



**Homes for London: The Housing Strategy – Draft for Consultation**  
**London First Response**  
**17 February 2014**

Introduction

1. London First is a business membership organisation with the mission to make London the best city in the world in which to do business. We represent the capital's leading employers in key sectors such as financial and business services, property, transport, ICT, creative industries, hospitality and retail. Our membership also includes higher education institutions and further education colleges.
2. We welcome the opportunity to respond to this consultation. Demand for housing in London is exceeding supply and has been doing so for a long time. If this trend continues or is exacerbated it will only serve to weaken the capital's competitiveness. For business to continue to flourish in London, we must build more homes to support a growing population and workforce.
3. The Mayor is right to be raising the house building target to 42,000 homes a year but as acknowledged in the Mayor's draft further alterations to the London Plan, due to the scale of unmet demand as well as new growth actual need for housing in London is even higher.
4. There are several proposals in the draft strategy that we support; however, we are not convinced that, taken as a whole, the proposed changes are sufficient to deliver the new homes London needs. Before responding to the draft strategy, we briefly discuss our forthcoming report about housing supply.

Home Truths

5. Towards the end of 2013, we brought together a group of members from across the housing supply chain to look at why London was building too few homes and ways that this could be rectified. The report - entitled Home Truths - will be published in March. The four areas that it focuses on are:
  - improving housing delivery through targets, incentives and planning reforms;
  - getting land in London into development;

- increasing density and building new suburbs; and
  - new ways to build more homes.
6. London needs a new approach to housing delivery. This does not mean a complete overhaul of the housing regime in London but it does require change. More of the same is unlikely to increase supply to the level that London needs – we must have strong political commitment and action to build more homes.
7. We have offered a limited response to this consultation where there is a crossover with policy issues discussed in our report. We therefore urge the Mayor, once the report is published, to consider its recommendations in relation to the consultations on the draft housing strategy and draft further alterations to the London Plan.

### Draft Housing Strategy

#### **Outer London and densification**

8. The draft strategy is right to point to the need to increase housing supply in both inner and outer London (p.8). The fact that, in recent times, as the strategy highlights, supply has fallen in outer London compared to historic rates demonstrates that more needs to be done to encourage outer London boroughs to increase supply.
9. The strategy should provide more information about how it will support an increase in house building in outer London. One way to achieve this is for the Mayor, through the London Plan and other means - primarily investment in transport infrastructure, to pursue a policy of densification particularly focused on suitable locations in outer London.

#### **Overseas investment**

10. We agree with the analysis set out in the draft strategy about the importance of overseas investment into London's housing market (p.9). Such investment plays a significant role in providing developers with immediate funding to support further development, while also delivering affordable housing and wider community benefits through planning agreements. Survey evidence shows that 85 per cent of all new build off plan London properties purchased by international buyers are investments and rented out, with the balance being a mix of main residences and second homes.<sup>1</sup> The overwhelming majority of this type of purchase is therefore being inhabited.

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<sup>1</sup> The Impact of Inward Investment on the London Housing Market, London First: September 2013.

## **2015-18 affordable housing programme**

11. Our comments are confined to general principles rather than the detail of the forthcoming programme, although we note that the level of grant on offer is likely to prove challenging in terms of the viability of development and building the number of new homes that the programme is aiming to achieve.
12. The most important principle of the new programme is that it is structured to support delivery. To this end, we welcome the GLA's attempt to secure framework agreements with the boroughs about how the programme will work in their respective areas.<sup>2</sup> The absence of such an agreement in the current programme has, in some instances, constrained the ability of registered providers to push on with building more homes.
13. To state the obvious, an affordable housing programme for London should apply to all of London. We accept the need for local flexibility to address the wide spectrum of values that exist in London, and hope that the new 'capped' and 'discounted' rents system will provide for the right balance of flexibility and certainty.

## **Intermediate market**

14. We welcome the pan-London changes made by the Mayor through the Housing Covenant to the availability of intermediate products. Intermediate housing is of growing importance to London's housing market and should play a significant role in supporting more Londoners to take an equity stake in their home.

## **Long-term financial settlement for housing**

15. The Mayor is right to continue to push for London government to be given the financial powers it needs to, amongst other things, deliver a long term plan to increase house building (pp.36-38). London First continues to offer our support for the recommendations of the London Finance Commission about the devolution of property taxes to London and removing the cap placed on local authorities borrowing limits for housing purposes, within the prudential borrowing rules.

## **The London Housing Bank**

16. We look forward to seeing the forthcoming discussion paper on this subject when we will be able to offer further comment. The draft strategy suggests that the bank will focus on large-scale developments that generate additional supply. The

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<sup>2</sup> As stated in Funding Prospectus, The Mayor's Housing Covenant, 2015-18 Programme, Greater London Authority: December 2013.

GLA should also consider if the bank could offer support to small and medium sized developers who, in recent times, have struggled to secure development finance, as well as supporting other GLA initiatives such as securing more build-to-let developments.

## **Estate regeneration**

17. We agree that in some situations the best way to improve the condition of social housing stock is through redevelopment and intensification (p.20). The starting assumption for estate regeneration must be to increase density unless there is a clear reason why the site cannot support more housing.

18. It is encouraging to note the progress that the GLA has made in supporting boroughs with their plans for estate regeneration (p.41) however, more could be done. If this requires the GLA to take a financial stake in schemes, as the draft strategy alludes to, this should be pursued. Stronger political commitment is required to push some of these schemes through, which could be achieved by offering more policy support in the London Plan. In addition, there is a need to offer good, rather than minimum, compensation for existing residents, which could help to expedite the process.

## **Housing Zones**

19. London's opportunity areas should be fully utilised to increase house building. Re-designating some of these areas as housing zones might help to increase supply, but only if the incentives on offer are tangible and sustained.

20. Introducing Local Development Orders or other limited planning simplifications within the zones could help to stimulate more supply. However, these "mechanisms" should be encouraged across all of London and not just housing zones. In the long-term, the devolution of property taxes to London (as discussed above) would provide London government with the power to vary taxes in the zones, which would be a strong incentive to support more house building. In the short-term, the Mayor should consider offering the following incentives in housing zones:

- flexibility in planning obligations;
- reduced community infrastructure levy payments - or at least greater flexibility in its payment;
- zoning policies which provide certainty for developers; and
- an enhanced planning process that offers guaranteed levels of planning resource and timely responses from statutory consultees (where relevant).

## **Bringing forward public sector land**

21. As the draft strategy acknowledges, approximately forty per cent of brownfield land suitable for housing development in London sits within the public sector. More must be done to get this land into the market. The Mayor has made progress in this area, particularly with the creation of the London Development Panel, but the disparate nature of the land disposal process across the public sector in London must be changed if all of the surplus land is to be developed. We think the Mayor should coordinate the disposal of surplus land across all of the public sector in London. This is addressed in more detail in our forthcoming report, Home Truths.

## **Making better use of existing land opportunities**

22. The draft further alterations to the London Plan regarding the release of surplus industrial land should be strengthened. Instead of addressing the issue in the reasoned justification to Policy 2.17 (paragraph 2.85), it should be addressed in the policy itself. The policy should also state that all boroughs must immediately review their strategic industrial designations to demonstrate that such designation is realistic. If it is not, other uses should be permitted with a presumption in favour of residential led mixed use development.

## **Private rented sector**

23. We welcome the Mayor's pro-active approach to supporting build-to-let developments in London. This type of development is new investment into London's housing supply and it could play a significant role in helping to increase the overall level of house building and accelerate the delivery of existing large scale developments.

24. The Mayor should ensure that his positive approach to build-to-let development is matched by the policies and decisions of the boroughs. The proposed alterations to the London Plan are, in this regard, a step forward.

25. Where flexibility in planning obligations is offered to build-to-let developments in recognition of the distinct economics of this type of development, this should only be done on the basis that the scheme is covenanted for a set period of time. It is difficult to state how long the covenant should last as business models will differ depending on a number of factors. However, in order to protect the position of boroughs, we think in general a covenant should last for **no less than 10 years**.

26. This is an emerging area of policy. At this stage, therefore, it would be wrong to proscribe the exact details of how covenants should work. We do, however, see merit in creating a mechanism which allows the investor to exit the covenant;

converting the development into market sale housing, as long as the 'planning discount' (the flexibility previously given with planning obligations) is repaid (with inflation). This could be achieved, for example, by applying the existing approach to the delivery of affordable housing - as detailed in the London Plan - to the development; the presumption being that you deliver on-site first and then work your way through other options depending on site specific circumstances.

27. If a covenanted scheme is given flexibility with the level of planning obligations that it is required to deliver this should not mean that other parts of the residential market have additional affordable obligations placed upon them.

28. We would be happy to discuss with the GLA the options for how the covenant could work in London.

29. We wish to see the Mayor, as previously stated in the Housing Covenant (making the private rented sector work for Londoners, December 2012), proceed with a review of the London Design Guide (and other Mayoral planning guidance) in relation to the design of private rented sector developments, to ensure that bespoke typologies can be brought forward.

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