

# INTERNATIONAL REVIEW OF LAND SUPPLY AND PLANNING SYSTEMS

Residential land supply is a key contributing factor in housing market volatility and problems of housing affordability in England. This research explores whether successful measures used in other countries might be introduced or adapted to help unlock land supply and support higher levels of new housing investment.

## Key points

- All the countries studied had policies to control urban sprawl and protect agricultural land, as has England. Unlike England, however, they all had a strategic level of decision-making between national and local.
- The administrative unit was quite small in several countries, supporting community involvement.
- In many countries, the benefits of new development for existing communities were clearer.
- The core elements in an effective planning policy are: incentives and mechanisms to bring forward land for development; responsive growth management policies that recognise both the benefits and costs of growth; and a secure source of funding to provide infrastructure.
- Most of the effective mechanisms identified already exist in England, though not necessarily in the same form; there is no new 'magic bullet'.
- The Government is already taking steps to address issues of land supply and housing, including a strong presumption in favour of development, the New Homes Bonus, an increasing role for the Homes and Communities Agency in bringing forward public land for development, possible auctions of public land, greenbelt swaps, a new Community Infrastructure Levy, and neighbourhood planning as part of the Localism Act.
- Key to long-term reform to land supply in order to reduce volatility in the housing market is for planning authorities and their partners to become more proactive in the land market, especially in the case of publicly owned land.

## The research

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# BACKGROUND

The JRF Housing Market Taskforce identified land supply as a key issue contributing to UK housing market volatility and affordability problems. It commissioned this report to establish whether other countries' experiences could contribute to understanding the constraints on land supply in the UK and whether their successful mechanisms might be introduced here to help unlock land and thereby increase the supply of new housing.

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Land supply is a vital matter because despite record house prices in the early 2000s, the supply of new homes did not increase significantly. This lack of responsiveness to house price increases has contributed further to affordability problems. Since the financial crisis it has become even more difficult to ensure a stable supply of land.

The urban footprint in England is only around 10 per cent of the total land area. The green belt accounts for perhaps 13 per cent, although this includes quite a large amount of developed land.

## Constraints on land supply

In England, perceived land supply constraints include: an ethos of constraint in terms of planning permission; incentives to landowners to keep land off the market in periods of both expansion and decline; limited incentives for local authorities to support new housebuilding, and anti-development attitudes among existing residents; the nature of the housebuilding industry, where there are conflicting incentives to complete new schemes quickly so that capital is not tied up for long, and to delay completion if sales are weak; a particularly strong emphasis on 'brownfield first' approaches to assembling land, giving rise to problems such as on regeneration sites which might have many owners; lack of mechanisms for funding and providing infrastructure; the cost and availability of finance; market volatility, which increases risks and uncertainty of development.

## Approaches to land supply in other countries

The eleven countries studied featured many differences but also many similarities in their approaches to land supply compared with England. All had planning systems based on zoning rather than planning permission, as in England. However, the zoning systems had varying degrees of flexibility or constraint, and some operated in ways similar to England. In terms of new development, some were even less responsive to market signals. All countries had some form of control on urban sprawl and protection of agricultural land. The nature and level of governance and decision-making appeared to be important in determining the capacity to adjust growth boundaries to meet requirements.

Unlike England outside London, most countries had three layers of governance for planning: national, regional and local. Equally, smaller-scale local bodies might be a factor in supporting pro-development attitudes, as people can more easily see the benefits of growth.

## Mechanisms in other countries

Measures used in other countries fell into five main approaches that worked in certain contexts. However, planning systems were holistic, including the legal framework, governance structures, incentives and finance. Particular mechanisms used also depended on the nature of the development industry and involvement by different stakeholders, as well as the impact of the economic environment. Hence what works in one country may not readily be transferable to another.

## Growth management

Many countries used growth management boundaries to prevent urban sprawl and protect agricultural land. To ensure price stability, densities were higher within these boundaries, which are re-examined at regular intervals. Successful urban containment with price stability appeared to require planners to actively monitor land supply.

## Land assembly

Local authorities in many countries played an active role in land assembly, often together with the use of compulsory purchase powers. New development land would be brought together through local authorities taking a proactive role. Within urban areas, land readjustment typically involved multiple owners 'pooling' land. The municipality would then provide services and infrastructure. Owners receive a share of the uplift in land value following development, after the municipality has recouped its costs.

## Infrastructure provision

Infrastructure ought to be provided in advance of development, but this requires an effective funding mechanism. France has an employment tax hypothecated on transport infrastructure, while in the Netherlands early infrastructure provision has occurred through municipal land purchase at existing use value and resale at prices which cover the costs. Land readjustment also funds infrastructure. In the USA, tax increment financing has been used extensively to fund inner-city regeneration, including infrastructure.

## Compensation and incentives

Most countries had local taxes providing significant funds for community benefits. These benefits may be more transparent where the local government unit is small, thus providing greater incentives for development. Evidence of individual compensation was very limited. In the Netherlands, individuals can be compensated for loss of amenity, but this has not been widespread. Several countries used 'density bonuses' or adjustments to compensate developers for potential losses from providing affordable housing on site.

## Land value capture

Underpinning many mechanisms is 'land value capture' and the use of planning gain, usually for infrastructure provision. Infrastructure, services and affordable housing can be funded from the uplift in land values following planning permission or allowing development. Sharing in some of the uplift is also an incentive for pooling land in regeneration schemes.

## Potential for use in England

The English planning framework has always called for adequate land to be made available and gives local authorities powers to identify the most appropriate land for development. However, the overall ethos is one of constraint, as shown by the continuity in green belt policies, which have hardly changed since the 1930s. The 'brownfield first' approach has further limited expansion. The form of governance in England makes it relatively difficult to plan strategically, and incentives to local authorities are limited. Particularly important is the lack of a clear mechanism for funding appropriate infrastructure, along with poor procedures for land assembly and readjustment, and limited flexibility in response to changing requirements.

The Government has introduced several new measures to bring forward more housing, including a strong presumption in favour of development, the New Homes Bonus, an increasing role for the Homes and Communities Agency in promoting public land, greater flexibility in green belt designations and the Community Infrastructure Levy. There is considerable scepticism about the likely effectiveness of this approach across the sector.

All the mechanisms identified above exist in some form in England, although often not in ways that generate a holistic approach to growth. In particular, the following could be used.

**Growth management** can make green belts more flexible. This has been done with green belt swaps, in designating green belt land for housing while extending the green belt elsewhere to compensate.

A more **proactive planning role** is needed. In England, landowners' expectations govern whether and when they are prepared to release land. It is difficult to get landowners to take a cut when the market declines. Equally, price rises may make it better for them to wait even longer. A more proactive planning approach could be extended to **land assembly**, especially for public land – including land auctions – or where ownership is fragmented. This would almost certainly require greater use of compulsory purchase.

**Infrastructure provision** ahead of development requires funding, and the new Community Infrastructure Levy (CIL) cannot cover everything. Good practice would include a rolling fund for financing infrastructure through loans or equity so that the municipality recoups its investment, which can then be reused.

**Incentives** for local authorities, such as local taxes, are lacking. Section 106 (Town and Country Planning Act 1990) agreements between planning authorities and landowners worked because they were negotiated and delivered locally. The New Homes Bonus provides some incentive, but is unlikely to change attitudes to development, especially in richer areas.

**Land value capture** has been used in England for over 20 years; CIL is a broader approach seen as more transparent and fairer but inevitably limited, especially in the current market. The amount of uplift in land values depends on the extent of constraint, the quality of planning decisions and the expected growth of the economy.

## Conclusions

Incentives for development are difficult in the English context, but should involve the local community. The New Homes Bonus and neighbourhood planning under the Localism Act may prove ways forward, but this is presently uncertain.

Growth management, rather than urban containment, needs introducing in the short and longer term. This would require more proactive planning, involvement in the land market and monitoring of supply.

Infrastructure provision and financing is crucial for future housing development and as a way of incentivising existing residents to accept development. It would probably require planning gain, local tax revenues and rolling debt funding.

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## About the project

This study comprised a data review for 24 countries, a literature review of eleven countries, consultation with country experts and a roundtable discussion with stakeholders in England.

## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of the JRF. The main report, **International review of land supply and planning systems** by Sarah Monk, Christine Whitehead, Connie Tang and Gemma Burgess, is available as a free download at [www.jrf.org.uk](http://www.jrf.org.uk)

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