

BARKER REVIEW OF HOUSING SUPPLY – COMMENTS ON ISSUES

ISSUE 1

- A shortage of land for development is where demand exceeds supply in any one catchment area. Logical catchment areas are Travel to Work Areas which are defined by Government. The supply/demand balance for these areas can be ascertained by comparing planned future housing supply (existing + plan allocations) with Government household projections for the same areas. Household projections indicate a continuation of past policies. By this criterion **development plans have undersupplied housing in many parts of the country, particularly the South-East**. This was pointed out by Stephen Crow's report on SERPG.
- Landowners' willingness to sell depends primarily on hope value. There is rarely a problem in relation to greenfield land, unless special factors inflate hope value, so that the benefits of waiting (eg rising prices for land or finished buildings) exceed the rate of interest in capital tied up in land. In these days of low interest rates but rising land and house prices waiting is more attractive than it used to be. Again this is particularly so in the South-East.
- For brownfield land it is much more complicated; owners often begin with inflated expectations of land value, based on historical land uses and taking insufficient account of the costs of decontamination etc. These expectations are fuelled by the anticipated benefits of betterment deriving from redevelopment in adjacent areas and by public works such as new transport facilities. These problems can be overcome on large projects by introducing development corporations eg LDDC in London Docklands, but this does not address the more normal situation where there is a large number of scattered sites. Willingness to sell is also reduced if there is a hope or expectation that infrastructure deficiencies will be made good and or decontamination costs will be subsidised from public funds. The overall message is that **the issue of "betterment" must be properly grasped in order to make development purposeful and affordable to the public purse**.
- Optioning is a logical means for developers to reduce uncertainty without having to tie up large amounts of money by actually buying land. Introducing a more certain legal basis to the betterment question would help reduce this uncertainty. More radically, changing the nature of development plans would also help. As it stands, development plan land allocations put the owner of allocated land in a monopoly position in relation to development demand and this combined with hope value encourages delay. If provision were made for land allocations in development plans to entail a commitment to develop and allocated areas to be auctioned to developers this delay might be reduced. With such an approach optioning would not be an attractive proposition.
- The quantity of housing land in development plans is the result of policy stance in relation to demand. Demand needs to be satisfied over an appropriate area (see remarks on travel to work areas above) but individual local plans relate to smaller areas where restraint policies may apply, leading to local undersupply, or promotion policies may apply, leading to local oversupply. So long as there is an overall match of supply and demand this approach can be justified. Where there is overall undersupply or oversupply as, arguably, in the South-East and North respectively problems begin to arise – anti-social price inflation in the undersupply cases, anti-social environmental effects (abandonment etc) in the oversupply cases. The above remarks refer to housing demand which relates housing supply to the ability to pay; housing need refers to a social requirement focussing particularly on cases where there is insufficient ability to pay. These situations need to be uncoupled from the functional requirements of development plans to ensure that land is supplied at a sufficient scale and developed in an orderly manner (Town & Country Planning Act purpose). These situations need to be accepted as part of the Government's social security agenda. It is a distraction to confuse them with the problems and opportunities the use and development of land.

- RPG housing shortfall appears to occur mainly in the South-East and is the result of the policy stances that have been built into the production of that RPG – see report by Stephen Crow. Realistic applications can only arise from development plans.

ISSUE 2

- Experience has shown skill shortages to be more of a problem with alternative production techniques, leading to poor quality results and rapid deterioration. Builders should be contracted to include a considerable period of maintenance in schemes built using alternative production techniques
- Due to scale thresholds most alternative production techniques need higher levels of capitalisation than traditional methods
- The costs of brownfield remediation and the required post-remediation standards for housing have often been underestimated due to the understandable zeal, enthusiasm and over-optimism which surrounds policy on sustainable development. Over-optimism is the most dangerous feature.

ISSUE 3

- Trying to use planning policy (s106s etc) to provide social housing does not properly reflect the wider social costs and benefits of subsidised housing. Value for the public purse can and should be extracted from the betterment created by the development process, but this should be implemented as part of fiscal policy and not mixed in to the process of land development. Likewise, the provision of social housing is a laudable social objective which should also be financed as part of social policy and not mixed in to the process of land development.
- Similarly, incentives to develop brownfield land should be implemented as part of fiscal policy (tax breaks, subsidies, etc), with the planning system providing sites and co-ordinating infrastructure provision.
- The present disincentives to brownfield development could be eased if a system of tradable “Brownfield Credits” were introduced. Such credits would be given from brownfield development and would need to accompany any application for greenfield development. There could be an “exchange rate” that could relate to the government’s policy on the proportion of new housing which should be built on brownfield sites – thus the present “exchange rate” would be 6:4 brownfield/greenfield. Resources derived from trading these credits could help subsidise brownfield development.
- VAT on conversions/improvements is a clear disincentive. Either scrap VAT on conversions/improvements or if revenue income is a problem have the same rate on both conversions/improvements and new build.

ISSUE 4

- Much of the problem associated with affordable housing is not to do with the housebuilding industry but with overall low incomes, even in areas of relatively low-priced housing. Hence treat housing as part of social policy (see above)
- The private rented sector is relatively unattractive in UK because it caters for a relatively small sector of the population – rich mobile people who do not wish to buy and others too poor to buy. The rest go for the capital gains implicit in home ownership in times of rising house prices (most of the time) Renting would be

relatively attractive if rent levels were kept low enough to make it more attractive than purchase – not just by controls but by fiscal means too, eg making maintenance and improvement tax-deductable and ensuring that housing associations become more competitive and less top-heavy.