

**TOM COPLEY AM | LONDON ASSEMBLY LABOUR**

*Working hard for Londoners*

Homes for Londoners  
Draft Viability SPG Consultation  
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Dear All,

### **Homes for Londoners - Draft Affordable Housing and Viability Supplementary Planning Guidance**

In responding on behalf of the London Assembly Labour Group, I welcome the Draft SPG and commend its swift publication after the election, confirming the Mayor's commitment to reversing London's entrenched housing supply crisis. I commend the Mayor and Deputy Mayor for successful negotiations with central government, securing at least a record £3.15 billion for affordable housing in London before 2021. I also note the positive reception the SPG has had among housing associations, developers and other actors key to delivering the housing London needs.

I believe the policies within the SPG present a step-change in housing policy in London. In particular:

- The SPG not only restores the target of 50%, but for the first time sets out a grant mechanism to incentivise 50% affordable housing on single site applications.
- The *London Affordable Rent* tenure provides a higher funding rate for genuinely affordable rents, social or council rent, as Londoners would understand it.
- The *London Living Rent* will tie intermediate rent to locally defined income, rather than market rent, for the first time on a Londonwide scale – increasing security for sharp rent rises and the chance of home ownership
- The *London Shared Ownership* tenure introduces the first protections around maintenance costs for tenant-owners, decreasing unforeseen costs.
- Changes to the viability process will increase public transparency.
- The SPG's Viability Pathways and grant structure introduce incentives for higher affordable housing delivery with streamlined planning processes.
- Low affordable housing delivery will carry the disincentive of viability assessment publication, increasing transparency.
- The SPG contains significant arrangements to protect against landbanking, pioneering an approach where delays in development will lead to further social gain, namely further affordable housing.

## **Tenures**

### **a. Terminology**

I warmly welcome the introduction of clearly delineated social and intermediate rent levels after years of redefinitions of rent levels that have left many confused and suspicious of affordable rents and ownership models.

However, the terms 'Affordable' and 'Living' Rent arguably do not immediately signify social and intermediate rent levels. To ensure Londoners fully understand the advantages of these new tenures, I urge the Mayor to adopt the term 'London Social Rent' instead of 'London Affordable Rent' and undertake communications to maximize the understanding of these products in the eyes of future tenants.

### **b. Interaction with borough level rent-setting**

As the Mayor is aware, boroughs from Westminster to Barking and Dagenham have developed their own affordable rent criteria, in the face of the sheer unsuitability of 80% of market rents as 'affordable' for London.

I welcome the consultative approach of the draft SPG on this issue, requesting clarification as to how these new tenures should interact with the borough's existing models. I look forward to further information as this develops and how borough tenures will be presented with clarity aside the London Living Rent.

Nonetheless, I would urge the final SPG guarantees 60% at low-cost rent, in line with the tenure split in the existing London Plan.

### **c. London Affordable Rent**

I warmly welcome the return of a distinct, truly affordable rent.

London's development will continue to generate low paid jobs. The city has lost over 8,000 social homes in the last decade and addressing this decline is an urgent priority.

I regret the reduction in low-cost rent target from the existing 60:40 tenure split in the London Plan. The new regime, including the target of 30% may well deliver more units than 'business as usual', but in line with above comments, I urge this should be treated as a floor rather than a ceiling.

As delivery is limited to registered social landlords, I urge the Mayor and GLA to work intensively to ensure development partnerships are enabled and prioritising the delivery of units at London Affordable Rent.

### **d. London Living Rent**

I commend the Mayor's recognition London's housing crisis has for long not been limited to the crisis in social housing, but sheer lack of affordability means hundreds of thousands of Londoners priced out of homeownership need assistance to rent.

I welcome the £60,000 maximum household income eligibility limit as a more realistic appraisal of incomes within the intermediate market.

I applaud the considerable significance of tying intermediate rents to income rather than the market. Not only does this enable a reasonable quality of life for Londoners, the one-third of income measure almost a universally accepted marker of reasonable housing costs since the American New Deal, but as income has risen much more slowly and steadily in London, rents tied to income offer Londoners immediate security for their futures.

I welcome the calculation of London Living Rent at borough wide scale.

I recognise this is beneficial in encouraging home ownership, but also urge London Living Rent flats must remain so in perpetuity, rather than converting to ownership opportunities for tenants. Tenants should be assisted into London Shared Ownership properties by housing associations, local authorities and the GLA, but units grant funded as London Living Rent should remain so.

#### **e. London Shared Ownership**

I particularly welcome the guidance shared ownership properties with market values above £600,000 will no longer be appropriate. I assume and urge this must translate into more units for affordable rent.

I welcome attention to the difficult issues maintenance charges have presented for tenant-owners and providers alike.

#### **Targets**

As stated above, targets for London Affordable Rent should be treated as a minimum ambition in schemes below and above the 35% threshold, not only in the face of acute housing need but to deliver truly mixed communities, particularly on large scale and estate regeneration schemes.

As well as habitable rooms, floorspace, and number of units, it is important that the schemes achieve a mix of homes in relation to families, i.e. three bed and larger, the minimum internal space standards and amenity and environmental standards.

I urge the Mayor to establish bedroom categories of four bedrooms plus to ensure a suitable mix of family sized accommodation can be achieved through planning negotiations.

#### **Viability Routes**

I applaud the SPC's innovative approach to reform of the viability process within London. Viability was an imperfect system, the confidentiality of which attracted the hostility of Londoners, local authorities and developers alike.

I particularly welcome the incentives to increase delivery that the new viability routes offer.

Route A offers full transparency for sites offering below 35% affordable housing. The Mayor must enable local authorities and the GLA to resist any cases for exception to this rule. Transparency is vital for the trust of London's communities and increased transparency between developers should work to lower costs in itself.

In an alternative offer to this 'stick' of public transparency is the 'carrot' of the offer of a 'streamlined planning process' as Route B ideally rewards developers who can offer high affordable housing with lower planning costs. I strongly welcome the further incentive of total unit grant funding unlocked above 40%. Nonetheless, I would like the final SPG to contain further details as to how 'light-touch' and transparent the viability regime under Route B will be.

In offering two routes, these changes to the viability process provide the first ever 'floor' to the expectations of funded affordable housing from the GLA. A 35% floor is not a 50% average, but I believe a higher or 50% floor for funding from the GLA would be counter-productive to delivery at this time, given the circumstances the Mayor inherited when he took office, a bare pipeline and inflated land costs tolerated by the Mayor's predecessor.

Nonetheless, while this viability and grant regime provides the first pathway to actually achieving 50% on site, the GLA will need robust resources to assess developments and their maximum affordable housing potential. I welcome the appointment of three FTE viability officers but urge this is kept under annual review, given private sector resources devoted to these processes. I echo the London Assembly Housing and Planning Committees' response in regard to the importance of in-house viability assessment and the need to maintain appropriate monitoring of appraisals.

I believe that on large sites the GLA should conduct its own assessment of viability to test whether a policy-compliant scheme would be viable.

### **Schemes not suitable for Route B**

I welcome the recognition any loss of social housing and off site and in lieu contributions to new development require a greater level of public scrutiny, given that such practices do not contribute to the development of truly mixed communities, alongside the public concerns this raises.

However, in cases of estate regeneration and renewal, the physical loss of homes remains difficult for residents, even where existing affordable, i.e. social and council, housing is replaced like for like. Over the numerous estate regeneration schemes that have happened in London, the fates of social tenants have often diverged from more uncertain futures for leaseholders and where appropriate, private sector tenants in former right-to-buy units.

While I recognise the viability routes aim to incentivise replacing social homes, I believe that in 2017 no borough should be willing to undertake an estate renewal scheme that would reduce their totals of social rented homes.

Though this must be discouraged, I urge the GLA to consider the loss of social homes to be only one component that makes these schemes controversial and rightly in need of maximum public scrutiny. Estate renewal schemes are matters considering huge public (local authority) assets. For that reason, the GLA should ensure all estate renewal schemes by principle must take Route A.

## **Delay Review Mechanism**

I believe the particular strength of the new viability system is London's first delay review mechanism. The agreement of a review at the point of planning permission, bound by S106, should provide a robust framework to deter against delays so disincentivising landbanking. Where delays prove unavoidable, land value uplift is captured 60:40 between developer and local authority to provide funding for additional affordable housing.

I believed the creation of the delay review mechanism represents a small effort to minimize the system being 'gamed' by developers making commercial choices as to when to apply for planning and when to start building. Nonetheless it is a reminder of the laissez-faire approach of his predecessor Boris Johnson and his contribution to the entrenched nature of London's housing crisis, recalcitrant towards his own powers to shape the market and pace of delivery.

## **Build to Rent**

I welcome guidance for the maturing Build to Rent sector, the first guidance that responds to this de facto emerging sector of housing provision in London, regardless of the planning system's suitability for it.

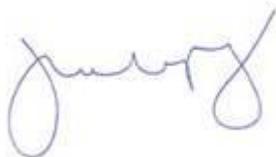
I appreciate concerns the Build to Rent sector create, but do not recognise the SPG as "promoting" this pathway.

However, I am concerned about the relaxation of space standards within Build to Rent based on the assumption of shared collective space, which seems modelled around one particular form of Build to Rent provision. There is no inherent reason why Build to Rent cannot provide complete units of family homes and for this reason, I would urge the re-consideration of space standards in relation to Build to Rent.

I welcome efforts to secure affordable housing in perpetuity on Build to Rent developments where secured through planning. I recognise the difficulties posed by current VAT arrangements and their prevention of disposal, however I urge the Mayor to continue conversations with the Treasury and DCLG on this issue, alongside the "simplest way" of a covenant within the S106 agreement.

I believe that the proposed 15 year covenant for build to rent schemes before the homes can be sold is too short, and would urge the Mayor to raise this to a minimum of 25 years.

Yours sincerely,



**Tom Copley**  
London-wide Assembly Member