

Housing delivery and sustainable communities

Local community engagement in the planning system is important. However, we cannot waste the limited land resources we have, argues Duncan Bowie.



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In my article in the last issue, I analysed housing development output in London since 2000, focusing on affordability, bedroom size mix and density. The article concluded that while there was an overall increase in housing completions, there had not been any increase in the proportion of new development which was affordable housing; that the increase in total homes built in London had been accompanied by a fall in the proportion of family homes; and that there was a correlation between this deficiency and increased development densities, with nearly two thirds of schemes being approved at densities above the density ranges in the London Plan. The article concluded that sustainable development could be created if the principles of Sustainable Residential Quality were adhered to.

In this article I will set out some of the other preconditions for sustainable communities and the effective delivery of the new housing target of 30,500 completions a year identified in the 2004 London Housing Capacity Study. We now need to consider the higher annual housing requirement arising from new demographic projections, which could be as high as 45,000 homes a year. In the current housing market, even the 30,500 target, achieved in 2007/8, is challenging. In April 2006, the GLA published a report on Delivering Increased Housing Output. This was used in the Examination in Public into the Early Alterations to demonstrate that the proposed capacity based target of 30,500 was deliverable if certain preconditions were met. While this helped to convince the Panel that the new target was realistic and met the tests of soundness, if the target is to be implemented, the preconditions need to be revisited.

The most critical challenge is to ensure that development is viable for

the developer, whether this a private house builder or a housing association and that the return to the landowner is sufficient relative to the return for the existing land use to bring the site forward for housing development. With sales values falling, build costs continuing to increase, and as yet no evident fall in land acquisition costs, unless the current position is improved, developers will not implement consents, never mind acquire more land. Many of the larger schemes already consented are predicated on significant increases in land values – schemes in outer Thames Gateway are in some cases only viable over very extended timescales, with any affordable housing output requiring substantial levels of public subsidy. With a fall in values, some schemes are no longer viable even if no cross subsidy to affordable housing and/or transport and social infrastructure is required. Schemes in peripheral locations which provide small units at very high densities are most likely to be negatively effected by reduced demand in the buy to let market – building high, which can have a unit build cost of three to four times lower rise development is only cost effective if premium sales values are achievable, and this is likely to be increasingly limited to a few central London sites. One possibility is that in order to progress developments, developers will need to redesign to include more family sized homes targeted at the owner occupier market. This will mean a significantly reduced unit output. The choices as to whether to redesign a scheme and accept a lower return than previously assumed, whether to sell on a site at a loss, or whether to hold on to a site till the market turns, will vary from developer to developer. Developers who have focused on the high rise small unit market are however likely to be most exposed.

The Housing Corporation also has to rethink its assumptions on subsidy. It can no longer assume significant cross-subsidy from private developers on sites where the value/cost relationship on market housing is no longer positive. Nor can it assume a continuing subsidy from housing association reserves or property disposals of £20,000 to £25,000 a unit, or cross-subsidy from share-owners staircasing. The Housing Corporation recognises the need for more family rented homes and affordable intermediate family homes, and it wants to raise standards to meet climate change mitigation objectives, which alone according to their own report, cost about £30,000 a unit. With target rents, additional costs cannot be loaded onto rents, and with high service charges, many new tenants already have housing costs way above the London Plan guidance limit of 30% net income. If the Government wants family homes and quality output and not surrender its Housing Quality Indicators, average grant on a social rented home in London will need to be nearer £200,000 a unit, than the current average of £95,000 - £100,000. Government also needs to rethink its assumption that it will only need to subsidise the build cost as land will either be made available free by public sector bodies or by developers under planning obligations. There is little evidence of public sector agencies giving land away with two recent public sector disposals in London at around £100m a hectare, and it is moreover not viable for landowners or developers to give away 50% of development land as the Government's own recently commissioned research will no doubt show. Public sector equity stakes in developments, whether through land disposal covenants or planning obligations, might have helped when

This article is based on Duncan's presentation given at the New London Architecture seminar on Housing Delivery.

values were rising – a missed opportunity – but will hardly help when values are falling.

The second challenge is to ensure adequate social and transport infrastructure. Some London boroughs assume residential value will not just contribute to affordable housing costs but to social and transport costs as well. The Government proposal for Community Infrastructure Levy is predicated on this assumption. Failure to fund infrastructure is in many ways the biggest obstacle to development – local residents and councillors will oppose new development which adds demand to existing overstretched services – developers cannot sell homes in an area with no or poor transport, no schools or no health services. With London's population growing by 1.4m over 20 years, the shopping list for new infrastructure is extensive – just applying generally accepted norms produces the following requirements:

- 24,000 more child day care places
- 196 more primary schools
- 52 more secondary schools
- 679 more GPs
- 570 more dentists
- 14 million sq metres of playing fields
- 353 leisure centre courts
- 30,200 sq m of library space
- 353 more police officers
- 18 more fire stations

Nearly half of this requirement is in the east London boroughs, where housing capacity is greatest, and existing services often poorest.

See: *Table Population growth 2006-2026*

The third challenge is to ensure that new communities are communities of choice rather than of last resort. Most households in need don't live in the growth areas, where capacity is identified. If people are to move across London, not only do market homes have to be attractive, but

social rented homes also have to be in areas, where people choose to move, rather than accept out of desperation as the only new tenancies available. This means decent homes with good internal space standards and amenities and open spaces, which are accessible by public transport so residents can actually get to work and shops and other essential facilities.

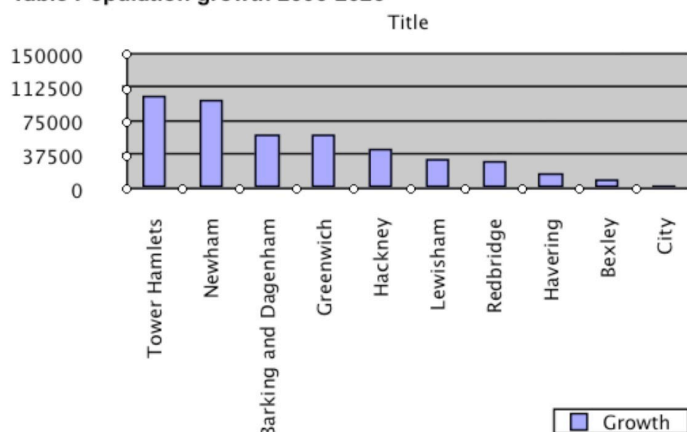
The fourth challenge is to identify further sites appropriate for development. The Mayor needs to carry out a new Housing Capacity Study to update the 2004 study, which is already 4 years old. The study should be based on an assessment of capacity as at April 2009, based on methodology consistent with the last study, and should be published in 2010 for incorporation in the London Plan at next review and be the basis of new housing targets with effect from 2012/13. There are a number of elements in this process:

- Boroughs should update 2004 based site analysis and seek to identify further sites
- Assess why sites identified for development in 2004 to 2008 have not yet been developed and why sites identified for 2008 to 2011 have not yet gained planning consent
- Assess the greater potential for more housing near district centres/transport nodes
- Consider the potential for more medium density housing in suburban areas
- Assess the effective take up of capacity.
- Review the interventions necessary to build out consented schemes.

Some policy constraints from the 2004 study also need to be reviewed, including:

- Protected Open Space
- Protected strategic employment sites
- Flood plain
- Air Pollution

Table Population growth 2006-2026



- Noise Pollution
- Some local site constraints could be remedied, including:
 - Locally designated employment sites
 - Ownership constraints
 - Inadequate local social or transport infrastructure
 - Poor environmental setting
 - Contamination
 - Pylon undergrounding

But these will generally be at a cost.

This brings me to the issue of the importance of both strategic planning and decision-making. Local community engagement in the planning system is important. However, we cannot waste the limited land resources we have. If a site is appropriate for housing, and a development meets strategic planning policy, local objections may need to be overridden. If we are to reduce overcrowding and achieve a better mix of development across London, we cannot afford to have planning decisions driven by 'localist' interests. We need affordable housing in owner occupied suburbs if we are to achieve balanced communities, and if we are to avoid the need for hyperdense schemes in central London and town

centres, we do need some relatively limited increase in development densities in other areas. A mayor who just leaves decisions to the 33 local planning authorities is abrogating his strategic responsibilities to Londoners as a whole. The strategic planning policies set out in the London Plan exist for a reason. They have been widely supported through a consultation process and by an independent Panel, a process that completely lacked any part political or class conflict dimension. The Government also supported the policies. They should be implemented, rather than disowned by the new Mayor or allowed to lapse.