

Viability

M92. Would the cumulative cost of the policy requirements set out in the Plan, along with any other national and local requirements, threaten the economic viability of development and put implementation of the Plan at serious risk?

1. There is no evidence that this plan can be funded – the Mayor is clear that there are very limited or no sources of funding aside from CIL, MCIL and S106 (and S278) funding which all come from developers, and mostly allocated to specific ring-fenced or small pooled developments.
2. The London Plan Viability Study is not convincing in establishing that the Plan can be delivered. **The Cumulative Cost of Policy Requirements is not calculated and revenues are overestimated for current market conditions.** We note:
 - (a) That predicted costs and growth rates in costs in various sectors are underestimated and revenues overestimated (e.g. commercial revenues should be anticipated to be negative (3.4.16); no evidence is given that market sales revenue might increase at 4%, or that BTR might increase at 2.5%, or that build and development costs might increase at 2.5%; 2% annual increase in social rents unrealistic given recent government restrictions – and this is at odds with the anticipated basis for funding infrastructure from user charges: energy and water and digital infrastructure of £194 billion (LP 11.1.41) and £8 billion (LP 11.1.44)). **Current market conditions suggest costings in the Viability Study are conservative, incomes likely to be worse than anticipated, and that viability is potentially considerably worse.**
 - (b) The Viability Study has not included any assumptions for the cost of implementing key London Plan policy requirements, for example, on Green Infrastructure, Waste and the Circular Economy and Cultural Infrastructure mentioned in Chapter 11 of the London Plan. It has simply stated the value enhancements that delivery will bring.
 - (c) The London Plan refers in 11.1.55 to a “continuing loss” on a major scale of cultural infrastructure, including a 25% loss of pubs, 35% loss of affordable creative workspace and of music venues and 58% of LGBT+ and night-time venues. Cultural heritage contributes £42 billion to London’s economy (point 11.1.56). In this point, the Mayor states that “London will require significant investment to reverse the loss of these valued assets” and that four out of five visitors state that “cultural and heritage are the MAIN REASON for their visit”.
 - (d) Only a vague and unscientific attempt appears to have been made to cost provision of new schools in Point 5.8.2 at primary level only. No provision is made for the cost of secondary school provision and none for renewal of school facilities as mentioned in 11.1.34 of the London Plan.
 - (e) The Viability Study itself notes that certain kinds of development, notably student, sheltered and care, will not be viable in a number of scenarios, and that securing affordable housing on lower value land is not viable (see below).
3. No realistic alternative sources of funding have been explored, especially since ideas to bring forward developer contributions in the alternative form of auctions has been ruled out in the MSC (11.1.64). **There is no attempt to systematically quantify**

what the scale of these income streams is and could be, nor how they might be organized in a more effective way. The London Finance Commission (2015, 2017) does not consider the contribution of S106 and S278 monies to London's finances, despite that fact that these sources of income are substantial but not yielding the policy outcomes the London Plan anticipates. Government research (2018, The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2016-17) showed that across the country, developer contributions were just over £6bn in 2016-17 (p. 36); developer contributions to affordable housing provision in London amounted to just over £1.2bn (p. 42), with a further £1.083bn of other planning obligations (p. 36). Nonetheless, according to the GLA (LONDON PLAN ANNUAL MONITORING REPORT 12, 2014-15), developer contributions to the overall delivery of affordable housing in London was less than 10%: cumulatively from 2011-2015 this amounted to 4300 out of 53430 "affordable" homes (GLA, 2016, p. 99).

4. We are very concerned about the hugely increased burden placed on planning gain (S106 and CIL) contributions to support (a) all transport infrastructure requirements for development, and (b) to meet housing and affordable housing targets and (c) the "Good Growth" policy ambitions of the London Plan. This places great pressure on the provision of adequate social and community infrastructure, protection of open and green spaces, and of heritage assets and existing neighbourhood amenities.

We vigorously oppose suggestions from other respondents for a "flexible" approach to the provision of community and social infrastructure.

The structure of funding is systemically producing environments across London which are not accessible to the majority of London's population, do not meet evidenced housing need, and do not produce the quality of built environment the mayor seeks. The funding plan will exacerbate London's housing crisis and crisis of affordability as it relies on high value developments to generate S106 payments, which inevitably means very low levels of affordable housing. **This Mayor's plan will make the lives of most Londoners much more precarious.**

5. Hard to develop areas. We noted in our submission that most large areas of planned housing development (such as Opportunity Areas) are in hard to develop, low viability areas that lie outside the scope of the London Plan Viability Study models and parameters. (5.6.14) with high infrastructure and remediation costs. In many parts of London, then, Just Space members engage with and seek improvements in developments which are not creating the kinds of Good Growth outcomes which the Mayor seeks to promote, and which are not able either to protect the existing community infrastructure/heritage assets nor to provide adequate new facilities, characterized by a lack of open public and dangerous "play" areas (the London Riverside development has a play space for young children next to an unsecured open pond; in OPDC developments play areas routinely are located on roofs – both of these examples are the Mayor's own developments).

We contend that the **approach taken to Funding the Plan in Policy DF1 is ineffective and unsound.**

The IIA expressed this concern: "It was also suggested that the policy could reference the role of density in bringing forward brownfield sites, and how this could impact on viability". (p. 303). **The implication here is that in order to bring forward viable development on**

hard to develop brownfield sites which lack transport accessibility extremely high density is needed. In addition, as can be seen in numerous developments across London, these contexts do not yield social rented, LAR or discounted market rent products to meet the objectively assessed housing need because of the vast infrastructure and remediation costs: such sites have not been modelled in the Whole Plan Viability Study, and so we must rely on case by case evidence of the outcomes of such developments. In order to develop on these sites, high end housing with significant profits is needed and very low contributions are made to affordable housing, usually shared ownership or only slightly discounted market rent. There is no monitoring of the delivery of housing by kinds of sites, and no oversight of the extremely ambitious Opportunity Area programme which constitutes the majority of planned development. It is very important in this context that case by case evidence is treated as a valuable source of insight into the outcomes of the funding approach taken in DF1.

The GLA's response to this concern expressed in the IIA was to affirm that development should be focused on brownfield land, but that "They also advised that the viability study that accompanied the Plan clearly showed that the policies within the Plan were viable and policy DF1 was explicit that viability issues should be exceptions to the rule." (p. 303). This is patently not borne out by the viability study which has no expectations that Opportunity Areas will be viable on a "fast-tracked" basis, and so there has been no adequate response to this concern raised in the IIA.

6. Viability of Low land value areas; including state-owned land. The London Plan Viability Study (14.2.6) observes that the lowest value band land is not viable to develop according to the funding model based solely on developer contributions. Even grant contributions cannot bring the lowest band into viability. **This exposes something clearly dysfunctional about the current model: the most affordable land, where many local authorities across the world would seek to develop social housing, is the one place where development in London able to address objective housing need is apparently not going to be possible.** This is a profligate waste of public resources. The reason is that the funding model proposed is to develop high value, high end, housing to cover all the policy obligations, infrastructure costs and social infrastructure. Instead of using existing low value land to leverage extensive social housing investment, hard to develop, brownfield and already occupied and productive parts of London are redeveloped at great cost – but with very poor outcomes in terms of social housing delivery. A corollary to this is that the Build to Rent model which the Mayor supports needs low value land. However, faced with this range of expectations for S106 funds, this model will find it hard to come forward. We have explicitly called for small sites to be safeguarded from land value increases anticipated in this development model as this jeopardises Community based land development - see our submission on Matter 20 (e) – and we also made a recommendation for new policy wording (a new policy H19) and implementation to support the expansion of this model to larger sites.

We note that the Mayor could use his housing grant and close collaboration with Housing Associations (who are the custodians of vast public housing assets) as a priority to bring forward **100% social rented housing on low value land, especially that owned by the GLA or other public bodies.** He should urgently explore options to bring existing low value land out of the market to sustain and significantly scale up opportunities for social rented housing into the future, for example by supporting larger scale community-led housing developments (see our comments on Matter 20).

We urgently encourage the Mayor to renew his efforts to consider the potential of alternative funding streams, especially for major transport infrastructure, land remediation and non social-rent level housing.

We note that the London Finance Commission did not review the S106 funding streams and this should happen alongside a review of the Mayor's unviable development model. We propose initiatives which might, for example,

- (a) Enhance the Mayors capacity to levy city-wide CIL charges, consolidating the potential for a more strategic approach to housing and infrastructure development, and not burdening strategic individual developments with excessive infrastructure or remediation requirements.
- (b) Strongly lobby for changes which will ensure that the ongoing uplift in property value in which individuals benefit from public enhancements can be mobilised for public benefit and social housing
- (c) Adopt a more strategic and London-wide approach to the location of dense and high-rise developments, so that the quality of the built environment can benefit from appropriate planning. The current approach is entirely disjoint and opportunistic in its search for profit and the emphasis on windfall small sites in the current plan intensifies the pressure on existing built form and amenities. The current model which places a very high burden on each development to deliver the obligations to provide all the infrastructure, housing and social infrastructure etc is producing appalling and dysfunctional, fragmented and poorly designed city. There is a significant failing of this London Plan as a spatial plan – it has no spatial plan, just dysfunctional development wherever a piece of land can be found and wherever communities are not powerful enough to refuse to have their assets and infrastructure obliterated. This plan is not only ineffective and unsound, it is bankrupt, both in terms of the financing and in terms of the complete lack of any spatial planning.