The Crisis of Housing Supply: the Role of Urban Extensions

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Context

- From all sides of politics there is a call to substantially increase housing supply, but there no clear strategy emerging of how to do it or where the money comes from or the form of spatial planning required
- At the same time, there is a critical consensus that reliance on the current landowner/housebuilder model will not increase supply substantially even if demand goes up, and indeed there are warnings from the IMF among others, that if there is more mortgage finance available, prices will continue to be at unsustainable levels
- The house builders argument about town planning and shortages of land being the main obstacles on the supply side are no longer credible; (see for example, the next slide on the land banks of the big five builders)

Top 5 UK House Builders Summary of Annual Reports 2009-10 to 2011-12

Company	Pre-tax profit (£m)			Completions / Sales			Land (no. plots with planning permission)			Strategic land holdings (plots)		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Bellway	105.5	67.2	44.4	5226	4922	4575	22300	18068	17602	9764 plots + 3000 acres (18000)*	13000 plots (+ acres tbc)	15200 plots (+ acres tbc)
Berkeley	214.8	136.2	110	3565	2544	2201	26021	27026	28099	10000	@10000	@10000
Persimmon	98.7	148.1	95.5	*up 21%* 11325 *on 2011*	9360	9384	63786	63335	58862	16100 acres (90000)		
Taylor Wimpey	78.6	-71	-700	10886	10180	9962	65409	65264	63556	100340	86236	77060
Barratt	110.7	-11.5	-162.9	12687	11078	11377	54209	60083	62340	10500 acres (60000)	11400 acres	11000 acres

SUEs under the spotlight

- Urban extensions as a form of housing development has the support of TCPA, RTPI and others as alternatives/ or alongside New Towns or Garden Cities – they are regarded as potentially less expensive and easier to deliver since they require less new infrastructure than New Town. Need to put SUEs under the spotlight
- SUEs in our study are defined as urban extensions of a minimum 1000 homes (designed as new communities on the edge of existing towns)
- SUEs are more than just new large housing estates – concept of “sustainable” extensions with master plans, a full range of facilities, and best practice in community engagement
- Approx. 50% of supply in Growth Areas was to be delivered in SUEs
- MK/Northamptonshire: 50% of planned new supply 2001-2021 i.e approx 70,000 out of 144,000 homes
- 26 SUEs were designated in MK/Northamptonshire
- By 2013:   of the 26 designated, 9 have started on site; , 5/9 in MK; 4/15 in Northamptonshire. None have yet been completed

Why the lack of delivery?

- Though not completely new settlements, there were major infrastructure delivery problems – mainly roads/bridge access, also school funding. Very small Growth Areas Fund and no effective join up with Government infrastructure planning e.g. widening of the A14
- Landownership – publicly owned sites in MK were developed more quickly compared with privately owned sites elsewhere
- Relationship between local authorities and house builders tended to be adversarial with extended negotiation over design and planning standards especially over sustainability measures (which were regarded by the developers as an additional cost); and over affordable housing
- House builders build out rates very slow
- Key differences in leadership and coordination, and a value in decisive Local Delivery Agencies or unitary authorities

Was NIMBYism a problem?

- All local authorities in the study area were signed up to the growth agenda; one had major reservations but in the end went along with it; all authorities contributed to the Joint Planning Units in Northamptonshire
- Community pressure was greatest on the edge of Northampton; scepticism that community infrastructure would be delivered; one SUE was dropped; some community views were accommodated by negotiation, others could not be accommodated (e.g. STOP campaign)
- Community views hardened over time in MK but the broad growth strategy was not significantly altered. The MK “Roof Tax “was generally regarded as an effective tool to ensure that infrastructure was delivered

Supply side: Way forward 1

- ***If the serious policy aim is to double supply over the next few years and provide a substantial proportion say 30% of affordable housing, the important lesson of the last 20 years, is that policy makers cannot rely on the house building sector to be the main agent of delivery of this programme, either in terms of quantity or quality and sustainability*.**
- **There is limited scope for regulation, or nudge, of the house building sector that will stimulate substantial further supply**
- **Other providers (local authorities; small/medium builders; co-ops; self-build; community land trusts, RSLs) must be brought in, encouraged and substantially scaled up**
- **Public Land should be made available to these new providers- *but not* to the major house builders who already are hoarding very large amounts land in their land banks, and are buying all the time. Public authorities must consider CPOs of sites in land banks; and taxation of land banks**

Way Forward 2

- **Affordable housing as part of a housing mix and sustainability cannot be funded out of planning gain; it requires new funding streams**
- **Strategic planning is essential, including designating SUEs, but on its own it is not enough. It requires new delivery mechanisms including new providers who are working with communities, and are backed with infrastructure planning linked to Government programmes; strategic housing planning cannot rely only on localised CIL or Roof Taxes**
- **Need to find a long term capital funding model capturing land value over the long term; issuing local or regional infrastructure or housing bonds must be introduced at the same time**
- **Local or regional delivery vehicles that are accountable have an important role to play**
- **The question is how to engage with policy makers on this strategy?**