

GLA Draft London Plan Guidance on Affordable Housing and Development Viability

Response deadlines: 24 July.

Key points:

Affordable Housing

The Affordable housing guidance focuses on the threshold approach to applications, ie: the criteria by which development proposals are considered under the 'fast track' route rather than being subject to a financial viability appraisal. For most sites this threshold is 35% affordable housing (rather than the London Plan target of 50%). The GLA is not proposing to raise the 35% threshold. Moreover, this does not relate to the tenure, bedroom size mix or built form of the development proposal. The assumption is that any scheme with 35% affordable housing (whether or not in receipt of grant) will not produce excess profits for landowner or developer. The 50% threshold only applies to public land (and similarly does not distinguish between schemes with or without grant). The justification for not raising the 35% threshold is to do so would require more schemes to be subject to financial appraisal. This is a weak justification. In 2003, when the GLA introduced the financial appraisal system, all schemes referred to the Mayor not providing 50% affordable housing required a full financial assessment (at a time the GLA had far less staff resources to undertake assessments than it does now).

It would perhaps be expected that the LPG would first focus on housing requirements, bedroom size, tenure and affordability (as did the original 2005 London Plan Housing SPG). The current London Plan policy requirements is that 30% of Affordable housing should be some form of low cost rent; 30% as some form of intermediate sub market housing (including discounted sale) with the other 40% left to local authority discretion. While the draft LPG promotes social rent, so-called 'affordable rent' still counts as low-cost rent as in 2021 London Plan policy which was published before GLA stopped funding 'affordable rent'. The LPG just says each scheme should take into account local need. There is no reference to London wide need, and in fact the GLA has not published a London housing requirements study since 2017 and appears to have no intention of updating this pre-pandemic and pre-BREXIT document.

There is no guidance on bedroom size mix and no recognition of potentially different requirements for different tenures. The LPG just refers back to London plan policy H10 which does not distinguish between tenures, does not specify any London-wide proportions either as averages or minima for different bedroom sizes and actually promotes 1 bed units in the context of downsizing without referring to the need for family sized accommodation. (This was a major issue at the original 2019 EiP into the draft 2021 London Plan).

On affordability, the price cap for intermediate housing is set at £800,000 market value, though this may be increased, but there is no guidance on setting prices at below the cap, although there is a reference to housing costs being no greater than 40% of median incomes. Affordability for low-cost rent is set on an annual basis for by the GLA, though there is no reference to the previous guidance of 30% of (lowest quartile) median household incomes.

There are new sections on use of public land (based on a previous guidance note) securing affordability in longer term, and monitoring, which are welcome.

Development Viability

This LPG focuses on the process for undertaking assessments.

There is a focus on LPAs undertaking assessments, having the internal expertise and scrutinising external advice. The GLA does not appear to have a planned programme for training LPA officers, though it does service a quarterly London development viability group.

The LPG sets out the principles for viability assessments but no longer provides either a standard model for such assessments (having previously promoted the 3 Dragons model which it developed and updated annually) and does not provide (as it previously did) any benchmarks for cost elements (such as fees, marketing or financing), no guidance on profit margins, existing use value or the premium on Existing Use Value. The guidance parallels the RICS guidance (which it cross-references) but limits itself to setting out broad criteria rather than recommending a specific assessment methodology or benchmarks, leaving it to the applicant to justify each input into its assessment with regard to market evidence (which of course can be very fluid)..

This means that LPAs and the GLA will receive viability assessments using different methodologies which will not allow for comparison and therefore will not assist the development of benchmarks, as each submission can only be assessed independently. This contrasts with the period when the 3 Dragons model was widely used, which allowed for comparable data to be collected, which assisted the updating of benchmarks, as well as identifying outlier information in specific submissions.

The LPG does however provide useful formulae for early stage reviews, mid-term reviews and late stage reviews. However, a standard computer model for such reviews would be most useful to ensure consistency and enable recording of inputs and outputs.

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