

BusinessLDN response to the GLA's consultation: Key worker living rent as a form of rent control homes for Londoners

Response from: BusinessLDN, One Oliver's Yard, 55-71 City Road, London EC1Y 1HQ

Prepared by: Stephanie Pollitt, Programme Director, Housing
stephanie.pollitt@businessldn.co.uk

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Introduction

1. BusinessLDN is a business membership organisation with the mission to make London the best city in the world to do business, working with and for the whole UK. BusinessLDN works with the support of the capital's major businesses in key sectors such as housing, planning and infrastructure and we welcome the opportunity to respond to this consultation.
2. London faces an acute shortage of all types of homes. This is not only a social issue but also an economic one if businesses in the capital are unable to recruit and retain the talent they need to thrive. We welcome the Mayor's commitment to deliver 6000 new homes specifically for key workers as part of a mixed tenure approach to resolving London's housing crisis. Crucially, the delivery of Key Worker Living Rent (KWLR) homes should not be to the detriment of overall scheme viability; clear policy direction is required to ensure the delivery of these homes is supported by developers, registered providers (RPs) and local planning authorities (LPAs).
3. We have only responded to the questions that are directly relevant to us.

Q1. What do you identify as the main considerations for the Mayor to ensure that KWLR homes will be attractive to:

a) Londoners in need of intermediate housing, especially key workers

4. The location and affordability of KWLR homes will be critical to ensure the success of this policy and should reflect the needs of those living and working locally. Key workers should be able to access housing in boroughs where they work or where they currently live, and this flexibility should form part of a borough's allocation criteria.

b) Developers seeking to build intermediate housing

5. While developers will seek to build schemes in accordance with policy, given the wider financial pressures that currently exist, it is extremely challenging to deliver a viable scheme. Affordable housing starts in London for 2024/25 stood at 582 which was a significant drop from

2358 in 2023/24.¹ The number of KWLR homes that developers might deliver through a s.106 agreement will be determined by the overall viability of a scheme.

c) providers seeking to manage and let intermediate housing?

6. Providers would need assurance that there is sufficient demand for KWLR homes. This is essential to prevent competing stock issues or a shortage of key workers to take up the supply. Policy should, as far as possible, allow for an easy transition between tenures, such as London Shared Ownership (LSO) or other rented products, to ensure flexibility in meeting local housing needs.

Q2. To what extent do you think that the steps set out at paragraphs 4.5 to 4.7 above will provide clarity to

- **developers and other housing providers seeking planning permission to develop KWLR homes, and/or**
- **local authority planning departments assessing such proposals?**

7. We agree that for the delivery of KWLR homes to be embraced, clear direction is required through the London Plan and associated guidance. Explicit reference to KWLR homes will create greater certainty for developers that KWLR housing is actively supported and encouraged. LPAs would also benefit from the proposals outlined helping to ensure that applications are determined with consistency.

Q3. Please share any insights you have on demand for intermediate housing and, in particular, intermediate rented homes, from key workers, as defined by the GLA's list of key worker occupations or local additions to it? This might include insights on the role of intermediate housing in supporting recruitment and retention, or on the profile of key workers seeking and securing intermediate housing. (Please also see question 19 below.)

8. Our 'Who Lives in Build to Rent' reports show there is demand for intermediate rented homes in London. Looking at the GLA's classification of key worker occupations,² our report published earlier this year, shows that 38% of residents living in build to rent homes are key workers.

These are comprised of:

- 16% in the tech industry
- 13% public sector
- 4% retail
- 1% transport³

¹ <https://www.london.gov.uk/programmes-strategies/housing-and-land/mayors-priorities-londons-housing-and-land/affordable-housing-statistics>

² Allocating intermediate homes to London's key workers, Housing Policy Practice Note, GLA December 2021

³ Who Lives in Build to Rent, London Edition, BusinessLDN, January 2025

Q4. Beyond the two Practice Notes and LPG on affordable housing described above, what more, if anything, could the Mayor do to support boroughs and housing providers to prioritise key workers for KWLR homes?

9. The Practice Notes and LPG provide clear guidance on how affordable homes should be allocated. Providing KWLR homes should be determined by an assessment of local housing need moderated by development viability.

Q5. What do you think of the possibility that the Mayor makes allocating any KWLR homes he funds to key workers a condition of that funding (paragraph 5.8)?

10. We agree that KWLR homes should be prioritised for key workers. However, as noted in paragraph 5.9, if these homes cannot be let to key workers after three months, they should be allocated more broadly based on local need.

Q.6. Do you have any insights or suggestions on how the Mayor could work with organisations and institutions interested in providing or securing accommodation for employees to support them to develop KWLR homes for staff (paragraph 5.10)?

11. As noted in paragraph 5.10, there is scope for the GLA to work with public sector landowners such as the NHS to provide homes. A framework for this could be through the City Hall Developer which, as noted in our report published last year⁴, could act as the principal enabler of public-sector led housing development in London, working with the public sector to acquire and assemble land and facilitate development on new sites.

Q9. What do you think about as Options A and B, outlined at paragraphs 6.17 to 6.20 above, as approaches to rent setting, and why?

12. Option B should be used. Option A, using London wide benchmarks, would not reflect the difference in cost of development across different boroughs, possibly leading to KWLR homes only being developed in cheaper areas. Eligibility should be identified according to local need with boroughs given flexibility to vary the benchmark rent to ensure that KWLR homes are affordable.

Q10. Do you think the Mayor should expect providers to set rents and service charges for KWLR homes at benchmarks when they re-let homes, or just when they first let them (see paragraph 6.21 above)?

13. When homes are re-let, rents should not be rebased at the original benchmarks as this will not reflect the current market and could potentially disincentivise developers and RPs who require certainty and cost-reflective future rental income.

⁴ City Hall Developer, BusinessLDN and PWC, July 2024

Q11. What do you think about the potential approaches to permitted increases in rent and service charge benchmarks for KWLR homes outlined at paragraphs 6.22 to 6.25 and illustrated in Table 2 and why?

14. Index linked rents is a long-established principle in affordable housing and rent increases should rise in accordance with the Consumer Price Index (CPI). Last year, Government consulted on a future rent settlement for affordable housing and proposed that rents be allowed to rise annually by CPI+1%. This approach should also be adopted for KWLR homes to ensure certainty for residents on future rent rises and RPs on future income.

Q15. Do you have insights on how much funding IPs might require to deliver KWLR homes, relative to the funding needed to deliver social rented, LLR or shared ownership homes?

15. The cost of delivering affordable homes has increased exponentially and greater levels of subsidy are required. Research currently being undertaken within the development industry has identified that the level of capital subsidy required to deliver intermediate homes is between £300k and £320k. This means that a significant increase in grant funding is required to support the provision of KWLR homes and indeed social housing.

Q17. To what extent do you think KWLR homes should replace LLR homes as the Mayor's preferred intermediate rented tenure, with rents linked to incomes? Please explain the reasons for your answer.

16. Both LLR and KWLR homes meet the needs of different groups. There will be a number of people who have a need for intermediate housing but who don't meet the definitions of key workers and who would otherwise be unable to access lower cost housing if LLR was not available. KWLR homes should not replace LLR but act alongside it as an additional intermediate product.