

Planning for the Future: How flexible zoning will end the housing crisis

22nd June, 11:00 – 12:00

Anthony Breach, Analyst at Centre for Cities

**Bridget Rosewell, Commissioner at the National
Infrastructure Commission**

Chair: Andrew Carter, Centre for Cities

#cfcplanning

@AntBreach @brosewell





How can planning reform end the housing crisis?

1. **A national, flexible zoning code**
2. Proposals which comply with the zoning code and building regs **legally must be granted permission**
3. **Zoning should be done at the city level**, be sensitive to land values and allow scope for redevelopment
4. Non-developed land is phased into the zoned area as the population grows, **replacing the green belt**
5. **Non-economic elements, such as conservation areas, are retained** but subject to cost-benefit analysis
6. **Public consultation is frontloaded into the creation of the plan**, and remains for facades, materials etc
7. **Section 106 taxation is replaced with a flat 20 per cent levy on development**, raising £96bn+ for infrastructure and social housing

Increased supply of land

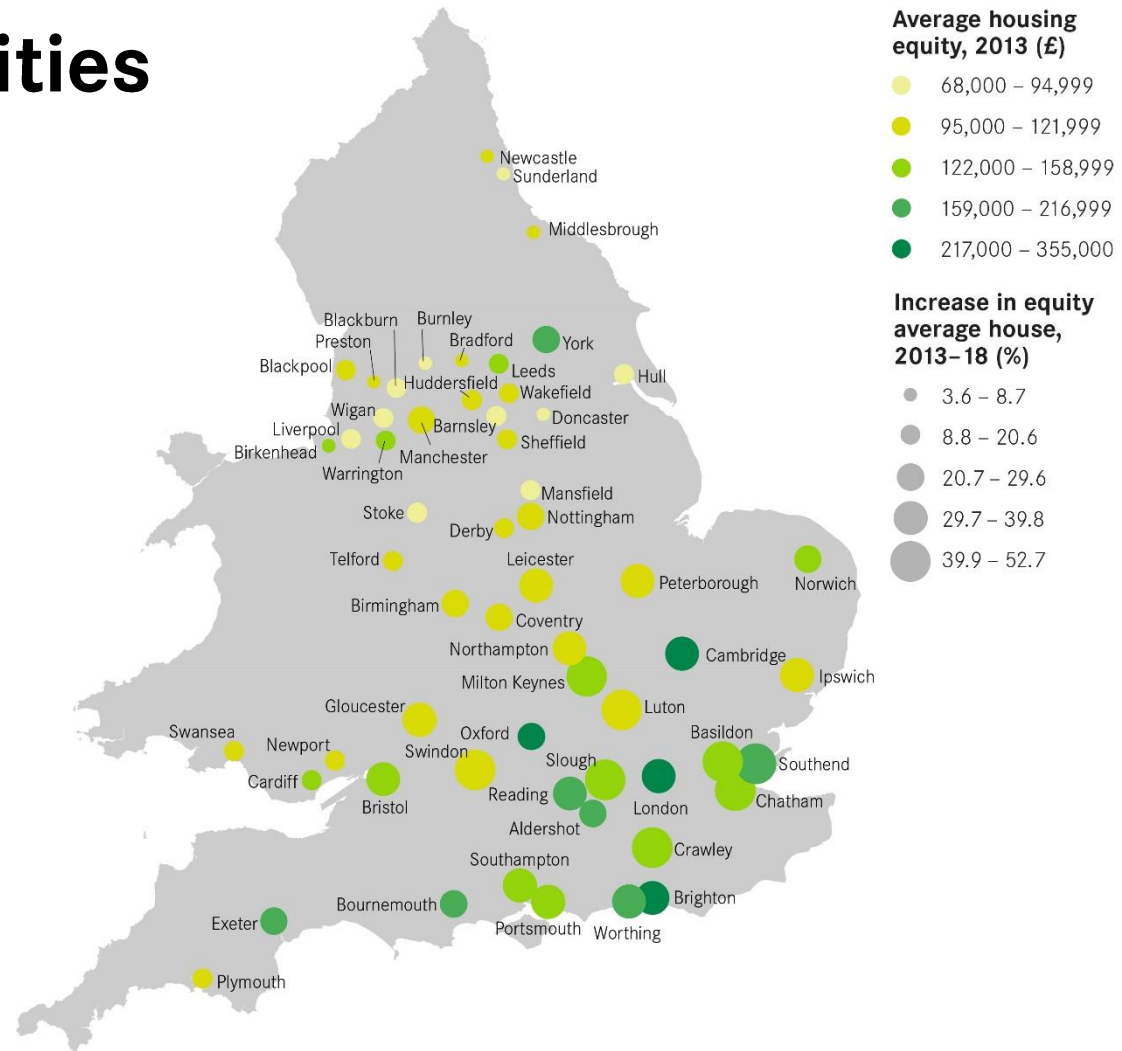
Increased efficiency of land

The planning system makes inequality worse

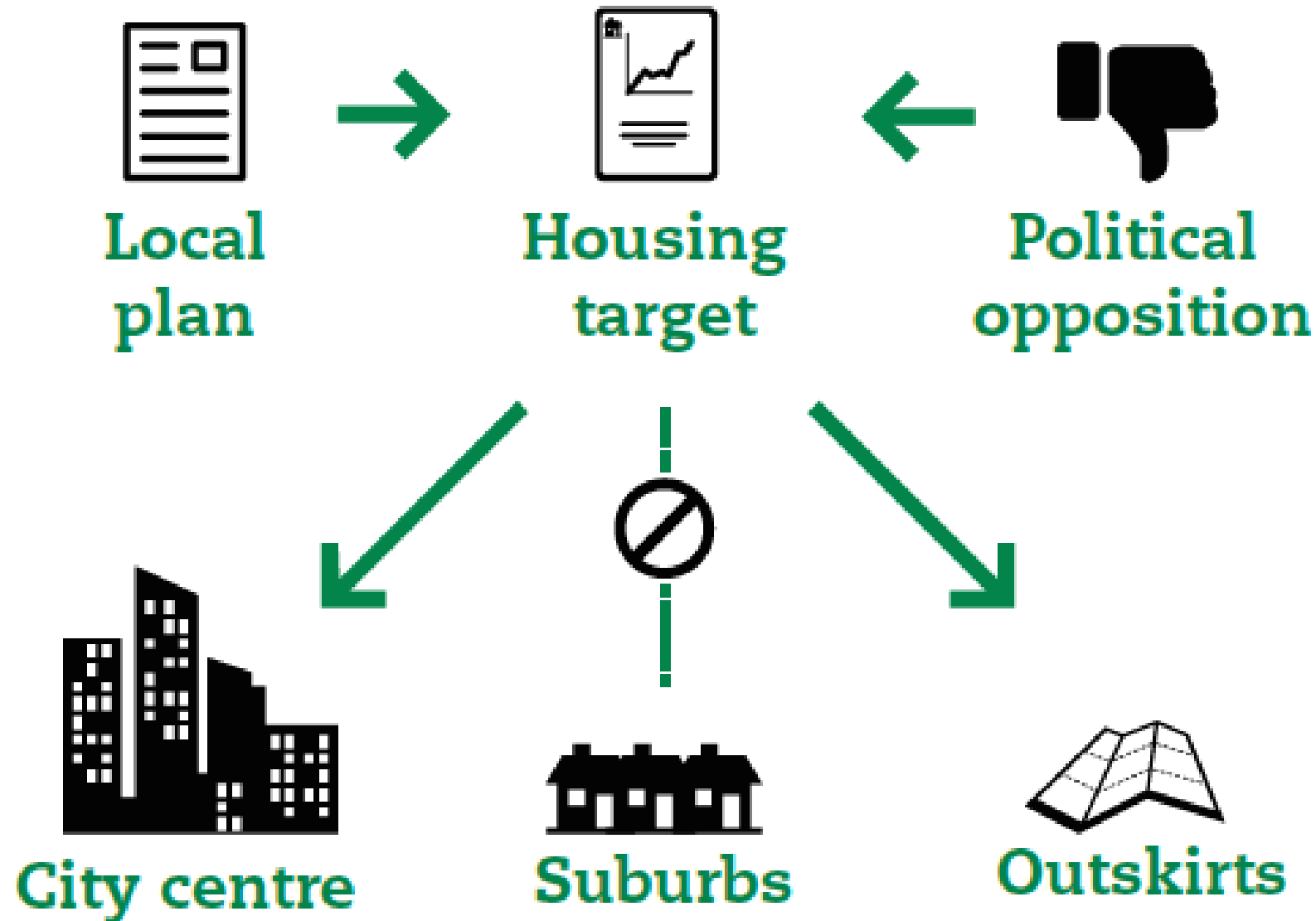
Two distinct inequalities

Renters and
homeowners in
expensive cities

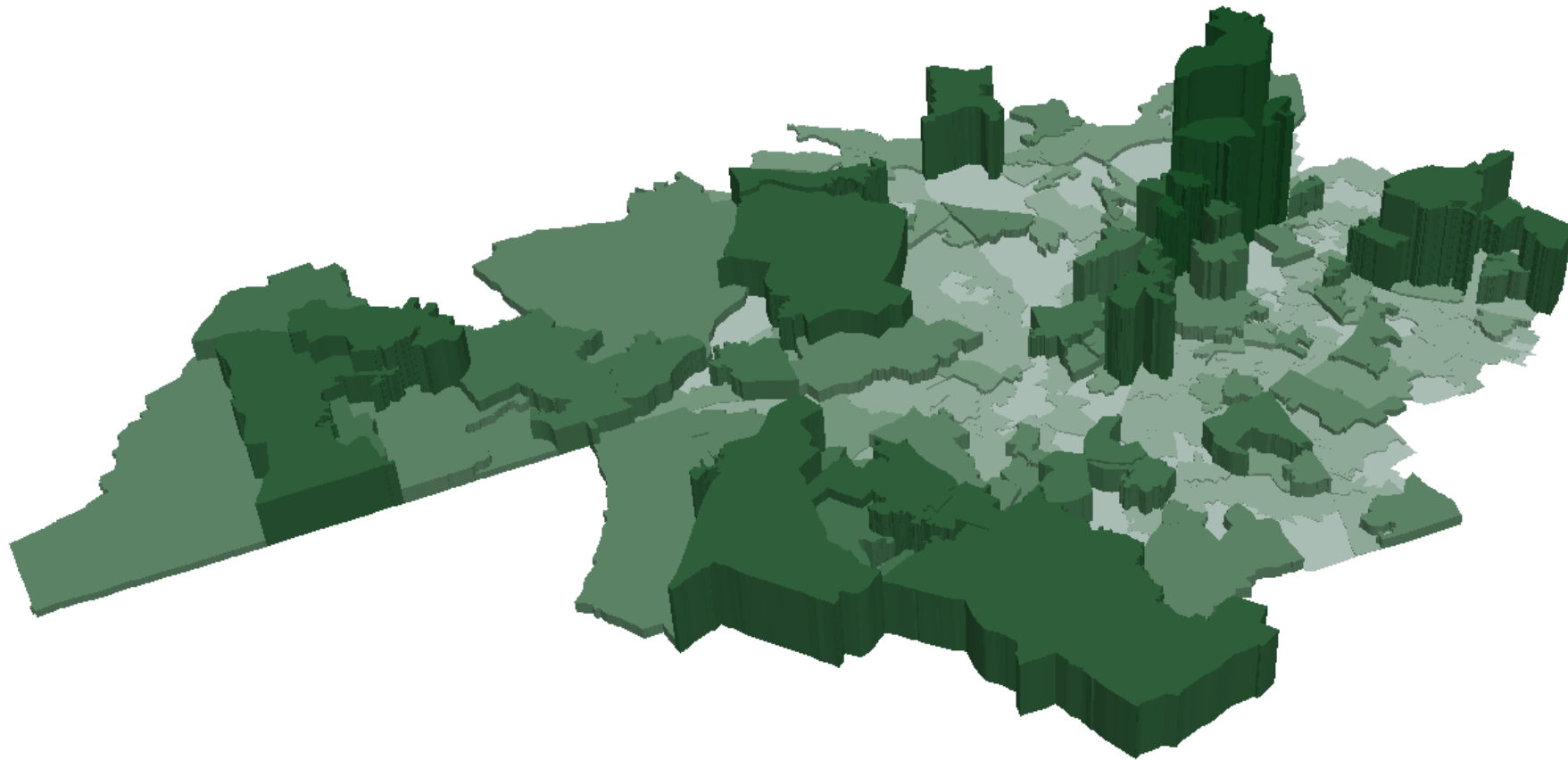
Homeowners in
prosperous and
struggling cities



The planning system forces cities to use their land wastefully



The planning system forces cities to use their land wastefully



Housing supply in Leicester PUA 2011-19

Discretionary planning rations new homes and creates shortages

44

**J. SAINSBURY
RATION CARD**

Name.....

Address

/	BACON	2	
/	BUTTER etc.	4	
/	SUGAR & JAM	2	
/	MEAT	3	
/	CHEESE	2	
/	EGGS	1	
	ALL	14	

TAKE CARE
OF THIS CARD
PLEASE.

SERIAL No.

A 2252

Sainsbury Archive

Discretionary, case-by-case, granting of planning permissions is the core problem

János Kornai's framework shows the link between planning and shortages

Two key similarities with Soviet style planning

Planners ration inputs
+ set production
targets (discretionary
planning)

A permanent state of
undersupply:
A shortage economy



Press Association



Can discretionary planning work?

Yes! Six conditions set out for a Soviet-style economy in (Kornai and Lipták, 1965):

1. Government has **clear and constant goals**
2. Councils and firms have **no distinct purposes of their own**
3. **Plans are bounded** by known real resource + capacity constraints
4. All agents enjoy **perfect information** and tell the truth
5. All agents enjoy **perfect discipline** (i.e. nothing is late or goes wrong)
6. The planning system is patient, and repeatedly and immediately **adjusts as demand and information changes**

- If these conditions apply, then discretionary planning is as efficient as a market – and there are no shortages!
 - But... these conditions are far stricter than those required for an efficient market.
 - None of them are true or even can be true – therefore, it is impossible for the discretionary planning system we have to operate without shortage or without large amounts of waste

Two types of shortages – vertical and horizontal

- **Vertical shortages in the supply chain:**

- Land banking
- The absorption rate
- Poor quality housing



- **Horizontal shortages in the consumer market:**

- Not enough empty homes
- Artificially high demand in low-demand places
- Shortages fuel inflation and speculation



Land banking is an artefact of the planning system



Developers land bank because of planning risk. Planning permissions are uncertain.

Firms demand more land than they actually need.

Firms hoard land to spread planning risk over multiple periods.

Slow build-out rates are caused by rationing of land

Land which can be developed is expensive

Developers need to pay high prices for specific sites and cover their costs.

Rational strategy – build at an “absorption rate”

New supply is built slowly so local prices do not fall

Slow build out is an artefact of discretionary rationing of land

Every firm faces the same problem



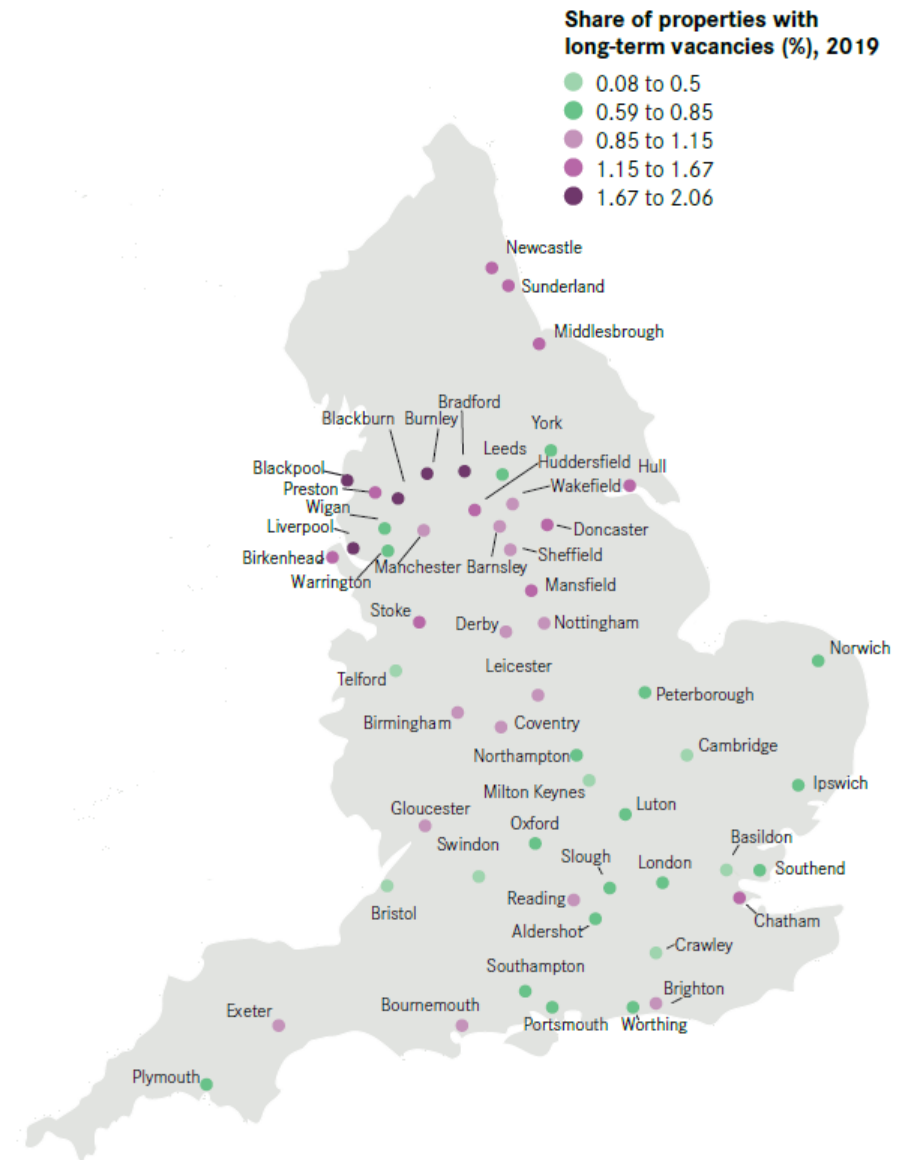
Not enough empty homes

There needs to be a surplus of supply to avoid a shortage

But less than 1 per cent of homes in English cities and large towns are long term vacant

Vacancy rates are at their lowest in most expensive cities

Vacancy rate in Tokyo (2.4%) is higher than in Burnley (2.1%)



Shortages artificially boost demand in low-demand places



Lack of supply in London, Brighton etc does not reduce demand – it adjusts it

People are displaced and forced to live elsewhere

Bad for them, and bad for planners trying to calculate housing demand

Inequality is not in income, but access to production



How can planning reform end the housing crisis?

1. **A national, flexible zoning code**
2. Proposals which comply with the zoning code and building regs **legally must be granted permission**
3. **Zoning should be done at the city level**, be sensitive to land values and allow scope for redevelopment
4. Non-developed land is phased into the zoned area as the population grows, **replacing the green belt**
5. **Non-economic elements, such as conservation areas, are retained** but subject to cost-benefit analysis
6. **Public consultation is frontloaded into the creation of the plan**, and remains for facades, materials etc
7. **Section 106 taxation is replaced with a flat 20 per cent levy on development**, raising £96bn+ for infrastructure and social housing

Increased supply of land

Increased efficiency of land

How will flexible zoning solve this?

A national, flexible zoning code for cities and large towns

Proposals which comply with zoning and building regs *must* be granted planning permission

Category I exclusively low-rise residential zone



This zone is designated for low rise residential buildings. The permitted buildings include residential buildings which are also used as small shops or offices and elementary/junior high school buildings.

Category II residential zone



This zone is designated to mainly protect the residential environment. The permitted buildings include shops, offices and hotel buildings as well as buildings with karaoke box.

Neighborhood commercial zone



This zone is designated to provide daily shopping facilities for the neighbourhood residents. In addition to residential and shop buildings, small factory buildings are permitted.

Commercial zone



Banks, cinemas, restaurants and department stores are constructed in this zone. Residential buildings and small factory buildings are also permitted.

Flexible zoning changes everyone's strategic behaviour





The housing crisis is a political choice

- The housing shortage is inevitable in the current planning system – but we can change it if we want to
- A flexible zoning system will use land more efficiently, supply more land for development, and provide more homes in the most expensive cities
- Ending the rationing of new homes is the choice politicians must take to repair Britain's divides and reduce inequality

Thank you

22nd June, 11:00 – 12:00

Anthony Breach, Analyst at Centre for Cities

Bridget Rosewell, Commissioner at the National
Infrastructure Commission

Chair: Andrew Carter, Centre for Cities

[#cfcplanning](#)

[@AntBreach](#) [@brosewell](#)

