

Whitehill & Bordon Regeneration

Land value: creating it, capturing it and
keeping it in the community



Why new thinking on capturing land value uplift is needed

The public sector needs to be smarter in capturing the increased land value generated by regeneration for the direct benefit of the local community.

There is an increasingly urgent need (and opportunity) for this because more public sector sites are being redeveloped and there is less financial support available for local authorities from central government.

Increased land value can generate sizeable financial sums - and if effective mechanisms are in place then this can be captured and shared for the benefit of the community and the partnership leading the regeneration.

In this paper we will demonstrate how different mechanisms can be used to capture this land value for the benefit of the community.

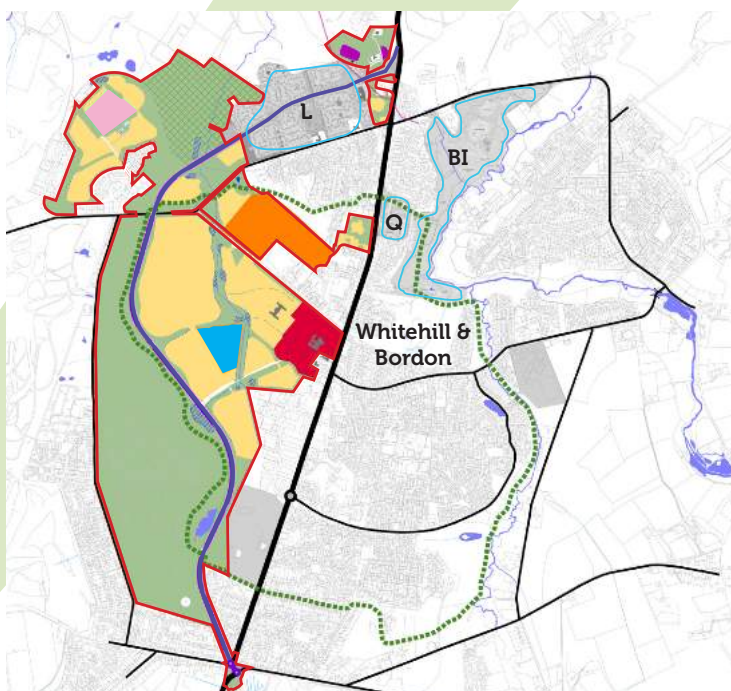
The mechanisms which will be discussed include:

- review mechanisms built into Section 106 agreements
- investment in increased quality schemes which will increase the positive economic impact on a national and local scale
- endowing land or assets to a community development trust
- clearly calculating the savings made through the regeneration to the Treasury so that the area becomes a future priority for investment and support

We have used these mechanisms in Whitehill & Bordon and believe they can be applied in other regeneration areas.

The Whitehill & Bordon scheme will deliver:

- 3,350 new homes
- 5,500 new jobs
- thriving new town centre
- open space
- roads and transport
- social and community facilities



- New town centre
- New secondary school
- New primary school
- Publicly accessible green space
- Green loop
- Other green space
- Other employment areas
- New homes
- Sports pitches
- New relief road
- Louisburg Barracks
- Quebec Park
- Bordon Inclosure
- Main site

Why traditional methods of capturing land value aren't sustainable

Traditional methods

The main method of securing community benefits as a result of regeneration is through the planning system via Section 106 legal agreements.

These have been useful because they are considered on a site by site basis and so can be tailored to the individual site. They do not generally however take account of the increased value of the land as the regeneration takes place.

The Community Infrastructure Levy has a number of benefits for local authorities which include: enabling them to plan more effectively as they know the likely level of funding they will attract, giving developers more certainty at the start about how much they will be expected to contribute and a more transparent process than Section 106 as the levy is subject to consultation. But it is also quite a blunt instrument in that it neither allows for project

viability to be considered nor usually factors in the uplift in land value which can be generated as a result of a successful regeneration scheme.

Section 106 agreements and the Community Infrastructure Levy have limitations which include not giving developers the certainty they require. This can cause viability issues and protracted negotiations.

Adding a review mechanism

In Whitehill & Bordon we have developed an innovative review mechanism into Section 106 agreements which enables a review during the development process and if house (or commercial) values have increased beyond a certain level then developers will pay additional contributions for required facilities and infrastructure up to a policy compliant limit.



Ensuring maximum value uplift

Land value uplift is likely to be higher if the redevelopment goes beyond the standard 'market led' approach.

In Whitehill & Bordon the focus has been on investing in value-generating infrastructure early in the project.

This infrastructure has included schools, roads and facilities which result in a higher quality town than the standard market led approach would otherwise deliver.

By ensuring this value-generating infrastructure is secured early in the scheme it gives increased confidence to partners and developers at a critical time and maximises uplift in property values earlier in the scheme.

To secure support for this infrastructure we have worked closely with partners, central government and other key organisations including the local enterprise partnership. We have also carefully modelled the impact of this investment in order to produce a robust business case for such support.

Early investment in value-generating infrastructure gives long-term value to the scheme and adds value to the national and local economy

Securing early investment

To secure early investment in the scheme, we believe that there are six key elements which need to be in place. These are:

1. Clarity of vision
2. A partnership which is signed-up to the delivery of the vision
3. Trust among partners and strong personal relationships
4. Working closely with partners, central government and other key organisations

5. Developing a compelling case for why the town needs this early investment and what benefits this will have on a national and local scale

6. Demonstrating our 'can do' attitude. It is inevitable that there will be hurdles along the way but there's always a solution. This approach can be nurtured by having strong leadership guiding the project.

Early investment has been used to secure vital infrastructure for the town. This has included securing funds, support and planning permission for a new road (which will enable access to the development and ease congestion on existing roads), a new secondary school and primary school, open space, green infrastructure, utilities, public realm and sports facilities.

Investing early boosts the local and national economy

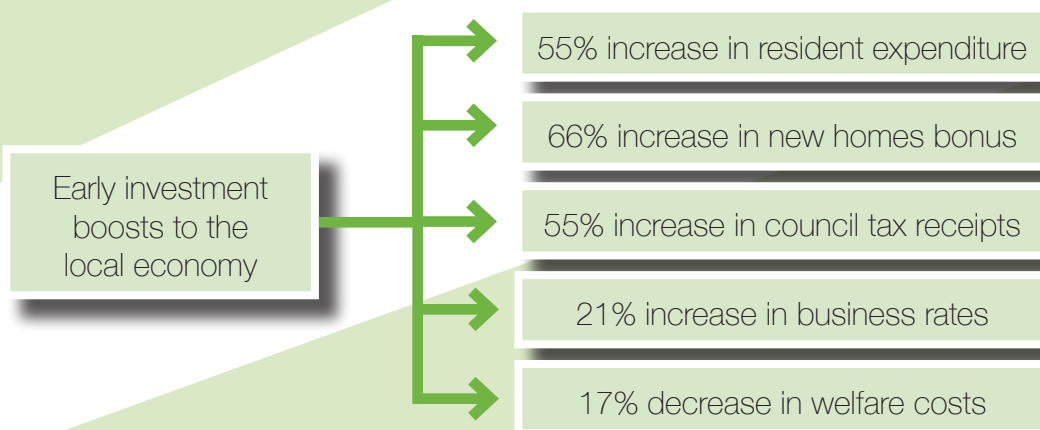
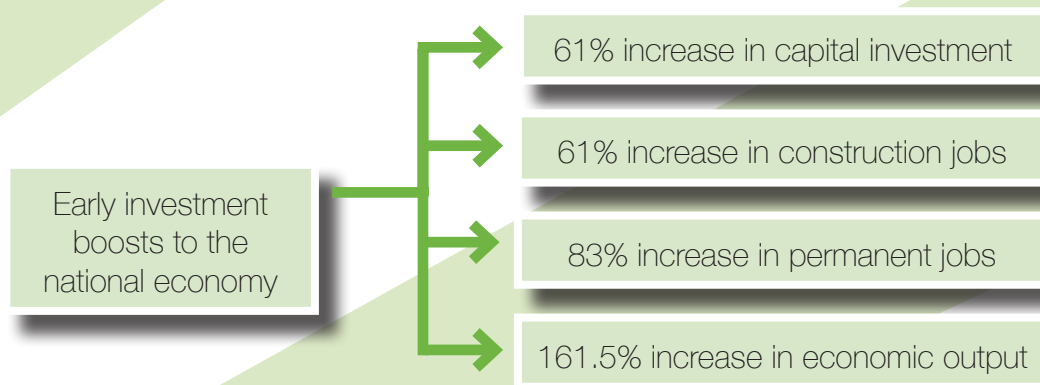
We have developed a model which shows that investing early in value-generating infrastructure has major benefits to the national and the local economy.

This model is based on a scheme which will deliver 3,350 new homes.

The model could be used by other regeneration schemes to demonstrate the value of investing early and help them develop a case which is as compelling as ours.

The model demonstrates:

- Huge savings to the public purse (through reduced welfare, crime and health costs)
- Increased funds through the New Homes Bonus payments, council tax and business rates
- Generating more jobs earlier in the redevelopment with all the positive benefits for a local and national economy which this brings.

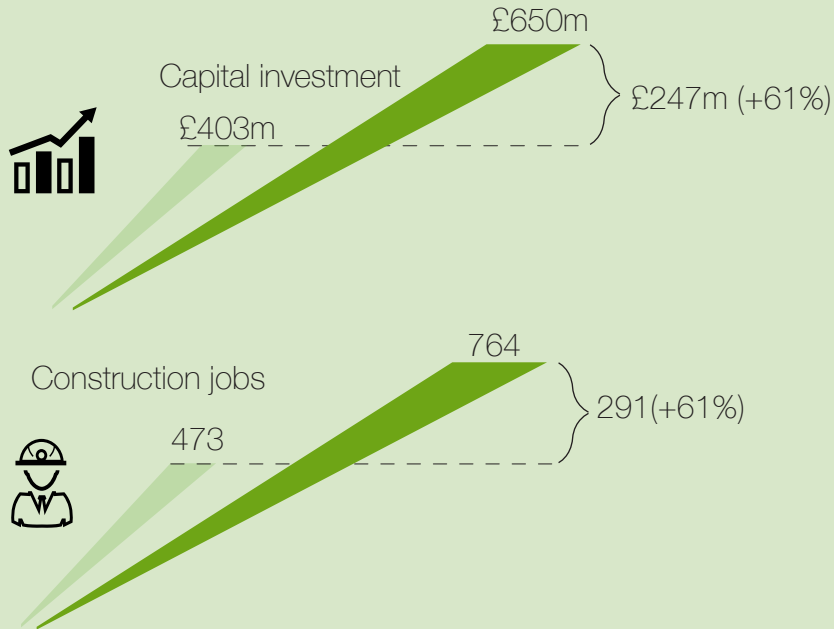


Adding value to

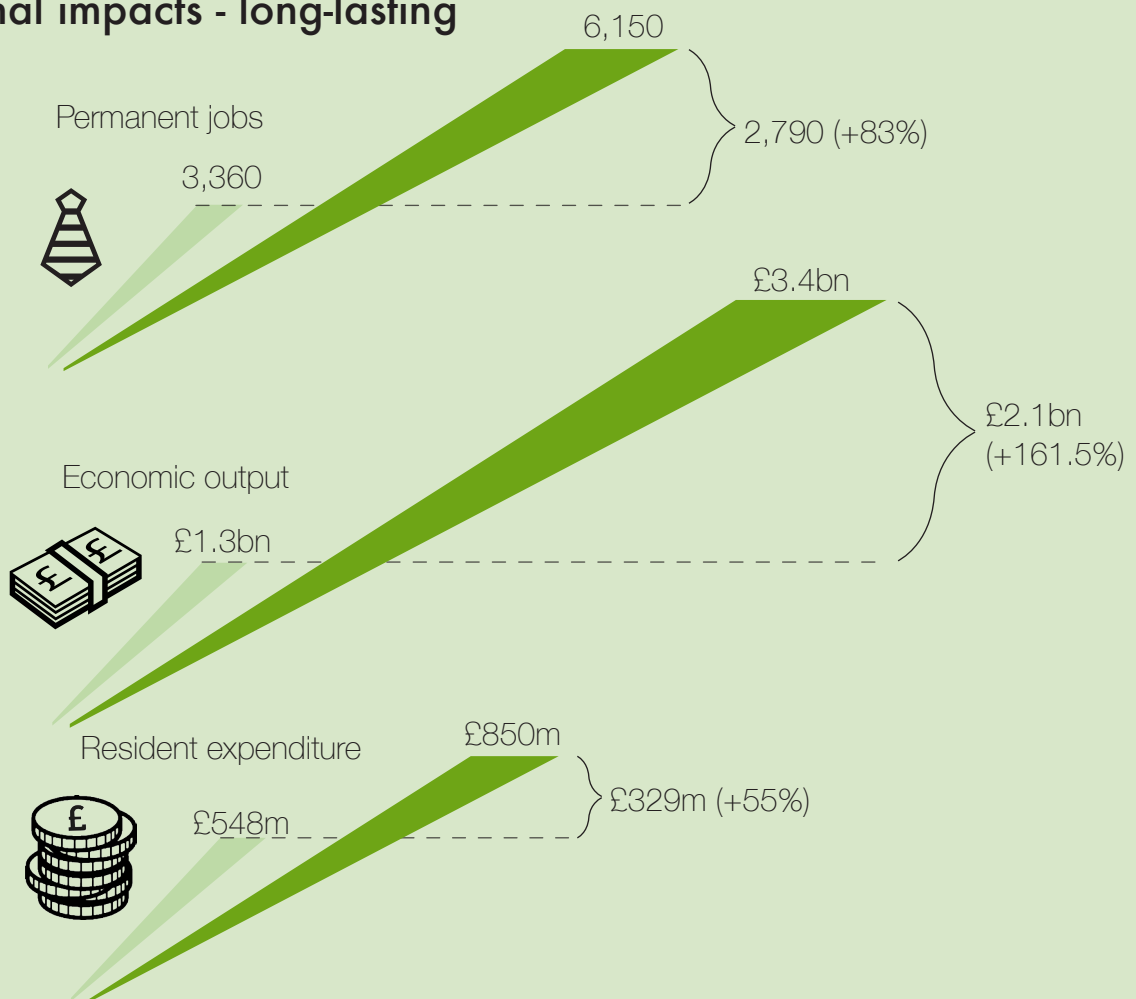
Market-led regeneration

Whitehill & Bordon - regeneration with early investment in infrastructure

Construction impacts (apply during construction phase)

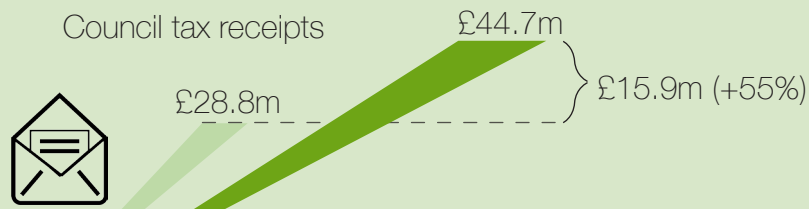


Operational impacts - long-lasting

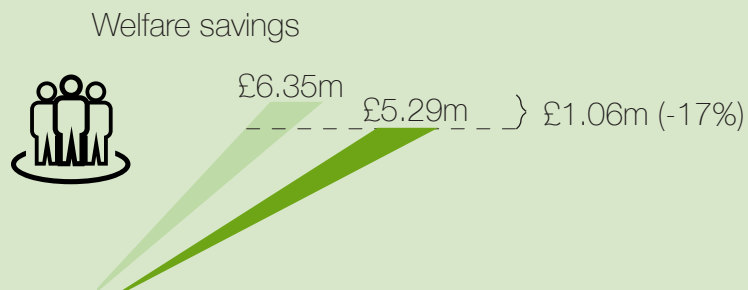


the economy

Local inputs (once town is redeveloped)



Welfare savings



Mechanisms for capturing increased land value

Review mechanisms

Review mechanisms can be built into the Section 106 agreements to deliver increased funding from developers if there is an uplift in residential or commercial property values at agreed intervals. This enables the public sector to attract more funding for the community earlier in the scheme and gives developers more initial confidence in the scheme as they may not want to sign-up to this increased funding at the outset without any certainty over sales values.

There is potential here to use the enhanced contributions to repay the early investment costs or to invest in community assets (which have the potential to generate long-term revenues) in order to support the running and maintenance of the community assets.

Endowment of land or assets

Endowment of land or assets to a community development trust. This gives the community development trust a spring board to start its work and has the added benefit of being a more tangible proposition to encourage residents or businesses to get involved.

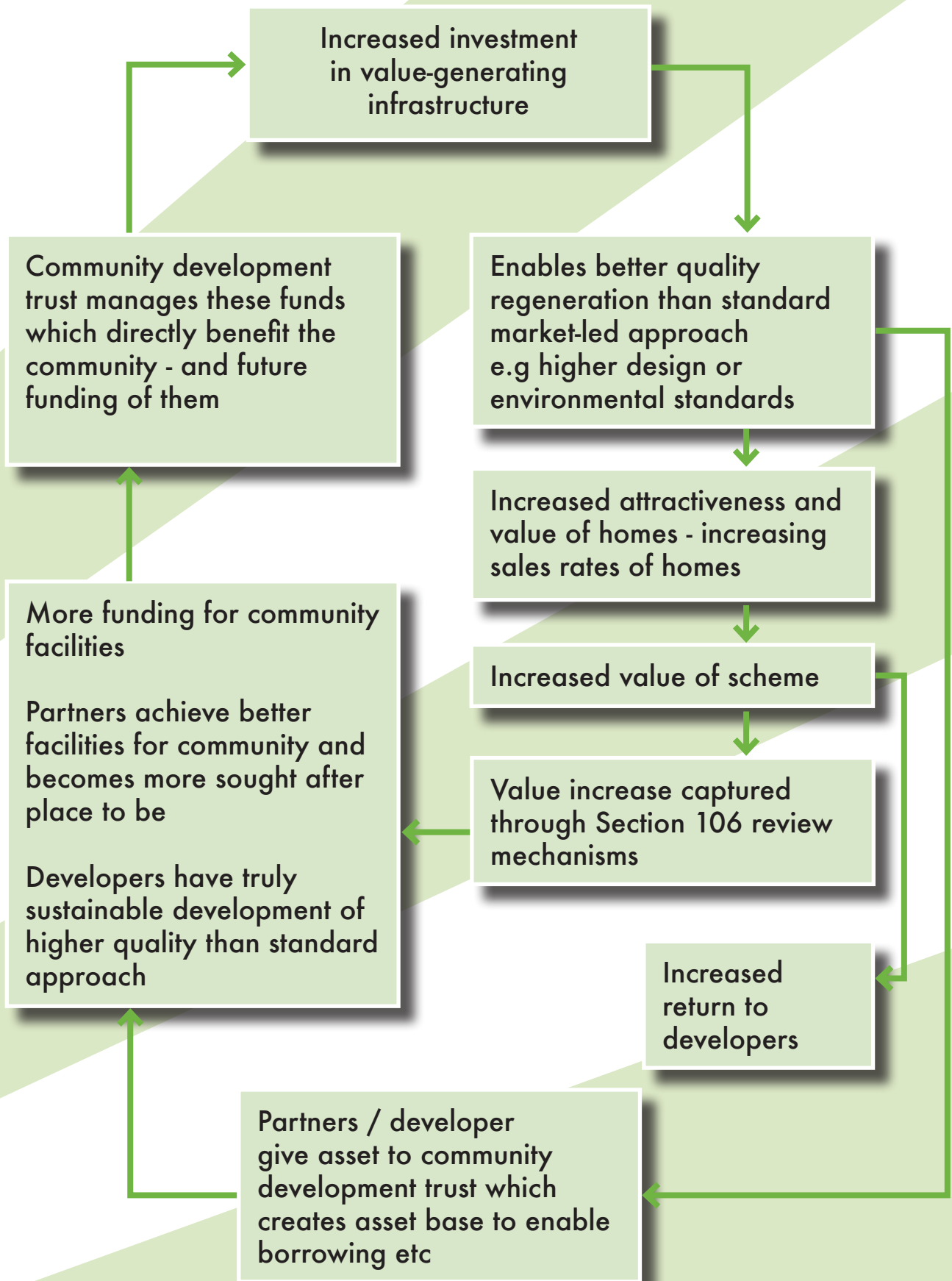
The trust could then use the asset to generate further income each year and this income could be used to maintain or enhance facilities, for example – or it could be used to support less successful facilities or services which are operating in the town.

Securing recognition

Securing recognition from the Treasury that the early investment in value-generating infrastructure has had a significant positive impact on raising the land values - which is being put to good use in the community, by the community.

And that the scheme has enabled significant savings to the public purse at a local and national level. Recognition from the Treasury is important because it means that further funding is likely and further support from central government could be offered.

The approach we've adopted in Whitehill & Bordon



What we've discovered

Proving the case for early investment is hugely important

We have always believed that there is a strong case that early investment in value-generating infrastructure creates a better scheme and a more valuable development. Therefore we have sought this investment from the public and private sector.

However, we have learnt that having the figures which back this up, through our modelling, is hugely important. It demonstrates the compelling case.

We have found that when talking to ministers and government officials it is far more powerful to be able to give the actual figures - as they speak for themselves.

Strength of partnership

We think that what keeps our partnership strong, agile and truly collaborative is that all partners can see that by working together we can achieve something far greater than the sum of our individual contributions.

The individual partners may have different priorities and agendas but these are recognised and respected. There is however a consensus around the priorities and vision for Whitehill & Bordon's regeneration.

Do something differently

We've discovered that by taking the traditional methods of seeking developer funding - i.e. Section 106 contributions and adapting them to include a review mechanism - we can maximise the benefits to the community. There may be other ways of doing this - particularly with the new Community Infrastructure Levy and we hope to explore these.

We have discovered, through this work, that it is important to challenge existing mechanisms and try to develop new ways of doing things which meet the aims and objectives of the project.

Community is central to everything we're doing

The very ethos of this regeneration is all about creating a better place for people to live and work with a fantastic quality of life and improved opportunities.

Therefore, we are not only providing the new homes, jobs and facilities - we want to ensure that the community also benefits from the increased land value the regeneration stimulates.

Establishing a community development trust will be vital to the successful empowerment of the community so that it can take ownership of the town's assets and it can work to ensure that these are fit for the town's evolving needs.

Next steps

Securing recognition from the Treasury

We want the Treasury to recognise the savings that the Whitehill & Bordon scheme has enabled. Therefore we are seeking a meeting with Treasury officials to discuss our approach and to find out how we can best demonstrate the savings to them - e.g. how can we best monitor this and provide them with the results.

We hope that if we can demonstrate the savings and tangible community benefits - alongside positive impacts on the local and national economy - then this will strengthen the case for further investment in Whitehill & Bordon and East Hampshire.

Long-term monitoring

How can we measure and monitor how much the community has benefited from our approach to capturing land value? We are keen to explore innovative methods to best demonstrate the impact and are keen to work with others to find the best way of doing this.

Our approach secures increased revenue for developers - how do we use this to our advantage?

By securing additional resources for the development, we hope that we will be able to demonstrate to future developers that our approach works and that they will secure an increased return on their investment. This will hopefully lead to fewer protracted discussions on scheme viability than can sometimes occur and/or increased developer investment earlier in the scheme.

We believe this approach could reap benefits at other regeneration sites.

Developing a future-proof community development trust

We want to research community development trusts and develop this experience further to create a dynamic, agile and inspirational entity. We're keen to work with others who have experience of this. We also want to explore the best way of endowing land and assets in a trust.

Would our approach work internationally?

We think that capturing land value for the benefit of the community is not just important in the UK - but could be applied to different scenarios on an international level. For example there are sites which are owned by the Ministry of Defence across the world and some are expected to be decommissioned shortly - we would like to apply our approach at these locations.

Bespoke 'think tank' to raise the profile of our approach to government

If you are interested in our approach or have the answers to some of the questions we've posed then please contact us.

We are hoping to arrange a meeting in London, in conjunction with the Town and Country Planning Association, to further develop this work.

For more information please contact:

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A message from the Town and Country Planning Association

Kate Henderson, Chief Executive of the Town and Country Planning Association (TCPA), said: "It is encouraging to see the progress made at Whitehill & Bordon.

"The TCPA looks forward to continuing to work with East Hampshire District Council's Whitehill & Bordon Project Team and other members of the New Communities Group as they strive to create high quality, climate resilient places and encourage truly sustainable living.

"From the private enterprise model of the Garden Cities to the national New Towns programme, and through to the variety of models used today, getting the most out of land value uplift is key to meeting the building and ongoing costs of a new community.

"This research by East Hampshire District Council's Whitehill & Bordon Project Team is a useful contribution to the debate about how we capture land value for the benefit of the community."

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This document was created by East Hampshire District Council's Whitehill & Bordon Project Team