

MAYOR OF LONDON

Affordable Housing and Viability

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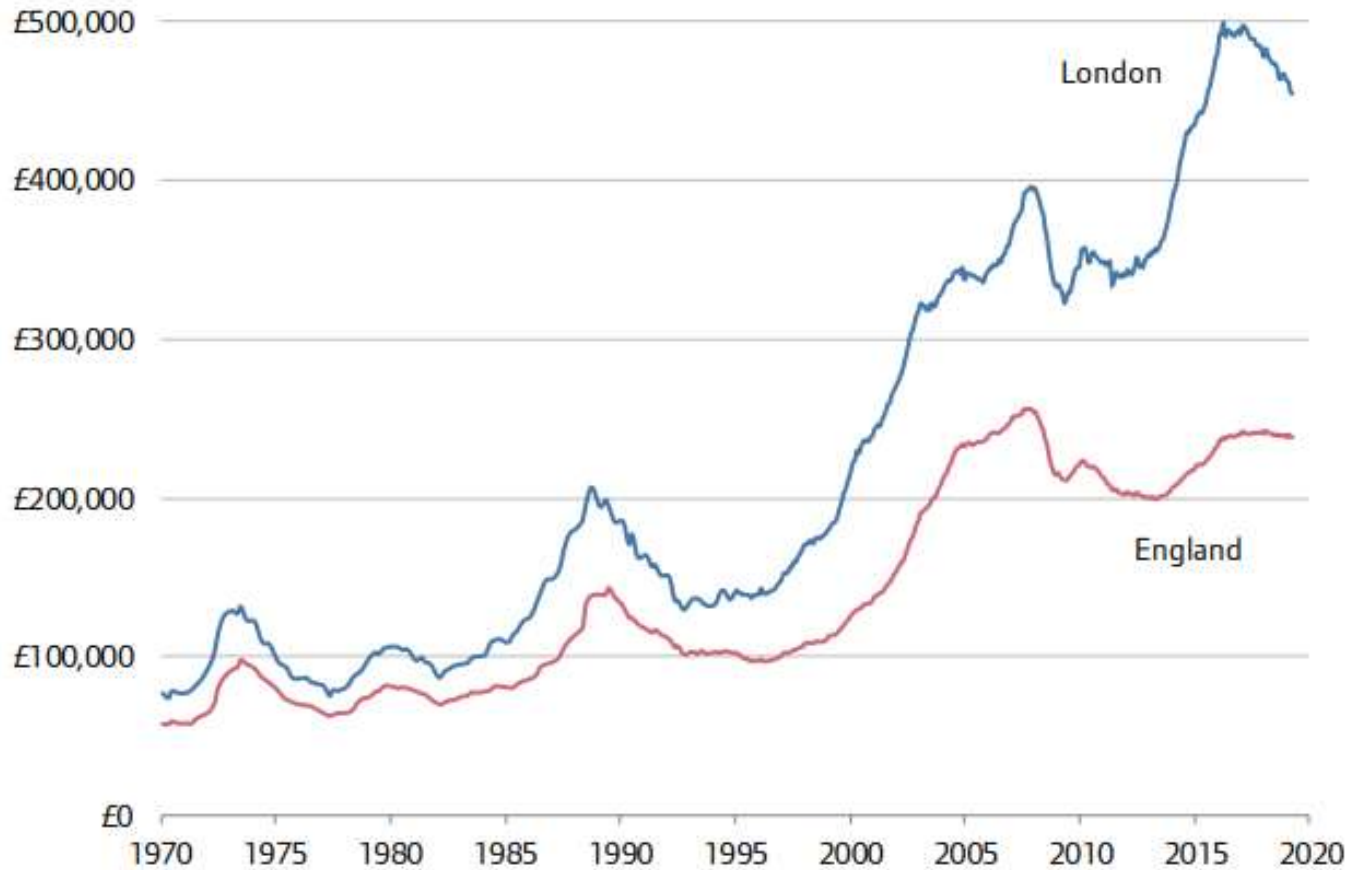
The Mayor is determined to make more homes affordable to Londoners on low and middle incomes and is committed to a long term strategic target for half of new homes built to be genuinely affordable



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Average house prices in London and England after adjusting for inflation, 1970 to 2019

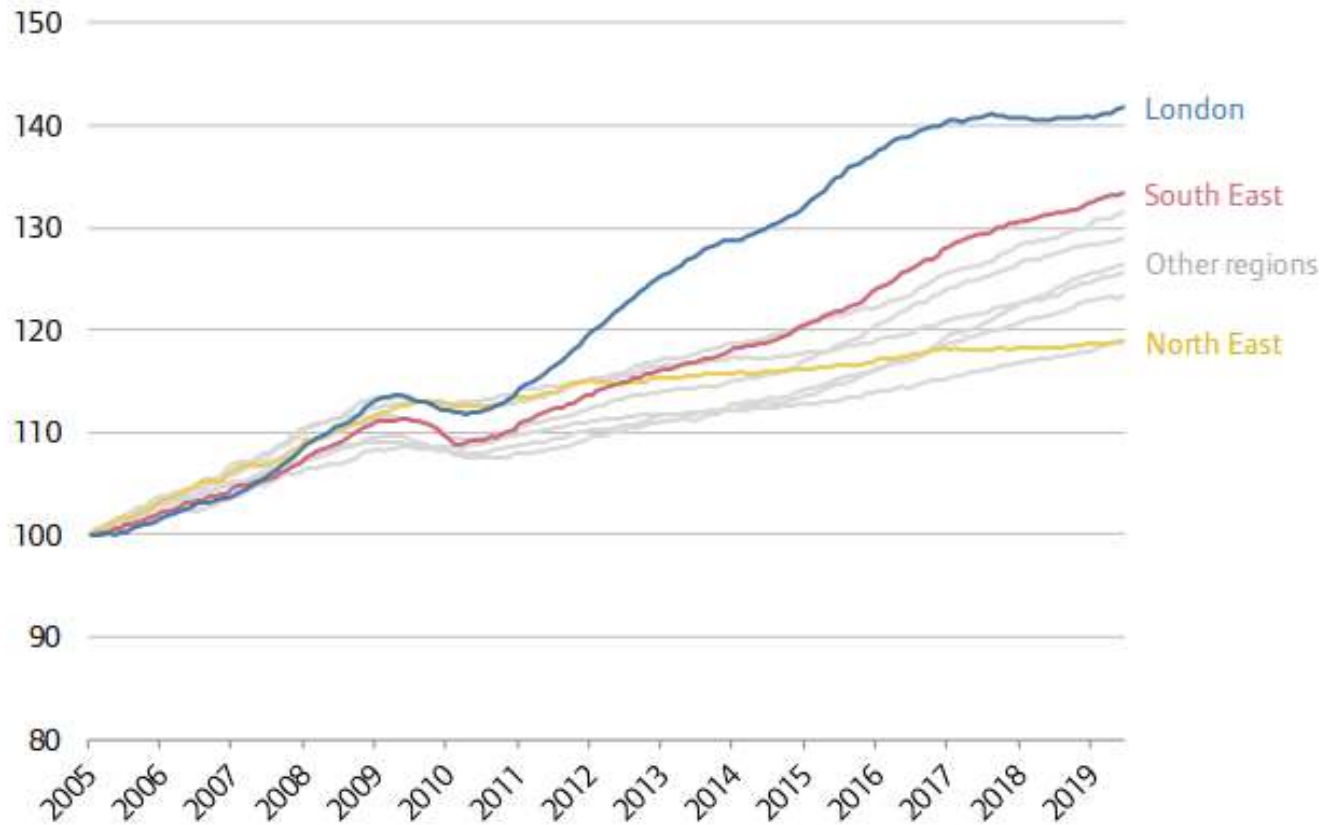


Source: Mayor of London Housing in London, 2019

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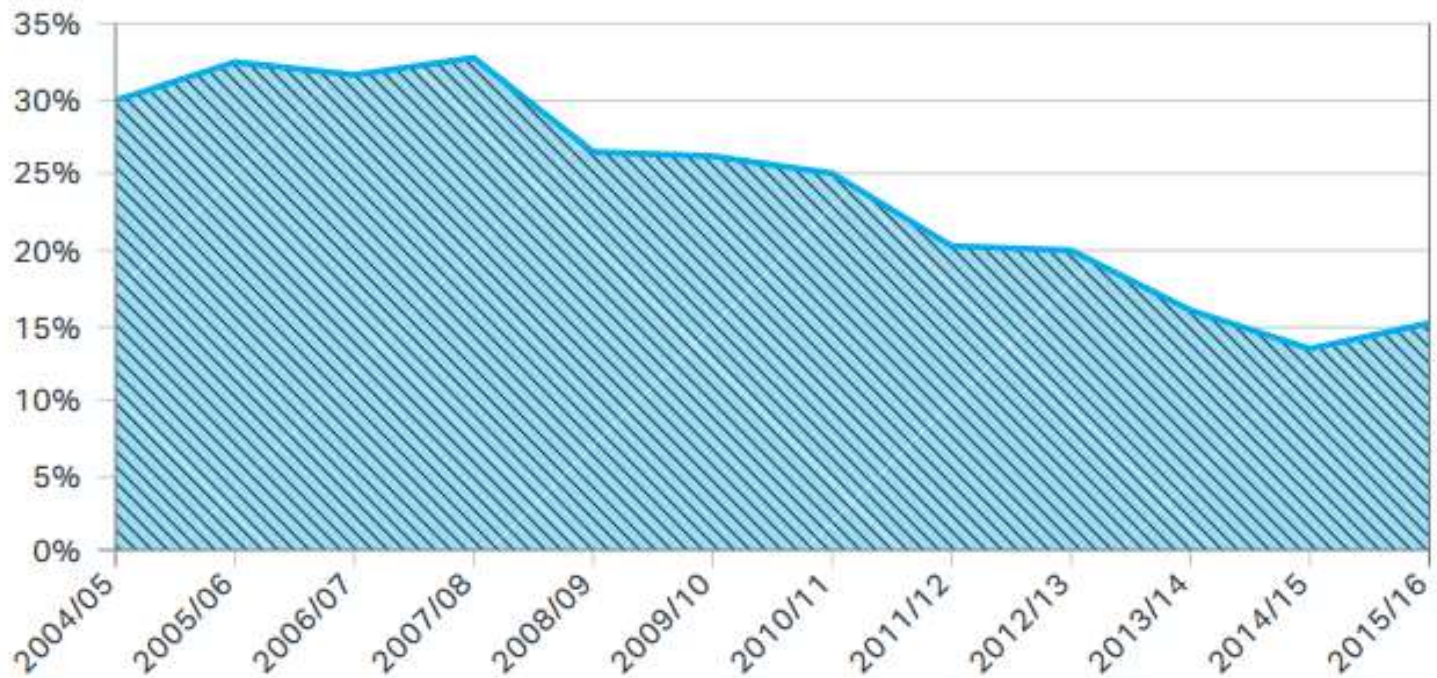
Index of change in average private rents by region, 2005 to 2019
(2005 = 100)



Source: Mayor of London Housing in London, 2019

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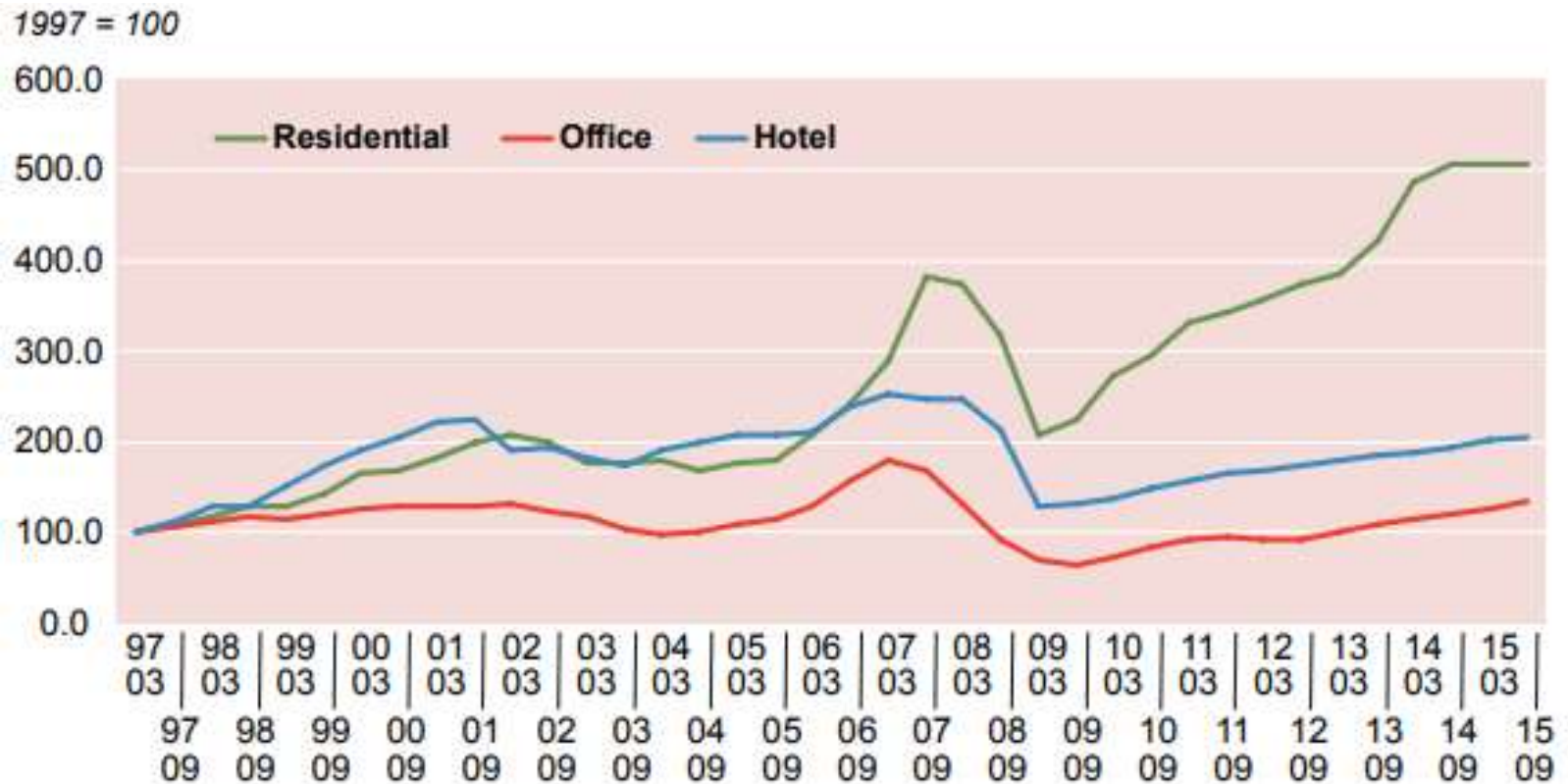
Affordable homes as a percentage of net conventional approvals in London, 2004/05 to 2015/16



Source: GLA analysis of London Development Database (LDD), August 2017. This is based on the proportion of net conventional housing approvals in each year that comprised affordable housing between 2008/09 and 2015/16 (the latest year available).

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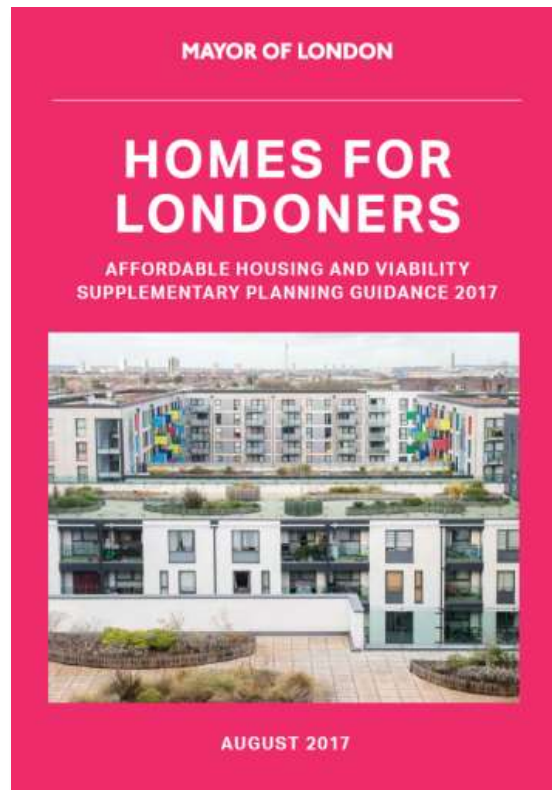
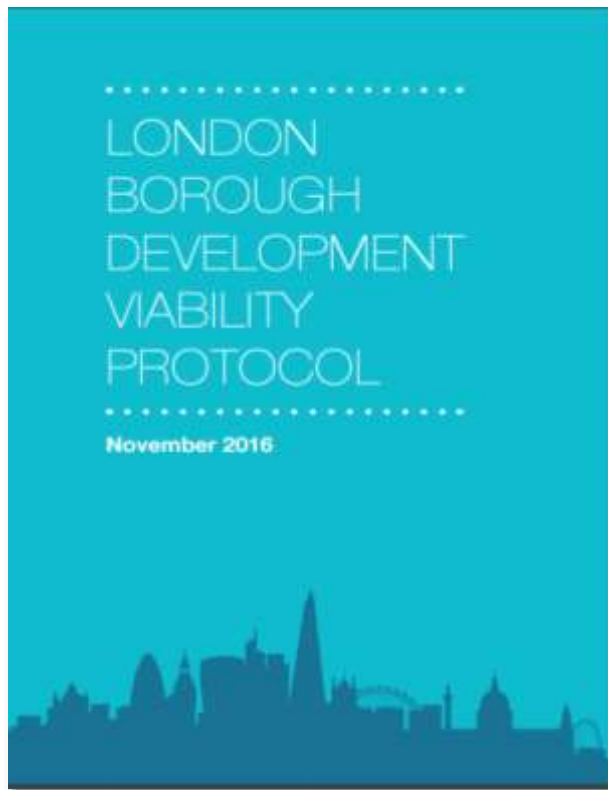
Residential, office and hotel land values in London



Source: Viability and the Planning System: Sayce et al 2017.

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Guidance on Affordable Housing and Viability



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Draft London Plan – Affordable Housing

Strategic target 50% of all new homes

Sets out how this will be achieved through:

- Threshold approach - 35% on private sites
- 50% on public sector, industrial land
- Fast track Route / Viability Tested Route
- Affordable housing from affordable providers & “strategic partners”

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Rationale for threshold approach

- Greater planning certainty
- Embed affordable housing policy requirements in land values across London
- Clear incentives
- Viability Tested Route
 - Subject to viability tested approach through SPD assumptions and late review mechanisms
- Reduce protracted viability debates

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Mayor's Preferred Affordable Housing Tenures

- Low cost rent - Social Rent
 - London Affordable Rent
- Intermediate - London Living Rent
 - London Shared Ownership

Outcomes

- Affordable Housing – 34 per cent on approved referable applications, 2018
- Increase in Low Cost Rent Affordable Housing
- GLA Viability Team
- London Authorities Viability Group
- Transparency Arrangements adopted by Boroughs
- Review Mechanisms – Standard Approach
- Appeals / case law
- Revised NPPF and PPG on viability

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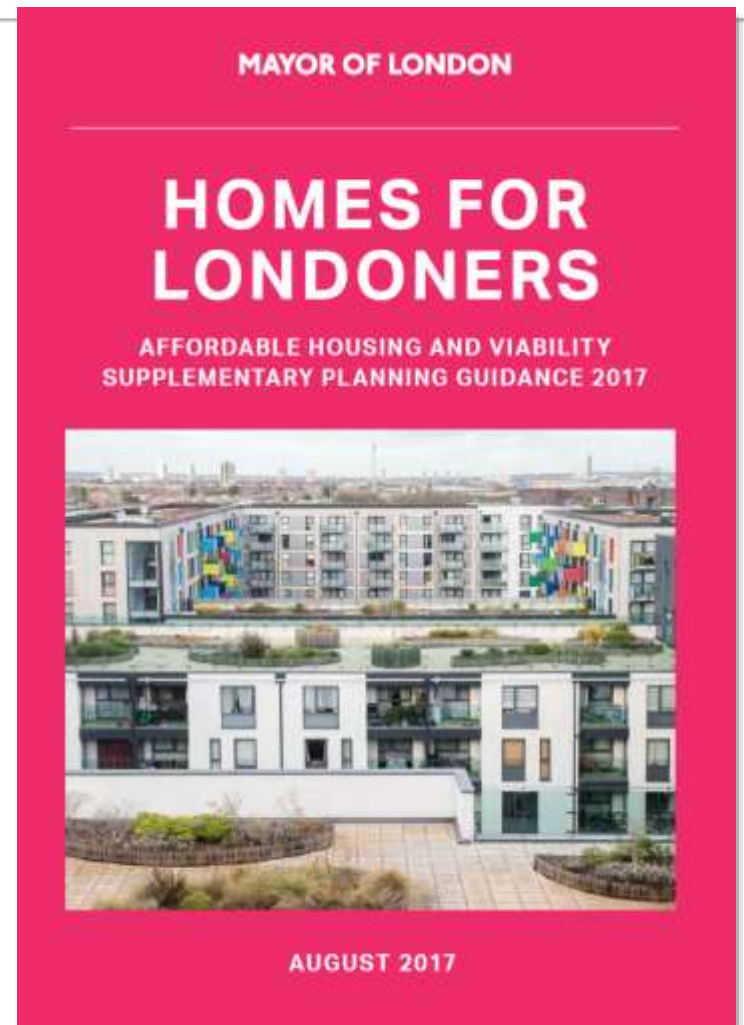
SPG - Viability

- Non –referable / referable applications
- Evaluate appraisals rigorously (LP policy 3.12 / paragraph 3.71)
- Clarifies assumptions and methodology
- Guidance on benchmark land values
- Stronger and more consistent review mechanisms
- Transparency – ICO – EIR – Public interest



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- **Development values**
 - Specification
 - Up to date comparable evidence
 - Gross/ net
- **Affordable Housing Values**
 - RP price - S106 - Timing
- **Build Costs**
 - Elemental form – benchmarking
 - Current day/ growth
- **Profit**
 - Justified and risk related
 - Lower for a/h/ commercial / PRS



National Planning Policy Framework – July 2018

Planning obligations - Paragraph 57

- Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.
- Applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.
- The weight to be given to a viability assessment is a matter for the decision maker, having regard to circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force.
- Reflect recommended approach in PPG, including standardised inputs, and be made publicly available.

Planning Practice Guidance Viability – May 2019

Plan Making

- Proportionate assessment of viability taking account of all policies, local, national standards, CIL and S106.
- Role of viability primarily at plan stage.
- Cumulative cost of policies not undermine delivery of plan.
- Realistic deliverable policies without need for viability at decision making stage.
- Developers and other parties buying land should have regard to the total cumulative cost of all relevant policies when agreeing a price for land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.
- Striking a balance between aspirations of developers' and landowners' returns against risk and aims of planning system to secure maximum benefits in the public interest.

Planning Practice Guidance Viability – May 2019

Decision Taking

- Applicant to demonstrate need for viability testing – circumstances differ from plan testing.
- Evidence of what has changed.
- Review mechanisms – to ensure policy compliance and optimal public benefits through economic cycles. Not a tool to protect developer return.
- Proportionate, simple, transparent and publicly available.
- Values; costs; land value (Existing use value plus a premium; alternative use value); developer's return (15-20% on GDV).
- Integrity, executive summary, publicly available other than in exceptional circumstances
- Monitoring and reporting developer contributions.

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SPG - Land value

“Reliance on land transactions for sites that are not genuinely comparable or that are based on assumptions of low affordable housing, excess densities, or predicted value growth, may lead to inflated site values. This undermines the implementation of DP policies and the ability of planning authorities to deliver sustainable development”.

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SPG - Land value benchmark

- Support for 'EUV plus premium' - excludes hope value; premium must be justified
- Market value approach - reflect policy, site specific circumstances risk of circularity - non-standardised assumptions, growth etc
- Alternative Use Value – Extant consent, realistic, policy compliant, implementable permission

Planning Practice Guidance Viability – May 2019

Benchmark Land Value – EUV + premium

- Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan (PPG para 14, SPG para 3.48).
- If transactions are used to inform BLVs they must fully reflect the cost of policy compliance including for affordable housing at the levels set out in the plan or be adjusted to fully reflect plan policies and should only be used as a cross check to other evidence (PPG para 14, 16, SPG para 3.49).
- There may be a divergence between benchmark land values and market evidence. Historic benchmark land values of non-policy compliant development should not be used to inflate values over time (PPG Para 14, SPG para 3.50).
- Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies (PPG para 16).

Planning Practice Guidance Viability – May 2019

BLV - Alternative Use Value (AUV)

- If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan (PPG para 17, SPG 3.51)
- Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. (PPG Para 17) (emphasis added).

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Resourcing

- Internal expertise?
- Viability, S106, CIL
- Plan and application stage viability
- Database of local values and costs
- 'Intelligent client' for external work
- Additional capacity for case officers
- Lead on appeals
- S106 / CIL fees
- Recruitment / sponsorship

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Questions

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HOMES FOR LONDONERS