

## **Housing finance and a Municipal Investment Corporation**

Labour has argued for a new bank to channel funds into areas that commercial banks have ignored, primarily SMEs, and there has been a debate over whether this should be a national or regional institution. Meanwhile the Coalition has launched the Green Investment Bank, which has limited scope and no borrowing powers, and also a version of a British investment bank. But the fundamental issue remains unresolved which is how to channel private finance (given the great limitations on public expenditure) into building the homes and local infrastructure the UK desperately needs. A series of case studies of how state investment banks function in France, Germany and the Netherlands led Nicholas Falk to recommend the formation of a Municipal Investment Corporation.<sup>1</sup> Modelled on the Dutch BNG, which was set up by local authorities and government together, the Corporation could act as an adjunct of a British investment bank. It would develop the role of the Municipal Bonds Agency that the Local Government Association has set up.

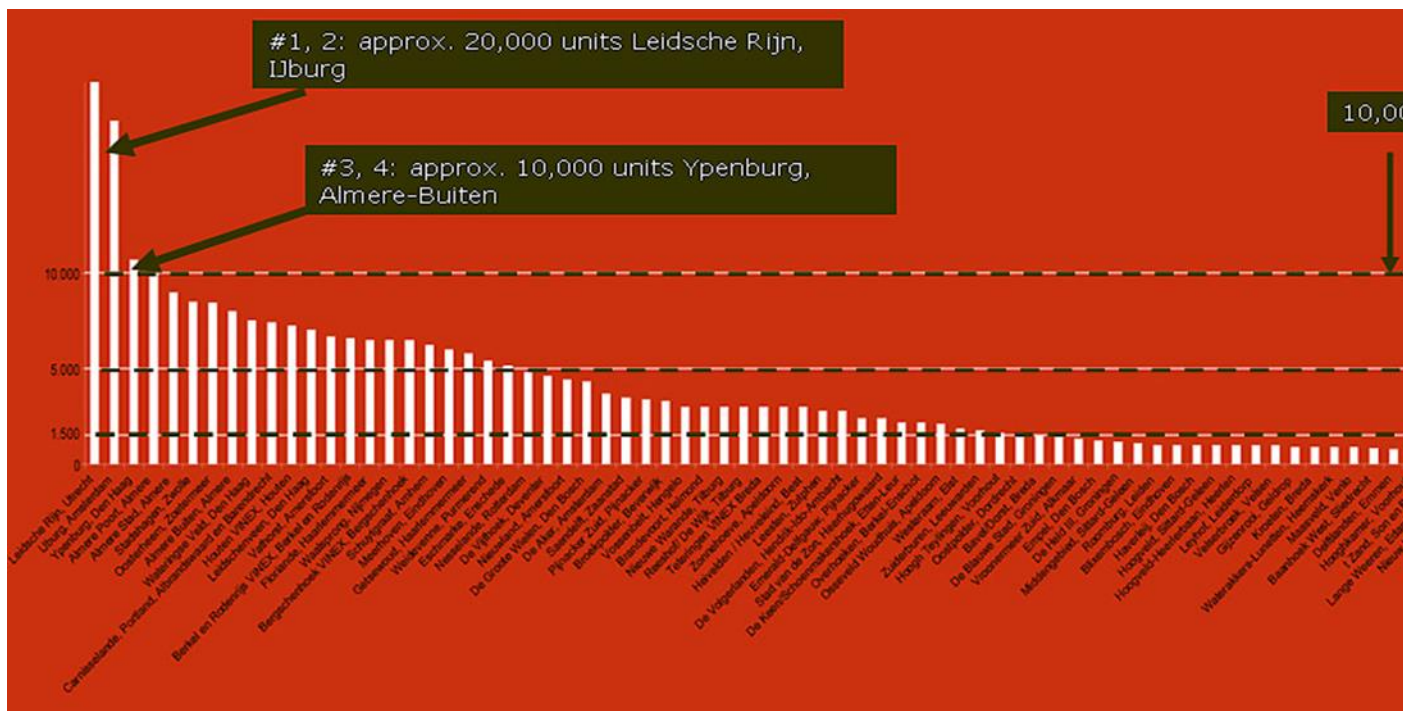
Such an agency is needed not only to provide the confidence to private investors that funds will go into projects that have a good chance of achieving their stated objectives, but also to incentivise local authorities to promote and support strategic developments that might otherwise be unpopular with their electorate. Such an agency, along with the power to assemble land at close to existing use value, will be crucial to achieving the doubling of house building that Labour is committed. But just as importantly it will help to fund the upgrades in local infrastructure (energy, waste, water and transport) that are essential to areas growing in a sustainable way.

In looking for better models for urban growth, many British experts have looked to Europe and particularly the Netherlands. Thus Sir Peter Hall devoted a whole chapter to *Building Sustainable Suburbs in the Netherlands* in his final book, which was based on study tours he and Nicholas Falk had led to a variety of new settlements.<sup>2</sup> The new suburbs responded to the national VINEX Plan which encouraged growth in cities of over 100,000 population that were well-connected by public transport and incorporated 30% social housing. The Plan succeeded in increasing the housing stock by 7.6% over ten years, largely in urban extensions half of which were of under 1,500 homes. The scale and extent of achievement contrasts hugely with the UK, which tried to do something similar through the Sustainable Communities Plan, but failed.

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<sup>1</sup> Nicholas Falk, *Funding Housing Growth and Local Infrastructure*, The Smith Institute 2014

<sup>2</sup> Peter Hall with Nicholas Falk, *Good Cities Better Lives: how Europe discovered the lost art of urbanism*, Routledge 2014



When a group from Oxford involved in planning the development of Barton Park visited a number of settlements they were impressed not only by the variety and quality of the new neighbourhoods, but also by how infrastructure was provided in advance. Councillor Van Coulter reported separately on how the new homes were much more affordable than in Oxford. The reasons include the more proactive role played by local authorities, the availability of low cost long term loans from the state investment bank BNG, and a planning culture that supports collaboration between all the stakeholders.<sup>3</sup> This is helped by the greater weight given to the land use plan, and the tradition of local authorities investing in infrastructure to tackle flooding. However there are debates within the Netherlands on whether the process always works well, with some arguing that it would be better if the regulating and facilitating roles were separated.<sup>4</sup>

A study tour for the Joseph Rowntree Foundation’s Sustainable Urban Neighbourhoods network in 2011 drew a number of conclusions for how the lessons could be transferred to the UK, of which possibly the most relevant is to build balanced communities<sup>5</sup>. Amersfoort led the way in using new housing to rebalance the demographic mix in a new community to reflect the wider area. It is true that car use has been higher than anticipated. But until the financial crash in 2008 when mortgages became hard to obtain the new developments proved very popular with ordinary people, (though not some Dutch architects who preferred high density urban apartments).

<sup>3</sup> Nicholas Falk, Funding Housing and Local Infrastructure: how a British investment bank can help, Smith Institute 2014

<sup>4</sup> Roelof Verhage, The Role of the Public Sector in Urban Development, Planning Theory and Practice, vol 4 no 1, 2003

<sup>5</sup> SUNN Dutch study tour report, URBED/JR 2011, www.urbed.coop

The loans taken out for land assembly and infrastructure have resulted in local authorities becoming more indebted. Some housing associations have floundered due to ill-considered investments, the most notorious being one in Rotterdam. The government has swung to the right, and there is a general move now to consolidate the cities rather than extend them. But the Dutch business model for development continues to impress, along with the idea of setting up joint ventures or development corporations to undertake complex schemes. Where further innovation is needed is to secure the right balance between the **certainty** of land use plans that involve contracts between all the stakeholders on the number, type and mix of new homes, and the **flexibility** to respond to changing conditions over the life time of a strategic development. This is what a Garden Cities Act would seek to achieve, and is crucial to proposals to extend into the Green Belts around some of our cities. Inspiration from what has been achieved in Continental Cities can be used to overcome the sceptics who condemn the UK to permanent austerity and house price inflation.

### **Community**

1. Build balanced communities in terms of income and age
2. Support community development through the arts and schools
3. Offer more interior space to live (for example through people building their own homes)
4. Anticipate high levels of renting
5. Maintain the public realm well

### **Connectivity**

1. Locate new developments on good transport nodes
2. Put pedestrians and cyclists first
3. Design for different patterns of movement e.g. separate bus and cycle ways, home zones
4. Create pleasant uncluttered surfaces
5. Provide enough parking but keep the car in its place

### **Character**

1. Design for greater variety and choice
2. Dare to be different
3. Build strong edges e.g. embankments and commercial uses that act as noise barriers

4. Secure quality construction
5. Use the natural landscape to create value

### **Climate proofing**

1. Make the most of natural inheritance, such as trees and farm tracks
2. Design for walking or cycling
3. Treat water as your friend, but manage it
4. Focus on cutting energy use through higher levels of insulation
5. Invest in advanced common systems e.g. energy, waste

### **Collaboration**

1. Install up front infrastructure through low cost finance
2. Get the financial foundations right (let's go Dutch)
3. Exercise local leadership
4. Keep learning
5. Expect some failures