



Monday, 13 February 2017

Spot the Difference Housing White Paper: have we been here before or is this déjà vu?

Posted by Felipe Carozzi (SERC and LSE) & Paul Cheshire (SERC and LSE)

Given the severity of the housing crisis, the new [Housing White Paper](#) is a sad creature. Any policy announcement [welcomed by the CPRE](#) almost definition signals throwing in the towel on the serious reform needed to build more houses. Its aspiration of building “many more houses, of the type people want to live in, in the places they want to live” would be most welcome, if it wasn’t an echo from down the ages. We find an identical aspirator every government publication since the Barker report of 2004. In 2008 the then National Housing and Planning Advice Unit issued [advice](#) on housing supply and argued: “we must increase housing supply, delivering the right number of new homes, of the right type, in the right place and at the right time”. This exact phrase was invented by one of us as a coded way of saying we needed to be willing to build on parts of the Green Belt! If we go back a little further to the [Green Paper of 2007](#) *Homes for the future: more affordable, more sustainable*, we find a whole section on “How we create places a homes that people want to live in?” Even the number of houses we need to build – 275000 a year – in the current White Paper is drawn for the Barker work. While previous proposals had no mechanism to deliver the ‘right’ homes in the ‘right’ places they did at least have a mechanism – albeit a dirigist one – to get LAs to allocate more land for housing and set targets for house building. There was also some power to see the targets were more or less met.

The White Paper’s diagnosis of the problem is broadly correct – the affordability problem is caused by insufficient building. And the primary cause of the long term lack of building is restrictions on the supply of developable land. However, the White Paper’s claim that “The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes” does get it the wrong way round: our lack of building is a symptom of a cause of a broken housing supply process. This supply process includes the planning system, local government finance and the monopolised structure of the development industry that these two broken systems have created.

We have a tax system that effectively fines local communities if they allow houses to be built as the increase in the number of households puts additional strains on local public services. That does not seem a good starting point. House building is then helped along by a planning system that is cumbersome and uncertain in its decision making and subject to political pressures and expediency. As a result, whether there is a local plan or not, developers can have no idea of the likelihood any application will succeed and even less idea as to the cost of the ‘planning obligations’ that will be imposed if it does. They are above all – LAs are prevented from delivering enough land both by the religious exclusion of economic ideas in the system they use to determine how much land to supply and by direct restrictions in the form of Green Belts and heights on their ability to supply it. The paper’s repeated emphasis on upholding Green Belt boundaries bars the possibility of development in previously unbuild areas. Likewise, little reference is made to new incentives for local planners to modify existing building height restrictions.

These are the fundamental causes of why we have consistently built too few houses over more than 40 years. And about these fundamental causes the White Paper proposes to do precisely nothing. Our [estimates](#) of the accumulated shortfall of house building between 1994 and 2012 were between 1.6 and 2.3 million. Since then we have built some 125 000 a year too few. So since 2012 we can add about 0.5 million to those numbers. And we have consistently built the wrong sort of houses in the wrong sort of places.

Among the White Paper’s ‘solutions’ are more local plans – but these plans are very fallible guides to actual decisions about actual proposals. They are often overridden by immediate political pressures and community lobbying, and hence are at best only weakly enforced. We need a ‘rule-based’ system such as a Master Planning or Zoning system. Indeed, we already have one element in the house building process that successfully works in that way: Building Regulations. Then, the White Paper claims bringing forward more brownfield sites and better use of public land will solve the land supply problem. Well, we have been saying the same things about brownfield and public land since the late 1990s and have excellent data on both (see [example here](#)). As we have consistently [argued](#) this cannot solve the problem; nor will it. Too much of the brownfield land is in the wrong places or is too expensive to build on sensibly. And anyway there is far too little to catalyse the real competition between sellers needed in land markets.

A standardised system of forecasting local housing ‘need’ might conceivably help to address the coordination problem implicit in local authorities free riding on each other. But the real problem with our system for deciding how much land to supply is that prices are determined by the interaction of supply and demand, not with need, but with demand and demand is largely driven by income. The number of households – even if accurately forecast – which is not possible given that the numbers of households in a LA are themselves determined by the relative price of houses – does not much affect demand, so it has [surprisingly little influence on price](#). Indeed a LA can always price households out of its area and so have no unmet ‘need’ at the observed price of housing. Moreover, close reading of the White Paper reveals the proposal to standardise the method LAs use to forecast housing need is not in fact a proposal. It is a proposal to consult about a proposal. Any actual change would require a consultation period, a review period and then bringing forward changes in legislation. And then finally bringing out these changes and implementing them successfully at the local level. There is little hope any actual changes could be in place in even the medium term, even if having a standardised method to forecast need would help: which it would not!

This White Paper emphatically represents yet another missed opportunity. Not a single proposal will have any measurable impact on the supply of houses by 2020 and most will never have an impact. There are a few useful suggestions. The Housing Infrastructure Fund is welcome and could make a difference. But that was announced some time ago and the more sceptical of us would want to examine the books very closely to satisfy ourselves it really was new money. A provision for New Town Corporations might help. But again this is for thought not action. Taking steps to improve the transparency of ownership of land and of options to develop it is a good idea: but again it is not action, only possible action. And, of course, the need for it is only because the shortage of building land is so acute that land prices are now so high they financially justify the complicated legal and financial shenanigans such options on land represent. One thing is totally clear, however; they represent a deadweight loss to us all.

Posted by [Felipe Carozzi](#) on [Monday, February 13, 2017](#)

 Recommend this on Google

No comments:

[Post a Comment](#)

[Newer Post](#)

[Home](#)

[Older Post](#)

Subscribe to: [Post Comments \(Atom\)](#)

Simple theme. Powered by [Blogger](#).