

Shelter response

Development

Corporation Reform:

Technical

Consultation

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1. INTRODUCTION

Shelter welcomes the government's decision to give local councils powers to request the creation of locally-accountable New Town Development Corporations (NTDCs). This change will extend the range of tools available for meeting the country's development needs, particularly in areas not currently covered by a Combined Authority, which have lacked a locally-accountable development corporation model until now. We welcome the opportunity to respond to this consultation on this and other potential changes intended to make development corporations more effective for meeting strategic needs for housing, infrastructure and regeneration.

Development Corporations, New Towns and Social Housing

While development corporations can of course be used to meet a range of objectives, Shelter would emphasise their particular value for driving forward large-scale housing delivery, planned to meet a wide range of local and regional housing needs and **including exemplary levels of social rent housing**.

Between 1946 and 1970, NTDCs delivered three successive waves of New Towns across the country, including 21 in England. These New Towns prioritised social rent homes while remaining committed to creating socially-mixed communities with a range of tenures and types of housing available. In doing so, the post-war New Towns made a major contribution to meeting the country's housing needs, providing decent, affordable accommodation for millions and relieving housing pressure in high-demand areas in the process. As of 2014, over 2.76 million people across the United Kingdom live in homes delivered through the post-war New Towns programmes.¹

Social rent housing was at the heart of this achievement. The unique ability of social rent to guarantee both quality standards and local affordability for households at a wide range of income points helped to underpin demand for the homes the New Towns built, which in turn ensured that many post-war New Towns were able to build out at record speeds.

A new programme of garden settlements and urban extensions today could once again make a significant contribution to tackling the country's backlog of need for homes, above all social homes, at pace. In turn, including greater than average levels of social rent housing on such developments will help ensure new housing schemes maximise local demand, underpinning faster build out rates. As Sir Oliver Letwin commented in his independent review of build out rates last year, the need for social rented housing is 'virtually unlimited' in areas of high housing

¹ Town and Country Planning Association, [New Towns and Garden Cities: Lessons for Tomorrow - Stage 1 Report: An Introduction to the UK's New Towns and Garden Cities](#), 2014, p.2

pressure, and the market for this kind of housing is separate from the price-constrained market for open market sale homes.²

What makes development corporations work?

The post-war New Towns were only able to make their significant and rapid contribution to housing supply because the NTDCs which delivered them had both the resources and powers they needed to deliver ambitious schemes.

MHCLG's consultation document gives a number of benefits of development corporations, including their ability to harness expertise from the private sector and their specific purpose to develop a strategic vision for the areas they operate in. As important as these benefits are, they pale in comparison with the significance of securing the powers and resources development corporations need to deliver on their strategic visions.

Above all, the NTDCs which build the post-war New Towns were able to acquire land at values reflecting current, often agricultural, uses. This controlled the overall costs of building homes through NTDCs, making government subsidies for social rent housing go further and avoiding the land market inflation which has often accompanied government investment in housing in recent decades.³

This situation was gradually phased out following the passage of the Land Compensation Act 1961. This Act opened the door to legal challenges to the New Town development model from landowners, on the basis that the price paid for land should reflect not current uses but rather prospective future uses – including prospective future uses for which no planning permission currently exists.

This so-called “hope value” is one major reason why the value of land owned by households has grown by 553% since 1995, while the combined value of the assets overlying land (i.e. buildings) has risen at less than half this rate.⁴ It is also why land for New Towns today is often prohibitively expensive or too complex to be viable. In a country where agricultural land outside of London becomes around 120 times more expensive upon the receipt of planning permission,⁵ “hope value” matters. Tackling this problem is Shelter's principal recommendation for how the government can make development corporations of all types effective tools for delivering housing, regeneration and growth.

We are also concerned that the government's ambition, expressed in the consultation document, to prioritise more private sector involvement in development corporations risks deprioritising the involvement of community interests and their elected representatives. This could weaken the popularity of

² Rt Hon Sir Oliver Letwin, [Independent Review of Build Out Rates – Draft Analysis](#), 2018, p.16

³ D. Bentley, [The Land Question: Fixing the dysfunction at the root of the housing crisis](#), Civitas, 2017, p.48; N. Keohane, N. Broughton, [The Politics of Housing](#), Social Market Foundation report for the National Housing Federation, 2013, p.49

⁴ Office for National Statistics, [The UK national balance sheet: 2019 estimates](#), 2019, Figure 7

⁵ Excluding London, and before planning obligations are considered; [MHCLG Land value estimates for policy appraisal 2017](#), 2018

new development projects, and their responsiveness to the specific housing and growth needs of communities and individual households.

Ultimately, there is a risk that private sector involvement, if strengthened at the expense of community involvement, could undermine the political certainty behind development corporation projects: a key factor in leveraging private sector investment. If projects do not include sufficiently meaningful engagement opportunities for local people and prospective newcomers, popular opposition may delay or prevent projects from progressing.

We recommend that the government instead seeks to balance private sector involvement with community involvement and the involvement of local councils or groups of local councils, who can ultimately be held accountable for development outcomes through the democratic process.

Summary

While the post-war New Towns were not perfect, they demonstrated a model for delivering homes through development corporations to meet the country's needs at scale, at pace, and in a financially-sustainable way. This is a model the government should now return to and revive to tackle our modern housing emergency.

However, this approach will only work if modern development corporations are properly-resourced and underpinned by reform of the Land Compensation Act 1961.

There is nothing inherent in the design of development corporations which makes them able to achieve different outcomes to those seen in mainstream development. Their ability to rapidly build homes of a wide range of types and tenures and at a wide range of price points has been a function of government's willingness to allow them to approach development differently, capturing and reinvesting rising land values over the long-term.

Using development corporations effectively to meet the country's housing and infrastructure needs also relies on learning the lessons from the past.⁶ One key insight is that development should be planned and delivered in collaboration with local people and statutory bodies, as well as with private sector actors where appropriate, to ensure that the projects development corporations pursue respond effectively to housing needs and preferences.

We recommend that the government seeks to balance private sector involvement with community involvement and the involvement of local councils or groups of local councils, rather than seeking to prioritise further private sector involvement.

⁶ See, for example, Town and Country Planning Association [New Towns and Garden Cities: Lessons for Tomorrow - Stage 2 Report: Lessons for Delivering a New Generation of Garden Cities](#), 2015

2. INVOLVING THE PRIVATE SECTOR

Question 1: Are there measures that you would like to see implemented to further facilitate private sector involvement and investment in development corporations? What changes would you like to see?

When the government announced its decision to give local councils powers to establish NTDCs, then Housing Minister Dominic Raab was clear on his intentions for the new bodies: “These will be locally accountable and must listen to the views of the community to ensure that the right homes are built in the right places.”⁷

Shelter agrees wholeheartedly with this ambition, firstly to ensure that NTDC projects are popular and so proceed through planning and development swiftly and with minimum friction, and secondly to ensure that those projects are focused on and accountable for meeting housing need – above all the need for social rent and other types of housing poorly-served through mainstream development models.

We are concerned that the ambition to prioritise more private sector involvement in development corporations risks deprioritising the involvement of community interests and their elected representatives, which itself could weaken the popularity of new development projects and their responsiveness of housing needs. It also risks undermining the political certainty behind development corporation projects: a key factor in leveraging private sector investment.

We recommend that the government instead seeks to balance private sector involvement with community involvement and the involvement of local councils or groups of local councils, who can ultimately be held accountable for development outcomes through the democratic process.

Public engagement to gain consent for development

Meaningful public engagement in the planning and development process should be a requirement of any large-scale development through development corporations, including engagement in Local Plan processes and plans for specific developments. This will ensure that new development responds to community needs and preferences, which will in turn ensure that development proceeds with minimum public opposition. Ultimately, community backing increases the political certainty behind projects, de-risking the private investment needed for projects to flourish.

⁷ MHCLG press release, [New powers for councils to deliver homes for local families](#), 4 June 2018

Will Tanner, Director of centre-right think tank Onward, wrote about the value of public engagement in the case of the Nansledan urban extension in Cornwall in his essay for Shelter's 2019 Grounds for Change collection:

"A place-making approach based on local infrastructure investment would almost certainly generate far more homes. In Nansledan, local residents initially resisted plans put forward for a new thousand unit development on the edge of Newquay. Yet after considerable engagement with local people businesses about what and where the development would be, and who would build it, the local community agreed to a 4,000 unit urban extension. The way to turn NIMBYs into YIMBYs is to listen."⁸

The Nansledan project used the Prince's Foundation's 'Enquiry by Design' method to meaningfully engage the existing community, broader community groups from surrounding areas, local authority councillors and officers, and others who had expressed an interest in the development.⁹ Shelter would recommend the government rolls out a similar approach across future development corporation projects and considers how to ensure it is followed, including the potential value of planning guidance.

Ensuring housing needs are met

Development corporations should seek to build the homes needed to meet local and nearby housing need and create thriving, mixed communities on their schemes. Above all, this involves a return to the prioritisation of social rent seen in the post-war New Towns, to start tackling the backlog of need for England's most affordable tenure.

Rents in social rent housing are set using a formula pegged to local incomes, making them affordable by design. As a result, social rent is the only tenure affordable to minimum wage earners across much of the country,¹⁰ and the only tenure where rents are low and stable enough to give enters on modest incomes the breathing room to save each month, half of whom cannot currently afford to save even £10 a month.¹¹ Given that 63% of private renters currently have no savings at all,¹² there is a clear need for locally-affordable social rent homes on development corporation schemes, alongside other tenures included in the government's definition of Affordable Housing and market homes to buy or rent.

Robust assessments of local housing need should be a key consideration in the development of development corporation plans, with schemes aiming to provide exemplary levels of social housing (above local "policy-compliant" levels) wherever there is significant unmet need in the relevant council area or in neighbouring and nearby council areas.

⁸ Shelter, [Grounds for Change: The case for land reform in modern England](#), 2019, p.23

⁹ Boys Smith, N. and Toms, K., [A Place to Call Home: Creating Streets in Cornwall with consent: The story of the Nansledan urban extension to Newquay](#), Create Streets, 2018, p.10

¹⁰ Institute for Public Policy Research, [Priced Out? Affordable Housing in England](#), 2017

¹¹ Webb, K., [Fair Rent Homes: An affordable alternative for hard-pressed renters](#), Shelter, 2017, p.18

¹² English Housing Survey 2017 to 2018, Private rented sector. Annex table 2.7: savings among all households

Those with a direct interest in reducing homelessness and meeting housing need in the surrounding area must be at the heart of decision-making. A strong role for councils, elected representatives and community representatives is essential for achieving this. This will ensure that evidence and insights about which homes are needed where are at the heart of decision-making.

Development corporations should in all cases remain accountable to MHCLG, a Mayor, a local authority, a group of local authorities or a combined authority.

3. COMPARABLE POWERS FOR DEVELOPMENT CORPORATIONS

Question 2: Are the existing models of development corporations sufficiently broad in scope to allow for the types of development that local areas wish to pursue? Are there any barriers to the uptake of existing models? If so, what sort of change do you think is needed?

Development corporations today have value for attracting investment and providing the focus of single-purpose, long-life organisations to deliver large-scale development. However, this value is limited by the absence of the land acquisition powers and resources which underpinned the success of post-war New Towns in meeting development needs. Without these, development corporations are constrained by the same financial limitations which prevent other development actors from delivering homes to meet a range of needs, above all locally-affordable social rent homes. We will explore this theme further below. Restoring these powers and resources will be critical to incentivising the further uptake of development corporation models.

Question 3: Do you agree that all development corporations should have the ability, where appropriate, to exercise the plan-making and development management functions of a local planning authority?

Yes. These powers are essential for development corporations to perform their role of strategically planning and delivering development. However, development corporations should in all cases remain accountable to MHCLG, a Mayor, a local authority or a combined authority, to ensure democratic accountability for development outcomes.

Development corporations should also collaborate extensively with existing statutory bodies and communities, benefitting from the expertise of local planners with knowledge of the local area and residents' needs and preferences – as well as engaging local people and prospective newcomers themselves.

Question 4: Do you agree that all development corporations should be able to secure contributions from developers using a range of mechanisms, such as CIL, SIT and Section 106 planning obligations, where they have taken on the corresponding planning powers from the local planning authority?

Question 5: Are there any other measures relating to planning powers and/or increasing the efficiency and effectiveness of planning in development areas designated to be overseen by development corporations?

Question 6: Are there any measures relating to developer contributions that should be put in place for development corporations?

Question 7: Are there any other measures relating to development corporation powers that you would like to see implemented?

This is our combined answer to questions 4, 5, 6 and 7.

Development corporations should be allowed to use a special compensation code for Compulsory Purchase Orders (CPOs) to purchase land designated for strategic projects. This involves amending sections 14 and 17-19 of the Land Compensation Act 1961 for designated areas. This change would put modern development corporations on a similar footing to the post-war NTDCs, which had powers to compulsorily purchase land at a value excluding “hope value”: the value attendant on prospective future planning permissions.

This effect of this change would not be to incentivise the use of CPOs in purchasing land for development corporation projects – indeed, the post-war NTDCs had access to compulsory purchase powers, but mostly used the threat of compulsory purchase to assemble land by agreement.

Instead, the effect would be to change the incentives operating in the land market, securing landowner buy-in for commercial transactions at values permitting ambitious development plans targeted at meeting housing needs poorly served by mainstream development models. Development corporations would then be able to use existing mechanisms – CIL, SIT and Section 106 planning obligations – to secure social rent housing, other types and tenures of housing identified through housing needs assessments, infrastructure and contributions to local services.

At present, these mechanisms are too weak to be able to provide the social homes and infrastructure new settlements need to thrive, with the consequence that many potential new settlements are unviable and do not go ahead at all. Shelter, in coalition with Onward, CPRE, the National Landlords Association, New Economics Foundation, the National Housing Federation - and a host of other campaigning organisations and MPs – campaigns for reform to the Land Compensation Act 1961 to change the incentives operating in the land market.¹³ Shelter’s 2019 Grounds for Change contains further detail on the limits of current land value capture mechanisms and the benefits of reforming the Land Compensation Act 1961 for the efficacy of these mechanisms.¹⁴

Learning from the post-war New Towns

While the post-war New Towns were not perfect, they demonstrated a model for delivering homes through development corporations to meet the country’s needs at scale, at pace, and in a financially-sustainable way. This is a model the government should now return to and revive to tackle our modern housing

¹³ Onward, [Sharing land value with communities: An open letter](#), January 2019

¹⁴ Grayston, R. “From vision to reality: Amending the 1961 Land Compensation Act”, in Shelter, [Grounds for Change: The case for land reform in modern England](#), 2019, p.60

emergency. Yet the post-war New Towns were only able to make their significant and rapid contribution to housing supply because the NTDCs which delivered them had both the resources and powers they needed to deliver ambitious schemes including exemplary levels of social housing.

This model will only work today if modern development corporations are properly-resourced and underpinned by reform of the Land Compensation Act 1961. There is nothing inherent in the design of development corporations which makes them able to achieve different outcomes to those seen in mainstream development. Their ability to rapidly build homes of a wide range of types and tenures and at a wide range of price points in the immediate post-war period was a function of government's willingness to allow them to approach development differently, by capturing and reinvesting rising land values over the long-term.

Above all, they were able to acquire land at values reflecting current, often agricultural, uses. This controlled the overall costs of building homes through NTDCs, making government subsidies for social rent housing go further and avoiding the land market inflation which has often accompanied serious government investment in housing in recent decades.¹⁵

With development value intact at the point of purchase, NTDCs were able to plan for the homes and supporting infrastructure needed to create successful new places. They then capitalised on the increasing land values which resulted from development to fund further building and to repay their original development loans from the Treasury. In this way, the New Towns not only achieved significant housing policy outcomes, but did so in a financially sustainable way; the total £4.75 billion loans made to the New Town Development Corporations by the Treasury were fully repaid in early 1999.¹⁶

This model is now impossible. It was gradually phased out following the passage of the Land Compensation Act 1961. This Act opened the door to legal challenges to the New Town development model from landowners, on the basis that the price paid for land should reflect not current uses but rather prospective future uses – including prospective future uses for which no planning permission currently exists.

This so-called “hope value” is one major reason why the value of land owned by households has grown by 583% since 1995,¹⁷ while the combined value of the assets overlying land (i.e. buildings) has risen at less than half this rate.¹⁸ It is also the principal reason why land for New Towns today is often prohibitively expensive or complex to be viable. The slow progress of Ebbsfleet ‘Garden City’

¹⁵ Bentley, D., [The Land Question: Fixing the dysfunction at the root of the housing crisis](#), Civitas, 2017, p.48; Keohane, N., Broughton, N., [The Politics of Housing](#), Social Market Foundation report for the National Housing Federation, 2013, p.49

¹⁶ Town and Country Planning Association [New Towns and Garden Cities: Lessons for Tomorrow - Stage 2 Report: Lessons for Delivering a New Generation of Garden Cities](#), 2015

¹⁷ Office for National Statistics, [The UK national balance sheet: 2018 estimates](#), 2018, Figure 2

¹⁸ Office for National Statistics, [The UK national balance sheet: 2019 estimates](#), 2019, Figure 7

demonstrates the problem well. Twelve years on from the start of construction, and despite multiple tranches of taxpayer funding, it has eked out only around 1,400 of its planned 15,000 homes.¹⁹ In a country where agricultural land outside of London becomes around 120 times more expensive upon the receipt of planning permission,²⁰ “hope value” matters.

To move forward and improve our ability to share rising land values more fairly between landowners, existing communities and the residents of new housing, we must change the incentives in the land market for development corporation projects.

Reforming the Land Compensation Act 1961 to exclude consideration of theoretical planning permissions for land designated by development corporations would reduce CPO compensation to something much closer to the value of land in its existing state, with its existing planning permissions.

Tackling this problem is Shelter’s principal recommendation for how the government can make development corporations of all types effective tools for delivering housing, regeneration and growth. Only when development corporations have access to the resources and land acquisition powers they need to build homes of a range of tenures and types (including exemplary levels of social rent homes) will they be able to make their full contribution to meeting the country’s housing needs.

Shelter has no comments on questions 8 and 9 of this consultation.

¹⁹ Total number of new homes: 1358 <https://ebbsfleetdc.org.uk> (accessed 22/02/2019)

²⁰ Excluding London, and before planning obligations are considered; [MHCLG Land value estimates for policy appraisal 2017](#), 2018

4. CONTACTING SHELTER

We would welcome the opportunity to discuss this consultation and the potential for development corporations to help tackle our modern housing emergency.

Please contact Rose Grayston at rose_grayston@shelter.org.uk.

Shelter helps millions of people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure 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.

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