

GLA Draft London Plan Guidance on Affordable Housing and Development Viability

Response from Highbury Group on Housing Delivery

Introduction

The Highbury Group comprises an independent group of specialists from the public, private and independent sectors with a membership drawn from housing, planning and related professions; it offers advice and makes representations to Government and other agencies on a variety of subjects, with the aim of maintaining and increasing the output of housing, including high quality affordable housing.

Key points:

Draft Affordable Housing LPG

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) and industrial land. The justification for not raising the 35% threshold is that 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). The 35% threshold should be raised to 50% to be consistent with the London Plan policy target. This could be done in stages to a published schedule and that itself would be an incentive to applicants to move faster.

It would perhaps be expected that the LPG would first focus on housing requirements, bedroom size, tenure and affordability. 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, and this promotion is welcome, 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 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 and new evidence continues to emerge on the exodus of families from London, especially Inner London, and especially from the PRS, with school closures following).

This is most unsatisfactory. A new SHMA would allow for the guidance to be updated appropriately, as well as providing an evidence base for the forthcoming London Plan review in relation to revising the London Plan targets relating to affordability and tenure to be consistent with an up-to-date assessment of the need for and priority to be given to, different types of new housing provision, in relation to affordability and tenure, bedroom size mix, type of provision in terms of client group (such as housing for elderly persons and special needs housing) and appropriate location.

On affordability, the price cap for intermediate housing is set at £800,000 market value, though GLA officers have suggested that 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 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.

Draft Development Viability LPG

This LPG focuses on the process for undertaking assessments.

We note the focus on boroughs undertaking assessments, given that only major schemes will be referred to the Mayor, and recognise the importance of boroughs having the internal expertise and scrutinising external advice. The GLA therefore needs to enhance its programme for training LPA officers. The quarterly London development viability group has a valuable function

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). The system therefore lacks transparency. While we understand that the GLA is reviewing the use of benchmarks, we do not understand why this is regarded as problematic given the previous system was largely effective. The current approach means that boroughs 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, which will normally be carried out by boroughs and not by the GLA team, would be most useful to ensure consistency and enable recording of inputs and outputs. The GLA team will need to ensure that they collect all review assessments.

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