

Consultation response

## **Shelter response to the Mayor of London's Consultation**

### **Homes for Londoners – Draft Affordable Housing and Viability Supplementary Planning Guidance**

February 2017

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Shelter helps millions of people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

## **Introduction**

Shelter welcomes the opportunity to respond to this consultation.

Within this Supplementary Planning Guidance (SPG) the Mayor has taken a number of positive steps that will contribute towards tackling London's serious housing shortage.

## **Background**

Our hope is for a planning system where there is a shared vision of good development for London; bringing together the Mayor, Boroughs, developers and local communities as far as is possible.

London's housing market is not currently meeting Londoners' needs. The catastrophic rise in house prices and the unsustainable cost of renting means that for many the prospect of owning a home is unrealistic without help from the Bank of Mum and Dad. In addition, more and more families are forced to live in poor conditions, lack long term security and face a higher risk of homelessness. Tens of thousands of Londoners are stuck in temporary accommodation because of the acute shortage of social housing.

The most recent official assessment identified a need for 50,000 homes to be built in London per year to meet the current shortage. Around half of these need to be in affordable housing tenures, with the majority of these at Social Rents.<sup>1</sup> However, in 2014/15 the total net housing additions stood at just 28,191, with a worryingly low number of completions (3,000) at Social Rents.<sup>2</sup>

Much of the reason for this situation lies in the failure to build enough genuinely affordable homes over a sustained period. This is not the fault of the planning system alone, but a mix of failures in the planning system, government policy, the land market and the speculative housebuilding system. But aspects of London's approach to planning have also failed to prioritise the provision of affordable homes sufficiently over many decades.

In this context, Shelter believes that the Mayor's new Supplementary Planning Guidance (SPG) provides some much needed clarity for developers and local planning authorities, and provides some good groundwork for addressing some of the key challenges contributing to London's housing shortage.

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<sup>1</sup> The 2013 London Strategic Housing Market Assessment, Mayor of London

<sup>2</sup> London Plan AMR 12, July 2016

## Policy response

The steps being taken by the Mayor to improve the delivery of genuinely affordable housing in London are encouraging. In particular:

- The introduction of a 35% threshold of affordable housing within the viability system;
- Increased transparency around viability assessments;
- Increased clarity for developers on affordable housing tenure mix.

However, there are also areas where the Mayor could go further, including:

- Further action to deliver transparency in viability assessments;
- Stronger moves to encourage build-out by developers.

Committing to these additional measures would further empower the Mayor, and local authorities, to address London's housing crisis.

### **35% affordable housing threshold**

A 35% affordable housing threshold on developments over 10 units is a sensible starting point for a reformed viability system in London. While not a binding 'target', the proposal will create clear incentives for developers to deliver an absolute minimum of 35% affordable housing. The way in which this viability threshold has then been linked to grant funding for additional affordable homes is also a welcome step, as is the idea of a dual system of viability assessment to encourage developers to meet this minimum threshold promptly.

Where developers fail to meet this mark then a clear message should be sent by the Mayor to reinforce this commitment. Schemes with particularly low levels of affordable housing should be called in and rejected to send the message to land owners and developers that having a decent level of affordable homes is non-negotiable in London.

It is also positive to see that the Mayor is reiterating his commitment to ultimately achieving 50% affordable housing on new developments. This commitment demonstrates recognition that the measures in this SPG, while positive, are only steps on the road to resolving London's housing shortage, and that more action will be needed to achieve the overall level of affordable homes needed.

### **Clarity on affordable housing tenure**

It is important that when entering into schemes that developers understand their affordable housing obligations. Section 2.28 of the SPG provides this clarity by laying out the Mayor's preferred tenure split for new affordable housing in London. This split being:

- At least 30% low cost rent (social or affordable rent), set at levels deemed by the Local Planning Authority (LPA) to be genuinely affordable;

- At least 30% as intermediate products, where London Living Rent and / or shared ownership are default products;
- 40% to be determined by the relevant LPA.

This is a good approach to take, as it balances a clear, London-wide policy with a degree of flexibility for LPAs.

### **Transparency around viability assessments**

The proposal to increase the transparency of viability assessments by introducing a threshold is a positive move. Not only will this approach enable better scrutiny by LPAs – it will also help to secure greater trust in the planning system from local communities most affected by new development.

The existing viability assessment process is flawed and lacks real transparency, with arguments of commercial sensitivity used to deny public scrutiny and undermine affordable housing and infrastructure provision. Moving to a threshold approach is a fairer way to ensure accountability: where the threshold is not met, it is right that local authorities and the public are able to find out what the justification for this is.

It will also ensure that where developers genuinely believe that they are unable to meet the threshold, they are prepared to demonstrate it via full public scrutiny.

Proposals to require viability information to be published in a standard and accessible format will help local communities to engage with the data, and enable comparison across schemes. It is also right that the approach taken to appraising viability is considered, not just the final outputs of a scheme. Requiring the inclusion of the full working model of appraisal, with all assumptions and calculations as well as supporting narrative, will allow genuine examination of the conclusions reached by developers' viability teams.

However, the Mayor could still go further, and introduce full transparency in viability, making all information public, alongside additional data about the land market – such as the value and ownership of sites. Accordingly, references to “exceptional circumstances” where viability assessments can remain private should be removed from the SPG and replaced by a clear commitment that all viability assessments will be publicly available. By requiring all viability assessments to be made public, concerns over the commercial sensitivity of this information are mitigated: having to publish such information would not place applicants at a commercial disadvantage if all other applicants also have to do the same.

### **Encouraging build-out**

The poor rate at which planning permissions are built out is a key feature of the housing shortage. Build out rates in England are generally low compared to historical comparisons or other countries.<sup>3</sup> This is because of the way in which speculative development works –

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<sup>3</sup> For example, Milton Keynes (led by a New Town Development Corporation) was built out at around 2,500 to 3,500 homes per year during the 1980s (DCLG, Live Table 253). That compares to Barking Riverside (a development of 11,000 homes) which the new developer hopes to build at 600 homes per year.

developers acquiring land at high values incur high risks, necessitating a steady release of homes for sale to sustain high prices. While this is rational for developers, we should find ways to incentivise a faster build – which in practice would translate into lower land values being paid, and so not impact on scheme viability.

After a reasonable period from grant of planning consent, Council Tax and Business Rates should be levied on unbuilt properties, to shift the balance of incentives in favour of build out. This measure would introduce a holding cost on permissioned land, encouraging the holders of sites to build out sooner – or sell to those that will develop. It has also been recommended by the Lyons Review, and more recently the House of Lords Committee on Economic Affairs.

While the Mayor does not have the power to change tax policy in this way, he can lobby the Treasury, and should publicly commit to doing so. This commitment would be a signal of his intent to ensure that developers in London are building the homes that they have permission for, and, if successful, the powers would be a valuable tool for local authorities in delivering much needed new homes.

The Mayor should also use the consultation around the recently published White Paper on housing to call for these powers.

## **Conclusion**

The Mayor's SPG contains a number of important changes and clarifications that will help to address the housing shortage in London.

While there are areas where the Mayor could go further – such as full transparency for viability and a commitment to seeking additional powers to encourage build-out - the overall direction is positive, and will see important steps being taken for the benefit of Londoners.

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