

## Affordability and The Land Question July 2020

*“Land is limited in quantity while the demand for it, in a prosperous country, is constantly increasing. The rent, therefore, and the price, which depends on the rent, progressively rises, not through the exertion or expenditure of the owner, to which we should not object, but by the mere growth of wealth and population. The incomes of landowners are rising while they are sleeping, through the general prosperity produced by the labour and outlay of other people.”*

John Stuart Mill, 1871

There is a consensus both locally and nationally that we need to build more homes to house our growing population and to cope with the changing demographics, but these homes need to be in the quantity and at a price people can afford to buy or rent and in areas where the need for housing is greatest. We argue that on each of these measures the house building industry, the planning system, and the land owners are failing to deliver the housing needs of the general population. The whole system is designed to operate for the benefit of the developers and landowners rather than the people who need the housing.

In our Residents Vision for Canterbury 2014 we focused our attention on the location and housing numbers of the sites in the then emerging Local Plan. At that time having considered the Office of National Statistics (ONS) forecasts for population and employment growth, it was clear to us that the City and District should have been planning for some 11,000 new homes for the plan period to 2031. As it turned out the Local Plan Inspector eventually recommended 17,000 new homes. An increase of 54% based on the ONS forecasts. This was due to central government imposing a top down approach to housing numbers based on a formula agreed with the house building industry.

The housing numbers imposed on the City Council in the current local plan have now been largely settled so in this review we are instead focusing our attention on the issues of affordability and what has become known as “The Land Question”, which we think are inseparable. We also consider whether the new Local Plan to 2040 can help in any way to solve the looming crises of housing affordability.

Between 1997 and 2016 house prices in England rose by 259% while average earnings increased by just 68%. In 1997 the average home was 3.6 times average earnings whilst by 2016 this had risen to 7.6%. (ONS 17<sup>th</sup> March

2017). Clearly this is completely unsustainable and cannot be allowed to continue without very serious consequences.

Anyone closely engaged in the housing field today can see that the provision of sufficient affordable housing both to rent and to purchase is not being delivered by the planning system and the development process in anything like sufficient quantities, and we argue that the root cause of this is the market for land.

When agricultural land is allocated for residential or mixed use development in a Local Plan the value of the land goes up almost overnight from say £10,000 an acre for agricultural land to over £1million per acre for residential land use. This is because land with planning permission is a scarce commodity and developers will outbid each other to buy it. The land cost of the average new home is a third or more of the overall selling price of the house. With this upfront cost, before even a brick has been laid or any infrastructure provided, the selling price of the house is going to be far beyond the reach of most ordinary people whether to buy or to rent.

This huge increase in value is created when the local community, through the operation of the planning system, grants planning permission for change of use from agricultural to residential. In the past there have been attempts by successive governments to capture some of this increase in value for the general public but this has always failed because the landowner's response has generally been to withhold land from the market to avoid any sharing of the increased value the community creates, and to await a more favourable tax regime. What is now needed is not another land tax but a complete review of the way land is developed.

At a speech in Edinburgh in 1909 the then Secretary of State for Trade, Winston Churchill said:

*"I do not think that the man who makes money by unearned increment in land is morally worse than anyone else who gathers his profit where he finds it in this hard world under the law and according to common usage. It is not the individual I attack; it is the system. It is not the man who is bad; it is the law which is bad. It is not the man who is blameworthy for doing what the law allows and what other men do; it is the State which would be blameworthy if it were not to endeavour to reform the law and correct the practice."*

We are suggesting that 110 years after his speech the time is long overdue to address the underlying issues.

What is now needed is a new system whereby local authorities not only grant planning permission but also compulsorily acquire the land for development at land values that will enable affordable housing and community infrastructure to be provided. Having used compulsory powers to acquire the land they would then be able to produce a masterplan that could deliver both the community's vision for their own town or city and housing that ordinary people could afford to rent or buy.

This approach would require the repeal of the Land Compensation Act 1961 and its replacement with legislation that compensated the landowner for his land in a more equitable way as between the landowner and the community who grant the planning permission. It means that the landowner would still receive many more times the value of his land before planning permission was granted but not the excessive amounts that are currently achieved in the so called "open market" which is clearly not delivering affordable housing for present and future generations.

Whilst the Local Plan in its present form has a key role to play in identifying the need for social housing in the District it has only limited powers to ensure delivery. This is usually secured by the imposition of planning conditions or Section 106 Agreements in relation to the number of social houses to be provided by developers. The problem is that these conditions are often subsequently reduced or bypassed completely because developers argue that the cost of meeting these obligations could make their developments financially unviable. This is invariably due to the high cost of the land. This problem could be avoided if the land question could be properly addressed.

This is a complicate issue and this section of our Vision can only serve to bring the matter to the attention of residents and policy makers, but it is important that we make a start if another 110 years is not to go by before the words of Winston Churchill come back to haunt us.

1200 words

