

Summary

1. London First is a business campaigning group with a mission to make London the best city in the world to do business, for the benefit of the whole UK. We convene and mobilise business leaders to tackle the key challenges facing our capital. We are made up of over 175 leading employers across a wide range of sectors including strong representation from the development industry.
2. We welcome the opportunity to comment on this consultation about changes to the current planning system. Please note we have only responded to the questions that are relevant to the interests of our organisation.
3. We remain supportive of the government's ambition to have a range of affordable housing types on offer, including low-cost home ownership, however the implementation of this approach must be considered carefully. The introduction of First Homes should not be done in such a way to undermine the delivery of much need shared ownership and low-cost rented affordable housing. We note the G15's detailed comments on this issue and share their concerns about the knock-on impacts that a potential decline in shared ownership homes may have in terms of the general affordability of affordable homeownership products in London and the ability of housing associations to generate cross-subsidy to reinvest into building more affordable homes.

Response to Questions

Question 8: The Government is proposing policy compliant planning applications will deliver a minimum of 25% of onsite affordable housing as First Homes, and a minimum of 25% of offsite contributions towards First Homes where appropriate. Which do you think is the most appropriate option for the remaining 75% of affordable housing secured through developer contributions? Please provide reasons and / or evidence for your views (if possible):

- i) Prioritising the replacement of affordable home ownership tenures, and delivering rental tenures in the ratio set out in the local plan policy.
- ii) Negotiation between a local authority and developer.
- iii) Other (please specify)

4. Option ii) is the pragmatic and sensible option to introduce, particularly in the context of the complexities that the introduction of the First Homes will create in London's housing market. While the consultation notes that option 1 would provide greater certainty and reduce negotiation, it is precisely this lack of flexibility which must rule it out.



5. The original First Homes consultation noted that the government was mindful of the trade-off between the desire to supply First Homes and the supply of other affordable housing tenures. We agree that it is important to be mindful of this trade-off, and for decisions to be made in relation to it that are led by housing need. The GLA's Strategic Housing Market Assessment 2017 noted that the net requirement for new homes between 2016 and 2041 would be 65,900 with 47% of that being low-cost rent (social and affordable rent) and 18% intermediate (e.g. shared ownership and London Living Rent).
6. The introduction of First Homes as a fixed percentage is likely, in many instances, to pose a challenge to the assessed housing need at a local and pan-London level and will therefore require a negotiation between the applicant and local planning authority to find a solution that works for both sides and that can take into account the overall viability of the scheme.

Question 9: Should the existing exemptions from the requirement for affordable home ownership products (e.g. for build to rent) also apply to this First Homes requirement?

7. Yes, the existing exemptions from the requirement for affordable home ownership products should apply to the First Homes requirement.
8. In the case of Build to Rent (BtR), this exemption is integral to such development. Management and ownership of all the homes in a BtR scheme is a defining feature of the product and, in particular, is what attracts long-term institutional money, such as pension funds, to invest in these homes. For the BtR market to further develop in London and the rest of the UK these schemes must be kept as one asset so that a proper asset class can be established and BtR schemes get sold between investors, much in the same way that an office development currently does. This will encourage greater levels of investment leading to the construction of more homes.

Question 10: Are any existing exemptions not required? If not, please set out which exemptions and why.

9. All existing exemptions should remain.

Question 11: Are any other exemptions needed? If so, please provide reasons and /or evidence for your views.

10. The introduction of First Homes is a significant change to planning policy and the impact it could have on the viability of schemes is hard to fully understand, particularly in the current circumstances. It would therefore be prudent to provide a mechanism, by way of a clear exemptions policy, for a limited period of time, for

schemes where the introduction of First Homes makes a site unviable, whether that be due to having to provide First Homes or the associated change required to the tenure mix of the other affordable homes. For example, First Homes will be better suited to one and two bed homes, particularly in London, given the financial thresholds. Any requirement to provide larger homes will be challenging and, in most instances, unaffordable.

11. This exemptions policy should last for a year after the policy is introduced (see below) and would allow the local planning authority and applicant to potentially reduce the percentage of First Homes where robust evidence justifies this approach.

Question 12: Do you agree with the proposed approach to transitional arrangements?

12. Paragraph 58 of the consultation rightly highlights the challenges that will confront developers who are seeking to progress applications through the planning system having made a set of assumptions about the type of affordable housing they will have to provide. While the idea that “where significant work has already been undertaken to progress a planning application” the “local authority should have flexibility to accept alternative tenure mixes” is welcome, it does not go far enough.
13. Such an approach fails to take account of, for example, sites that may have recently been purchased and are yet to progress to planning, with the price paid reflecting, amongst other things, the existing policy requirements for affordable homes. A more effective transition would be to implement First Homes in a year’s time, which would allow sufficient time for local planning authorities and the market to adjust. This suggestion, combined with the approach outlined in response to question 11 above, would provide for a smoother transition.

Question 13: Do you agree with the proposed approach to different levels of discount?

14. Clarity needs to be provided about the evidence a local planning authority would have to provide to justify increasing the discount on First Homes to 40% or 50%. If the evidence required is that it will widen access to the product or make it more affordable, then such criteria would apply across all of England and becomes meaningless.
15. The level of discount required to make First Homes affordable to many first-time buyers in some parts of London – particularly central London – would need to be higher than 30%. However, this would provide a significant windfall gain to a small number of first-time buyers, while utilising support that could be used for other affordable housing tenures that London desperately needs.

Question 14: Do you agree with the approach of allowing a small proportion of market housing on First Homes exception sites, in order to ensure site viability?

16. Yes.

Question 17: Do you agree with the proposed approach to raise the small sites threshold for a time-limited period?

17. Given the current circumstances, we agree with the proposed approach to raise the small sites threshold, but this must only be for a time-limited period.

Question 18: What is the appropriate level of small sites threshold?

- i) Up to 40 homes
- ii) Up to 50 homes
- iii) Other (please specify)

18. While we support the proposed changes, it is important that the policy strikes the right balance between offering support to SMEs and ensuring that much needed affordable homes are still being built. Both the 40 or 50 home thresholds are high, and we think a lower threshold is more appropriate. A 20 or 25 home threshold would be more appropriate which would still be, at the lower of the two levels, double the current threshold by which affordable housing obligations should be sort.

Question 19: Do you agree with the proposed approach to the site size threshold?

19. We agree with the approach to increase the site size threshold proportionately in national policy so that where a site's capacity falls around the quantum threshold, the developer is still incentivised to optimise the efficient use of land. Where a developer submits more than one application for a phased approach to a larger site, the local authority should retain the right to consider the cumulative number of homes and site area if there is clear evidence that a comprehensive development is being delivered.

Question 20: Do you agree with linking the time-limited period to economic recovery and raising the threshold for an initial period of 18 months?

20. We agree that raising the threshold should be for a time-limited period linked to economic recovery. This could be, as the consultation states, for 18 months. Any decision to end the policy or extend it should be taken, as far as possible, within a reasonable period of time before it is due to expire. The government should also explain the factors that it will use to determine if the policy will be stopped or continued.

Question 21: Do you agree with the proposed approach to minimising threshold effects?

21. Yes, we agree with the approach.

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