



University of Glasgow Policy Scotland

URBAN LAND REFORM BRIEFING PAPER NO 2 EXPLAINING THE HOUSING LAND CORPORATION

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This is one of six briefing papers prepared by Professor David Adams of the University of Glasgow to help explain key proposals for urban land reform made in 2014 by the Scottish Government's [Land Reform Review Group](#) (LRRG) to whom he acted as an independent adviser. This paper focuses on the LRRG's recommendations that to achieve the Scottish Government's national housebuilding targets and place-making aspirations requires "the establishment of a Housing Land Corporation, a new national body charged with the acquisition and development of sufficient land" and that the Corporation "should have explicit performance targets that recognise the specific needs of small rural communities and an extended operational role to enable these to be addressed" (see pages 132-141 of the LRRG report).

What is the Housing Land Corporation?

The Housing Land Corporation (HLC) would be a Scotland-wide organisation, directly responsible to Scottish Ministers for making sure that enough building land is immediately available for new housing in both urban and rural areas. Although it would work closely with local authorities (and may even subcontract some of its functions to the larger local authorities), it would have a national remit and a national purpose which the LRRG defined as "achieving Scottish Government housebuilding targets, in a way which delivers quality placemaking and improved housing standards". Although the HLC would be expected to develop a high profile across the whole of Scotland, its precise format was seen by the LRRG as less important than its ability to achieve this purpose.

Why is the Housing Land Corporation necessary?

For a long time neither Scotland, nor indeed the wider UK, have built enough houses to keep up with needs and demand. The result is apparent in rising house prices and worsening affordability. Younger generations now have much less chance of owning a home of their own than their parents. Without radical action, Scotland's housing crisis is likely to deepen over the years to come.

Cannot this problem be solved simply by reforming the planning system?

Some people think that the way to solve the housing crisis is simply to loosen the planning system and ensure more land is allocated for development. While continued planning reform remains necessary in Scotland, the LRRG identified a far more important reason why not enough homes are built – the serious shortage of 'oven ready' building land in the places where people want to live. Even if the planning system were to 'allocate' large areas of additional land for development, unless it is readily 'available' to a wide range of builders who can start on site with minimal delay, it would have only a limited impact.

Why is land allocated by planners not always readily available to builders?

There are two main reasons why the market availability of land differs from planning allocations. First, it is well known that the larger and better resourced housebuilders tend to capture any land allocated by the planning system for development (often before it is actually allocated) and so close off opportunities for medium-sized and smaller builders or self-build. Moreover, once these companies control the land supply in any locality, they can then build at a relatively modest pace to achieve high selling prices. Secondly, to turn major planning allocations into available development sites, someone

has to pay for roads, sewers, schools, open space and other public facilities. In recent decades ‘planning agreements’ have been increasingly used across Scotland as a means to make developers (and by implication, new home buyers) pay for these costs. But planning agreements are time-consuming and costly to negotiate, and do not always meet the full ‘public goods’ cost of new development. Put together, these two reasons make it essential to find a better way to channel land directly to a wider range of builders, while paying more efficiently for all that needs to be invested in any major new development beyond immediate house construction.

What difference would the HLC make in rural areas?

Many commentators have identified a particular ‘rural housing crisis’ in Scotland, evident in worse affordability, greater homelessness, and higher levels of dampness and disrepair than in many urban locations. There is an undue dependence on the private rented sector and in some cases, tied housing. Second homes and holiday homes often exacerbate the rural housing crisis. Housing shortages encourage out-migration, especially of younger people, producing fragile rural settlements. [Research](#) has shown that even within rural areas, shortages of land are at the heart of the housing problem. These will need to be addressed sensitively by the HLC. It will need to think not just about the larger rural settlements, but also about shortages in villages and small rural communities.

How would the HLC operate?

Working alongside local authorities, the HLC would take land into public ownership at a low but fair price, investing in the necessary infrastructure, and then selling the land to housebuilders as serviced sites or plots. This would be a more efficient way to capture value uplift and invest in public goods than reliance simply on planning agreements. As well as ensuring that better designed and more energy efficient homes are built more quickly and more cheaply, the HLC would also use its control of land ownership to ensure that places as a whole are designed and built to a much higher quality than often happens today. Crucially, however, the HLC will not become a monopoly land supplier, but will work alongside existing market processes to bolster the overall supply of land.

Would the HLC build homes itself?

No. Instead, it would channel land to all types of builders – self-build, small and medium-sized companies and not just the big volume builders, so ensuring a greater number and diversity of homes for sale. Often, it would establish joint venture companies to develop land in a particular area, involving developers, landowners, local authorities and community interests in a joint effort to make sure enough high quality homes and places are built.

What impact could the HLC make in economic terms?

One reason why the HLC needs to be established nationally and work right across Scotland is that it will be charged with helping to reduce house price inflation in Scotland to the European average. Here, the example of Germany is instructive, where over a lengthy period, an interventionist approach has resulted in a freer, more diverse and better functioning market which has largely avoided the boom and bust of the UK housing market. The HLC therefore presents an opportunity for Scotland to take a different path from the rest of the UK, which is likely to remain locked into the model of speculative housebuilding. In Scotland, the HLC offers the chance to create a step change in housing supply.

Where else has public management of the land supply been tried?

In the [Netherlands](#), public authorities have long directly managed the supply of building land. As well as producing better quality homes and development than delivered in much of the UK, this has also resulted in faster development. For example, between 1996 and 2005, the Dutch built 90 new settlements and increased the housing stock by 7.5% through the widely commended VINEX housing programme.