

A new strategy - but when will we see action?

New Economics Foundation Response to GLA housing strategy Joe Beswick and Alice Martin

Response

London needs real action to deal with the ever-deepening housing crisis. The mayor himself described the election campaign in which he was successful as a ‘referendum on housing’¹, and put bold, ambitious commitments at the centre of his manifesto. The New Economics Foundation is therefore pleased to see some of this ambition for change translated into policy in the draft strategy. However, in some key areas there has been significant watering down of commitment, and only minor improvements made in places where wholesale change is required.

The mayor will be judged by his actions, not his words, and his record so far on solving the most pressing domestic issue in London in generations – the housing crisis – has been somewhat weak. The strategy and its implementation provide the opportunity to radically scale up his action on housing, and we urge the Mayor to revisit that bold, necessary vision for change when finalising the housing strategy.

The Need for Social Rent Housing

There has so far been a worrying lack of action in providing genuinely affordable housing for the city’s residents. Since Sadiq Khan came into office in May 2016, he has not built a single home for social rent, the genuinely affordable homes for which London has the greatest need.

According to data from the Greater London Authority (GLA), not a single home for social rent has been built by the GLA since March 2016.² Some 48% of home starts by the GLA in that period were for ‘affordable’ rent (up to 80% of the market rate), while 8% were sold on the open market. The rest of the GLA’s home starts were for more affordable ownership types, such as shared ownership.

In 2015/16, just 3% of new home-building projects started and funded by the GLA were for social rent. Around a third (31%) were officially ‘affordable’ rent, 24% were for shared ownership and other more affordable ownership models, and a whopping 42% were sold on the open market.

Very little of the £3.15bn secured from central government for affordable housing has actually been spent on homes for those most in need. The single biggest contribution the Mayor could make to lessen the intensity of the housing crisis for those who are at its sharp end would be to marshal all resources – money and land – at his disposal to deliver social rent homes. However, in the draft strategy, it appears that going forward no money will be

¹ http://www.sadiq.london/homes_for_londoners

² GLA Affordable Housing Programme Outturn, end of July 2017
<https://data.london.gov.uk/dataset/gla-affordable-housing-programme-outturn/resource/off48fbb-5119-4af1-9692-d0fa57093371>

spent on social rent. Instead, the Mayor has introduced a new category – London Affordable Rent – which will at times be significantly higher than social rent.

As the Mayor acknowledges in the strategy, precious few of the ballooning number of categories of sub-market homes are actually affordable to low income residents of the city. As the number of affordable housing categories grows, and the need for genuinely affordable *social rented* homes shows no signs of slowing, it is unclear why the Mayor is introducing and funding a new category of affordable homes (London Affordable Rent), as opposed to spending the majority of the £3.15bn on social rented housing.

However, the mayor's commitment to using his powers to end the conversions of social rented homes to affordable homes is very important, and will reduce the annual net loss of social rented homes in the capital.

The Development Panel and Diversification in the Sector

Concerns have also been raised about the role of big developers. On the one hand the Mayor has admitted that “London currently depends on a small number of large developers whose model relies on homes built for sale” and that “diversifying the homebuilding industry” is important. But in his first year, he prioritised the interests of big developers by setting up a London Development Panel made up of majors like Taylor Wimpey, Bellway Homes and Lend Lease, who are prioritised for developing public land in the capital.³ Applications for round 2 of the panel closed this August, with an announcement of the line-up due in March 2018.

In this context, the strategy's focus on community-led housing as a solution to the affordable housing crisis is a positive step. After Grenfell it is more important than ever that we build a more democratic housing system where residents have control over their living situations. But the positive rhetoric and the reality are yet to meet and the evidence we have is of a City Hall awarding privileged access to public land to the major developers. The proof of the mayor's commitment to diversification, especially with regards to community-led housing, will be when resident-led projects are supported to acquire or lease for development some of the capital's large public sites available for housing.

Public Land and Land Assembly

The suggestion in the strategy that the GLA should have devolved powers over public land use in the capital is very welcome, and will hopefully be echoed by other Mayoralties. This move could allow Mayors to look beyond the best consideration dogma that sees land acquired by those developers who are able to bid the most for land, as opposed to those who are aiming to provide the highest level of affordable housing.

The Strategy's commitment to the growing demands for ‘refinement of the principles underpinning land valuation and compensation’ could also be a significant step, although more detail is required. If the Mayor, and Local Authorities, were to be able to purchase sites for a figure closer to existing use value, then one of the primary obstacles to the delivery of affordable housing could be removed: the unaffordability of land. The mood for reform is growing, and we would like to see the Mayor leading on this issue, which could have an enormous major impact on his ability to meet the affordable housing needs of London and his own targets.

³ <https://www.london.gov.uk/what-we-do/housing-and-land/land-and-development/london-development-panel>

But alongside this ambition, it seems that earlier commitments to achieving high levels of affordable housing on public land are being watered down. In the new strategy, the 50% affordable housing target for new builds across London now reads as: “working towards half of all new homes built being affordable”.

Similarly, it outlines that public bodies keen to sell their land are in the process of “developing responses to this target subject to service specific statutory responsibilities.” In the recently published SPG it suggested that developers offering to develop public land sites and provide over 50% affordable housing will be fast tracked through the planning process - suggesting that in some cases developers will get away with less, providing they are happy to forgo a place in the fast lane.

Provision of sufficient affordable housing on public land should not be optional. In fact, given the scale of the crisis, a target of 100% affordable housing on public sites would be a more respectable ambition.

Selling off land and hoping developers will deliver what we ask for is not how we have to operate. We could be supporting councils or other public bodies to directly develop land, or lease it to affordable home providers and community-led projects. At the New Economics Foundation we are working with groups like StART Haringey – a community land trust aiming to build 800 homes on a for-sale hospital site in North London with 75% of them affordable to local residents. The Mayor should prioritise, fund and support this project and enable others like it.

A depleted land resource impedes future opportunities to carry out necessary infrastructure projects, or find sites for the expansion of public and community services. Why are we not keeping more of it in public ownership and using it as the basis for the genuinely affordable housebuilding revolution which London urgently needs.

Homes on Private Land

On non-public land, the Mayor’s new SPG will fast-track schemes which deliver 35% affordable homes through the planning process. While, if this is successful, it will constitute an improvement, the scale of the housing crisis in the capital is such we fear that this proportion lacks the bold ambition and leadership which the Mayor will need to begin to solve the crisis.

The Strategic Housing Market Assessment sets the proportion of affordable homes needed in London at 65% of all new homes built. Why then set the bar on private land at the comparatively low 35%? At best, this figure could lock-in this proportion of affordable housing into the value at which land trades, and risks putting the 65% target London needs out of reach in the medium term.

Starting to resolve London’s housing crisis will take serious ambition, a scale of ambition which may be lacking from in the Mayor’s recent SPG. A figure closer the 50% manifesto target would demonstrate that ambition.

Viability Assessments

The Mayor’s real commitment to greater transparency in the viability process, and urging the Government to overhaul the system, is welcome change. Significant reform to the system, and greater transparency in assessments, are vital if we are to reduce the number of affordable homes lost to viability assessments.

The Private Rental Sector

For London's private renters, the Draft Strategy's proposals are to be welcomed. The development of a 'London model' of private rental could be a positive development for improving London's fastest growing tenure, in an area in which the mayor does not have significant power. To make an impact, it would need to include an end to s. 21 no fault evictions, and also decent and long term security of tenure, alongside rent control and/or stabilisation. The latter being especially important, otherwise hiked-up rent increases could be used as a de facto mechanism to evict tenants.

The support for borough-wide landlord licencing is also welcome. The Mayor should outline a best-practice for boroughs to ensure that the effect of licencing to improve conditions across the private rented sector, by making the programme tenant-centred, and working in the interests of the most deprived tenants in particular.