Scaling-up the Citizen Sector

A white paper on the role of digital innovation in tackling the UK housing crisis.

Authors

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Summary / Introduction

This paper was originally written as a submission of evidence to the All Party Parliamentary Group for Housing and Planning's **housing taskforce** to look into ways of tackling the chronic undersupply of housing in the UK. Specifically, it was submitted to the workstream led by the Community Land Trust Network on scaling new forms of housing supply. The workstream will submit its findings in December 2016, and the Taskforce will publish its report in Spring 2017.

Contents

The UK Housing Crisis

Britain's homes and neighbourhoods are the basic infrastructure of its economy and society. They are the operating platform for our daily lives: they define everything from our monthly household bills to our mental and physical health, from our dependence on fossil fuels to the cost of elderly care, from social equity and access to opportunity to our collective resilience to economic and environmental shocks.

So it is not an overstatement to say that Britain's success or failure in the 21st century depends hugely on the quality and affordability of this everyday infrastructure, and on our ability to ensure that as a nation we can produce a sufficient number of homes, of a sufficient quality and performance, at a sufficiently low cost, whenever and wherever we need to.
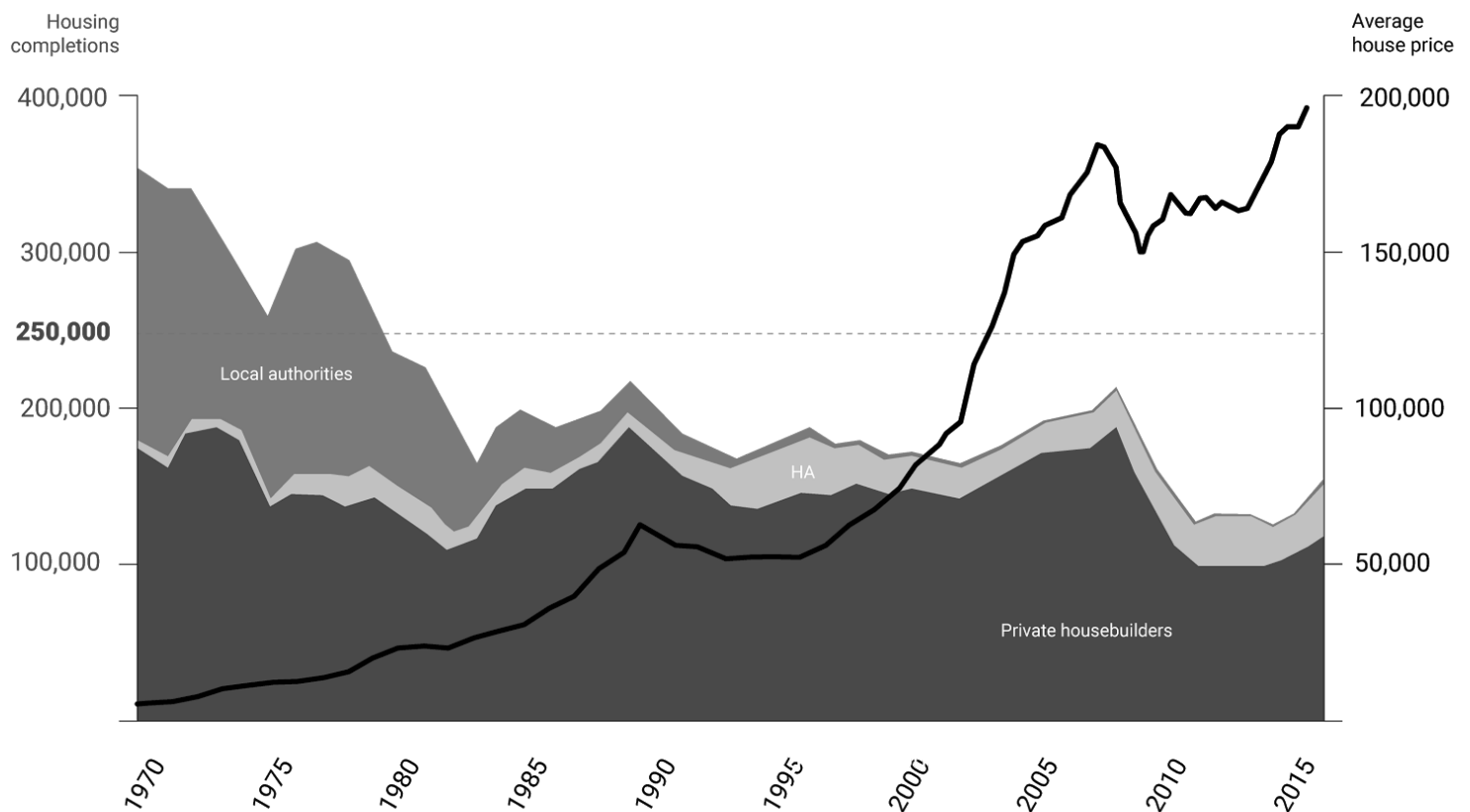
At present we are failing to do that.

In 2015, just 170,670 new homes were completed in the UK. A high on recent years, but still dramatically short of the 250,000 homes that the UK needs to build annually to meet its needs. Even at its peak in 2007, supply fell below this mark, at 219,000 homes.

Coupled with the relative affordability of debt and policy measures to bolster demand, this has resulted in runaway land and house price inflation. Since 1971, the average house price in the UK has risen by 3800% burying millions in debt, and pricing many more out of homes altogether. For decades it has been tempting to try to make this inflation *feel* like growth in the property and mortgage market, but it is not. It is inflation, and it comes at a very real cost. That cost is felt not just in rising household debt, the rising cost of living and runaway welfare bills, but more widely across society its cost can be counted in lost productivity, poor health, unhappiness, isolation, escalating care costs, underemployment, failing neighbourhoods, inequality and a stagnating effect on the real economy. Inflated property is a form of wealth that is slowly impoverishing us. It also makes the property market increasingly uneven and volatile; making the UK a risky place to invest.
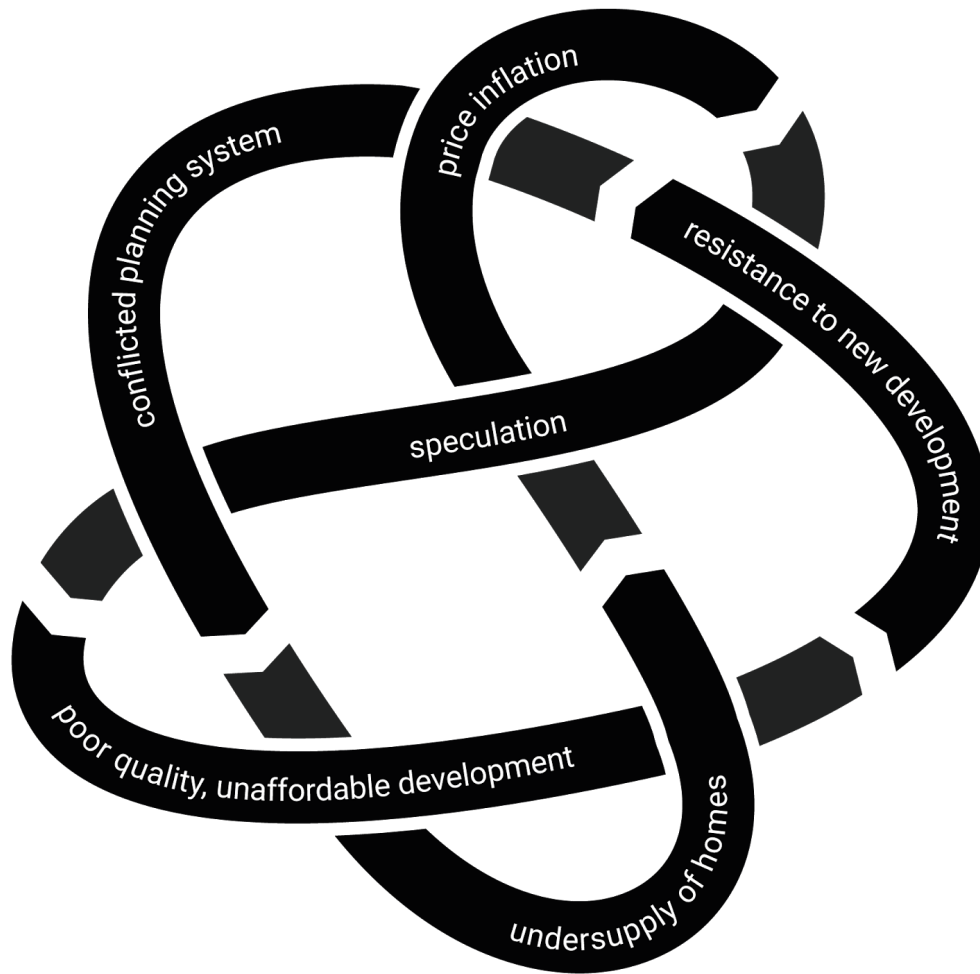
The problem is not that producing enough homes is technologically or industrially too-difficult a task, or because we don't have enough money to do it. After all, the UK is the world's fifth largest economy. It is because there is a crisis – a self-limiting function – written into the DNA of our housing industry.

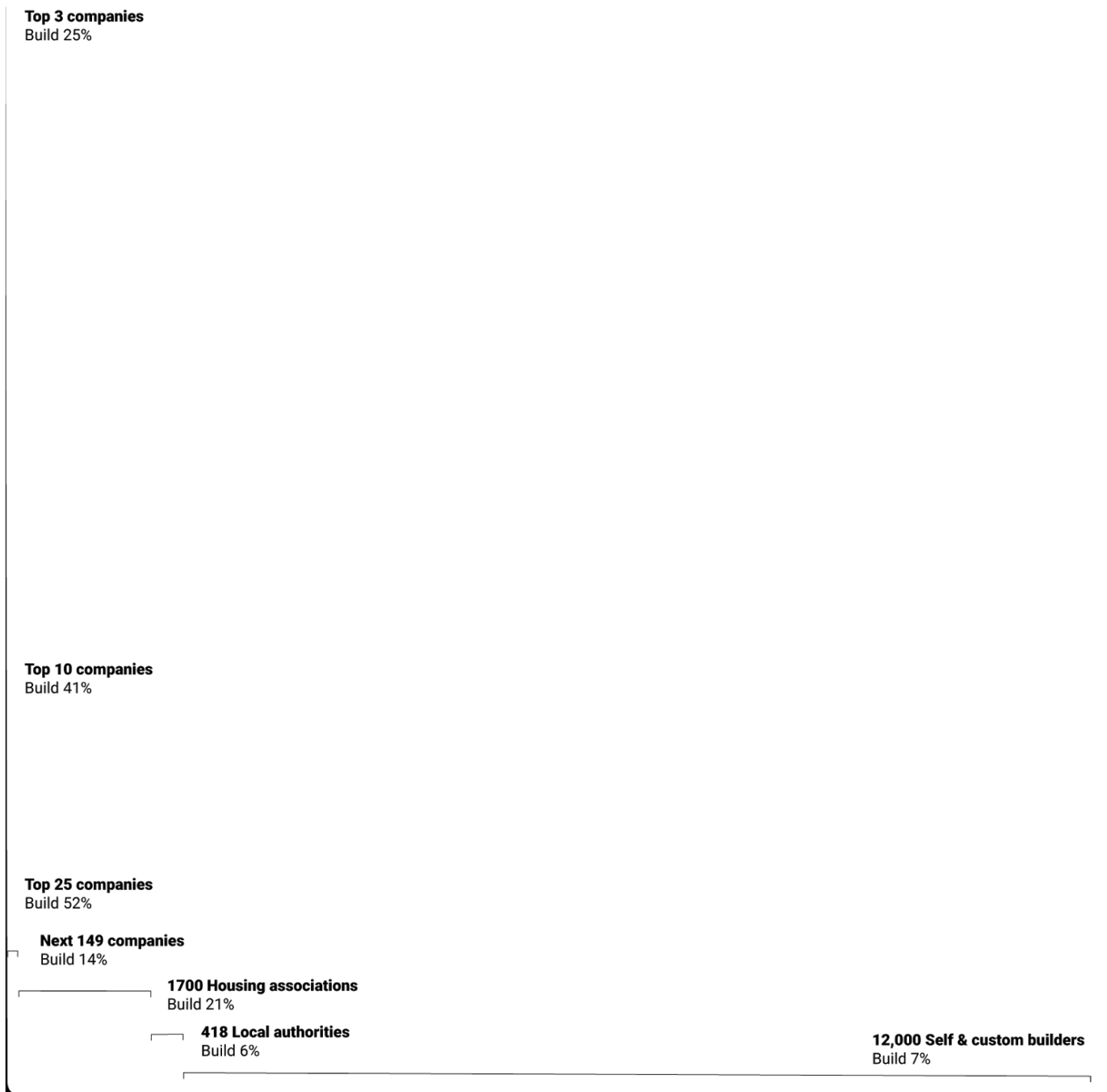Housing is a complex system failure - what is referred to as a 'wicked problem'. It is a Gordian knot of individually understandable but collectively debilitating interests and perspectives, each blaming another for the overall failure of the system. There is no one group government should listen to, no one button government can press to 'build more homes', and no amount of money that can be thrown at the problem that will fix it.

However, we do believe that there is one potentially very large additional housing capacity that can be unlocked through smart strategic intervention, and it does not require significant additional public spending or private debt.

Who builds our homes?

Since the industrial revolution, the working assumption for policymakers has been that the only entities capable of procuring homes at scale are large, professional developers, either of the market, state or third sector.

The process of procuring homes is so opaque, risky and complex that we rely on these large companies, known as 'the housebuilders' to buy land, borrow, engage contractors and build mass housing for us, usually sold at market rate. In the UK this dependence is especially exaggerated because we depend on such a tiny number of these companies. Of the homes we build, almost half are built by just ten companies; a quarter are built by just three.

Top 3 companies
Build 25%

Top 10 companies
Build 41%

Top 25 companies
Build 52%

Next 149 companies
Build 14%

1700 Housing associations
Build 21%

418 Local authorities
Build 6%

12,000 Self & custom builders
Build 7%

Who builds our homes? UK housebuilders and how many homes they completed in 2015. The UK housing system is exceptionally centralised. Previously the assumption has been that we are totally dependent on this narrow 'peak' of developers.

Most housing policy of recent decades has been targeted at increasing the capacity of this 'high peak' of large developers, either by regulating them, deregulating or subsidising them, depending on the prevailing political ideology.

The problem is that for the large part, these policies have limited effect, and usually have high external costs or unintended consequences. Although the housebuilders are often blamed and

beaten around the head for not doing their job, in truth that is precisely what they *are* doing. However, it is not their job to solve the housing crisis on their own. In fact, it is in the nature of their business model that they alone will never be able to build a sufficient quantity or quality of homes. Their capacity has natural limits:

Non-viable sites
Developers take their profit margin by selling land for more than its acquisition price. At times or in areas where land values are not rising, speculative development is simply not viable, even though other forms of development might be.

Unaffordability
Ultimately developers' objective is to sell homes for as much as possible, whilst spending as little as possible on building itself. This means they sensibly regard homes that are more affordable, higher quality or more sustainable primarily as costs to be avoided. More affordable means less viable.

Limited pace of development
Housebuilders cautiously control the rate at which they purchase land, build and release homes to remain liquid and to ensure steady return for their shareholders, rather than to maximise actual number of units completed. If they build too fast, they will become overleveraged. If they sell too fast, they risk devaluing the land stock they still hold.

Small sites High project overheads mean that in most parts of the UK, speculative development is not viable on sites smaller than 30 units.

Planning resistance Speculative development tends to be incredibly unpopular with local communities, since it often results in ugly, unaffordable neighbourhoods, and development that is done *to* rather than *by* or even *for* existing residents. This leads to broken trust, highly conflicted planning battles, and acts as barrier to the release of new land for development through the planning system.

Limited demand for mass-developed homes Only one in four buyers would even consider buying a new speculatively built home at all.

Dead neighbourhoods Speculative development at scale tends to produce 'dormitory neighbourhoods', with little economic productivity and no community institutions. Residents have very little autonomy, and are largely dependent on external services, as if living in a permanent hotel.

All these mean that although large private developers will always be a key part of housing delivery, on their own they are not enough. There is, in effect, a *missing sector* in the UK housing system, another housing economy. We believe that capacity lies not in the 'high peak' of a few large nationwide developers, but at the other end of the graph: the 'long tail'. That is, the many small, local individuals, groups and community development companies acquiring land and procuring homes for themselves as places to live, who could collectively be termed 'the citizen sector' or 'micro sector'.

What is the citizen sector?

The citizen sector has always been there; it is the oldest and arguably most direct and intuitive form of housing development. However it largely misunderstood. One of the things that has traditionally made it hard for policymakers to understand is that unlike speculative development it comprises not a single procurement model, but a diverse spectrum of possible models of procurement, delivery, investment and tenure. Until the formation of organisations such as the UK Cohousing Network and NaCSBA it lacked professional representation, and was largely ignored. It includes:

Individual self and custom-builders
Individual families who purchase or rent a serviced plot of land and act as their own developer, opting either to do some or all of the work themselves or paying professionals to do so.

Building groups ('baugruppen')
A group of families who come together, often forming a cooperative entity to pool their resources and act as their own developers for an entire mini neighbourhood. Often these will include cohousing models, where groups decide how they would like to live as a village, and build shared community assets and amenities in addition to their own homes, based on their needs. These cohousing models are hugely successful in improving quality of life and building-in social resilience, and will be pivotal in addressing the timebomb of elderly care costs and loneliness in the coming decades.

Community development companies
Organisations such as Community Interest Companies (CICs) or Community Land Trusts (CLTs) which form to acquire and hold land and develop homes for rent or buy sale (usually on conditions which guarantee long term affordability) on behalf of the community. Often

these behave not unlike Housing Associations and take a much more holistic view of housing as a service, beyond just affording a roof over people's heads. Any surplus generated by these bodies is recycled into the community and its infrastructure, creating resilient, self-sustaining neighbourhoods and reducing long term public costs.

Why the citizen sector works

Behind this potentially confusing diversity are some simple fundamental characteristics that make the citizen sector structurally more viable than speculative development; not just economically but also socially and politically.
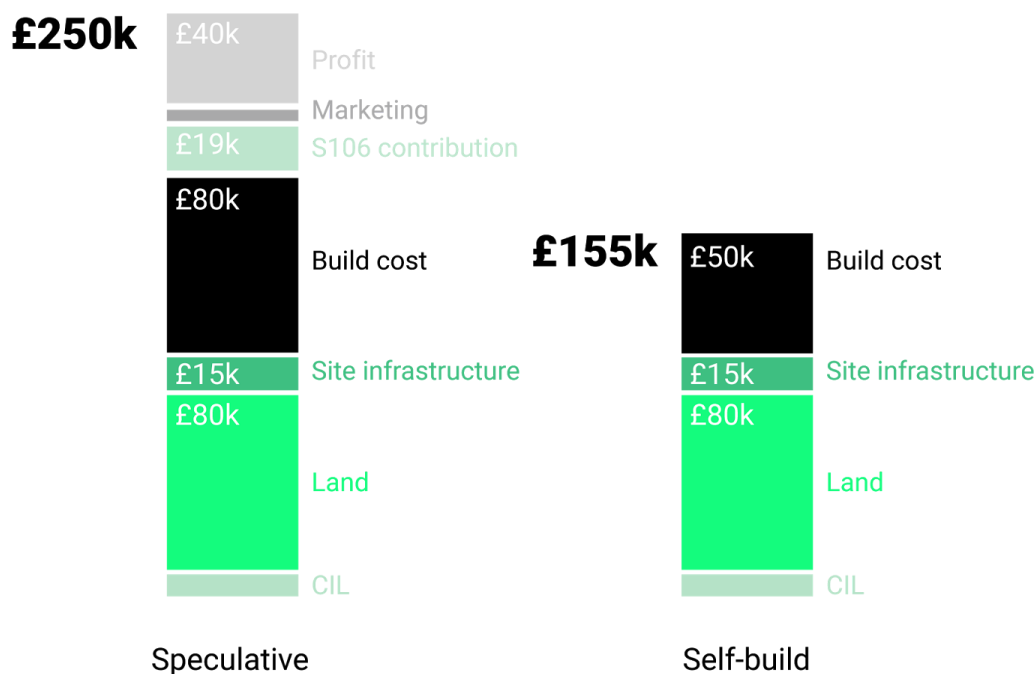
Eliminating market risk
Custom and self build development can simply be understood as *direct procurement*: cutting out reliance on the developer as an intermediary. Unlike speculative development, which has to take on risk by building homes for imaginary future buyers and then takes a large margin for doing so, direct procurement eliminates this risk. Homes are procured on-demand by those who want them.

Viable
With no profit margin or marketing costs to pay, direct development is viable long before speculative development would be, especially on small sites or in areas where land prices are not rising. It also means any cost savings through innovation are passed-on to the homeowner.

Affordable
This, combined with opportunities to invest 'sweat equity', or to develop homes in stages over time, mean the same house on the same site can cost two thirds of the market price, or less.

£250k

£40k	Profit
	Marketing
£19k	S106 contribution
£80k	Build cost
£15k	Site infrastructure
£80k	Land
	CIL

Speculative

£155k

£50k	Build cost
£15k	Site infrastructure
£80k	Land
	CIL

Self-build

Housing without debt The same house on the same site can cost as much as one third less when directly procured by homeowners acting as their own developer. This significantly outperforms most other "affordable" housing mechanisms.

Popular
Because it is high quality, sustainable and often benefits residents and their friends or families rather than speculative developers, citizen-led development tends to be more popular, making the planning process much less adversarial. The Community Right to Build was an important tool to reflect this.

Investing in homes as infrastructure
Because they are investing in homes as long term places to live – as infrastructure – to use over 25 years or more, citizen developers see quality and sustainability not as costs, but as investments.

Resilient, continuous placemaking
The process of making the neighbourhood is also the process of forming community relationships, knowledge and seeing local businesses, seeding more resilient places. This process is never 'finished'; places evolve and grow. This has a huge potential impact on, for example, local economy, health and care outcomes as well as reducing the costs of maintenance and policing.

The barriers to scaling the citizen sector

For these reasons and many others, there is ever-growing support for the idea of growing the citizen sector, and a huge unmet desire from would be custom builders for the opportunity to do it. The Localism Bill, and subsequent Self-build and Custom Housebuilding Act 2015 were huge leaps forwards, supporting the government's vision to double the size of the custom build sector by 2020. In particular, Richard Bacon MP is to be recognised for his leadership in this area.

However, making that vision a reality is harder.

Even where rights, registers and funding have been made available, uptake is still relatively low. The problem is (as anyone with experience of housing development will testify) that the process is opaque, risky and costly – in money and time – and therefore very hard to replicate and scale. Most stakeholders, from planners to professionals to communities themselves, would regard mass small-scale development as simply '*too difficult*', or don't consider it realistic.

Some of these barriers are:

- Inexpert / inexperienced clients
- Lack of capital reserves to accommodate overruns
- Low standardisation / replicability across projects.
- High communication overheads (multiple perspectives and expectations, especially in groups)
- High per-project overhead costs (for example professionals fees, meeting regulations, site preparation etc) in both time and money.
- High levels of risk / cost uncertainty in the development process, which then needs to be borne by a well-capitalised organisation.
- Low trust / transparency in the process.
- Low skills in local trades / communities, resulting in poor quality construction.
- Cost of labour and difficult, unreliable building methods.

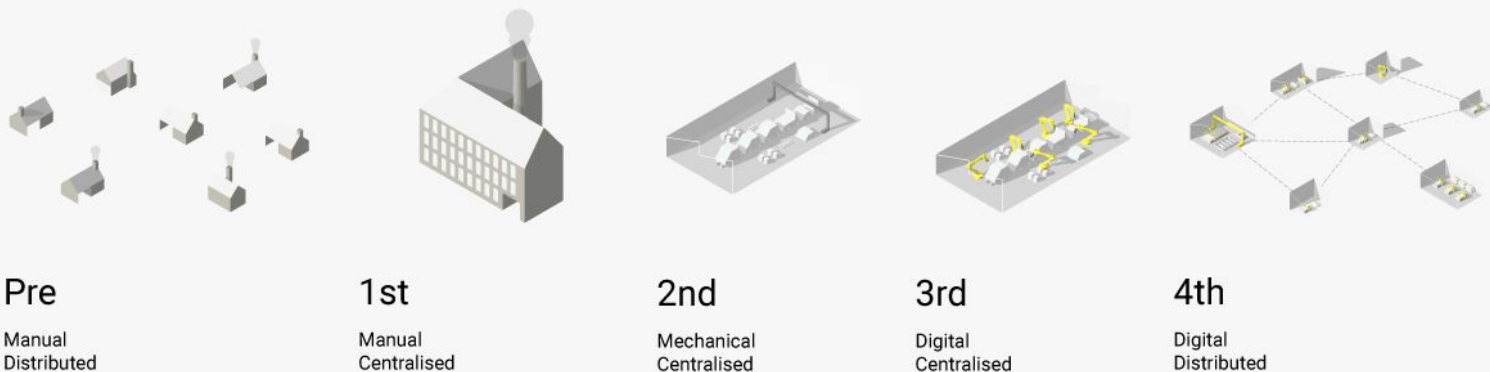## The role of digital innovation in growing the citizen sector

Faced with these difficulties, not surprisingly what tends to happen is that many projects either don't get off the ground, or slide backwards towards typical developer-led-with-some-customisation where end

users are no longer their own developers, they are merely allowed some choices over the design of their home or the opportunity to put in sweat equity, which does not bring the same advantages, or unlock new development which could not have been done anyway.

There are however, signs of change.

In the last two decades, digital devices and the web have transformed our economy, by distributing the way we produce and share information. We have moved into a world where large centralised players have been joined, or or even replaced by the 'long tail' of small, often amateur players.

Who, fifteen years ago would have believed that in 2016, the world's largest hotel chain would be hundreds of thousands of individuals renting out spare rooms? And yet, that is exactly what AirBnB is.

Pre	1st	2nd	3rd	4th
Manual Distributed	Manual Centralised	Mechanical Centralised	Digital Centralised	Digital Distributed

Industry 4.0 In the last two decades the web has transformed our economy and society. In the next it will also transform the way we produce and understand our built environment.

Driven by ever more sophisticated web applications, mobile devices, digital fabrication and the internet of things, that same digital revolution is now beginning to transform the way we design, regulate and produce physical things, especially our built environment. This has been termed 'the fourth industrial revolution' or Industry 4.0. Digital tools and open data can be used to make complex, multi-stakeholder processes more transparent, more replicable, less bureaucratic and simpler for everyone involved.

This has the potential to take us far beyond our current, limited conversations around 'offsite fabrication' or 'MMC', to the fundamental structure of our housing industry itself. In particular it

has disruptive potential to help us scale the citizen sector or 'long tail', especially if embraced as tools by government as well as the market.

Challenge 1: Land

The first challenge facing the citizen sector is the availability of land at a price most can afford. Potential land for development is often locked behind opaque ownership, does not have planning permission or is already owned by large developers. Furthermore, unlike professional developers, citizen sector developers often do not have the capital to buy the land outright, and therefore cannot participate in bidding for sites.

Opportunity: Unlocking small sites
Because of the scale of development that is viable, developers are usually looking for sites with space for 30+ units, of which there are a very limited number. However, often overlooked are the hundreds and thousands of smaller sites that could be developed, but fly under the radar both of developers (who generally regard them as non-viable outside Greater London) and local authorities (who do not have the administrative capacity to process them.)

Analysis of Birmingham City Council's open data by DemoDev revealed hundreds of such sites across the city just in public ownership, covering a total of 66.8ha, enough for over 3340 new homes.

Small sites Analysis of Birmingham City Council's open data revealed a total of 66.8ha public owned land across the city, mostly sites too small for conventional development to be viable. This is a capacity for around 3340 homes.

One individual we have spoken to identified a small leftover piece of land in London that has been sitting empty for decades under local authority ownership. He approached his Local Borough Council asking whether the land would be available to purchase. The response he received was that although the site was recorded as being under their ownership, the officer knew of no process by which they could sell such sites, and the planners could not give any firm indication of whether the site would be likely to receive planning permission for a home. This is understandable: to a local authority, the prospect of working through hundreds of small land disposals is not inviting.

The result is that identifying land is a lengthy and opaque process of building up trust, where connections and contacts trump everything. Mechanisms are needed that afford more transparency in the ownership of public land and micro-development opportunities.

Further research is needed to explore the full extent of the small sites opportunity across the UK, but our understanding is that nationwide there are a significant number of small to medium size sites (between 1-30 dwellings) in private and public ownership where, in many cases, speculative development is not viable. Collectively, this represents a very large capacity.

Opportunity: Infill and densification
Another key type of land which only the citizen sector can bring forward for development is land where planning permission for development could only realistically be driven by local bottom-up consent. This could arrive via the community Right to Build, and, in effect, a 'Right to Regenerate', whereby local residents are supported to form community development companies and use the the Community Right to Build to develop community-owned homes within (or on the rooftops of) existing estates.

Another approach to this might be a 'Right to Replace' proposed by Alastair Parvin (co-author of this document) and Adam Towle. It would create a new form of permitted development, giving owners of non-listed semi-detached and detached homes in designated areas the automatic right to replace their existing home and double the density of their building plot, provided their immediate neighbours also opt-in to the scheme. We estimate that such a mechanism could unlock land for as many as 460,000 new homes within the Greater London area.

Opportunity: Create and normalise a market for the supply of serviced plots
A model already being piloted in the UK is the Dutch or German style 'self-build zone', where larger sites can be brought forward for development by dividing them into serviced lots and plots, installing infrastructure, setting planning codes and selling them directly to local citizens, either as individuals or groups. This is an excellent way for councils to fulfil the Right to Build, and also to develop forward high quality, affordable neighbourhoods on sites where developers will not.

Design code / LDO

Serviced plots to buy / rent
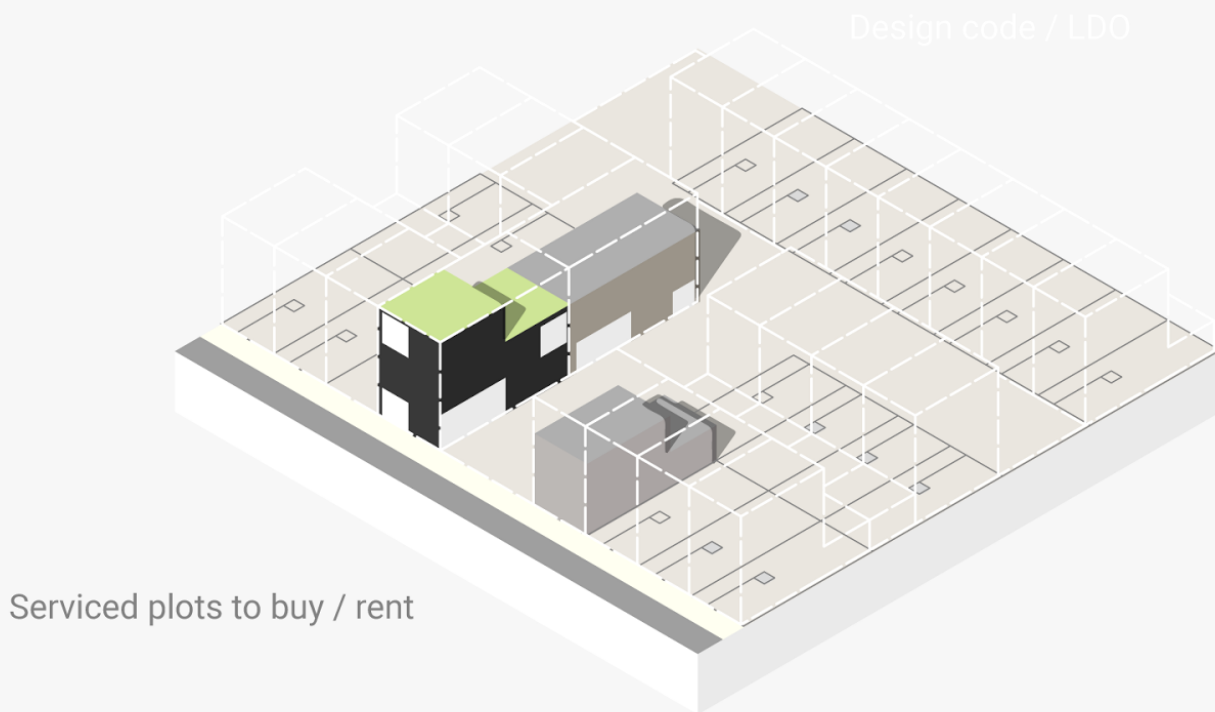
Serviced plots We should expect development models like this to become the new normal way for local authorities to achieve their housing objectives.

However, it seems at present that local authorities, even with the ownership of the sites, still find this very hard to do within the land disposals framework, or lack the motivation, knowledge or confidence to do it. Often, they give up , and just end up falling back onto the flawed 1990s-2000s model whereby land is sold to developers through a normal bidding process, and local authorities try to tax-back some small public compensation through Section 106 negotiations.

Beyond devolution giving local authorities greater power to borrow and invest, could a standard land disposals template might be developed that makes it easier for local authorities to acquire such sites, and either sell them to a community development company to act as land promoter, or act as land promoter themselves, selling or renting plots at a pre-fixed market-equivalent price on the condition that they can only be sold to citizens on a local-first basis?

In general, more needs to be done to normalise the idea of the serviced plot not just as a property commodity, but as an easy way for local authorities to achieve their housing and placemaking targets. Plots should be sold at a fixed price to non-speculative builders, ideally with payment deferred over time. Local authorities should recognise that such plots are now the main route by which they will achieve affordable housing provision in many areas.

Local authorities are ideally placed to take a proactive role in this, as they can bring 'patient capital', and can act as market-makers. The citizen sector empowers local authorities to use forces, rather than fight them in order to achieve their objectives.

Government also needs to encourage early local community ventures such as demodev.org that can act as an intermediary between local authority and custom builders, making it easier for communities to use the existing Right to Build legislation, and easier for Local Authorities to support them.

Challenge 2: Planning

Most custom-builders and community businesses simply cannot afford to take a risk on purchasing a plot if it is uncertain whether they will be able get planning permission. The process of securing planning is an opaque, time-consuming and often slow process which scares off a lot of would-be self builders.

Equally, for local authorities, it is simply not practical for them to be able to deal with hundreds of pre-application meetings and subsequent planning applications.

Opportunity: Design codes and Local Development Orders (LDOs)
The solution to this must be a greater use of design codes and planning in principle schemes. Local planners could assign outline design codes for individual sites, and permission in principle. This might be exclusively applicable to custom and self-builders, or it could apply to any development on the site, but where speculative developers would have to pay a predefined Section 106 contribution, self builders and custom builders would not. This way, any uplift in land value will not contribute to pricing citizens out.

Challenge 3: Development

The process of designing, costing, delivering and certifying a home is still an opaque, uncertain one, characterised by guesswork and frequently escalating costs – in fact it is such high drama that they make TV programmes about it. For most would-be homeowners or building groups this simply isn't workable.

The problem of managing small project overheads is not the only one. The shortage of construction skills, especially in construction SMEs is a serious problem at a time when we badly need to be building homes to a higher environmental standard and performance. Lack of innovation in this area means the delivery process is slow, risky, unstandardised and needs many layers of expertise and expense.

Custom builders need full design and construction services, but there are still too few companies offering a good quality, turn-key model and it is often too expensive.

Opportunity: Digital supply chains The rise of digital and off-site fabrication is hugely exciting for the citizen sector, offering quicker, cheaper and better building techniques. WikiHouse (of which one of the authors is co-founder) is one such example, a building system which allows each home to be customised and locally manufactured by a distributed network of digital micro-factories. The homes can then be assembled in days or weeks to a very high level of performance and precision, by small local building companies and even self-built by citizens themselves.

The technology is open source and available to the whole industry. WikiHouse is far from the only example of innovation in this area. There are other proprietary innovations emerging and well established, such as Facit Homes and the cross-laminated timber factory being established by L&G homes. These innovations were of little interest to speculative developers, but have huge value in direct (custom build) development.

In future, these technologies must be integrated into full 'smart supply chains', which make the design and development process simple and standardised for clients. WikiHouse Foundation and its partners are currently working on one such piece of digital infrastructure for housing. We see the potential to develop a new, high-tech construction industry in the UK, with wider employment (more local SMEs), faster training and more transferable skills, delivering homes with industrial scale efficiency and predictability, and also having a huge economic multiplier effect in terms of jobs and prosperity.

However, more funding and investment is needed to accelerate development of this infrastructure.

Challenge 4: Finance

Securing finance is unmistakably a barrier across the citizen sector, but it is far less terminal than many people think. At present there are a handful of well-known lenders to the sector, including Triodos, Nationwide and Ecology building society.

Opportunity: de-risking development For lenders, most of the barriers lie in the sections above: the same '*too difficult*' problem, meaning the risk involved inhibits their ability to lend. All the solutions discussed above will improve this. Smart supply chains especially will have a significant impact in mitigating these risks, making the citizen sector very lendable.

We have seen a rise in digital crowdsourcing and peer-to-peer lending in other sectors. Making a low-risk supply chain could lead to similar new fintech innovations, allowing investors to lend towards the construction of other people's homes. In effect, new digital building societies.

Opportunity: land bonds Because they take a 25 year+ view of a site rather than selling it straight away, citizen sector developers are able to do something which speculative developers cannot. They can finance the cost of the land and the cost of the homes separately. This is important because pension funds need a stable, low-risk investment proposition.

Perhaps the most plausible model one can imagine for such an arrangement is where a neighbourhood might be put under the ownership of a Cooperative or Community Land Trust, who would issue a land bond to a lender to be paid over 25 years with an acceptable yield. In the event of a resident being unable to meet their obligations, there is sufficient resilience in the system that the neighbourhood will be able to keep up its payments. This means the homes at the outset would be extraordinarily affordable; since it takes the initial land cost off the table. A 2-bed home could initially cost as little as £80k, anywhere in the country.

The land bonds approach has been proposed and articulated extremely well by Matthew Benson of Rettie & Co, as well as by Chris Cook.

Our policy recommendations

The government's objective to double the size of the citizen sector in housing is visionary and precisely the right thing to do. We hope it is something all parties can get behind. However, we need the strategy and tactics to realise this objective; to make what are currently seen as 'alternative' housing models a mainstream part of supply.

In simple terms, the biggest barrier to scaling the citizen sector is what can be called the '*too difficult*' problem. This is why, for example, even with the rights made available through the Localism Act, citizens, communities and local authorities still struggle to use the rights they already have.

Our suggested approach is simple: focus on the users. Where something is too difficult, rather than just providing funding to help a few people to overcome it, government should invest in continuously developing new tools, templates, infrastructure or digital services that can lower the barriers for everyone involved.

Put bluntly, if you want something to happen, make it the easiest option.

1

Define and measure the Citizen Sector

At present, housing supply in the UK is recorded in only three categories 'private enterprise, 'local authority' and 'housing associations'. We only have estimates (usually around 7-8%) of the the contribution the citizen sector makes. We need to recognise that the citizen sector is a fundamentally different and a critical mainstream supply sector for affordable homes in the 21st century, and from 2017 it should be defined and measured as a sector in its own right.

2

A new digital public service: righttobuild.gov.uk

We propose a collaborative project between DCLG and the Government Digital Service (GDS) to develop a new online digital platform to sit alongside the planning portal, entirely targeted at supporting the citizen sector. It would be a one-stop interface for all the stakeholders in the process nationwide, with the straightforward objective of making it as easy as possible for citizens to use their rights, and as easy as possible for local authorities to support them. This would be more than a repository of information and advice; it would be a working web application, backed-up by tools, data repositories, workflows and legal templates that make the whole process simpler for everyone involved. It would act to:

1. Provide a single central location where individuals and groups can easily sign up onto their local Right to Build register.
2. Make it simple for individuals to check and use their general permitted development rights.

3. Make it simple for individuals and groups to find and view sites currently under public ownership, and submit their interest in developing them.
4. Make it simple for local authorities to allocate and promote sites for citizen-led development, publish pre-set prices, select candidates and sell or rent the sites to them using standard contracts.
5. Make it simple for citizens to apply to apply to buy or rent sites from their local authority.
6. Make it simple for local planners to assign design codes and permission-in-principle for custom build to individual sites.
7. Make it simple for local citizens, in dialogue with local planners, to create and agree their neighbourhood plans / rules as a neighbourhood design code.
8. Make it possible for citizens to tag new potential sites for development, and take them through the whole Right to Build process, from identifying the community boundaries to holding a referendum. At the end, the proposal becomes a design code.
9. Guide citizens and groups through the process of applying for any available funding support.

In future it could also:

10. Allow private landowners to offer sites for sale or rent to custom and community builders, in exchange for a small share of the planning uplift on top of the purchase price.
11. Support new general or local permitted development programmes such as a *Right to Replace*.

Behind **righttobuild.gov.uk** there would be a small, agile development and service design team, continuously engaging with different stakeholders or arms of government to improve the platform, add new programmes, and make adoption even easier. They should be supported by an advisory team, including representatives from private sector, civil society, institutions (eg NaCSBA) and other parts of government, such as the Behavioural Insights Team (BIT).

Although this may seem like an expensive move, in fact it would cost only a fraction of the funding budget currently directed towards pilots themselves, and would leverage significantly greater impact. It would easily pay for itself in increased sector growth and lower administrative burden.

This single move would have a greater impact in unlocking capacity of the citizen sector than any of the other recommendations in this paper.

3

Open pilots/vanguards

HCA Funding / loans should continue to be made available for pioneering pilot projects, especially to promote the availability of serviced plots. However, in our view, this funding should be highly conditional in that:

- It should not be used to fund any project which is in fact not true custom-build, but just conventional developers allowing some degree of customisation (sometimes confusingly referred to as 'custom build developers'). This is an excellent upgrade on conventional speculative development, but it is not custom build, since it does not yield the same affordability advantages.

- There should be a strong insistence on (and support for) open documentation and sharing of experiences / solutions / costings / models for others to emulate. This would ensure maximum replicability.

4

Funding for enablers

An additional smaller seed fund might be created to support any local or national initiative (primarily those that are open source, or owned by a non-profit or a community interest company) that proposes to act in any way to make any aspect of the process simpler for businesses, communities and self/custom builders, or to act as a facilitating intermediary between local citizens and local authorities. In particular, the taskforce proposed by NaCSBA and others will play a crucial role in helping local authorities implement the Right to Build and learn how to unlock the citizen sector.
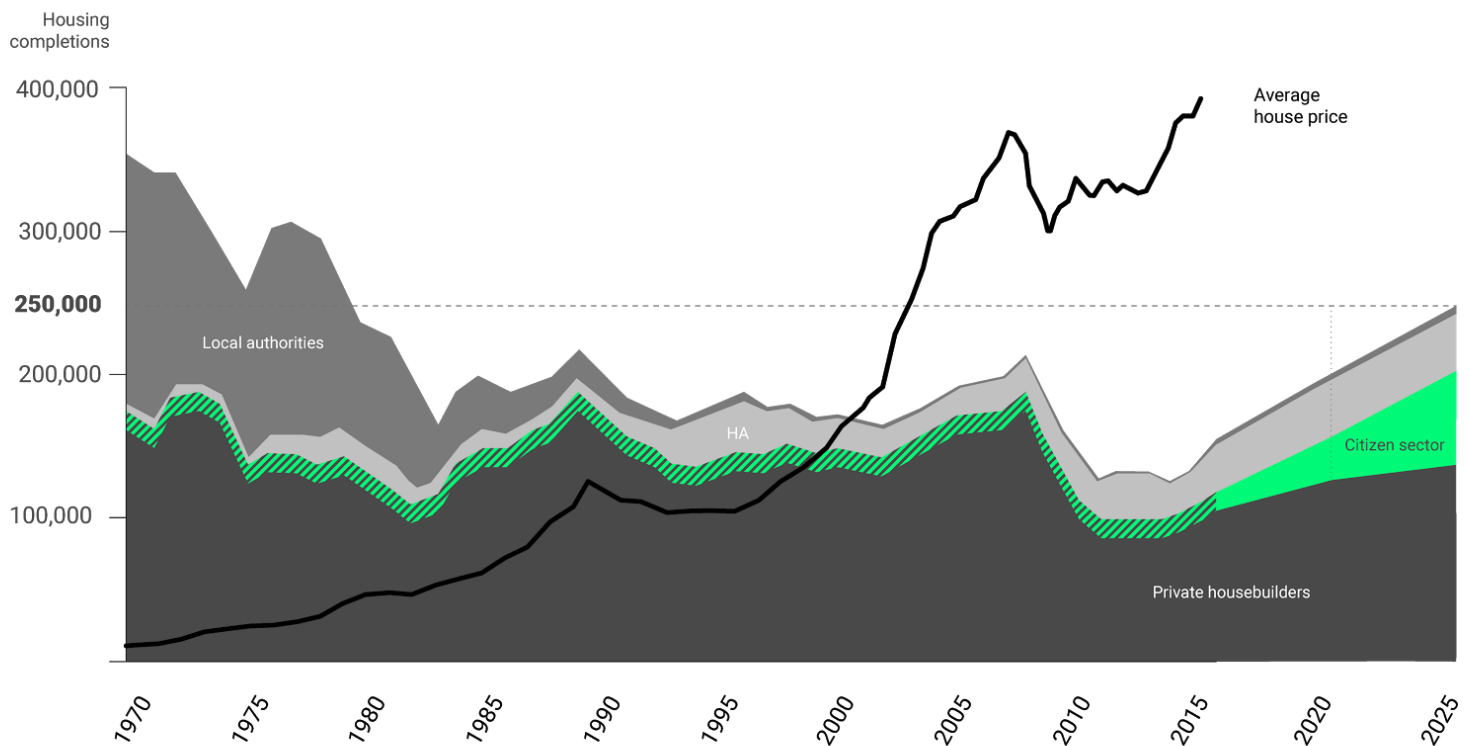
5

C5: A new land use class for self and custom build

Local authorities only have a finite number of land assets at any given time. When they run out of new land, it may be that they will be able to recycle the proceeds of previous developments to purchase new land,

capture the uplift themselves and act as plot promoters for further affordable custom and self build housing. However if they are unable to do this, and private sector plot promoters fail to emerge to meet demand, it may be that local planners will need a mechanism to designate areas of land for self and custom build development as part of a strategic plan, without directly purchasing the land themselves.

To achieve this, we and others have proposed the creation of a new land use class, C5, which recognises serviced plots as a fundamentally different economic land use type from speculatively developed properties.

C5 would be defined as 'land that can be developed only by the end occupant or occupants of the dwelling or dwellings.' This would have the practical effect of creating a separate parallel land market (and therefore supply) for serviced plots. This would be a powerful new tool in local planners' toolbox, allowing local authorities to plan-in self and custom build development as part of their planning objectives without needing to actively own the land themselves.

Housing completions

400,000

300,000

250,000

200,000

Local authorities

100,000

HA

Private housebuilders

Average house price

Citizen sector

1970 1975 1980 1985 1990 1995 2000 2005 2010 2015 2020 2025

A vision for UK housing in 2025

"We cannot solve problems using the same kind of thinking we used when we created them." – Einstein

For two decades, UK housing policy has revolved around two core strategies. The first is to attempt to provide "affordable" homes as a tax-back on a structurally *un*affordable model of speculative development using negotiated Section 106 deals.

The second has been to seek to increase capacity by enticing speculative developers to build beyond their natural viability, by subsidising and propping-up demand, through measures such as pathfinder and Help to Buy.

Both of these these strategies, whilst well-intended, are failing.

It is not that speculative developers are not an important part of housing supply, they are. It is simply that they alone can never produce a sufficient quantity or quality of homes and neighbourhoods to meet Britain's needs. If we remain dependent only on them, we are doomed to an ever-worsening housing crisis.

The answer must be an 'all of the above' approach, seeking to build capacity across all sectors. However, there is one housing sector in particular that has the most obvious untapped potential to help us dramatically improve and increase supply, and can become a politically popular, and economically viable mainstream route for the provision of affordable homes, that is *the citizen sector*.

Helping local authorities understand and unlock the power of this sector is not easy - but it is possible, and it is one of the great political projects of our time.

The digital industrial revolution is giving us the tools to do it; to make direct procurement of homes and neighbourhoods a 'new normal' across the UK.

We do not believe that any of the ideas we have set out in this paper are especially radical or difficult to implement, but they do require a clear vision, and the shared political will to think differently. It is our view that if this project is taken seriously, the government's ambition of doubling the size of the sector to around 24,000 homes per year by 2020 is highly achievable. Further still, we would suggest that by 2025 this could be doubled again to over 50,000 homes per year.

In doing so, Britain stands to gain more than just meeting its housing targets.

First, it will create a new, highly investable, highly-scaleable and world-class low carbon house manufacturing industry, which can then export its services to a rapidly urbanising world.

Second, it will create a social and cultural legacy of beautiful, affordable, equitable and sustainable places that will stand the test of time; true 21st century villages; places that in a hundred years people will still be proud to call their home, and that will still be growing and evolving as social, cultural and economic infrastructure.

At the centre of this 'other' housing economy is a core principle: that the most important form of capital we have is not physical property, but *human* capital. Seen through that lens, the conversation we have around housing looks very different. Suddenly, we can realise that housing is not an endless demand, waiting to be met with debt, but an unstoppable, impatient force, just waiting to be unlocked.

For Government, the job ahead is not to supply homes *for* people, but to create a robust market framework within which every British citizen and community is empowered with the rights and the tools to just get on with building affordable homes for themselves.