



Client breakfast briefing

A strategy to build 50,000 homes per year

How do we build the homes London needs?

March 2017



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This paper provides a very brief overview of the key content of the Mayor of London's Homes for Londoners draft supplementary planning guidance (SPG), November 2016 and the government's Housing White Paper, Fixing Our Broken Housing Market, February 2017. It identifies general points of commonality and difference in strategic direction between the two documents.

A snapshot:

- The government and Mayor agree that more new homes need to be built and that housing needs to be more affordable. Also that plans need to be up to date and planning decisions need to be speeded up.
- The emphases on affordable housing targets and the type of affordable housing to be prioritised differ
- Both offer a focus on Build to Rent and on how the planning system can better deliver this product

Mayor of London's Homes for Londoners draft supplementary planning guidance (SPG), November 2016

Summary of key content:

- The Mayor's long-term aim for half of new homes built to be affordable
- A 'threshold approach' setting out when a viability appraisal is needed
- Where applications of 10 or more units do not meet a 35% affordable housing threshold viability evidence should be submitted for scrutiny by the Mayor
- Viability information is not required where applications:
 - Deliver 35% or more affordable housing on site without public subsidy
 - Are consistent with relevant tenure split
 - Meet all other relevant policy requirements and obligations
- Preferred affordable tenure:
 - At least 30% low cost rent
 - At least 30% intermediate – includes 'London Living Rent' with low rents to assist saving
 - Remaining 40% determined by local planning authority
- A comprehensive review mechanism to be applied to schemes that fail to meet the 35% threshold, to increase affordable housing contributions if viability improves over time.
- Guidance on viability appraisal methodology, e.g. common assumptions for a more standardised approach. The SPG is explicit about the Mayor's preference for using 'existing use value plus' as the comparable benchmark land value when assessing viability, not a 'market value approach' with land prices based upon comparable sales values etc.
- Support for more high quality private rented homes

Housing White Paper, Fixing Our Broken Housing Market, February 2017

Intention to publish an updated National Planning Policy Framework (NPPF) later this year

Some of the key proposals for consultation based on holding local planning authorities and developers to account for the delivery of housing:

Plan making:

- Mandatory for plans to be reviewed every five years
- Greater emphasis on the duty to co-operate through the use of a 'Statement of Common Ground' that sets out how authorities will work together
- Housing need (OAN) to be assessed through a more standardised approach
- Tightening of the evidence required to support a 'sound' local plan to achieve concise and proportionate evidence on key issues affecting the capacity of an area to accommodate development
- Green belt boundary should be amended when all other reasonable options for accommodating need have been examined. When carrying out green belt review, previously developed land and / or land that surrounds transport hubs should be prioritised. Neighbourhood Plans to be given the ability to define green belt boundaries where the strategic plan confirms the need for review
- Greater protection from speculative development to areas with made Neighbourhood Plans

Planning applications and decisions:

- A minimum of 10% of all homes on a site to be affordable home ownership (to apply to major applications)
- Making more efficient use of land through increased densities where there is a land shortage and in locations well served by public transport
- Planning application forms will ask for estimates of the start date and build out rate, and after permission has been granted developers must provide basic delivery information
- Standard planning condition regarding the implementation timescale may be reduced from three to two years, to incentivise earlier delivery
- Increase in application fees, where the increase can be ring-fenced to secure planning resources and where housing delivery is meeting need

Other

- Emphasis on improving design and quality of new homes
- Options to test and agree annually the five-year housing land supply position

- Definition of affordable housing to include affordable private rent housing (to apply particularly to Build to Rent schemes)
- Separate consultation to be undertaken on new guidance to local planning authorities, encouraging the use of compulsory purchase powers to support the build out of stalled sites. Simplification of the completion notice process.
- Options for reforming the developer contributions system (Community Infrastructure Levy and Section 106 Agreements) are being examined – an announcement is proposed in the Autumn Budget 2017
- Support for small and medium-sized builders through the Home Building Fund

Discussion

There is clear agreement on the existence of a housing crisis, and that turning this around will not be quick or easy.

Proposed solutions look to adjust the existing planning system to plan for more homes and deliver more quickly, also to diversify the home building market (including the encouragement of a wider variety of builders and the use of modern methods of accelerated construction). The London Mayor is clear that the draft SPG does not and cannot introduce new policy, although it similarly starts from a position of seeking to speed up planning decisions and increase delivery rates.

Despite widespread news coverage during November 2016 that affordable home building in England during 2015-16 had fallen to the lowest level for 24 years, the White Paper itself does not quote recent delivery rates. The London Mayor is more candid, identifying London's actual need for affordable homes as being 25,600 per year, but delivery being an average of 7,176 units between 2013/13 and 2014/15, and affordable housing being just 13% of units approved in 2014/15.

Sadiq Khan is keen to see half of all new homes built in London as being affordable in the long term, with a practical first step being a 'nudge' to housing developers to meet or exceed a 35% threshold based on habitable rooms (or otherwise face Mayoral scrutiny of viability information).

The Housing White Paper rows back for now on plans to set a statutory requirement for starter homes and, like the Mayoral approach, supports a greater mix of affordable housing products including affordable private rented housing. Whilst the White Paper proposes that applications for 'major development' seek a minimum of 10% of all homes on individual sites as affordable, there is a greater emphasis by the Mayor on rental and intermediate tenures (with 'London Living Rent' and shared ownership being the default intermediate products assumed).

Both papers recognise the need to plan more proactively for Build to Rent where there is a need, identifying that Build to Rent varies considerably from traditional models and that the affordable housing offer in such developments will be 'different'. Notably, a government consultation on Build to Rent, launched in parallel with the White Paper, asks whether the government's Build to Rent and Affordable Private Rent policy should vary in London from the rest of England.

It is clear that much is currently under review and being changed. As ever there is concern that that in correctly seeking speed and certainty, the outcome will be greater regulation and complexity.

Consultation closed on Homes for Londoners, the Mayor of London's draft Affordable Housing and Viability Supplementary Planning Guidance, on 28 February 2017.

Consultation continues on the government's Housing White Paper, Fixing Our Broken Housing Market, until 2 May 2017.

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