

Briefing Paper 10: Land acquisition, use of compulsory purchase

Key Messages

Use policy to suppress land costs and increase the supply of affordable new homes

Use planning powers more effectively

Strengthen council CPO powers to tackle disused and abandoned sites

Introduction

Land costs can be a significant component of housing costs. Suppressing land value can make a significant contribution to reducing the cost of development of new homes. This is most important in relation to the provision of new social rented homes and other sub-market housing. There are a number of different tools that can be used.

Realistic and desirable policy objectives

At present landowners and investors can benefit from the 'hope value' that is generated by the prospect of a site being developed for housing. This can be minimized, reducing the costs of producing new homes and will reduce the amount of government grant required to produce social rented homes and shared-ownership homes.

Local authority control over the use of land needs to be enhanced so that local authorities as statutory housing and planning authorities can ensure the most effective use of development capacity and ensure appropriate development is actually completed and that planning permissions are actually implemented to meet the local authority's development priorities. Any uplift in land or development value arising from the local authority's use of its planning powers should accrue to the public sector not to private landowners, investors or developers

How detailed policy objectives can be achieved.

Local planning authorities in allocating land for housing use, whether the land is in public or private ownership, should publish a planning brief for a specific site, specifying the number, type, built form and density of homes that can be built on a site. This will set the value for the land. Specifying that a site should be used to develop a significant proportion of social rented homes will suppress the value of a site relative to the value that would be generated by allowing speculative market development. Specifying a mix of sizes of new homes, the built form and density of development also impacts on land

value and the cost of land purchase by a developer. Allowing hyperdense development and/or high-rise development artificially inflates land value and therefore the costs of development. Planning policy needs to ensure the most appropriate development of a site rather than seek to maximise unit output or landowner and developer profit.

For the purposes of assessing the viability of a development proposal, and determining whether a site can produce a policy compliant housing development in relation to the required proportion of different categories of sub-market housing, including social rented homes, it should be assumed that the land is acquired at a price that allows a policy compliant scheme to be undertaken. A purchase price which is excessive to a policy compliant price is not an acceptable justification for a developer to seek consent for a scheme which is not policy compliant. Consistent implementation of this approach will act as a disincentive to a developer or investor making excessive payments to a landowner.

For the purposes of assessing the validity of a purchase price, it should be assumed that the developer only pays for land at the existing use value (EUV) with a specified premium to act as an incentive to the landowner to bring land forward for development. **Government should give guidance on the norm premium for different pre-existing land uses.** The determination of EUV should discount any dilapidation of the site or the costs required to bring any pre-existing use or permissible alternative use into effect.

For the purpose of determining EUV for a Compulsory Purchase, any premium should be discounted. The Government's proposals to strengthen the CPO powers of local authorities and other public bodies are to be welcomed. The local planning authority should have the power to CPO any site identified in its local plan as appropriate for housing development, where the landowner has failed to bring forward the land for development within a specified period. This would act as an incentive to landowners to bring forward sites, as a failure to do so would mean that they did not benefit from the specified premium.

Local planning authorities should have the power to take over a planning consent not implemented and completed within a specified period and either implement the consent directly or transfer to another developer, using compulsory purchase powers as appropriate.

Where a local authority sells land for development to a third party, a covenant should be attached to the disposal setting the terms of the development, which would support the implementation of the planning consent. The local authority should, where appropriate, take an equity stake in any profit from the development, including any increase in value of the development on sale or resale of individual properties.

As an alternative to sale of land to a developer, the council could consider the development being undertaken under a license or leasing agreement, with the ownership of land and development only being transferred to the developer on completion.

Lessons from past experience

Existing legislation (the Levelling Up and Regeneration Act 2024) allows for the discounting of hope value in the case of nationally determined strategic projects. The current government is considering extending this to local authorities and some other public sector bodies. Previous guidance for CPOs has been on the basis that value of land for CPO purposes discounts the value of any completed development or development consented.

Legal judgements, notably the Farnworth Road case, have determined that allowable land value should reflect a scheme which is compliant with policy as set out in the applicable Local Plan.

There is experience of building under license, for example by the former London Docklands Development Corporation.

Helping to achieve the Government's key missions

The proposals set out above would increase the speed of housing development in terms of bringing forward appropriate sites for development and ensuring the completion of housing schemes consented but not implemented.

They would significantly reduce the cost of developing socially rented homes and consequently reduce the requirement for grant for new socially rented and shared ownership homes.

They would also ensure the effective use of capacity for new residential development. They would therefore contribute to the Government's housebuilding target and to the wider economic growth objective.

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