

Consultation response

# The Right to Build: supporting custom build and self build

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Shelter helps millions of people every year struggling with bad housing or homelessness. We provide specialist advice and support on the phone, face to face and online, and our legal teams can attend court to defend people at risk of losing their home.

However at Shelter we understand that helping people with their immediate problems is not a long-term solution to the housing crisis. That's why we campaign to tackle the root causes, so that one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

## Introduction

Shelter welcomes the opportunity to reply to this consultation on the Right to Build. Custom build represents an excellent opportunity to increase the number of people who commission and build their own homes, which would in turn help increase diversity, competition and resilience in England's development industry, which has become increasingly concentrated in recent decades.

Shelter supports the principle of custom build registers as a practical tool to enable local authorities to gauge demand for custom build in their area, identify individuals who are looking for land for custom build and act as facilitators for custom building.

However, the government's ambition in this consultation is to go beyond just looking at custom build registers and to give people a real right to build. Opening up access to suitable land has been identified as fundamental to this new right, but consideration of the affordability of that land is not adequately addressed. The emphasis in the consultation document is on making more land available at market prices. While increasing the supply of land for custom build would be welcome, on its own it cannot be expected to overcome the major barrier to custom build, which is the cost of development land. Modest increases in supply will not significantly reduce market prices for development land, as these are set largely by house prices in the second hand homes market. As house prices are extremely high, development sites are unaffordable to all but a very few wealthy custom builders.

The consultation's focus on the quantum of suitable sites, rather than their price, therefore represents a missed opportunity. Any right to build will remain merely notional for a majority of people unless custom build is made more affordable.

Making custom build a practical and attractive possibility for more people is central to increasing the number of custom builders. In order to do this and create a practical right to build, the affordability of suitable land must be addressed at the same time as the availability of suitable land is increased.

## Responses to questions in the consultation

Responses are given to questions 3, 4, 5, 6, 12, 23, 26, 28, 30 and 31.

**Q3. What preferences should custom builders be able to express on the register? Are there any preferences which are essential for all local planning authorities to consider?**

**Q4. To what extent should a local planning authority be expected to meet these essential preferences?**

**Q5. Are these the right eligibility criteria for the register? What are the practicalities for local planning authorities in assessing against these criteria?**

**Q6. Do you agree that local planning authorities should have the discretion to apply a local connection test and, if so, why?**

Requesting information on prospective builders' preference for location, their available budget and whether they would like to take part in a group custom build is a sensible minimum. This information will be essential for measuring the quantity and nature of demand for custom build and to local authorities if they are to provide an effective facilitation role to individuals and groups.

However, the consultation document blurs the distinction between prospective builders' preferences and the criteria for eligibility for registration. This is particularly unhelpful in respect of financial viability. If registers are to be used as an accurate measure of the full demand for custom build at both a local and national level it is essential that the inability to buy land is not a barrier to registering. Doing so would lead to full demand being under-reported as people on modest incomes who cannot afford current local market prices will be deemed to have 'ineligible' demand. It may even discourage people from applying to be registered in the first instance. This will be further exacerbated if people are only eligible to register their interest for custom build within a tightly defined local area, where land prices may be high.

This will mean that the registers will be of next to no use for guiding how policy should change to make more affordable land available in order to make demand effective from people who cannot afford existing market prices. This is clearly a missed opportunity as the high price of land is a central constraint on the growth of custom build. Although there is no longer an official measure of land prices, the available evidence (included in the appendix) suggests that average plot prices at market prices are upwards of £100,000, which would be an unaffordable starting point for most households on middle incomes, particularly those who do not already own a home. In order to grow custom build and make it a genuine route into home ownership the central question of land affordability must be tackled head-on.

As such, there should be no restriction on eligibility for registering interest in custom build and being included on a register based on ability to pay.

**Q12. Do you agree with the proposals on transparency?**

Yes. Given the lack of existing data on both demand for and supply of new custom build homes, headline data from the registers will make a valuable contribution for policy makers. Making headline data on demand transparent will create further opportunities to publicise how successfully that demand is being met. Information on local levels of custom building should therefore also be made available.

**Q20. How could we expand or change these principles to ensure we provide a fair national framework?**

**Q23. Should there be an appeals mechanism to enable custom builders to challenge the plot price?**

The proposed principles currently only require councils to offer plots in line with preferences (including ability to pay) “as far as it is possible”, so removing the financial viability eligibility criterion should not necessitate a change to the principles proposed.

However, providing realistic opportunities to prospective custom builders on medium incomes would in many areas require taking additional steps to bring forward land at below market values. This should not require taxpayer subsidy, as there are new policy mechanisms to bring forward land for custom build at lower than market values (see answer to question 26 below). There are also existing policy mechanisms that are already being employed that do this. For example, one of the Right to Build vanguard authorities, Shropshire, has used rural exception sites to provide sub-market land for custom build homes, which are subsequently kept affordable in perpetuity.

Custom builders themselves are best placed to comment on the most useful way of advertising plots to households on custom build registers. However, where plots are offered at market rates, the benefits of councils offering them to households on the register directly rather than through the market appear unclear (and create the need for an appeals mechanism, for example). The added value that councils and the public sector can bring is in doing things that the market will not provide at a good price, such as bringing forward affordable land and facilitating new custom build groups coming together. Several German cities have successfully supported Baugruppen custom building groups in this way.

**Q26. Will these approaches (including a combination of approaches) work? What other approaches are there?**

**Q28. Do you agree that in some circumstances local planning authorities will need to look at bringing forward land in the wider housing market area? Are there other approaches we could consider?**

There is a huge backlog of need for new affordable housing, including intermediate and social rented homes.<sup>1</sup> So it is vital that any approach to bringing forward land for custom build does not impact on the provision of affordable homes. Given this, the suggestion that developers could make Section 106 contributions in the form of land for custom build instead of cash payments must be further clarified. Developers should not be able to avoid providing or paying for new affordable housing by providing plots for custom build as an alternative. This would be unacceptable unless those custom build homes were themselves also affordable homes. New custom build homes must be genuinely additional, not built in place of affordable homes.

Prioritising custom build as part of new garden cities could bring forward a considerable number of plots for custom build at affordable prices without adversely impacting on affordable housing provision. In our runner-up award winning submission for the Wolfson Economics Prize 2014, Shelter set out how a garden city or new town development model could make affordable land available for custom build without public subsidy, by acquiring land at close to existing use values and promoting it through the planning system.

There are also opportunities for local authorities or other agencies to promote land for custom build in urban extensions through an enhanced land assembly role. Shelter argued in our joint report with KPMG<sup>2</sup> that planning authorities should be given the power to designate “New Home Zones”, which would allow them to assemble land. The land would be brought in through negotiation with the land owner with the credible threat of compulsory purchase as a backstop. This model was widespread in much of Europe – for example, the Hafencity development in Hamburg, which delivered new urban land for high-density custom build.

Shelter will be publishing a report in the new year that will set out in greater detail how new garden cities and urban extensions could deliver more affordable land for custom build.

Where a substantial amount of new land is made available for custom build through the delivery of new garden cities or urban extensions, there would be clear benefits in advertising opportunities across housing markets so that they can be accessed by more people. Furthermore, as a general principle, it makes sense to measure housing need and demand across functional housing market areas rather than just within local authorities. At the very least, registers should be held and opportunities offered at this larger than local level, rather than only within individual local authorities, reflecting the decision to have a joint register across London.

**Q30: How should the register reflect the requirements of those who are eligible for affordable housing?**

**Q31: What tools do local planning authorities and registered providers need to enable them to bring forward custom build affordable housing?**

For the register to reflect the requirements of people who are eligible for affordable housing the proposed financial viability eligibility criterion for inclusion on the register must be removed. While it would be possible to keep such a criterion and allow people who are eligible for affordable housing to be given special dispensation, it would a) likely dissuade those on low incomes from applying and b) exclude those on modest incomes not eligible for affordable housing but not able to afford land at market prices.

Delivering land custom build through new garden cities and urban extensions (as outlined above) would allow authorities to bring forward land for affordable custom build with less need for subsidy.

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<sup>1</sup> Shelter has set out its recommendations for how many new intermediate and social rented homes we need in *In the mix: the need for a diverse supply of new homes*. This recommends a near doubling of the number of intermediate homes we build (on 2013/14 levels) and a sevenfold increase in the number of social rented homes.

<sup>2</sup> *Building the homes we need*, Shelter and KPMG, 2014

## Appendix: Evidence on land prices

**Table 1: the value a plot of suburban land in 2011**

Area	Residential land value (£/Ha)	Value of a plot size recommended on the Self Build Portal (£/666.66m <sup>2</sup> )	Value of a plot size at a higher density – 40 units per hectare (£/250m <sup>2</sup> )
East	2,900,000 (Cambridge)	193,333.14	72,500
East Midlands	1,200,000 (Nottingham)	79,999.92	30,000
South East	4,000,000 (Oxford)	266,666.40	100,000
London Outer	4,037,500 (Croydon)	269,166.39	100,937.50
North East	1,300,000 (Newcastle)	86,666.58	32,500
North West	1,500,000 (Liverpool)	99,999.99	37,500
South West	2,200,000 (Bristol)	146,666.52	55,000
West Midlands	1,200,000 (Birmingham)	79,999.92	30,000

Source: VOA

**Table 2: guide prices for plots of land advertised as suitable for one unit**

Area	Guide price (£)	Size	Site suitability/risk	Equivalent price (£/Ha)
East (Littleport, 20 miles outside Cambridge)	300,000	3035m <sup>2</sup>	No planning permission, but adjacent development.	988,467.88
East Midlands (Kirklington, 15 miles outside Nottingham)	250,000	1012m <sup>2</sup>	Detailed planning permission for a five bed home. Serviced.	2,470,355.73
South East (Bloxham, 20 miles outside Oxford)	615,000	1659m <sup>2</sup>	Detailed planning permission. Serviced.	3,707,052.44
London Outer (Romford, zone 6, 15 miles from Central London)	160,000	Building footprint is 48.2m <sup>2</sup> . Plot also includes limited access land	Detailed planning permission granted (with significant conditions) for a small 2 bed home. Serviced.	33,195,020.70
North East (Cleadon, 5 miles outside South Shields and 10 miles from Newcastle)	325,000	688m <sup>2</sup>	Detailed planning permission for 4/5 bedroom house. No details on servicing.	4,723,837.21

North West (Grassendale, 5 miles outside Liverpool)	350,000	1012m2	Detailed planning permission for 4/5 bedroom house. No details on servicing.	3,458,498.02
South West (Stroud fringe, 10 miles outside Gloucester)	49,000	4047m2	No planning permission, on the edge of a conservation area, with natural springs onsite. Not serviced.	121,077.34
West Midlands (Wolverhampton fringe, 20 miles outside Birmingham)	52,500	300m2	Detailed planning permission, site access. No details on servicing.	1,750,000

Source: all prices taken from uklanddirectory.org.uk, accessed on 10/10/2014 and 30/10/2014

### Further Information:

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