

Submission to the Labour Planning Commission

1. Plan making

The operation of the current plan making system.

Proposals that you might have to improve the system of local plan making.

How best local authorities can take a lead and be champions of planning in their area in partnership with others.

The desirability or otherwise of developing national, regional, local and neighbourhood plans and how they might be linked together to provide better outcomes for the country and the communities.

We believe there is a simple upgrade to the neighbourhood planning system that could easily fund over a million council homes while winning the support of local residents.

Neighbourhood plans have become too popular to remove, but their performance depends on the context.

A. Rural areas

In parishes, neighbourhood plans can be popular and effective.

After London YIMBY suggested allowing parishes to approve more of the right kinds of homes where that would improve their own green belt, the new NPPF incorporated a provision in para. 146(f) to allow a Neighbourhood Development Order to approve housing in green belt. We believe local people should have the power to approve such development if they wish, as a supplement to the existing system. As you know, green belt is not an environmental designation.

We already know villages who want to approve some new homes of the right kinds in their own green belt but who are currently restricted by the remaining requirement in para. 146(f) that such development be 'open', meaning in practice that no more than six to eight houses are likely to be possible on a single site, which makes a neighbourhood development order risky and very expensive.

Removing that requirement of 'openness', possibly while requiring a two-thirds majority in support of the neighbourhood development order and limiting such orders to a minimum distance from other settlements to maintain separation, would increase the power of

neighbourhood planning to add more housing in green belt areas, but only where appropriate and strongly supported by local people.

B. Towns and cities

In towns and cities the neighbourhood planning legislation took no account of the extensive social science evidence that agreement gets harder as more people are involved. Most neighbourhood fora in towns are far too large to be able to reach agreement. Most neighbourhood fora in London have thus far not been able to agree on a plan.

The greatest job opportunities, and the greatest possibilities for well-designed densification to create more walkable places while capturing value, are generally in places such as Manchester or London where large numbers of homes would generally require the building of flats, not houses.

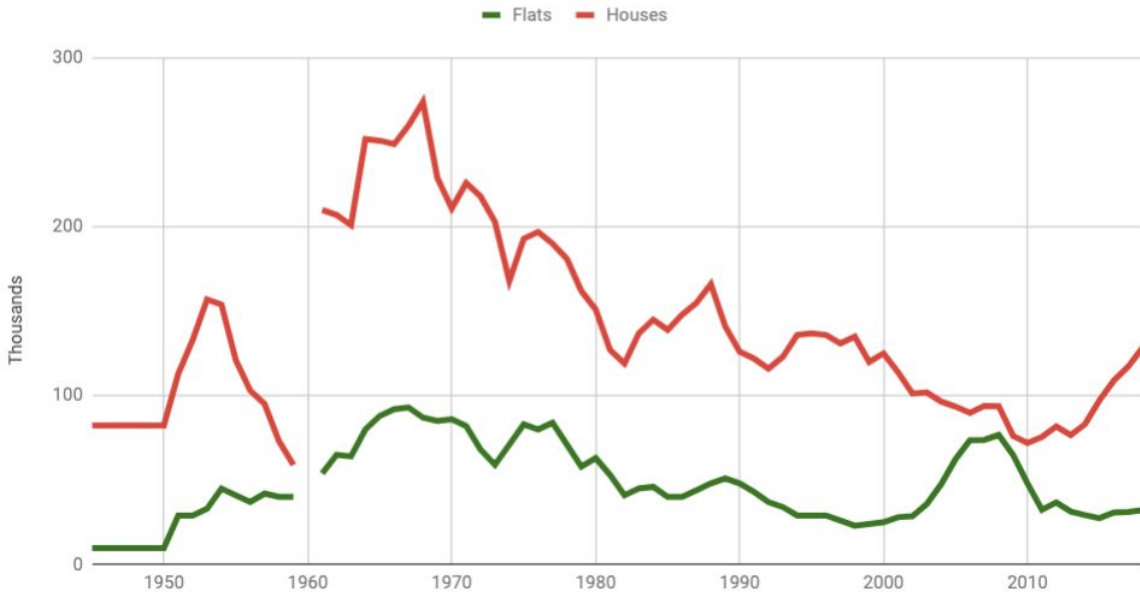
Yet the English planning system has never proven capable of building more than 100,000 flats a year, as shown in the graph below. There is a simple reason for that: the 1947 system was designed for the population of London and other cities to continue to decrease, and for new towns to be built in the countryside. The new council estates built in existing cities were often at lower housing densities than the slums that preceded them.

The system was not designed, and has failed, to cope with the political realities of a large number of homeowners resistant to change and concerned about their house prices.¹ In 1947, homeowners were a minority. The flow of new homes through new towns has been vanishingly small since the 1970s, when homeowners became a more powerful force. There was originally no real intention to try to reach solutions that local people could be happy with. With more homeowners, that becomes a political necessity.

¹ See, e.g., Miguel Coelho, Sebastian Dellepiane-Avellaneda & Vigyan Ratnoo (2017) The political economy of housing in England, *New Political Economy*, 22:1, 31-60, DOI: 10.1080/13563467.2016.1195346, or the version published by the Institute for Government, [Housing that Works for All](#)

Houses and flats built, England

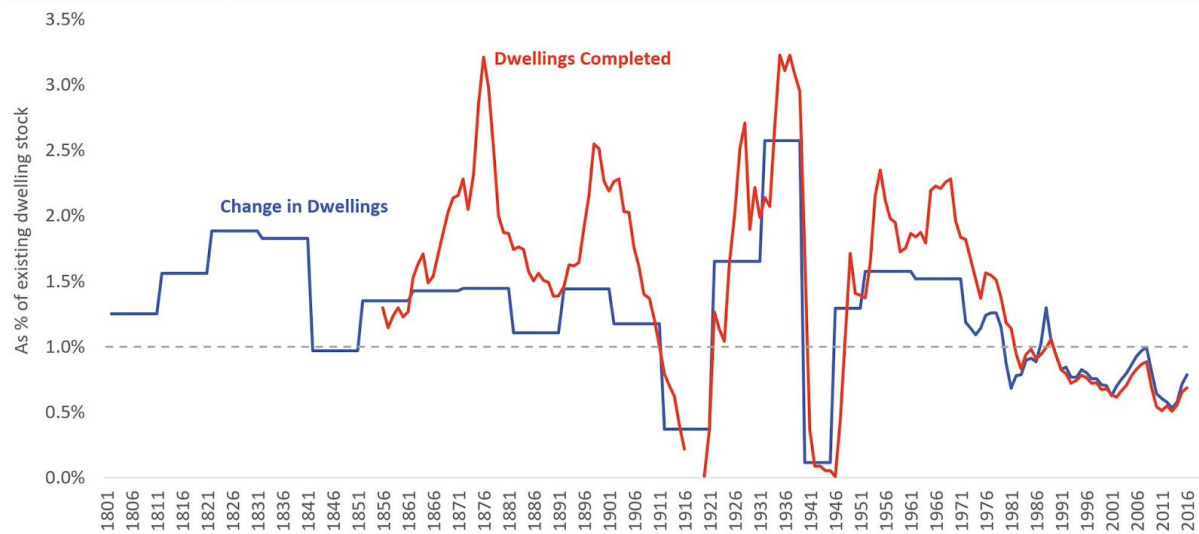
(& Wales pre 2002; social housing only pre 1961)



Source: *Holmans; MHCLG Live Tables 209 and 254*

Without making a conscious decision to do so, we have nearly stopped the process of densification that created some of the best-loved parts of our existing cities.

This country has failed to build enough homes for a very long time. The housing analyst [Neal Hudson](#) has shown that, since the Second World War, we have never grown the housing stock at the net percentage rate achieved in the 1830s, let alone the far higher rate achieved in the 1930s.



Source: [Residential Analysts](#)

We believe, based on [evidence](#) from the [United States](#) and on the fact that a comparison of house prices in the two countries demonstrates that the UK crisis is more severe, that a more effective system of planning for homes in the right places would, over time, raise average UK wages by a double-digit percentage and substantially reduce inequality.

Building homes in places that do not have good access to job opportunities does not, as some have argued, ‘rebalance’ the economy. Sadly it achieves the reverse. By increasing the supply of workers in areas with fewer jobs, it drives down wages in those areas, creating pockets of deprivation. It also keeps workers away from higher-wage opportunities in other areas. The degree of labour mobility within the UK, controlling for average income, has substantially declined since prior centuries and even in recent decades, [as the Resolution Foundation has shown](#). That has profoundly damaged the wages of those on lower incomes, and damaged average wages, not to mention UK productivity and economic growth.

The effect is similar to the Chinese ‘hukou’ system, which prevents workers from moving to cities with jobs. Few would argue that that is a fair system, nor one that benefits those workers. Our ‘hukou’ system is hidden within housing. It is a 21st-century [Statute of Labourers](#), preventing poor workers from moving to better jobs and reducing wages everywhere.

But building more homes near to job opportunities requires either an unusual government with the courage to review current green belt designations, override other local opposition to change, and remain in power long enough to protect the effects; or an upgrade to the planning system to encourage more well-designed densification with local support.

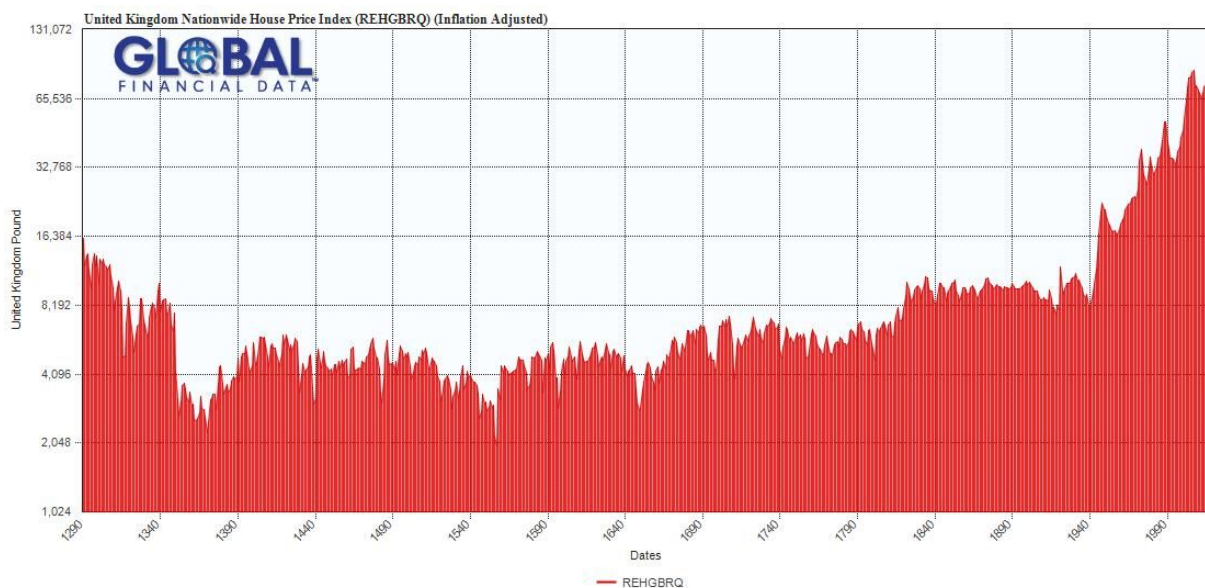
For decades, governments of every political complexion have failed to muster the courage to reform the green belt at scale. To do so would ultimately cause a reduction in average house prices, in consumer confidence, and quite possibly in re-election chances.

To persist, as many do, in calling for the same solution without any sensible explanation of how the politics are suddenly going to work this time reminds us of Einstein's definition of madness.

We beg you not to add yet another ineffective or politically impossible reform proposal to the decades-long list of thousands. That would betray young people and those on low incomes. Please do not propose a reform unless you have a convincing reason why yours will work when every prior suggestion was blocked by political realities. That is why things have got worse for decades.

The only politically realistic option to end the housing crisis, we believe, is to improve the planning system to make densification at scale both popular and effective.

Building near existing opportunities also has the benefit of allowing large amounts of planning gain to be achieved. In the South-East, for example, house prices have soared to the extent that they now often exceed the cost of construction by a factor of four. That multiple is in practice lower in respect of the new houses that are in fact built, only because the easiest sites for construction – densification or new greenfield – are politically impossible. A better system would allow far more land value capture.

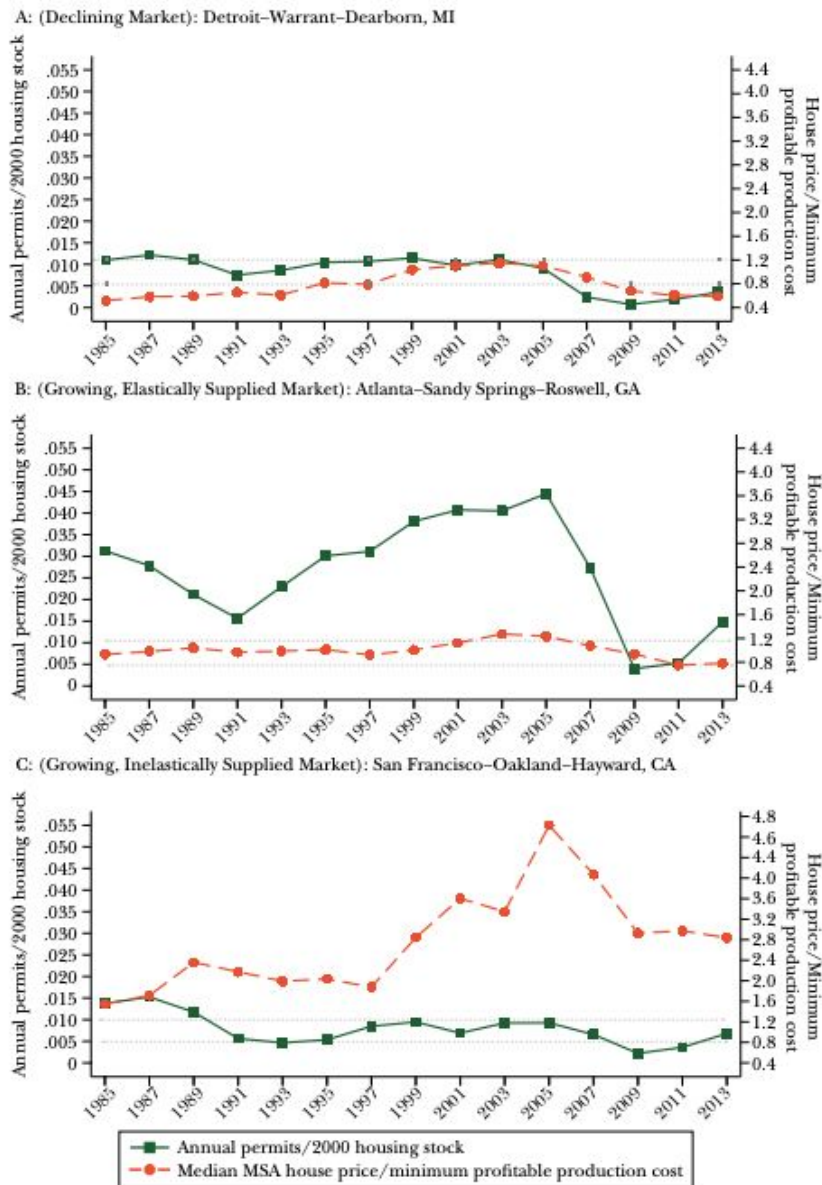


Source: [Global Financial Data](#)

ONS data imply that planning permissions for existing dwellings are currently worth approximately £4 trillion pounds, or some two-fifths of the net worth of the United Kingdom. There is an enormous amount of value that could be captured.

That excess of house prices over rebuild costs is not found, despite similarly low interest rates, in cities like Atlanta that have planned for sufficient housing.

Figure 2
New Housing Supply and House Prices (Relative to Costs)



Source: House prices come from American Housing Survey micro data.
 Note: Minimum Profitable Production Costs (MPPC) are for 1800 square feet, economy class, 20 percent land share, and 17 percent gross margin homes.

Source: [Glaeser and Gyourko, 2017](#)

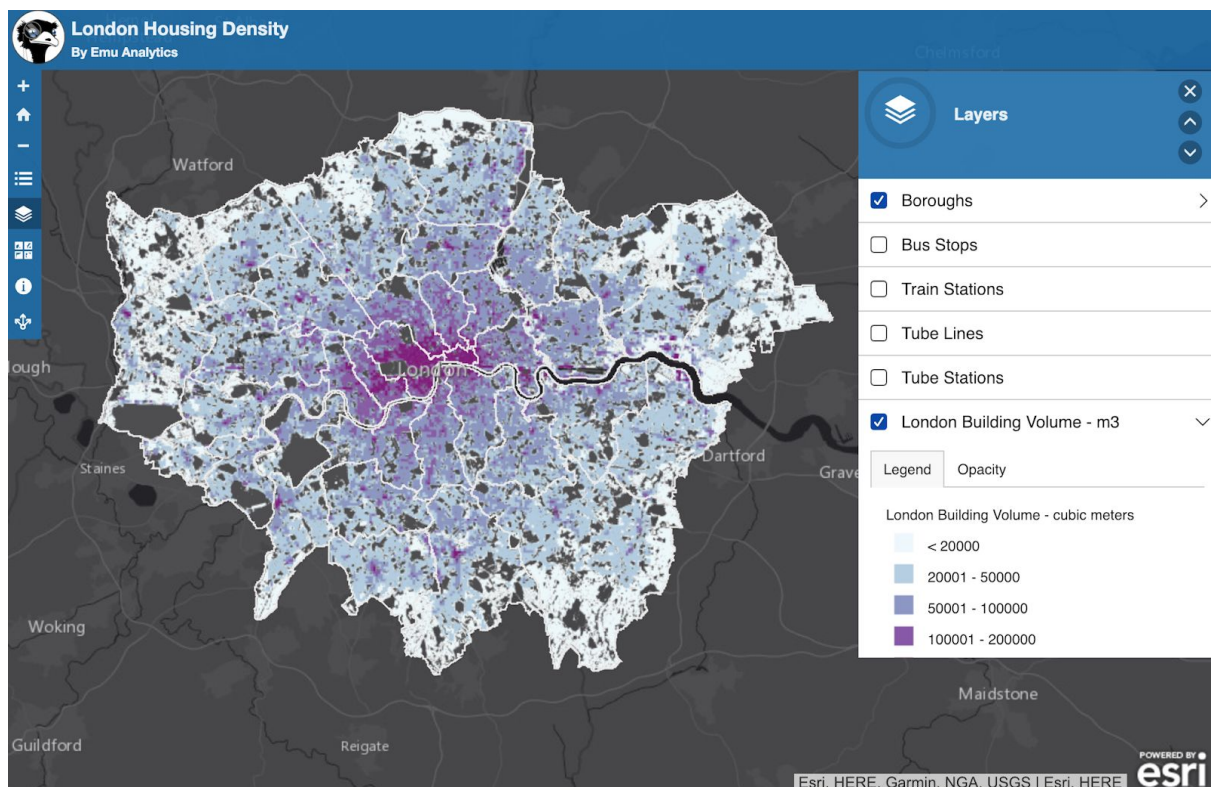
After reviewing over one thousand reform proposals on how to achieve attractive densification in existing places, we believe that one of the few options likely to be both effective and politically feasible is to create an analogue of the neighbourhood planning

regime at a much smaller scale; probably single streets, or the stretch of a single street between two crossroads (in criminology and other social science, a ‘face block’).

We suggest building on the current neighbourhood planning regime by allowing the residents of a single street to vote by a two-thirds majority to set a design code and establish permissions for each building on the street to be extended or replaced.

Single or small groups of homeowners could then use the permissions on their houses when they wanted. They could team up with a small builder, or sell to a small builder and move to another house. The increased value of their house due to the planning permission can be given to their children, or saved for a pension. It does not matter if streets are irregular for a while, so long as that is what the residents agreed to.

Typical densities in (for example) London are on average one-tenth of the densities achieved in popular, walkable districts of the centre. Half of the dwellings in London are in buildings of one or two storeys, whereas many areas of Inner London demonstrate attractive urbanism with heights of five storeys or more.



Source: [Emu Analytics](#)

A typical group of a few suburban plots can easily be redeveloped at five times the housing density of the current dwellings, while improving the street and making for a more walkable area. The increased density will help support public transport, local retail and other amenities.

A substantial fraction of the planning gain can then be captured, through amending the tax system, to fund the construction of new council or other social housing. The increased

supply of land available for development would also reduce the costs of acquiring new land for social housing. The original homeowners will not vote in support unless they are happy with the change, and the requirement for a two-thirds majority ensures that change will only happen where it is popular.

We estimate that such a reform would, over time, allow the construction of an additional five million homes within London alone, of which one million could be council or social housing. There are similar numbers for other cities in proportion to their populations.

Such a reform would reduce inequality, increase opportunity and raise wages across the country, while being locally popular and providing funding for over a million social homes over time.

2. Planning gain and capturing uplift in land values

The current system of planning gain, in particular, how CIL and Section 106 work in practice and any ideas you have for improving planning gain.

Improvements that might be made to the current system of capturing the uplift in land values that comes with planning permission.

A new system of land value capture could easily pay for millions of new council homes or other social housing.

The current system of CIL and section 106 too often creates resentment because local people do not see the money applied near where the development is built. A portion of the proceeds should be ring-fenced to be spent on area where the people most negatively affected by the development live.

Please also see our answer to question 1 above and the [response of London YIMBY and Priced Out to the Select Committee on Local Government](#).

We also note [this analysis](#) on lessons to be learned from prior attempts to capture land value from the Labour Land Campaign's website.

3. Improving land supply

Improving land supply including changes that might need to be made to compulsory purchase orders.

Please see our answer to question 1 above and the [response of London YIMBY and Priced Out to the Select Committee on Local Government](#).

4. Building regulations

Changes that might need to be made to building regulations:

to make buildings safer;

to make buildings more energy efficient;

to make buildings carbon neutral where possible.

This is outside our expertise. Putting homes near public transit networks and near jobs in cities reduces likelihood of travel by car which reduces carbon emissions. We urgently need to encourage more well-planned, walkable housing density.

5. Infrastructure

How the planning system could better support infrastructure development and how government at different levels can facilitate this.

Allowing more homes in areas near to the best job opportunities would allow much more value to be captured for infrastructure development through the tax system or otherwise. Development close to public transport, including greater density near already existing transit networks would assist increased use of sustainable infrastructure.

6. New towns and garden villages

How we might best develop a new generation of garden cities, villages, urban extensions and new towns.

The major constraint is that you must solve the politics. Most proposals on this score are politically naive. That is why they have not worked. We suggest that allowing local communities to participate in the planning and share some of the benefits of new development may be a productive way forward. More opportunities for local residents to commission new builds may also increase popularity.

7. Improving the quality of the built environment

Improvements that could be made to the quality, design and sustainability of new buildings to help address climate change.

Much of the contribution to climate change from new buildings stems from the additional pollution caused by commuting and other journeys. Building more homes where such journeys can be made by public transport, on foot or by cycling would vastly reduce carbon emissions.

8. Promoting innovation in construction methods

How to drive forward innovative and modern methods of construction and improve access to digital networks and better computer assisted design.

The easiest way to promote innovation in construction methods is to ensure a substantial increase in the number of new homes built where such methods are possible, preferably by a range of new enterprises of all sizes, to ensure innovation.

9. Training and support for planners

Improving the training and support of planners to enable them to be a catalyst for visionary local planning to develop skills and ensure a pipeline of future planners exist.

We would suggest that planners would benefit from additional training in social science, particularly deliberative democracy, to help them to lead local communities to new solutions that can be popular and effective.

10. Diversifying housing suppliers

How to better support the housing and construction sector with particular regard to the role that small builders, land trusts and cooperatives can play in the delivery of new housing and infrastructure to ensure greater diversity in the construction sector.

We have lost most of our small builders because the current planning system, coupled with the high value of a site with planning permission, gives a large comparative advantage to larger builders. The smaller builders have been driven to the wall over decades. The majority of SME's concerns are about the cost of land and the risks and length of processes in our planning system. Reform should consider a more consistent and reliable way to calculate section 106 requirements, which at the moment vary wildly and often work to the detriment of SMEs. A system such as which applied in Vancouver in which a set percentage of the land value uplift from a new development is allocated to social housing should be considered.

Another option to reverse that dynamic would be to reserve a fraction of large sites for small builders, and another would be the 'better streets' reform that we suggest above.

Many European systems such as France or Belgium often have around half of their housing production delivered via self build. Our planning system was specifically designed to discourage 'plotlanders' who built individual houses on plots of land they had acquired. Greater clarity over where self-build houses can or cannot be built would assist greater delivery in this sector. But ultimately the high price of land with planning permission is the principal obstacle to more self-build, especially in the South East.

Most European countries reserve land for self build and set planning constraints, automatically accepting self-builds that fall into this category. This system could and should be replicated in England through local development orders or otherwise.

11. Resourcing planning departments

How the resource base of planning departments can be improved.

Most developers would be happy to pay a substantial supplement for better resourcing of planning departments.

Please do not hesitate to let me know if we can assist the Commission further.

John Myers
Co-founder, London YIMBY