



ResPublica's submission to the Lyons Housing Review

ResPublica welcomes this Independent Commission on Housing led by Sir Michael Lyons. The current housing shortage represents the most pressing issue in domestic politics and all efforts to solve this crisis are to be commended.

The absence of any substantial housebuilding push from successive Governments has helped to facilitate the biggest housing crisis in a generation. It is imperative for our nation's future prosperity that we find and implement a solution to this crisis. The Labour Party's plans to increase the supply of new homes in England above 200,000 a year by the end of the next Parliament is a welcome move. But, as suggested by many, we need somewhere in the region of 250,000 new homes per year if we are to match demand.¹ We therefore urge policymakers to take radical steps to ensure we build the required new and affordable homes.

In answering this call for evidence, our submission will lead with three key policy ideas; the introduction of a tax on the value of land and the further promotion of community-led planning. As outlined below, we believe that a tax on the value of land will unlock the land necessary to build the homes our country needs. This additional tax, integrated into current property taxes, would take the form of an annual tax on the rental value of a site's optimal permitted use and could release enough surplus and vacant land from the public sector alone to solve the housing crisis. With regards to planning, we believe that taking a more community-led approach would foster genuine and meaningful partnerships between all those that have a stake in the community. We also recommend the Commission investigate the introduction of a 'Community Infrastructure Bond' to encourage investment in infrastructure and housing developments.

The land market – unlocking land for housing development

While it is not doubted that there is a shortage of homes, there is also widespread agreement that we have an abundance of land. As the call for evidence rightly points out, for too long we have not been releasing enough land for housing development. The public sector is one of our greatest hoarders, holding around 40 per cent of all developable sites and around 27 per cent of brownfield sites suitable for housing.²

To unlock land and discourage land speculation, we propose the introduction of a tax on the value of land. Falling on the owner of the land, a land tax would apply to all commercial and residential land, ending the tax exemption on land which is vacant and derelict. Land used for agriculture would either be exempt or subject to a reduced rate, and the rate of the tax would be set at the local level by the relevant local authority. This would partly replace Business Rates and Council Tax (which are agreed to be aggressive and regressive) and take the form of an annual tax (paid monthly) on the rental value of a site's optimal permitted use. As part of a viability review of any taxation on land, the

¹ Griffith, M. and Jefferys, P. (2013) *Solutions for the housing shortage: How to build the 250,000 homes we need each year*. [Online]. Available at:

http://england.shelter.org.uk/_data/assets/pdf_file/0011/689447/Solutions_for_the_housing_shortage_-_FINAL.pdf.13

² <https://www.gov.uk/right-to-contest>



continuance of Stamp Duty on homes and the Community Infrastructure Levy would also have to be evaluated.

By placing a financial penalty on the hoarding of developable land and presenting an additional revenue stream to local government, local authorities (which own most of the land held by the public sector) and land speculators would be incentivised to release land for development. Currently, there are 34,000 hectares of public sector land categorised as surplus, vacant or derelict.³ At average urban density with low transport connectivity, i.e. sub-urban housing,⁴ this land would be suitable for building up to 2.8 million homes (including the 700,000 empty homes in England).⁵ There does not currently exist another solution to the housing crisis that could deliver this many new homes.

In addition to the effects that taxation on the value of land would have on housebuilding, the selling of this land would also go some way into repairing public sector finances. With planning permission, on current average rates per hectare for land in England, this land could be worth up to £72bn to Government. Not only would an introduction of a system of taxation on land encourage the efficient use of land, it would also have beneficial consequences for housebuilders, prospective homeowners and the public sector. With a flourish of land released for development the price of land will fall bringing competition and diversity to the housebuilding sector, enabling large and encouraging small developers to build the homes we need.

The tax system is arguably the most powerful tool at the Government's disposal and, if used correctly, it can be an enormous enabler of social change. We therefore recommend that the Commission embarks on a review into how the tax system can be reformed to unlock land.

Investment in housing and associated infrastructure

As a land tax will incentivise local authorities to release their surplus and vacant land for development, and encourage land speculators to develop their holdings, the local area will become more attractive for both public and private investment. Capitalising on this uplift, local authorities will be in a stronger position to raise additional capital through Tax Increment Financing, securing investment in conjunction with the private sector for infrastructure projects necessary to support flourishing communities.

The role of a new generation of New Towns and Garden Cities

We believe that a new generation of New Towns and Garden Cities can make an important contribution to the step-change needed in housebuilding. Areas designated for New Towns and Garden Cities could be used as pilot schemes for a new tax system that incorporated the value of the land alongside property taxes. The revenue local authorities will receive from vacant land, will incentivise them to come forwards and identify locations capable of sustaining large-scale sites for

³ Information from e-PIMS <http://data.gov.uk/dataset/epims-as-of-26.11.12>

⁴ Greater London Authority (2012) *Housing Density Study*
<http://www.london.gov.uk/sites/default/files/Housing%20density%20study-opt.pdf> p.3

⁵ Empty Homes Statistics 2012 <http://www.emptyhomes.com/statistics-2/empty-homes-statistics-201112/>



development. However, as a priority, we urge policy makers to make efficient use of the surplus and vacant land identified for development through the introduction of a land tax.

In order to finance new settlements and deliver infrastructure we recommend the Commission investigates our model for a 'Community Infrastructure Bond'. This bond is constructed and underpinned by a suite of revenue streams, not all reliant on conventional tax and spend models but also through revenue linked to land and property value. Issued by an independent special purpose vehicle, or 'Community Infrastructure Vehicle', there is no one-size-fits-all model for these bonds, opening the platform open for a wide range of investors and possible revenues. Possible revenues include public budgets and complementary taxation; private sector contributions; future tax revenues, community contribution and Land Value Capture (amongst others).⁶ Working alongside Tax Increment Financing, we believe Community Infrastructure Bonds can produce the required finance for new settlements and their infrastructure.

A new 'right to grow' and sharing the benefits of development with local communities

The Commission and Labour Party are right to address the issue of planning to encourage local authorities to co-operate and to ensure the benefits of development are shared with local communities.

To achieve these ends, we recommend the Commission explores the benefits of a community-led approach to neighbourhood planning.⁷ By involving communities in the planning process, local planning is designed by, and not for, local communities and can lead to a more appropriate and successful planning process. This approach helps foster genuine and meaningful partnerships partnership between all those that have a stake in the community; local authorities, communities, developers and professionals. This type of collaborative process will produce better solutions with the concerns of the local community at the heart of planning decisions.

We recommend that the Commission explores how the current planning arrangements can become more community-led to ensure local authorities co-operate in building homes and that the benefits of development are shared with local communities. One way this could be achieved is through a 'community Right to Beauty' that enables a neighbourhood to improve their area, alongside an 'aesthetic veto' that empowers communities to turn down ugly or inappropriate developments within their area and protect assets of particular aesthetic and social value to them.

⁶ Gregory, D. and Dawber, H. (2012) [Financing for Growth: A new model to unlock infrastructure investment](#). London: ResPublica Trust.

⁷ Kaszynaska, P., Parkinson, J. and Fox, W. (2012) [Re-thinking Neighbourhood Planning: From consultation to collaboration](#). London: ResPublica Trust.