

UNLOCKING HOUSING DEVELOPMENT IN LONDON

CALL FOR EVIDENCE

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INTRODUCTION

1. BusinessLDN is a business membership organisation with the mission to make London the best city in the world in which to do business, working with and for the whole UK. BusinessLDN works with the support of the capital's major developers, housebuilders and built environment consultants, and we welcome the opportunity to respond to the London Assembly on how to best unlock housing development in London.

We have only responded to the questions that are directly relevant to us.

Questions

What changes or updates could be made to the London Plan to help speed up delivery of housing development, without compromising on quality, environmental impact and affordability?

Opportunity Areas

2. There are a number of changes which could be implemented within the London Plan to support the delivery of more homes in the capital. These include changing its policy relating to Opportunity Areas (OA). OAs are identified in the Mayor's London Plan as key locations with potential for new homes, jobs and infrastructure of all types. OAs help to bring together the public and private sector to focus upon improvements in designated areas, but more must be done to utilise OAs in the short-term as vehicles for stimulating development.
3. There are 47 OAs across London which collectively have the capacity to deliver over 460,000 homes by 2041, as identified in the 2017 Strategic Housing Land Availability Assessment (SHLAA). Currently OAs are failing to meet their identified development potential within London.
4. BusinessLDN and planning and development consultants Quod are currently working on a project to explore how OAs can be better utilised to stimulate growth in the short-term, and we will share our findings with the Assembly as the project progresses.
5. We welcome the Mayor's commitment to delivering more Mayoral Development Corporations as part of his 2024 manifesto. Establishing a clear vision and direction for the regeneration of an area helps to incentivise development whilst also creating

transparency for local communities. The updated London Plan should map locations for the next generation of Mayoral Development Corporations.

Viability Guidance

6. Greater clarity is needed regarding the GLA's guidance on development viability, which was consulted on in 2023 but has not yet been formally adopted. The draft guidance which was put out for consultation was too complicated for what should be overarching strategic guidance, adding further complexity to the development process, and potentially more delay, in an environment where residential developers are already facing significant challenges.
7. Parts of the draft guidance conflicted with national planning policy and, in some instances, would introduce new policies, which is beyond the scope of the document. The proposals also wrongly focused upon the nature of applicants and development typology, an approach which would likely create overly long and complex discussions, in turn delaying development. This approach would pose a particular risk to the delivery of Build to Rent and co-living developments at a time when these uses should be supported to diversify the supply of much needed new homes.
8. In an environment where the development industry is already facing significant challenges, creating further complications during the viability assessments of developments would have a detrimental impact on the delivery of homes.

Green/Grey Belt

9. The recently proposed amendments to the National Planning Policy Framework detail plans for Green Belt allocation to be reviewed where housing needs can't be met. The proposals set out the parameters for reviewing and releasing poor quality areas of the Green Belt, referred to as the 'Grey Belt', to increase the supply of land for development.
10. Given London's limited supply of land for development, the London Plan should follow the policy proposed in the NPPF, allowing for poor quality areas of Metropolitan Open Land to be released for development. This will help increase the supply of land in London, reducing the constraints on development in the capital.

Do any other aspects of the current planning system in London impact your ability to start and finish housing developments, and would you like to see any specific changes to improve the process? Please feel free to refer to the new NPPF proposals if relevant.

Local Authority Resourcing

11. One of the most significant challenges that developers face is a lack of efficiency and reliability within the planning system. From July 2023 to September 2023, only 21% of major applications were decided within the statutory 13-week time limit, whilst the median determination period was 28 weeks¹. Those delays stem from a planning system which is being asked to take on more technical responsibilities with significantly reduced funding.

¹ An accelerated planning system, Department for Levelling Up, Housing & Communities, 2024.

12. Analysis from the Royal Town Planning Institute found that Local Authority (LA) net expenditure on planning had fallen by 43% to £480m in 2020/21 from £844m in 2009/10. This has had a direct impact on the resourcing of Local Planning Authorities (LPAs), with many no longer able to compete with private sector wages for roles similar to those they recruit for, meaning they struggle to attract and retain talent. An article from the Local Government Chronicle² found that 30% of London boroughs have less than 75% capacity within their planning teams.
13. If the planning system is going to support increased delivery of high-quality homes in London, LPAs must be effectively resourced. Whilst the NPPF consultation is asking for views on proposals for LPAs to set their own planning fees to recoup some of their depleted funding, further thought must be given to how LPAs can recruit additional resource in the short-term.
14. BusinessLDN has established a Planning Resource Taskforce, with the support of planning specialists Gerald Eve, law firm Ashurst, public sector stakeholders, including the GLA, London Councils and London boroughs, to explore the role that the private sector can play in supporting LPA resourcing. We will share recommendations from the taskforce's work in the Autumn.

Brownfield Land

15. There has been significant focus upon the need to deliver development on brownfield land, both in London and across the nation. Whilst development on brownfield land is incentivised through current policies, more can be done to support it. One potential solution is to allow full expensing of build costs on brownfield housing delivery.
16. Brownfield development is often complex and expensive, and it often generates high social value. As such, developers should be allowed to fully expense their build costs, bringing them in line with the way other capital investments are treated for tax purposes. This would help bring forward development on brownfield land and deliver high-quality housing during a time of increasing need.
17. Where brownfield land is not viable or available, Green Belt policy should be reviewed in-line with the new NPPF. That review process should encompass the allocation of Metropolitan Open Land within London. The draft NPPF outlines plans for reviewing the Green Belt and developing on previously developed areas of the Green Belt, now referred to as the Grey Belt. It is unclear what this means for London's Metropolitan Open Land, which should also be reviewed to identify areas suitable for development.

What additional support or resources from the Mayor and central Government would most effectively help you overcome development barriers, in particular to build more affordable housing?

Section 106 affordable homes

18. One of the most significant challenges facing developers in London is a decline in the numbers of affordable homes being delivered through the Section 106 process. Though a figure is not available for London, affordable homes funded by Section 106 agreements accounted for 47% of all affordable housing delivered nationally in 2022-23. Traditionally,

² Revealed: capacity and churn issues facing planning teams, Local Government Chronicle, 2023

once a development is delivered, the Section 106 homes are purchased by a Registered Provider (RP). However, increased pressure on finances due to obligations concerning fire safety, damp, mould and retrofit has meant that RPs are increasingly refocusing their capital on existing stock rather than expanding the number of homes under ownership and management.

19. The decline in the number of RPs willing to bid for Section 106 homes can result in either a development coming to a standstill if a partner cannot be secured, despite having a permission in place, or affordable homes being delivered but sitting empty until a buyer is found.
20. Pragmatic, short-term solutions are required to resolve the current situation. These could include LAs receiving the cash equivalent of affordable homes from a developer in lieu of delivery, which can then be invested into their own building programmes, or the approved list of RPs for an LA being expanded to help increase the potential pool of buyers for homes.

In addition to these solutions, bolder action is likely to be required. One possible course of action could be for the GLA to establish a vehicle, backed by institutional investment, to purchase and manage Section 106 affordable homes that cannot be sold via the normal process to provide long-term housing for Londoners. Such a proposal is currently being developed by Opportunity London and merits further detailed consideration.

City Hall Developer

21. We recently published our [report](#) on the Mayor's City Hall Developer (CHD) initiative which provides a private sector perspective on the role, function and objectives of this vehicle. Produced in partnership with PwC, with input from the GLA, the report proposes that the CHD be an additive, rather than a competitor, to the market, working with public sector landowners to identify surplus public land across London which can be acquired or jointly promoted and brought forward for future development, whilst also building on existing work to unlock sites for housing development. The CHD would assess the long-term feasibility of sites, taking them through the statutory planning process, before either releasing them to private delivery partners or retaining the flexibility to take on a more direct delivery role.
22. By taking this land assembly and promotion approach, the report indicates that, with an initial modest investment of £100m, the CHD could enable delivery of 1,600 additional new homes over a 10-year period, with the ability to leverage in additional private capital to create a bigger impact.
23. We will continue to work with the GLA to monitor and support the development of the CHD and will keep the Assembly informed of progress.

Private investment into affordable housing

24. If London is to deliver the scale of affordable housing it requires, new sources of private capital and innovative ways of providing affordable housing are needed. We are unlikely to see a significant change in approach by Government to grant allocations, meaning that public funding for affordable housing will remain limited. Private investment must therefore be effectively utilised, and this should involve attracting additional private capital into the market to maximise delivery of new affordable homes.

25. Private investment into affordable housing is not a new concept and recent models for such investment, including For-Profit Registered Providers and joint ventures, enable private capital to partner with local authorities and housing associations to deliver more homes without the use of additional public borrowing. The attractiveness of the sector to investors includes the general stability and inflation-linked nature of income streams, low voids, limited bad debts, inelastic demand due to long waiting lists, and the counter-cyclical nature of the market given demand is less correlated with economic cycles. Affordable housing being viewed as an impact investment can also enhance Environmental Social Governance credentials.
26. As more private investment comes into the affordable housing sector, it is important to ensure that the types of homes delivered are consistent with local need and that the investment is aligned to wider social objectives while providing a fair return – there is good reason to believe all of this can be achieved, and our [report](#) published in October 2022 provides more detail on the concept.
27. To support this private investment in social housing, Government should provide long-term certainty about both a future rent settlement, ensuring it is reflective of the costs that RPs are facing, and its Affordable Housing Programme (AHP). We acknowledge that an extension has been made under the current AHP for completions to 2030 which is welcome. Any new programme must ensure that money is provided flexibly to reflect the cyclical nature of development as well as the economic climate within which homes are being built. This long-term certainty would not only help attract more private investment into affordable housing, bolstering the limited amount of public funding that is currently provided, but it would also allow RPs to plan with confidence for the future, adjusting their business plans accordingly, and potentially freeing-up capital to purchase new homes.