

**Note on housing supply policies in draft London Plan Dec 2017
note by Duncan Bowie who agrees to it being published by Just Space**

1 Housing density and sustainable residential quality.

The draft has amended the density policy by removing the density matrix. This in effect involves abandoning the key principle of Sustainable Residential Quality (SRQ) which has been a core principle of all versions of the plan since 2004 and derives from the pre-2000 work of the London Planning Advisory Committee (LPAC). The concept of density ranges for development based on public transport access, the existing build form within a neighbourhood and the relationship to town and local centres (and social infrastructure and other services) has been replaced by the concept of design based scheme specific appraisals. This is in line with the new approach of design led planning, without the setting of clear design criteria which are actually measurable in relation to a specific development proposal. Policy D6 sets thresholds above which applicants should submit a management plan. These thresholds relate solely to PTALs (public transport access levels) and do not relate to any of the other components of the density matrix. They are set at the top of the ranges for smaller units in the central area: 110 units per hectare for PTAL 0-1; 240 units for PTAL 2-3, and 405 units per hectare for PTAL 4-6. Neither the content of such a management plan or the criteria for assessment are specified. It is significant that the thresholds refer to units per hectare and not habitable rooms per hectare. This completely disregards the fact that the impact of development in terms of public transport and demand for services relates to the number of people occupying/ likely to occupy new homes and not the number of dwellings (The density matrix was amended to focus on habitable rooms rather than dwellings in 2007).

The density policy, presented as 'design led' makes no reference to policy requirements in terms of types of housing to be provided either in terms of built form, mix of units in terms of bedroom size (i.e.: whether studio flats or family sized homes) or affordability. There is in fact no recognition that there is a relationship between density of development and type of housing output (despite the evidence of monitoring of development output in recent years, which has shown a reduction in family sized homes and affordable homes as densities have risen). It is also significant that policy H12 on housing size mix refers to optimising the housing potential of sites, without specifying any dwelling mix targets at a London wide level (despite this being included in previous London Plans and/or Mayoral supplementary planning guidance). While there is a reference to resisting schemes which consist mainly of one person and/or one bed units (H12B), the focus of the overall policy is on smaller units rather than family sized units and in fact H12C says that boroughs should not set 'prescriptive' dwelling mix guidance for market led schemes. The focus is clearly on enabling developers to build homes that are most profitable for them, rather than on meeting the requirements as identified in either the London-wide Strategic Housing Market assessment or in sub-regional or borough specific SHMAs.

Moreover there is no recognition that the introduction of greater flexibility on density (together with relatively weak affordable housing targets for specific schemes) has the impact of increasing land prices as landowners see the opportunity for greater financial returns, which in turn has a negative impact on housing affordability.

While the Plan seeks to introduce as a new vision, the concept of 'Good Growth', this appears to be rhetoric rather than substance given that the proposed changes to density policy represent not just an abandonment of the core principle of 'sustainable residential quality' but in effect incentivise development which does not meet the housing needs of Londoners as identified in the new Strategic Housing Market Assessment and in fact adds further barriers to the ability of the boroughs as local planning authorities to respond appropriately to the full range of identified needs. The new policy in effect prioritises the objective of maximising unit out-turn over other key planning policy objectives.

2 Housing Requirements and Housing Supply

The new SHMA sets out the housing requirements of London at 66,000 per annum. This contrasts with the two estimates in the 2014 SHMA of 49,000 pa (based on meeting the housing need backlog over 20 years) and 62,000 pa (based on meeting the backlog over 10 years, the assumption used in the 2004 and 2009 SHMAs). It should be noted that the SHMA is based on secondary data as the last London-wide housing needs survey was undertaken before the 2004 SHMA. The new SHMA, while generally applying the same methodology as the 2014 SHMA, however extends the period for meeting the backlog from 20 years to 25 years. The SHMA concludes that 55,540 additional homes are needed each year to meet household population growth. With a total backlog of 208,621 identified, meeting this backlog over 25 years, produces an additional annual requirement of 8,761 giving a total requirement of 64,301. This is then adjusted to recognise the fact that some new homes are left vacant or used as second homes, to give an annual requirement of 65,878 (rounded up in the plan to 66,000). Applying a 20 year backlog clearance approach would take the annual requirement to 67,548; applying a 10 year requirement would take the requirement to 77,879. Previous government guidance was to assume backlog is met over 5 years. If this was applied to London, the annual housing requirement for the first 5 years of the plan would be 98,741, falling to 57,017 in the subsequent 5 year period on the basis that the backlog had been fully cleared in the first five years.

It can be seen from these calculations that the housing requirement is determined not just by assumptions as to population growth and an assessment of the growth in new households (which needs to assume average household size required for additional housing) but also the timescale assumed for meeting the backlog. As the plan's new supply targets are set for 10 years, there is a case for returning to the 2004 Plan assumption that the backlog be met within the plan period, which would give an annual requirement of approximately 78,000 compared with the 66,000 assumed. This is significant as given the annual housing target proposed is 65,000, this would increase the annual supply supply/ requirement deficit from 1,000 a year to 12,000 a year – or over the 10 year period from 10,000 households to 120,000 households. This is important in terms of the relationship between London and the Home Counties, for by suppressing the deficit, the Plan implies that London can meet (or be very close to meeting) its housing requirements within the London area, whereas a more consistent methodological approach demonstrates that this is not possible, and that there would be an imposed exporting of about 12,000 households from London, which would impact mainly on the Home Counties districts.

The SHMA also gives bedroom size requirements:

1 bed 36,335 (55% of total)
2 bed 10,788 (16% of total)
3 bed 8,971 (14% of total)
4 bed and larger 8,783 (15% of total)

This indicates a significant shift from the 2013 SHMA, which had 1 beds as 34% of the total; 2beds at 18%; 3 beds at 26% and 4 beds and larger at 22%. The proportionate requirement for 3 bed or larger properties appears to have fallen from 48% of the total to only 29%. This is a significant shift which is not fully explained in the SHMA.

The new housing supply target of 65,000 a year, derived from the SHLAA assumes, development at significantly higher densities than assumed in the 2014 SHLAA. In previous SHLAAs, new housing sites (i.e.: those without planning consents or without capacity estimates in Local Plans) were assessed for capacity in relation to the mid-point in the applicable density range in the London Plan. The new SHMA explicitly assumes densities towards the top of the applicable range (for example 355 dwellings per hectare (dph) in the highest range of 140-405 for schemes in the central area with PTAL of 4-6) or 65 dph in the lowest range of 35-75 for schemes with PTAL of 0-1 in suburban areas. It then assumes a further uplift to top of the applicable range in town centres and a further uplift significantly above the top of the range in Opportunity Areas. The justification given is that in practice

consented schemes in Opportunity Areas have been at these density levels. In effect the SHLAA is replacing capacity estimates based on the SRQ principles by capacity estimates which reflect that in practice density policies have been breached. So, the assumptions on which housing targets are based are in effect set to reflect practice (which has generally not accorded with policy) rather than the actual policy. This reflects the abandonment of the principles of Sustainable Residential quality in favour of reinforcing (and legitimising) current trends in development. The housing targets set therefore have no regard to either the form or mix of homes to be built. The implication is that rather than increasing land supply for new housing, the targets rely on intensified use of identified land. This is in accordance with the compact city assumption – that London’s housing needs can be met through intensification without any use of green belt land or reliance on any contribution from districts outside the London administrative boundary. It is significant that the SHLAA has no quantification of the hectareage of the housing sites identified relative to the hectareage identified in the 2014 SHLAA.

3. Affordable housing targets and application

The SHMA gives annual tenure requirements as:

23,037 market homes (35% of total)
11,869 intermediate homes (18% of total)
30,972 low cost rent homes (47% of total)

Taking the two sub market categories together gives an ‘affordable housing’ requirement of 65% of the total requirement.

As 78% of the backlog is for lower rented accommodation, meeting the backlog over a shorter timescale than 25 years, would increase the proportion of new homes in the plan period which should be low cost rented homes. There is a strong argument for giving priority to meeting the most acute needs, though this factor does not seem to be considered in the plan.

The affordable housing targets in the plan at policy H7 are:

Market 50%
Intermediate (London living rent and shared ownership) 15%
Low cost rent 15%
Affordable housing to be determined by borough 20%.

The disaggregation of affordable housing targets is taken from the Mayor’s Housing Strategy which was published in advance of the completion of the SHMA. The targets therefore appear to be related to the current affordable housing funding regime, rather than the assessment of housing requirements in the SHMA. The overall 50% affordable housing target falls short of the 65% requirement. The minimum target for social rented housing of 15% is far short of the estimated requirement of 47%, and even if all 33 local planning authorities used all of the 20% discretionary element for low cost rent, the aggregate would at 35% still fall far short of the 47% requirement. Surely the targets in the plan should be based on the SHMA rather than on the current funding regime and as a strategic planning authority the Mayor should set London-wide targets rather than leave so much discretion to individual planning authorities who will have little if any regard to needs presented outside their own authority’s area.

The Plan has no policies on how individual boroughs should set affordable housing targets (and targets for different sub-categories of sub-market housing) within their Local Plans. There is no replacement for policy 3.11B, C and D in the 2016 Plan. This is a significant deficiency. The new approach to affordable housing focuses on assessment of individual development proposals with a focus on viability assessments rather than on assessment against London-wide or borough-wide targets. This approach would allow a borough either to drop any specific borough wide affordable housing target or to amend, including reduce its

current Plan targets.

The delivery of the 50% affordable housing target is problematic. In previous versions of the London Plans, policies have required each application referred to the mayor to be assessed in relation to the London Plan target – 50% in the 2004 and 2008 Plans; 40% in the 2011 and 2016. Policy H6 in the new plan, following the recent GLA affordable housing and viability SPG, proposes that for private sector led schemes without grant, a 35% affordable housing output would be acceptable and such a scheme would be exempt from a viability assessment. Neither the policy or SPG specify a minimum proportion of low cost rented housing within such a scheme. Policy H6B proposes a 50% affordable housing target on public sector land and a 50% target on sites, which are within Strategic Industrial Locations and Locally Significant Industrial sites (other policies seek to protect industrial floorspace, so this assumes higher proportions of affordable on mixed use sites, with employment uses retained through intensification). There is an assumption that sites with Mayoral grant will provide at least 50% affordable housing, but again no minimum proportion for low cost rented housing. It is unclear how the aggregation of these different targets will be a London-wide affordable housing output of 50%. This could only be achieved if a significant proportion of grant funded schemes achieved affordable housing outputs of at least 65% - this seems unlikely given current funding regimes and limits on grant per home. Moreover, given both funding regimes and targets, the proportion of social rented homes will be far below the proportionate requirement of 47% of total net new supply identified in the SHMA and possibly below the minimum 15% target set.

4. Definitions of affordable housing

The Plan policies defining the affordability of different categories of sub-market housing are unsatisfactory. This is a complex issue given Government policies state that any housing for sale at a price below 80% of market value and for rent at below 80% market rent is considered to be affordable in planning terms and consequently contributing to any affordable housing target set in a Local Plan. The previous Mayor of London was required to remove the separate definition of social rent from the 2011 London Plan. However the Government now recognises the need for new social rented housing (including council housing) and the opportunity to restate a satisfactory income-related definition of social rented housing should not be lost, as it would now be difficult for the Government to object to this.

Para 4.74 on London Affordable Rent (put forward as a new form of low-cost rent) , refers to rent levels well below the Government's definition of ' affordable rent' (which is at up to 80% market rent) ' based on traditional social rents' and then refers to the Mayor's Affordable Homes Programme 2016-21. This is not however a statutory planning document. Moreover, this programme terminates in 2021 at which point a new programme will be established, with potentially new funding criteria, whereas the new Plan is to extend to 2041. The term 'traditional social rent' is not defined within the Plan and there is no reference to rent levels in relation to household income levels. The solution to this problem is to restate the definition of social rent housing costs (rents and service charges) included in the 2004 and 2008 London Plans as 30% of net incomes for the lowest quartile of households. This will ensure schemes aiming to provide low cost rent units, whether or not funded from the Mayor's Affordable Homes Programme, can be assessed as to whether or not they meet explicit affordability criteria. This is important given some schemes may be provided directly by boroughs or indirectly through s106 agreements without grant from the Mayor's programme.

Para 4.7.5 refers to London Living rent aimed at households on middle incomes. No rent levels are stated. Para 4.7.8 recognises that this is an 'intermediate' housing product and states that this is aimed at households with incomes up to £80,000 a year. Para 4.79 referred to an assumption of 40% of net average income for intermediate housing products, though the mechanism for assessing proposals for specific schemes is unclear. The financial viability appraisal system must reintroduce this affordability assessment mechanism.

Paras 4.7.6 and 4.7.8 refer to London Shared Ownership. This is based on an income limit of £90,000, which will also apply to other forms of intermediate housing products such as discounted market sale. The previous distinction in upper limits between family sized homes and smaller homes has been dropped. While para 4.79 encourages boroughs 'to ensure that intermediate provision provides for households with a range of incomes below the upper limit' to ensure this objective is achieved. it is necessary to reintroduce the requirement (as in the 2008 Plan) that half of provision should be for households below a specified mid-point in the income range (which as at February was £35,600, but which now would be somewhat higher). As in previous years the income limits for different types of intermediate provision will be reviewed on an annual basis through the annual monitoring report. It would be helpful if the Plan set out as a footnote the methodology for such reviews, to give an assurance that affordability in relation to household incomes will not worsen over the full plan period.

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