A SHARED VISION

HOW WOULD YOU DELIVER A NEW GARDEN CITY WHICH IS VISIONARY, ECONOMICALLY VIABLE, AND POPULAR

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WOLFSON
ECONOMICS PRIZE

The Writer

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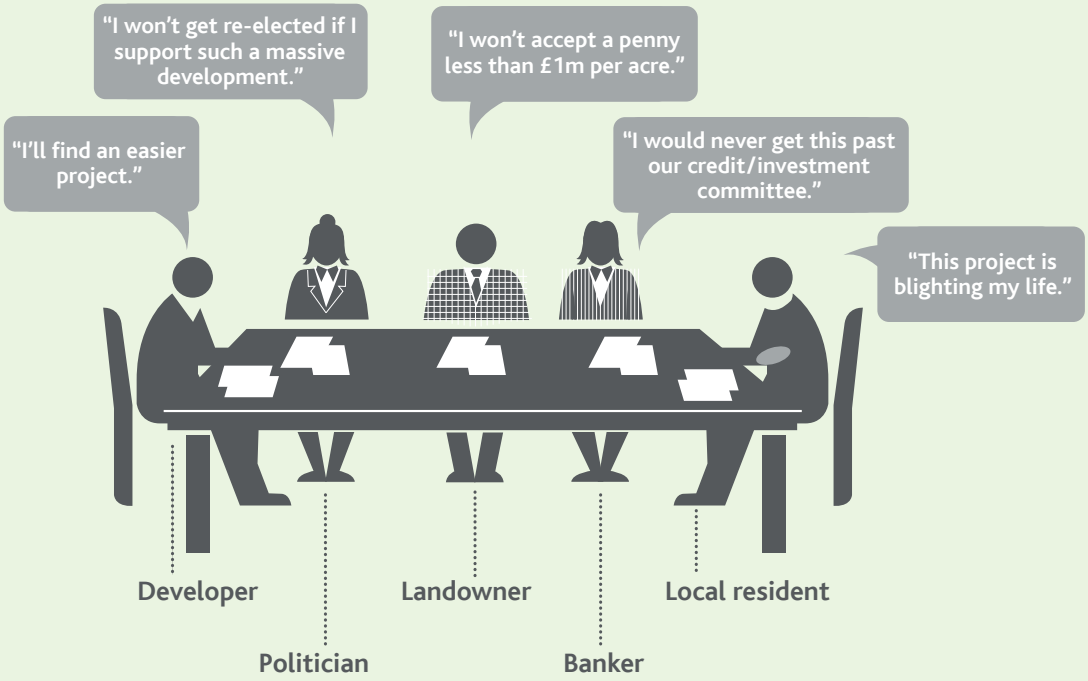
The mindset we have to overcome



The mindset we need to achieve

NON-TECHNICAL SUMMARY: A SHARED VISION

Our Garden City will comprise at least 10,000 homes for around 25,000 people in a series of Walkable Neighbourhoods with their own identity. Each Garden City will include a thriving Town Centre at its heart, a Business Park, and the full range of educational, social, health and leisure amenities. Some Garden Cities will provide 10,000 homes and 10,000 jobs; others will provide up to 40,000 homes, or perhaps more, with a matching number of jobs.

Our vision of a Garden City is similar to Ebenezer Howard's network of Garden Cities. However, our network will be a combination of existing towns and new Garden Cities. Each Garden City will, therefore, sit within a sub-region of 250,000 to 1m people.

1. OUR VISION

We all love villages. Each Walkable Neighbourhood in our Garden City will feel like a village, at a scale that we can understand and of a size that we can comfortably cover on foot.

Each Walkable Neighbourhood shall contain 2-3,000 homes, with a "village centre", including a primary school, local shops, workplaces and a park. With a radius of 500m, each Walkable Neighbourhood will be half the density of Kensington & Chelsea but twice the density of Milton Keynes.

The smallest Garden City will have three or four Walkable Neighbourhoods. Each Walkable Neighbourhood will be linked to a Town Centre with a vibrant High Street and a Business Park by bus, and safe pedestrian and cycle routes. A Garden City must include the full range of educational, employment, retail, health and leisure opportunities.

2. GOVERNANCE

Our approach enables the public and private sector to work together to acquire land at fair value. Promoters will not unduly benefit from the increase in land value. Our approach builds investor confidence and ensures that existing and new residents gain from the growth in value of the community. Our approach enables the private sector to finance, completely, the development of the Garden City.

We believe that Government should offer to work with Local Authorities to designate sites for Garden Cities and to use CPO powers to enable the acquisition of these sites. Four principal bodies need to work together to develop each Garden City:

- a **Garden City Development Corporation,** to define the boundaries of the site, with the majority of the Board members appointed by the Local Authority, to undertake land acquisition, and to prepare the master plan;
- a **Master Developer,** bringing private sector expertise and long term institutional finance;
- a **Joint Venture Delivery Vehicle** formed by the Development Corporation and the Master Developer to undertake the development; and
- the **Garden City Community Land Trust** to represent the interests of local residents and to take ownership of the High Street, the Neighbourhood Centres, manage local amenities, and to re-invest surpluses back into the community.

3. VIABILITY

We have undertaken a series of high level, conservative cash flows of our Garden City with 10,000 homes and 10,000 jobs. Key assumptions include: 1000 acres of land acquired at £40,000 per acre – still significantly in excess of existing use value; total social and physical infrastructure will cost £330m; housing developers will develop the private housing and will pay between £50,000 and £175,000 per plot, depending on location. 30% of plots will be gifted to housing associations to develop affordable housing. The first houses will be ready five years after the site is identified in principle and 10,000 homes will be completed by year 15.

We have prepared a range of scenarios. A plot price of £75,000 shows an Internal Rate of Return (IRR) of 14.67%; the absolute return is £216m. On this scenario, cumulative cash required peaks at £114m.

In our downside stress test where plot values are at the bottom of the range, infrastructure costs are well above our estimates, and payments to landowners are significantly above our estimates, the project still returns all capital but the IRR falls to 0.17%.

In areas of higher values, the position changes radically. At £175,000 per plot (a not unusual figure perhaps 30-50 miles from London) the profit leaps to £1,136m and 57.16% IRR. This could bring "profit shares" to the Local Authority and the Community Land Trust of several hundred million pounds, bringing enormous further benefits to the area over and above the homes, jobs and physical and social infrastructure.

4. POPULARITY: 10 BENEFITS

The benefits that will arise will prove immensely popular. Every existing owner will be able to sell their property to the Development Corporation at a price **significantly in excess of current market value.** The 10,000 new homes for rent and for sale will widen choice for all. Those local residents who so need will have first **priority in the allocation of the affordable housing.**

The **High Street** and the **neighbourhood centres** will be owned by the **locally controlled** Community Land Trust. Residents will benefit from the sport, leisure, and other community facilities provided by the Trust. Residents - of all ages - will benefit from the new **schools and colleges.**

The 10,000 new jobs will **widen employment opportunities.** The **financial surplus** generated will be re-invested locally. Families will be served by **first class public transport.** The residents of the towns and villages nearby will **not be subjected to pressures to expand.**

5. NEXT STEPS

The Wolfson Prize is already a catalyst to stimulate debate and this should not stop with the Judges' final decision. We urge that the Competition takes the dialogue forward to bring delivery closer in four ways:

(1) promote and publicise a "Draft Memorandum of Principles";

(2) create guidelines on social and infrastructure costs and Best Practice guidelines on programming;

(3) recommend new guidelines for a fair compensation regime for land to be acquired through compulsory purchase; and

(4) start the process of identifying areas where Garden Cities should be developed.

30 Garden Cities of varying size might lead to an investment of £150bn, creating 500,000 new homes and 500,000 additional jobs – and we will know where our children will live.

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The Treasury
FURNITURE WAREHOUSE
Cafe

INTRODUCTION

In this submission for the Wolfson Economics Prize, I set out our proposed approach to creating new Garden Cities.

We envisage that each Garden City would comprise at least 10,000 homes for around 25,000 people organised in a series of Walkable Neighbourhoods with their own identity, in the interests of convenience, quality of life and sustainability. Each Garden City would also include a thriving town centre at its heart, a business park, and the full range of educational, social, health and leisure amenities. Some Garden Cities would provide 10,000 homes and 10,000 jobs; others would provide up to 40,000 homes or perhaps more with a matching number of jobs.

Garden Cities and existing towns to support each other

In one sense, our vision of a Garden City is similar to Ebenezer Howard's network of Garden Cities. In another sense, we differ in that our network would be built from a combination of existing towns and new Garden Cities.

The location of each Garden City should, therefore, recognise its contribution to a sub-region of 250,000-1m people depending on the population within 5-15 miles able to support tertiary education, hospitals and a full business community.

NOTE HOW SHORT A DISTANCE MOST PEOPLE

Area (of current dwelling)	0-2 km	3-9 km	10-49 km	50-199 km	200 km +
North East	53.8	20.8	11.3	6.5	7.5
North West	50.4	22.8	12.2	8.0	6.6
Yorkshire and the Humber	46.8	22.6	13.4	10.2	7.0
East Midlands	42.9	21.2	15.4	16.2	4.2
West Midlands	45.0	24.7	14.3	12.6	3.4
East	37.3	21.0	21.9	14.3	5.4
London	38.0	30.2	16.9	9.0	6.0
South East	37.5	21.3	18.8	16.1	6.4
South West	38.9	20.5	14.4	15.6	10.6
Wales	46.2	20.2	14.8	11.1	7.7
Scotland	46.7	19.8	15.7	8.7	9.1
Northern Ireland	47.2	21.1	17.1	6.7	8.0
UNITED KINGDOM	43.0	22.7	15.8	11.8	6.7

Distance moved by people changing address (Source: 2001 Census Individual SAR – Office for National Statistics; General Register Office for Scotland; Northern Ireland Statistics and Research Agency)

As in the past, Government and local planning authorities will work together to select the location and determine the size of each Garden City. Primary factors will include: the scale of economic and housing growth needs in the area itself; the likely migration from London and other large cities; environmental constraints; and access to regional rail and road networks. In addition, it is essential to consider the strengths and challenges facing existing towns in the area so that the Garden Cities contribute to economic growth for all the sub-region.

Drawing on my experience

In preparing this proposal I have drawn on first-hand experience of some of the most successful, large scale mixed use commercial and residential schemes in Britain in the past two decades. I have assembled a team to work with me, including leading urban designers, architects, landscape architects, cost consultants and civil engineers. I have also drawn on the public sector experience of a former Director of Planning of Britain's most successful New Town.

We are currently working on a live Garden City project and we will disclose the identity of this project if shortlisted for the final round of the Wolfson Economics Prize. Our plans, illustrations and financial appraisals in this submission draw on the experience from this live project.

Our proposals reflects our views on how Britain can create communities which best meet the aspirations of our fellow citizens, strengthen our capacity to compete successfully in the global economy, and meet the challenges of climate change.

Addressing the barriers

We know from our experience that there are five main barriers to developing large scale projects such as Garden Cities:

- Overcoming Local Objections to New Developments which normally lead local elected councillors to resist major development proposals;
- Assembling land at a reasonable cost from many owners;
- Raising long-term finance at reasonable cost for land acquisition, utilities, transport infrastructure, community facilities and initial residential and commercial developments, without the benefit of recurring income or guaranteed land receipts;
- Creating and Sustaining a Shared Vision to bring together the different aims of current residents and their community groups, politicians, future residents, design consultants, developers and financiers in order to deliver a legacy of which all can be proud; and
- Creating Market Confidence so that home owners and businesses will move to a new Garden City in the early days, even before critical mass is established.

Our proposals are designed directly to overcome these barriers.

We have structured this submission as follows:

1. VISIONARY BUT PEDESTRIAN: THE LONG VIEW

First we set out our vision for a Garden City of some 10,000 homes and 10,000 jobs. Our basic building block is a Walkable Neighbourhood with around 2,500 homes in a radius of 500m. The principal difference between a larger Garden City and a smaller one is the number of Walkable Neighbourhoods and the scale of the town centre.

A city of 10,000 homes and a full commercial, social and physical infrastructure (including generous public realm) can be accommodated in a relatively small area, say a radius of 1,000m. It could be built out in as little as 10 years if there is a large catchment within 10 miles and the quality of services and amenities are exceptional. For financial modelling, 10,000 homes is a good test as we demonstrate that within that initial development period, positive cash flow will arise. A larger scheme will, therefore, be no harder to finance than a scheme of 10,000 homes.

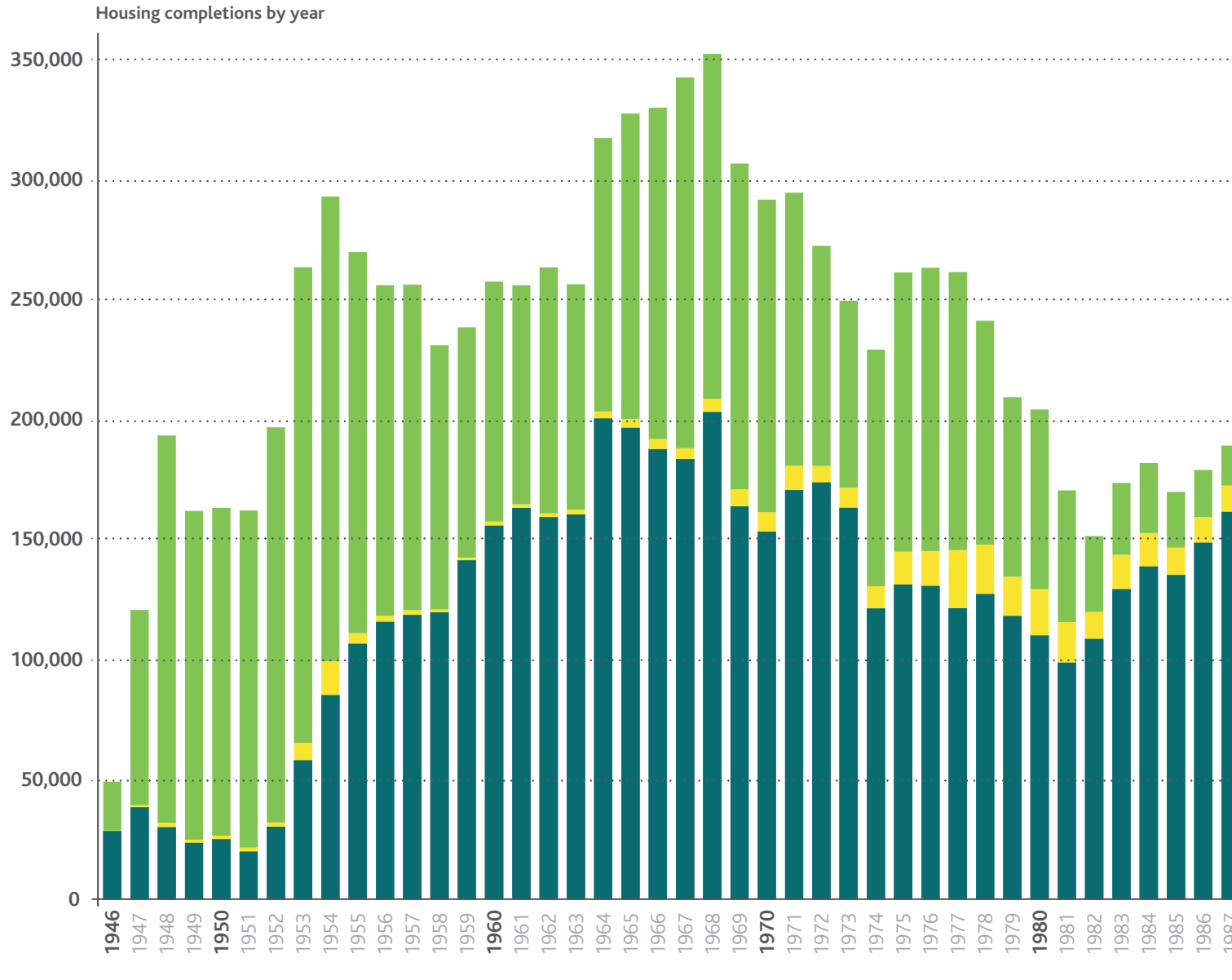
2. GOVERNANCE: LOCAL SUPPORT, LAND ACQUISITION, PLANNING, DEVELOPMENT SKILLS, FINANCE AND STEWARDSHIP

We then outline how to "govern" the development of the Garden City in ways which aim to ensure that the Garden City can win the support of people already living in the area and their elected councillors. Our approach aims to ensure that the financial rewards from the Garden City are shared fairly by landowners, the existing residents, the new community, investors and developers. Our approach is robust enough to accommodate economic cycles and changes of Government.

Drawing on the lessons from the earlier New Towns, Urban Development Corporations and the ODA, we suggest that it will be necessary to establish **Garden City Development Corporations (GCDCs)** to help assemble the site and approve comprehensive master plans. The majority of the board members of the GCDCs will be appointed by the local elected authority or authorities if the Garden City is in more than one Local Authority. The GCDC will create a joint venture with a **Master Developer** to deliver the Garden City. The Master Developer (itself a joint venture between development delivery skills, long term finance and, ideally, a Housing Association) will be responsible for funding the entire development, not the Government. We also propose that a **Community Land Trust (CLT)** be established at the outset to represent the views of residents and take over stewardship of the public assets created in the Garden City.

3. VIABILITY

We then explain how the Garden City would be financed. We estimate that the cost of our 10,000 home/10,000 job Garden City will be about £1.75bn (excluding land and finance). The value of the Garden City will range between £2.5 and 3.5bn depending on location. We consider the relationships between fair land prices, comprehensive, high quality social and physical infrastructure costs, and minimum sales value to make a Garden City viable without any public sector liability. We include evidence of the building costs for social and physical infrastructure; market pricing, cash flows with sensitivity tables and IRR calculations. We consider the merits of special tax incentives for landowners, investors and Local Authorities to encourage rapid selection of sites and delivery. We address the inter-related issues of affordability, maximising annual output and not undermining existing house values.

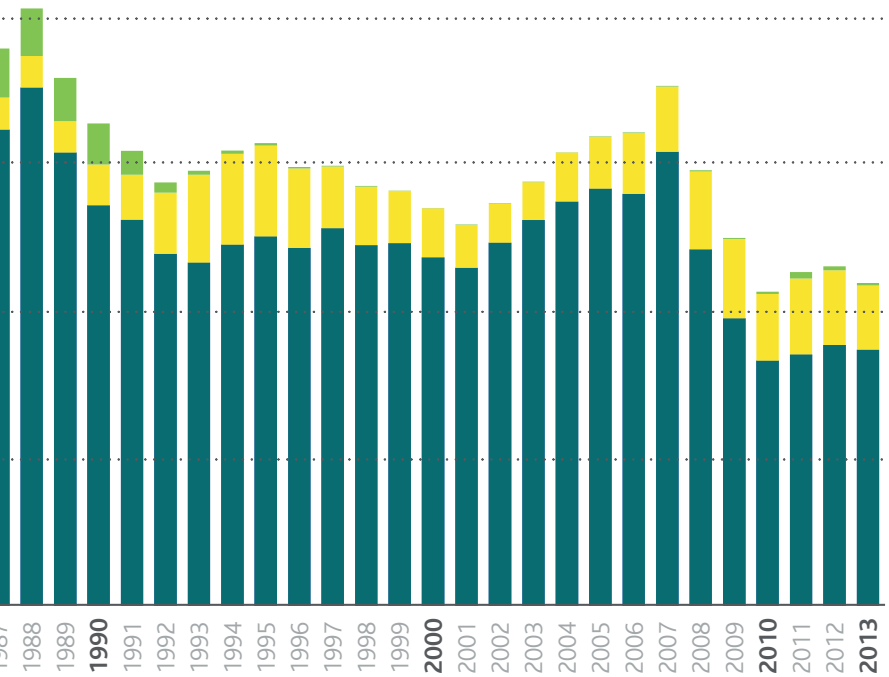


4. POPULARITY: 10 BENEFITS FROM OUR GARDEN CITY

We summarise why our approach to developing a Garden City will prove attractive to existing residents of the area, future residents, and will appeal to Government.

5. BEYOND WOLFSON: A PRACTICAL PROGRAMME TO WIN CROSS PARTY SUPPORT AND ATTRACT PRIVATE SECTOR SKILLS AND FINANCE

Finally, we set out an agenda for the next year. We suggest how further work to develop our approach will ensure that a new round of Garden Cities actually happens and not only meets housing need, but delivers an exceptional quality of life and great locations for businesses to grow.



NOTE:
How Housing Associations in the last 20 years have been unable to match the output of Council Housing in the '50's and '60's. Garden Cities can help address this.

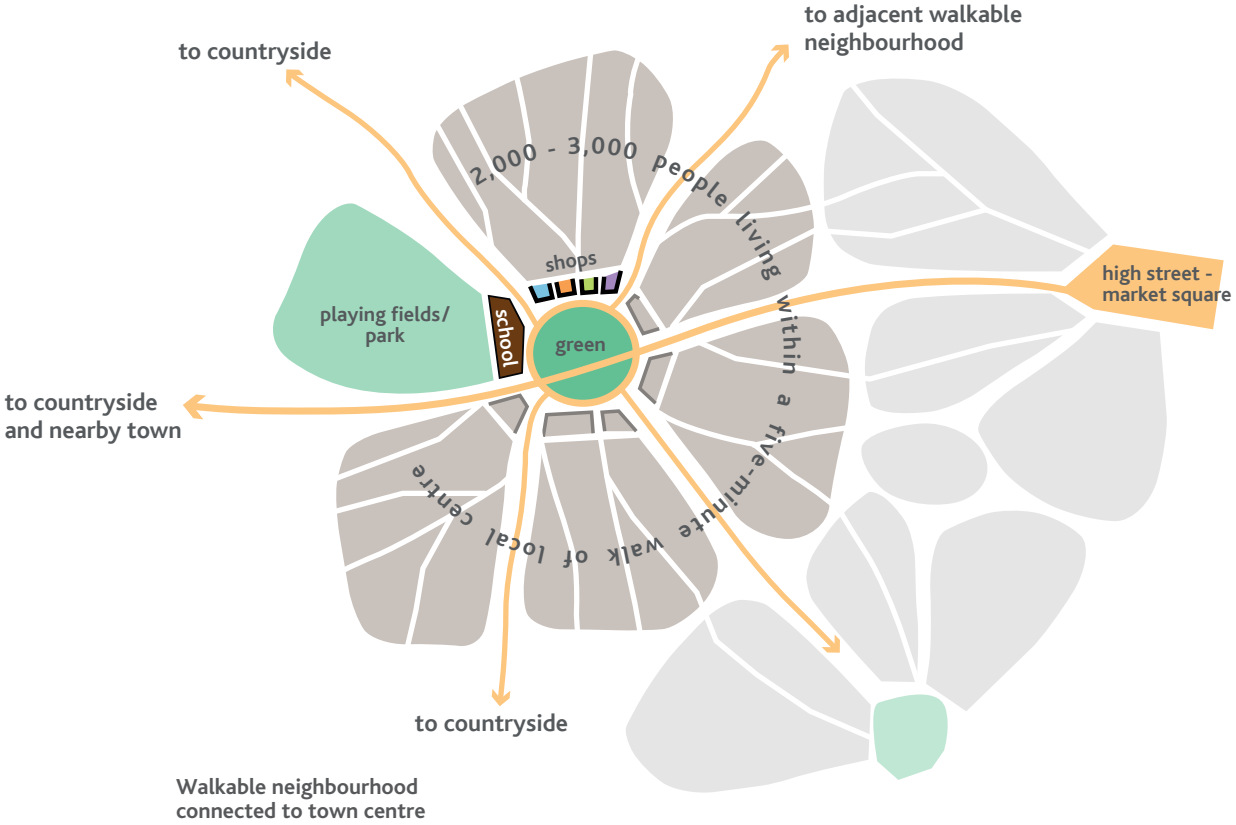
Local authorities
Housing associations
Private enterprise

SECTION 1:
VISIONARY BUT PEDESTRIAN – THE LONG VIEW

1.1 OUR PROPOSED GARDEN CITY

Our Garden City will provide at least 10,000 homes, 10,000 jobs and educational, retail, leisure and health facilities for around 25,000 people. It will also contain a wide mix of sizes, tenures and formats of housing. A Garden City should broadly mirror the age and economic profile of its region and not the narrow demographic of most housing estates. It can be developed in an area occupying 2 km square (1,000 acres).

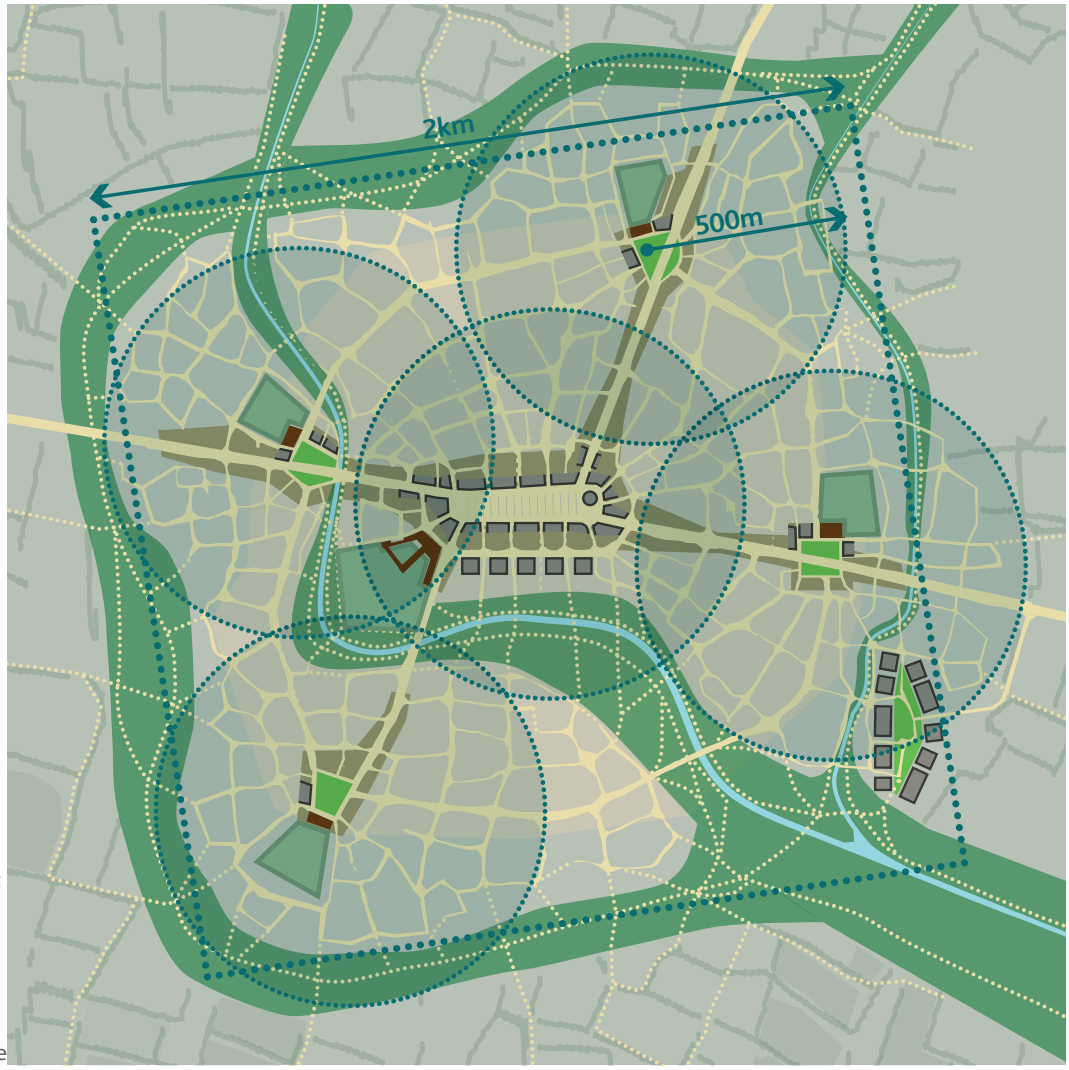
Our Garden City comprises a series of **Walkable Neighbourhoods** within a radius of 500m. Enough people would live in each neighbourhood to populate a two-form entry primary school and to support a viable cluster of shops, restaurants, hairdressers, small offices and workshops close to the school. We envisage that a **Village Green** would be on a main route through the neighbourhood to boost customer support for local traders and bus services. Typically, a larger area of open space will be behind the primary school to accommodate playing fields and a more tranquil public park.



Walkable neighbourhood connected to town centre

We propose that most homes would be three or four storey structures (rather than the normal suburban two) with smaller gardens (particularly front gardens) to reduce walking distances and create handsome streets.

The Walkable Neighbourhoods would be grouped around the **Garden City's Town Centre with a strong High Street.** The secondary school with a sixth form college would be at the end of the High Street to benefit from its proximity and for the safety and convenience of parents, pupils and staff. The High Street should be varied in architecture and size of unit to give it an "organic" rather than a "precinct" feel. Buildings should include one or two with civic presence and purpose ("Town Halls"). The High Street should be wide to allow for light; convenient short stay parking; weekly market stalls and occasional fairs. The High Street should have side roads and passageways leading in every 100m or so, some leading to small pedestrian arcades or courtyards containing a mixture of artisanal production and specialist retail sales.



Street/square
Pathway
Higher density development
Parkland
Village green
Playing fields/local park
School building
Other non-residential frontage

Structural plan of a new Garden City

High Street buildings will typically be 3-4 storeys. Generally, upper floors will be a mixture of flats, small office suites and some services, like physiotherapy. There will be small apartment blocks and office blocks in the Town Centre.

There will also be a landscaped **Business Park** within the Garden City, located on a main road linking it to an existing town. The Business Park will be suitable for a wide range of office-based companies and advanced manufacturing companies. Most of the buildings will be two or three storeys and will be a mixture of bespoke and speculative schemes.

Although each Walkable Neighbourhood is served by its own shops and school, **a network of roads, footpaths and cycleways** will link the village centres directly so that it will not be necessary to travel into the Town Centre and out again. This is important to spread traffic more evenly, to offer people greater choice and to support traders and leisure providers. By way of example, one village centre might include a pub, a pizza restaurant and a hairdresser, while a wine bar, an Indian restaurant and a florist could be thriving in the next centre. By offering convenient cross-routes, people will become customers of several local centres and not just their own or the Town Centre.

Our Garden City will feature **routes to walk, jog, cycle or ride** including at least one linear park running through the town (incorporating landscape features, like a stream or ancient woodland) joining one or two circuits further out from the centre. These should be designed both as convenient ways to get from one location to another, and as important leisure amenities with marked circuits for timed distances of 5km and 10km.

Figure of 8 local bus service

We envisage that an excellent bus service will link the Walkable Neighbourhoods and business areas with each other and with the Town Centre. WSP's drawing shows a figure of eight route for a town of 25,000 people which will enable everyone to be within 5 minutes' walk of a bus that provides links to a range of nearby towns. Buses will be small, frequent, clean and with wi-fi.

However good the public transport, the public realm and the cycle routes, most households living in our Garden City will want (at least in the early days) to own one car, or possibly two – even if they will not be used for most trips. We will make provision for this in each Walkable Neighbourhood and in the Town Centre.

1.2 BACK TO THE FUTURE - WHY WALKABLE NEIGHBOURHOODS ARE IMPORTANT

There is a reason why we all love villages. Estate agents selling the most expensive property in Britain talk of the fashionable villages of Hampstead and Holland Park, Kensington and Knightsbridge. The Chairman of the Wolfson Prize Judges founded the Urban Villages Forum.

Villages have a scale we can understand. They are a size we can cover comfortably by foot: the oldest, cheapest, greenest, most reliable and least dangerous form of transport. We can stop when we want, pause for thought, enjoy a view, look in a shop window, acknowledge a stranger with a smile or catch up with a friend. Try doing those things spontaneously in a car in a busy street and we risk road rage, a parking ticket or a dented bumper,

Illustration of a local centre catering to 2000-3000 households

Daily long distance travel began when the railways made it possible for the middle classes to bring their families up in leafy suburbs while commuting to jobs in polluted cities. The arrival of the affordable car between the 1920s and 1980s further extended this process of dispersal. For nearly 60 years, it looked as if building just a few more by-passes, ring-roads and motorways would satisfy the ever-growing car owning public's desire to drive everywhere. It was the ultimate freedom, taken to extreme in American freeways.

Today, in Britain and in many other nations, we are starting to recognise that this dispersed way of living is flawed.

It is no longer sustainable economically and environmentally. It is failing to provide the quality of life it once offered. Trains are overcrowded. A 20 minute car journey can now take an hour. Travelling is stressful and unreliable. In addition, people's lives have become more complex. The standard advertising image of the 1950s of a family of four with the father at work and the mother at home with the children has changed. The average home in the 1950s had 3.5 people; the average has now fallen to 2.3.

Many homes are now only occupied by one person. Parents might both work and not live together. Life is no longer simply divided between the workplace and the home. We travel between jobs, schools, shops, gyms, social visits, entertainment. We multi-task and we work from various locations. Parking is often a nightmare. Our health needs are more pressing as we live longer and our expectations of medicine increase. Life is stressful.

For many people, the best quality of life could once again be achieved in communities where most journeys can be by foot, by bike or by regular reliable bus service. The few journeys that are still by car will be the easier for being on emptier roads. Elderly people, whose health or budget no longer permit driving, could still walk or take the bus to nearby parks and shops. All of these reasons support our belief that more people would choose to live in towns where different uses, opportunities and amenities were richly intertwined.

Our belief is supported by the hard evidence of price. Values in inner cities fared badly in the 1950s and 1960s as they become unfashionable and car use increased. But for the last twenty years, the prices of old high density housing in terraced streets in attractive mixed-use areas like Richmond, supported by good public realm and public transport, have outstripped those of houses on larger plots with garages further out of town. The case is even stronger when we consider the gentrification of areas like Islington, Clapham and Notting Hill which were considered insalubrious 50 years ago and are now largely unaffordable because they are so popular.

1.3 PHASING

We believe that it is sensible to approach the development of a Garden City this way to:

- create a sense of place as soon as the first village green, shops, primary school and park are in place;
- allow for discrete incremental growth (a Walkable Neighbourhood every 2-4 years);
- manage cash flows;
- enable Garden Cities to play a part in reinforcing the local economy of nearby towns.

1.4 A GARDEN CITY FOR THE 21ST CENTURY - DENSITY IS KEY

We believe that to be fit for the 21st Century our Garden City will be developed at a density approximately twice that of Milton Keynes but half of the City of Westminster and Kensington & Chelsea. These two districts of London accommodate a denser resident population than anywhere else in the country, despite providing outstanding public realm: five exemplary parks (Hyde Park; Kensington Gardens; Holland Park; St James's Park and Green Park); elegant garden squares – many, like Berkeley and Grosvenor, open to the public. The two districts also house many of London's major museums, hotels and shopping quarters. They are magnets for employment. As a result of crowding in so much activity (not despite it), values in these two districts are far higher than anywhere else.

Building a Garden City at the relatively high density we propose achieves three important objectives:

(i) A city which encroaches less into the countryside will be more popular.

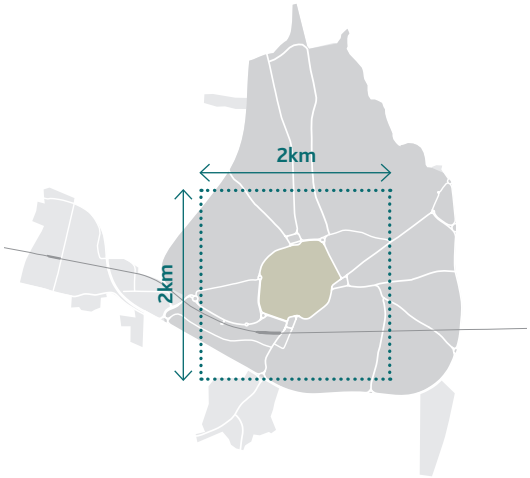
(ii) A denser scheme economises on land costs, roads and utilities, leaving more money for good design and public amenities.

(iii) Avoiding excessive suburban sprawl keeps people together, creates tighter communities, supports successful local facilities and enables sustainable transport.

	Population 2011	Sq mi	No of people per sq mi	Hectares	No of People per Hectare
INTENSELY URBAN					
Royal Borough of Kensington & Chelsea	158,300	4.68	34,000	1,212	130
City of Westminster	219,600	8.29	26,000	2,147	102
NEW TOWN					
Milton Keynes	230,000	34	6,690	8,806	26

It is interesting to note that the London Borough of Richmond has the same density that we propose if you exclude the enormous parks, which are replaced by closeness to the countryside in a Garden City. Our density is also comparable to the much loved Cathedral City of Chichester – population 24,000.

The plan draws 500m radii centred on groups of local shops in the Richmond area and a 1km radius around the Town Centres of Richmond and Twickenham. Approximately 60,000 people live in the area shown in this plan using 30-odd local centres. Our local centres will be stronger as they will each be supported by 4000-6000 people.



Chichester Urban Area compared with our 2km x 2km model. The outer areas of Chichester are composed of lower density development than we propose.

In terms of people happily walking to local shops, schools, parks or jobs, anything less than 300m is a breeze and anything more than 1,000m is a hike. We have therefore adopted a target radius of 500m which is equivalent to a 600m walk on average, allowing for turning corners - the distance between London tube stops walked by millions of people twice a day.

500m radii around tube stations reflect acceptable walking distances

The adjacent table, using our proposed density, shows how, even in large towns of 150,000 + people, cross town journeys are fairly short. You could walk from one end to the other in the time it takes to commute by car and train. You could cycle or take the bus in 10-20 minutes.

Radius	Diameter	Area Acres	Area Hectares	No of Homes	No of Neighbourhoods	Population
500m	1000m	188	79	2,000	1	5,000
1000m	2000m	754	314	8,000	4	20,000
1500m	3000m	1,695	707	18,000	9	45,000
2000m	4000m	3,014	1,256	32,000	16	80,000
3000m	6000m	6,782	2,826	72,000	36	180,000

1.5 EMPLOYMENT NEARBY – ECONOMIC SUB-REGIONS

Our Garden City with 10,000 homes will provide 10,000 jobs. Of course, not everyone who lives in the Garden City will work there or vice versa – but we believe that Garden Cities should make it easier for people to do so. Letchworth has achieved a 43% live/work ratio and most of the remaining residents work in nearby towns - not London. A Garden City with around 25,000 people will generate around 4,000 truly local jobs in schools, shops, health and leisure facilities and other local services.

The balance of jobs will come from a mixture of larger and smaller occupiers, both attracted by the quality of life which in turn will attract a quality workforce, and by well-designed, inexpensive business space (see Viability Section 3.5). We believe that there will also be a new wave of employers moving out of Central London, in part because office rents are rising, but mostly because only the most senior staff can afford to live in London. In Stage 2 we will set out our views on the likely growth sectors in the UK economy and how Garden Cities will play a primary role in strengthening the competitiveness of the UK in competing for investment in these sectors.

1.6 OUR GARDEN CITY AS PART OF A LOCAL NETWORK

We believe that Garden Cities should be located where they can contribute to a sub-region with up to 1m people. This is consistent with the role of LEPs and creating powerful local economies reducing the need to commute further. The likelihood is that in 21st century Britain, space can be found for smaller Garden Cities that only touch on individual farms and hamlets, but any Garden City much larger than 20,000 homes will need to subsume existing towns. (Milton Keynes started with several existing smaller towns such as Bletchley, Wolverton and Stony Stratford.)

1.7 TRANSPORT IMPROVEMENTS

Rapid changes in transport have happened over the last few years: Oyster cards; Boris bikes; car clubs; up to the minute information at bus stops; wifi on some public transport. The density of population, the role of the Community Land Trust in future stewardship and funding, will all help ensure a viable public transport system within the town and to nearby centres. In Stage 2 of the Prize, I will set out the findings of our transport engineers following the discussions we have begun with bus operators.

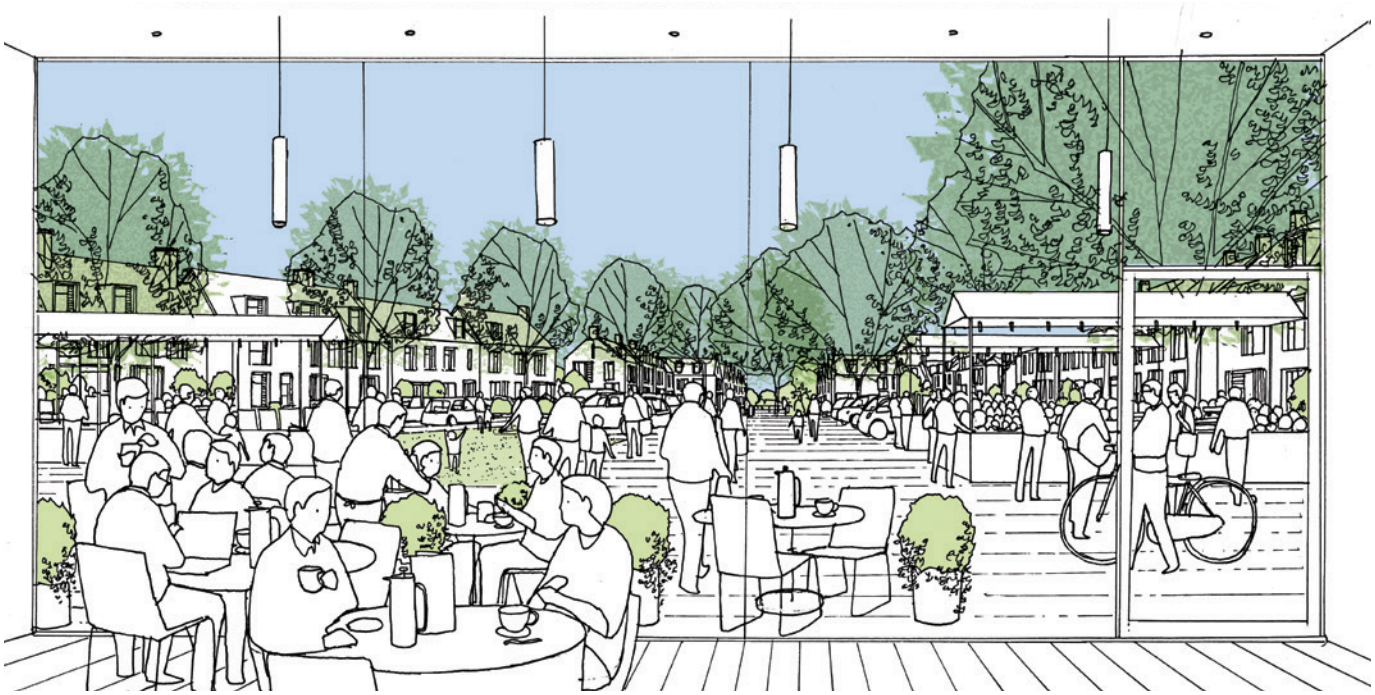
1.8 SUSTAINABILITY THROUGH COMPREHENSIVE DESIGN

Transport can make a meaningful contribution to sustainability. Furthermore, because Garden Cities are comprehensively planned, they offer exceptional opportunities to build in certain technologies like Combined Heat & Power, Anaerobic Digesters and recycling grey water. These, and the application of the highest building codes, are not the subject of this essay but would be implicit in any delivery programme once the layout, mix of uses, land assembly, financing and, most importantly, the political concerns had been satisfied. We also believe that careful programming with a comprehensive view from the outset may materially reduce the benchmark costs our cost consultants and engineers have put forward.

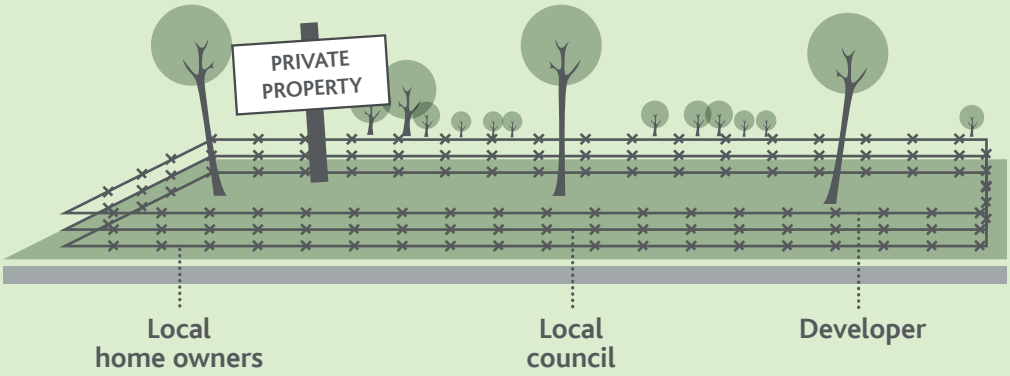
In Stage 2, we will set out our approach to ensure that our Garden City is truly sustainable and an exemplar of best practice.

1.9 BUILDING A COMMUNITY

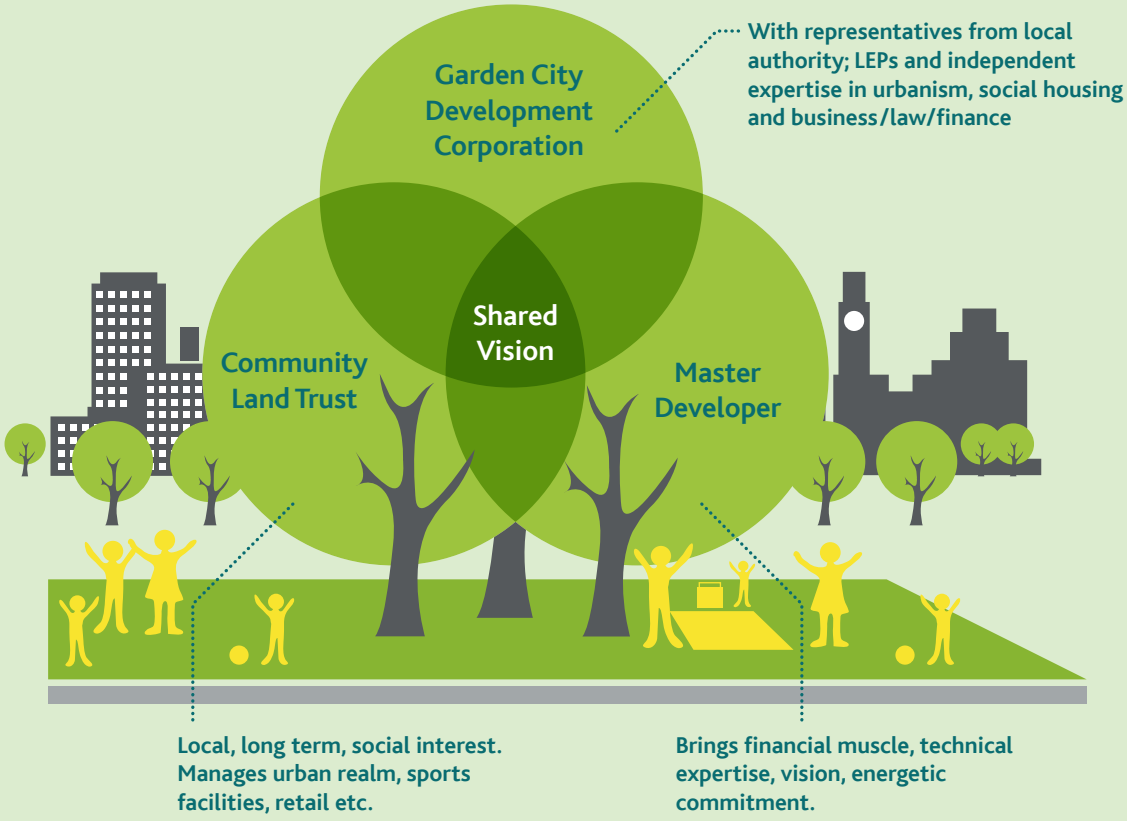
The success of a Garden City is not just to be measured in homes built, jobs created and the quality of amenities and design. It is an opportunity to create communities. It starts with the politicians, designers and developers consulting with local residents, teachers, doctors, social clubs, the CPRE. It quickly leads on to the creation of a Community Land Trust with sub-committees representing interests in sport, countryside, the Arts, volunteering and sustainable transport. Not everyone wants to be actively involved, but everyone must be included.



Stalemate
- current situation



A shared vision delivered



SECTION 2: GOVERNANCE LOCAL SUPPORT, LAND ACQUISITION, PLANNING, DEVELOPMENT SKILLS, FINANCE AND STEWARDSHIP

2.1 NEED FOR A NEW APPROACH

We are at the early stages of promoting a Garden City in a location about 50 miles from London. In due course, we are confident that we will succeed because of the underlying need arguments and the advantages of a comprehensive, planned Garden City over many add-on schemes. However, in the short term, Councillors are unwilling to engage, given their interpretation of the Localism Act as releasing them from an obligation to meet need. It would be more fruitful for all stakeholders, local residents, future residents, businesses and the Council if we could be building a shared vision at an early stage. We hope that the Wolfson Prize will help all stakeholders see the merits of Garden Cities as a solution to the Housing Crisis.

To achieve this shared vision, this section sets out a new relationship between Central Government, Local Authorities, the existing residents of an area, and private investors and developers. In Section 3, we illustrate how our approach to "governance" enables the Garden City to be wholly financed by private investors and developers.

These proposals draw heavily on our experience in developing major mixed-use developments for the past two decades, and the lessons learned from the Milton Keynes Development Corporation, other new towns, the London Docklands Development Corporation and the Olympic Development Authority/London Legacy Development Corporation.

2.2 MEETING HOUSING NEEDS: A NATIONAL CHALLENGE REQUIRING GOVERNMENT ACTION

In recent years, house building has not kept up with the rate of household formation and, unless Government takes additional action, this gap is likely to continue if not widen. All three main political parties now recognise that the rate of new house building needs to increase substantially. Respected analysts suggest that over the next decade, around 240,000 new households will form each year. Current completions are running at a rate of 125,000 per annum, and on the basis of current policies, no analysts forecast that completions will match the annual assessed need in the foreseeable future.

All three main political parties recognise that Garden Cities could make significant contributions to meeting the need for new homes over the coming two decades. With a large scale programme, it should be possible to provide at least 40,000 homes per annum in Garden Cities. We see this as a national challenge, requiring some form of Government action - just as the investments following the post-war New Towns programme was part of a national effort.

We believe that the best way to develop Garden Cities is **for Government to offer to work with Local Authorities to designate sites for Garden Cities, and to use CPOs to enable the acquisition of these sites BUT for the delivery to be financed privately and carried out in a Joint Venture between the Development Corporation and a Master Developer.** Indeed, this view is gaining popularity; the Town and Country Planning Association (the TCPA) is currently conducting an open dialogue on how best to amend and simplify the New Towns Act and to ensure that it is fit for the 21st century.

2.3 NEW PARTNERSHIPS FOR NEW GARDEN CITIES: GOVERNMENT, LOCAL AUTHORITIES, THE PRIVATE SECTOR AND EXISTING COMMUNITIES WORKING TOGETHER

To bring all the parties together, we need governance arrangements which:

- overcome the opposition of existing residents to large scale development and to developers they perceive as "making a quick buck";
- enable land assembly at a reasonable cost;
- create confidence for future residents and employers; and
- provide long term "patient" finance.

Our governance arrangements are designed to address these challenges as follows:

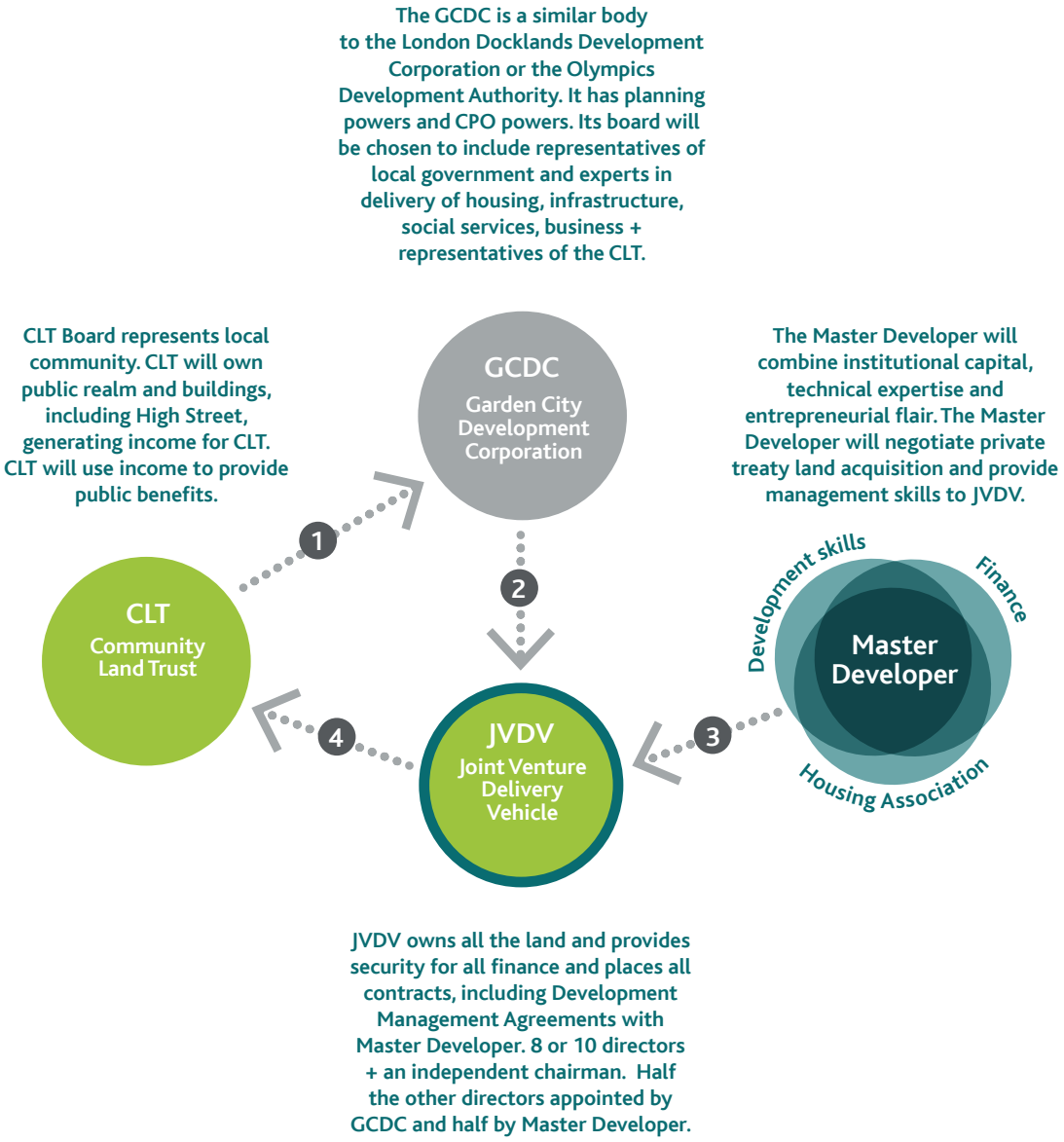
2.4 MAINTAINING DEMOCRATIC ACCOUNTABILITY AND EFFECTIVE DELIVERY: THE PARTNERSHIP APPROACH

Four principal bodies will be required to work in partnership to develop each new Garden City:

- a democratically accountable **Garden City Development Corporation (GCDC)**;
- a **Master Developer**;
- a **Joint Venture Delivery Vehicle (JVDV)** between the GCDC and the Master Developer; and
- a **Garden City Community Land Trust (CLT)**.

Each has a specific role to perform and each may need to be created at first in embryonic form to promote early non-binding discussions with the four vehicles only finally forming when binding arrangements between each are ready to be signed:

Steps to Formation of Joint Venture Delivery Vehicle



The Interactions

1. CLT provides a third of directors to GCDC and ensures local buy-in.
2. GCDC transfers CPO'd land, grants planning approval and appoints half the board to JVDV.
3. Master Developer transfers land bought by negotiation to JVDV and provides finance expertise, and appoints half the directors.
4. JVDV transfers public realm, High Street and community facilities to CLT.

2.4.1 GARDEN CITY DEVELOPMENT CORPORATION (GCDC)

We propose that Government and the Local Authority (or Local Authorities if the Garden City is in more than one jurisdiction) should establish a Garden City Development Corporation. The Board of the GCDC (initially in shadow form) would take responsibility for defining the boundaries of the site for the Garden City. The Local Authority (ies) would appoint the majority of Board members and the Secretary of State would appoint the Chair and the remainder of the Board members; these drawn from the local community (including the Community Land Trust as set out below), local and national business leaders, and the voluntary sector. Board members would be appointed for five year terms.

When the site was selected, the GCDC would be formally established by Parliament and the land would be designated. The GCDC would have all the powers currently specified in New Towns legislation. These include: the power to compulsorily purchase land if it could not be bought by voluntary agreement; the power to buy land at current use value (or such higher price as may be approved in subsequent legislation (see our proposals in Appendix 2) and capture any uplift for the wider community; and the power to borrow money (although as set out below, we do not envisage that this will be necessary). It will also have the power to prepare a Masterplan which, after Public Inquiry and approval by the Secretary of State, would be the statutory development plan, the power to grant or refuse planning permission, and the power to procure housing subsidized by Government grant. As in current legislation, the GCDC would also have the power to secure the development of the town.

With the majority of the Board appointed by the Local Authority – and the remainder appointed by Government – the GCDC would ensure that the Garden City was planned and developed in accordance with the aspirations and expectations of the locally elected members.

The GCDC would have a small staff. In the first instance, they would focus on determining the boundaries of the Garden City, the designation process, and then acquiring ownership or control of all the key sites. This will require some initial planning work. However, as set out below, we envisage that all of these costs would, in due course, be met by the Master Developer.

2.4.2 THE MASTER DEVELOPER

One of the first tasks of the GCDC is to select a Master Developer. The Master Developer will bring development expertise, Affordable Housing expertise, and will provide (or secure) the private finance to meet the costs of land acquisition, all utilities, transport infrastructure, the High Street, and neighbourhood centres. It will advise the JVDV (below) on the sale of most residential sites to housing developers (including Housing Associations) for rent and for sale. The sales will be under Development Agreements with strict guidelines.

The Master Developer could just be a financial institution with an exceptional professional team led by a dedicated "project" chief executive or it might be a joint venture formed between a financial institution and an established developer and a Housing Association. Ideally the Master Developer will not be a stock market-listed company as their need to produce annual profits and dividends does not sit well with long term projects. By contrast, major housebuilders are likely to deliver much of the housing itself.

The Master Developer commits to fund all the costs of working up and testing designs to assess an appropriate viable scheme with identified boundaries. In principle, this will be risk money, but with some right to (partial) repayment if, through no fault of the Master Developer, the scheme does not proceed, even though it has been put on a Government-approved list for further examination.

2.4.3 THE JOINT VENTURE DELIVERY VEHICLE (THE JVDV)

This is a special purpose vehicle dedicated to delivering the Garden City and will own all the land. It will instil the confidence and certainty that the project will succeed. The JVDV will be a joint venture between the GCDC and the Master Developer.

The JVDV Board will comprise: 4 representatives of the GCDC, an equal number from the Master Developer; and an independent chairman. The JVDV Board is critical because, as directors, the representatives of different stakeholders are suddenly not on opposing sides, but all equally responsible for the project's success. The JVDV Board's remit is to deliver the Business Plan, i.e. to fund and construct the scheme proposed in the Masterplan and to do everything possible to breathe energy, life and a sense of community and optimism into a wonderful new place. A financially astute independent Chairman with, in effect, a casting vote will ensure the JVDV operates effectively. From experience, there will be an additional ingredient making the Board operate well: the pride and enthusiasm that each director feels in delivering such an exciting project.

Land acquired either by the GCDC by CPO, or the Master Developer by negotiation, will be put in the JVDV. The JVDV must control all the land in order that all stakeholders know that it is possible to deliver a comprehensive development.

2.4.4 THE GARDEN CITY COMMUNITY LAND TRUST (CLT)

At the same time as the GCDC is established, the Garden City Community Land Trust should be formed. The CLT will represent the interests of local residents, sports clubs, schools, faith groups etc. It will ultimately become the residual owners of well-endowed parks, village halls, performance spaces, etc. The CLT should also be endowed with ownership of key retail premises both to provide income and to control their important place-making function. Our viability assumptions assume the CLT will own - free of debt - about 250,000 sq ft of retail/services producing a rent of £5-10m p.a. (similar to the Letchworth Heritage Company's endowment). At least two of the Directors on the Board of the Development Corporation should be Trustees from the CLT. At least one of those should also be on the Board of the

JVDV.

2.5 CREATING AND DELIVERING A SHARED VISION: THREE PILLARS - MASTERPLAN, BUSINESS PLAN, PUBLIC OFFER

Joint Venture Delivery Vehicles only work when the parties have a shared vision, broadly aligned aims and carefully allocated responsibilities. Without these, misunderstandings will lead to conflict, resentment and damage to the Project. Based on our own experience with very large scale developments, we envisage that three interlinked documents: the Masterplan, Business Plan, and Public Offer (Section 106/bespoke Community Infrastructure Levy) will articulate a shared deliverable vision and create the framework which enables Agreements to be put in place between those with:

- the powers to grant planning and CPO land (the Local Authority working through the new GCDC);
- the skills to design and develop (the Master Developer on behalf of the Joint Venture Delivery Vehicle);
- the necessary finance (the Master Developer); and
- the existing and future residents (the CLT).

Each of the three documents serves a particular purpose.

A Garden City must have a blueprint, a purpose and a location which are overriding. The blueprint in the form of a **Masterplan** describes how best to develop the actual site and the best way to combine the mix of uses, transport and public realm. The blueprint in the form of a **Business Plan** must be written hand in hand with the Masterplan, describing why a particular mix of uses will be viable with the target land prices; how it will be phased and how it will be funded. Both the Masterplan and the Business Plan must contain flexibility to slow the programme down or speed it up depending on the strength of the various occupational markets and the requirements of specific occupiers: residents; businesses; hotels; research parks; universities.

In parallel, the **Public Offer** (Heads of Terms for the S.106 Agreement) will be prepared. This provides both a positive statement of the requirements and schedule of costs. This will set out the expenditure required for a balanced community so well served by social infrastructure that it will be an unusually attractive place to live and work, offering real benefits to existing residents who choose to stay as well as newcomers.

Early in the evolution of the Business Plan and the Masterplan, the fundamental principles about mix of use, zoning, phasing and funding will be established. This is essential because so many interested parties need to buy into the vision and to believe that it will then be consistently delivered. Greater detail will evolve through

discussions at the JVDV Board as the project proceeds and the Business Plan is updated every 12-24 months.

Nobody should end up feeling let down or cheated by the outcome. Garden Cities, when delivered, should surprise on the upside. Local residents and the first new arrivals should be delighted by the quality of design and public realm; by the fact that promised amenities are not cut back and are often delivered ahead of programme, not behind. We believe that for projects of this scale, S.106 Agreements should be comprehensive and CIL payments largely inappropriate as the JVDV will control land on which to satisfy its community obligations in respect of education, transport etc. Where specific services should be funded on or off site, then it is best for the JVDV to pay for them directly, not through the Local Authorities. This is important to ensure that what the JVDV promises occupiers is delivered. The more "locals" experience good development, the more popular it will become.

2.6 A CASE STUDY

Currently, we are using a similar linked set of agreements – a Masterplan, a Business Plan, and a Public Offer – to complete a comprehensive mixed use project with a value of £5bn with a 15 year build out period. This includes stunning public realm, a university, homes for 6,000 people, a heritage quarter and work space for 30,000 people. All three documents were prepared concurrently, well before construction began.

Over the past ten years, the Joint Venture Delivery Vehicle reviewed and amended the Business Plan five times. However, the main parameters set out in the original Business Plan, the Master Plan, and the Public Offer were sufficiently robust to withstand a global financial crisis. Tactical refinements to the Business Plan have been agreed by the Partners without conflict or delay.

Also, within the framework set by the Business Plan, clear delegated authorities are defined for the Joint Venture Delivery Vehicle with effectively three levels of decision making:

- a level delegated to the management team of the Master Developer - this allows operational decisions, such as choice of consultants and contractors and minor variations to programme and budget and small scale disposals to proceed as long as they are in line with the currently approved Business Plan without going back to the Board of the JVDV ;
- a level approved by a normal JVDV Board majority – these are commitments to significant new expenditure above a certain level, e.g. the start of a new phase; the terms of third party financing and any significant disposals;
- a level requiring significant majority shareholder approval – in effect, a change to the Business Plan parameters.


British Red Cross
Lloyds TSB
TO LET

SECTION 3: VIABILITY

Learning from our current live project, we have undertaken a financial assessment of our proposed Garden City. This demonstrates that our Garden City can be financed completely by private investors. This appraisal highlights the importance of acquiring the land for the Garden City at a fair value and the merits of having compulsory purchase powers available to do so. We set out our approach below.

3.1 ESSENTIAL PRE-REQUISITES FOR FINANCIAL VIABILITY IN ANY PROPERTY PROJECT

Some buildings are built by developers speculatively hoping to make a profit by selling them to yet-to-be identified purchasers at a price in excess of the developer's total costs. Others are built bespoke for specific owners/occupiers, whether a home, an office block, a shopping centre, a hospital or a museum. Whether speculative or bespoke, and regardless of use, a project will only be viable if the developer (whether public or private sector) can satisfy the following criteria:

- **Land Assembly:** the developer either owns all necessary land or controls it under an option agreement or "subject to planning contract" and can obtain vacant possession as well as ownership at the appropriate time.
- **Vision:** the developer has a vision of what the project will be like in order to begin discussions on design, planning and finance.
- **Expertise:** the developer has sufficient professional/technical experience in-house or through a consultant team to deal with all design, planning, construction, financial, legal, marketing and tax issues.
- **Planning:** the developer is able to obtain all consents from public authorities and suppliers on planning/highways/drainage and utilities.
- **Finance:** the developer can raise sufficient finance to meet all the costs of land, design consultants, construction, interest and marketing.

Our proposed approach to governance set out in Section 2 ensures that each of these criteria can be met. In particular, it vests responsibility for stewardship of the very substantial capital required to develop a Garden City (with the Master Developer), separately vests responsibility for acquiring the land and gaining planning (with the Garden City Development Corporation with local democratic accountability) and then joins these duties together (in the Joint Venture Delivery Vehicle) to implement the Garden City.

3.2 STACKING UP

Very occasionally, a wealthy organisation or person will undertake a "vanity" project where, to build a "monument", budgetary restrictions do not apply. However, for most projects, including our proposed Garden Cities, in the private sector (and increasingly the public sector) a scheme needs to "stack up". That means that total predicted costs need to be materially less than total predicted value or sales revenue. The gap between predicted costs and predicted values is both a risk margin and a profit margin. If everything goes exactly according to plan, the gap will turn out to be the actual profit. Most simple developments start out with the idea that for every £100 of cost, there will be £120 of revenue and therefore a £20, 20% profit margin. It is a bit more complicated when building a financial appraisal of a Garden City.

3.3 THE RESIDUAL VALUE OF A HOUSING PLOT

Essentially, the value of plots for new private housing in the Garden City will meet most of the costs of acquiring the land, providing the basic infrastructure, and providing all the community, leisure and other social facilities. Thus, the first, and most important, stage of our financial appraisal is to understand how the residual value of a housing plot is calculated. Generally, these are calculated by assessing all the other costs (construction, design fees, etc.) and then finding a "residual" value, i.e. what is left over that the developer could pay for the land and still receive a 20% profit margin.

The table below is a simplified version of a Residual Valuation to calculate the value of one plot. Total costs (including assumed land acquisition costs) amount to £250,000 and value is £300,000, giving a 20% profit margin. It is easy to see that if the value fell by 20% from £300,000 to £240,000 and costs rose by 10% from £250,000 to £275,000, the developer would have made a loss of £35,000 rather than an expected profit of £50,000. Even with a simple, single building, there are many uncertainties (risks) about costs, values and timing. Consequently, speculative developers seek (and need) this 20% target profit margin, even though it is far higher than profit margins sought by steady businesses like supermarkets, where weekly costs and revenues are highly predictable.

	£	£
Value of home (1,000 sqft @ £300 psf)		300,000
Construction & Fees @ £135 psf	(135,000)	
Marketing @ 2% of sales	(6,000)	
Interest on Construction @ 5% p.a. 12 months/2	(4,000)	
Total Costs before Land		(145,000)
Assume Profit 20% on total costs including land – same as 1/6th of Value		(50,000)
Residual available for land and interest on land		105,000
Interest on land @ 5% for 1 year		(5,000)

Simplified version of a Residual Appraisal to Calculate the Value of One Plot

	£	£
PLOT VALUE		100,000

It should also be noted that development appraisals normally do not include anything for a developer's own central overheads which therefore have to be deducted from individual project profits.

Most developers are understandably reluctant to take on projects that are too difficult. A site for 200 houses, built out at 50 p.a., is standard fare for a house builder, which might be spreading its risk over 50-100 such sites across the country.

3.4 GARDEN CITIES ARE COMPLEX, HIGH VALUE PROJECTS WITH CONSIDERABLE RISKS

3.4.1 BUILDING 10,000 HOMES TOGETHER WITH APPROPRIATE AMENITIES

Schools, shops, parks, offices in one un-established location is not standard fare for any developer. The tasks of acquiring so much land, designing so many different types of building and raising finance would be daunting even if there was local planning support. The reality is that, with the exception of a handful of relatively small (and mostly incomplete) schemes like Ebbsfleet and New Ash Green in Kent, Sherford in Devon, Poundbury in Dorset and Chafford Hundred and South Woodham Ferrers in Essex, no significant mixed-use new settlement has proceeded since Welwyn, save for the Government New Towns. By contrast, within town centres or Urban Development Corporations, a number of multi-billion pound mixed-use schemes like Canary Wharf or King's Cross have been successfully delivered. If the land can be assembled, the private sector can come up with the skills and finance.

3.4.2 TYPICAL VALUES

For the purpose of this submission, we have focused on the first 10,000 homes of a Garden City. Financing a larger one will be easier as, by the time the first 10,000 homes are built, critical mass and positive cash flow will have been established. The table below calculates the value of space at £3.1bn in a typical new Garden City of this size, in a location about 60-75 minutes from Central London.

			£bn
7,000 Market homes	@ £300 psf	@1,000 sq ft average	2.10
3,000 Affordable homes	@ £150 psf	@1,000 sq ft average	0.45
200,000 sq ft retail	@ £250 psf		0.05
1,000,000 sq ft B1	@ £250 psf		0.25
Hotels and other uses			0.25
TOTAL			3.1

VALUE of a 10,000 Home Garden City

N.B. The cost of roads, utilities, schools etc. is within the value of the marketable premises described above. A town the size of Milton Keynes would be worth £30-40bn.

3.4.3 TYPICAL INFRASTRUCTURE COSTS

Now, turning to the costs of developing the Garden City, we first look at the general costs of constructing the physical and social infrastructure. We estimate that these will total some £330m.

These physical and social infrastructure costs are large. They amount to £33,000 per plot which increases to nearly £50,000 if they are apportioned solely against 7,000 market homes, with the 3,000 Affordable Homes carrying no Infrastructure Cost. Our financial appraisal also needs to consider the costs of land and of building the homes, shops, offices, schools etc., and financing costs, professional fees, and developers profit.

	£m
A. PHYSICAL INFRASTRUCTURE	
Site Prep/Demolition	17
Roads (+ accompanying utilities)	36
Combined Heat & Power	38
Upgrades on Utility Supplies	55
Water Treatment	22
Flood Alleviation/Contingency	27
Landscaped Areas/Allotments/Model Farm	25
TOTAL	**220**
Less contribution from utility companies	(20)
NET COST OF PHYSICAL INFRASTRUCTURE	**200**
B. SOCIAL INFRASTRUCTURE	
Police/Fire Station	5
Doctors Surgeries	5
Non-commercial Sports Facilities	20
Non-commercial Cultural (Theatre etc.)	19
Creche/ 2 form entry Primary School (x 4)	33
2,000 pupil Academy school	48
TOTAL	**130**
TOTAL OF ALL INFRASTRUCTURE	**330**

Key Physical and Social Infrastructure Costs for a 10,000 Home Garden City
N.B. these costs have been prepared by cost consultants and civil engineers in relation to a real project we are designing of 10,000 homes.

3.5 BUSINESS PLAN ASSUMPTIONS

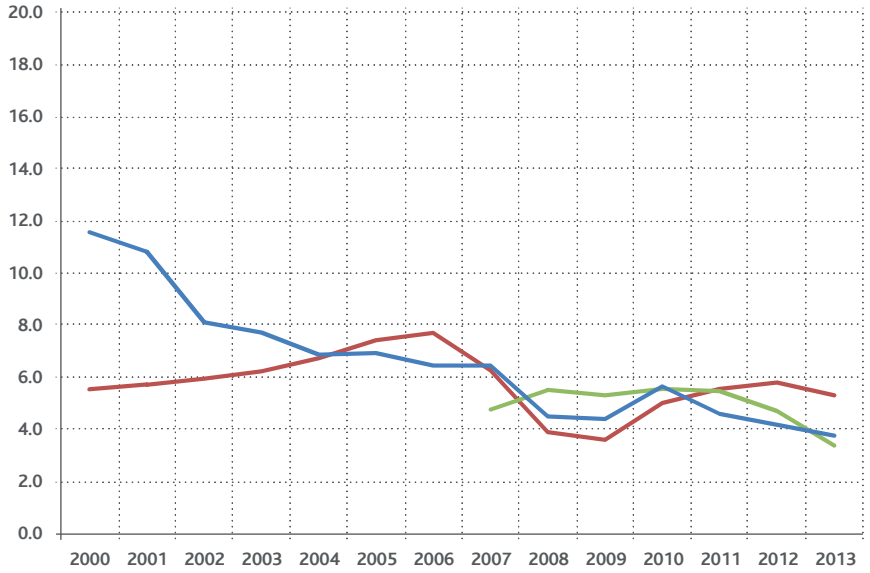
We make the following conservative assumptions:

- that most **homes will be built by house builders** buying plots from the **Joint Venture Delivery Vehicle (JVDV)** rather than the JVDV seeking to make the additional development profit itself;
- the **offices and industrial buildings** although probably built by the JVDV, will cover their own direct costs in terms of construction and fees, but will not generate any residual land value and thus will be cash flow neutral. This may prove to be unduly conservative, but our vision focuses on attracting employers quickly to make a sustainable city, rather than spending years holding out for high rents.
- the **retail town centre and neighbourhood centres** will be built by the JVDV. Its direct construction costs will be reimbursed when it is transferred to the Community Land Trust (CLT) but will not generate any residual land value and not contribute to the general costs above. Our cash flows allow for cash payments (Section 3.9) by the JVDV to the CLT of an equivalent amount.
- **land purchased** at £40,000 per acre which is significantly higher than the existing use value despite the possibility of CPOs;
- average **market house plot value** at today's values £75,000. Very low anywhere in the South.
- **30% of plots gifted** to Housing Associations, which outside London normally pay 30-50% of market value;
- at least **25% of all physical infrastructure** is in place before a single home is developed; and
- there is a three year design lead-in before any construction. Infrastructure starts in Year 4. House completions start in year 5 and all 10,000 homes are completed by year 15.

3.6 INSTITUTIONAL CAPITAL

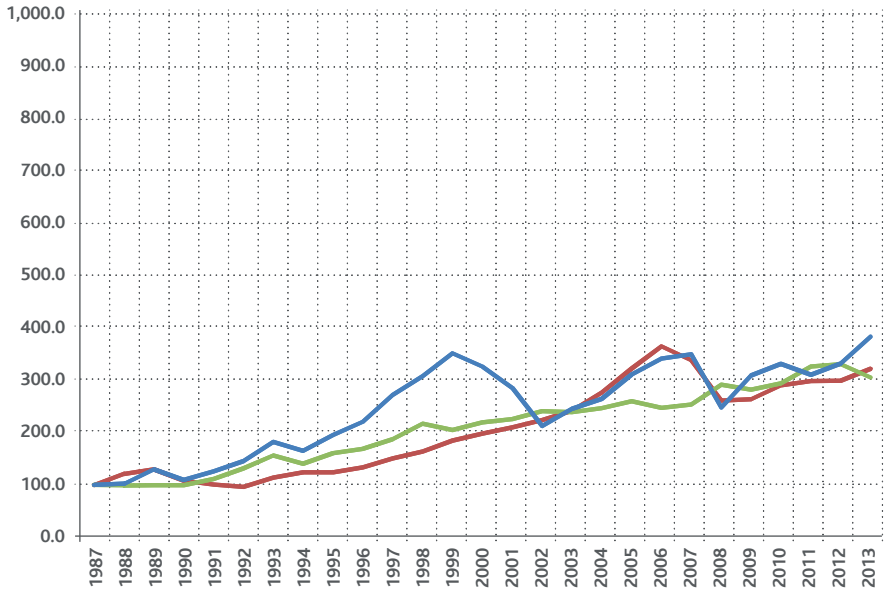
We have also assumed that financial institutions will provide most of the finance for the Master Developer (and thus finance the construction of the Garden City as a whole) because:

- institutional capital is available in much greater quantities than any developer's balance sheet capital;
- with current regulations, it is unrealistic to expect banks to make significant long term loans against land and infrastructure; and
- institutions look for lower returns than corporate development capital PROVIDED the risks are commensurately low.



Compound 20 year cumulative real return 3.75% - 5.75%

MSCI UK Equities
IPD UK Property
JP Morgan Bonds



Compound real total returns for all three sectors are about 4.5% over 26 years

MSCI UK Equities
IPD UK Property
JP Morgan Bonds

3.7 REDUCING THE RISKS OF DEVELOPING A GARDEN CITY

Our proposals seek to reduce the risks as follows:

- **Land Assembly:** We need to acquire sufficient land in a location where a large number of people wish to live. Most people do not move far from their current homes, so Garden Cities need to be reasonably close to areas of existing high demand. Choosing remote locations will not be a successful strategy. Knight Frank analysed data from specific house builder clients on purchaser patterns. 50% moved less than 5.5 miles; 80% moved less than 11 miles. Savills analysed recent national census data which demonstrates even narrower movement patterns: 43% move less than 1.2 miles and 66% less than 5.4 miles.

  The larger the scheme, the harder it will be to negotiate the purchase of an increasing number of adjoining ownership at a viable/fair price.

  So we are recommending that the land would be acquired by the Garden City Development Corporation by negotiation but backed by CPOs. The Development Corporation would pay a fair premium to current use value with the balance of uplift used first to cover social and physical infrastructure; to compensate existing residents and to provide funding for a Community Land Trust and, secondly, to reward Investors and to create further surpluses for local stakeholders. In Appendix 2 we set out some suggestions on appropriate compensation.
- **Planning:** It is essential to prepare a flexible, comprehensive mixed-use Master Plan at a very early stage so that finance can be raised and enabling works begin quickly with "reserved matters" details to follow. To do this, we propose that planning powers are granted to the Development Corporation.
- **Expertise:** From the outset, a team of people with all the skills, vision and enthusiasm to deliver a Garden City will be required. To achieve this, the Development Corporation will recruit the key planning, legal and valuation skills. The Master Developer needs matching expertise plus development and project management skills from a wide range of property, construction, design, marketing, legal and financial backgrounds.

3.8 THE MASTER DEVELOPER WITH LONG TERM FINANCE

As set out in Section 2, we are proposing that the Master Developer will bring long term institutional finance to the project. It will meet all the costs of acquiring the land and implementing the social and physical infrastructure (schools, health facilities; shops and restaurants; sport, cultural and other leisure options; police stations; fire stations; broadband; roads; drains, sewage works etc.)

The JVDV/Master Developer will be repaid primarily from residential land receipts by selling serviced plots of 2-20 acres to house builders. The Master Developer will procure the finance needed to cover the lag between early infrastructure and the availability of deliverable plots. It is essential to demonstrate to Investors that the risks are low by speeding up the process of site identification (in particular zoning) and acquiring land at prices close to agricultural value so that the land uplift provides an equity buffer to the Investor. A further attraction to Investors is the opportunity to roll "bridging" finance into long-term ownership of private sector residential homes, or into bonds for housing associations, and/or private sector mortgages.

3.9 FINANCIAL RETURNS

The three tables and graph below summarise the inputs and outputs from a series of annual cash flows.

Table 1 shows the common assumptions and differences between three scenarios :

Common Assumptions

- 1,000 acres purchased at £40,000 per acre;
- pre-development costs of £13m;
- a 70:30 split between market and affordable;
- an average home size of 1,000 sq ft;
- a social infrastructure cost of £130m and a physical infrastructure cost of £200m;
- £20m set aside up front to fund retail construction costs as retail is a gift to the Community Land Trust.

Differences

The left hand scenario assumes no growth/inflation with build out spread evenly over 10 years.

The middle scenario still assumes no growth, but more realistically refines the assumption or programme, deferring build-up of house sales.

The right hand scenario uses the same deferred time-frame as the middle scenario, but also introduces 2.5% annual growth in costs and market values and a further 0.5% annual growth in values for "placemaking". Since values are larger than costs, the inflation assumption in the right hand scenario produces the highest returns. It is also the most likely outcome.

TABLE 1	SCENARIO 1		SCENARIO 2		SCENARIO 3	
	"Standard phasing (no inflation)"		"Refined phasing (no inflation)"		"Refined phasing (with inflation)"	
Acres	1,000	acres	1,000	acres	1,000	acres
Market Plot Sales	7,000	Nr	7,000	Nr	7,000	Nr
Affordable Plot Sales	3,000	Nr	3,000	Nr	3,000	Nr
Average Plot Size	1,000	sqft	1,000	sqft	1,000	sqft
BASE ASSUMPTIONS						
Land Purchase	£40	£m	£40	£m	£40	£m
Social Infrastructure	£130	£m	£130	£m	£130	£m
Physical Infrastructure	£200	£m	£200	£m	£200	£m
Up front Professional planning	£13	£m	£13	£m	£13	£m
CLT Donation	£20	£m	£20	£m	£20	£m
Market price	£50 - £175k	/plot	£50 - £175k	/plot	£50 - £175k	/plot
Affordable price	£0	/plot	£0	/plot	£0	/plot
Programme	Straightline		Deferred		Deferred	
Inflation (Expenditure)	0%	yearly	0%	yearly	2.5%	yearly
Inflation (Values)	0%	yearly	0%	yearly	2.5%	yearly
Inflation (Placemaking)	0%	yearly	0%	yearly	0.5%	yearly

The Graph shows how physical infrastructure costs are significantly front-ended and social infrastructure costs are slightly front-ended relative to plot sales.

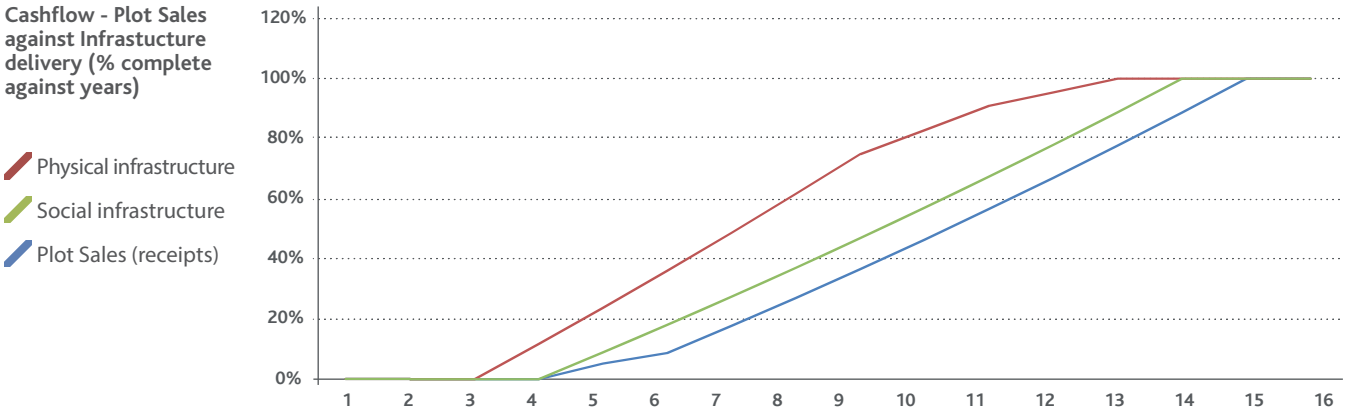


Table 2 shows for each of the scenarios in Table 1 the IRR and the absolute cash return at plot sales of £50-175,000. It also shows the maximum cumulative deficit in the right hand column. We have highlighted the line in Scenario 3 with a plot sale of £75,000 as our conservative/likely outcome in areas of demand, but beyond a 60 minute journey to Central London. The result is an IRR of 14.67%, close to a target of 15%, often considered appropriate for relatively uncertain, illiquid investments. The cash return is £216m. Peak cumulative deficit cash flow on these assumptions is £114m.

TABLE 2	SCENARIO 1		SCENARIO 2		SCENARIO 3		
	Standard phasing (no inflation)		Refined phasing (no inflation)		"Refined phasing (with inflation)"		
PLOTS SALE SENSITIVITY (000'S)	IRR	£M	IRR	£M	IRR	£M	MAX DEFICIT £M
£50	-7.88%	-£53	-5.11%	-£53	-1.12%	-£14	£150
£75	15.56%	£122	10.11%	£122	**14.67%**	**£216**	**£114**
£100	33.91%	£297	22.26%	£297	27.34%	£446	£95
£125	49.23%	£472	32.78%	£472	38.34%	£676	£81
£150	62.40%	£647	42.21%	£647	48.19%	£906	£81
£175	73.94%	£822	50.81%	£822	57.16%	£1,136	£81

IRR output (Plot sale flex)
Note - IRR's are high in scenario 1 due to the fact that there is no frontloading of infrastructure

Table 3 calculates the impact on the result discussed above in terms of downside or upside by making the following factors better or worse by the following percentages:

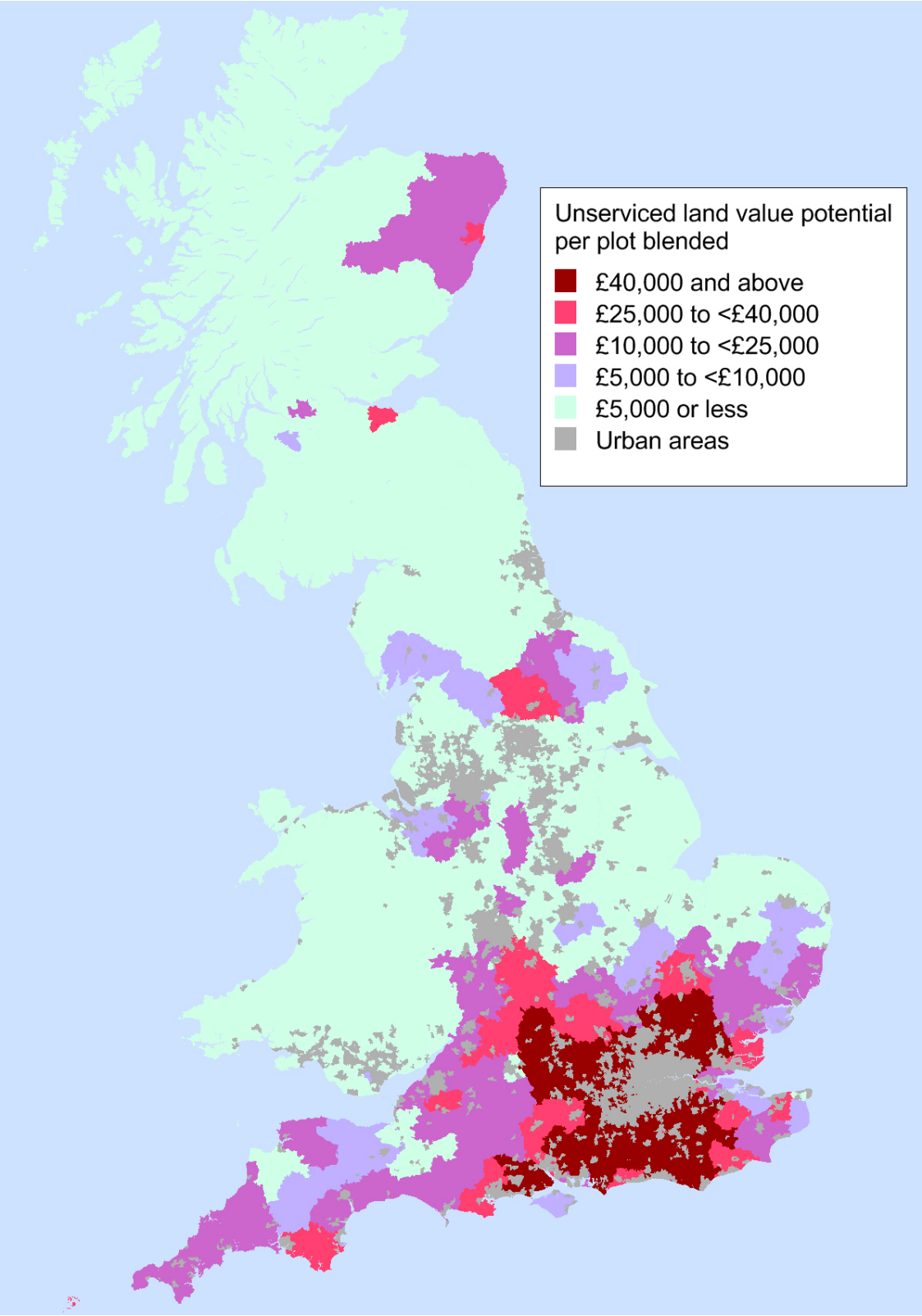
	Downside	Upside
Price of Residential Plot Sales	-20%	+20%
Physical Infrastructure	+20%	-20%
Social Infrastructure	+10%	-10%
Payments to Landowners	+30%	-30%

TABLE 3

		Downside	Central	Upside
	"Sensitivity (% adjustment)"	-20.00%		20.00%
Plot Sales (payment receipts)		£78,854	£98,567	£118,280
Movement from base	20%	-£137,993,913	£215,824,984	£137,993,913
IRR		5.75%	14.67%	22.52%
		50.00%		-50.00%
Land payment to landowner	£'s per acre	£52,000	£40,000	£28,000
Movement from base	30%	-£12,000,000	£215,824,984	£12,000,000.00
IRR		13.11%	14.67%	16.45%
		20.00%		-20.00%
Physical infrastructure	£'s per dwelling	£28,290	£23,575	£18,860
Movement from base	20%	-£47,149,658	£215,824,984	£47,149,658.14
IRR		10.77%	14.67%	19.08%
		20.00%		-20.00%
Social Infrastructure	£'s per dwelling	£17,684	£16,076	£14,469
Movement from base	10%	-£16,076,368	£215,824,984	£16,076,368.38
IRR		13.45%	14.67%	15.77%
TOTAL MOVEMENT		-£213,219,939	£-	£213,219,939
UPSIDE / DOWNSIDE		£2,605,045	£215,824,984	£429,044,924
		0.17%	14.67%	31.51%

Sensitivity Refined with inflation

Indicative Land Value Potential, Before Payment of CIL and Section 106 Planning Obligations
For un-serviced land in large greenfield sites.
Indicative value (£ per plot, blended across all tenures), assuming 30% affordable housing.
Based on generic assumptions, including sales values at local authority level. Local site specifics and policies will vary from these assumptions. Realisable land values will be influenced by the strength of the adjacent urban area market.



Source: Savills
For assumptions and sensitivities, see http://www.savills.co.uk/research_articles/141285/172052-0

In the very unlikely event that all of the downside adjustments (revative to a £75,000 plot sale price) happened together, the IRR falls to 0.17% but no capital is lost. In the event that all the upside events happened (relative to the same price), the IRR increases to 31.51% giving a surplus of £429m. These bookends around the central IRR of 14.67% demonstrate how robust the project is in most areas within 90 minutes of Central London and why the risks are sufficiently low to attract institutional capital and for upside to be shared with the community.

In lower value areas, if there was nevertheless demand, viability could be improved by reducing the land price to CUV; and/or by taking some payment from Housing Associations; and/or by Government allowing Local Authorities to keep commercial rates to help fund infrastructure.

In areas of higher values, the position changes radically. At £175,000 per plot (a not unusual figure perhaps 30-50 miles from London) the profit leaps to £1,136m and 57.16% IRR. This will bring "profit shares" to the Local Authority and the Community Land Trust, of several hundred million pounds, bringing enormous further benefits to the area over and above the homes, jobs and physical and social infrastructure.


SUPER SOFT ICE
H&M

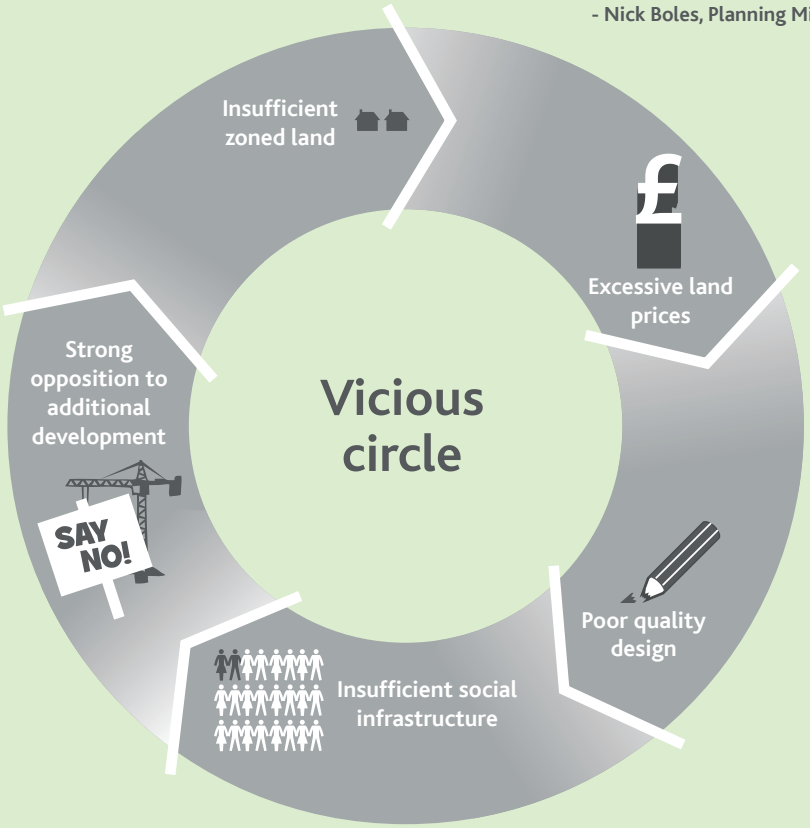
SECTION 4:
POPULARITY
10 BENEFITS FROM OUR GARDEN CITY

We believe that the benefits that will arise from the development of our Garden City will prove immensely popular with existing residents of the area where the Garden City will be developed, the owners of land in the area, and the residents of communities in the Local Authority (ies) in which the Garden City will be built. The main benefits are as follows:

1. Every owner of a home or other property in the area where the Garden City will be built will have the opportunity to sell their property to the Development Corporation for a price significantly in excess of current market value. Of course, if they wish to stay in their home, they will be free to do so and will gain the benefits of living in the Garden City and the real increases in value that will result.
2. The 10,000 new homes in the Garden City for rent and for sale will widen the range of choice available for all local residents in all price ranges and for all kinds of households. For the first time in decades, we will be able to answer the question – where will our children live?
3. All residents of the Local Authority(ies) in housing need where the Garden City will be built will have first priority for an allocation of the new affordable housing.
4. The shops in the High Street in the town centre and in the neighbourhood centres, and other revenue-producing assets, will be managed by the locally controlled Community Land Trust for the benefit of the residents of the Garden City – not for absentee landlords.
5. The residents of the Garden City will benefit from the sport, other leisure, transport and other community facilities, managed by the Community Land Trust. The parks within the Garden City and the Green Belt around the perimeter will be similarly in the ownership of the Trust protected in perpetuity, and used as appropriate for leisure and food production.
6. The residents of the Garden City and other nearby communities - of all ages - will gain access to the learning opportunities provided by the new schools and college facilities. This will widen the education offer.
7. The 10,000 new jobs created in the Garden City will widen the employment opportunities available for those already living in the area.
8. Families now living in the area, and those moving to the Garden City, will be served by a first class public transport system and will be able to safely walk or cycle for their daily journeys.
9. Financial surpluses generated by the development of the Garden City will be re-invested in the area.
10. The residents of the towns and villages in the Local Authority(ies) in which the Garden City is developed will not be subjected to pressures to expand their communities.

"Because we don't build beautifully, people don't let us build much… and because we don't build much, we can't build beautifully."

- Nick Boles, Planning Minister



"To build more beautifully and to create generous public amenities we need to pay less for the land"

- A Shared Vision, Wolfson Prize 2014

SECTION 5:
NEXT STEPS

Even before the shortlisted entries are published, the Wolfson Prize is proving to be a tremendous catalyst to stimulate public debate. The work should not stop with the Judges' final decision. We urge that the Competition – perhaps through the Judges, the TCPA and the Policy Exchange – take the dialogue further to build cross-party support and know-how to ensure Garden Cities are delivered.

This would bring us closer to delivering a new programme of about 30 Garden Cities with perhaps 500,000 homes and additional jobs within 10-15 years of construction starting. This would lead to an investment of £150bn in Garden Cities, providing an exceptional quality of life - a great place to live and work.

This work would complement that being undertaken by the Town and Country Planning Association to promote reform of the New Towns Act.

In Appendix 3 we suggest four principal courses of action for "Team Wolfson":

(1) promote and publicise a "Draft Memorandum of Principles";

(2) create guidelines on social and infrastructure costs and Best Practice guidelines on programming;

(3) recommend new guidelines for a fair compensation regime for land to be acquired through compulsory purchase; and

(4) start the process of identifying areas where Garden Cities should be developed.

APPENDICES

APPENDIX 1:
SWOT ANALYSIS ON GARDEN CITIES

STRENGTH	WEAKNESS	OPPORTUNITY	THREAT
Comprehensive mix of uses	Time taken to start	National housing crisis	Opposition from: NIMBY CPRE Local Councillors Local MPs
Comprehensive Range of Services	Limit on maximum no of houses per year without undermining values	Cross-party support for solution	5 year political periods too short to secure consent and demonstrate benefits
Wide range of Job Opportunities	Difficulty of land assembly	History of failed proposals from Consortium Developments to Eco-towns requires more united effort	Does not suit house builders
Attractive Public Realm	Lack of Patient Capital for long term projects	Local support where high housing requirements	Money diverted to CIL rather than to providing infrastructure for the Garden City
Short Travel Distances	Need cooperation / support between more than one authority	Rental sector may see investment opportunity	
Green Transport	Does not provide immediate solution to five year land supply		
Work/Life Balance	Less viable more than one hour from London		
Self-Funding Infrastructure	Difficulties in attracting employers		
Free land for Affordable Housing			
Protects more countryside than building many smaller schemes			
Affects fewer existing residents than building many smaller schemes			
Can meet sub-regional growth which can't be met separately in each Local Authority			
Offers new ways of living			
Puts best of town and country together			
Builds in new technology from the outset			
Comprehensive solutions to infrastructure			

APPENDIX 2: COMPENSATION GUIDANCE

1. CPO COMPENSATION

The current system is straightforward (save for the issue of hope value). It fundamentally pays owners Current Use Value (CUV) with some small adjustments for costs/disruption. The total payment is, however, not designed to make the person whose land is purchased feel in any sense a "winner". The one exception is where there is already "hope" value in the land.

Hope value becomes significant once a planning authority identifies land for development and can exist at a lower level prior to identification when a field is the next in line to an existing settlement which is likely to be zoned for expansion in due course. In theory, hope value should not apply – and indeed can be disregarded under the New Towns Act – where the land is only developable as a result of the comprehensive change to an area brought about by creating a new settlement with its own infrastructure. However the Myers case cast doubt on that and the TCPA are proposing amendments to make the position clear. These should be pursued and something along their lines codified with new legislation.

Currently, because CPOs do not make people "winners", they are resisted and resented and seen as confiscatory even if there is no real economic loss. We therefore support the view that compensation should be slightly more generous.

Section 3 on Viability explained the reasons why CPOs will be needed to assemble a Garden City. Below we make proposals for a CPO compensation scheme which is meant to (i) make vendors feel like winners and (ii) to offer some simple, modest, compensation to ordinary residents who feel their lives and/or the value of their homes have been adversely affected by the construction of the Garden City - even though the new amenities and the extra demand over time from new residents for period homes may increase the value of existing homes.

The proposals seek to balance the following:

- A sufficiently large uplift that the Owner feels good;
- A transparent, easily workable system;
- Keeping the overall price of land in the Garden City low to assist viability and to fund public benefits;
- Finding an appropriate relationship between a multiple of CUV and absolute sums.

2. PROPOSALS TO INCREASE CPO COMPENSATION

Total Payment to each Owner CPO'd to comprise the following:

2.1 CUV +

2.2 A fixed premium of £25,000 as general compensation to encourage cooperation

however small the parcel (subject to provision aggregating parcels owned by the same individual/company etc.) +

2.3 150% premium on the first £250,000 of CUV. This sum adds 50% to the value of the average home and by the standard of 99% of the electorate is a huge windfall;

2.4 25% premium on the next £500,000 of CUV;

2.5 10% premium on any balance.

Without the gradations there would be some popular dissatisfaction at the biggest landowners making too much at the expense of the viability of the Garden City and the amenities to be placed in it and the future endowment available to the Community Land Trust.

The table below sets out uplift at different CUV.

CUV £	Uplift £	Uplift as % of CUV
250,000	150,000	60%
500,000	212,500	42%
750,000	275,000	36%
1,000,000	300,000	30%
1,500,000	350,000	23%
2,500,000	400,000	16%
5,000,000	650,000	13%

The tapering of the uplifts is particularly intended to prevent the Development Corporation having to pay large premiums for valuable homes without much land for development. Since acquiring land is the real object of CPOs, we would suggest Government considers that if a higher value was achieved by applying a fixed price of £30,000 per acre, that should be paid rather than the figure in the table, so in the circumstance where the owner only sold land, the owner might receive 300% of CUV.

3. COMPENSATION FOR RESIDENTS NOT SELLING

CPO legislation provides for anyone within the red line of a CPO to "put" their home even if the Development Corporation does not need it. Many choose to stay and receive no compensation. We would propose modest compensation, e.g. £10,000 per bedroom for anyone who chooses to stay.

4. LANDOWNER PROFIT-RELATED TOP UPS

Since the JVDVs are very unlikely to be listed on the Stock Exchange, giving tiny minority shareholdings to current residents in an unlisted vehicle is likely to be of little value to the residents but potentially a thorn in the side of the Board. If, however, several large landowners who controlled a significant proportion of the site wished to negotiate a top-up in return for taking less than the CPO value, this could be covered by private arrangements between those landowners as a bloc and the JVDV. Alternatively, since the Community Land Trust will also have a close contractual relationship with the JVDV and the necessary financial and accounting expertise, the CLT could hold some of its receipts as Trustee for the original landowners on a pre-agreed basis.

5. DISINCENTIVE TO DELAY PROCESS

Paying a premium to CUV is intended both to make New Towns more popular and to speed up the land acquisition process. To discourage landowners stretching out negotiations to achieve more than they would be entitled to under a CPO, we would suggest a disincentive. If a formal CPO valuation is required by a landowner because it has not accepted the Development Corporation's offer and if the Lands Tribunal valuation is more than 20% below that already offered and rejected by the owner, 10% will be deducted from the payment due under the CPO rules to the vendor.

6. TAX INCENTIVE TO SPEED PROCESS UP

As a further incentive to landowners to cooperate, we would suggest no tax on any disposals in the next [5] years. In reality, relatively little tax is collected from farmers selling land because of principal home relief, agricultural roll-over relief and vendors becoming non-resident. So this attractive tax offer would not cost the state much and is a worthwhile incentive, like Entrepreneurs Relief, to encourage behaviour that benefits the economy as a whole.

APPENDIX 3: NEXT STEPS

Even before the shortlisted entries are published, the Wolfson Prize is proving to be a tremendous catalyst to stimulate public debate. The work should not stop with the Judges' final decision. We urge that the Competition – perhaps through the Judges, the TCPA and the Policy Exchange – take the dialogue further to build cross-party support and know-how to ensure Garden Cities are delivered.

Here we suggest four principal courses of action for "Team Wolfson": (1) promote and publicise a "Draft Memorandum of Principles;" (2) create guidelines on social and infrastructure costs and Best Practice guidelines on programming; (3) recommend new guidelines for a fair compensation regime for land to be acquired through compulsory purchase and; (4) start the process of identifying areas where Garden Cities should be developed.

This would bring us closer to delivering a new programme of about 30 Garden Cities with perhaps 500,000 homes and additional jobs within 10-15 years of construction starting. This would lead to an investment of £150bn in Garden Cities, providing an exceptional quality of life. And we will know where our children will choose to live.

This work would complement that being undertaken by the Town and Country Planning Association to promote reform of the New Towns Act.

1. PROMOTE AND PUBLICISE A MEMORANDUM OF PRINCIPLES

We urge that "Team Wolfson" should bring together organisations like the Town and Country Planning Association (the TCPA, the Confederation of British Industry (the CBI), the Royal Institute of British Architects (the RIBA), the Royal Town Planning Institute (the RTPI), the National Housing Federation, the Homebuilders Federation, the Royal Institute of Chartered Surveyors (the RICS) and the Joseph Rowntree Foundation to agree a Memorandum of Principles. This should set out overriding principles that should guide new development and the role of Garden Cities. A "straw man" draft is in Appendix 4. The aim, through workshops, conferences, debates and academic research is to finalise a Memorandum which is signed not just by those bodies, but by the leaders of all three Parties and a much wider group of stakeholders.

2. CREATE GUIDELINES ON SOCIAL AND INFRASTRUCTURE COSTS AND BEST PRACTICE GUIDELINES ON PROGRAMMING

At the same time, an independent committee comprising cost consultants, valuers, architects, engineers and developer, should publish a range of benchmark costs for provision of social and physical infrastructure and develop a financial model for new Garden Cities

3. RECOMMEND NEW GUIDELINES FOR A FAIR COMPENSATION REGIME FOR LAND ACQUIRED THROUGH COMPULSORY PURCHASE ORDERS

These would provide the foundation for work by a separate committee tasked with creating guidelines for a fair CPO compensation regime. This committee should investigate CPO practice China, France, America, and Germany. Appendix 2 sets out some suggestions for stepped premiums to CUV which drop as the value of the holding increases. The Appendix also explains some radical tax incentives including reduced rate tax (perhaps no tax) on land sales contracted in the next five years to encourage landowners to agree deals ahead of cumbersome CPOs.

4. START THE PROCESS OF IDENTIFYING AREAS FOR NEW GARDEN CITIES

Finally, we see considerable merit in starting an independent process of identifying the areas where new Garden Cities will be required. Again this would be undertaken by an independent committee and would provide a sound basis for Government discussions with local planning authorities.

APPENDIX 4: MEMORANDUM OF AGREED PRINCIPLES

OBJECTIVE

To create a positive policy consensus that could lead to long-term consistent support for a new urbanism and Garden Cities in particular. How easily could the TCPA, the RTPI and the RIBA agree such a set of principles? Would Shelter and the Joseph Rowntree Foundation and the National Housing Federation also adopt the principles?

If they all did, over a year of seminars, articles and away days, could they also get the main political parties, the HBF and the Country Landowners Association to sign up? Would such a set of policies protect each party from having to play electoral politics with the conflict between a sustainable Housing policy on the one hand and local opposition groups on the other?

STRAW MAN DRAFT

Memorandum of Agreed Principles signed by the Leaders of the Conservative, Labour and Liberal Democrat Parties; the Chairmen of the National Trust; the Campaign to Protect Rural England; the National Housing Federation; the Local Government Association and the Town & Country Planning Association, and by the President of the Royal Town Planning Institute, the Royal Institution of British Architects and the Royal Institution of Chartered Surveyors, the Country Landowners Association, Shelter, the Joseph Rowntree Trust and the House Builders Federation.

The signatories to this Memorandum agree on behalf of their organisations that the following principles should be taken into account in establishing short, medium and long term planning policies:

This Memorandum has been agreed by all the signatories with the aspirations and intention that it will enable large, long-term projects to be assessed objectively so as to balance the benefits they bring against any detriment to the countryside and/or local residents. This is an important step to defusing the unproductive stalemate that currently exists between those proposing and those opposing development. On the one hand, typically, National Government and private sector developers and Housing Associations and charities promoting; on the other, Local Authorities, environmental groups and residents' action groups opposing.

It is vital that this Memorandum creates a framework within which progress can be made towards looking at sub-regional need in an objective manner to achieve the best overall result for that local area.

1. LONG TERM SOLUTIONS REQUIRE CROSS PARTY SUPPORT

Most homes, roads and railways have lasted, or will last, several generations, even several centuries. As such, their planning goes far beyond the cycle of national elections every five years and local elections more frequently. It follows that planning regimes and major infrastructure projects require cross party support so that long-term solutions can be planned, financed and delivered.

Because buildings are fixed to the ground and expensive to build, designing them well and putting them in the right places at the outset is essential to the future happiness of the people and the wealth of the Nation.

A well designed hospital or school in a place readily accessible by patients or pupils and their staff can adapt relatively easily to meet the changing views of Governments on their operation with relatively little delay or cost. Replacing and rebuilding these facilities is by contrast hugely costly to the state. It is even more costly and difficult to re-design urban areas that have been misconceived in the first place as the ownership becomes fragmented and the sums mount up.

2. TOWNS TRADITIONALLY PROVIDED A COMPREHENSIVE MIX OF USES

Historic cities brought homes, employment, government, trade and leisure close together. Distance was unacceptable because travel was too slow. Proximity also made it easier to provide security.

3. FACTORIES, TRAINS AND CARS 1840-2013

The Railway Age, which coincided with the Industrial Revolution, the period when factories became large and emitted most pollution began the process of dispersal with the middle classes leaving town centres to commute to work so they could live in less densely populated greener places. This trend accelerated with the growth of cheap car use from the 1930s to the present day.

4. THE END OF THE ROAD FOR DISPERSAL

Britain's roads and railways have become too congested. Too many people make

long, unpredictable and stressful journeys – not only to get to work but to essential educational and health facilities or to retail and leisure amenities. Travel has become relatively expensive. Concern about pollution has increased. At the same time, far fewer people work in factories and noise and chemical pollution have been controlled. There is no reason why attractive new homes should not once again be built near work places.

5. A COMPREHENSIVE MIX OF USES PROMOTES QUALITY OF LIFE, ECONOMIC GROWTH AND SUSTAINABILITY

5.1 Freedom to make choices is at the heart of the British way of life. The Government does not require people to live within a certain distance of their workplace or their children's school. However, good planning should enable as many people as possible to have the welcome choice to live within:

- A 5 minute walk of a primary school, local shops and a park;
- A 15-30 minute walk + public transport combined trip to secondary schools; doctors' surgeries; High Streets and community and leisure facilities and a wide range of job opportunities.

5.2 This can best be achieved by new housing being in:

(i) A comprehensively planned redevelopment of Brownfield Sites within an urban context (e.g. the docks in London, Salford and Bristol, but it must be recognised that many of these opportunities have been taken up in the last 25 years) OR;

(ii) An add-on to an existing town or settlement where the addition improves the overall level of amenity for the existing population rather than detracts from it. This will not be achieved by merely adding numerous housing estates on the edge of a town. It will require a proper provision of additional services and support to the existing transport networks to prevent them becoming even more crowded; OR

(iii) In new planned settlements (Garden Cities) where new social and physical infrastructure ensure that they provide a good quality of life and are sustainable.

5.3 Providing most new homes in one of these three ways will make it possible to protect smaller towns and villages in the countryside from a rash of new housing estates. Such add-on schemes should normally only be accepted in the following circumstances:

(i) The scheme is too small to change the character of the settlement and has the support of the Parish Council;

(ii) The scheme will justify and fund improvements to the settlement which are also supported by the Parish Council, such as the opening of a primary school or the retention or opening of a village shop or bus service.

6. NEW GARDEN CITIES SHOULD BE ENCOURAGED

Garden Cities combine the best of town and country. They can produce an exceptional quality of life; reduce commuting; and create a sense of community. Through capture of the uplift in land values, they can fund all the cost of social and physical infrastructure.

Over the next 10 years, a target should be to start 20-30 new Garden Cities, potentially capable of producing 1m new homes. The smallest, like the Eco Towns, might be 5,000 homes. The largest, like Milton Keynes, might be 100,000 homes. The design of the larger ones should enable them to be delivered in phases such that if demand ceased to grow, a City planned for 100,000 houses could stop satisfactorily after, say, 20,000 or 50,000 houses with long-term expansion space remaining as and when necessary.

In any area where there is substantial unmet Housing Need, the signatories to this Memorandum will support the identification of a location capable of accommodating a significant amount of the need generated within a [10-15] mile radius. The size of each Garden City will relate to:

(i) Demand in that area;

(ii) Development constraints such as Green Belt or Flood Plain in that area;

(iii) Existing job opportunities;

(iv) The potential to create new jobs in the Garden City;

(v) Relationship to existing national transport network.

7. COUNTRYSIDE

The countryside makes a vital contribution to Britain's heritage, leisure, health, food production tourism, ecology and overall sense of well-being.

However, to meet the need for far more homes, modern work places and social infrastructure, a small proportion of rural land can be developed if it meets the principles set out in para 5.2 AND if, as part of any such development, a substantial amount of undeveloped land near the development is transferred to a Community Land Trust at no cost and with sufficient funds to maintain and improve the land's countryside qualities. A Community Land Trust will be a charity in which over half the Trustees will be appointed by the Local Authority, the National Trust and the Campaign to Protect Rural England. A Community Land Trust may not dispose of land and should maximise public access through designated footpaths and bridleways, allowing agriculture to be maintained.

8. COMPULSORY PURCHASE POWERS AND GOVERNANCE

Compulsory Purchase Powers will be available to support large comprehensive mixed-use developments. Different circumstances may require adjustments to the method for establishing the exact details of CPOs from time to time. However, the signatories consider the following general principles have long-term merit:

- The existing owner should receive as a minimum the full value (excluding any hope value) prior to the permitted change of use of any land acquired by CPO or threat of CPO; PLUS
- A premium calculated in accordance with a specific formula (see for example our proposals in Appendix 2). [These disturbance payments should be tax-free to make them more attractive and to reflect that the remainder of the uplift, which traditionally belonged to the Landowner, has been used to fund benefits to the community.]

After allowing for these initial payments to the Landowner and after deducting the full costs of social and physical infrastructure for the development as a whole, the remaining uplift should be divided in an equitable manner between:

(i) The Community Land Trust;

(ii) Existing house owners within the development area but whose homes or businesses have not been acquired;

(iii) [As a top up to existing Landowners whose land has been acquired.];

(iv) The Investors and developers who have funded and created the Garden City.

These payments should only be calculated and distributed at a point when the Garden City is so far advanced that there is no longer a risk of the project failing.

Network of streets, paths and public spaces

APPENDIX 5: DETAILED NOTES ON THE ILLUSTRATIVE PLANS IN SECTION 1

The diagrams and sketches included in this appendix are abstracted versions of an actual proposal for a New Market Town (21st century Garden City) with a population of at least 24,000. The town would provide c.10,000 jobs locally alongside a full range of shops, schools, recreation and leisure facilities, all contained within a compact settlement of little more than 4 sq.km. This appendix describes briefly the general spatial principles which structure the New Market Town. More details about the masterplan and proposal will be revealed in Stage 2.

A network of Walkable Neighbourhoods, not cul-de-sacs

Towns traditionally develop around a network of footpaths, bridleways, highways and byways which link individual properties, businesses and other functional and social spaces used by the community. Each street and path within the town plays a unique and supporting role in the life of the community and the quality of a place's streets and pathways is integral to the idea of a town and fundamental to how well it functions.

The proposed New Market Town is based on a comprehensive network of convenient, interesting and varied streets, paths and spaces. Routes lead naturally to the town's social and commercial centres, to each corner of every neighbourhood, and into the countryside beyond. Within this network it is possible to plan a variety of different routes within each neighbourhood and between one part of the town and another. The sequence of places visited 'between A and B' can be adjusted by the individual, on the spur of the moment, to suit myriad itineraries. Short-cuts, long-cuts, spontaneous deviations from the intended route, routes chosen because they pass a friend's house, coffee shop or the local nursery along the way are all possible when the network offers accessible and attractive routes between places. This network plays a vital role in producing the town's compact structure: it helps to bring more people and places into greater proximity to each other.

This image shows the town's network of streets, pathways and civic spaces. This framework has been derived from existing rights of way, topographical and landscape features, and the 'grain' defined by the site's ancient field structure. This legible and specific network of paths and roads taps into and augments rights of way which traverse the surrounding landscape, and is not foreign to it.

Each Walkable Neighbourhood in the town fits within – and contributes to – the qualities of the overall network of public realm.

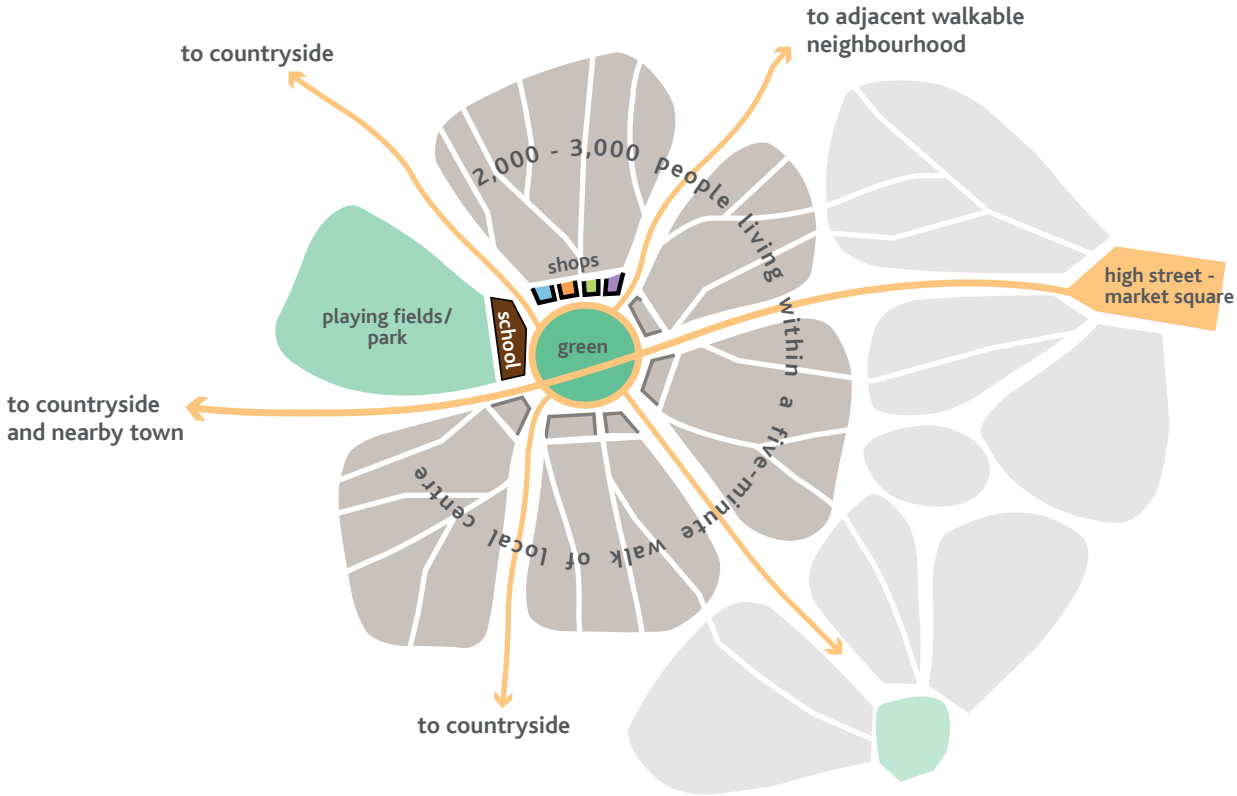


Diagram showing walkable neighbourhood structure

Advantages of this arrangement based on Walkable Neighbourhoods include:

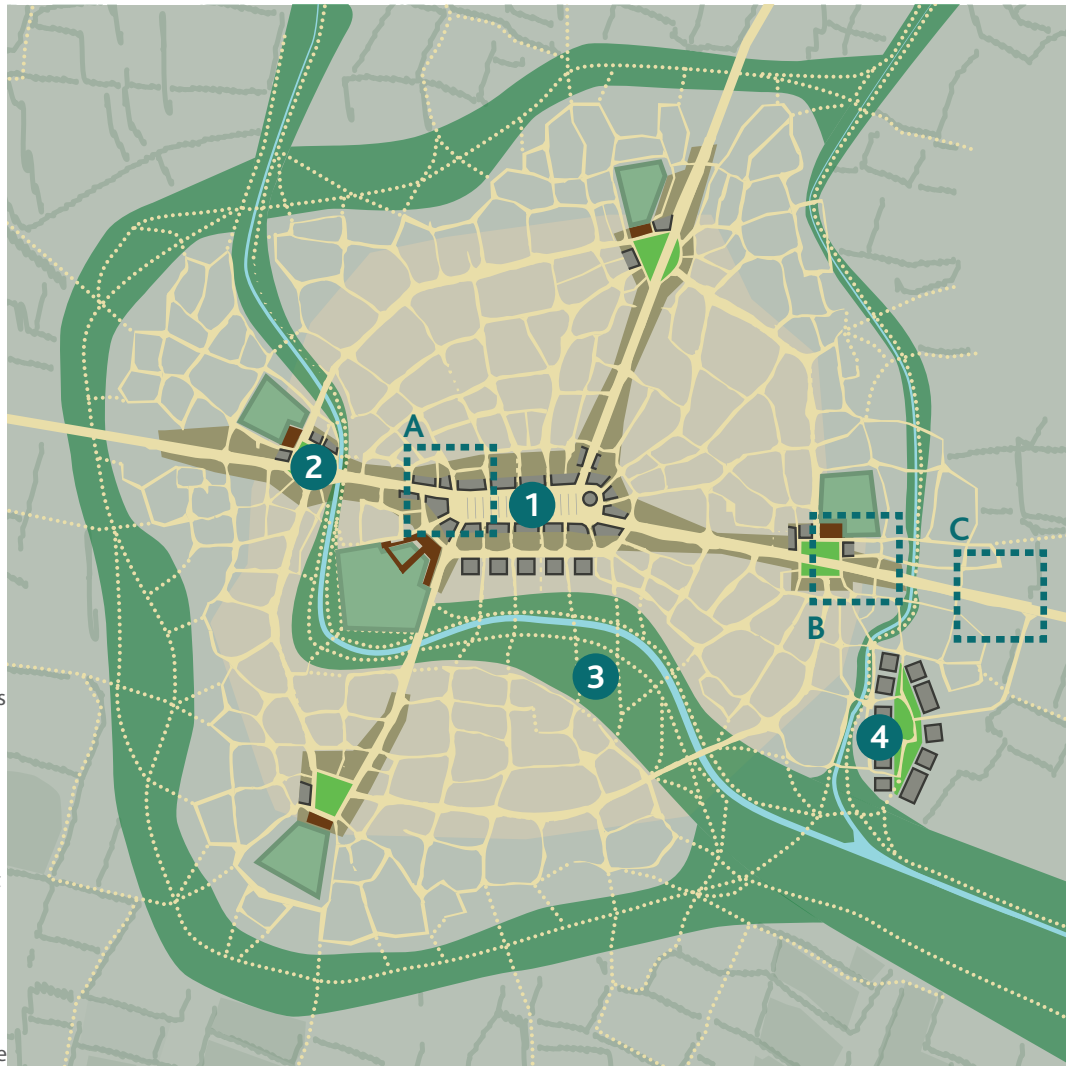
- Walking and cycling. Walking and cycling routes are built into the masterplan from the outset to discourage local car journeys and encourage people to use all parts of the town on foot. This network will include at least one linear park which runs through the town and a number of paths which circumnavigate the whole settlement. These integrated parklands should be designed both as convenient ways to get from one location to another, and as important leisure amenities with footpaths, cycleways and bridleways close to everyone's front door. Circuits should be designed to allow people to jog or cycle timed distances of 5km and 10km.
- Catchment and footfall in local centres. Each Walkable Neighbourhood has its own Green linked by radial routes to boost the importance of, and increase potential customer support for, local traders and bus services.

- Links between local centres. Although each Walkable Neighbourhood is served by its own shops and schools, lateral roads will link them so that it is not necessary to travel into the Town Centre and out again to reach different village centres. The layout proposed is distinct from the feeder road and cul-de-sac layout used in most contemporary housing estates and other kinds of development. Cul-de-sac layouts can result in disorientation for visitors, inconvenient routes, lack of route choice and can increase traffic on feeder roads and therefore disadvantage residents of those roads.

The proposed layout uses the network of routes to spread traffic more evenly, to offer people greater choice and to support traders and leisure providers. By way of example, one village centre might include a pub, a pizza restaurant and a hairdresser, while a wine bar, an Indian restaurant and a florist could be thriving in the next centre. By offering convenient cross-routes, people will become customers of several local centres and not just their own or the Town Centre.

The masterplan does not represent an even or systematic pattern of development. Instead its structure encourages the kind of diversity and choice found in the UK's most established and well-loved towns. The mix of uses the masterplan provides for, the types and densities of housing it supports, and the character of streets and squares which form its social heart change across the masterplan according to specific local conditions and according to a strategy which allows short-term and long-term development flexibility.

The Town Structure Plan indicates some of the significant features of the masterplan and the different character areas encompassed within the town.



1 High Street – Market Square
2 Local Centres – Village Greens
3 Parks and landscape
4 Business Campus

Street/square
Pathway
Higher density development
Parkland
Village green
Playing fields/local park
School building
Other non-residential frontage

Structure of the masterplan

A: Detail of High Street and Market Square. This quarter will have an urban grain which supports higher density, mixed-use development similar to a traditional town centre. Approximately 3,000 people will live within a five minute walk of the High Street, and over 10,000 within a ten minute walk.

B: Detail near a local centre and village green. Each Walkable Neighbourhood will be centred on an attractive and accessible green, around which will be located a primary school, additional space for public recreation, shops, cafes and pub. Each centre will be designed to support up to 3,000 people at residential densities of 35-45 dwellings per hectare, using a mixture of dwellings including flats, terraced, semi-detached and detatched houses, mews, cottages, etc

C: Detail of typical town edge. The edge of the town provides opportunities for a small number of larger, villa-like residential plots, adding more variety to dwelling types, sizes and lifestyles supported by the town. However, large tracts of low-density housing would defeat the purpose of the Walkable Neighbourhood structure and densities in these areas will still average close to 30 dwellings per hectare.

A: The High Street. The High Street is the social and commercial nucleus of the town and should be varied in architecture and size of unit to give it an "organic" rather than a "precinct" feel.

High Street buildings will typically be 3-4 storeys. Some A1/A2/A3 users such as estate agents or a large retailer, will also use the first floor. Generally, through upper floors will be a mixture of flats, small office suites and some services, like physiotherapy.

Buildings should include one or two with civic presence and purpose ("Town Halls"). The Master Developer should fund attractive shop fronts to give character.

The High Street should be wide to allow for light; convenient short stay parking; and weekly market stalls and occasional fairs.

The High Street should have side roads and passageways leading in every 100m or so. Some should lead to small pedestrian arcades or courtyards containing a mixture of artisanal production and specialist retail sales.

The Town Centre should have the secondary school at one end of the High Street to benefit from its proximity and for the safety and convenience of parents, pupils and staff.

Any office buildings of less than 20,000 sq ft should be close to the High Street on a road that could relieve the High Street for special occasions when it is pedestrianized.

B: Local Centres. An attractive and informal area of open public realm (a village green), perhaps a hectare, will be at the centre of each neighbourhood.

The village green will give this part of the neighbourhood the character of a local centre as a number of strong corners will be created by four to six roads leading into it with individually-designed buildings of three or more storeys with varied ground floor uses lining the edge.

The Green will also link directly to a more tranquil park or recreation space (3-4 hectares), typically behind the primary school, allowing for playing fields and public park to double up in a convenient location accessed by local buses and helping to support local shops, pub, restaurant etc.

C: Parklands, landscape, countryside. The structure of the town is informed by existing landscape features, e.g. a stream, mature trees or ancient woodland, and selectively accommodates and incorporates these features in the layout of its streets and the disposition of its blocks.

A clear advantage of living in a compact Market Town is that the distinct and pleasurable relationships between settlement, the inherited landscape and the surrounding countryside can be maintained for the benefit of residents and visitors.

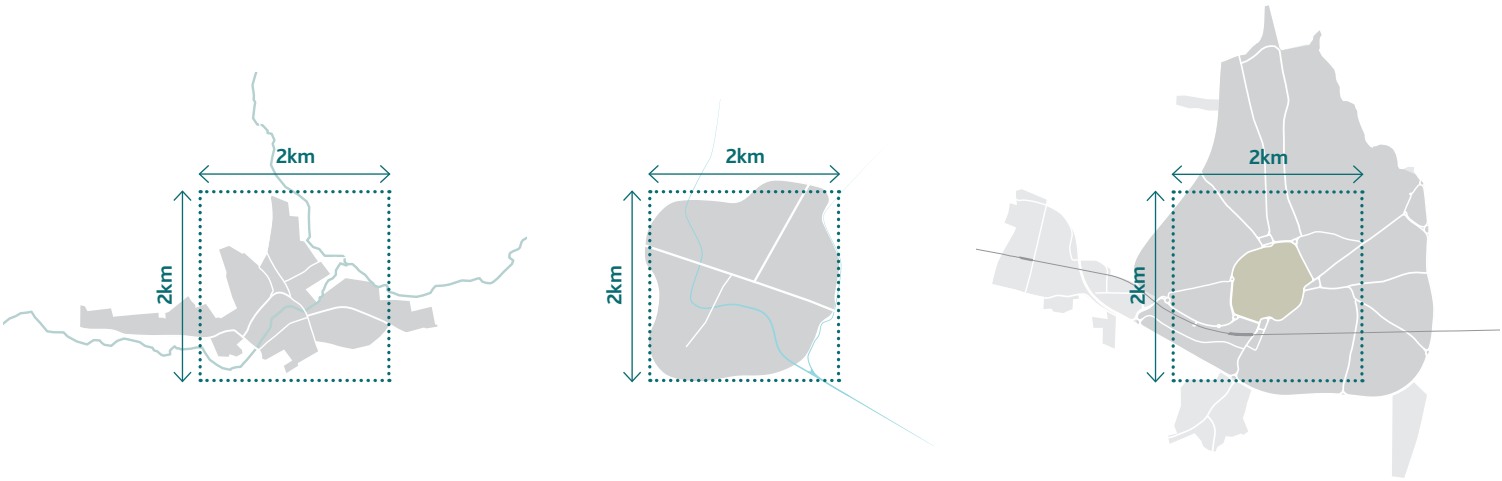
Business Campus. A campus-like Business Park adjacent to a main road leading between the town and the nearest conurbation and transport interchange should offer larger space to occupiers more likely to incorporate their own canteens, lecture halls etc. and also more likely to be drawing on employees or visitors from a wider area.

The Business Park is linked to the Town Centre, not just by roads but by a pleasant walk through a linear park. Such an attractive concept will play an important part in bringing businesses to the Garden City.

Scale comparison with other market towns

The proposed New Market Town will use land more efficiently than other market towns, providing a greater number of homes in a smaller area relative to the overall population of the settlement. This is largely achieved by limiting the amount of very low-density housing within the masterplan, structuring neighbourhoods around compact block types, and providing spaces throughout the masterplan that can be used for more than one purpose.

Simplified town plans at same scale with population figures:



Marlborough (8,000 residents) **NMT (24,000 residents)** **Chichester (24,000 residents)**

Oxford (150,000 residents)

APPENDIX 6:
EXTRACTS FROM HBF BUDGET SUBMISSION 2014, TOGETHER WITH OUR COMMENTS

8. *Given the scale of undersupply over the last two decades, projected household formation over the next two decades, and the time it is going to take to get house building up to anything like the levels needed to meet housing requirements, solving our undersupply crisis is clearly going to take significantly longer than 10 years.*

Comment:
HBF are right. Which is why rapid progress on Garden Cities is needed and why long-term policies are needed which are supported by all Parties.

9. *There are a number of fundamental conditions for private housing supply:*
   - *Private housing development (apart from custom build) is sales led. A house builder can only build if it has funded customers able and willing to buy its products. Customers can be owner-occupiers, investors (individuals, corporate, institutions), housing associations, local authorities, etc.*

Comment:
To achieve high levels of occupation, Garden City Developers need to aim for take-up from Affordable Housing and the Private Rented Sector as well as market sales. Garden Cities should also produce a much wider range of sizes and formats as well as tenures, including products for elderly people, students, flat share etc. If the Government does not maintain support like Help to Buy, the Garden City Developer should also sell shared equity products. This will defer capital repayment and increase the maximum deficit but not reduce profitability.

   - *House builders only buy land to develop. I.e. profit is only realised through development, not by sitting on permissioned and paid-for land which is very costly (the cost of capital is probably around 10-12% per year).*

Comment:
10-12% is higher than the cost of Institutional Capital and reflects the risks housebuilders have to take in buying without the support of CPOs.

   - *A scheme must be 'viable' to be developed. Viability has two elements: (a) achieving an acceptable profit margin, and (b) generating a residual land value*

sufficient to persuade the land owner to sell the site for residential development. (The NPPF refers to "competitive returns" for both profit and land value.) A house builder's overall profitability is made up of the profitability of all the company's individual developments. A "competitive" profit is dictated by shareholders and by development finance funders (e.g. banks). If a company consistently achieves inadequate returns for shareholders, and/or does not generate the level of returns demanded by debt funders, it will eventually go out of business or be taken over. The residual land value is best thought of as the result of two broad sets of factors: (a) the site's gross development value (GDV), determined by local market prices, and all "costs" (building, infrastructure, finance, overheads, profit, etc.) necessary to develop the site for housing, including those items in the S106 package which are necessary for the development, and (b) regulatory costs imposed by central government and the local authority which are not necessary to the development (CIL, some S106 demands, Affordable Housing, local standards such as space, higher levels of the Code, etc, zero carbon, etc.). The GDV and necessary costs in (a) are fairly fixed, whereas most of those in (b) are discretionary – i.e. the site could be developed and the homes sold without any of these additional costs. Therefore the items in (b) are the critical flexible, or variable element in determining whether the residual land value is sufficient to persuade the land owner to sell. (If the values and costs in (a) do not, on their own, generate sufficient land value, then clearly the site is not viable on any terms.)

10. *The key to increased housing development is increased permissioned land supply. This is not just a question of the number of hectares of land, but it depends on the number of 'sales outlets' available to the industry.* ***It appears to be a fundamental law of home building that the number of sales that can be achieved from any given site is limited,*** *most notably by the local housing market's ability to absorb new home sales. It is generally accepted within the industry that taking sites of all sizes, across companies of all sizes, in all markets, and across varying market conditions, on average you might expect around 30-35 sales per site per year. Because this is an average, it will be higher or lower on individual sites, and in some cases significantly higher, and it will vary cyclically according to the strength of economic and market conditions.* ***In practice it means that 10 sites of 100 units each are likely to result in more sales (and therefore more production) in any given period than would be possible from one site of 1,000 units, even if the sales rate on the large site is increased through multiple outlets (by the same home builder, or by several competitors operating on the site).***

Comment:

We believe that the principles set out by the HBF here are absolutely right. It is why we say it is essential to build 30 smaller new Garden Cities, not just four or five Milton Keynes. However, we think that by quality of buildings, amenities and mix of size, formats and tenures, 1,000 units + a year is a realistic target which could be exceeded once a town is established in a densely populated sub-region.

56. *Infrastructure funding for a New Town or Garden City will almost certainly be beyond the financial resources of a single housing developer, or indeed most companies in the private sector.*

Comment:
True now BUT this would not be the case if land could be bought at values low enough to give safe returns to Institutional Investors with deeper pockets and longer-term horizons than housebuilders.

60. *The operation of CIL is becoming ever more complex and cumbersome. While it may be appropriate for smaller schemes, there remains considerable uncertainty over its operation for larger-scale, complex sites. While HBF welcomes the many incremental improvements that have been made over the last 12 months, we remain very concerned about the confusing inter-relationship between S106, CIL and the use of Grampian Conditions. We believe DCLG needs to issue more prescriptive guidance on these inter-relationships, the manner in which the Regulation 123 list can be applied, and the resulting limitations on the use of S106 obligations.*

Comment:
Agreed. In the case of Garden Cities, the S.106 should in almost all cases require **works** not **payments**. Exceptions should only be for a reasonable contribution to items (e.g. a hospital) which are not actually being delivered in the Garden City itself.

64. *Local Enterprise Partnerships (LEPs)*

These have some rather curious geographic boundaries (with some overlapping), very limited budgets and capacity, no strategic planning powers, and most have little or no interest in housing, nor awareness of the links between economic growth and housing supply. However they are the only potential strategic tier we have between local authorities and national government (outside London). With radical reform, proper funding and a requirement to take proper account of housing and its economic role, LEPs could benefit housing supply.

Comment:
Strongly Agree.

65. *Land and Planning: Incentivising Local Authorities to Boost Housing Permissions*

The Coalition's most important incentive is the New Homes Bonus (NHB), intended to provide a financial incentive to local authorities to grant permission for home building. However the view of many house builders, supported by reports by the NAO and Select Committee, is that the NHB is not working as intended. One problem is that the financial benefits are remote from planning decisions. The money is not ring fenced, and therefore does not directly benefit the planning department, and the flow of receipts occurs slowly, over an extended period, as permissioned sites are developed.

66. *We were therefore very pleased by the Autumn Statement's comment that the Government is "carrying out an evaluation of the New Homes Bonus, which will complete at Easter 2014. The government will consult on measures to further improve the incentive provided by the New Homes Bonus, in particular through mechanisms to withhold payments where planning approvals are made on appeal". We were especially pleased with the proposal that councils should not gain funds from the NHB in the event of a scheme being granted permission on appeal. It cannot be right to reward authorities for opposing housing development on spurious or unjustified grounds.*

Comment:
Strongly Agree.

73. ***The one major flaw with the NPPF is the Duty to Cooperate which is far too weak to resolve cross-boundary and strategic, 'greater-than-local' issues.*** *The only obvious option, given the current situation, would be significantly to strengthen the powers and resources of the LEPs (see Section 7.5 above). One fundamental problem with the Duty to Cooperate is timing. If all the local authorities in an area with interconnected economies and housing markets were to produce their Local Plans simultaneously, then the Duty to Cooperate would involve a transparent and coordinated process and planning inspectors could examine all the plans simultaneously to ensure a consistent outcome. However this is rarely the case, so that authorities can make assumptions about the housing provision of neighbouring authorities which are not subject to full scrutiny until sometime later when the neighbouring authority's Local Plan is examined.*

Comment:
Strongly Agree.

74. *A further question arising from the move to localism and the Duty to Cooperate is the role of growth areas. In the past there were New Towns, Garden Cities, designated growth areas, growth points, etc. These provided an additional source*

of supply over and above the normal supply of market and affordable housing. They also helped ensure that undersupply in constraint areas was at least partly matched by additional supply in growth areas.

75. *However because growth areas are no longer determined from a higher level (e.g. central Government or regional assemblies), the selection of growth areas is now entirely up to the decisions of individual local authorities.* ***Designating growth areas seems unlikely, especially in the most pressured areas such as the South East.***

Comment:
Strongly Agree. Unless there is a fundamental change in mindset convincing Local Authorities of the benefits of Garden Cities.

79. *Given that increasing housing completions is a major Government policy objective, it seems perverse not to ensure local planning authorities have the resources needed to prepare Local Plans (a critical building block for housing supply) and process planning applications efficiently and speedily. There can be no justification for a service that house builders pay for that ends up delaying work starting on site for many months because the authority does not have the staff to deal with a planning application and/or a S106 legal agreement.*

Comment:
Strongly Agree.

81. *New Towns and Garden Cities*

As a long-term contribution to housing supply we fully support the concept of New Towns and Garden Cities. (We have in mind settlements on the scale of the post-war New Towns, not developments of a few thousand homes which the larger home builders already include within their overall land portfolios.)

However, as noted above, the scale of true New Towns or Garden Cities is probably beyond the financial resources of house building companies. These schemes could make an important contribution to longer-term requirements, but they are unlikely to produce significant numbers of new homes in less than perhaps 8-10 years. We should also not be carried away with the contribution they could make to annual housing production. In 1987, at the peak of the 1980s boom, Milton Keynes, the most successful New Town, recorded 1,649 completions[1]. In the context of achieving 200,000+ housing completions per year, it would need many New Towns to make a significant contribution.

[1] Department of the Environment Housebuilding in England by local authority areas, 1980 to 1987.

Comment:
The figure of 1,649 excludes about 2,000 publicy-funded homes for rent.

New Towns and Garden Cities will almost certainly require initial state intervention for land assembly and planning, although the private sector may be able to provide most of the funding. (Insurer L&G has recently indicated it could fund Garden Cities.) In addition, up-front infrastructure requirements will create enormous cash-flow issues for schemes on the scale of a New Town or Garden City. As a New Town or Garden City could extend across more than one local authority area, it is not clear how the process of identifying and planning would be undertaken, especially given the weakness of the Duty to Cooperate. Would the Government rely entirely on local authorities or the private sector coming forward with proposals? Or would central Government designate areas?

Comment:
We believe that the possibility of Central Government designation must be there but the aim is to strongly demonstrate the local public benefits (as well as the national ones) so that Local Authorities working with LEPs and Community Land Trusts will be prepared to designate sites.

100. *Land value is a finite source of subsidy. Affordable Housing must compete with all the other regulatory demands on land value (CIL, local standards, Building Regulation costs, especially zero carbon), and excessive Affordable Housing demands risk making sites unviable. Also, if we do see a significant increase in the supply of permissioned land through the new planning system, this should curb the tendency of residential land value to rise very sharply in an upturn, so that although there may be more land from which subsidy can be extracted, there will be less value available per site.*

101. *While the private sector accepts that land value subsidy will continue to facilitate the supply of some Affordable Housing, a significant expansion of Affordable Housing supply will require increased state subsidy. Trying to extract yet more subsidy out of land value will damage viabilities, and so reduce the total supply of housing, including the supply of Affordable Housing.*

Comment:
Savills on behalf of the HBF have recently published an extremely clear and thorough analysis of the interrelationship of S.106/CIL and Affordable Housing at different house prices. Their work echoes the comments above. However, the HBF and Savills' emphasis on benchmark land prices, i.e. the amounts that housebuilders have to pay in a competitive market to tease the land out of a farmer who is sitting on the next field adjacent to an expanding settlement, should not apply to Garden Cities as, in the national interest, CPOs should be available and in any event the expectation of hope value is minimal in the case of a new free-standing Garden City, whereas it is real in the case of the next field adjacent to an ever-expanding town or commuter village.