An end to zombie politics 4: Land use [1]

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Zombie policies on land use are no Aunt Sally: credit conditions come and go, but planning delay (or unavailability) is a project-killer from cycle to cycle. In October 1998, the McInsey report, Driving productivity [3], identified UK land-use restrictions as one of the critical impediments to productivity growth. This was never contested but neither was it acted upon. In October 2012 Lord Heseltine?s report, No stone unturned [4], pressed for ??inject[ing] urgency and purpose into the planning system?. On 17 March 2013, the Treasury responded [5] that HMG is committed to ?reforming the planning system to reduce costs and bring speed and certainty to business; and to addressing under-investment in the UK?s infrastructure while providing investment opportunities to the private sector.?

All well and good, but this won?t happen unless HMG deals with the underlying reasons for delays choking off the supply of land for growth. The central problem is that the benefits of change in land-use are valued less highly by locals (including local government) than loss in amenity. Another way of looking at this is that benefits are appropriated by developers, users and central government.

It?s beginning to sink in that the goodies need to be spread around if they are to be earned in the first place. In the case of fracking this is straightforward: a fraction of the incremental revenues from drilling or distribution are put the local?s way. HMG is proposing reduced energy costs; other hydrocarbon regimes appropriate revenues for public infrastructure. It?s a matter of mechanics and political judgment and HMG is already going the right way. But more should be done.

Policy for immediate relief

1. On balance I get that the local authorities need to be incentivised to go along with a more liberal planning regime, so as a matter of practical politics I?d go for pushing a bit of the gravy their way.

2. In return, let them accept more permissive guidance to planning authorities; or suspension of the objectionable clauses of the Town and Country Planning Acts.

3. This would be with a view to a holiday on restrictions in the construction of qualifying infrastructure, the definition which to be announced from time to time by the Secretary of State.

4. All this needs to be exempted from judicial review.

Policy for eventual resolution

Sharing out the spoils is more problematic where changes in land-use add value only over time or indirectly. Here let HMG add securitisation to ?value capture?, that is sovereign appropriation of increased land-values when road or rail links are built.

5. Let HMG compensate owners of lands blighted by infrastructure at market rates on ?most-favoured vendor? terms, with securities representing the value of the overall parcel of land, traded in the secondary market and enjoying time-limited underwriting (eg, negotiability for taxes at par).

6. Let HMG establish Enterprise Zone (EZ) reliefs for the lands concerned, attracting new development and adding to the land value and upside for the bonds.

Please see here for a worked example [6] of such a scheme and here [7] for a draft term-sheet for a land bond.

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