

Making New Garden Cities Happen

Principles and priorities for the next government from the Wolfson Finalists

Everyone now agrees that 21st Century Britain faces an acute housing shortage, resulting in a worsening affordability crisis that is causing serious social and economic problems. Experts and major political parties of all persuasions are in agreement that New Garden Cities could play an important role in helping to solve Britain's housing crisis.

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The supply shortage has built up over decades under successive governments, and across economic cycles. Solving this complex problem will require a portfolio of approaches, including new settlements alongside urban regeneration, urban expansion and town centre intensification.

The Wolfson Economics Prize 2014 explored the barriers to delivery in its competition question: "How would you deliver a new Garden City which is visionary, economically viable and popular?" The fact that 279 entries were received from 12 different countries demonstrates the strength of feeling that the Garden Cities concept has the potential to overcome these barriers. As the 'Wolfson Finalists' our five entries were shortlisted as having particular merit and we were given the opportunity to develop our ideas further. The final entries can be found at www.policyexchange.org.uk/item/wolfson-economics-prize.

Although our individual submissions are different in their approach, key elements are common to them all – and distinguish the Garden City concept from the way in which house building is typically done in this country. The common themes focus on the distinctive financial and governance arrangements of Garden Cities.

These structures are what allow the accelerated delivery of high quality new homes, jobs and infrastructure - with little or no change in existing legislation and only modest financial support from the public sector. Sadly, these crucial features of the Garden City concept have been largely overshadowed in public and media debates by disagreements over the potential locations and design characteristics of Garden Cities.

We strongly believe that Garden Cities can be provided in a variety of scales, physical formats and in different locations, both

brownfield and greenfield, and that these are matters for democratic determination. Debate should now focus on the practical steps needed to deliver New Garden Cities in the 21st century, drawing on the lessons of own history and from successful European models.

This Joint Statement by the Wolfson Finalists sets out three fundamental principles which are essential to the Garden City concept, and three priority actions for the next government which would start to unlock the delivery process.



Image Credit C.Rand

The fundamental principles

There are three critical features that distinguish the Garden City concept from other types of development, and which must be reflected in all New Garden Cities if they are to succeed.

1 Retaining Value in the Place

Central to the Garden City concept is the belief that *the uplift in the value of the land, arising from the development process, can be shared more equitably than is currently achieved.* Smarter sharing of the land value uplift between landowners, developers, investors, public authorities and local communities can ultimately improve the quality of development, provide for the long term stewardship of assets, and deliver a wider range of benefits for local people.

Retaining much of the value that comes from development in the place itself can fund quality infrastructure, affordable housing, and additional community benefits. It also enables investors and landowners to benefit from the creation of value over the long term – in exchange for accepting a lower cash price at the start of the development.

One way to kick start the process of investing in land at reasonable initial prices would be to allow greater flexibility in the release of public sector land, acknowledging that ‘best value’ need not be equated with ‘highest price’.

2 Localising Stewardship of Community Assets

Currently, commuted sums and section 106 agreements are reluctantly paid from development budgets to finance on- and off-site infrastructure and community benefits; there is little or no engagement by the community in the discussions, or in the future stewardship of the assets provided.

Rather than taxing development, *New Garden Cities offer the potential to improve on conventional planning gain mechanisms by granting ownership of assets to the local community itself.* This helps to foster positive relationships between local residents, businesses and other stakeholders, while the income streams such assets generate can then support improved stewardship of the public realm, better public transport, and a wider range of community facilities. Letchworth Garden City Heritage Foundation and Milton Keynes Parks Trust are excellent examples of how such models can support exemplary and additional services.

3 Unlocking access to patient capital

The scale of upfront funding required for new infrastructure, long before it generates income, makes financing New Garden Cities impossible for volume house builders, who look for shorter term returns and lower capital outlays. But this scale of development is well within the sights of institutional fund managers looking for longer returns on investment, say 20-30 years.

New Garden Cities can provide planning certainty and a scale of opportunity that makes them extremely attractive to patient capital from long term investors. By securing land at lower than conventional open market values, the New Garden City model also reduces the total amount of debt finance required, improving the risk profile in comparison with other strategic development opportunities.

The government could help catalyse this investment market by making available its multiple existing funding streams for regeneration, infrastructure and housing, and particularly its loan guarantee schemes. For example, the Affordable Housing Fund Guarantee has already enabled access to wholesale funds at very attractive rates for smaller, locally-based housing providers. The interest rates on government-backed borrowings are significantly below those which housing providers can secure acting on their own, and hence can be used to support delivery at scale, and at materially lower rent levels, alongside direct grant investment.



Priority Actions to Start the Delivery Process

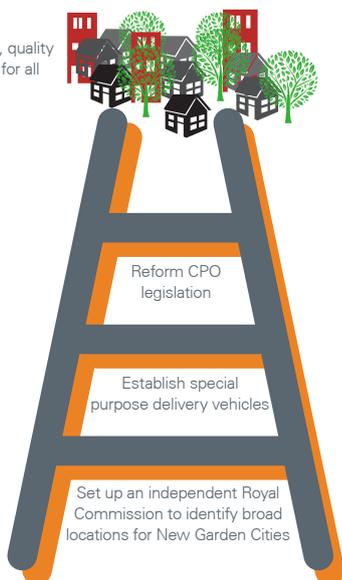
To put the principles into action, and overcome the practical barriers to delivering New Garden Cities over the next parliament, there are three clear steps that the next government must take to make New Garden Cities a reality.

1 Set up an independent Royal Commission to identify broad locations for New Garden Cities

The next government should establish a Royal Commission to identify the broad locations for New Garden Cities within 18 months where a combination of existing and planned infrastructure, economic drivers and a lack of significant environmental constraints combine to create a climate for growth. The Commission should encourage local authorities, landowners and others to put forward potential sites for consideration, but should not be limited to these as the right locations may not be supported by the right stakeholders (and vice versa). Garden City principles can be applied to a variety of types of development, from new villages to in-fill sites and urban extensions, so the commission should not be constrained to identifying locations for free standing new settlements only.

Once broad locations have been identified, the process of specifying individual site boundaries needs to be locally driven, championed by local political, business and community leaders working with the local authority and willing landowners. New Garden Cities should be rooted in partnerships and should not be undemocratically imposed on unwilling communities – but it must also be recognised that all communities contain multiple and diverse voices, and that the views of those in need of homes and jobs must be heard alongside those who are well provided for, potentially via local referendums.

Affordable, quality housing for all



2 Establish special purpose delivery vehicles

Appropriate delivery vehicles, with the right powers and governance mechanisms, are needed for Garden Cities to be delivered at the scale and pace required. As New Garden Cities will suit a variety of development typologies and locations, different delivery vehicles will be appropriate – including private companies, trusts, public-private partnerships or public sector development corporations.

Whatever vehicle is chosen for each location, it must enshrine the principle of retaining value in the place for the benefit of the local community; without this, New Garden Cities will not thrive and will be victim to the same economic, social and political vulnerabilities as conventional development schemes. This means that delivery vehicles must have planning and compulsory purchase powers, or at the least ready recourse to these through their public sector partners. Combining these powers in focused delivery agencies is vital to making New Garden Cities a reality.

Development corporations with these powers can be created using existing or amended legislation, to remove planning risk, allow easier access to long term funding and co-ordinate infrastructure provision and community benefits. The government should urge the Homes & Communities Agency (plus the Greater London Authority and any new devolved structures that take on the HCA's role in city-regions) to use its existing powers under Section 13 of the Housing & Regeneration Act 2008 to create development corporations to deliver New Garden Cities in the locations identified. Where traditional development corporations are not deemed appropriate, new delivery vehicles could operate on a joint venture partnership basis, bringing together landowners, local authorities, developers and the local communities to share in the success of the development. Any private sector/partnership bodies to be granted Garden City status must make an explicit commitment to sharing development value more equitably among all the stakeholders in the Garden City.

3 Reform CPO legislation

Acquiring land at reasonable costs is critical to the Garden City concept. Compulsory purchase should always be a last resort - but New Garden City delivery vehicles need the powers to strengthen their negotiating position. Small legislative changes are required to make this process work efficiently.

The existence of strong CPO powers incentivises landowners to negotiate reasonable prices rather than to hold out for the additional 'unearned increment'. Ironically, if CPO powers are strong enough they rarely need to be used. The New Town Development Corporations used CPOs to acquire land at existing use value, then granted planning permission and used the uplift in value created to fund the infrastructure and affordable housing needed for the new towns. The legislation to create New Towns Corporations and use CPOs is still in force today, but its efficacy has been reduced by case law and its strategic function has fallen into disuse.

Credible CPO powers are also essential to prevent landowners from holding out and encouraging land speculation. This is particularly the case if landowners are unwilling to engage, if a 'ransom' situation arises, or if a multiplicity of landownerships need to be amalgamated.

The Treasury is currently conducting a review of CPO processes which it is hoped will result in the legislative change necessary to revive the strategic use of CPOs. The easiest way to achieve this is probably to amend the Land Compensation Act 1961 to remove, explicitly, the consideration of 'hope value' from the compensation offered to landowners, and to require the price to be defined in relation to existing use value. The amount of compensation that landowners could expect under CPO could be capped as a proportion above existing use value, with a higher rate for greenfield than brownfield land.

Conclusions

These principles and actions should form the foundation of a comprehensive programme of New Garden Cities, launching over the life of the next parliament. Separately and together, the Wolfson Finalists will continue to promote the advantages of New Garden Cities. We urge the new government to adopt these principles and take these key enabling actions as soon as possible. We are confident that doing so will ensure that Britain once again leads the way in building the homes we need in new, high quality places.

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