

## Westminster Hall Debate: Design of New Build Homes

In England, we aren't building enough homes – and haven't for a generation. It's at the heart of every housing problem we see, from homelessness to declining home ownership. In addition, the homes we are building are all too often unaffordable, unattractive and lacking in necessary community infrastructure.

Yet, in England we also have a heritage of building beautiful and affordable places to live; from Edinburgh New Town and Bath, through to Garden Cities like Letchworth, and the post-War New Towns.

**We need to rediscover this tradition of housebuilding and focus again on a civic model of housebuilding that works for all – not just one that works for developers and landowners.**

### Overview

In England, we need to build more homes – this is an accepted fact. However, in the 'Housing White Paper' published in February this year the government accepted that the housing market is broken and simply isn't delivering<sup>1</sup>: in 2015/16 in England just 163,940 new homes were built, and of these just 32,630 were affordable.<sup>2</sup>

**In addition to building the homes we need it is important to also try to build the homes that people want, that are affordable and that benefit local areas.** In [New Civic Housebuilding](#), Shelter highlights that it is possible to build developments that are both beautiful and affordable.

It is possible to ensure that in England we deliver homes which are:

- Affordable
- Well-designed
- High-quality
- Locally popular
- Served by appropriate local infrastructure

It is important that all the challenges of new housebuilding are considered together, and that the underlying barriers that prevent affordability, quality and investment in communities are identified and addressed.

### Barriers

The main barrier to delivering better developments and better new homes is the model of housebuilding that is relied upon in England.

Currently homes are built under a speculative model. Under this system, developers compete against each other to pay the most for land and, because the land market is very competitive, the

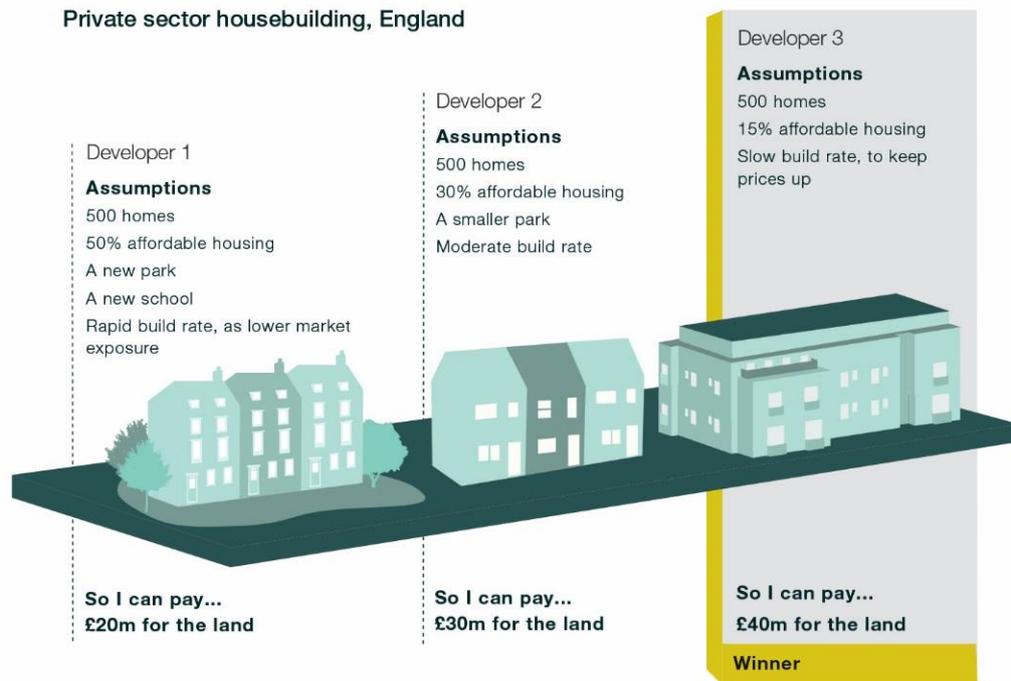
<sup>1</sup> [Fixing our Broken Housing Market](#), DCLG, February 2017

<sup>2</sup> [DCLG live tables on affordable housing](#).

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price paid ratchets up to a very high level. Having taken on a large upfront risk, the developer then needs to recoup its investment and make profit, which means that it often squeezes down costs elsewhere.

**This squeezing of costs often leads to a loss of affordable housing, community infrastructure and design quality – as seen in the graphic below.**



Operating within a model where land prices remain high will mean it is difficult to resolve this. Fundamentally what is needed is to get land into development at a lower cost. This would open up additional space for investment in those other elements, as well as having other benefits such as supporting small to medium-sized (SME) builders.

Unless this is done, homes that are built will continue to be unaffordable and of a poor quality:

- Shelter research earlier in 2017 found that typical new homes built today are out of reach for eight in ten (83%) working private renting families across the country – even if they use the government's Help to Buy scheme.<sup>3</sup>
- The 2017 Home Builders Federation and National Housebuilding Council customer satisfaction survey results show that 98% of buyers reporting a problem with their new build home.<sup>4</sup>
- In addition, satisfaction with the condition of new build homes has fallen by 10% between 2012 - 2017,<sup>5</sup> demonstrating that this problem is getting worse rather than better.

<sup>3</sup> Shelter calculations based on Office for National Statistics HPSSA median new build prices, average regional first-time buyer advances and loan-to-income ratios from Council of Mortgage Lenders data (CML) and gross household incomes (excluding income related benefits) from the Family Resources Survey.

<sup>4</sup> Home Builders Federation; National new home customer satisfaction survey, March 2017

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## What can be done?

In Shelter's [New Civic Housebuilding](#) report, we outline in detail how we can build more, better and more affordable homes.

In the 'Housing White Paper' the government took some steps in the right direction, however, more action is needed to really address the problems that are faced in building high quality, attractive and affordable new homes. These include:

1. More powers for Combined Authorities to masterplan high quality developments
2. Powerful new development corporations that are able to assemble and masterplan land
3. Smarter use of public land
4. Reforms to the process of viability

### Masterplanning of high quality new developments

Providing local and combined authorities with the powers to masterplan areas would provide developers with clarity over what needs to be delivered.

These master plans can be delivered through New Home Zones: areas designated by bodies through a Local Plan or a supplementary planning document. Detailed design standards can also be included within these plans alongside strict affordability requirements.

This approach would focus on delivery of large sites. It would ensure that large-scale developments bring a genuine local benefit, meet local housing need (including on tenure and type as well as number) and provide local people with more control over style and design.

**If adopted this would mean that competition for land on these sites is driven in terms of affordability and quality – not simply price that can be paid. Developers would enter into the scheme knowing exactly what must be delivered and knowing they cannot overpay and reduce those commitments.**

### Powerful development corporations

A new wave of powerful development corporations should be incorporated that have powers to assemble land and then act as master developer.

These development corporations can be responsible for:

- Master planning new developments
- Granting planning permission
- Parcelling land to provide to delivery bodies – including helping to get SME developers involved

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<sup>5</sup> Shelter analysis of Home Builders Federation; National new home customer satisfaction survey, March 2017

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- Encouraging land owners to invest their land as equity rather than selling to ensure a long-term return

## Smarter use of public land

**Public land should be used intelligently**, to deliver quality, long-term value for the public purse, rather than being sold off to the highest bidder. All public land should be appraised on the basis of high quality development proposals, including exemplary infrastructure and affordable housing, instead of a maximum market value that could be achieved by selling the site to a speculative developer or land trader.

- There should be a presumption in favour of public bodies developing their land directly, or transferring it to Development Corporations.
- Genuinely surplus public land should be released through the Homes and Communities Agency (HCA) (or appropriate city regional bodies) at values that reflect high quality plans for that land.
- Where public land is sold this should ideally be done with planning permission under an agreed masterplan. This will ensure that the market value better reflects locally endorsed plans.
- The Best Value regime should be revisited to make it clearer to public bodies that they should consider the full economic and social value of the proposed use of any land sold or transferred, not just the capital price received.

## Reforms to viability

Frequently viability is cited as a reason why developments cannot be delivered that meet with local requirements or desires. In essence, the argument is that in order to ensure their profit – often because land was purchased at such a high price – developers have to cut costs to make the scheme viable. If the scheme isn't viable then the developer could not deliver it.

We need to reprioritise the provision of affordable, high quality homes. The government can achieve this by:

- Enforcing transparent viability assessments to ensure developers are properly scrutinised in public;
- Developing a balanced concept of viability. This means redrafting the existing definition of viability so that it is not judged against the excessive price paid for land. The key to this is changing the NPPF to remove the requirement for a scheme to deliver a 'competitive' profit, which is often judged to be around 20%.

Through local planning guidance, developers are aware of their obligations on affordable housing and community infrastructure, and these should have been incorporated into the price they pay for land. Where that hasn't been done it should not be communities that lose out.