

SEPTEMBER 2014



UNBLOCKING LAND AND PLANNING

**Ideas for building the homes that
London needs**

Introduction

g15 represents London's 15 largest housing associations providing homes for 1 in 10 Londoners and one quarter of all new building. We are working to solve the housing crisis by delivering good quality, affordable homes of all types.

Housing is now one of the most important issues of our time. Without a significant increase in delivery, Londoners will continue to be squeezed by rising rents and prices. This will have great impacts on our communities and the competitiveness of the Capital.

This comes during a challenging time for government, decision makers and our communities. g15 members have responded by changing their business models, drawing on private finance and new income streams such as private development, to continue building the affordable homes London needs. All our members are charitable organisations which invest their surpluses back into improving tenants' homes and building affordable housing.

We believe that our members could double their delivery of new homes if sufficient land with planning permission was made available on the right terms.

This pamphlet is a collection of ideas, each supported by different members of the g15. However, collectively we all support the radical simplification of the planning process and commit to a doubling of supply if sufficient land is brought to market on the right terms.

The g15

Affinity Sutton
A2 Dominion Group
Amicus Horizon
Catalyst Housing Group
Circle Housing Group

East Thames
Family Mosaic
Genesis Housing Group
Hyde Group
London & Quadrant

Metropolitan Housing Partnership
Network Housing Group
Notting Hill Housing Group
Peabody Trust
Southern Housing Group

Summary of ideas

Some of the most notable ideas from this pamphlet include:

- **Land release and infrastructure investment should be planned over 10-20 years** removing it from the short-term political cycle.
- **Government departments need incentives to release land for house building** and should be given annual disposal targets that are monitored. Poor asset management should be identified and addressed.
- **New towns should be promoted and delivered** through new Urban Development Corporations.
- **Local Authorities should take a larger or main role in land assembly.**
- **Compulsory Purchase Orders should be used more actively** to bring together bigger projects which can deliver many more homes for Londoners.
- **A change of use to affordable housing should be given precedence over other tenures** because affordable housing contributes to the local economic infrastructure.
- **Public sector landowners should be required to dispose of their surplus land holdings** in a way which takes account of wider community value.
- **Planning authorities should allow for an over provision of housing.**
- **Local Authorities should take an equity stake in a private development** as a condition of planning consent.
- **A new affordable rented planning use class** should be introduced.
- **The GLA's launch of a database showing all of its public land assets** is an example that should be followed nationwide.
- **The planning process should include fewer statutory consultees** and a guaranteed timescale.
- **We need a national policy on rents and affordability.**
- **We outline how a competition might stimulate an increase in production** with guaranteed land, guaranteed planning, guaranteed finance, guaranteed starts and guaranteed new homes.

1. A new competition to build the homes we need

The following ideas could be brought together in **a competition to stimulate an increase in production with guaranteed land, guaranteed planning, guaranteed finance, guaranteed starts and guaranteed new homes:**

- Government should fire the starting pistol for a race to bring forward land and build more homes. Anyone who is prepared to put a spade in the ground will be entitled to join the race – local authorities, developers, supermarkets, housing associations and any other interested body.
- The price of entry in the race is land, public or private – large sites in existing towns and cities, sites for new garden cities, portfolios of smaller sites, MOD and NHS land.
- The prize for the winners is access to a very significant Government Bond Guarantee – low cost, long term, off balance sheet finance. The existing Bond Guarantee scheme should be expanded to fund the prize.
- For local authorities this will be an opportunity to borrow off balance sheet for housing investment.
- Entrants will have until a fixed date, say six months after the race commences, to find their partners, develop a vision for new homes and communities, agree appropriate governance structures and commit to key dates – planning, vacant possession, start on site and completion.
- The result of the race will be guaranteed supply – guaranteed land, guaranteed planning, guaranteed finance, guaranteed completions.

2. Land supply

Land release and infrastructure investment should be planned on a 10-20 year basis removing it from the short-term political cycle. If more land were made available competition for land would be less intense, prices would come down and investors could align their long term plans with land supply.

Government departments should be given annual disposal targets and risk a penalty equivalent to a tax on land if these targets are not met.

The public sector represents the largest land bank, including small parcels of land which can accommodate up to 100 homes. These could be developed at a faster rate than large, complex schemes. **Mechanisms should be in place to incentivise and support smaller housing associations and developers** to take advantage of the new opportunities, either in their own right, in partnership or as part of a supply chain.

Local authorities should be tasked with increasing land supply. CPOs should be used more actively, particularly where the addition of a relatively minor piece of land or interest could allow for many more homes to be delivered. Major regeneration projects and new communities in London will deliver even more homes for Londoners as a result.

A review of underused office retail and other non-housing sites should go hand in hand with reviews of housing land. A report by the Distressed Town Centre Property Taskforce in November 2013 made such a case in a call for a radical look at failing town centres in the UK.

In areas where large-scale regeneration is required, **re-designation of land** will be required to leverage in the right levels of investment. Long-term development plans covering the whole area to be regenerated will help mitigate the political and economic risks of re-designation, and should clearly show the economic and social benefits of redesignation.

Transparency is key to releasing more land for development. **The GLA's launch of a database showing all of its public land assets including size and location of individual sites is an example that should be followed nationwide.** A similar proposal could see a published database of all land with current, but un-used planning permissions. In London alone a GLA report in 2012 found that there were 210,000 unimplemented planning permissions.

A change of use to affordable housing should be given precedence on the basis that affordable housing contributes to the local economic infrastructure and is closer to a commercial use of the site than is open market housing.

3. The land market

Local Authorities should take a larger or main role in land assembly replicating the European models of land release where the municipalities buy land at existing use value and service the land for development, parcel up land plots and sell onto developers. However, they need better resourcing to do so.

Public sector landowners should be required to dispose of their surplus land holdings in a way which takes account of wider community value (affordable housing, infrastructure) rather than keeping to archaic rules about best about best value alone.

Land Sales by public authorities tend to attract a lower land price due to the procurement process and conditions attached to the land. We advocate a simpler disposal route with more sites being sold by negotiated private treaty rather than by tender.

Another option to increase the release of land may be to increase the 'buffer requirements' for Planning Authorities' 5 year housing targets as set out in the 2012 National Planning Policy Framework (currently between 5 and 20%) to **allow for an over provision of housing** on the assumption that non completion rates remain high. This may have an effect of increasing supply in the short term but may also lead to an oversupply of land in the early years and a reduced supply in later years.

The **promotion of new towns** as a way of contributing significantly to the supply of new housing need is compelling. The height of house building in the UK (1950-80) also reflects the period of the New Towns. However they are not quick fix solutions and recent experience with the relatively modest eco towns programme has shown that they take considerable time (and face considerable opposition) to be developed.

The New Town Development Corporations were given 'greater freedoms, powers and resources in order to assemble and develop land' (RTPI Delivering Large Scale Housing 2013) often acquiring land at agricultural value. Without major government investment it is unlikely that traditional New Towns could make an impact on housing supply. New Towns would have to sit alongside large scale urban extensions as a way of substantially increasing housing supply.

Thamesmead, in the London Boroughs of Greenwich and Bexley, is a good example of an existing, urban site with potential for regeneration and new homes on a large scale. This will require inward investment in infrastructure, and redesignation of land currently earmarked for industrial use. This is an example of a scheme that would greatly benefit from the ideas outlined in this paper.

The increased focus on the development of Brownfield sites for housing in planning policy over recent years has had a positive impact on many towns and cities. But to increase the supply of new housing substantially there will need to be a **concentration on developing Greenfield sites** (New towns/urban extensions) which are generally larger and easier to deliver.

In London, there should be a frank debate about the purpose of green belt accompanied by a review of green belt designations.

We agree it is important to continue protecting our rural environment and habitats and this should be encouraged. However, this should be balanced against the poor quality of some green belt land and the pressing need to find locations for homes.

A review could include moving the green belt by 2-3 miles in some areas and replacing it in other locations. The redesignation of green belt as developable land would be dependent on:

- An adequate transport plan for the land involved.
- Agreement about sharing growth in value with the current landowner getting an increase in the value.
- Clear design briefs with low density housing - mainly houses - and good open space standards with small local parks.
- Use of CPOs to assemble new land in these areas for development.
- Possibly an ex green belt development corporation

Better alignment of infrastructure and new housing on large sites is also needed, as we are now seeing with Barking Reach and Ebbsfleet.

4. Backing councils that support development

With the New Homes Bonus coming to an end in 2015 a review of its effectiveness is due, along with consideration of which local authority incentives are most likely to work.

Complex planning gain negotiations or market changes stall or delay housing delivery and too often mean that low cost homes are negotiated out of developments. Government could amend planning powers to **allow local authorities to take an equity stake in a private development as a condition of planning consent**. This would be a constructive alternative to both the current system of planning obligations through section 106 agreements and the Community Infrastructure Levy (CIL), reforming both regimes. It would ensure that a development is not delayed by debate over initial obligations. It will protect the public sector interest in terms of benefiting from any long term value appreciation while increasing outcomes regarding social housing provision.

5. Setting up development corporations

While recognising the importance of both local authorities and housing associations there is a limitation to the speed and scale that can be delivered within the confines of their operations, both geographically and operationally. The lessons learned from the London Dockland Development Corporation (LDDC) are also relevant. Created by statute and imposed on a wide area spanning several local authorities the LDDC had planning, grant giving and, importantly, Compulsory Purchase Order (CPO) powers.

While hugely controversial in its early years and seen as undemocratic for excluding local people and Local authorities there is no doubt it delivered much over its 17 year life. As an agency empowered to deliver and overcome obstacles to development, and despite a fragile economy emerging from recession, the LDDC's £1.8 billion of public funds attracted £7.7 billion of private investment delivering 24,000 homes and 85,000 jobs.

As we continue to struggle to corral a complex and poorly functioning housing market to deliver new homes, it could be that **a major interventionist approach** will ultimately be the only way of bringing the key components of land, finance, planning and purpose together, not for new towns, but for new places within our towns and suburbs.

6. A new planning class for affordable rents

Some facilities need to be subsidised to sustain communities. The 'Assets of Community Value' model in the Localism Act could support delivery of such facilities.

We support the RICS Housing Commission's recommendation for the introduction of **a new affordable rented planning class for land**. This new planning class would require housing built on fringe sites, often on the edge of urban or rural settlements (fringe locations), to be let at 80% of market rent for at least 15 years following completion, after which it could be sold in the owner-occupied market or let at higher rent levels.

We would propose a link with household income to ensure homes in this classification remain available to a target community. We would support the exploration of the ability to transfer this allocation between properties within a portfolio to reflect the changing needs of communities, akin to property tenures management under the US Hope 6 programme.

We also understand the desire for **a planning use class for private rent** which would make the tenure more commercially viable, but not to the detriment of affordable rent.

7. Reforming the planning system

Land transactions are painfully slow due to a combination of factors including planning gain negotiations, conflicting interests and short term political considerations. As a consequence it takes more time to gain planning consent than it does to build; anecdotally planning now takes around double the time it did a few years ago. There have been many attempts to reform the planning system; further reform is needed.

Greater clarity and consistency in assessment of viability is critical as proposed developments often cannot generate income to cover all planning requirements. Left to market forces the viability threshold differs for each land owner, some being willing and able to wait for more favourable selling climates, others needing to sell. Establishing a norm expectation would introduce more predictability, facilitate better decision making by land owners and inform estate agents. The norm could be expressed as a percentage increase over existing/previous use value.

Lessons could be learned from European planning systems where there is much **more clarity on planning criteria (such as density/height)** applying to sites. This would enable purchasers to be clearer about what can be built; it may discourage unrealistic density assumptions which then lock the site in a long planning battle or make it unviable until house price inflation catches up.

Rights of Light should also be looked at; this is an anachronistic process which has delayed or reduced the size of many inner city developments. This approach has been abandoned in all Commonwealth countries which adopted English law. It could be replaced by clear rights to compensation.

London benefits from the GLA as a regional planning body but areas outside the Capital lack the cohesion which a regional body provides. This gap in the planning framework is potentially holding back regional planning initiatives.

Poorly performing Local Authorities should cede powers to the DCLG or a (possibly roving) Urban Development Corporation.

Applications which are compliant with local plan guidance should be consented through a streamlined yet transparent process.

Securing planning consent for major projects should not be a lottery. We welcome the supportive approach of many councils and the Mayor of London's support on major housing developments. However, councils which refuse plans which meet their own local plan and design requirements should have to take responsibility, and costs if there are delays, should these projects then be approved by the GLA or Planning Inspectorate.

Planning permissions should set a minimum and maximum affordable housing quota on housing sites. A maximum overage requirement of 30% of the upside on values on publically owned land to encourage more developer risk taking.

A reformed planning process should involve **fewer statutory consultees and a guaranteed timescale**, with an automatic move to the Planning Inspectorate if not determined.

Pre commencement conditions should be greatly reduced and discharge should be within a guaranteed timeframe from satisfactory submission.

NIMBY power should be balanced by giving a clearer voice to those who will benefit from new homes.

8. Rents

Housing association and local authority tenants can now pay a Fair Rent, a Target Rent, a rent which never converged with the target, an Affordable Rent which could be anywhere between 20% and 80% of market rent, a market rent, and in London a Capped Rent or a Discounted Rent.

Over time our approach to 'affordable' rents has become confusing and unfair. It isn't supported by the welfare system and it isn't viable for the provider.

A national policy on rents and affordability would be fairer and simpler, it would help to re-establish the true cost of affordable housing and the value of land, and it would form a basis on which to make more ambitious long term commitments.
