

LAND FOR HOUSING:

Sharing the uplift in land values
from growth and regeneration

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This paper is being submitted as evidence to John Healey's housing green paper 'Housing for the Many for the Labour Party'

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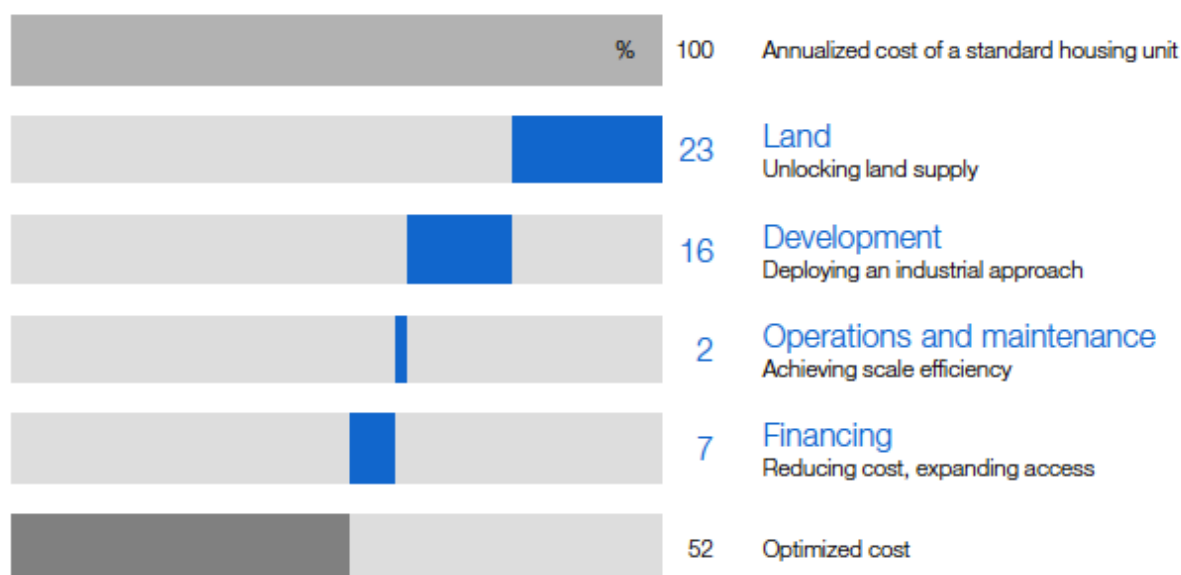
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Introduction

Where are the resources for building a better Britain to come from? This paper is a response to John Healey MP's comprehensive report and consultation *Housing for the Many*, and specifically the proposal for an English Sovereign Land Trust to help assemble land needed for housing without paying an excessive price for it.¹ The idea stirred up controversy at the time, and there was an invitation to submit other ideas. With growing public awareness of the need to mobilise land for housing, and very limited public resources, the next government needs a robust policy for sharing land value uplift, especially from development that benefits from public investment. Furthermore the benefits of such a policy need to be felt more widely, not just where property values are highest. This paper shows how the proposal can be made to work.

Lack of public investment for decades has left the UK with huge gaps to fill, whether it be in housing, transport or energy systems, all of which are inter-related. By sharing land values through proper Integrated Spatial Planning, as in most of Northern Europe, the vision set out in Labour's housing policies could be turned into reality over the next twenty to thirty years. But this requires the political will to tackle the land issue that has bedevilled progress in Britain over the last 40 years or possibly 150 years as cities have sprawled without proper strategic planning or adequate investment in local infrastructure.

Building the additional homes that are needed will cost many billions, on one estimate an extra £5 billion a year. Yet to take just one public project, according to the National Audit Office, the land acquisition costs alone for High Speed 2 are estimated to have gone up from £1.1 billion to £3.3 billion in 2017. Land is the single greatest lever in making housing more affordable, as an international study by the McKinsey Global Institute has shown (see chart below) which shows how the cost could be cut in half. Unlocking land supply and sharing the uplift in values is therefore crucial to creating a fairer and more productive Britain.



¹ John Healey, *Housing for the Many*, A Labour Party Green Paper, www.labour.org.uk

With growing public interest in mobilising land for housing, the next government therefore needs a robust policy for dealing with land. With the publication of a host of reports from all sides of the political spectrum, culminating in the recommendations of a House of Commons Committee on Land Value Capture, there are good reasons for immediately committing to radical reform.²

‘Increases in the value of land arising from the granting of planning permission and the provision of new infrastructure are largely created by the state. It is fair, therefore, that a significant proportion of this uplift be available to national and local government to invest in new infrastructure and public services’.

This report highlights the contentious nature of land values, and concludes that the government *‘should be flexible and support individual local authorities in piloting some of the more innovative approaches to land value capture that have been suggested.’* A report for the Scottish Land Commission comes to similar conclusions, and argues that *‘The success of any new initiatives is therefore likely to be dependent on land use and land value capture being part of the same local process.’*³ The Labour Party’s response needs to be as practical and resilient as possible, if only to avoid creating another political football.

This paper therefore briefly summarises the challenges for sharing land values more fairly, drawing on the extensive research, and shows we can learn a lot from forgotten parts of the UK’s own experience. The main section is a series of seven case studies of good practice in the rest of Europe, especially from German and Dutch towns and cities facing similar challenges to those in the UK, but that have largely avoided house price inflation. The paper concludes with four recommendations for producing better neighbourhoods across the country along with a more innovative approach to affordable housing.

² MCHLG, Land Value Capture, October 2018

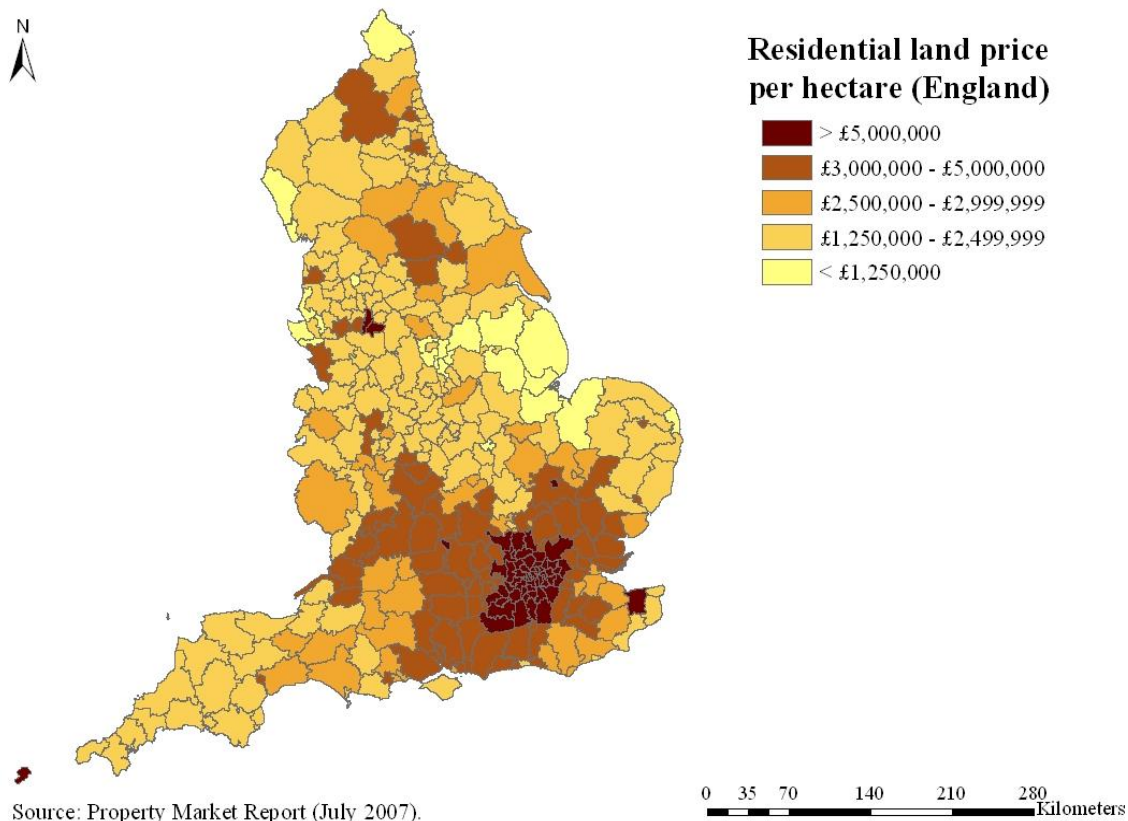
³ Urban Institute, Heriot Watt University, An Assessment of Historic Attempts to Capture Land Value Uplift in the UK, Scottish Land Commission, 2018

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Nicholas is the author of many papers and articles on cities, including pamphlets for the Fabian Society and The Smith Institute. Recent commissions include advising the Greater London Authority on how to find the land for new housing *Capital Gains: a better land assembly model for London*, refining the *Cambridgeshire Quality Charter for Growth*, delivering a presentation and report for one of the largest Chinese developers on *Smart Cities*, and producing a short report for Shelter on *International Examples of Affordable Housing*. He is also testing out how to build new eco neighbourhoods in Southern India.

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1. The challenges for capturing land values

Housing is on the political agenda of all the parties, along with the underlying quagmire of what to do about land.⁴ Maps such as the one above shows how unequal England has become, with access to housing creating some of the greatest divides. Most housing is built by private developers and their business model is driven by profiting from the uplift in land values, not from providing what is needed as efficiently as possible. As Sir John Callcutt argued in an important report for the last Labour government, the prevailing business model is that of the trader, not investor.⁵ The competition to find housing land has caused land values to escalate in the areas around London, and on the edges of some provincial cities.

One of the main reasons for wanting to ‘capture’ land values is to help pay for infrastructure. Though land values are taxed in a number of ways, the yield does not meet the related infrastructure costs. Opposition to new housing often focusses on extra congestion as well as

⁴ Luke Murphy, *The Invisible Land: the hidden force driving the UK’s unequal economy and broken housing market*, IPPR, 2018;

David Bentley, *The Land Question: fixing the dysfunction at the root of the housing crisis*, CIVITAS, 2017

Will Tanner and Neil O’Brien MP, *Green, Pleasant and Affordable: why we need a new approach to supply and demand to solve Britain’s housing problem*, Onward, 2018

Fixing our Broken Housing Market, DCHLG, 2018

⁵ Callcutt Review of Housebuilding Delivery, 2007

the lack of provision for local people.⁶ Section 106 contributions are negotiated to offset environmental costs and developers use viability assessments to argue for providing less affordable housing. The Community Infrastructure Levy, at best raises 25% of the costs as a review by the former director of the British Property Forum discovered⁷. Local authorities faced with declining incomes and weak planning powers are generally in no position to provide the leadership that is needed or to look more than a few years ahead.

So the challenge for the next government is to offer a solution to an eternal problem - that of **making it possible for more people to live good lives while also providing adequate incentives for investors**. For decades too little has been invested in improving the quality of where most people live. Much of our infrastructure is over-loaded and worn out.

Development has leapfrogged over the green belts, and is concentrated where it is most profitable, often on the edges of rural villages, thus adding to congestion. This is quite different from much of the rest of Northern Europe, where towns and cities have grown in a planned way on the back of high quality infrastructure, and their towns and cities have outperformed their surrounding areas. As property values depend on infrastructure, there is a good case for sharing the uplift in land values that results from public policy, especially in areas where values are highest.

The UK's housing crisis affects everyone, but funds for public investment will always be tight, and the potential value from sharing the uplift in land values is often exaggerated. So funds need to be invested where they will yield the best outcomes.⁸ Almost all agree we need to build more and better housing in the right places, and many recognise that towns and cities cannot stand still, but land values remain controversial. So when Labour's Housing Green Paper suggested the idea of an English Sovereign Land Trust, the Daily Mail instantly criticised as a 'land grab to make owners sell at rock bottom prices.' John Healey's paper raises difficult questions, including '*how else might Labour make more land available, more cheaply, to build genuine affordable homes?*' Towns and cities need to grow if only to cope with rising expectations and demographic change. As many have argued, land should be seen as a means not an end, and also as a way of tackling spatial and other inequalities. We need to repeat what used to work as well and learn from comparable places in other countries that have succeeded where we have failed.

Mobilising the necessary resources requires different policies for different situations. Huge variations in property values and land preparation costs make it quite unrealistic to adopt the same approach everywhere. As the chart on the next page shows, Stoke in the North is completely different in property as well as other terms from Sutton in London in the South. Furthermore there are huge divides in many counties such as Gloucestershire, with the extremes of Gloucester and Cheltenham, where almost half the County's residents live. So instead of a single system, such as the Community Infrastructure Levy, we need to consider different systems for 'growth' and 'regeneration' areas, with important spatial implications for the so-called North South Divide. The East-West divide in most towns and cities is equally relevant.

⁶ Councillor Attitudes to Higher Density Housing, in the South East URBED for the South East England Regional Assembly, 2004

⁷ Liz Peace, A New Approach to Developer Contributions, assetpublishing.service.gov

⁸ According to Professor Sukhdev Johal of QMC London, productive businesses only receive 6% of bank loans compared with 33% to other financial institutions

The IPPR's Commission on Economic Justice highlighted that too much of Britain's financial wealth is locked up in housing, and too little in businesses or infrastructure compared with our European counterparts.⁹ This is partly because British banks use housing as security for business loans. Our financial system could well turn out to be like a house of cards if the economy were to go into another recession. But it could also form an integral part of reforming the way we supply and finance homes for all, using the need to respond to the housing crisis (and possibly the aftermath of Brexit) to mobilise the land and investment in housing to build a better and fairer Britain. As the chart below illustrates the densities and values that can be achieved varies greatly across the country, and so policies need to reflect the local context.

Illustrative figures only

Potential for land value uplift sharing varies across the country	Stoke-on-Trent	Peterborough	Reading	Sutton
Average open market value £	160,000	230,000	300,000	410,000
Density dpha	30	40	60	120
Affordable housing (AH) %	10%	20%	25%	30%
Per hectare				
Market sales value £pha	4,200,000	7,300,000	13,400,000	34,500,000
Less				
Land acquisition and preparation £pha	500,000	700,000	1,700,000	4,200,000
All in development cost £pha	3,700,000	5,700,000	10,000,000	25,400,000
Balance for uplift sharing £pha	-	900,000	1,700,000	4,900,000

(Source Housing Futures Ltd)

⁹ Prosperity and Justice: a plan for the new economy, IPPR, 2018

2. Better models for housing development

The next government needs to learn from what works, rather repeat a profusion of good intentions. For at least the last four decades, house builders have neither built the numbers or the types of home that are most needed. The periods of greatest house building were when land was cheap and government provided the infrastructure, both in the 1930s and also in the post-war period. Since then increases in land values have outstripped house prices, and house price inflation has hit the UK worse than its main competitors. British banks have primarily lent against the security offered by homes and so lending for productive business investment has suffered. Productivity (and hence wages) have lagged behind our Continental competitors.

Not only has recent British housing been criticised for falling behind demand, but also for its inferior quality, particularly as far as the public realm is concerned, and often for its location in places where car use is essential.¹⁰ Only a minority of people in the UK consider buying a new house, in contrast to the Netherlands or Germany, for example. Those that do, say they value minimal maintenance, followed by space and locational convenience, with ‘off-street parking’ being highly valued in all locations.¹¹ New housing and some former new towns may be ‘stigmatised’, because there is such limited choice. Whole market segments with different values, such as ‘empty nesters’, have been largely ignored, resulting in villages that are under-occupied much of the time because so little has been built to attract older residents to downsize or relocate. The Letwin Review concluded that it was the lack of diversity that largely explained the low rate of housebuilding despite rising levels of demand.¹²

Development in the UK in recent decades has been led by the volume house-builders, who form an effective oligopoly in individual areas. There are relatively few ‘master developers’ with the capacity and competence to lead strategic developments of more than 500 homes. This ‘market failure’, or what the government White Paper called *Our Broken Housing Market*, lies at the heart of Britain’s inequalities. More successful economies have taken a more collaborative approach to urban development, motivated by different and more collective values – in essence the Dutch to keep water out, the Germans to foster independent businesses, the French to enhance civic pride and support their transport manufacturers, the Scandinavians to counter long cold winters.¹³ In reshaping and modernising their towns and cities, they have all used urban development (and housing) to boost their local economies and create fairer societies..

Despite the popular view that Britain is being covered in concrete, and that cities are eating up land, in fact they use up relatively little space, as an analysis by the Centre of Cities shows.¹⁴ They identified some 62 cities with a cut-off population of 130,000 and 164 towns with a minimum population of 30,000.

The 164 towns in this research accounted for 1.5 per cent of land, 16 per cent of the population and 17 per cent of jobs in 2011. By way of comparison, using the more specific

¹⁰ See assessments by CABE design reviews

¹¹ See report *Beyond Location, location, location: priorities of new home buyers*, Savills and the NGBC Foundation, 2018

¹² Sir Oliver Letwin, Independent Review of Build Out Final report, www.government.uk, October 2018

¹³ Peter Hall with Nicholas Falk, *Good Cities Better Lives: how Europe discovered the lost art of urbanism*, Routledge 2013

¹⁴ Paul Swinney, *Talk of the Towns*, Centre for Cities, September 2018,

definition of cities that Census data allows, shows that cities accounted for 3.7 per cent of land, but 56 per cent of population and 58 per cent of jobs

Because their boundaries are generally so tight and most land is in private hands, British towns and cities operate at a disadvantage compared with their continental counterparts. The Centre's research showed how degree holders, that is the residents who are most skilled, tend to leave cities when they are over 30 to find more space at less cost. Viable manufacturing firms have been asset stripped because their land is worth more for redevelopment than as productive businesses.

Yet the UK has some good examples of collective approaches that have worked in the past. Comprehensive Development Areas were used to rebuild bombed out cities like London post-war, and to redevelop areas such as Covent Garden. Recent development in London Docklands Olympics site or Kings Cross Goods Yard are further examples where state provision of land and infrastructure have made private investment possible and has transformed former industrial areas into thriving urban quarters.¹⁵ The problem is not knowing how to regenerate run-down areas (as there is a mass of experience) but rather how to share the benefits more fairly. As housing accounts for 70% of wealth, according to Thomas Piketty's research, any attempt to create a fairer society needs to start with how land for housing is mobilised, and with measures that have been used in the past to share the benefits.¹⁶ Good models can be found in the North as well as in the South.

Warrington New Town; A Northern success story

Located 15 miles from Manchester and Liverpool, Warrington has one of the fastest economic growth rates between 1997 and 2013, pushing ahead of Southern stars such as Bristol, Brighton and Reading. Thanks to the inter-governmental North-West Study and subsequent Strategic Plan, it was designated in 1968 as one of the first generation of New Towns. As a result land was assembled through a development corporation, dereliction remediated and land decontaminated, infrastructure installed, sites landscaped, and aggressively marketed to private investors. The remaining undeveloped land, much of it earmarked for housing, should bring substantial returns to the national Exchequer.

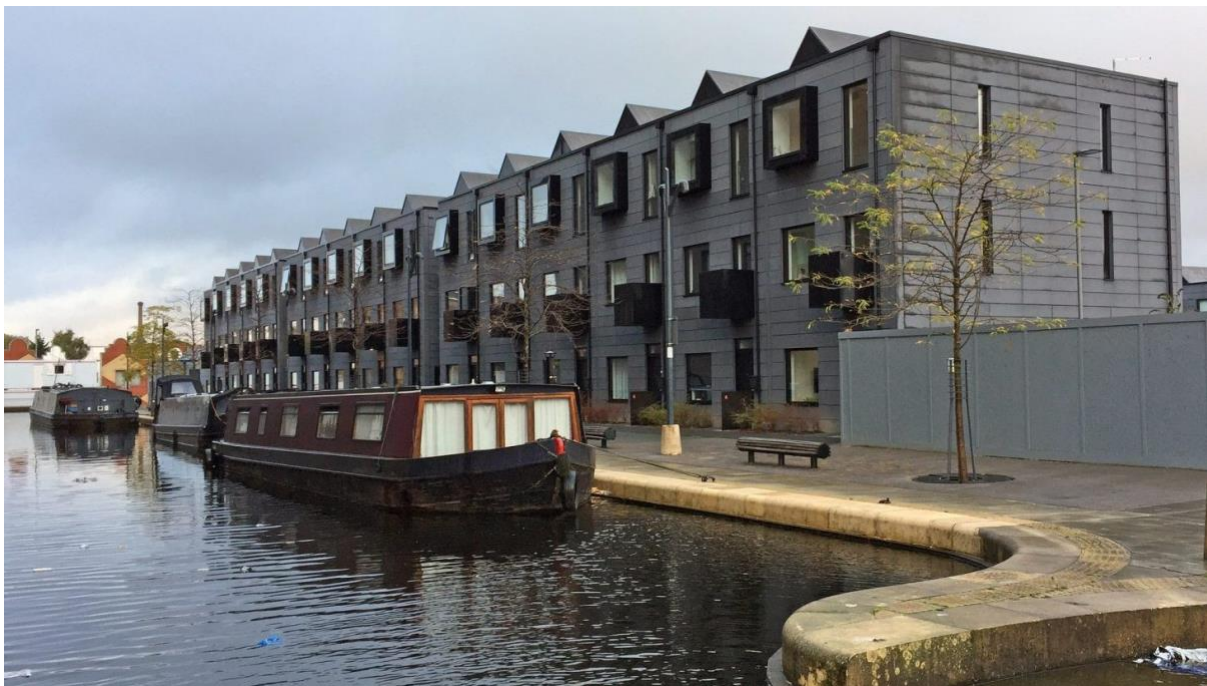
Because development value takes so long to materialise, land must not be a political shuttlecock, but needs to be stewarded. Increases in the value of land arising from the granting of planning permission and the provision of new infrastructure are largely created by the state, as various enquiries have confirmed, notably the Uthwatt Commission on Compensation and Betterment in 1942 at the height of the Second World War. Intriguingly the recommendations continue to be implemented in Germany, even though they were reversed in the UK by the Conservative government in 1960. Nor can any private developer realise the longer-term potential when a large area is derelict or inaccessible. As the private sector lacks the motive and local authorities typically lack the expertise and confidence to transform whole areas, a different approach is needed in designated growth or regeneration areas in which the State acts in the wider public interest. This is what the Regional

¹⁶ Thomas Piketty, *Capital in the 21st Century*, Harvard, 2013

Development Agencies sought to do before being abolished, and the English Sovereign Land Trust could do again.

Ancoats, Manchester, and Compulsory Purchase Orders

The neighbourhood of Ancoats by Manchester's Piccadilly Station was one of the cradles of the industrial revolution, and once known for its squalid housing and cotton mills. Yet in August 2018 it featured as one of the Sunday Times Best Urban Places to Live as *'the Shoreditch of the North'*. Manchester lost 56,000 jobs between 1971 and 1981, especially in East Manchester which was the home of the city's engineering industry. Regeneration started in 2002 when the Northern Development Agency used Compulsory Purchase Powers to bring together 137 different ownerships, something the local authority has been unable or unwilling to do. An investment of £70 million was expected to return £320 million in private investment. Before it was abolished, the regeneration agency also invested in transforming the public realm. Though hit by the 2008 recession, there is now increased confidence spilling over from the revitalised city centre. Sites are being progressively sold off by Homes England, as the successor body. The area's transformation has been recognised in its current nomination for an award as one of the Academy of Urbanism's Great Neighbourhoods (but was beaten by Sheffield's Kelham Island).



Ancoats, Manchester – a successful example of regeneration in the North

Building to scale again, and cutting housing costs requires action on a number of fronts. Possibly the most cost-effective is securing the better utilisation and modernisation of existing housing, for example reducing heating costs, as experts like Professor Danny Dorling

have argued.¹⁷ It would also help if older people could move to somewhere more manageable and if key workers such as teachers and nurses could live nearer their jobs. But this cannot be achieved if people are stuck where they are for lack of anywhere better. If the UK is to double housing output, we have to build differently and this means learning from Europe as well as our own past.

My reviews of European models for Shelter and the Greater London Authority have identified a range of good examples for building affordable homes in sustainable neighbourhoods.¹⁸ Thus as an example 25% of housing in the rich Swiss city of Zurich are provided by coops, and the City Council is committed to increasing the proportion to a third. The Shelter case studies indicated the much larger role that rented housing can play in transforming cities. The following figures show that the countries with the most successful economies have had less owner occupied housing than the UK.

Home ownership in 2016 (Eurostats)

Switzerland	42.5%
Germany	51.7%
Austria	55.0%
Denmark	61.7%
Great Britain	63.4%
France	64.5%
Sweden	65.3%
Netherlands	69.5%

¹⁷ Danny Dorling, *All That Is Solid: how the great housing disaster defines our times, and what we can do about it*, 2016

¹⁸ Nicholas Falk and Jonah Rudlin, *International Examples of Affordable Housing*, URBED for Shelter, 2018

3. Strategies for Transformation



Orestad, Copenhagen – Land value uplift helped pay for Copenhagen's first Metro Line

As Britain starts to rethink its role in the world economy, **Smarter Urbanisation** could hold the key to reshaping both our towns and cities and our economy, that is by providing new homes in locations that are well-served by infrastructure, as has been the case in the Dutch and German towns and cities that are profiled in this paper. The 'smarter urbanisation' alternative to urban sprawl was put forward by the URBED team that won the 2014 Wolfson Economics Prize. The basic idea is to develop sites on transport corridors within 10km of the centre of a major city such as York or Oxford, on which the proposals for Uxchester Garden City were based.¹⁹ Six miles is the average distance people travel to work, or move to a new home. The competition criteria were to come up with proposals for new garden cities that were 'visionary, popular and viable' without public subsidy. A guiding principle was to follow Ebenezer Howard's powerful dictum of tapping the 'unearned increment' - that is reinvesting the uplift in land value from development in local infrastructure, such as better local rail services.

Many European cities have had to reinvent themselves both after war-time destruction, and also after the loss of traditional industries. As Sir Peter Hall put it: *'Over the space of a generation Copenhagen has become one of Europe's most attractive capital cities; small and welcoming, it is a city where people not cars set the pace'*²⁰ Yet forty years ago Copenhagen lost industry and suffered high unemployment as a result, before a far-sighted municipal

¹⁹ David Rudlin and Nicholas Falk, Uxchester Garden City, 2014, [www. Urbed.coop](http://www.Urbed.coop)

²⁰ Peter Hall with Nicholas Falk, Good Cities Better Lives: how Europe discovered the lost art of urbanism, Routledge, 2013

engineer started to take space away from cars, and restore civic pride. Where now over a third of people cycle to work, people are not only happier and healthier, but they save money too. Denmark has created new industries such as wind turbines, while building new towns and urban extensions, such as Orestad, to keep housing affordable. Land value uplift paid for Copenhagen's first Metro line.



URBED's Wolfson Prize award winning submission applied Garden City principles to mid-sized towns such as Oxford

The proposal was rejected by political advisors to the government minister at the time as sites crossed or were close to administrative boundaries, with marginal seats. Policies have since changed, and Cambridgeshire, for example, is already far advanced in reconsidering its plans for growth in ways that take account of potential new transport infrastructure in developing neglected areas such as Wisbech in Fenland. One reason for Cambridge having the highest rate of house building has been a consensus about the need to grow, reflected in the Cambridgeshire Quality Charter for Growth. The Charter's principles were drawn up after a series of study tours, including repeated visits to Freiburg in Germany and a number of new VINEX suburbs around Dutch cities, which are described later.²¹

²¹ Cambridgeshire Quality Charter for Growth, URBED for Cambridge Horixons, 2008

After the Second World War, both the Netherlands and Germany were demoralised by war-time losses, and had little capital to invest. Their cities were in ruins. However the UK (apart from London) has generally fallen behind), as can visibly be seen by comparing cities with similar sizes and functions, for example Leipzig and Eindhoven with Manchester or Blackburn. As David Edgerton outlines in his recent book, *'the average rate of growth in the economy was higher and steadier in the years 1948-79 than between 1979 and 2000'*.²² Labour productivity has since lagged by at least 20% compared with France or Germany

Whereas Britain with its much more centralised state and financial system has tended to have low savings rates and to export capital, on the Continent, where power is spread more widely, provincial cities have largely rebuilt themselves with regional and local support. Cities use their powers and resources to provide high quality infrastructure as the case studies below illustrate, which in turn opens up plots or sites for a greater diversity of builders and lifestyles. As a result most people spend less time commuting or working, and thus have more control over their own lives. They also have more money to spend, as housing costs have not increased in the way they have in the UK. This helps explain why their town centre seem so much more vibrant and attractive.

Dutch and German cities face very different geographic challenges, despite sharing some borders, and have very different policies for providing social housing, that is housing allocated according to need rather than through the market or effective demand.²³ In the case of the Netherlands, the main threat is keeping water out of a predominantly flat country with a very dense population. In cities such as Amsterdam and Rotterdam, half the housing is social rented, mainly in apartments. Elsewhere it is dominated by single family houses, often terraced. In the case of Germany, which is much hillier and larger, the country was split into East and West, and state-owned housing in the East was sold off after reunification. The cities are further apart and many are characterised by streets of walk-up apartments. Some 40% live in towns or villages with under 20,000 residents, and it is the smaller towns which have been growing fastest, along with largest cities and university towns.

Dutch housing associations play a key role in building affordable new homes (accounting for 32% of the housing stock, whereas in Germany social housing is much less unimportant, and provided by private landlords through state subsidy. The Dutch pioneered 'choice-based lettings', while the Germans are using cooperatives or *'baugruppen'* to enable more people to design and manage where they live. But in both cases the outcome is more mixed or balanced and possibly happier communities than depending on the housing market (as the UK has come to do).

The following seven case studies brings out a number of common themes: collaborative planning between authorities to set priorities; regenerating declining industrial areas through country parks; financing local infrastructure through local savings; preparing land for development through local partnerships; building houses through cooperatives; and managing rental housing through housing associations or professional landlords. As demand or property values make all the difference to what is viable, the examples have been grouped into **regeneration** projects, in areas where housing demand and land values are generally low, and

²² David Edgerton, *The Rise and Fall of the British Nation*, Allen Lane, 2018

²³ This definition comes from ed. Kathleen Scanlon et al, *Social Housing in Europe*, RICS Research/John Wiley, 2014

growth projects, in areas where demand is high, and private investment is therefore more profitable and less risky. Not only does this affect the potential for sharing land values, but it also has a major influence on the kind of planning and development strategy that needs to be adopted.

Regeneration Areas

A. Changing the image of old steel works and coal mines: Emscher Park, Dortmund

The Ruhrgebiet is a polycentric area a little like Sheffield or Rotherham or South Wales, but on a very much larger scale. Collaboration is impressive. Eleven districts in North Rhine Westphalia embracing 53 towns with a combined population of 5.1 million and an area larger than Greater London have worked together over a thirty-year period to transform an old industrial area into an attractive place to live and visit. The project started with the International Building Exhibition in 1989 with six themes. One was to create Emscher Park ‘*nature for the people... to turn the backyard into the front garden*’. Another was to build 7,500 homes on brownfield sites to show how energy can be saved.

With no new money, the project started with a hundred projects selected by the seventeen cities who came together. They established a state owned private agency with a staff of around 30, many of whom were skilled in public relations to coordinate projects and promote a new image for the whole area. As an example 50 different housing schemes have used solar power to achieve *PassivHaus* standards, often supported by the national state investment bank, which is called KfW. In West Dortmund an initiative of the Mayor has replaced the old Phoenix Ironworks with a vast lake covering a quarter of the 99 hectare site. He persuaded the regional development corporation to back it, and the local saving banks (*sparkhaussen*) have also been key to its success. Most of the new homes are built by local builders or people commissioning their own homes, and the development is helping to rebalance a city that was once shrinking.

B. Restoring a ‘shrinking city’: Plagwitz, Leipzig

Leipzig in the former German Democratic Republic has gone from being one of the richest cities in Germany in 1900 to one of the poorest after reunification in 1989, when it lost 90% of its manufacturing jobs and a fifth of its residents. It also went from a population of around 750,000 before the Second World War to a little over 590,000 today. The ‘Leipzig model of *Integrated Urban Development*’, which has been supported by the European Union in a project with which Kirklees collaborated, is based on ‘*consensual decision making and cross-cutting political leadership*’. The city has since had the fastest rise in population of any of the post-industrial towns studied by Anne Power and her colleagues in their book *Phoenix Cities*,²⁴ demonstrating that secondary cities can stage a come-back when actions are combined in the same area on a number of fronts. The process of regeneration started with workshops and dialogue involving some 300 people. These established the main concerns as integration, mobility and balance, and led on to an overarching set of goals of equity, diversity, health and a smart city. The economy has been reinvented through a focus on five

²⁴ Anne Power, Jorg Ploger, and Astrid Winkler, *Phoenix Cities: The fall and rise of great industrial cities*, Bristol University Press, 2010

economic clusters such as logistics. Areas of former open cast coal mines have been turned into an attractive lake district.²⁵

At a neighbourhood level the city has responded to the challenges of economic decline and depopulation in a way that empowered citizens and maximised scant resources. In the inner city neighbourhood of Plagwitz this approach had been so successful that few derelict buildings remain, rents are now rising and land formerly used for gardens and social infrastructure is being reclaimed for development. The key was enabling individuals to take over vacant buildings and open spaces as ‘guardians’ through 5 or 10 year contracts with the City. Investment has also been attracted through tax incentives which encouraged wealthier people in the West to invest in restoring old houses. The Mayor, who is from the Social Democratic Party, has been in post since 2006, and played a crucial role in securing collaboration from all sides. Leipzig beat Zurich and Nantes to win the 2019 Great European City award from the Academy of Urbanism.

C. Fostering creative living, Eindhoven

The previous Mayor of this industrial city in Southern Netherlands, Rob Van Gisel, came from a national political career to lead the city in 2008. His book *The City that Creates the Future* stresses the importance of experimentation and collaboration, a process which he believes grew naturally out of being a poor agricultural area where cooperation was essential for survival. When the electrical giant Philips closed its factories, the Mayor succeeded in getting all the surrounding towns and cities to work together. Housing played a key role in the city’s renaissance. Strijp S is one of the huge old Philips factories that has been turned into a creative hub. A roof garden on top, over loft apartments, with shops and business units on the ground floor, the development has been led by TRUDO, a local housing association (www.klokgebouw.nl), which has developed 5,000 units so far there.

Housing associations took up opportunities that conventional developers would ignore, and are involved in providing discounted housing for sale –smart housing – as well as renting to a much wider range of people than in the UK. Because housing is affordable, young people stay and go on to bring up families in the city. There is much better access to both land and finance, and while Eindhoven promotes itself as the Garden City because it has so much green space, it is in the form of green fingers, not a green belt.

The proximity of other creative people, some 2,500 designers for example, enables the inter-trading that allows new businesses to take off so readily, and to survive the birth pains. So too does the easy availability of a wide choice of housing, with around 20,000 now living in the centre, ten times the number of a few decades ago. Eindhoven is in the forefront of innovations to make healthier living easier, and is collaborating with Manchester on a programme to promote mobility. In his book Rob van Gijssel asks ‘*why not use all that power to combat European disintegration? Why don’t we create a framework which enables urban areas in Europe to interconnect, interactively and intensively, in schemes and substantive alliances which focus on tomorrow’s challenges?*’

²⁵ Peter Hall with Nicholas Falk, *Good Cities Better Lives: how Europe discovered the art of urbanism*, Routledge 2013



Strijp S, Eindhoven – a former Philips factory converted into mixed use development by the housing association TRUDO.

D. Reuniting a port city: Kop van Zuid, Rotterdam

The gigantic port of Rotterdam has suffered in the past from a poor image and a declining population, especially in the Southern docklands area known as Kop Van Zuid. In the 1980s initial plans to build social housing were replaced by a bolder vision for a new mixed-use quarter to help change the whole city's appeal. The project started with building the iconic Erasmus Bridge, a new metro station and an extension to the city's tram system, while the railway lines that once cut the area off were put underground.

The City Council took responsibility for developing and delivering the regeneration strategy. This was under the Dutch Major Cities Policy (originally just for the four largest cities but expanded to involve 30 towns and cities), which was a precursor for the UK's City Deals. The City's Development Corporation managed the scheme, involving a whole range of private and public partners. The improved infrastructure and accessibility helped convince the private sector to invest. Significantly the City Council established a Mutual Benefit programme to spread the benefits to poorer areas nearby. A distinctive element was the *Opzoomeren* policy, which supports community initiatives in improving their street or block, starting with a street party. Rotterdam has thrown off its image of an ugly post-war city to become a desirable place to live and to work.

Growth Areas

E. Expanding a historic university city: Rieselfeld, Freiburg

This historic city in South West Germany is frequently quoted as a model for green development, but it also offers important lessons on how local authorities can play a leading role, led by progressive Mayors. The urban extension of Rieselfeld has become a destination for planners and architects from all over Europe. Yet the centre had to be completely rebuilt after it was bombed in 1945 and people were left starving. The total investment in Rieselfeld was estimated in 2008 to be in the order of €500 million for a total of 4,200 dwellings. Land value works out at €430/m², and is estimated at around 30% of the final sales value, or less than half of what it would be in the South East of England. The key, according to Freiburg's former entrepreneurial director of development Wulf Daseking was having the power to take over the land and charge developers for providing infrastructure.²⁶ The German development measures freeze the price of land in areas designated for development thus removing speculation.

Plots for development are sold off at prices that the city specifies in order to recover its investment. Bids are judged in terms of the kind of scheme and quality to ensure that there is a proper balance rather than simply taking the highest offer. German cities are able to finance the improvement of land and infrastructure without depending on private developers, as they can borrow from local savings banks or Sparkassen, as well as from KfW, which has branches in each state. Much of the housing is rented, and it is common for financial institutions to own housing, which is rented out on short leases to individuals or groups of people. Building costs are €3,300/m² on average but only €2000–2,400 for cooperatives or 'baugruppen', where both risks and profit margins can be lower. Infrastructure, including neighbourhood centre kindergartens and primary schools, came from the redevelopment fund of the Federal State of Baden Wurtemberg and from loans raised by the city of Freiburg. All credits had to be repaid through the selling of building plots. As a whole, the project received no further subsidies.

Plots are sold off on a rolling programme, so loans can be serviced and repaid. Limits on the number of plots any one group can buy favoured small builders. So in Vauban, a former military barracks, less than 30% was built by large investors and 70% of the plots were sold to private owners resulting in some 175 different projects. The finance for land assembly is handled through a trust which is outside the city's budget, so there is continuity if there are changes in the political administration or spending priorities. There is a project team within the municipality with all the necessary professional expertise, but outside consultants are used for financial assessments. Most of the construction is relatively simple to keep costs down, but very highly insulated, with many a 'passivhaus' designed to generate more energy than it consumes. Later phases have attracted more conventional developers.

²⁶ Explanations are given in the Capital Gains report for the GLA and in the Affordable Housing report for Shelter, as well as in other URBED reports.



Rieselfeld, Freiburg – a world class model for green development



Vauban, Freiburg – built on a former barracks, contains a large number of 'passivhaus' designed to generate more energy than consumed

Some 25% of housing in Rieselfeld and its sister development of Vauban is social, which is allocated to those on lower incomes, but it is indistinguishable from the rest. Social facilities such as sports clubs are funded through associations, while churches are funded through a special local tax. The soft infrastructure of education and community facilities are seen as just as important as the hard infrastructure.

F. Diversifying a new town: Almere Poort

Almere, a new town built on restored 'Polder' land North of Amsterdam, has gained a reputation for pioneering 'self-build' or 'custom-build' on a major scale. Almere was built on council owned land, which made the aim of providing affordable housing for low-income households of €20,000 (£14,500) a year far more feasible. The area was first master-planned by the local council and split up into different districts for different demographics (sustainable, terraced, lower-income for example).

The local authorities then installed the infrastructure and services, and each plot was sold at a fixed m² rate and came with a "passport" which contained a list of restrictions for the self-builders adhering to planning regulations. These regulations dictated building height, style, relation to surrounding plots, and materials. However a great deal of creativity and choice was still left to each resident allowing houses to be tailored to their specific needs and family size. This not only has the large benefit in delivering adaptable and diverse communities at lower costs that residents are proud of, it also creates a sense of community in the process. However there can be some pitfalls such as longer and more sporadic building times, and the local authority needs to underpin the investment.



Almere, Netherlands – has pioneered providing plots with 'passports' for self or custom builders within a development framework leading to diversity in design and tenure

G. Creating sustainable suburbs: Vathorst Amersfoort

Vathorst is an excellent example of the success of the Dutch VINEX programme, and has also pioneered the principles of using the mix of housing to rebalance communities. The local authority of Amersfoort is a prosperous Dutch town with a population of more than 140,000 and lies to the North East of the City of Utrecht on an important railway junction and at the crossing of two motorways. It is now regarded as one of the 'greenest' towns in the country, and the city council has promoted three urban extensions, two of which form part of the VINEX programme. The latest, Vathorst, consists of some 11,000 homes plus shopping facilities, business and community facilities.

In 1998, the municipality of Amersfoort and the Dutch government drew up an agreement on the size of the extension, the contribution they would make to reclaiming contaminated land, and how the settlement would be connected to the two motorways it adjoined. Political leadership was key to overcoming inertia and local criticisms for redeveloping land previously occupied by greenhouses.

The Vathorst Development Company (OBV) was set up as a 50:50 joint venture between the local authority and a consortium of five private landowners and developers. The private developers were willing to pool their land because finance would be cheaper, securing planning permission would be easier, and because they trusted those in charge. There was also the incentive of the *Dutch Building Rights* law, which gives local authorities the 'first choice' in developing land identified for major housing. This model has become common within the Dutch development sector and reflects the culture of collaboration that exists in the Netherlands.

The company commissioned the masterplan with the City's planner working alongside a notable Dutch urban designer. All the partners were involved in the process. The masterplan provides for four separate districts in very different styles. For example, one contains a modern version of canal side housing, with 60 per cent of the homes having views of water, while another is designed to feel like living in the country. The development company, OBV, employs a small staff of fewer than 15 with a Chief Executive from the private sector and a Chairman appointed by the municipality, who was Tom de Mann, the Alderman who had promoted the project.

OBV has been responsible for land-acquisition, urban planning, engineering, commissioning infrastructure, allocating sites and economic and cultural development. They are the portal to the political decision-making process during the process of planning and building, but the municipality (city council) is by law the body that gives permission. This kind of organisation or management mechanism is key to raising and investing in building new housing on a large scale.



Vathorst, Netherlands – is one of three new towns in Amersfoort, and is now considered one of the ‘greenest’ towns in the country

Conclusions

We have seen how both Germany and the Netherlands provide excellent but different models for using housing to climb out of the ‘slough of despond’. Both have used new housing to help correct urban imbalances and to incentivise the private sector to provide something better as well as affordable. Though both countries have experienced problems such as polarisation, they use proactive planning to strengthen their cities, rather than letting the sources of wealth creation erode. They also rely to a greater extent than in the UK on housing associations or municipal housing companies to cater for groups that the private market tends to ignore in the UK. They use housing as a means of strengthening their local economies, and believe that good housing depends on investing in the wider neighbourhood.

Most European cities have stronger economies than their British equivalents, as the Centre for Cities has shown in its European data base.²⁷ Continental cities generally perform better than the British equivalents in part because they enjoy a much higher quality of infrastructure. Infrastructure ranges from well-maintained and busy High Streets (that build social capital), to extensive and expanding light rail systems that draw their suburbs and centres together (boosting economic and environmental capital). They are not so beset by the competition from out of town centres and internet shopping, and their local authorities do not have to depend on government ‘handouts’ to keep going.

Reshaping British towns and cities depends on reclaiming their common wealth, that is using

²⁷ Centre for Cities, *Competing with the Continent: how UK cities compare with their European counterparts*, 2016

the uplift in land values from development to finance improvements that benefit both the existing and new communities. The route to transformation will vary from place to place, as URBED's consultancy experience brings out. In Oxford it would involve creating a modern transit system to tackle congestion, and building country parks to reduce the dangers of flooding. In Stoke it could involve upgrading transit links to Crewe and Derby, while enabling the nearby University of Keele to grow as an economic dynamo. In a metropolitan city like Sheffield or Gloucester, the plan might embrace the expansion of existing towns on under-used or old railway lines, and building housing to encourage young people with families to stay in the city rather than leave for the suburbs or a rural village.

Just as the spatial growth strategy depends on the local situation, so too does the financing strategy. In a city where demand and land values are high, such as Cambridge or large parts of London, private investment can be attracted, as the University has done to develop a new quarter known as Eddington. With large amounts of private funding looking for a safe outlet, bonds can be used to fund the building of mixed communities at relatively high densities along with a balance of social housing for families, especially for those classified as key workers. Conversely where demand and values are low, as in Stoke or Fenland, for example, public finance will be essential to upgrading infrastructure. A single project will never be enough to turn divided communities into self-sufficient places, but a properly planned and funded housing scheme could be used to bring the new and the existing communities together.

4. Fairer Shares for All

This final section puts forward four recommendations for applying lessons aimed at increasing the output of housing and improving the quality of new neighbourhoods as well as the proportion of affordable housing.. The important Commons Committee report on *Land Value Capture* proposes sharing part of the value created through development with the existing community, which should help reduce resistance to new housing:

'We believe that increases in the value of privately-owned land arising from public policy decisions should be shared with the local community. The compensation paid to landowners should, therefore, reflect the costs of providing the affordable housing, infrastructure and services that would make a development viable, as well as capturing a proportion of the profit the landowner will have made. The value paid to landowners should be determined by an independent expert panel and be binding on all parties.'

However there are so many entrenched interests that overcoming inertia will be very difficult unless a consensus can be formed. There will be warnings from previous attempts to reform the system of land compensation, from elaborate schemes such as Development Land Tax in 1976 to simpler ideas that were never implemented, such as Kate Barker's proposals for Planning Gain Supplement. Foreign experience will be dismissed as irrelevant. It will always be hard to devise a new system that overcomes vested interests and inertia, and so support from HM Treasury will be critical. Hence the proposal in this paper is to apply four basic principles:

1. To adopt a system that is straightforward and transparent, and hence minimises the time and expense of arguments (and the failings of previous attempts at land reform)
2. To focus on the relatively few areas where public investment is being made and major development is needed (and hence minimise the number of objections)
3. To confine the new approach to bodies that are given a democratic mandate, such as development corporations set up by combined authorities, county councils or elected Mayors, supported by approved spatial plans or development frameworks
4. To apply the values of social justice or equitability, along with policies that enhance natural capital and support good economic growth or the minimisation of waste so that best value is secured from development.

A. A straight-forward system

As the value of the land depends on both the use permitted and the infrastructure to support it, there are strong arguments for levying charges on the uplift in land values from housing development, an argument eloquently stated by Winston Churchill MP as far back as 1909. The current methods such as Section 106 payments or the Community Infrastructure Levy do not raise enough to overcome the administrative difficulties of joining up development and transport. Of course local authorities should still use Section 106 of the Planning Act to compensate for any adverse effects, and they should set standards including what must be provided before further housing can be built or occupied. But CIL could readily be replaced by a simple formula that took account of the value created, and hence the uplift in land values

to create a more predictable system and one that avoids overloading over-stretched infrastructure and professional capacity.

One approach would be to take the sales value (which has to be registered with the Valuation Agency) and deduct a valuation of the land in its existing use, that is prior to any development plus expenditure on any remediation works necessary such as decontamination. There are then two values to be considered, the value of the property, reflecting the cost of building works, fees and necessary profits, and the value of the land, which should be the residual not the starting point. Such an approach has been used in Copenhagen as the basis for a property taxation system that has successfully avoided land and buildings standing idle, and also in parts of Pennsylvania such as Pittsburgh.²⁸

The owner deserves compensation or ‘equivalence’ for what is sacrificed if only to provide an incentive to collaborate. But expectations about land values need to be deflated if housing is ever to become affordable again. This could be achieved through a general principle that the value of a serviced housing plot should be 25% of the total value (which would be in line with both Dutch and German practice). It may be reasonable, as the Letwin Review of Build-Out suggests, to give the owner of agricultural land some ten times the original value but not a hundred times, which the current system allows. Clearly the land value would be far greater in the South East than in the North due to both high sales prices and greater densities or plot ratios. The owner could either sell out for existing use value plus a bonus, or invest that bonus in the scheme, and benefit from the resulting returns in due course.

As well as satisfying the owner, it seems only fair that the existing community where the site is located should also be compensated for disturbance. This could be through contributing to whatever is felt to be the local priority. Thus in some areas it could be relieving congestion through building a bypass, or even a tram line in a city visited by tourists such as Oxford, while in another it might be improving community facilities, or providing a wider choice of housing to create a more balanced community. Once areas have been identified for strategic development, it will be beneficial to set out development frameworks covering uses, densities, and other policies that will shape the value to be achieved.

Sometimes the best locations for development are on the edge of a city, to make the most of existing infrastructure such as railway lines and other utilities. Any surplus might then be used as an endowment to build up ‘common wealth’, for example through maintaining and improving access to open space, and promoting bio-diversity. Instead of simply nibbling at the green belts around cities, some 5% could be used to fund new country parks, and ‘greening’ measures, subject of course to a popular vote (and perhaps a two-thirds majority). By adopting some basic rules of this kind in spatial plans and development frameworks, planning could start to shape land values again, instead of being driven by them.

The English Sovereign Land Trust will serve as a catalyst for public and private collaboration, including the cooperation of utilities and transport providers. It can make an important difference by providing access to the large amounts of public finance that will be needed to restore the confidence of smaller house builders and investors, including local authorities and housing associations, so that they will not be vulnerable to the next round of government cuts. Hence it could replace the role currently played by the European

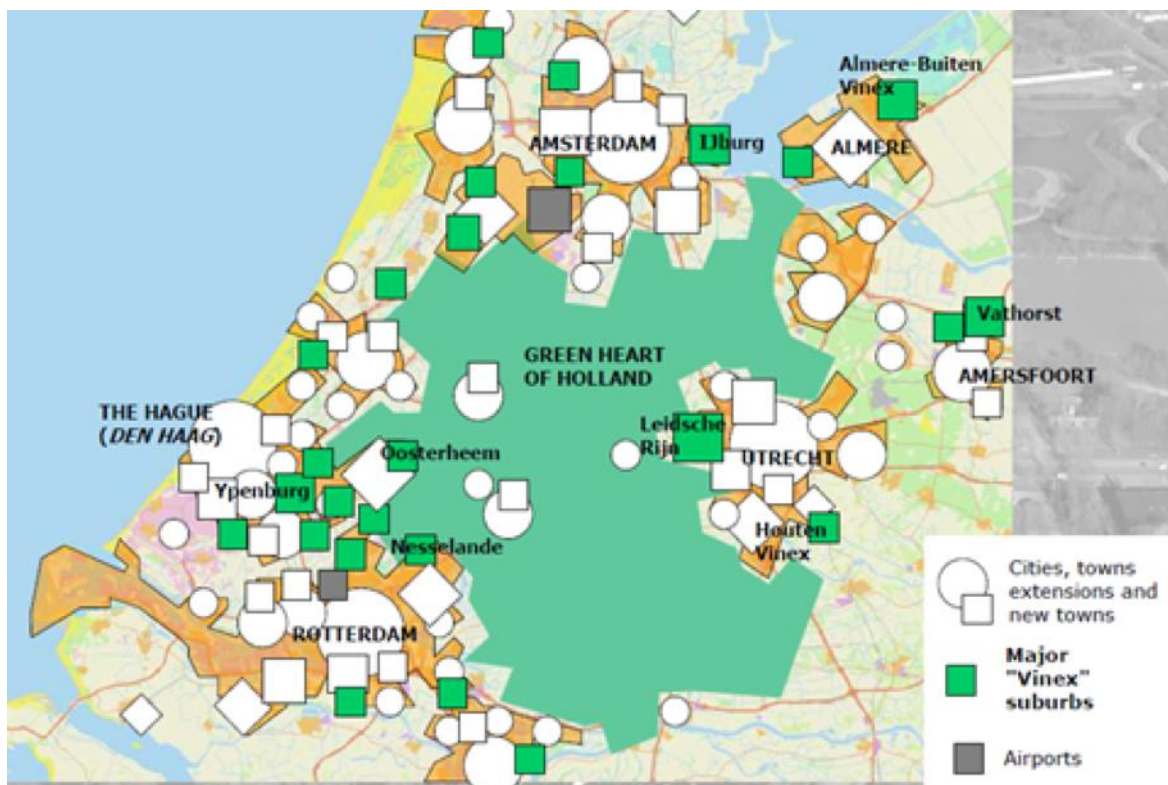
²⁸ Other reports deal with the complexities of land value capture and taxation, such as for the UK2070 Commission under Lord Bob Kerslake www.UK2070.org.uk

Investment Bank, and link up with the many promising local initiatives that progressive local authorities have started to take, along with Homes England.

B. Concentrated coverage

Most of the development land in England is owned by the private sector. The present system encourages speculation and conflict over far too wide an area, and has led planning into disrepute, as well as wasting people's time. By contrast the Dutch VINEX plan focussed housing development in locations around cities with more than 100,000 residents and that were connected by good public transport. By identifying growth and regeneration areas in a systematic way, limited capacity and expertise can be focussed on the relatively few areas where change is both necessary and feasible.

As most people in the UK live in urban areas, and densities in new development need to be high enough to support good public transport, detailed local zoning plans need only cover at most 10% of the land, after excluding areas of natural beauty and flood plains. Rather than starting with what land owners or developers are proposing, the process should begin with a development framework that reflects infrastructure capacity. Drawing up Integrated Spatial Plans or Frameworks can be greatly assisted now by making use of GIS based mapping, so that different 'sieves' are superimposed on each other.²⁹



Distribution of new VINEX suburbs in the Netherlands

²⁹ The Centre for Advanced Spatial Analysis (CASA) at UCL and the Geodesign Hub have developed the technology to the point where it is readily applicable to strategic planning areas, such as the CAMKOX arc which runs between Cambridge and Oxford.

Use should be made of ‘sub-regional’ planning concepts such as ‘corridors’ or ‘arcs’, as for example the National Infrastructure Commission has done in focussing attention on the Cambridge Milton Keynes Oxford arc. These should also take account of alternative routings for new infrastructure such as main roads or railway lines. Once such areas have been identified, land values within them should be ‘frozen’, as in Germany, to avoid prices escalating.³⁰ This can be achieved through modest alterations to the Compulsory Purchase system and Compensation Code. If these are resisted, it should be remembered that Germany is hardly likely to flout the UN Human Rights Convention, and it will only affect a relatively small group of landowners. Even in ‘free market’ USA the principle of Eminent Domain is used by progressive local authorities such as in Portland Oregon, (based on British practice over 150 years ago).

Before the English Sovereign Land Trust can get involved, strategic planning needs to assess options for all the main options for development - that is ones where the infrastructure can handle growth such as along transport corridors. The does not need to apply to most infill developments, which are easier to do and more profitable, but they do apply to the ‘strategic’ housing developments that are required to meet projected housing needs. Regrettably the tight limits of both local authority and Green Belt boundaries have tended to concentrate new development ever further away from jobs and services, thus adding to trip lengths and car use and compounding problems of traffic congestion. Pressures to develop old government-owned airfields result in proposals that make little economic sense, for example requiring the relocation of established firms, while requiring huge subsidies in an attempt to ‘buy off’ local opposition, or make marginal schemes viable.

Too often land use planning is seen as a two-dimensional exercise of colouring maps according to the level of objections and sites that are put forward by developers. However experience shows that all proposals generate objections from some group or other. ‘Smarter Urbanisation’ needs to be more far-sighted in considering the third and fourth dimensions of space or density, and time, so that places are developed where people want to live and work out of choice not necessity. At any one time, a city’s structure may seem quite fixed, as it takes generations to build new roads or railway lines, let alone cross obstacles like rivers or hills. Yet looking back, growth can be seen to have followed a pattern, often correcting previous imbalances. To be really fair, major schemes need to combine new development with the upgrading of nearby existing neighbourhoods, which will make it easier to provide for local lettings, and also to secure a better utilisation of the whole housing stock. Such a ‘negotiated’ approach would generate far less resistance than the current system where arguments drag on for decades.

The English Sovereign Land Trust can serve as a centre of excellence for the preparation of strategic development plans that cross departmental as well as sectoral silos. Much of the inspiration can come from European investment banks like KfW in Germany, BNG in the Netherlands or Caisse des Depots in France. Thus it could take on many of the roles and tasks set out in my pamphlet on *Funding Housing and Local Growth* which are summarised in the box below³¹.

³⁰ The way the German system works is explained in *Capital Gains: a better land assembly model for London*, GLA, 2018

³¹ Nicholas Falk, *Funding Housing and Local Growth*, The Smith Institute, 2014

- Distinguishing the good projects from the bad ones, and channelling more investment into locations where the conditions for long-term economic growth are right
- de-risking complex projects, for example only lending money where local authorities are committed to allocating appropriate sites, and providing the necessary soft infrastructure, such as schools
- taking a longer-term perspective than the private sector, for example giving more weight to investments that reduce energy consumption and hence fuel bills (and carbon emissions) than a private investor would
- tapping into private investment by demonstrating commitment on where development is to take place (and where it is not welcome)
- mobilising public investment by joining up public investments in local transport and energy solutions with related developments
- encouraging collaboration between adjoining local authorities and utilities by supporting sound long-term investment plans
- and ultimately raising our levels of growth and wellbeing to those of comparable European cities and city regions by building the capacity to plan and act for the longer term.

C. Democratic control

While reform to the planning system to reinstate strategic spatial plans is essential, changes are also needed to the organisational machinery charged with assembling strategic land and opening sites up for development. Dealing in land is open to abuse, as huge sums are involved, which in turn support competing teams of lawyers, surveyors and planning consultants. Local Enterprise Partnerships are more likely to be influenced by the prospect of fees than the longer-term public interest. This is particularly problematic where the land in question straddles several local authorities, and where the party or people in charge may well change before any development actually takes place. Yet many of the best opportunities for growth or regeneration lie on the borders of waterways where industry once thrived. It is therefore essential to rebuild local capacity before ambitious housing policies can be implemented.

Assembling land requires a range of expertise and the combination of professional skills and experience is rare. Hence there is a strong case for building up a team with the necessary skills, as is the case in all the case studies we have examined, with a mandate that has some popular appeal. Unfortunately district councils, which are where planning powers are currently located, are rarely able to see the bigger picture because of local political pressures. The only places where there will be few objections are usually ones that are quite isolated, and therefore poorly located for development. City regions or counties in rural areas such as Gloucestershire should be large enough to join up transport and development without losing democratic accountability. Combined authorities are a promising initiative, especially where they jointly commission a strategic spatial plan, as those in Oxfordshire are now doing, for example.

The British model of the new town development corporation provides the necessary powers and precedents. However it should not be imposed but rather requested by local authorities who can see the overall benefits of promoting growth or regeneration in an area of land that is too large or complex for any one developer to take on. Councils will be able to use the argument of attracting much needed investment, both public and private, to overcome

objections. Such a body will need a remit, but there is a strong case for enabling it to get involved in a number of different sites that do not need to be contiguous. An opinion survey as well as focus groups should help in getting support for both the overall priorities and also the organisational mechanism to carry it out.

The English Sovereign Land Trust should provide the missing financial capacity and expertise to support groups of local authorities that want to take a more proactive role. It would supplement the expertise of Homes England with skills and expertise drawn from organisations involved in investment banking, as well as from development companies or housing associations that have successfully undertaken major schemes.

Equitability

The ultimate argument revolves around what is considered fair and equitable in terms of pooling land, and sharing the longer term returns from developing new housing. Of course no one wants their view spoilt or their quiet interrupted. A more generous system of compensation, as in France, could save a great deal of time and eventual expense, for example in rerouting railway lines to meet the concerns of relatively few property owners. But there will still be questions of who benefits and who pays, and how the risks can be minimised. People expect planning to address these kinds of issues, but it is hampered in the UK by being divorced from control over investment. Furthermore in practice it is reactive as the system is biased in favour of being fair to the property owner, rather than the wider public.

However by taking a different approach in areas where a comprehensive and integrated approach needs to be taken over several decades to avoid wasting public or natural resources, it should be possible to build up the trust and public engagement that is needed for development to be truly successful. This makes it imperative not to inflate the living costs in the poorest areas simply to accommodate owner occupiers, but should ensure that all concerned can see some benefits to themselves. A useful set of policies on housing delivery, based on discussions at the Highbury Group, would create a much fairer system, but depend on changes in the way plans are prepared at a city region level.³²

As resources are unevenly distributed around the country, and there has been a long record of underinvestment in some areas, such as the North, it seems reasonable to allocate a proportion of the receipts from a charge on land values in the Greater South East to regional investment, for example by cutting the subsidy from government they have been receiving. Areas need to be large enough to benefit from Land Value Capture, and there will be some places where the costs of decontamination far outstrip any value that could ever be created. But according to Tom Aubrey's figures a useful contribution could be achieved in metropolitan cities such as Leeds and Manchester, provided the laws regarding compensation and compulsory purchase are changed, as many have argued.³³ The reference below includes a very useful map of where the most potential for sharing in land value uplift lies.

³² Duncan Bowie, *Radical Solutions to the Housing Supply Crisis*, Policy Press, 2018

³³ Thomas Aubrey, <https://www.progressive-policy.net/publications/gathering-the-windfall-how-changing-land-law-can-unlock-englands-housing-supply-potential>

It would probably be more acceptable in political terms if redistribution were done on a city or super region basis, so that major projects that aim to join up disadvantaged areas with city centres could benefit. An example would be the use of land values in and around Cambridge to help fund the renewal of the rail link to Wisbech in Fenland, one of the most deprived areas, or the use of land value uplift in Cheshire and Staffordshire to help fund improved train services between Crewe, Stoke and Derby. Improving the connections would probably do more to boost confidence and wellbeing than any other single measure. While national government and the Treasury usually prefer to make all the decisions, the counter argument is that this more devolved approach will generate more and better investment, and hence the outcomes that will win popular support. These arguments are developed in a separate report for the UK2070 Commission, which is reporting on how to achieve a fairer balance between the UK's regions.³⁴

Concerns about fairness will inevitably lead many to question the current property tax system, which small businesses in particular blame for the problems facing them in town centres, while larger uses of space, including wealthier residential property owners, seem to pay much less. A review of the whole system following up the Mirrlees Review of *Tax by Design* did in 2011 probably calls for a Royal Commission to provide the necessary authority to overcome entrenched interests. In the meantime, as it will be thirty years in 2021 since the last domestic valuation, the case for revising the upper bands should be relatively uncontentious, and the reform of business rates, which is the subject of a Treasury Committee review.

The English Sovereign Land Trust would be in a position to give the weight to social and environmental concerns that is often lacking when simplistic viability assessments or Cost Benefit Analyses are undertaken. By applying international experience, including, of course, the lessons being learned in Scotland and Wales, it would support the very initiatives that are rarely taken to scale, and help create a fairer as well as a more competitive economy.

Conclusion

This paper has argued that by applying mechanisms that have worked in the past, such as development corporations and agencies, supplemented by lessons from Continental best practice, a new government could generate the transformation needed to double housing output and rebalance some of our urban areas. The lessons from the case studies here could be adopted in the North as well as the South if we used resources more carefully and imaginatively. Indeed by tapping more of the land value to pay for local infrastructure, public finance will be released that can be used to transform areas requiring regeneration. This does require some institutional or organisational innovation to rebuild local capacity that has been drained away.

The measures proposed here will inevitably affect other branches of government, and have implications for the workings of Labour's proposed National Investment Bank, as well as reviews being undertaken of transport and planning. If there is not enough support for comprehensive change, here are four recommendations for housing policy that could be undertaken incrementally (though they need to embrace the support of other departments of government for their fulfilment). The actions required, in summary are:

³⁴ Nicholas Falk, Making Fairer Places: a thinkpiece on Land Values, February 2019, www.uk2070.org.uk

- a. Offer a wider choice of housing types and tenures to boost both supply and demand (for example through the use of cooperatives and housing associations that specialise in meeting different social needs and that help build stronger communities.
- b. Utilise surplus or under-used publicly owned land to achieve broader aims than accepting the highest offer (through development frameworks commissioned at a city region or county level)
- c. Enable (combined) authorities to acquire strategic land ahead of it being 'released' for housing, for example through changes to land compensation systems as well as financial support. For example the Public Works Loan Board) might be turned into a Municipal Investment Corporation to validate proposals and provide patient capital that will help to attract other sources of funding.³⁵
- d. Join up development and infrastructure investment through Development Corporations or public private partnerships for complex projects that need to use Compulsory Purchase powers to incentivise collaboration.

Dr Nicholas Falk, April 2019

³⁵ Nicholas Falk; Funding Housing and Local Growth, The Smith Institute, 2014