

**Draft revised interim Housing Supplementary Planning Guidance  
London First Response  
05/02/10**

**INTRODUCTION**

1. London First welcomes the opportunity to respond to the consultation on the draft revised interim Housing SPG. London First has responded to the Mayor's emerging housing policies in the draft replacement London Plan. Our response focuses on housing density and affordable housing targets.
2. Facilitating housing development is critical, especially in the current poor market where development viability is fragile but housing demand remains strong and will increase with population growth and demographic change.
3. London First is a business membership group whose aim is to make London the best city in the world in which to do business. We do this by mobilising the experience, expertise and enthusiasm of the private sector to develop practical solutions to the challenges London faces and to lobby government for the investment that London needs in its infrastructure. London First delivers its activities with the support of around 250 of the capital's major businesses in key sectors such as finance, professional services, property, creative industries, hospitality and retail. Our members represent around a quarter of London's GDP.

**STATUS OF THE DRAFT DOCUMENT**

4. We welcome confirmation that the draft document does not intend to set new policy (paragraph 1.4). However, we are concerned that new policy is indeed being proposed; in particular in paragraphs 3.13 and 4.39 which suggest that affordable housing provision could be calculated by floorspace rather than number of dwellings. We explore the implications of this issue in more detail in paragraph 14 of our response.
5. The status of boxes on pages 6, 16 – 17, 22 – 24 and 30 – 31 is unclear, which is not helped by numbering these SPG1, 3, 12 and 5 respectively. It appears that these are being given policy status, and clarification would be welcomed.

**DENSITY**

6. Making the best use of scarce land, especially in areas with good public transport accessibility, is critical to increasing housing delivery to meet the needs of a growing population and demographic change. Density is a highly complex issue, and, as recognised in the draft (paragraph 3.8) some of London's highest value and most popular housing is relatively high density. Paragraph 3.16 highlights research demonstrating that housing density is not a significant factor in neighbourhood satisfaction. Policy and decisions should therefore focus on achieving high quality design in good environments in sustainable locations. Density is one factor in this mix and should not drive policy or decisions or be given undue weight.

7. Local context should influence, not dictate, the density and form of new development. Policy 3A.3 seeks that development proposals should achieve 'maximum intensity' of use 'compatible' with local context. Compatibility should not be treated as replicating local character.
8. National policy (PPS3, Housing, 2006) recognises (paragraph 45) that  
 "using land efficiently is a key consideration in planning for housing"  
 and emphasises (paragraph 46) that density policies should have regard to (inter alia)  
 "the desirability of using land efficiently"  
 it also recognises (paragraph 49) that intensive development  
 "can enhance the character and quality of an area. Successful intensification need not mean high rise development or low quality accommodation with inappropriate space. Similarly, in Conservation Areas and other local areas of special character where, if proper attention is paid to achieving good design, new development opportunities can be taken without adverse impacts on their character or appearance."
9. PPS3 goes on to say (paragraph 50) that:  
 "The density of existing development should not dictate that of new housing by stifling change or requiring replication of the existing style or form. If done well, imaginative design and layout of new development can lead to more efficient use of land without compromising the quality of the local environment." [Our emphasis].
10. PPS3 therefore makes it clear that, whilst it is important, density is only one indicator of design quality and should not drive policy or decisions or be given undue weight. The key requirement is to achieve high quality design, in good environments and sustainable locations.
11. To conform with policies 4B.1 and 4B.2 of the current London Plan, and paragraph 10 of PPS3 ("high quality housing that is well designed and built to a high standard") the wording in paragraph 3.1 should be amended from "highest quality design", to "high quality design".

### **Density and dwelling type**

12. Whilst the GLA Strategic Housing Market Assessment 2008 highlights the need for additional family homes (paragraph 3.9), it also highlights (figure 8) that 29% of existing households are single person and a further 20% adult couples: 60% of existing households require one bedroom homes. The increase in single person households (2001-26) is forecast to be 49-56% (paragraph 6.27); far higher than the overall rate of growth (figure 80). The full picture needs to be reflected in the consideration of dwelling mix in new developments, as well as the profile of the existing local housing stock.
13. It should be made clear that the Mayor's draft London Housing Design Guide is NOT applicable to market housing (paragraph 3.11 and subsequent references), should not be used for benchmarking of any sort while in its draft form, and should not form the basis of any planning policy, either inclusion in the London Plan, or

SPG, without undergoing public scrutiny by an independent inspector and its evidence base published.

14. Calculation of affordable housing according to floorspace rather than dwellings (paragraphs 3.13 and 4.39) represents the introduction of new policy and should therefore not be included within SPG which is based on the existing Consolidated London Plan. Large units, in particular in central London, are important to London's world city offer and provision should not be penalised through affordable housing policy. We would emphasise again that the space standards in the draft London Housing Design Guide are not applicable to market housing and are therefore not appropriate as a basis for assessing contributions.

15. Maximising tenure integration (paragraph 3.11) within a scheme is a valid policy aspiration, but there are often difficulties with integrating affordable and market tenures. This can give rise to management inefficiencies, a reduction in private sales values, and increased service charges. It is recommended that this requirement is amended as follows:

“Schemes should be designed to maximise tenure integration where it is appropriate and feasible to do so”.

It is also recommended that reference to affordable and private housing requiring “the same external appearance and entrance arrangements” is removed to give flexibility to minimise any impact on service charges.

16. Paragraphs 3.11 and 3.14 encourage higher proportions of affordable housing (with particular focus on affordable family units) in low density development. This is perhaps a logical assessment, but there must be flexibility to ensure that schemes remain viable and housing delivery is not constrained.

### **The London Plan Density Matrix**

17. We agree that density is not a significant determinant of what makes a good residential neighbourhood (paragraph 3.16), which is a combination of factors including location and management. Too often high density is considered to be a poor environment when, as highlighted (paragraph 3.8), some of London's highest value and most popular neighbourhoods are also the highest density. Consideration of density should therefore not slavishly focus on the calculations but should also take account of the quality of the proposed environment. The objective should be to increase housing supply by providing the highest appropriate density of development compatible with (but not replicating) local character and a high quality environment.

18. We agree that larger sites are capable of defining their own setting (paragraph 3.25) – and would add that they may also establish their own market. We would urge caution in suggesting that a threshold of 2 hectares to assess where this is the case. The ability of sites to determine their own setting will be a result of local circumstances as well size; in some cases much smaller sites will be capable of establishing their setting and indeed influencing the wider area.

19. Many opportunity areas across London also have indeterminate character (paragraph 3.27) where development will not impact on the wider area. Opportunity Areas should therefore be included in this section.

20. We agree that proposals above the density matrix range should be tested rigorously (paragraphs 3.30). In so doing it should be recognised that this means that it may be appropriate to develop above the matrix range, subject to site considerations and the design of the proposed development.
21. Whilst mixed use can lead to effective use of common infrastructure (paragraph 3.34) the requirement for separate servicing and entrances will reduce deliverability and density of both housing and commercial development. In the CAZ, where development is already highly constrained by heritage designations, mixed use development can compromise the area's vitality and viability.
22. We note comments made on car parking in paragraphs 3.36 – 3.40, and the objective of maximising the potential of sites with a good PTAL rating. However, on reserved matters applications, some planning committees may seek to impose a higher level of parking requirement, despite developers committing to car clubs and other measures. The GLA's aspirations are therefore not necessarily supported by all Boroughs.
23. As well as clarifying the status of the boxed out section (currently named SPG3, on pages 16 – 17) as discussed in paragraph 5 of this response, the text should clarify that, in accordance with national policy, development should not necessarily replicate existing density and character, and that higher density development can be appropriate in sensitive areas including Conservation Areas.

#### **AFFORDABLE HOUSING TARGETS**

24. We welcome the recognition that affordable housing targets should be borough wide, taking account of all sources of new housing.
25. We welcome clarification (paragraph 4.5) that there are six factors to be taken into account when setting affordable housing targets. Added to this should be the need to encourage and not restrain housing supply, which should perhaps be given primacy over other factors (paragraph 4.6). Over-ambitious targets can frustrate housing delivery which exacerbates affordability and supply for all sectors.
26. The draft Replacement London Plan signals a move to numeric affordable housing targets agreed between the Mayor and boroughs. It is critical that these are reflected in clear policy to ensure that those considering buying or selling sites are able to assess the likely level of affordable housing provision that will be required.

#### **Assessment of all housing needs**

27. We welcome the suggestion that boroughs may set student housing targets. Provision of student housing is important to support the existing and growing student population, from the UK and overseas. Higher education plays a vital role in the London economy and sufficient and appropriate student accommodation is necessary to support it. Much of the existing stock is out dated and of poor quality and requires redevelopment to ensure institutions remain competitive. In addition, the growing number of students, including from overseas, means that the demand for student housing is increasing.
28. The HE sector is an important part of the London economy. The total income of the UK HE sector (year to July 2008) was £23.4 billion; London accounted for 21% of this or £5 billion. London HE institutions are awarded £900 million in research income. 404,000 students were registered at HE institutions in London during

2007/08, an increase from the previous academic year by 10,000 students; almost a fifth of all UK students. A quarter of London's students are from overseas, accounting for 25% of all UK international students<sup>1</sup>. London's international students contributed £1.5 billion to UK GDP in 2005/2006 and supported over 40,000 jobs<sup>2</sup>

29. Paragraph 4.13 and 4.34 both acknowledge that housing need and housing capacity are often mismatched within boroughs. This means that boroughs will often have to look outside their boundaries to satisfy affordable housing need and conversely other boroughs may have sufficient housing capacity to assist with other council's needs. The pooling of affordable lettings on a sub-regional and/or regional basis is therefore welcomed and the SPG should acknowledge that, when affordable housing is being negotiated on individual schemes, the solution could involve contributing commuted sums towards this.

### **Realistic assessment of supply**

30. When considering the supply pipeline (paragraph 4.16) boroughs, and the GLA, should look at net permissions, as frequently there will be more than one permission on a site which will inflate the pipeline, and is not a true depiction indication of what can be built. As highlighted (paragraph 4.17), market conditions will also mean that not all permissions will be implementable.
31. Viability is a critical issue, as highlighted in the Blyth Valley case quoted in paragraph 4.18. This will mean that careful consideration will be needed of the level of affordable housing and other planning gain that schemes can support. In many cases it will not be possible to meet the planning aspirations in policies which grew in the period of economic growth and a strong housing market. Boroughs will have to prioritise obligations, including affordable housing.
32. We welcome initiatives to ensure the supply of housing can be maintained in the challenging market conditions (paragraph 4.19).

### **The Strategic Housing target (50%)**

33. We welcome clarification that the strategic target for half of all housing supply to be affordable is just one factor to be taken into account when setting affordable housing targets. As with the social/intermediate split, it is important to recognise that, even in a very good market, the strategic 50% target was never met, and greater realism is required when setting targets to ensure they are achievable and don't constrain supply. The Blyth Valley ruling requires that viability is considered, including cross subsidy from private housing, and HCA grant funding. Both of these areas are uncertain in the next few years and SPG policy should be flexible enough to not curtail supply due to viability issues.

### **Social/Intermediate split**

34. We welcome recognition that the 70/30 split has not been achieved and that a 60/40 split is more achievable and appropriate. In some instances, especially where there is a high existing concentration of social housing and in areas close to or highly accessible to employment, a higher proportion of intermediate housing will be appropriate.

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<sup>1</sup> London Higher

<sup>2</sup> Oxford Economics, The Economic Impact of International Students, July 2007

## **Mixed and balanced communities**

35. The need to ensure mixed and balanced communities should be reflected in the affordable housing target as well as the social/intermediate split. In areas where there is a high proportion of social housing it is important to introduce market housing to help redress the balance and support economic activity. This is especially true in estate regeneration where market housing can also help fund redevelopment. We would also welcome support for the nascent Private Rented Sector, which would provide further tenure choice to consumers, and help promote housing supply.

## **Robust assessment of capacity**

36. Housing capacity assessments should include rigorous assessment of land designated for employment to investigate potential for consolidation and mixed use and residential development. The quantum of employment floorspace to be retained should be based on the number of jobs and not previous levels of floorspace; reflecting higher employment densities as a result of new technology and changed working practices.
37. We agree that boroughs with higher capacity will be able to contribute to a greater extent to sub regional and regional need.

## **Negotiating provision of affordable housing in developments**

38. We welcome the stress on the need to encourage rather than restrain housing supply. This is particularly important in the current challenging market conditions where economic viability is extremely fragile and affordable housing and other planning obligation requirements were established at the height of the market.
39. In cases of redevelopment affordable housing should be calculated on the basis of net additions to ensure development is encouraged and not restrained. Calculations on the basis of gross provision could make schemes unviable and remove the incentive to redevelop.
40. The overall affordable housing level as well as the social/intermediate mix should be informed by existing provision to ensure mixed and balanced communities. Introducing market housing in areas of high existing concentrations of social housing is important to support local economic activity.
41. Public investment is critical to ensure affordable housing delivery, especially in the current market. Opportunities for development value to subsidise affordable housing delivery (paragraph 4.45) will be extremely limited, especially in the foreseeable future. Planning authorities must be realistic about development viability and the costs that schemes can bear. Cascade agreements are particularly important given the uncertainty about future grant availability.
42. Paragraph 4.47 should be amended to say “reasonable maximum affordable housing output” to ensure consistency with the adopted London Plan, policy 3A.10.
43. In reference to paragraph 4.50, whilst the level of grant funding in later phases may require an adjustment to the level of affordable housing being delivered, the triggers for a revised offer should be considered and identified within the associated s106 agreement. This reflects the position advocated in paragraph

4.57 of the SPG. Deferral of the planned scale of affordable housing provision can only be secured by agreement between the parties and no policy provision exists within the adopted London Plan to impose this as a requirement of consent – these references should therefore be deleted to reflect adopted policy.

44. We welcome recognition (paragraph 4.51) that affordable housing requirements should take account of the need to meet other planning obligations. This is particularly critical in the current market. Viability assessments should take account of all costs including affordable housing, other obligations and other requirements such as those relating to adapting to and mitigating climate change.
45. It will be critical to take account of CIL (paragraph 4.52); if and when implemented, especially, as proposed it will be a non-negotiable flat charge and will therefore have a significant impact on viability.
46. In the current development market, viability at the time of the original grant of planning permission will be marginal but should increase over the life of the project. The public sector is concerned that the development will not be able to meet planning obligation requirements at the outset but this should change.
47. It is inappropriate for the SPG to suggest that the VOA toolkit model should be afforded greater weight than alternative financial appraisal methodologies (paragraph 4.55). The words “*especially that provided by the Valuation Office Agency*” should therefore be deleted.
48. Whilst phased and deferred payments of s106 can be a partial solution to addressing development viability, this should not be confused with overage (paragraph 4.58) which is a very different issue and is an increasing concern. More appropriate is seeking re-appraisal of viability prior to implementation.
49. The concept of overage stems from land deals where a land owner is rewarded in return for the holding they are disposing of. Where overage is applied this is essentially risk transfer, usually following from an original price agreed. In effect both parties agree that the overall price payable is split over time, albeit with a mechanism that has regard to market movements so to appropriately reward the land owner for the delayed payment. This is wholly different from a statutory authority with no interest in a proposed development or land seeking to benefit from subsequent value increases. Overage should also be distinguished from cascade or other such provisions which operate having regard to specific events happening or not i.e. obtaining grant funding.
50. Financial returns must recognise and reward risk. Long term or complex projects, whether or not they are phased, often involve the developer taking on significant up front risks. Overage provisions cannot take into the account the significant risk the developer is taking on in firstly implementing the scheme and secondly any financial downside, due to the market or other factors, prior to (or after) completion of the various components of the scheme. If there is an upside, above the expected levels shown in an appraisal at the outset, this is the reward that the developer is justified in receiving for the risks taken with a project.
51. This is especially concerning at a time where viability is fragile at best and developers, and crucially their banks, need as much certainty as possible. Overage is a further risk that undermines the ability to raise finance. References to overage should be removed from the SPG and replaced with ‘re-appraisal prior to implementation.’

### **Off-site provision**

52. We welcome recognition that off-site provision in the CAZ may be appropriate to protect the broader planning objectives. It may also lead to better housing provision, including provision of more units and family homes.
53. There may be other circumstances where planning objectives are better met through off-site provision and these should be recognised by the boroughs, alongside opportunities for pooling.

### **Mixed use development**

54. Mixed use development is highly complex in terms of design, construction and functionality. We strongly object to a suggestion of a super-s106 that seeks higher affordable housing where it is perceived that the inclusion of housing is of particular financial benefit to the developer.