

Barriers to Accelerating New Development: Executive summary

LSE London has been carrying out a year-long project on how to accelerate housing development in London funded by the Higher Education Innovation Fund. The project identified barriers relating to three types of challenge: *institutional*, *procedural* and *fundamental resource* issues, and possible ways forward.

Fundamental Challenges Impacting Supply

Challenges	The Issues	Main Barriers
<i>Institutional Challenges</i>	<ul style="list-style-type: none"> Planned development either never happens or takes a long time Political objections to development may accurately reflect voter preferences. 	<ul style="list-style-type: none"> Staff and resource shortages in planning departments Lack of institutional memory within local authorities Limited partnership-working between boroughs Nimbyism Emphasis on trading rather than production of housing
<i>Procedural Challenges</i>	<ul style="list-style-type: none"> Developable land is in multiple ownership Developers too conservative in their applications Securing planning permission is costly in terms of resources and time Uncertainty about planning obligations increases risk 	<ul style="list-style-type: none"> Individual determination of planning obligations on each site Protracted and costly viability negotiations Asymmetry of expertise between developers and local authorities Difficulties in land assembly when ownership pattern is complex
<i>Fundamental Resource Challenges</i>	<ul style="list-style-type: none"> Land not coming forward Land is inefficiently developed Infrastructure is not in place Construction industry lacks capacity Finance is unavailable Housing produced is unaffordable 	<ul style="list-style-type: none"> High land values lead to expectations of continued increases Planning densities too low in some areas Land supply constraints Construction market excludes smaller companies Lenders reluctant to provide development finance, especially to SMEs

The table identifies the most important issues. Few will come as a surprise. But lying behind the individual issues are some fundamental, and interlinked, concerns. In the push to increase supply through individual initiatives, politicians and professionals can miss these underlying connections. They need to be recognised if we hope genuinely to transform the market. They are:

Mistrust and misunderstanding: Different stakeholders have very different views on each of these issues. They also have firm opinions about where other stakeholders are coming from. However these assumptions are rarely voiced aired explicitly, and stakeholders often blame each other for problems which could be dealt with effectively in partnership;

Mismatched incentives and objectives: Incentives need to be far more closely matched to objectives which are sometimes at odds with one another and cannot obviously be changed. Private developers must maximise profits; local authorities need revenue as well as to please their voters. Governments and their agencies are looking for value for money. It needs to be worthwhile for local authorities to support innovation, infrastructure providers to address bottlenecks, developers to speed up construction all in a coherent rather than a piecemeal fashion;

Misaligned policies: Policies tend to be issue specific while what is needed is a more overarching approach – addressing one barrier rather than understanding how things interact can make things worse. In particular reducing the constraints on demand without having the potential to expand supply will simply increase land values and further benefit landowners and traders at the expense of production;

Missing institutions or institutions lacking sufficient remit: In many countries these issues are addressed by a strategic level of government, which can better help to provide a framework for determining priorities. The GLA serves this purpose within London although with relatively limited powers while in the greater South East there are no similar institutional arrangements;

A misguided approach to regulation: Whatever way we examine the different issues most come down to land and to the planning system by which that land is brought into development and redevelopment. The UK system based on nationalised development rights; individual planning permission specific to every site, often involving multiple applications, followed by appeals generates an adversarial, costly and time consuming process which, while apparently flexible, makes it difficult to adjust to changing circumstances;

A mis-structured development sector: The apparent inadequate capacity to adjust to demand, to innovate, to respond to new challenges and particularly the dependence on rising land values rather than on increasing production in the construction industry is in part an outcome of land and infrastructure constraints and the planning system but it is also closely related to the volatility of the macro economy and the impact of macro stabilisation policies.

Recommendations

Make planning more predictable	Make land more available
<ul style="list-style-type: none"> • Introduce more Housing Zones — and monitor and modify effectively • Introduce more transparent and consistent targets for affordable housing and infrastructure — move towards tariffs and away from negotiation • Increase cross-borough networking, particularly around strategies for alternative housing • Develop coherent policies on change of use through devolved powers to the GLA 	<ul style="list-style-type: none"> • Encourage partnership arrangements involving public landowners, local authorities and developers • Identify defined parcels of accessible green belt land for residential development that is not necessary for environmental sustainability • Clarify and improve CPO powers and procedures to enable more effective and quicker land assembly • Encourage a leadership role for the GLA and the London Land Commission in bringing land as far as the construction stage
Speed up processes	Expand construction capacity
<ul style="list-style-type: none"> • Increase resources for local authority planning departments by more positive planning fee structures • Enable the GLA to provide templates to support partnerships and resources for over-stretched local authority departments • Rationalise viability assessments — again requiring GLA devolved powers • Increase build out rates by parcelling out sites to increase the number of developers and encourage a wider range of dwelling types • Ensure more effective planning gain ‘clawback’ as prices increase, at the same time structuring planning gain payments to make quicker development more worthwhile • Encourage public landowners to take an equity stake in partnership arrangements aimed at ensuring appropriate timing and funding infrastructure arrangements • Establish more revolving infrastructure funds 	<ul style="list-style-type: none"> • Provide smaller sites for small developers • Restructure government development finance programmes to make accessible to SMEs (again requires devolved powers) • Encourage international developers with experience in rapid rates into the London market • Place greater emphasis on commissioning in partnership with developers in addition to speculative building • Support housing associations to play a larger role in mixed tenure development including greater emphasis on intermediate tenures • Identify in far more detail why the largest sites are not contributing adequately — only when they do so can output, particularly in central London, increase significantly
Lobby Central Government	
<ul style="list-style-type: none"> • To restructure current GLA powers to enable a more strategic approach • To devolve further powers to GLA • To make CPO powers more effective • To make policy initiatives, notably Help to Buy and development finance, more London friendly 	

For a copy of the main report see www.lsehousing.org or contact LSELondon@lse.ac.uk.