

MAYOR OF LONDON



HOMES FOR LONDON

**THE LONDON HOUSING STRATEGY
JUNE 2014**

FOREWORD

London is booming. Our economy is growing. The result - more jobs, more prosperity, and more people - puts even greater pressure on infrastructure, and in particular on housing.

Since 2008 London's population has increased by 600,000. By 2020 we will have nine million Londoners, by 2031 we are predicted to blast through the ten million barrier. My 2020 Vision set out the scale of the challenges we face in maintaining London's position as the best big city in the world. Rising to our housing challenge is an economic as well as a social imperative.

We need to help find every way possible for hard working Londoners to access decent low cost affordable housing at a time when for many it appears all that is on offer is ever more unaffordable. I published a draft housing strategy in November, setting out how I want London to rise to this challenge. It has had a tremendous response and every good idea has been included.

While this housing strategy is not only about supply, it is clear that supply above all else is central to London's housing needs. With increased supply come opportunities to address affordability, help for people to meet their aspirations, improved quality, renewal of post-war estates, and the ability to tackle entrenched issues like homelessness and overcrowding.

Post-recession London is seeing a vast expansion of house-building. A record number of new homes were registered to be built in 2013, while construction orders for new housing rose to £5.3

billion. Affordable house-building is on track to deliver 100,000 homes by 2016, a record in the history of City Hall.

Yet the challenge is enormous, because historically the number of homes being built was too low. For the last 30 years or more, housing delivery has all but flatlined at around half the level we now need. Housing in the capital has been a story of boom then bust, of economic cycles that follow their inexorable cycle paths, of governments of all political colours that rise and fall but simply don't grip or change the fundamental story - we just do not build enough homes.

This all leaves London facing an epic challenge: to double house-building and build 42,000 new homes a year, every year, for the next 20 years. That's a level of house-building unseen in our great city since the 1930s and then only for a few short years. And of course, unlike in the 1930s, we do not have the option of simply building over miles of virgin countryside.

London has some of the most exciting development opportunities in the world. From Battersea to the Royal Docks, from Croydon to Brent Cross. As far as the eye can see the cranes that speak of the scale of opportunity in the capital dot the landscape. In truth we need more of them.

We also have to ensure that the new homes we build are inspiring for current and future residents, that they are set in attractive neighbourhoods and vibrant town centres, and are well connected to jobs. There is massive neo-Victorian investment now happening in London's transport system and we must make the

most of this to underpin the delivery of new homes.

My aim is to make sure that the homes we build better reward those who work hard to make this city a success – by massively increasing opportunities for Londoners to own their homes through innovative new products, by improving the quality and management of the private rented sector, and by ensuring working Londoners have priority for low cost affordable homes to rent. I will also continue the ground-breaking work City Hall has done to tackle the needs of those most disadvantaged by the housing crisis, the homeless, rough sleepers and overcrowded households.

This strategy aims to put in place the resources to deliver more than 42,000

homes a year. To achieve this aim, virtually doubling housing delivery, needs us all to recognise that this is not the job of 'someone else' - not the boroughs, the Government, the Mayor, the private sector, or the public sector. It is the job of all of us and only by working together can we make this happen. So support me in making the case for a long-term financial settlement with national Government and for freeing up local councils to build. Support me in promoting institutional investment in new purpose built high quality private rented housing. Support me in bringing forward surplus public land and in developing the ten Housing Zones I envision across the capital to drive delivery. Support me in all these and we have the chance to build the homes we need.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long horizontal flourish extending to the right.

Boris Johnson
Mayor of London

PART 1 IDENTIFYING THE CHALLENGE

Part 1 sets out the scale of the challenge. It describes the increased demand for homes driven by a growing population and changes in the patterns of tenure. It describes the impacts of insufficient supply – undermining economic competitiveness, worsening housing affordability and increasing levels of acute housing need.

It goes on to set out the economic case for housing as infrastructure that is essential to support London's growth, detailing the contribution that house-building makes to GDP and to job creation. It identifies how a failure to provide adequate housing for low and middle income Londoners could have severe impacts for future economic growth.

HOUSING LONDON'S GROWING POPULATION

1.1 London's population boom

By many measures, London is the greatest city on earth. It is the UK's only global city and Europe's most cosmopolitan capital. Between 1997 and 2012 London's economy more than doubled in size, growing from £147 billion to £309 billion¹. Over the same period, its share of the UK's gross value added increased from 19.4 per cent to 22.4 per cent. This welcome growth comes at a price and London's infrastructure, including housing, is under tremendous pressure, both from

indigenous population growth and from newcomers looking to share in the success of the capital.

London's population has grown rapidly, from 6.8 million in 1986 to 8.4 million in 2013 and is now projected to surpass its 1939 peak of 8.6 million as early as 2016². This significant growth, after decades of falling population from the 1940s to the 1980s, is influenced by a number of factors, but primarily the natural growth that results from London's relatively youthful population. There has also been a fall in out-migration over the last ten years, with more people choosing to stay and raise families, while in-migration has stayed more constant.³

Figure 1: London's population is equal to these 24 cities⁴



Although the population trend is clearly upwards, there is some uncertainty as to its long-term trajectory. This is in part because it is not yet clear whether the recovery of the housing market across the wider south east will lead to a resumption of historic levels of out-migration. The GLA's best estimates are that the population will reach nine million by 2020 and ten million by 2035.⁵ This is more than the equivalent of adding the population of the UK's second biggest city, Birmingham, every ten years or a new London borough every two and half years.

The current population of 8.4 million Londoners is formed into roughly 3.4 million households and this is projected to rise to around 4.2 million over the next 25 years, an annualised growth of around 40,000 households.⁶ The main drivers are expected to be one-person households (projected to rise by 160,000 between 2011 and 2035) and couple households (projected to rise by 475,000).⁷

While London's population has grown more over the last ten years than at any time in its two thousand year history, housing supply has not kept pace. Annual new house-building has stayed around 20,000 to 25,000 over the last 30 years, all but untouched by successive periods of boom and bust. The mismatch between supply and demand has grown widely in the last decade and is reflected in the average household size in London increasing for the first time in over 100 years, from 2.35 in 2001 to 2.47 in 2011.⁸

Throughout the twentieth century, most new house-building was in outer London. Figure 2 shows that 84 per cent of London's surviving homes built in the 1930s are in outer London, but outer London's contribution to new housing supply has fallen since and it accounts for just under half of the homes built since the millennium. The highest growth was in the first four decades of the twentieth century, with around half

Figure 2: Inner and outer London homes built by period⁹



a million homes built in outer London between 1900 and 1929 and another half a million in the 1930s. By contrast, the twenty first century has seen slightly more homes built in inner London.¹⁰

A rising population requires a significant and sustained increase in supply in both inner and outer parts of the capital. Even at the pre-recession peak, new supply was far below the estimated minimum 42,000 homes per annum that are now required.

1.2 A global challenge

Global cities around the world are all facing a massive challenge in providing enough new homes to meet the demands of growing populations. Over the last decade, London increased its housing stock at a much faster rate than Paris and New York, both of which also had lower rates of population growth.¹¹ However, London's stock grew at a much slower rate than Tokyo's, which increased by around two per cent per annum.¹² To achieve a similar rate of growth, London would need to build around 60,000

homes every year. It is also notable that Tokyo saw a substantial growth in owner occupation in this period. Tokyo's rapid housing growth is due to a number of factors including close integration of transport and housing development, alongside a more flexible planning regime that encourages greater development densities.¹⁴

1.3 London's housing sub-markets

London's housing market is complex and diverse and there is not a homogenous housing market within any single borough boundary. It contains a range of sub-markets which vary widely, not just by tenure and price, but by the type of purchaser and renter. The prime central London market has seen very rapid growth in demand, and consequently prices, since the depths of the last recession, with a high proportion of cash purchasers and overseas investors buying both new and existing homes.¹⁵

The rest of inner London has also seen a strong growth in prices, again in part due to overseas investment, but to a far lesser

Figure 3: Annualised percentage growth in housing stock and population¹³

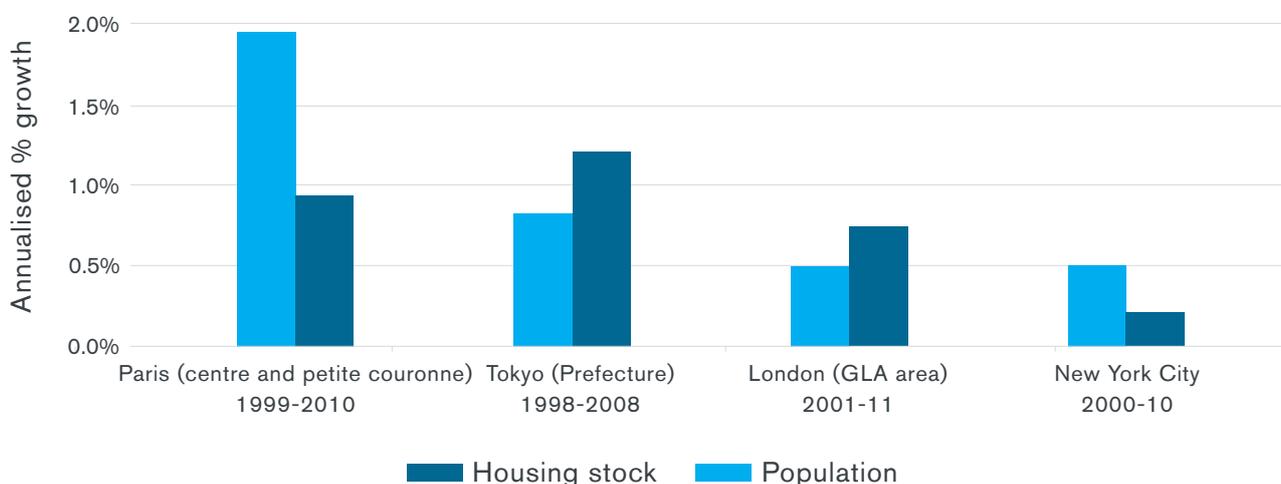
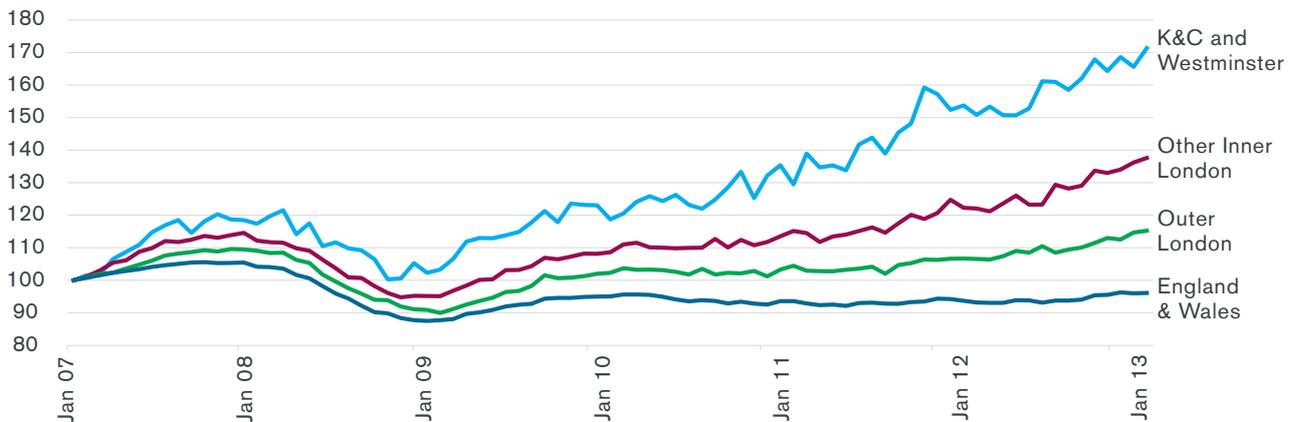


Figure 4: Estimated London house price indices¹⁶

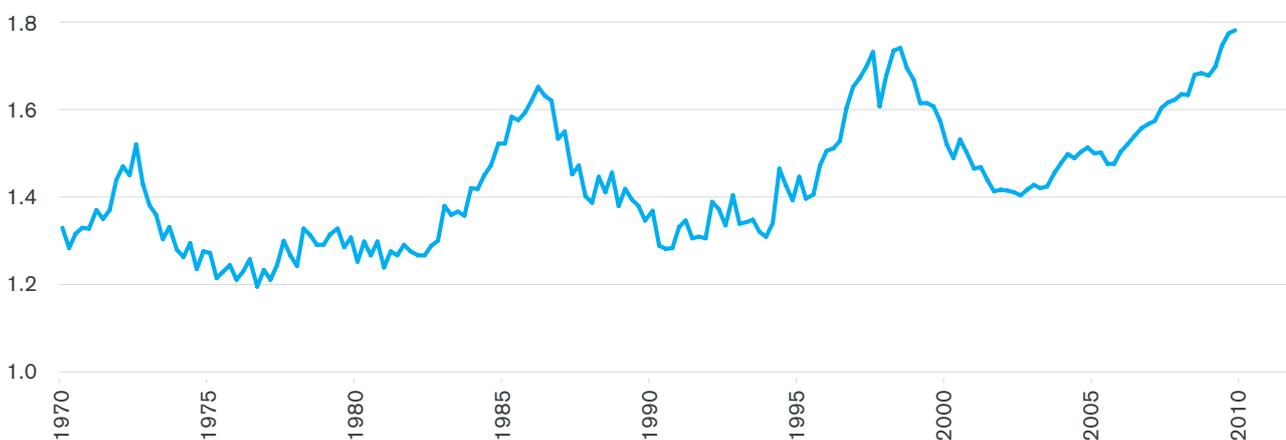


extent than prime central London, and in part due to strong domestic demand from both home owners and landlords.¹⁷ Finally, most of outer London is still predominantly a traditional mortgage-led market and has thus seen less price growth in recent years, though there is also rapid growth in renting in town centres and suburbs.¹⁸ These markets overlap and affect each other; even if prime central London's property market can seem totally detached, displaced demand as a result of its high prices still affects the rest of the city.

1.4 London's affordability crisis

Given London's status as a global city and its significance to the UK economy, it is unsurprising that land and property prices are higher than the national average. However, the scale of the gap, and the extent to which it is growing, is striking. In December 2013, the average house price in the capital was £450,000, compared with an England average of £260,000. Average prices in London have risen by twelve per cent in the last year, compared with six per cent nationally. Figure 4 shows that price growth has been fastest in the two most

Figure 5: Ratio of London average house prices to UK average¹⁹



expensive boroughs (Westminster and Kensington and Chelsea), followed by the rest of Inner London, with comparatively slow growth in outer London, which is much closer to price trends in the rest of the country.²⁰ Rents are also higher in the capital, with the median monthly rent for a private rented home at £1,300, compared with a national average of £595.²¹ Private sector tenants in London spend an average of 36 per cent of their gross household income on rent.²²

As Figure 5 shows, average house prices in London are now 78 per cent higher than the UK average, the widest gap since at least the late 1960s. Over this entire period the gap has never been less than 20 per cent, but each house price cycle has left prices in London further away from UK prices than before.

It is estimated that overseas-based investors purchase in the region of ten to 15 per cent of new build homes in London as a whole, but this activity is highly concentrated in 'prime' central London areas with UK residents buying over 90 per cent of new build homes in outer London.²³ As overseas investors are mainly focused on the new build market,

they account for only around three per cent of total transactions and 6.5 per cent of total sales by value in London when sales of both new and second hand homes are included.²⁴ Prices across most of London's housing market are thus determined far more by domestic factors than overseas investment.

Overseas investment plays a vital role both in terms of retaining London's status as a global city and in financing construction. Such buyers tend to stimulate supply as they have a propensity to purchase off-plan, triggering development by providing vital pre-sales, without which projects are often unviable.²⁵ This is not a new phenomenon. It is estimated that the proportion of sales to overseas buyers in 2012 was much the same as in 1990.²⁶

A related concern is that buy to let landlords may be crowding out first time buyers because of easier access to mortgages. Buy to let mortgages account for around 13 per cent of all outstanding mortgage debt in the UK and probably a significantly higher proportion in London given its relatively large rented sector. However, there is little evidence that buy

Figure 6: Trend in household tenures²⁷

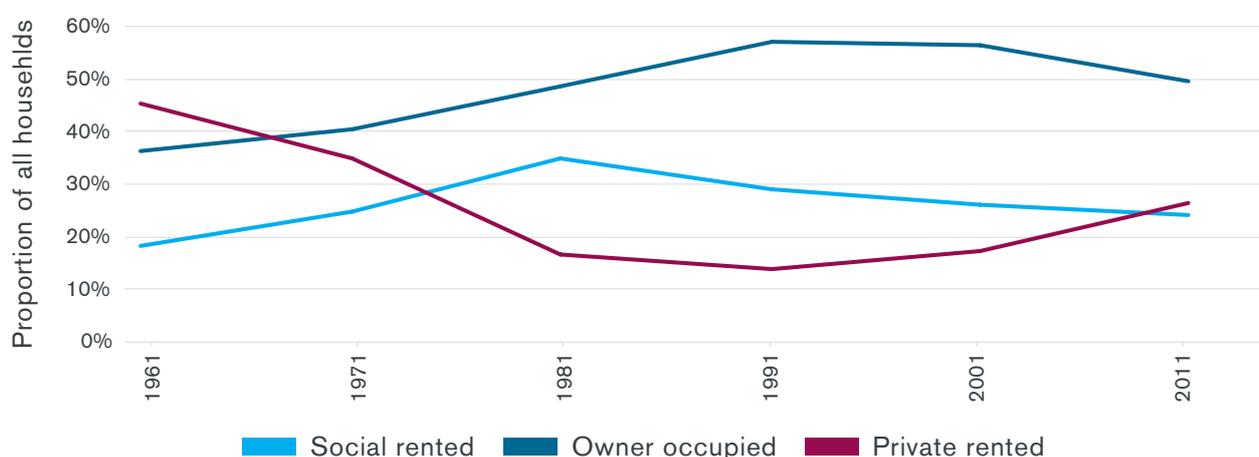
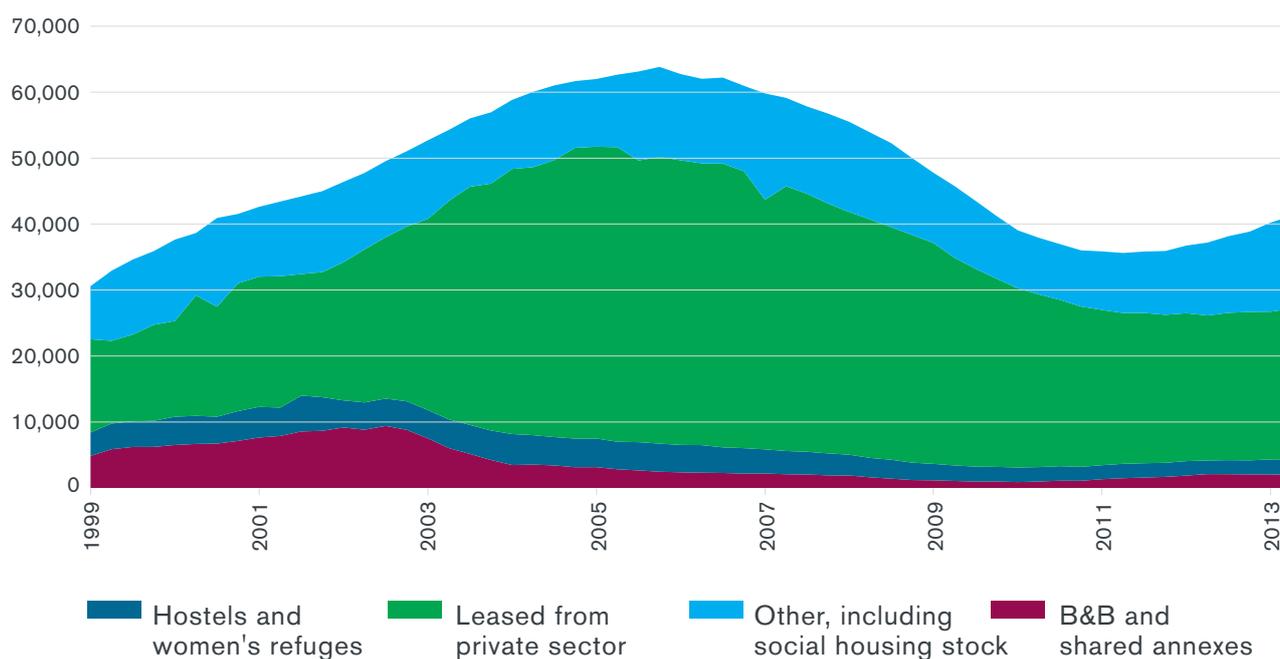


Figure 7: Households in temporary accommodation²⁸

to let lending is crowding out lending to first time buyers as the lending conditions for each are governed by very different rules. As with overseas investors, forward sales to buy to let investors are an important way for developers to reduce costs and risk, thereby supporting higher levels of housing supply.

1.5 London's changing tenure pattern

Population growth, limited supply of new homes and the consequent affordability gap are causing profound shifts in patterns of tenure in the capital. Fewer households are home owners or social tenants and far more are renting in the private sector. Owner occupation, which had been rising steadily for decades, flatlined in the 1990s and has been declining since 2001. There has been an even longer-term fall in the proportion of social rented housing, notwithstanding growth in the stock of affordable homes over the last four years. These changes

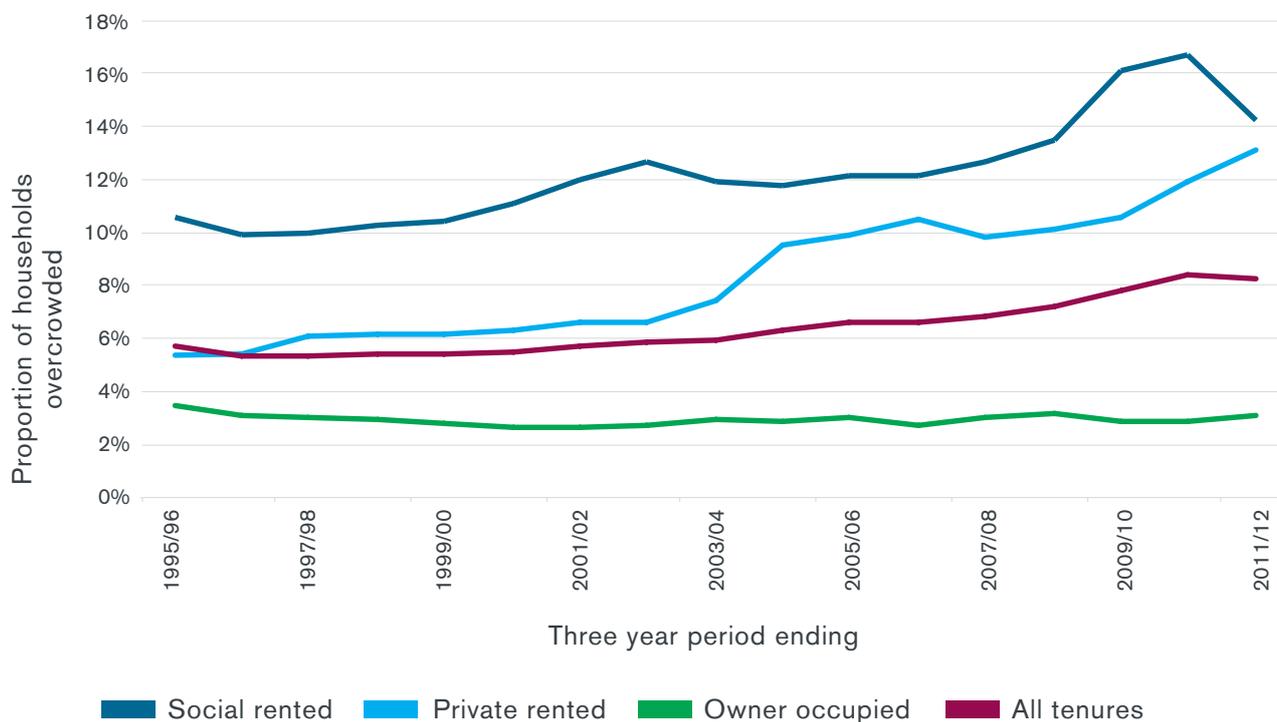
have resulted in the private rented sector growing significantly over recent years. It now houses 25 per cent of households, exceeding the number in social rent for the first time since the early 1970s.²⁹ On current trends, the proportion of owner occupation and private rent would be around the same at just under 40 per cent each by the mid-2020s.

Over 37 per cent of social sector households have dependent children, which is the highest percentage in any tenure and this has stayed fairly stable for many years. However, the proportion of private renting households with children has increased sharply, from 19 per cent to 29 per cent between 2001 and 2011, indicating a growing reliance on this sector by families.³⁰

1.6 London's acute housing need

There are significant challenges for those in the most acute housing need in the

Figure 8: Proportion of households in London overcrowded by tenure³¹



capital. After declining for several years, the number of households placed in temporary accommodation by London boroughs (see Figure 7) is increasing. Although low in historic terms, it is up by 14 per cent in the last three years. There has also been a twelve per cent rise in the use of bed and breakfast accommodation in the past year.³²

The number of people seen sleeping rough in the capital rose by 13 per cent between 2011/12 to 2012/13, although the increase is slowing and foreign nationals comprise most of the increase. But the overall numbers of people living on the streets is low, with 75 per cent of rough sleepers seen only once.³³

London has the highest rates of overcrowding in the country, with 255,000, or eight per cent, of all households lacking one or more bedrooms, compared to two per cent

in the rest of England. This is up from five per cent at the end of the 1990s. Overcrowding rates are far higher in rented housing, with 14 per cent of social renting households and 13 per cent of private renting households overcrowded, compared to just three per cent of owner occupied households. Finally, an estimated 1.6 per cent of social renting households are severely overcrowded, that is, they lack two or more bedrooms. This estimate has fallen from 2.2 per cent in the last year.³⁴

A full assessment of London's housing markets, including condition and need, can be found in the GLA publication, *Housing in London*.

SUPPORTING LONDON'S ECONOMY

1.7 Housing as essential infrastructure

High quality infrastructure is fundamental for a city to function effectively. Public transport, roads and utilities are all essential for economic growth, and so is high quality and plentiful housing. Economic growth will be stunted without the necessary investment in transport networks, but a shortage of suitable homes for London's workforce is just as great a barrier to growth. London benefited from major improvements to its transport infrastructure in the last decade, and the network will be further enhanced when Crossrail opens in 2018. However, Crossrail is expected to be operating at capacity as soon as it opens, and Transport for London is forecasting increased overcrowding on both road and rail networks in the coming decades, adding to the already significant economic costs of congestion.³⁵ It is therefore essential to reduce the load on transport networks by building more homes close to where jobs are situated, or are likely to be created in the capital's growth areas. It is also important to focus house-building where population growth is projected, rather than in parts of the country where there is less demand.

London is one of the most important business and financial centres in the world, with an economy nearly six times larger than that of Wales, two and a half times larger than Scotland's, and bigger than all but eight national European economies.³⁶ However, it risks losing its global competitive advantage as other international cities invest in their

infrastructure. Like transport, housing needs a long-term funding settlement to enable a steady supply of homes, rather than the stop-start nature of recent investment rounds. Proposals for such a long-term settlement are discussed later in Part 4.

1.8 Building homes and creating jobs

London's growth is important for the economic health of the whole country. London makes a net contribution to the national Exchequer of between £10 billion and £20 billion per annum.³⁷ House-building creates jobs directly in construction and the related supply chains that extend far beyond London's boundaries. Housing construction supports more jobs per pound invested than most other sectors because it sponsors a range of related activity such as concrete production and glass and brick manufacturing. Construction-related activity is also very largely sourced from across the UK. Every new home built creates two jobs for at least a year, and house builders are significant providers of apprenticeships.³⁸ Every £1 of investment in construction is estimated to generate a total of £2.84 in total GDP.³⁹ Housing construction, repairs and maintenance have accounted for an average three per cent GDP in the last decade.⁴⁰

Investment in affordable housing has additional benefits for the economy, often underpinning the delivery of market housing and thus creating more employment. The economic and social benefits of investment in affordable housing are greater in London than elsewhere, as affordable housing in the capital is used more intensively and the

larger differential between its costs and private rents represents a bigger saving to the public purse from households claiming less in housing benefit.

Developments in London also use less land per home, yet lever in more private funding to supplement the available public funding.⁴¹

1.9 Supporting London's skilled workforce

Based on historical trends, employment in London is projected to reach almost 5.8 million jobs by 2036, an increase of 860,000 from 2011. These jobs are forecast to be highly concentrated, with 280,000 of these new jobs being within the Central Activities Zone, already an area with one of the highest jobs densities in Europe.⁴²

This density of employment generates a range of benefits for firms and workers through what economists call 'agglomeration' impacts. The benefits include a deeper pool of talent, better matching between skills and jobs, and spill over effects such as the rapid spread of knowledge and innovation. Agglomeration helps to explain why finance, creative and hi-tech industries all cluster in certain parts of London, driving growth in both employment and wages. The benefits of agglomeration can be maintained and enhanced with investment in transport and housing to increase the size of London's labour market.

London's employment market provides an escalator effect for the whole country, enabling lifelong Londoners and newly arrived migrants alike to improve their skills and to increase their earnings at

a faster rate than in any other part of the UK.⁴³ A healthy supply of new housing is a critically important part of this dynamic. If affordability worsens, London could become a city of predominately higher earners.

It is estimated that half of all employment growth between 2010 and 2020 in London will comprise professional, senior manager or associated professional and technical jobs, accounting for around 80 per cent of all earnings.⁴⁴ Although these earnings are forecast to rise faster than average incomes, there could be a total shortfall of between 50,000 and 90,000 homes for professionals in London over the next ten years.⁴⁵ Failure to provide homes for this group could have a seriously negative impact on London's economy, estimated at up to £85 billion by 2025.⁴⁶

The cost of owner occupation in some parts of the capital means that much of it is already accessible to only a minority of Londoners. 80 per cent of the new build sales market is affordable to only 20 per cent of working households, and the average first time buyer is now in the top 20 per cent of London's household income distribution.⁴⁷ If the increase in house prices continues to outpace the growth in wages, these disparities will become more extreme over the coming years. Research indicates that the greatest shortfalls in supply relative to demand are in the low to mid-priced segments of the market.⁴⁸ These trends suggest that there is a need to expand both the range of products delivered and the number of places where they are built. There is also a need to make the intermediate housing market more flexible to aid mobility for working Londoners.

In addition to improving the mid-market offer, providing secure, high quality affordable housing to rent for those on the lowest incomes is also important. It reduces the demands on a range of public services, especially health care and social services, and provides stability for future generations, improving educational and employment outcomes. Providing these homes within the capital enables low paid workers, who often deliver the services that support the London economy and make the city liveable, to live close to their jobs and so reduces travel costs and transport congestion. Investment in new homes with low rents for those who need them also represents better long-term value for taxpayers than meeting the high costs of market housing through housing benefit.

PART 2 SETTING THE AMBITION

Part 2 identifies the number of new homes that are necessary to meet newly arising and backlog housing needs over the long term and the market and affordable housing proportions. It sets out the aims of the 2015-18

affordable housing programme and the design standards expected for these homes. It also identifies ambitions to improve the quality and energy efficiency of existing homes.

INCREASING THE SUPPLY OF NEW HOMES

2.1 Delivering homes of all tenures

Over the last ten years the overall level of new housing supply has averaged between 20,000 and 25,000 homes per annum. This is significantly more than over the preceding twenty years, but not nearly enough to meet London's housing needs. Over the Mayor's two terms, more than 100,000 new affordable homes to rent or buy will be built, providing good quality homes for around a quarter of a million Londoners. This is significantly more than any eight year period for some decades, but it is still insufficient to meet London's need for affordable housing.

The Mayor will use his full range of powers to get more homes built in all sectors and this will involve new initiatives to secure additional finance, bring forward the land for development and build the industry capacity to deliver these homes, as set out in part four of this strategy.

2.2 An ambitious long-term programme for London

This strategy is fully consistent with, and should be read alongside, the policies in the Mayor's London Plan, and with the draft Further Alterations to the London Plan published in January 2014. The London Plan sets out the Mayor's long-term planning policies for London, and the draft Further Alterations amend the key housing policies in the London Plan to reflect new evidence on the requirement and capacity for new housing. The strategy sets out how the Mayor aims to deliver those homes and how the funding in the next investment round will be used to deliver these aims.

The 2013 Strategic Housing Market Assessment (SHMA), published alongside the draft Further Alterations to the London Plan, provides the evidence of London's requirement for new housing of each tenure and size to 2035. It takes into account the population and household growth discussed above, the affordability of different tenures,

Table 1: Annualised requirement for new homes, 2014/15 to 2034/35

	1bed	2bed	3bed	4+bed	Total	% of total
Market	2,798	5,791	8,545	6,083	23,217	48%
Intermediate	3,357	2,240	2,506	1,799	9,902	20%
Social rent	10,225	1,003	1,774	2,720	15,722	32%
Total	16,381	9,034	12,825	10,602	48,841	100%

and the backlog of housing need due to long-standing undersupply. The total backlog is estimated at around 349,000 households, but only around 121,000 of these require additions to the housing stock. The others need a different size or tenure of home, but will free up their own home for another household when they move. So these households affect the mix of homes required but not the total number.

Taking all these factors into account, the SHMA identifies a requirement for around 48,800 new homes a year between 2014/15 and 2034/35, a significant increase on previous estimates of housing need, broken down by tenure and size in Table 1.

These figures assume that the backlog of housing need is fully cleared over twenty years, that all those needing affordable homes have their needs met and that overcrowding and homelessness are completely cleared. The SHMA also considers another set of results covering just the ten years 2014/15 to 2024/25 and assuming that the backlog is cleared by the end of that period. Under these assumptions the annual requirement would be for around 62,000 new homes, due in part to higher household growth in these early years and in part to reflect the assumption that the backlog is cleared twice as fast.

The Strategic Housing Land Availability Assessment (SHLAA), also published alongside the draft Further Alterations, sets out the evidence on London's capacity for new homes, based on an exhaustive survey of allocated and potential housing sites carried out with the London boroughs. Taking into

account both larger sites (over 0.25 hectares) and the expected supply from smaller sites, it finds firm evidence of capacity for 42,000 new homes a year between 2015 and 2025 within existing London Plan policies and constraints. There is scope for delivering significantly more, up to the 49,000 SHMA need figure, particularly if the density of new schemes in Opportunity Areas and town centres can be increased.

In summary, the evidence indicates that both London's housing requirements and its capacity for new homes have increased significantly, but that the need for new homes still significantly exceeds the capacity. Getting to 42,000 a year will be a huge challenge in itself, almost doubling current levels of supply, and this strategy sets out significant changes to existing models of housing finance and delivery to help meet that challenge.

As shown in Table 1, around 25,600 or 52 per cent of the estimated annual housing requirement is for affordable homes, comprising 20 per cent intermediate homes and 32 per cent for affordable rent. However, the vast majority of new affordable homes in London are part funded by public subsidy and any affordable housing target must be deliverable in the light of plausible future subsidy levels. The draft Further Alterations therefore set a target for an average of 17,000 new affordable homes a year over the life of the London Plan, a level significantly higher than either the previous target or the average supply in recent years. If further housing capacity in London is identified then the affordable housing element of supply would also be expected to rise proportionately.

For the 2015-18 investment round, this strategy sets a target of 45,000 affordable homes, a number determined partly by the level of funding that we know to be available and in the knowledge that overall levels of supply will take time to build-up. This represents an increase of approximately ten per cent compared to the 2011-15 investment round.

2.3 Delivering a better mix of homes

As well as building at least 42,000 homes a year, it is essential to deliver homes suitable for those across the income spectrum. Given the SHMA identified a serious deficit in housing supply in the mid-market, there needs to be a better balance of housing products beyond the traditional split of homes for market sale and for social rent. This improved mix of products could also attract new providers and forms of finance to help to diversify and better balance London's housing market.

Londoners in the highest income brackets are able to meet their housing aspirations without any state assistance. At the other end of the scale, social rented housing still accounts for nearly a quarter of all existing homes, a figure that rises to one third in inner London.⁴⁹ Yet just 1.3 per cent of London homes are low cost home ownership, despite this emerging as a highly relevant new tenure for those priced out of mainstream owner-occupation.⁵⁰ The evidence in the SHMA shows that this tenure is seriously undersupplied given the increasing pressures facing modestly paid households.

The average first time buyer is now in the top 20 per cent of the household income

distribution, with those on low and middle incomes struggling to afford new homes outside the rented sector. This latter group must be a greater priority in future funding plans. Home ownership has many benefits for the owner and for the wider community. It enables people to accumulate an asset which they can pass on to their children or use as equity during financial difficulties and avoids the state needing to meet housing costs after retirement, potentially an enormous burden in the decades ahead as more people live for longer.

The downward trend in owner occupation is therefore a concern. In response, the government has launched the two-part Help to Buy scheme: the new build equity loan scheme that has been available since April 2013 and the mortgage guarantee scheme launched in October 2013. The scheme is open to both first time buyers and existing owners to buy homes valued at up to £600,000, and does not have an income limit for eligibility. This is helping to get more homes built and more households to buy, but there needs to be more support specifically for those on low to middle incomes. Building on the successful First Steps programme and the Mayor's commitment to help 50,000 Londoners over two terms, affordable housing investment in future programmes should shift towards a greater supply of low cost home ownership homes. While capital investment is critical to promoting the growth of intermediate housing, policy reform is also needed to create a more flexible market, as set out in section 3.2.

Equally important is providing good quality homes to rent. To encourage

the significant increase in the supply of new market homes that is needed, the Mayor will seek to ensure that private developers and registered providers build at least 5,000 long-term private rented homes a year. Any scheme of more than one phase should ideally build private rented homes that remain available in that sector for an extended period, preferably through a covenant mechanism that prevents them being sold. Local planning authorities are encouraged to take into account the impact on viability of such an approach for relevant planning applications. This strategy is the first to set a target for purpose-built rented homes as part of its target for 42,000 homes per annum as set out in section 2.2.

Traditionally, affordable housing has not delivered a product explicitly designed for low income working households. While many middle income Londoners struggle to find a decent affordable home to rent in the open market, they do not necessarily need rents as heavily subsidised as target rents for social housing. Providing homes for these households, with rents set above target rent levels but below market rents - defined here as 'discounted' rents - will greatly reduce the subsidy needed for these homes and so get more homes built. Ensuring these homes are provided for low and middle income working households will give providers greater certainty over their viability and will provide a rented offer to complement the continued provision of low cost home ownership products. Alongside this approach, providing rented homes for those on very low incomes, particularly families who are reliant on benefit support, remains a priority. Given very

high rents in the market sector, the Mayor will support the provision of homes at lower rents for this group – defined here as 'capped' rents.

2.4 The 2015-2018 affordable housing programme

Affordable housing includes affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. The current average annual household income of those who access affordable homes for rent is £12,000 and £37,000 for low cost home ownership products.⁵¹

The Mayor's aim is to deliver a balanced programme that supports low paid working households who would otherwise face punitive costs in the private rented sector, as well as providing a safety net for those in the most acute need. In the 2015-18 programme the GLA will fund a more differentiated affordable rent product that reflects the needs of both these groups. This will comprise some delivery at low rents targeted at those most in need, balanced with some homes rented at a lower level of discount relative to the market targeted at low income working Londoners. This will deliver better value for money and increase supply by greatly reducing the overall need for public subsidy, compared to the delivery of homes at very low rents alone.

For the 2015-18 period the Mayor has introduced an opportunity for boroughs to have much greater influence over the delivery of GLA funded affordable housing while maximising affordable housing supply. Work is ongoing with boroughs, through their strategic planning

and enabling roles, to agree a framework to guide the operation of the programme in their areas. Contracts to deliver the affordable housing programme will be negotiated with providers on a flexible basis, guided by these local frameworks.

The Mayor will seek to deliver 45,000 affordable homes over the 2015-18 investment period, in a programme that will deliver the London Plan affordable tenure mix of 40:60 where intermediate:rented homes.

The 40 per cent that is intermediate housing will primarily be flexible low cost home ownership products. This will be a mixture of shared ownership, shared equity, rent-to-save, or other intermediate models, depending on the financial circumstances of individual households. Eligibility for these homes will be based on existing First Steps criteria as set out in section 3.2. Over the longer term, the ambition is to double the number of First Steps homes by 2020, and double again by 2025.

The 60 per cent that is affordable rent is expected to be split equally between two housing offers. Within this there is scope to agree local variations, full details of which are set out in the funding prospectus.

There will be homes 'capped' at low affordable rents, intended to meet the needs of a range of households including downsizers, households affected by estate regeneration and those in need of long-term support. For the purpose of this investment period only, and for this part of the programme, the Mayor will promote smaller homes specifically to enable moves by underoccupying

households affected by the social sector size criteria, thus unlocking a greater supply of existing larger properties. Boroughs are encouraged to give greater priority to underoccupying households for these homes.

The balancing number of homes are expected to be at 'discounted' rents, set at the lower of up to 80 per cent of market rent or the local housing allowance. All households nominated to 'discounted' rented properties should be unaffected by the total benefit cap and the Mayor would like to see these primarily aimed at low income working households. Boroughs will have flexibility on nominations as long as these give providers much greater certainty over the rental stream and consequently the viability of the product. While 'discounted' rent is not an intermediate rented product, it is aimed at helping low income working households who would otherwise face higher rents in the private rented sector and could therefore also be more reliant on housing benefit to meet their housing costs.

2.5 Family sized housing

Increasing the availability of larger properties to relieve overcrowding remains a high priority for the Mayor, but overcrowding cannot be addressed solely by building larger homes; the new homes that are built and the existing social homes also need to be used as effectively as possible. This is why the Mayor has a three-pronged approach: supporting mobility so that people who are underoccupying can downsize and free up properties for households who are overcrowded; making funding

PART 4 DELIVERING THE VISION

Part 4 sets out how the ambitious number of new homes and improvements to the quality of homes will be delivered. It identifies the failure over many decades to provide the level of house-building now required in the capital. This section

also sets out the need for a long-term financial settlement for housing in London, and identifies a range of interventions to bring forward land for development, optimise affordable housing assets and unlock development capacity.

- exploratory work on how stamp duty land tax can be made more equitable and efficient.

P42 The Mayor will make greater use of equity investment or loan guarantees in future spending rounds, where it is able to recover and reinvest its original investment.

P43 The Mayor will work with partners to introduce a London Housing Bank model, with the first phase to be launched in 2014.

P44 The Mayor will lobby Government to explore potential options for establishing a Help to Build guarantee scheme to support development finance.

P45 The Mayor will work with the regulator to explore how housing associations can be incentivised to maximise development capacity.

P46 The Mayor will encourage registered providers to consider additional disposals and conversions of properties to unlock capacity, within the context of a contract with the GLA to deliver an affordable housing programme.

BRINGING FORWARD LAND FOR DEVELOPMENT

4.7 Regenerating the capital

The Localism Act 2011 devolved significant housing investment responsibilities and substantial landholdings to the Mayor. These now sit alongside the Mayor's existing powers for planning, transport and economic development. In addition, the Mayor chairs the London Enterprise Panel (LEP) and now has the power to set up Mayoral Development Corporations. Taken together, these present a new institutional platform for the Mayor, the wider GLA group and London boroughs to maximise the benefits of regeneration activities.

Following the transfer of powers and assets in April 2012, the GLA owns a diverse mix of land and property. This ranges from buildings and sites currently let for employment use, through to brownfield sites suitable for commercial development and/or new homes. In total, the Mayor inherited 677 hectares of land together with joint venture interests (most notably Barking Riverside), with total capacity for over 40,000 homes and 100,000 jobs. The Mayor is using these land and property assets to drive housing supply and economic growth. Since April 2012, contractual commitments have been entered into for over 137 hectares of land, with an estimated gross development value of £3.6 billion. In the Royal Docks, contracts have been exchanged for Silvertown Quays and the Royal Albert Dock with a combined gross development value in excess of £2 billion, delivering over six million square feet of commercial space,



CASE STUDY 8

Barking Riverside, LB Barking and Dagenham

The Mayor is working with Bellway Homes on London's largest brownfield regeneration project. This Sunday Times development of the year 2013, will provide 10,800 homes and over 65,000sqm of commercial, retail, leisure and community space, plus five schools. It takes a challenging post-industrial site in an area of flood risk with extensive

protected habitats, and uses this as an opportunity to embed the design of new landscape and green infrastructure. Adapting many of the original garden city and suburb principles, 40 per cent of the scheme is open space. This includes new parks and areas linked by cycle routes and footpaths as well as a network of local and neighbourhood play areas.

support of all the boroughs involved with any one Housing Zone is crucial.

The rationale for the GLA's action in these zones is to accelerate new housing delivery in tightly defined locations, with a targeted focus on measures that would enable new homes to come forward much more quickly than would otherwise be the case. The Mayor, working in concert with boroughs, will establish a bespoke set of local policies in each Housing Zone, and will align both its own, the boroughs' and other partners' resources to optimise output. This may involve investigating the case for targeted tax incentives, in a similar way to enterprise zones, lighter touch planning and effective land assembly, including, where necessary, the use of compulsory purchase powers. The Mayor will work closely with boroughs to identify up to ten potential zones, and will publish a prospectus in 2014.

4.12 Bringing forward public sector land

It is estimated that 40 per cent of brownfield land suitable for development is in the ownership of the public sector, including both central and local government.¹⁰¹ The Mayor is committed to accelerating the disposal of surplus public sector landholdings to boost the development of homes, and the GLA has put in place a number of mechanisms to enable this. Firstly, the Mayor has set up the London Development Panel to accelerate the delivery of housing by making it faster, easier and cheaper for public land owners to bring forward land for development. It establishes a framework agreement of 25 developers and contractors, enabling public

land owners, including boroughs and Government bodies, to enter into structured development agreements much more quickly and less expensively than by going through a full Official Journal of the European Union (OJEU) competitive dialogue procurement process. The panel has been procured for a four year period, and has already been successfully used by the Metropolitan Police to procure a development partner for their Peel Centre site in Hendon (see case study).

Secondly, the Mayor has launched a database detailing all of its land assets and those of the wider GLA group. The database includes information about the size and location of individual sites, as well as aerial photographs. It is the first time that details of these sites have been made available publicly, making it easier for development opportunities to be identified. Thirdly, the Mayor is participating in the Government's strategic land review, and is making the case that the GLA should take responsibility for bringing forward surplus strategic Government landholdings in London. The GLA will use its strategic property team to coordinate disposal of these assets and seek efficiencies from the asset management of them while they are in the public sector. The Mayor is already engaging with NHS trusts in London as part of the Department of Health's public land investment fund programme.

In addition to existing activity, the Mayor is keen that additional funding should be made available for the GLA and boroughs to support the acquisition of new sites that can help deliver homes. This funding would be used to acquire sites where

there is a clear strategic interest or market failure and where there are links to other policy initiatives, such as Housing Zones or other major regeneration initiatives.

4.13 Maximising the value of London's Opportunity Areas

The scale of some of London's major regeneration schemes is truly impressive, with nine out of ten of the biggest regeneration schemes in the whole country being found in the capital. Some, like Vauxhall Nine Elms and Battersea, with 16,000 new homes, are the size of new towns.

There is scope to do a great deal more on these sites, which is essential, because if the pace of development does not quicken, then there is little prospect of coming close to meeting the new housing ambitions for the capital. The draft Further Alterations to the London Plan have increased the number of London's Opportunity Areas from 33 to 38. Collectively, they could provide nearly 300,000 new homes, and have capacity for 568,000 new jobs. If this housing could be built out over the next ten years, it would represent over 70 per cent of the 420,000 homes London needs over the coming decade.

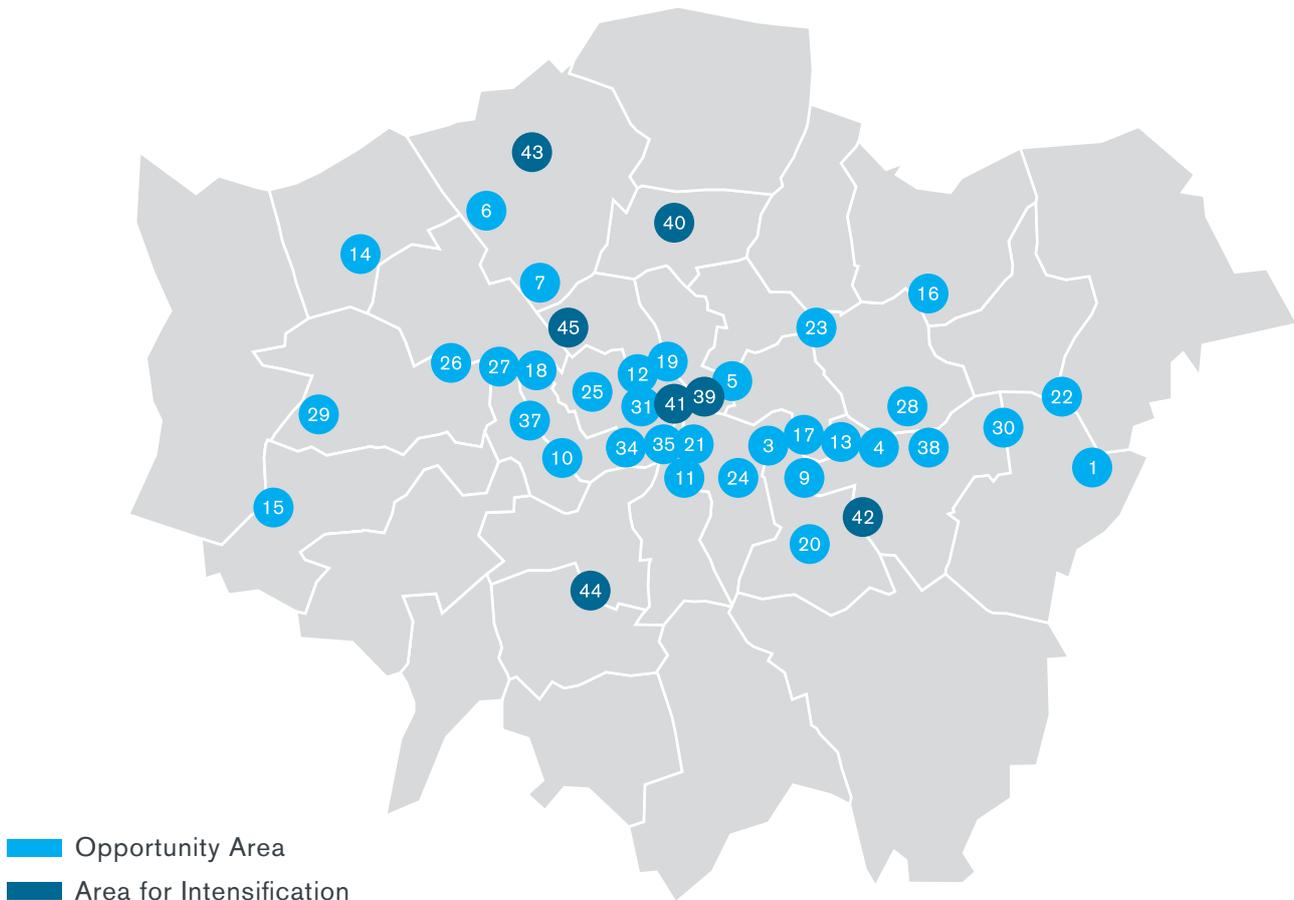
Collectively, the Opportunity Areas constitute a massive development opportunity. However, as can be seen from the three examples below, each has its own unique story, with different challenges and solutions driving the outcomes. What they all have in common is the need for significant infrastructure investment to bring them forward and a coordinated approach by the public

sector to enable the private sector to deliver. A wider placemaking and regeneration approach is also needed to ensure these places are attractive enough to make viable new neighbourhoods.

4.14 Making better use of existing land opportunities

Any increase in housing supply in London will be overwhelmingly brownfield land development and is likely to involve increasing densities in areas with good public transport accessibility. In recent years it has become clear that higher densities, if carefully planned and designed, can improve the vitality and viability of local communities, as well as providing more homes for more Londoners.

The Opportunity Areas represent the greatest potential to build high density housing on brownfield sites. A second potential source of brownfield land is surplus industrial land. While it is essential for London's economy that sufficient capacity for employment, utilities and other infrastructure is maintained on these sites, the London Plan and the Industrial Land Supplementary Planning Guidance provide geographical and economic criteria to carefully manage the release of identified surplus capacity. The Mayor is considering whether London Plan policy should be altered to ensure that the process for managing this release takes into account the potential for bringing forward surplus sites near transport nodes which can support higher density housing development.

Figure 13: London's Opportunity Areas¹⁰²

OPPORTUNITY AREAS

- 1 Bexley Riverside
- 2 Bromley
- 3 Canada Water
- 4 Charlton Riverside
- 5 City Fringe/ Tech City
- 6 Colindale/ Burnt Oak
- 7 Cricklewood/ Brent Cross
- 8 Croydon
- 9 Deptford Creek/ Greenwich Riverside
- 10 Earls Court/ West Kensington
- 11 Elephant & Castle
- 12 Euston
- 13 Greenwich Peninsula
- 14 Harrow & Wealdstone
- 15 Heathrow
- 16 Ilford
- 17 Isle of Dogs
- 18 Kensal Canalside
- 19 King's Cross St. Pancras
- 20 Lewisham, Catford & New Cross
- 21 London Bridge, Borough & Bankside
- 22 London Riverside
- 23 Lower Lee Valley (including Stratford)

- 24 Old Kent Road
- 25 Paddington
- 26 Park Royal
- 27 Old Oak Common
- 28 Royal Docks and Beckton Waterfront
- 29 Southall
- 30 Thamesmead & Abbey Wood
- 31 Tottenham Court Road
- 32 Upper Lee Valley
- 33 Vauxhall, Nine Elms and Battersea
- 34 Victoria
- 35 Waterloo
- 36 Wembley
- 37 White City
- 38 Woolwich

AREAS FOR INTENSIFICATION

- 39 Farringdon/ Smithfield
- 40 Harringey Heartlands/ Wood Green
- 41 Holborn
- 42 Kidbrooke
- 43 Mill Hill East
- 44 South Wimbledon/ Colliers Wood
- 45 West Hampstead Interchange

There is capacity to go further, especially where there are small infill plots, as well as in the inner suburbs, in town centres and near transport links. The Mayor will explore with boroughs the opportunities available in identifying and developing small parcels of land, either undeveloped or with unrealised housing capacity, that could support infill housing development.

The greatest opportunities for town centre intensification are likely to be in outer London. The Mayor's Outer London Commission was clear that improving housing provision to support the wider London economy does not mean relegating outer London to a 'dormitory' role, as housing provision can also increase local jobs. The Commission stressed the importance of looking at how new homes should be planned for, built and supported with the social and other infrastructure that new and existing neighbourhoods need if they are to be sustainable.

Where sites are within, or immediately adjacent to, transport hubs, significant increases in density can be achieved and, through careful design, this should not undermine local historical and architectural contexts. There are some places, such as Vauxhall or London Bridge, where the case for high rise development is particularly strong.

Town centres can also provide ideal locations for the densification of housing, and some of the best post-millennium urban renaissance across the UK has been driven by revitalising town centres in large cities.

POLICIES

BRINGING FORWARD LAND FOR DEVELOPMENT

P47 The Mayor will commit to supporting the successful delivery of major regeneration schemes in London over the long-term, prioritising them over successive investment rounds.

P48 The Mayor will work with Government to develop a long-term fund to support estate regeneration.

P49 The Mayor will prioritise efforts and investment to bring London's major Opportunity Areas forward for development.

P50 Up to ten Housing Zones will be identified to accelerate housing delivery with new approaches to planning, land assembly, funding and taxation.

P51 The Mayor will have an exit strategy in place by 2016 for all the landholdings devolved to the GLA.

P52 The Mayor will promote garden suburbs on sites such as Barking Riverside, Beam Park and Thamesmead and will seek other locations for such communities.

P53 The Mayor will use GLA land holdings to support new forms of community-led development and innovative approaches to design and construction.

APPENDIX 1 SUMMARY OF POLICIES

BRINGING FORWARD LAND FOR DEVELOPMENT

P47 The Mayor will commit to supporting the successful delivery of major regeneration schemes in London over the long-term, prioritising them over successive investment rounds.

P48 The Mayor will work with Government to develop a long-term fund to support estate regeneration.

P49 The Mayor will prioritise efforts and investment to bring London's major Opportunity Areas forward for development.

P50 Up to ten Housing Zones will be identified to accelerate housing delivery with new approaches to planning, land assembly, funding and taxation.

P51 The Mayor will have an exit strategy in place by 2016 for all the landholdings devolved to the GLA.

P52 The Mayor will promote garden suburbs on sites such as Barking Riverside, Beam Park and Thamesmead and will seek other locations for such communities.

P53 The Mayor will use GLA land holdings to support new forms of community-led development and innovative approaches to design and construction.

P54 The GLA will act as a conduit for surplus public sector land in London, and will encourage public sector

landholders to use the structures the GLA has in place, such as the London Development Panel and its public land register, to bring forward landholdings.

P55 The Mayor explore will purchasing strategic sites especially in Housing Zones.

P56 The Mayor will work with boroughs and other partners to support housing-led, high density, mixed-use town centre renewal.

P57 The Mayor will explore the potential to manage the release of surplus industrial land around transport nodes for higher density housing, taking into account London Plan policies.

INCREASING DEVELOPMENT CAPACITY

P58 The Mayor will encourage institutional investment in London's private rented sector, including through the GLA's own landholdings, and will convene a group to consider different structures for new investment.

P59 The Mayor will encourage small and medium-sized builders to enter the London market, including for custom and self-build housing.