

## **The London Housing Strategy, draft for public consultation London First response**

### **INTRODUCTION**

1. London First welcomes the opportunity to respond to the public consultation of the draft London Housing Strategy. We look forward to working with the Mayor's advisors and officers on this important matter. We will also be responding to consultation on the draft London Housing Design Guide, and have submitted responses to the Mayor's Transport Strategy, proposals for the London Plan and the Economic Development Strategy.
2. London First is a business membership organisation whose aim is to make London the best city in the world in which to do business. We do this by mobilising the experience, expertise and enthusiasm of the private sector to develop practical solutions to the challenges London faces and to lobby government for the investment that London needs in its infrastructure. London First delivers its activities with the support of around 250 of the capital's major businesses in key sectors such as finance, professional services, property, creative industries, hospitality and retail. Our members represent about a quarter of London's GDP.
3. The current economic climate has changed the way in which both the private and public sector approach housing delivery. The housing market is currently facing unprecedented challenges. According to statistics from NHBC, in the period April-June 2009, new home registrations were down by about 26% nationally, compared with the same period in 2008, but down by as much as 59% in London.
4. However, demand for homes in the capital will remain strong, and indeed will increase, as a result of changing demographics and population growth. Ensuring the delivery of additional housing is essential. Given we are in such challenging times, policy must be drafted sensitively, providing a balance of certainty given the economic climate and flexibility to enable innovative solutions to deliver more homes.
5. We comment below on the sections of the draft strategy but there are some important overarching points we would make.
6. First, as the London Plan is part of the statutory development plan, it is critical that planning policy is contained within the London Plan (and not the Housing Strategy). This will ensure that it is properly tested and accorded appropriate weight in planning decisions and local development plans.

7. Second, the strategy needs to have a comprehensive approach to providing housing of all kinds to tackle the deficit that arises from the current 59% shortfall in housing delivery. The current draft of the Strategy does not fully address the requirements set down in the GLA Act 2007 (s333a) and we would welcome clearer alignment following consultation.
8. Third, while we welcome the current administration's collaborative approach to working with the boroughs, we believe that the Mayor must play a proactive leadership role to ensure housing delivery remains a priority; there are clear policies to achieve this across London; and to ensure they take a flexible and sensitive approach housing to encourage and not constrain development.
9. In particular there must be clarity on how the 50,000 affordable homes target will be met and agreed on individual schemes. Whilst we welcome the removal of a 50% target, which even in the good times was not achieved, the clarity it gave did have its benefits. We would encourage the Mayor to recommend a clear framework to boroughs within which they could achieve their individual targets, whilst giving much needed clarity to developers.
10. We note the publication of the draft London Housing Design Guide (LHDG) for consultation, and will respond in detail to its recommendations. Delivering high quality homes for London is important, and the development industry is keen to collaborate with the Mayor's team to ensure that this is achieved, while ensuring that housing delivery is increased. Thorough consideration of the factors influencing housing design, the interaction with other policy and obligations, a robust evidence base, and full analysis of the impact on viability, rather than just costs, will be essential to achieve this.

## **Raising aspirations, promoting opportunity**

### **Rethinking London's housing**

11. We welcome the Mayor's focus on encouraging a choice of tenures for Londoners.
12. We welcome removal of the 50% affordable housing target, which was not previously achieved, and in many cases undesirable; mixed and balanced communities require a broad social mix including a majority in employment (70% of those in social housing do not work).
13. We therefore welcome a more sensitive local approach to affordable housing delivery, which ensures that levels are appropriate for a particular area. To provide certainty to developers, an agreed

framework outlining how individual targets will be applied should be put in place. Without this, those purchasing and selling land will struggle to reach a price, with purchasers unwilling to commit more than existing use value which will not be sufficient to persuade landowners to sell.

14. We welcome the Mayor's acknowledgement that much of London's household growth will be single person households. GLA research on this subject is supported by Government data (Communities and Local Government Household Projections to 2031, England, 11<sup>th</sup> March 2009) which shows that 68% of new households in London will be single person.

### **Helping homeowners and first time buyers**

15. We strongly support the focus on intermediate products as a way of helping Londoners onto the property market. Intermediate housing is important for those not eligible for social housing but whose incomes are too low to enable them to buy, who are important to the functioning of the London economy.
16. The gap between income and market values is further exacerbated in the current economic climate, with much stricter limits being applied on lending by mortgage companies. Intermediate housing can in particular help those currently in social rented accommodation to move up the housing tenure ladder, enabling social mobility, providing a driver for economic growth and freeing up social housing.
17. We also welcome the proposed widening of eligibility for intermediate products. House prices and income differ substantially from the rest of the UK, and particular focus should be given to the capital's more local challenges.
18. The focus on innovation in the housing sector, to enable new intermediate products to be developed, is also welcomed as it allows developers to focus products on local market conditions, thereby widening access to home ownership.
19. While we fully support development of new products, as the recent report carried out by MORI on behalf of the Mayor 'Accessing Intermediate Housing, June 2009' highlighted, there is a limited understanding of intermediate products and how to access them. London First would support the Mayor in providing clarity and standardisation to make intermediate products more accessible to potential homeowners and mortgage companies.

## **Improving the social rented sector**

20. We welcome the shift of the social / intermediate split from 70/30 to 60/40. Intermediate housing is particularly important in London. A 30/70 social / intermediate split would better reflect the demand for intermediate and the large existing social housing stock.
21. We welcome the commitment to make best use of existing social rented stock. It is important to use London's existing assets well. The Mayor highlights both under and over occupation in the social rented sector. Good management of stock and using intermediate products to incentivise movement within the affordable sector are both important. The Registered Social Landlords (RSLs) within our membership have a lot of experience in this area and would welcome the opportunity to work with the GLA and Local Authorities to establish best practice.
22. London already has a large stock of social housing: 23% of the stock compared with 17% nationally: 746,000 of London's 3.2 million housing units are rented from a local authority or RSL. This is an important and large resource and it is critical that London makes the best use of it.
23. We welcome the commitment to provide bespoke housing for the elderly. This will create more choice for Londoners, and importantly will help make better use of existing housing stock, by freeing up under occupied family homes.
24. We are concerned that policy on student housing varies considerably across the capital. Student housing is important to support higher education, an important part of the economy, and, like bespoke accommodation for the elderly, also frees up larger family housing that would otherwise be occupied by students.
25. Universities and higher education colleges in London employ over 55,000 staff and teach 394,000 students from over 200 different countries; the most diverse student body in the world. London attracts 90,000 students from outside the UK each year (about 70% from outside the European Union). London's higher education institutions generate £11 billion each year in goods and services within the UK and £1 billion in export earnings.
26. London is also home to some of the most internationally renowned research intensive institutions. Universities and higher education colleges in London competitively win £700 million in research funding each year, £90 million of which is from overseas.

27. The development of bespoke student accommodation is essential to maintaining London's attractiveness to students in light of increased global competition and aging and outdated existing stock. We urge the Mayor to support the development of student housing in the London Housing Strategy (as well as the London Plan).

### **Improving the private rented sector**

28. We strongly support the Mayor's objective to promote a professionally managed private rented sector in London, to provide further tenure choice, making London a more attractive place to live.

29. An important factor in the success of this new sector will be intelligent interventions by the public sector to support it becoming established in London. Whether that be via guaranteed rents, providing land, or removing any requirement for affordable housing on site, is the subject of much discussion. London First is working with the Homes and Communities Agency (HCA) to help address some of these issues.

30. London First also supports the promotion of the intermediate rented sector to broaden tenure choice.

### **Improving homes, transforming neighbourhoods**

#### **Designing better homes**

31. London First will respond in detail to the draft London Housing Design Guide. We support the Mayor's objective to deliver high quality homes for London, but would urge caution on introducing prescriptive targets that mean that many well designed schemes which fall outside of these targets will no longer be viable. Detailed consideration is needed of how best to improve the quality of housing while maintaining, and increasing, housing delivery.

32. Consideration should focus on the outcome we are seeking to achieve, rather than individual requirements and targets. The past has shown us that well intentioned guidance and requirements do not necessarily lead to better housing; much of the poor stock demolished in estate renewal programmes was built to Parker Morris standards. Size does not necessarily equate to quality.

33. We would strongly recommend the Mayor works with the development community to develop guidance which meets his objectives of improved quality, but does not impact on the viability of schemes. Any planning obligations and requirements must have regard to deliverability and viability: i.e. the level of reward or return

for investment in a development project, having regard to the risks involved, which is most likely to lead to deliverability.

34. We note that work on costs of the Mayor's proposed guidance has been undertaken by Cyril Sweett. However, costs are only one part of the equation. The wider impact on viability is more complex, and a far more fundamental issue. Space standards, for example, don't just add to individual unit costs; they have an impact on the number of units deliverable on site and therefore future revenues.

35. Additional requirements will have an impact on affordability: more space will cost more. Housing development is already struggling, with output less than half of that achieved last year and well below demand.

### **Producing greener homes**

36. We welcome a balanced approach to encouraging sustainable energy in new development. New development can play only a small part in tackling climate change: 99% of carbon emissions are from the existing stock.

37. Decentralised energy can play a role in mitigating climate change but only as part of a wider strategy. London First's report 'Cutting the Capital's Carbon Footprint: Delivering Decentralised Energy in London', published in October 2008, examined how the objective to decentralise a quarter of London's energy by 2025 could be delivered. The report, which drew on the experience of more than 90 experts from the public and private sectors as well as national and international case studies, made a number of recommendations including on the importance of scale for new decentralised energy infrastructure (to maximise carbon reduction as well as financial and land use efficiency) and the importance of the existing built stock to achieve carbon reductions (the existing stock accounts for 73% of carbon emissions) given the energy efficiency (and low demand) in new buildings and substantial phasing risk in new developments, and to act as anchor loads to underpin infrastructure.

38. London First is working with the Mayor's director of environmental policy and officers from the LDA and GLA to implement the report's recommendations and deliver a new energy infrastructure for London.

39. Consideration should be given to the cost of other climate change initiatives such as "urban greening", and contributions though S106 which should be prioritised against other, more fundamental, requirements such as transport and affordable housing. It is the cumulative impact of obligations and requirements that makes development unviable.

## **Maximising delivery, optimising value for money**

### **Delivering across London**

40. We welcome the HCA's approach to supporting development, in particular its desire to explore new investment models to help de-risk development, and to bring forward new models such as professionally managed private rented accommodation, both of which are key to increasing housing development. Targeted investment by the public sector in infrastructure, providing land and entering into delivery contracts with the private sector can help development come forward, delivering more homes and providing a boost to the economy.

#### **Further Information from:**

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