

Consultation response

Shelter response to the IPPR's London Housing Commission

October 2015

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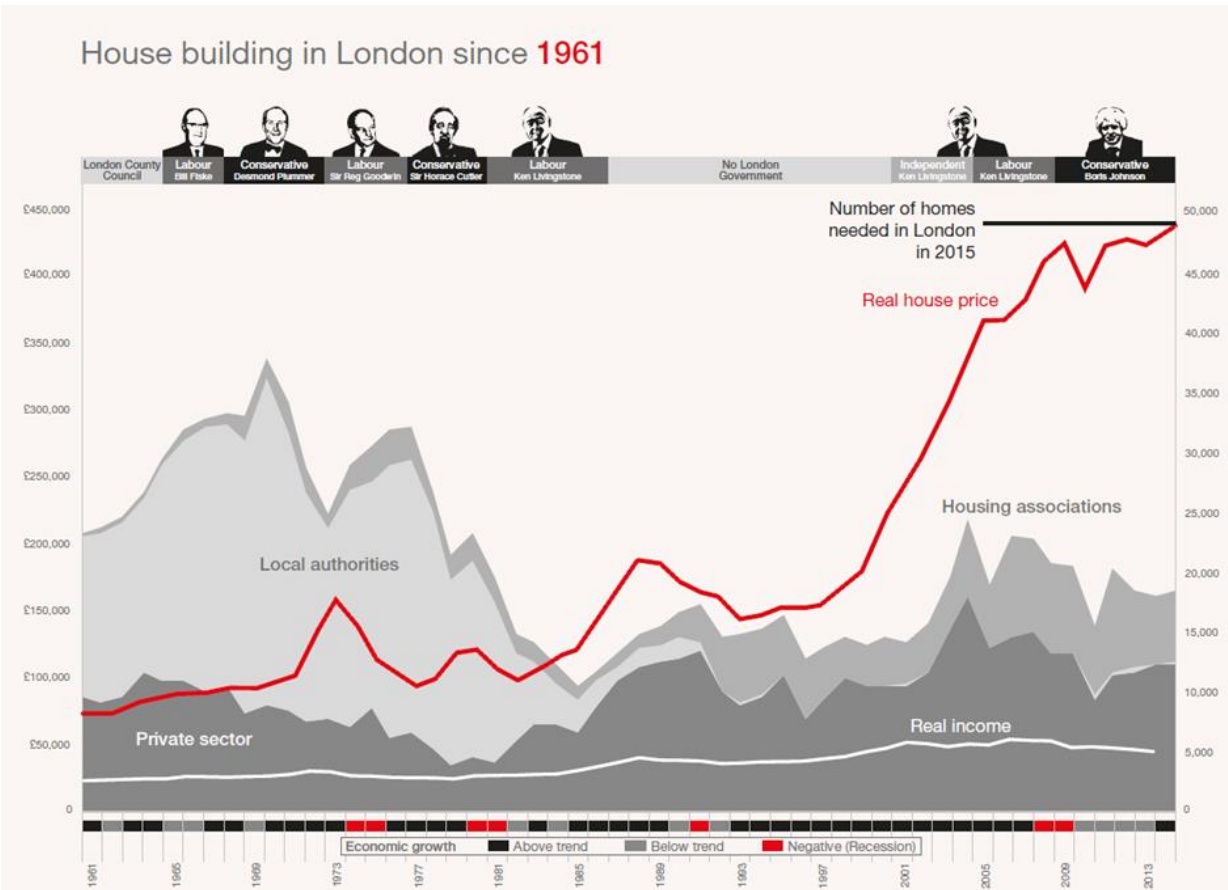
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Part I. How can we double the delivery of homes in London every year, and maintain high levels of housing delivery in the long term?

(A) What are the core barriers to high development rates?

London needs more decent, secure and affordable homes. The capital's population is growing by nearly 100,000 a year and the Mayor's own assessment says that 62,000 new homes per year will be required to meet London's growing need and address its backlog within a decade.¹ In recent years, we failed to build even half that number, part of a long term trend of under-supply.² Even worse, too few of the homes we do build are actually affordable to Londoners, instead many are snapped up by speculators who push up the price for everyone else.



The four main barriers holding back higher rates of housing development in London are the same as for the rest of the country. But each is made worse by London's tight administrative boundaries, status as an international property market and lack of fully devolved powers, including those over taxes.

- **Land.** The most important barrier to higher housing supply is the availability, cost and use of land for homes. London is a low-mid density city by global standards but has serious strategic decisions to make about where new homes will go. As well as finding space for new homes, London faces a challenge in keeping land costs low enough to allow genuinely affordable

¹ GLA, The London Plan, March 2015 (p.26); GLA, The London Strategic Housing Market Assessment, 2013. The SHMA assesses that if London is to meet its long term housing requirement over twenty years then the figure is 48,840 homes per year, but if it is to meet need within a decade then the annual requirement is 62,000.

² DCLG, Live Table 253. London completions in 2014/15 were 18,260.

homes to be built. The way land is traded in an unregulated and opaque market also means that sites with planning permission are built too slowly – or sometimes not at all.

- **Developers.** As in the country as a whole, the development market in London has become concentrated into too few firms. The major developers, and increasingly many housing associations as well, all operate under a single business model based on a steady rate of building. While this single business model is a rational response of firms to the dysfunctions of the land market, it makes the development system in London vulnerable to price falls and slow to respond to price rises. Any future fall in prices would be catastrophic for new private sale development.
- **Investment.** The last time London built enough homes was when there was a mixed economy of private developers, housing associations and councils. Public investment to build new homes has fallen dramatically since then. Building by councils is now close to zero and housing associations have been forced to develop in the same commercial style as other major developers. While this may drive some efficiencies in their businesses it also exposes housing associations to the same risks and incentives as private builders, making the entire development system vulnerable to cyclical effects and less likely to produce affordable homes.
- **Devolution.** London has relatively strong devolved planning powers, unlike all other regions of England (which have none). But more could be done to use these powers to full effect, or negotiate for an extension to them. London has little influence over development beyond its current boundaries and no exemptions from national policies, such as the new Right to Buy, which could undermine house building. If the Mayor wants to curb rising prices then they will need to dampen speculative buying, which is best done through devolved tax powers.

(B) What are the key planning powers needed to ensure that targets are met? And should these instruments be held by the government, the London mayor, London boroughs, or some other body?

To boost the supply of homes in London it will be critical to use the planning system more strategically. But this is not just about increasing the volume of planning permissions. London already grants permissions for 50,000 new homes annually and has built up a backlog of around a quarter of a million unbuilt permissions.

The challenge is therefore to intervene in the land market in a way which increases the rate of completions, not just the stock of planning permissions (which will need to increase too).

The problem with land

The cost of land for residential development in London is huge³ and squeezes out much of the ability to finance affordable housing. As developers compete to buy land in the capital, they must drive down their other costs to increase their bids. In recent years, the increased 'flexibility' of Section 106 agreements between developers and councils has become caught by this competitive process. Developers compete for land based on the knowledge that it will be easier to negotiate down their obligations to build affordable housing. This simply pushes up land values further.

The land market also largely determines the speed at which developers can build and sell. Developers buy land on the basis of an expected sales value from the homes that could be built on the site. To achieve the highest possible sales values they must put homes onto the market steadily rather than building and selling as fast as possible. This is why the stock of planning permissions can increase while the rate of delivery does not.

³ DCLG, Land Value Estimates for Policy Appraisal, 2015. The cost of a hypothetical hectare of land in Greenwich with planning permission (and no affordable housing obligation) is £28,400,000 compared to an average of £1,958,000 for a hectare of land in England excluding London.

The working of the land market is therefore the crux of the London development system and determines all the other outcomes. Without tackling this, the new Mayor will not see a substantial growth in housing supply.

To break this impasse there are broadly four options, which are not mutually exclusive:

- **Intervene directly and build new homes.** The quickest and simplest route to increasing supply is to set up a public developer under a not-for-profit business model, which must add to supply by the private sector. The Mayor could set up an agency to directly commission the building of new homes. Development could occur on public land, but a far more effective agency would also be able to raise finance to buy private land, otherwise the options for development would be far more limited.
- **Change the tenure within planning permissions awarded,** with more non-market homes. For example the Mayor could introduce a simple, clear and tough affordable housing requirement on all sites (say 50%). This is because non-market homes can be built faster, as they don't have to achieve a particular sales price in the local market to justify land costs. There are waiting lists of families ready to fill them.
- **Change incentives for developers** to encourage faster building of land which already has planning permission. For example taxing undeveloped planning permissions, or threatening compulsory purchase of land with permission that has not been developed after a reasonable time.
- **Introduce new models of development** for new planning permissions. For example KPMG and Shelter's proposal for a 'New Homes Zone'. This is where a development area receives planning permission based on clear tenure split to set land values upfront, de-risking the process. Plots can then be serviced before being sold to a range of small builders and custom builders who are not trapped by the land market model described above.

Currently, the first and second options are possible without further devolution.

The Mayor can set up an agency through the GLA with a mandate to directly commission or build new homes. While there would be some savings from the agency being not-for-profit, which could be recycled into affordable housing, a far bigger prize would come from the agency being able to use public land creatively (see below), or buy private land at values which unlock affordable housing.⁴

For the second option, the Mayor is able to "call-in" sites of more than 50 units for final arbitration.⁵ This means that the Mayor could set a target for all sites of more than 50 units to have a higher proportion of non-market housing (say 50%) and be clear that applications without that proportion will be rejected. By increasing the proportion of non-market rented homes, development will be able to proceed faster.

The third and fourth options require a degree of further devolution to the Mayor.

For the third, the Mayor should advocate for complete devolution of property taxes and use these powers to encourage firms which own land but don't intend to build to sell it and encourage the faster development of sites with planning permission. Europe Economics have suggested that council tax could be levied on land proportionate to the number of unbuilt homes with planning permission.⁶

For the fourth option, the Mayor could be more ambitious with the next phase of the Housing Zone programme. At the moment, Housing Zones are used to fast-track planning permission, assemble sites and provide some finance to make development profitable. This has achieved 32% affordable housing

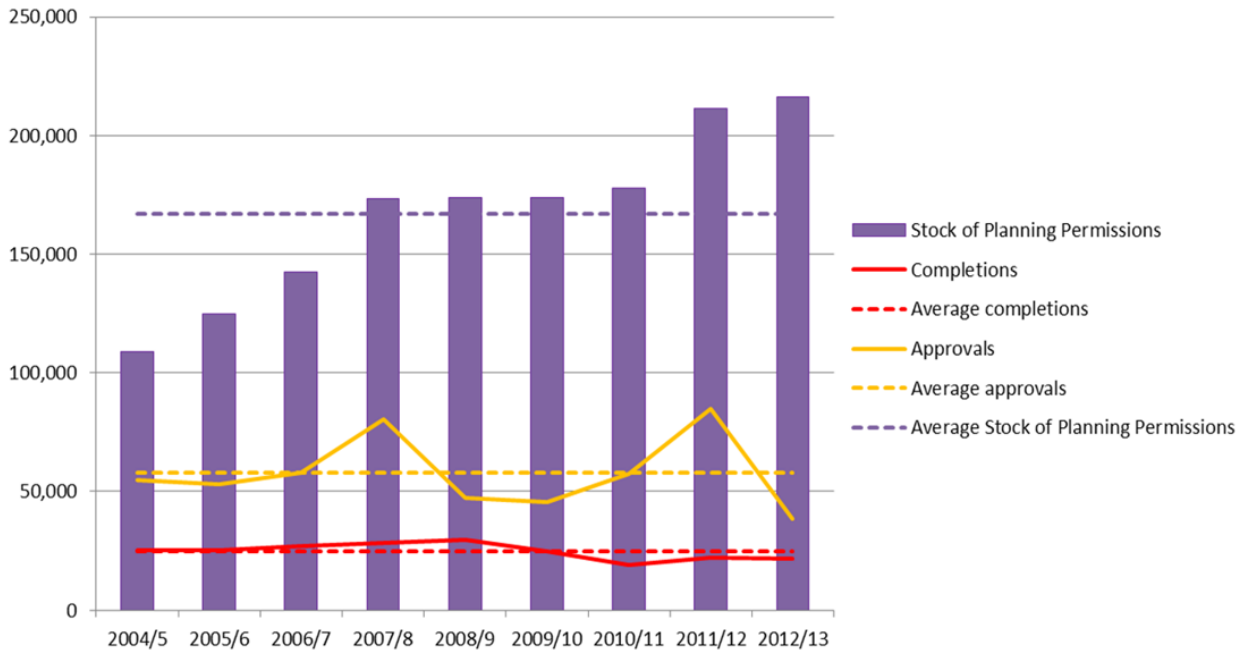
⁴ Which as with fourth option would require CPO reform by the national government, something that HM Treasury is considering as part of the Productivity Plan.

⁵ HM Treasury, Productivity Plan, 2015

⁶ Europe Economics, How to increase competition, diversity and resilience in the housebuilding market, 2014

across the programme so far which while reasonable, could be higher.⁷ To achieve that, the Mayor could create strong development corporations to buy land at lower prices and use the savings to finance more affordable homes. However land purchases at lower prices will require some reform of Compulsory Purchase Order legislation by the national government.⁸

Annual planning approvals, the stock of approvals and housing completions in London⁹



(C) How can the land market be reformed to increase output? What role should public land, greenfield, brownfield, new towns, garden cities and estate regeneration play in providing enough land for target levels of housebuilding?

Land market reforms to increase the rate of building is discussed in the answer above – and applies to any type of land ownership. However, clearly there are particular opportunities for the Mayor in applying new approaches on land that is owned by public bodies that the Mayor has responsibility for: such as Transport for London and the GLA.

When a major landowner on a site, the Mayor could take a variety of approaches:

- **Use the land to build better homes.** Absorb a ‘cost’ against the market value of the land on the balance sheet of the public body by directly commissioning or developing higher quality and more affordable homes on the site. This would mean less revenue for the public body, than what could be achieved through a full market sale of the land to a private developer. However it would mean using the land asset of the public body for public benefit and could generate wider economic benefits.
- **Lease public land to affordable housing providers.** An alternative to absorbing the cost on the public body’s balance sheet would be to retain the freehold of the land and sell a leasehold (say for 150 years) to an affordable housing provider for a nominal sum. By taking away the upfront land cost, a much greater proportion of affordable housing could be achieved as well as

⁷ GLA, https://www.london.gov.uk/sites/default/files/Zones%20Map_V3.pdf

⁸ For further details see IPPR and Shelter, Growing Cities, 2015

⁹ Greater London Authority, 2014

revenue income for the public body. This model has been developed by Capital Economics for Shelter, which suggests that strong revenues could be achieved.¹⁰

- **Use Transport for London (TfL) as a delivery agent.** TfL is already planning to become one of London's biggest house builders, however current plans are fully focused on raising revenue by acting as a commercial developer. A better way to balance raising revenue for transport with building more affordable homes would be for the Mayor to advocate for TfL to have broader CPO and land assembly powers to regenerate areas around stations (not just on their land). This would require the quid pro quo that the Mayor would require TfL would need to achieve higher quality and more affordable homes than other developers.

While public land could be used more creatively, there simply isn't enough of it to meet London's full housing need. For example, TfL's current strategy is to deliver 10,000 new homes over a ten year period, just 1,000 per year.¹¹ Even if this were doubled, it still compares to an annual need in London for 62,000 new homes.¹² There is also no guarantee that public land is in the right places for homes.

The Mayor will therefore need to make bold, strategic choices about where London can build around half a million homes over the next two Mayoral terms. Options would include greenfield, redeveloping industrial land, tall buildings and new settlements. Shelter and the planning consultancy Quod will be looking in detail at the merits and challenges of different options for London's housing growth in a forthcoming joint paper.

Shelter is clear though that a major programme of estate redevelopment, such as the IPPR's proposed 'city villages' would not be a silver bullet to build more homes in London. Redeveloping estates is simply (and rightly) **too long and complex a process** to allow for supply at an adequate level. There can be a case for estate redevelopment or infill in specific cases, especially when homes are in a poor state of repair or there is a good opportunity to increase density.

(D) What changes to the development and construction industries are needed to increase the speed and scale of supply?

To deliver the scale and quality of new homes that we need in London will take a diversification of the development and construction industries. We need more companies and individuals building more homes under a broader range of business models. As already discussed, to encourage new models of development the Mayor must find ways to get land into their hands at lower prices.

One way of lowering land values is through proactive 'zoning', which is the form of planning that takes place in other European countries like Germany and Holland.¹³

The Mayor could also look at providing support for smaller London house builders in accessing finance, perhaps with a 'Help to Build' scheme of long-term loans with low interest rates to SME builders or custom builders through the existing London Housing Bank.¹⁴

(E) How are the current range of demand-side measures (such as Help to Buy) performing in the capital?

Demand side measures such as the Help to Buy simply do not help buyers in the capital where house prices are so much higher than earnings. The Help to Buy scheme represents just 1.8% of transactions in the capital, the lowest proportion of any region in the country.¹⁵ Increasing demand side measures would be the wrong approach, as it would inflate prices even further out of reach.

¹⁰ Capital Economics, Increasing Investment in Affordable Housing, 2014

¹¹ TfL, Property Partnership Opportunities, 2015

¹² GLA, Strategic Housing Market Assessment, 2013

¹³ See Annex A. For more information see Shelter Blog, [Zoning: American Dreams or Going Dutch?](#)

¹⁴ GLA, [London Housing Bank](#)

¹⁵ Shelter, How much help is Help to Buy? 2015

(F) How are the current range of supply-side policies performing in the capital? What changes need to be made in order to build the required number of homes?

Housing supply policies in London are delivering a decent volume of planning permissions (see above), but no-where near enough homes. In particular, London is not building enough affordable homes.

Analysis by Shelter of the latest data from the GLA and DCLG suggests a major shortfall of social housing in particular. To tackle this shortfall will require a joined-up strategy covering land, the development market, investment and further devolution: as discussed above.

Table 1: London house building (average last three years) and shortfall from need (10 year scenario, SHMA)¹⁶

Tenure	Completions	Need	Shortfall
Private market	11,940	20,806	8,866
Intermediate (Affordable Rent, affordable home ownership and intermediate rent)	7,872	18,364	10,492
Social Rent	3,707	22,918	19,211
TOTAL	23,519	62,088	38,569

¹⁶ This is an imperfect measure of building by tenure and will overstate how many private market homes were built. This is because the data on building by private enterprises includes homes built by the private market, but which were financed as affordable housing units under the other GLA programmes. GLA Affordable Housing Statistics, Table 1 and DCLG Live Table 253

Part: II. How can we reconnect the costs of home ownership and renting to incomes in London?

(A) What are the key factors driving up house prices in the capital, and what measures are needed to counter them?

The main factors that have pushed up prices in the capital over the last 20 years include:

- Population growth and demography
- The lack of new build supply
- Increased mortgage lending to home buyers, with higher LTI ratios and more dual income couples seeking mortgages.
- Increased buy-to-let lending.
- Speculation on house prices by investors, domestic and foreign, including an increase in the number and proportion of cash buyers.

To counteract rising prices will take a major programme of building, which genuinely reflects London's needs (see Table 1 above), but it will also need measures to calm speculative demand from those simply seeking to profit from rising prices. The simplest and most effective way to curb speculative demand for property would be through tax measures that reduce the returns from buying property in London for speculative purposes. Taxes would be most effective if applied to all property and land ownership, not just some groups of owners. This is because any attempt to target a particular group will lead to gaming of the system and avoidance. However the political barriers to taxing all property ownership are obvious and so a tax targeting a particular group may be a necessary compromise.

Shelter will be looking at some of the most egregious practices of speculation in the London property market in a separate forthcoming paper, including making some recommendations for reforms to curb these practices.

(B) Are there new models of affordable housing that could work in London?

As shown by Table 1 above the most important tenures for the new Mayor to focus on if they want to meet London's housing need are firstly low rent social housing and secondly forms of intermediate tenures. Shelter argues that a new Mayor should use all their land, planning and housing powers to increase the delivery of social housing in particular.

One particular risk facing the new Mayor is the national government's programme for "Starter Homes". This proposes building 200,000 homes for sale, sold to first time buyers at 80% of market values. Analysis by Shelter has shown that by 2020 Starter Homes will be almost entirely unaffordable to Londoners on average incomes – and totally unaffordable to Londoners on the new National Living Wage.

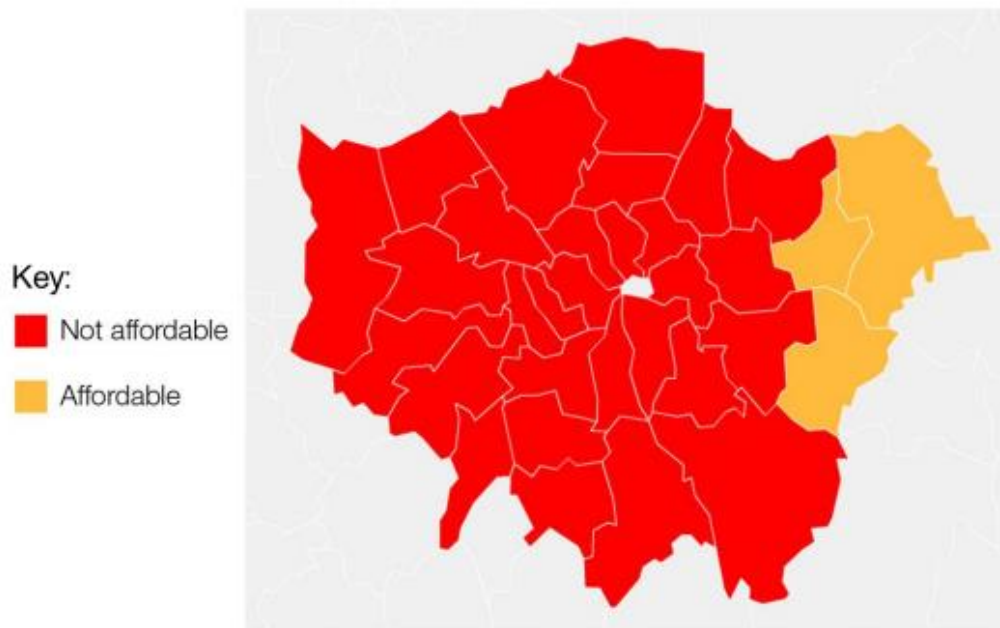
The risk for the Mayor is that Starter Homes could cannibalise other forms of affordable housing. The government is considering legislating for every new development to have a proportion of Starter Homes. In effect, this would take the subsidies usually reserved through Section 106 agreements for affordable housing in order to pay for the discounts for Starter Homes.¹⁷ The Mayor should vocally oppose any shift from low rent housing subsidies into subsidies for Starter Homes which would be unaffordable to most Londoners.

A further option for the Mayor is to advocate for London to have its own form of Starter Home that is a genuinely intermediate form of housing for London, affordable to families earning average wages.¹⁸

¹⁷ HM Treasury, Productivity Plan, 2015

¹⁸ For early thoughts on what this might look like, see Annex B

Where will Starter Homes be affordable to families on average (median) earnings by 2020?



(C) How can the mayor maximise the impact of London's share of Homes and Communities Agency (HCA) funding, and should this be linked to a rental model other than 'affordable rent'?

The Mayor should use their share of capital funding to deliver London's assessed housing need. This means a greater share of funding should be allocated to low rent social housing than intermediate forms of housing in order to increase delivery of the most affordable homes.

(D) Beyond supply responses, how can we address the issue of rising rents?

Longer-term tenancies with predictable rent increases could stop rent rises from outstripping inflation. Yet the problem in London is not only rising rents, but that rents are already high and unaffordable to many. According to the English Housing Survey, the average London renter pays almost 60% of their gross income in rent, after benefits. The long term solution is to build more affordable homes, but the Mayor has options to consider to improve rental affordability in the short term. Ideas often put forward include:

- Cutting rents by placing regulatory limits on the amount of rent that can be charged i.e. hard rent caps
- Compensating renters struggling with high rents by paying them housing benefit
- Improving renters' consumer power in the market, for example with regard to fees and charges

While hard rent caps could cut rents for some and increase the number of homes for sale for higher earning renters, research for Shelter by Cambridge University suggests that they would also have serious unintended consequences. These could include a rapid exit of landlords, which risks an increase in evictions and homelessness – especially for those on lower incomes with few options. There's also a risk of creating an even bigger black market, as seen already with illegal 'beds in sheds'. Finally, much of the housebuilding planned in London could become unviable if the GDV of schemes drops too far. This means fewer homes built, including affordable homes secured through S106 deals.

Local Housing Allowance will therefore continue to be the most important tool to make renting affordable for low and middle income renters on London, until supply catches up with demand. Housing benefit is

expensive but this should be regarded as an essential mitigation of wider economic dysfunction, not as a problem to be tackled by reducing Londoners' ability to pay the rent. This makes it vitally important that Local Housing Allowance can keep pace with rising rents and is not frozen, as set out in the summer Budget.

Consumer power is addressed in QIII (d) below.

(E) What can be done to ensure that housing benefit continues to support people to live in every borough of London?

Affordability is already extremely squeezed in inner London and risks declining across the capital. The early evidence from government statistics and from Shelter's services suggests this has already contributed to a significant rise in homelessness and problems for local authorities re-housing homeless families.

The proposed four year freeze to Local Housing Allowance (LHA) will exacerbate affordability problems and risks creating shortfalls which could make the private rented sector in parts of London, beyond the prime central area, a no-go area for people on benefits. LHA rates must be reviewed and rebased in line with market rents to enable reasonable access across London. The Mayor's priority on welfare reform should be preventing the four year freeze to LHA currently planned.

Affordability will also be squeezed by lowering the benefit cap. We are most worried about the impact this is having on homeless families, specifically that it will force local authorities to house them out of London. Shelter believes that the benefit cap should not be lowered further in London.

The extremely high cost of providing housing benefit in prime inner London makes it even more important that we retain council housing stock in expensive areas to avoid pricing low income households out of central London entirely. It also underlines the continued need to build genuinely affordable homes for rent. The Mayor should therefore oppose the package of Right to Buy for housing associations, which under currently plans will be funded by selling off low rent council homes in expensive areas, such as London.

Part III: how can we provide a high quality private rented sector?

(A) How can we professionalise the private rented sector (PRS)?

Many important consumer goods – such as those in financial or legal services - are governed or regulated by professional standards.

There is no requirement on the vast majority of private landlords in London to be part of a professional landlord scheme, though there are many voluntary schemes and one borough-wide compulsory licensing scheme. Increasing participation in professional standards schemes, or requiring it, would be one route to target greater professionalism. A mandatory approach would require further devolved powers to the Mayor, or the national government to set up a full Landlord Register. A register is something that Shelter has previously argued for and will continue to do so.¹⁹

Evidence from a survey of private landlords conducted by YouGov for Shelter shows that only 5% surveyed were part of an accreditation scheme, and only 4% held a license. The vast majority of landlords surveyed (80%) had never once been a member of a trade body or scheme.²⁰ This is in stark contrast to the 66% of tenants who say it is important to them that their landlord or agent are accredited.²¹

There are additional reforms which will help to professionalise the sector. For example, introducing mandatory client money protection and professional indemnity insurance for letting agents. There is widespread support from letting agents, landlords and renters for these improvements.

(B) How can we improve the regulatory and enforcement regimes to drive up standards in the PRS?

As discussed above, one option for the new Mayor would be to advocate either for the government to set up a national landlord licensing scheme and/or register, or for the power to set up one across London.

Enforcement of legal standards in the PRS is primarily the responsibility of the Boroughs, but the Mayor can play a critical role in helping to finance and support this work. Boroughs need greater power and budgets for to carry out enforcement in the private rented sector. We recommend that a duty is placed on local authorities requiring them to have a tenancy relations officer, something for which the Mayor could advocate. This has to be accompanied by adequate resources for local authorities to carry out enforcement. There are a number of options for directing resources into enforcement, for example, ring fencing savings from the reform of the Wear and Tear allowance (discussed below), or introducing civil penalties for housing offences and allowing local authorities to keep the fines.

(C) What is the role of the tax system in improving the quality of the PRS?

Shelter welcomes the government's reform of the Wear and Tear tax allowance. The reforms mean that landlords will only be able to claim tax deductions for costs they actually incur from making improvements to the properties they rent out.

Previously, tax relief was linked to rental income and landlords did not need to demonstrate that they had made improvements. However the reforms do not necessarily mean a change in landlord behaviour, as some landlords may use the loss of the tax relief as an excuse not to make repairs.

¹⁹ Shelter, Safe and Decent Homes, 2014

²⁰ YouGov Plc. Total sample size was 1,071 private landlords, UK. Fieldwork was undertaken between 24th June - 14th July 2015. The survey was carried out online.

²¹ YouGov Plc. Sample size was 3792 adults that were renting privately in England. Fieldwork was undertaken between 22nd July - 13th July 2015. The survey was carried out online. The figures have been weighted to representative of all private renters in the GB (aged 18+).

Therefore, to ensure these reforms have an impact on the quality of the private rented sector the government's savings from the reforms must be redirected into enforcement activity. Local authority budgets have been reduced and face further cuts, resulting in many local authorities scaling back their enforcement activity whilst the private sector continues to balloon. Given the pressure on local authority budgets, the savings must be devolved to local authorities and ring-fenced specifically for enforcement activity.

Again, the role of the Mayor is to make the case clearly to government for these changes. They can do that effectively by highlighting the failures of the PRS to provide enough decent homes for low income Londoners.

(D) How can we give renters more power as consumers of the PRS?

Renters will always have less consumer power when there is a shortage of supply. But there are a number of features of the London rental market that exacerbate this and further undermine renters' power to argue for improvements to their home and to negotiate affordable rents.

- High upfront costs (deposits) & time pressures – which put a limit on renters' ability to shop around or assess their options without facing punitive financial penalties
- Discrimination against particular renters, like people on housing benefit – which put a limit on choice
- Incomplete knowledge in a fast-changing market, which combined with time pressures mean that the advantage is with landlords and agents.
- Lack of legal security against eviction.

While the Mayor's powers to regulate the market and improve renters' consumer power are currently limited there are clear areas that should be considered for further devolution.

Longer term tenancies where renters have the opportunity to exit early, with notice, would reduce turnover and add security. At the moment most renters are forced to look for a home at the end of a fixed term contract within a short window. Longer term tenancies with the opportunity to exit would give them more flexibility to look for a new home at a time of their choosing.

Cutting moving costs, for example, banning letting agent fees for tenants could reduce the amount that it costs renters to move to a new home. Shelter has also set up a scheme working with major employers (including City Hall) to help renters with a loan for their tenancy deposit.

Effective social letting agencies that do not discriminate against renters who are entitled to housing benefit, could increase choice for those renters.

Rent repayment orders to allow renters to seek compensation for pre-existing poor conditions could remove the incentives for landlords to 'cover-up' problems with homes when they are let.

Improving tenure security against eviction. In Shelter's recent survey of private renters (conducted by YouGov) 20% of renters said they had encountered a problem with their landlord or home that they considered serious enough to complain to the council about. But, of these, fewer than half (37%) actually raised it, with 23% not reporting it through fear of eviction, the rent being increased, or their landlord finding out.²² While the law of retaliatory evictions is being strengthened by government, the Mayor could be an advocate for further policy and legislation to strengthen security of tenure of private renters.

²² YouGov Plc. Sample size was 3792 adults that were renting privately in England. Fieldwork was undertaken between 22nd July - 13th July 2015. The survey was carried out online. The figures have been weighted to representative of all private renters in the GB (aged 18+).

Annexes

Annex A: Zoning, how could it work in London?

Using pro-active planning, or 'zoning', to build homes should be split into two distinct phases:

- **Deciding where a 'zone' should be and setting policy for the zones.** This could be done by City Hall or borough planners, looking at places of opportunity – as is the case in the Dutch or German planning system. One other option would be to encourage and empower communities to set their own zones in their Neighbourhood Plans. An example of this can be seen in the Chatsworth Road Neighbourhood Plan, created by residents in Hackney.²³ Residents there have set strong policies for new housing (such as limiting purchases to owners not investors and providing 50% affordable housing). Such 'Neighbourhood Zoning' gives a stronger legitimacy to zoning, but risks patchy take-up.
- **Developing the zone.** Once a 'zone' has been identified and policies set for it, someone needs to build in it. The risk for residents around Chatsworth Road in Hackney is that commercial developers and landowners will argue that it will not be 'viable' to build the sorts of developments for which they have set up zones. As discussed above, this simply means that landowners could receive more if the usual market housing is built. To move zoning from well-intentioned plans to actual homes will have to take an intervention in the land market, either by the Mayor or the Boroughs. One option for the public sector is to tax undeveloped sites that have been zoned until they are built. Another is to CPO the land at the required value to deliver the zone and then sell to a willing developer. This is the closest parallel to the system in Germany and Holland.²⁴

Annex B: Better intermediate options than Starter Homes?

Shelter is currently developing ideas for a form of Rent to Buy intermediate home. This is where the buyer takes out a 25 year lease, rather than a mortgage, and each rent payment on the lease contributes to eventually owning the home. Shelter's initial work suggests that such a product could be viable for a not-for-profit developer on the same sorts of brownfield developments earmarked for Starter Homes. We also estimate that if rents are set at 80% of market rents, then as a form of intermediate housing Rent to Buy homes would be affordable to average earners in most of the capital. This may be a major improvement on Starter Homes – but only as a complement to other forms of genuinely affordable rented housing.²⁵

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²³ [Chatsworth Road draft neighbourhood plan](#), 2015

²⁴ Needham, Dutch Land-Use Planning: the principles and the practice, 2015

²⁵ More development is required before the Rent to Buy product can be published, but the Mayor should explore such options as an alternative to Starter Homes.