loss of green space or beauty**

Related to the above problems is the strong public perception that the green belt is important to protect from developers because it represents green open spaces, natural beauty and prevents 'concreting over the countryside'. This strong public concern for green space is likely to explain why every government re-iterates a 'brownfield' first policy, despite this continually failing to deliver enough new homes and evidence that there is not enough brownfield land to meet housing need.

There is certainly a strong rational case that can be made against the view that the green belt is beautiful and in need of protection – much of the green belt is not rolling fields but golf courses, pony paddocks or even brownfield land. However, we know that a 'myth busting' approach is unlikely to shift attitudes in this case, as in other policy areas.

Rather than advocating a myth busting approach, Green Belt Community Trusts offer a positive proposal that works within the framework through which the public already see green belts (i.e. as something that needs protecting and 'stewarding' for the next generation). The aim is not to tell the public that green belts are unimportant or always ugly and therefore can be built on, but that we need to think long-term about the green belts, otherwise they will be nibbled away by developers.

Thinking long term means protecting beautiful places, but also building sustainable communities in the less beautiful and well-connected areas.

## **Solution: Green Belt Community Trusts**

Cities or city-regions which seek to release green belt land should be supported to do so in a way that maximises the social and economic benefits to the local community, and thereby maximises the political attractiveness of agreeing to new homes.

Like Community Land Trusts, these Trusts would be non-profit, community-based organisations that can build and manage new housing, community facilities or other assets that meet the needs of the community.

Setting up these Trusts would give the local community long term stewardship their green belt, such as choosing which areas to protect permanently from development.

By identifying places suitable for Trusts within the green belt, with maximum democratic input from local people, there will also be the ability to provide much needed new homes and community facilities in appropriate places close to transport links.

In setting up the Trusts there would be four aims:

- **Preserve** – and be seen to preserve – quality open and green space around cities, preventing unsightly and unsustainable 'creeping development' at the urban fringe.
- **Improve** local people's access to and stewardship of high quality green space, giving them a real stake in its ownership.
- **Concentrate** urban growth into a small number of the most appropriate locations.
- **Capture** the huge gains in land value that development creates for local benefit, for infrastructure and affordable housing

By releasing land for development at low prices, Green Belt Community Trusts could generate billions of pounds to invest in the things local communities want, like improved transport links, schools, healthcare facilities and affordable homes.

## **Green Belt Community Trust: The Detail**

The city region authority (or Local Homes Agency) would conduct a green belt review to identify suitable future residential land for a growing city. Green belt of low environmental and amenity value should be identified, whilst green belt of high environmental quality should be preserved.

Green belt land identified as suitable for housing development in the review and designated as such could only be sold to a Green Belt Community Trust, either via direct negotiations with the Trust or via compulsory purchase facilitated by the

## Learning from existing Community Trust Models:

Green Belt Community Trusts are based on existing models that already work in successful English communities.

### The Letchworth Garden City Model

Letchworth Garden City is a town of over 30,000 people and England's first garden city, inspired by the ideas of the social reformer Ebenezer Howard and founded and built in the early years of the twentieth century. Letchworth is now controlled by a Trust (the Letchworth Garden City Heritage Foundation).<sup>93</sup>

This Trust owns the freehold of nearly all public land and commercial property within Letchworth Garden City and has ownership of a stock of privately rented housing. From these land and assets it earns a substantial income of £10 million annually – half of which is spent on charitable projects within the Garden City.

The Trust is run by a nine person board. The Board is elected by thirty governors, who are made up by a mix of direct election from local residents and as nominated representatives from local clubs. Two board members are permanent representatives from the District and County Council.

Day to day management of the assets of Letchworth Garden City is by a private body overseen by the Trust and with the constitutional aim to re-invest the returns in both improving the assets of Letchworth and ensuring millions of pounds of charitable spending of direct benefit to the community.<sup>94</sup> It is able to fund a community hospital and support a local independent cinema that no other town of its size can boast.

Letchworth thus has land in collective ownership by residents, and after more than a century is still generating income from this land value to enhance the lives and environment of local people. Its governance gives input for local government, but is a community owned trust that has deep local buy in centring discussion on the distribution of the land value in ways that directly benefit the community.

### Community Land Trusts

Community Land Trusts (CLTs) also allow communities to capture land values to provide homes and community benefits. One existing method of running a Community Land Trust is as a Community Benefit Society.

These societies are structured similarly to an Industrial and Provident Society, with community shareholdings and direct ownership of the land used in development. Share ownership is open to all local residents, provided they are in agreement with the general aims of the society (in this case the building of housing within a Community Land Trust).

They have a tri-partite board, with a third of the Director positions held by local residents, a third by local institutions (for example the local church) and a third by the relevant local authority. Most decisions are taken by majority vote, but some sensitive decisions – for example the sale of community owned assets – can have higher thresholds within the articles of the Trust.

Land value can be secured by direct Trust ownership of any commercial, affordable and rented property, whilst the land value of owner occupied housing can be captured through covenants ensuring a permanent discount on sale (at around 35% of market value) or by placing a limit on the 'staircasing' possible on equity shares.<sup>95</sup> Ownership of the underlying land enables the CLT to have much more say and control over development quality and also invest in more green and social infrastructure.

This enables a Community Land Trust to maintain control of land value and re-invest earned income and rents back into the community – clearly demonstrating the benefit of new homes to the community. Their governance also enables the input of local government alongside existing and future residents in a structure that is open to debate and transparent in its decisions, but avoids capture by any one group.

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93. Information in this section is based on a discussion between the author and John Lewis, Chief Executive of Letchworth Garden City Heritage Foundation

94. For example to sports, arts and culture via grants to local clubs or in providing direct additional local services to residents, such as mini bus transport or enhanced physio support for stroke victims.

95. This latter problem avoids owner occupied property being sold under the Leasehold Enfranchisement Act and with it the one off capture of the land value to one individual property owner.

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local authority. The restriction on sale would prevent the green belt review from triggering speculative trading in potential development sites.

Land designated in this way could either be co-invested between the relevant land owner and the Community Trust, or be purchased with a maximum land uplift of two times existing (generally agricultural) value on behalf of the Trust by the Local Authority. The land would then be controlled as an asset by the Community Trust as sole freeholder.<sup>96</sup>

Development would be managed by a development company controlled by the Trust, based upon plans agreed with the local planning authorities. The ownership of the resulting development would be vested in the Community Trust, enabling it to capture the development gain and invest it in the development of high quality homes and surrounding infrastructure.

Development on this land would specify at least a third of the land was maintained as high quality parkland and designated as green space in perpetuity.<sup>97</sup> The Trust could sell on completed homes and other assets, and retain others for community benefit and to provide a long term income for the Trust: each trust would need to seek an appropriate development mix and asset strategy to ensure both a balanced community and sufficient income for the Trust.<sup>98</sup>

Like Community Land Trusts, membership would be open to all current and future residents who supported the general aims of the Trust, enabling meaningful community control, but not the blocking of the development.

Governance of the Trust should balance the interests of local residents, local community representatives and the local

authority, under the day to day control of the managers of the Trust. Like all Community Land Trusts, its objectives should be the long term management of assets for the sustainable benefit of the local community.

### **The benefits of a new approach to green belt development**

Intervening in green belt land in this way has the following benefits.

Firstly, from a practical point of view, existing green belt land should have little 'hope value' for existing landowners, making it easier for local authorities to negotiate purchase without the problems of intermediate traders or options agreements. Because re-designation for development is currently unlikely, the power of local authorities in negotiations is enhanced.

Secondly, in order to prevent a rapid boom in speculative activity in green belt land near growing cities, setting up clear, up-front, policy guidelines for how this development will happen (such as land purchase at a small multiple of existing use value) would help anchor the price expectations of landowners, developers and communities, ensuring the viability of high quality development.

Thirdly, from a political point of view, release of green belt land can be framed in terms of community benefit and public capture of the land value involved. Green belt is widely perceived to preserve an amenity for the local community. Change of its designation should not simply gift large amounts of money to one fortunate landowner or speculative traders, but should allow this amenity to be preserved, significantly enhanced and compensated for through community capture of the land value created.

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96. The former landowner could be in a position as co-investor if they chose this option, but would exchange their underlying land ownership of the site for an equity share in the development of equivalent value to the sale price (ie twice existing use value).

97. This designation of green space in perpetuity could be used as a negotiating tool during initial discussions with landowners.

98. Between commercial and residential property and a balance in tenure between owner occupation, shared ownership (with staircasing limits) and a mix of social and market rented property to ensure both diverse residents and income streams.

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