

Simpler and better

Housing design in everyone's interest



C A B E

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Published in 2010 by the Commission for Architecture and the Built Environment.

Graphic design: Fivebargate
Printed by Centreprint UK Ltd
on Revive recycled paper.

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CABE is the government's advisor on architecture, urban design and public space. As a public body, we encourage policymakers to create places that work for people. We help local planners apply national design policy and offer expert advice to developers and architects. We show public sector clients how to commission buildings that meet the needs of their users. And we seek to inspire the public to demand more from their buildings and spaces. Advising, influencing and inspiring, we work to create well-designed, welcoming places.

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CABE is supported by



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In *No more toxic assets*¹ in 2009 I asked if we could use the breathing space offered by the recession to find new ways to improve housing design quality. Then in *Who should build our homes?*² six leading thinkers proposed new models for housing delivery.

They then joined workshops with other experts to reflect on the proposals. CABE is extremely grateful to all the participants - housebuilders, policy makers, architects, planners, academics, valuers and economists. They suggested practical actions and sensible policy changes which could transform housing design quality. The challenge is tough, but not intractable.

In *Simpler and better*, I have distilled CABE's conclusions about the most important ideas which have emerged. 'Simpler' refers to a new, streamlined standards framework that we're proposing, alongside the introduction of a minimum design standard for all new homes in Britain ('better'). The industry should get a clear, consistent set of standards, and the consumer and the community get a guarantee of homes that are good enough everywhere.

The maxims of the day are doing more with less and doing things differently, not simply doing less. Not to dumb down approaches to design quality, but to ensure that those things that really matter are realised.

Richard Simmons

¹ Simmons, R. (2009) *No more toxic assets*, London: CABE,

² Whitehead, C., Studdert, P., Peace, L., Hill, S., Desai, P. & Robinson, D. (2009) *Who should build our homes?* London: CABE,

In November 2008 President Obama's chief-of-staff revisited economist Paul Romer's advice on crises. Willing outmoded US industries to restructure in response to the recession, Rahm Emanuel said "You don't ever want a crisis to go to waste - it's an opportunity to do important things that you would otherwise avoid".

The same maxim inspired *No more toxic assets*. The housebuilding industry was in shock from the credit crunch. Was this the opportunity to shape a brighter future for housing delivery and design quality? Could we change the unchangeable? To do so, did we have to think the unthinkable?

Getting better design for new homes and the neighbourhoods in which they sit has been one of the more intractable challenges faced by government in recent years. During the workshops which helped generate this report, it was agreed that the design challenge is difficult for several reasons. Partly it's a result of the culture and economics of housing provision in the UK. Partly it's because of the particular ways in which town planning and the structure and financing of the industry work.

CABE's statutory purpose is to improve the design quality of buildings and places. We know that design quality matters. We have the evidence that there is a need for improvement. We believe that there could be fixes. But we need to start by addressing six main points of contention that underpin the debate about housing design.

1 What is the problem?

Homes as a retail product

First, some housebuilders argue that their firms are just retailers of housing units. Additional obligations, going beyond those to their immediate customers, are a burden of regulation, policy and taxation. This 'burden' can include the design requirements and other demands of the planning system; 'planning gain' (through 'section 106' or 'planning agreements'); and regulation such as the code for sustainable homes. Meanwhile, housebuilders survey new occupants, whom they say are happy with their housing units, and some conclude this means there is no evidence of a problem with housing design quality.³

Housebuilders do face a complex and sometimes confusing regulatory framework. Homes are not, though, a normal retail product. Unlike iPods or kettles, homes cannot be shipped around. They are rooted in places, in highly localised markets. *De facto*, housebuilders build neighbourhoods and communities. Of course the immediate customers for homes are important. We are all, however, consumers of the housebuilders' products. This isn't really an arguable point. We all share the carbon impact of new building. We all have to look at it. We all give up the common amenity of green field sites so that individuals and families can have new homes. We all benefit when derelict sites are brought into use. All tax payers pay for maintenance of new roads once the builder's adoption payment has run out. Nobody at CABE has ever suggested that all the new products of the housebuilding industry are badly designed. In fact, our housing audits point mainly

Homes are not a normal retail product. They are rooted in neighbourhoods and communities, so we are all their consumers

³ Stewart, J. in BBC (2009) *Homes rejected for social housing*,

Of course customer satisfaction should be taken seriously, but it is only one dimension of an assessment of quality

⁴ CABE (2005) *What it's like to live there: the views of residents on the design of new housing*,

⁵ CABE (2009) *Space in new homes - What residents think*,

to problems with the design of neighbourhoods and streets, and access to public transport and community facilities. What we might call the building blocks of our communities. The very things, in fact, that are demanded and paid for by the burden of regulation, policy and taxation.

It is also true, though, that when we have asked purchasers about the homes they have bought, they have been less complimentary than housebuilders report. They note that poor quality workmanship and design – especially in terms of the layout of the development – negatively impact on their experience of their new home and neighbourhood.⁴ Poor space standards also impact on residents' everyday lives, with 57 per cent reporting that they don't have sufficient storage space; 48 per cent reporting too little space to ever entertain visitors; and 48 per cent feeling they can't get away from other people's noisy activities.⁵

Some of the confusion in the evidence may result from what behavioural economists call the "endowment effect". When we own something, we value it much more highly. This will apply especially to an investment as big as a new home. Of course customer satisfaction surveys should be taken seriously, and the latest NHBC survey results to September 2009 are impressive. But they remain only one dimension of an assessment of quality, because this is not just a private matter between buyers and builders. There is a public interest to be served by improving the design quality of homes and neighbourhoods.

1 What is the problem?

The question of subjectivity

Second, some people say that design quality is entirely subjective, and/or that it can't be judged. They often go on to argue that the market is the only true arbiter of design quality because within it individual consumers can choose whatever is to their taste.

This view is contentious because it overlooks the fact that the market fails to deliver enough good quality design to offer true choice.

Here's a recent example. Senior industry representatives have told CABI that new back-to-back housing in Castleford, West Yorkshire, is good enough because people are prepared to buy it. Back-to-back houses have every storey attached to neighbouring homes on both sides and at the back. They have doors and windows only at the front, which apart from anything else can increase fire hazard threefold by restricting options for escape. The reason that there is a market for back-to-backs, we are told, is that they are cheaper than conventional housing. This is in spite of the fact that the first Town Planning Act of 1909 made them illegal because they were bad for occupants' health. These designs were outlawed, and the fact that they can be built more cheaply and sold does not confirm their design quality is good enough.

Matters of personal taste, such as the architectural style which people prefer, are obviously subjective. But taste and fashion aren't the things that define whether or not design is good enough. In the long run, there are fundamental, objective and measurable

Fernwood phase two,
Balderton Hospital in
Newark, East Midlands.

© Jon Walker/Third Avenue



1 What is the problem?

criteria for good design, based on evidence and centuries of learning about good practice:

- Will the design last and be sustainable?
- Does it do its job well?
- Is it pleasing to the eye?

These criteria form the basis for any reliable judgement about design quality. Using tools like Building for Life, the joint CABI/Home Builders Federation national standard for well designed homes and neighbourhoods, they can be applied consistently and consensually to sort good design from bad.

Just as importantly, all new homes are built in a place. That place already has character, determined by its heritage and local conditions. Most people respect and enjoy character and heritage. That alone shows that any one individual's taste should not be the only

All new homes are built in a place with character, and new housing should suit that locality

determinant of design quality. CABI has always argued that customers should have choice; but choice from a palette suited to the locality, not from a range of styles which are built everywhere and belong nowhere.

The overriding importance of “other considerations”

Third, an argument which comes up frequently in discussions about design quality is that “other considerations” “have to” take precedence when decisions are made. This argument is made from time to time by politicians, planners, planning inspectors and government officials, using a well-worn piece of planning legalese. They say that “other material considerations” enable them to grant planning permission for poor design. The same argument has been used during the recession to justify publicly funding projects which should not even have received planning permission, never mind public money.

Whilst, often, there are other important considerations, the principle that design quality is not a relative concept is now well established in policy. In the case of the Building Schools for the Future programme, for example, the entire scoring system for selecting PFI/PPP partners was changed on CABI's advice, with the full support of ministers and Partnerships for Schools, to create an absolute bar below which design quality is not allowed to fall, no matter what the relative merits of other considerations.



Regency View, Tividale, West Midlands scored 33% in a CABI housing audit. Common design issues for new neighbourhoods include inactive street frontages and a lack of distinctive character.

1 What is the problem?

Can we afford better design quality?

Fourth, some builders and economists argue that we can't afford better design quality. The argument goes that high land prices and the production and other costs of building homes preclude spending money on design quality. At the height of the housing boom, CABA was told that the cost of land and the expense of planning agreements were squeezing investment in design quality out of the system.

Housebuilders have, as a matter of fact, become very good at minimising production costs. Much of the focus is therefore on the cost of land and the expectations of landowners. For example, builders have told CABA that they are forced to construct smaller homes at higher densities in order to get enough on the site to satisfy landowners' financial appetites. This seems curious when land values should, in theory, always be the residual remaining after all other costs have been accounted for and the sale price of the new homes has been calculated.

CABA has commissioned the redesign of a number of recent housing estate layouts judged to be poor under Building for Life. We found that you can greatly – and very quickly – improve designs without, for example, compromising on the use of standard house types. In some cases it has even been possible to fit more homes on sites in better configurations. This suggests that sites can become better quality places without significant additional cost, delivering more product, more efficiently and/or more profitably, through the application of good design.

Builders say they are forced to construct smaller homes at higher densities to satisfy landowners' financial appetites

Abito is a Building Design Partnership scheme for 256 modular apartments in Manchester. It has been recognised as a careful and interesting response to the brief - but are micro flats like these really sustainable?



1 What is the problem?

The real market is in money, not housing

Fifth, it is argued that design quality is not near the top of the agenda because customers' main worries when buying a new home are where it is located, whether they can get a mortgage and what capital growth they can hope for by the time that they sell. In other words, in buyers' minds the amenity value of a good quality home has become subordinated to the monetary value of a financial investment.

There are not enough homes to meet demand: the planning system has not met its objective to ensure that enough new homes can be built, while the industry has not built at the rates necessary to meet housing need, nor even to cater for effective



© Jon Walter/Third Avenue

Generous credit in a restricted market is no incentive to invest in design quality

demand. This failure has happened in spite of there being a large number of homes which have planning permission but which have not been built: the Savills' database of strategic development sites accounts for over one million residential units, of which between 100,000 and 150,000 units with planning permission were "on-hold" as of autumn 2009. These were mainly within the private sector and located in the East and South East of England.⁶

What is at issue is the extent to which people may have to trade design quality in their home or neighbourhood for a chance to get on the housing ladder; and the extent to which everyone has become addicted to the big, tax-free capital gains which arise for home owners in a market with restricted supplies of product. The extension of credit facilities without a marked increase in supply was likely to provide a serious disincentive to investing in design quality. Essentially, if you could build it, you could sell it, as one housebuilder put it to CABI in another conversation. Good design didn't affect the bottom line sufficiently positively to make a difference to sales or proceeds, so there was no reason for the builder to spend money on it.

⁶ Savills (November 2009)
Spotlight on... strategic development sites,

1 What is the problem?

Policy and market failures

Finally, there was a consensus at our workshops that common policies and practices inadvertently conspire to push design quality down the agenda. It gets lost as an unintended consequence of otherwise well-meaning initiatives; a lack of skills; cumbersome and bureaucratic development management in local authority planning departments; and the competitive practices, financing, procurement and production methods of the industry.

Used well, the English planning system can produce wonderful places. It can protect what we love most about town and country. It should be the means to build beautiful, desirable new communities. But whilst it has this potential, it hasn't been used well enough in many places to deliver either the volume or design quality of new homes we need. It is claimed that many planners lack the skills to negotiate for better quality design; or that they don't have the time to do so because they have to manage a large number of box ticking exercises. Certainly, rates of production and the design quality of much housing output suggest that the kind of proactive planning that most planners want to do is being blocked somewhere along the line. Some planners would not agree with this analysis but it seems to be what many housebuilders believe they are experiencing.

A counterpoint to this view is that there are plenty of planning permissions out there but that the complexity of the planning system reinforces the domination of the industry by a small number of volume builders, which acts as a disincentive to new market entrants who might bring innovation and increased output.

Used well, the English planning system can produce wonderful places. But it often hasn't been used well enough to deliver volume or design quality

The largest firms can and do build well-designed housing, yet all but a couple also regularly produce poorly designed schemes

Because the market is driven by short-term capital-growth investment, a low-trust trader model of housebuilding has emerged. The consequence is that housebuilding companies (or, perhaps more fairly, those who invest in them) have come to depend on a financial model which seeks very substantial returns on capital employed rather than, say, a steady but more modest revenue stream.

This can lead to sites with planning permission lying undeveloped as capital is employed elsewhere for better returns. Shareholders have traditionally perceived high risks in investing in housing businesses, so they look for higher rates of return than they might from other types of business. It has been argued that housebuilders need a carefully controlled pipeline of land and sales to keep returns to capital high enough to satisfy shareholders. Some go further and claim that housebuilders take advantage of low levels of production to keep returns on capital high. This in turn reinforces their ability to sell anything, regardless of design quality.

Not all these things are true of all housebuilders all the time, of course. It is true, though, that even in the boom years, production levels were low and prices rose rapidly. This suggests that the power of a few key players to control supply and prices can't be ruled out as an issue. And none of this is to say that the industry always builds bad products. On the contrary, one of its unexplained mysteries is that all the largest firms can and do build excellent, affordable, well designed housing; yet all but a couple of them also regularly build poorly designed schemes.



© David Millington Photography Ltd

One reasonable conclusion to be drawn from this debate is that both sides of the argument have some merit. The interaction of a planning system which isn't always as good as it can be with builders who don't achieve consistently good results increases the risk that design quality will be an unintended casualty. This will be especially true when the need for volume and affordability is so pressing because of the gulf between supply and demand.

Butts Green in Warrington, designed by John Wilson Associates, received a Building for Life Silver Standard. Its well detailed construction and formal open spaces have succeeded in creating a strong sense of place.

2 What can be done?

Let us, for the moment, accept that there are three really big inhibitors to improving design quality:

1. The expectations of housebuilders, landowners and public bodies that they will receive a very substantial dividend from the increment in land value which usually arises when planning permission is granted for housing.
2. That this expectation is justified, outside a recession, because the planning system, overall, limits the supply of land below a level which would meet demand for housing.
3. That, on the evidence, the industry does not currently have the right incentives to improve design quality; nor is it subject to sufficiently powerful or consistent regulation always to build well designed homes and neighbourhoods.

How might this be changed, whilst also increasing the supply and affordability of housing? Let us conduct a thought experiment.

We seem to be dealing with complex interactions between market failure and policy failure. What might happen if the problem were simplified by greatly reducing the regulation of the use of land? In this thought experiment, housing is deemed to have planning permission on most land, apart from areas of the greatest conservation value, such as national parks, and sites too hazardous to develop due to former uses, flood risk and so on. Green belts have been abolished. Conversion from non-residential use to housing is permitted without the need for planning

What would happen if land controls were almost completely liberalised?

The conversion of Hornsey Road Baths in London created more than 200 mixed-tenure apartments and a Sure Start Centre. Designed by Pollard Thomas Edwards, it received a Building for Life Gold Standard.

© Tim Ockler www.timockler.co.uk



2 What can be done?

permission. Increasing the housing density on existing residential land is also permitted development. All housing is still subject to building regulations to ensure safety, accessibility and sustainability.

If economic theory is correct, large amounts of land should come forward for development, because there is enormous suppressed demand for housing. Landowners would have to sell land at more competitive prices or risk deals going elsewhere. Consumers would have far more choice than they do at the moment. Builders wouldn't be sure that they could sell whatever they built. They should then begin to compete on design quality, firstly because they would perceive that they could afford to do so, with land costing less and no planning agreements to pay for; and secondly because they would need better to differentiate their product.

Naturally there would still be some locations which would be more desirable than others, so prices would vary locally and regionally; but affordability should be

Norfolk Park Green Homes, Sheffield was developed in consultation with the local community. Designed by Matthew Lloyd Architects, it received a Building for Life Silver Standard and a BfL award.



© Maken Schilling/Matthew Lloyd Architects

No investor wants to see value undermined by a market flooded with new supply

much better overall. This time, though, the premium in the market should be for new homes of good design, with decent room sizes, in the well laid out and serviced neighbourhoods which builders would need to provide to keep up with the competition. We should also see new entrants to the market, no longer deterred by the barrier of needing large amounts of capital or credit to buy land.

Is this the solution to the problem of design quality? It's radical and risky. But economic theory says it should raise design quality by cutting through policy failure and cutting out market failure. CABI, however, thinks this degree of deregulation is never going to happen, for three reasons:

1 It would be politically unacceptable to liberalise land use controls to this extent. We know that most people would like housing developments to be of better design quality; but the NIMBY vote doesn't want development at all and it remains very vocal.

2 There are strong vested interests at work to protect capital values and growth in the housing market. Banks and building societies need to protect mortgage values. Financial institutions and people with pension funds need to protect their investment in housebuilders' shares. Landowners (including public bodies which have made assumptions about income from sales of surplus land) and everyone who already owns a home probably feels the same. No investor would be keen to see the value of their investment suddenly undermined by a market flooded with new supply.

2 What can be done?

3 Town and country planning laws exist for good reasons. They were originally enacted to protect public health and get rid of slums. They were extended to prevent ribbon development, so as to protect agricultural land and our heritage of historic towns and the natural beauty of the countryside. They help places respond to changes in the economy and environment, such as the growth in use of the motor car. These objectives are no less valid now. They still command popular support. They will remain important as we tackle future challenges such as climate change.

So, if this simple and radical solution does not seem to be realistic, what next?

The case for a minimum design standard

If deregulation is not the answer, then if we want good design we have to regulate for it. Yet the consensus is that the current form of regulation isn't working well enough. We need to do something different. What we need is a clear set of minimum design standards equitably applied to all new housing.

In practice we already have many of the essential components of a minimum design standard (MDS). There is a number of existing standards for housing that have developed over the last decade alongside planning policy and building regulations. These have gone a long way to raise the ambition for the quality of new homes. But they overlap and cross reference each other, adding to the regulatory burden

We need a clear set of minimum design standards applied to all new housing

7 Hampton, P. (2005) *Reducing administrative burdens: effective inspection and enforcement*, London: HM Treasury,

The urban greenfield extension of Upton in Northampton shows how volume house builders can create high quality public realm. Phase 1, Site A was designed by Paul Newman Homes and EDAAW

of delivery, and some vital elements are missing. Others are not applied universally. CABE has argued before that this is unfair on housebuilders. Under the principles of better regulation they should be treated consistently by all regulators – in this case building control, local planning and highways authorities and the Planning Inspectorate. Housebuilders should expect to face the same standards and basic types of policy, stated transparently and interpreted and applied even-handedly and clearly for local circumstances.

This emphatically does not imply uniformity of design. That would work against local distinctiveness and against addressing local needs – also a principle of better regulation.⁷



© Paul Stennells

2 What can be done?

Some aspects of good design are easy to regulate. The building regulations are, for example, very clear about non-variable standards of construction and basic access for disabled people. Other aspects are less susceptible to precise regulation of this sort. CABE's housing audits suggest that design problems arise partly from inconsistencies between regulatory regimes such as planning and highways; partly from the difficulty which policymakers experience in expressing and applying their expectations for variable aspects of design clearly enough; and partly from difficulties in aligning policies for local distinctiveness with some housebuilders' wishes to build identical products everywhere.

Minimum design standards can work very effectively to deal with these problems. CABE and Partnerships for Schools have been applying one to the Building Schools for the Future programme. It has led to measurable improvements in design quality – not just meeting the standards but exceeding them. It is able to deal well with the balance between standardisation and local requirements. It helps to resolve the different objectives of different stakeholders. It enables design policies to be expressed and understood, whilst encouraging aspiration, innovation and creativity.

There is an opportunity now to reflect on the effectiveness of all these existing standards and consolidate and simplify them, remove duplication and provide clarity about when and how they should apply and are enforced. This will improve quality by being clear about what is expected as a minimum

There is an opportunity to reflect on existing standards and consolidate and simplify them, and clarify when and how they should apply

and apply it universally to all housing. A minimum design standard for housing should replace the existing standards, not be in addition to them.

A minimum design standard for housing should:

- Use the planning system to enable the structured briefing, specification, negotiation and assessment of variable elements of design, benchmarked through Building for Life. This should include aspects such as highways layouts, public space and locally specified elements focused on distinctiveness and should be part of an aspirational agenda. The aim must be not simply to stop design quality falling below a minimum standard but demonstrate how to go beyond.
- Set clear standards for non-variable and non-negotiable design elements that should be delivered alongside, or identified for future inclusion within, building regulations. This would make a clear distinction between planning and building regulations.

The minimum design standard for schools is providing some much-needed certainty for contractors on what they are expected to do about design. It doesn't remove all risk. It doesn't discourage innovation and creativity. But it does provide a sufficiently secure framework to mean that design risk can be managed efficiently. A minimum design standard for housing should be expected to do the same.

2 What can be done?

Building for Life provides a sound basis for those aspects of a MDS which cannot and should not be standardised. Builders who use Building for Life like it because it is a tool for dialogue about design, not a proscriptive set of inflexible rules. Local authorities like it because it enables them to take considered, structured, easily defensible planning decisions about design.

CABE believes that there should also be read across between planning standards and those applied to public funding. Housebuilders should only be regulated through one combined set of standards wherever possible. The main exception to this might be where there are particular local requirements, such as the use of specific materials in conservation areas. In the main, though, public funding and planning should demand the same high standards.

There is an important role for CABE in helping to define and support the MDS. But the main thing is for a single approach to standards to be applied, wherever they are used. It is also vital to recognise that these are only minimum standards: good enough to justify spending public money; good enough for your neighbourhood or mine; good enough for your children or mine to live in; good enough for your mum and dad or your ageing aunt. We should always aim to do even better than the minimum; but we should never do worse.

Empowering local authorities and local communities

Peter Studdert's essay in *Who should build our homes?* makes a case for empowering local government to be more active in delivering new homes. This means

Public funding and planning should demand the same high standards

Broadclose Farm, Bude. North Cornwall District Council chose to control the design and development process rather than sell to the highest bidder. It was designed by Trewin Design Partnership and derived from a masterplan by ECD Architects.

using the planning system better, as the positive force which it can be. It's about a stronger role in procuring affordable housing. It's about local authorities understanding and taking responsibility for their proper function in securing design quality.

The participants in CABE's workshops agreed that local authorities have an essential role because no other stakeholder can do what they can. Like national government they are democratically elected and accountable, yes, but they are distinguished by being closer to people's lives in their neighbourhoods and by being accountable local "custodians of the future". The extent to which people make decisions for themselves is set to increase in the coming months and years, and both councils and organisations



2 What can be done?

like CAGE will need to develop ever better ways to support citizens and consumers in making those choices, not least in the complex and long-standing decisions around creating successful development. There are opportunities here, by truly working with the people who will live with those decisions, to see more successful new housing that is genuinely wanted, built with the long-term in mind. However, there are many very recent examples of councils granting planning permission for schemes which are not designed well enough. CAGE has seen these both during the ongoing work of design review and in round 1 of the Kickstart programme.

To address this, a number of useful initiatives is already under way. These include accrediting local Building for Life assessors, the Homes and Communities Agency's "single conversation", and CAGE's local development framework core strategy programme. These are running alongside design review, sharing local design resources, and the use of design champions. Reforms to the planning system are being proposed, more closely to involve communities in making local plans. Policies such as Total Place and Total Capital also have the potential to engage councils and communities in a creative dialogue about the future shape of local services and the buildings and places in which they will take place. The question is, will all that solve it?

A "golden equity share" for the local community

Supposing that we truly believed that local authorities are the custodians of the future of their communities? It's one of the things that the best councils have

Planning is at root a democratic, political leadership activity informed by technical advice, not a technical process in which politicians and communities interfere.

shown that they can do best, given the resources, the powers and the freedoms. Planning is, after all, at root a democratic, political leadership activity informed by technical advice, not a technical process in which politicians and communities interfere.

Where planners and councillors show leadership and skill, we see great placemaking. Developers who recognise the advantages of good design have been at the forefront of using the best architects. Where they combine forces, the results can be spectacularly good.

But judging by CAGE's mailbox and our regular direct involvement at local level, too many planners and councillors still seem to feel that they are locked into a bureaucratic system in which box ticking has replaced creative engagement with development. What's more, the planning system is adversarial to a degree which seems to be counter-productive. Is there another way of looking at the relationship between developers, councils, planning and design which might generate collaborative and design-focused outcomes?

There have, at various times since the 1970s, been national planning policies which created a presumption in favour of development. In fact, the idea can still be found cited in relatively recent planning decisions.⁸ But our second thought experiment begins by inverting the assumption (right or wrong – this is a thought experiment) that landowners have the right to develop their land more or less as they want.

8 Epsom and Ewell Borough Council
Minutes of the Meeting
of the Planning
Committee held on 19
June 2008 [minutes],

2 What can be done?

In practical terms this is feasible because, although freeholds give owners extensive rights, all land is held from the Crown. The government can, therefore, modify those rights, as it already does through the planning system, property taxes and compulsory purchase laws.

The experiment recognises that land is a resource which is part of the common wealth. That's not to say that land should be nationalised. It's to register the fact that its development affects the whole community, which has an automatic share in many of the benefits and costs created by development.

To give this share a degree of real expression, our thought experiment views planning as a commercial rather than a social activity. In commercial terms, then,

Park Central (zone1) Birmingham, designed by Gardner Stewart Architects to include great new public spaces, has benefitted from an innovative funding arrangement between the local authority, a housing association and the developers.



© Gardner Stewart Architects

Seeing the community as a shareholder in development, rather than a regulator, is a new way of thinking

it says that town and country planning legislation creates, in effect, a golden equity share for the community in all development land. Land can only be developed if the local authority, on behalf of the community, uses its golden share to unlock development rights.

If planning were truly a commercial activity, then when a local planning authority released development value, the owner of the golden equity share would expect to receive the value of unlocking its share. Value would be recouped in a number of ways, including through design quality. For the community, of course, this would be because good design is desirable aesthetically but also, more importantly in our commercial model, because it saves the community costs: for instance through better social interaction, and lower carbon emissions.

CABE isn't suggesting that local authorities should sell planning permissions, of course. The purpose of this thought experiment is to ask people to think differently. It acknowledges that development is a communal activity in which the landowner, the developer and the community have shared rights and interests. Seeing the community as a shareholder in development, rather than a regulator, is a way of thinking about how to get the best out of development for everyone. In this version of planning, the local authority is elected by its communities to act as their trustee in using the golden equity share wisely, with an eye both to present conditions and to future needs.

2 What can be done?

How might this way of thinking change things? Firstly, development ought to be less adversarial, because the community would see itself as an active stakeholder in its own future. Developers and landowners might, of course, claim that this approach does not remove the “burden” of regulation and taxation. This thought experiment, though, assumes it's not a burden. Instead, this is recognition of the truth about development. Communities need developers to help them to change and improve, for instance in response to new economic and environmental imperatives and to changing demographics. Developers need communities to provide context and value for their developments. What this way of thinking could do is make development a partnership rather than a battlefield.

But surely CABE is being naïve to think that anyone would give local authorities a golden equity share in development? Not really. They already have a virtual golden share, given by the planning system. They negotiate with developers as stakeholders. It gives them the right to take financial stakes in projects through planning agreements. They can say no to development if it isn't good enough. The question CABE is asking, then, is not whether there should be a golden equity share for communities. It's why all councils don't use the planning system as though it were one.

There are also, of course, real equity shares. Local authorities and regeneration agencies are often landowners who can, if they choose, participate in projects as financial partners. Public bodies also give grants. Whilst grants are not usually used to buy a share in the equity of a project, some have been used in a similar way at least in the sense that they have clawback

Communities need developers to help them to respond to changing circumstances. Developers need communities to provide context and value

arrangements. These share in the upside risk and recover some of the grant if a subsidised scheme is more viable than anticipated when the grant was given.

There is the potential to use real equity shares, or grants thought of in this way, as stakes to leverage design quality into projects, much of the best development of the last 30 years has been achieved through partnerships between local authorities and the private sector in regeneration projects, finding ways to succeed in what amounts to a permanent recession. Maybe we can learn from this experience now that a weakened property market is almost everywhere.

If all developers recognised that the community's stake in development is legitimate and all councils chose to wield their “golden share” in the interests of good design, a more harmonious planning system could fulfil its ambition – to make places better for the people who live there.

A Planning for Real exercise gave the communities of Queensborough and Rushenden a say in regeneration on the Isle of Sheppey.



© Mark Ellis and Ashley England, OGD Photography

3 Conclusions

This pamphlet does not reflect all the opinions of all the experts who contributed to the workshops. In truth, participants were often pessimistic about the potential either to get the industry to raise its game on design quality, or to persuade government, its agencies and local government to give design quality equal billing with volume and speed of construction. The test questions “will you refuse to fund this if the design isn’t good enough?” and “will you refuse planning permission if the design isn’t good enough?” have been failed so frequently in the past that some caution is not surprising.

Nevertheless, during a series of very high calibre debates, a whole range of proposals emerged in addition to those outlined above. They included, for example, the idea of mass customisation, where builders provide a basic shell with core services while the purchaser buys floor space and specifies the fit-out. This has been a success in loft apartments in regeneration areas and in some new housing on the continent. The drawback is that it does nothing to guarantee good neighbourhood design.

There was also a debate about the housebuilder as contractor: in this model, they act as contractors to public bodies or registered social landlords, building to the client’s specification rather than offering their own product.

Options to increase supply were raised. This could be done, for example, by making the conversion of city centre office buildings permitted development. Likewise, village envelopes could be extended to allow the construction of enough new housing to overcome problems such as the decline of schools and village post offices, with the safeguard of minimum design standards and suitable provision for community facilities.

Using good architects and landscape architects on a project invariably drives up standards

Self-build and self-commissioning was also explored at length. In principle this could lead to better design because people are acting as their own client and will be able to choose their own designs. In practice, the workshop participants felt this route often needs facilitation to ensure good design, and because access to the market is currently so limited, it is not the most direct way to affect the quality of volume housing.

Finally, the obvious point was made that using good architects and landscape architects on a project invariably drives up standards. A number of firms of architects come up repeatedly as designers of the best schemes. They routinely produce well laid out, attractive, locally distinctive and commercially viable housing designs. It has been suggested that we should mandate the use of architects on projects but you cannot, unfortunately, require the mandatory use of good architects. But it is perfectly feasible for publicly funded projects to require the selection of architects by competition or through interview against a brief requiring high-quality design. It is also possible to use planning agreements to prevent another common problem: the removal of good architects from a project once they have secured a planning permission, after which design quality is quickly lost through “value engineering” which adds no value and just cuts corners. CABI does not accept that using good architects would cost much more, or lead to costlier housing. Experience shows otherwise. We think developers should use good architects and landscape architects, and councils insist on their use.

CABI does not accept that using good architects would cost much more, or lead to costlier housing

3 Conclusions

In summary, these debates concluded:

1 The market alone is not going to deliver good design quality consistently unless the supply of land is completely deregulated. This is very unlikely to happen, so if we want better design quality, the planning system and public funding regimes have to mandate it and make sure that it is delivered.

2 The most equitable and efficient way to do this is to use minimum design standards which are simple, clear, universal in coverage, locally distinctive where appropriate and enforced consistently and rigorously. They should involve benchmarking through Building for Life.

3 Thinking about planning as a community golden share rather than an adversarial process could create a more collaborative and creative environment for good design; but it won't deliver consistently good quality without being supported by good, clear standards.

4 The possibility of reformulating planning gain as a community equity share could be considered as a way of creating a genuine partnership between developers and local communities. CABE favours overseeing this through local government, because it is durable and accountable.

5 Making regulation more efficient and improving design skills in the planning system is pivotal if we are going to allow more time and talent to be devoted to improving design quality.

Granville New Homes, London is a Building for Life award winner designed by Levitt Bernstein Associates. Brent Council proved a strong public sector client, ensuring a showcase scheme to set high standards for a wider masterplan. The council equipped local people to produce a design which the community liked.

© Tim Crockett/Levitt Bernstein Associates



4 Background

Much of this pamphlet is about the relationship between the housing market and design quality. The participants in CABA's workshops felt that it was important to set out some of the basic assumptions about the market which have informed the pamphlet's content. They are:

- What the market signals to be important will normally (some would say always) drive what housebuilders do.
- The action of an uncontrolled market for new homes – usually taking open land and covering it with buildings – has a direct impact on the perceived amenity of local communities. To deal with this (and other problems) society has chosen to modify the market by using the planning system to control the supply of land, and the design of what gets built.
- The housing market is unusual because of the fixed location of its products and the significance of the second hand market. Many people prefer older types of housing and, in any case, existing homes make up the bulk of the traded stock. Their exchange is bound to dominate the market. This sets limits on the pricing of new homes. Second hand homes sell at a rate based mainly on supply and demand in their particular locality, without having to factor in production costs or returns to shareholders. Housebuilders traditionally deal with this problem in two ways. They charge a premium for new homes; and they rely on the rising trend in overall house prices to

keep their products in viable price bands. In a recession, of course, these methods don't work, so housebuilders' margins get squeezed.

- A consequence of the fixed location of housing is that its value can also be very much affected by local assets and by changes in the local economy and environment, regardless of how good the home itself may be. Examples include the premiums which apply to the price of homes near good schools, and the devastating effect of the loss of economic activity on housing markets in the inner suburbs of many northern towns and cities by the 1990s.
- How housebuilders and their funders make decisions about value will vary depending on circumstances. Housebuilders usually decide whether or not to proceed with a project based on their assessment of the return which it will produce on capital employed and their perception of how shareholder value will be improved. The residual value of land is, in simple terms, arrived at by estimating what amount homes can be sold for, then deducting the costs of development and the expected return on capital. In practice, though, landowners exert power in the market by land banking against potential future increases in land values. Developers have told CABA that they sometimes have to increase densities and reduce space standards to achieve high enough residual land values to bring land into the market.

4 Background

- Housebuilders rely on lenders' valuers to value their products as mortgageable at the asking price. In some cases housebuilders have found that aspects of good design such as sustainability measures are not valued sufficiently highly by mortgagees' valuers to justify the cost of their inclusion, even where they are likely to improve resale values or reduce running costs. This limits the willingness or ability of builders to include these elements in their projects.
- Homes are a big investment. Most people can't afford one without borrowing a lot of money, or renting from someone who can afford to own property. This means that the market isn't only, or even principally, for homes. It's as much for money as for real property.
- The amount of profit which can be made from housing development in a strong market has led governments to seek recompense for the external costs arising for the public sector as a consequence of development. It has done this by taxing developments directly (but often unpredictably in terms of amount) through planning agreements. It has been argued that this places priority on issues other than design quality, not least because planning agreements have become a major source of income to fund local programmes such as providing affordable homes and school building.
- A particular effect of the use of planning agreements to fund affordable housing has been an increasing mixing of the design and production of housing for sale with that of social rented housing. Where this housing is otherwise unsubsidised, social landlords can end up with housebuilders' standard products, whether or not they are suited to the tenants who will live there. Where there is additional public subsidy, and because housebuilders can't always produce bespoke products, either the demands of funders affect what private sector housebuilders build for sale more generally, or funders have to accept that they will get standard product for their money. This can affect the quality of what gets built for social rent and what builders have to build for sale.
- The way that the planning system, landowners, financiers, suppliers and customers interact is complex because of all of the above. This complexity can affect information in the market, which can in turn make it difficult to compare the quality of products.
- Market failure can and does occur as a result of a number of the factors above.
- Policy failure can and does occur too, again because of a number of the factors above.

Is it too much to believe that all new homes can be good enough everywhere? Why has this proved so difficult in the past and what can we do to change it? This pamphlet argues for the use of a minimum design standard, giving consumers a guarantee of homes and neighbourhoods that are consistently well designed. It calls for a simpler set of housing standards and the reformulation of planning gain as a community equity share.

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