

# **A NEW USE FOR DEVELOPMENT CORPORATIONS**

## **BACKGROUND**

### **1. Property price inflation.**

The rise in the value of property has reached 40% of GDP in some recent years.

### **2. Wealth redistribution.**

Changes in tax and benefits since 1997 have made the poorest families better off by about £30 per week. Over the same period the wealthy have seen their property assets increase by hundreds of pounds per week. Wealth distribution is from the poor to the rich and from the young to the old.

### **3. Total planning permission.**

The term "planning permission" is usually used in the context of new build. But most existing buildings have permission to remain at their location. If they do not have this permission, the planning authority can demand that they be removed.

Increases in property values have for many years been driven by a shortage of this totality of planning permission. It is not an increase in the value of the bricks and mortar that has made my house three times more valuable in the past five years. It is the increase in the value of the right I have to keep my house in its present location.

### **4. New planning permission.**

Granting planning permission often increases the value of land by a factor of 1000. Agricultural land near York is valued at £5,000 per hectare. With planning permission for residential development this can rise to between £5m to £10m per hectare. Planning authorities, therefore, are responsible for the creation of huge amounts of wealth. The principal beneficiaries are landowners.

### **5. Green belts and the environment.**

Traditionally Green Belts were seen to stop urban sprawl and were the "green lungs" of the city. This gave a public health emphasis relating them to policies such as slum clearance. The policy is seen as the major instrument for protecting the environment against environmental damage due to overdevelopment. They are believed to "protect the countryside".

### **6. Reservations to green belt policy.**

i) The shortages of planning permission caused by green belts redistributes wealth from poor to rich.

Green Belt policies lead to a shortage of "total" planning permission. This artificial constriction of supply results in increases in property values, benefiting the rich. Higher housing costs are a burden on the young and the poor.

ii) It encourages building replacement, rather than new build.

Replacing existing buildings with denser development is seen as an environmental benefit because higher density is thought to mean shorter travelling distances thus saving the environmental impact of car travel. This is simplistic. What is rarely calculated is the global environmental impact of new building - building a new house generates about 70 tonnes of CO<sub>2</sub>. Demolishing ten dwellings to build twenty creates 700 unnecessary tonnes of CO<sub>2</sub>.

iii) Green belts can be "green deserts".

Modern agriculture is high in chemical and other inputs. At British Association Dr Keith Porter of English Nature said low-density developments with gardens and public open spaces would provide more favorable habitats for species than the giant pesticide-treated cereal fields that dominate much of the countryside now.

"By placing housing in these areas with innovative designs you can build in the corridors and the linkage the wildlife need to come back in," he said. "You would be certain to increase biodiversity."

Indeed, a square kilometer of central London has significantly more bird species than a square kilometer of farmed land in Surrey. And, of course, many brownfield sites have significant amounts of wildlife.

7. Planning permission and social objectives.

There are social objectives that are delivered by the planning system. For example, planning permission may come with a requirement to provide social housing or a university may be given planning permission with the implicit recognition that it is performing a wider public service.

## **POLITICAL CONSIDERATIONS**

- 1) Directly reversing the property-driven redistribution of wealth by taxation is politically impossible. Much of the increased wealth of property owners has been spent.
- 2) A head-on assault on green belt policy would also be difficult. While, in practice, green belts contribute less to the environment than is conventionally believed, they have a very strong place in the public mind.
- 3) A land development tax might capture some of the increased value for the public purse but this runs the risk of bringing development to a stop while landowners (or option holders) wait for a friendlier regime.
- 4) Compulsory purchase is usually slow and bureaucratic and may be open to legal challenges.

## **GREEN DEVELOPMENT CORPORATIONS**

Recently there has been renewed interest in the Development Corporations. But not in a way that challenges current green belt policy. Hansard's report on the Draft Thurrock Development Corporation (Area and Constitution) Order 2003 says:

"According to the proposal, housing, commercial and industrial growth would be focused predominantly, but not exclusively, on brownfield land south of the A13. The UDC would operate in line with the development principles established in Thurrock council's local plan—and first deposit unitary development plan—as that relates to the protection of the green belt."

In the development of brownfield sites the cost of cleaning up any pollution is a cost attributable to the development. Another characteristic of Development Corporations is that they are allocated for a specific site and must deal with existing interests.

I wish to propose that the Development Corporation legislation be used in a new way:

- 1) A fund is established to buy options on greenfield land throughout the UK at or near agricultural prices.

2) When options have been purchased for a suitable area a development corporation is established.

3) Each development corporation would have defined objectives.

Objectives of Green Development Corporations could vary. There are several possibilities:

1) To raise money for the Exchequer - planning permission raises the value of one square kilometer of well placed agricultural land by several hundred million pounds. Well-placed development corporations could raise many billions.

2) To provide social housing and possibly alternative forms of settlement (e.g. neighborhoods with reduced environmental impact or with objectives in line with the Government's Sustainable Communities initiative.)

3) For some other purpose such as funding health or education. The current proposals in York for the University Campus Two represent a few hundred million pounds worth of planning permission. It is clear that some of this is a business park, where the planning permission is particularly valuable and not particularly closely related to University activity (although this may not be the University's view). It is likely that the planning authority will grant permission because they feel education is a "good thing".

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