
HOMES FOR LONDON

THE LONDON HOUSING STRATEGY



DRAFT FOR CONSULTATION
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MAYOR OF LONDON

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Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA
www.london.gov.uk
enquiries 020 7983 4100
minicom 020 7983 4458

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FOREWORD



My 2020 Vision set out the scale of the challenges we face in maintaining London's international position. Many of these are challenges we share with other world cities such as New York, Paris and Tokyo. Like London, they are becoming ever more clearly the engines of international growth. And like us, they are struggling to house growing populations, struggling to increase housing supply and struggling to help citizens access ever more unaffordable homes.

The increase in London's population is unprecedented, growing more over the last ten years than at any time in London's 2,000 year history. There could well be a staggering ten million Londoners by 2030. But while the population boomed, we failed to build enough homes, not just for ten years, but for thirty or more. Through decades of boom and bust, across economic cycles and under every shade of government it was the same story. We just did not build enough homes.

Which leaves London facing the epic challenge of building more than 42,000 new homes a year, every year, for twenty years. A level of house building unseen in our great city since the 1930s.

There are some fantastic places to build these homes all across London, from Battersea to the Royal Docks and from Greenwich to Croydon. But we have to ensure that these are inspiring new homes in attractive neighbourhoods and vibrant town centres, and that they are well connected to jobs – not just serried ranks of stultifying rabbit hutches. London's history shows us time and again that you can only build new homes and create new jobs if you can link these with a world-class transport network. So we need to make the best of the massive neo-Victorian investment going into London's transport system to underpin the delivery of new homes.

This strategy aims to put in place the resources to deliver more than 42,000 homes a year – to achieve that we have to recognise this isn't the job of the boroughs, of government, of the Mayor, of the private sector, of the public sector. It's the job of all of us. Only by working together can we agree a long-term financial settlement with national government, free up local councils to build, promote institutional investment in new housing, bring forward surplus public land and develop Housing Zones across the capital to drive delivery.

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 home ownership, by improving the private rented sector and by ensuring working Londoners have priority for low cost affordable homes to rent.

I have often said that my goal is to lengthen London's lead as the greatest city on earth. And I am ever more convinced that to achieve that, we have to ensure we do indeed build the homes that we need.

A handwritten signature in black ink, appearing to read 'Boris Johnson', written in a cursive style.

Boris Johnson
Mayor of London

EXECUTIVE SUMMARY

London's population is increasing, its economy is growing, its jobs market is thriving and its social and cultural life has never been more exciting. The city's remarkable success, however, comes at a cost. Following thirty years of building only half the homes now needed, London is faced with a massive shortage of good quality homes that are affordable to those who wish to live and work in the capital. A key part of the Mayor's 2020 Vision is tackling "perhaps the gravest crisis the city faces – the shortage of housing Londoners can afford." Addressing this is essential to ensure London's continued growth and the retention of its status as the greatest city on earth. Meeting this challenge will not be done easily or quickly – it is a long-term challenge, stretching over a number of Mayoral terms, economic cycles and spending rounds.

The shortage of housing invariably pushes up prices and rent levels, with punishing impacts on access and affordability. Homelessness and overcrowding remain ongoing challenges. Rising housing costs are also hitting working households on low and middle incomes. The economic case for providing adequate housing for those on modest incomes, who drive the London economy, and therefore the national economy, is compelling. If these essential workers cannot afford to live in the capital, it could strike a serious blow to the UK's economic growth and competitiveness.

The overriding aim of this strategy is to increase the supply of well-designed housing of all tenures to levels not seen since the 1930s. Expanding on the Mayor's Vision, it sets out a challenging ambition to build at least 42,000 new homes per annum for the next ten years, at least 15,000 of which should be affordable, and 5,000 for long-term market rent. Delivering homes on this scale is an immense task that will require revisions to the London Plan. To deliver the homes and to ensure that housing is treated as a key part of London's infrastructure will require a concerted effort by all players in the sector – government at all levels, developers, housing associations and financiers.

This strategy sets out what could, should and must be done in four key areas:

- On **finance** through the implementation of a long-term settlement for housing, with greater autonomy over property taxes and borrowing.
- On **product** through an increased offer of support to the working Londoners critical to economic growth.
- On **land** through fully exploiting the potential for increased levels of housing in highly accessible areas.
- On **quality** through building to high and consistent design standards, while also improving the condition and environmental performance of London's homes.

On finance

It is essential to attract new forms of investment to support housing growth. A return to the mortgage and finance markets leading up to 2008 is undesirable, and would not in any case deliver the necessary number of homes. This strategy sets out how new forms of investment will be explored. This includes continued support for long-term investors in purpose-built private rented and shared ownership homes, and the exploration of the concept of a London Housing Bank to accelerate the pace of housing supply. The Mayor will also continue to make the case for a new financial settlement for London, one that includes greater autonomy to raise and retain its own property taxes, notably Stamp Duty Land Tax, and to utilise these revenues to support infrastructure and housing growth. In addition, he will seek more flexibility in the rules governing borrowing for housing purposes, particularly for local authorities that are keen to finance house building. Such a settlement would allow public funding to have a much greater impact, allowing for strategic investment that would also

increase capacity in the development industry. A sector that can deliver much more under the right conditions. The GLA will encourage new entrants to the market, to deliver homes of all tenures, and will work with boroughs to help unblock the stalled sites of existing London developers. Housing association assets need to be actively managed and support will be given to non-developing housing associations to unlock their financial capacity, to assist in maximising supply.

On product

Housing is of crucial importance to the economy. As well as jobs linked to construction, business leaders say that London's economic growth will be constrained without access to housing that is affordable to their workforce. The Mayor will oversee a massive expansion of First Steps homes. In the 2015-18 investment period, forty per cent of affordable housing will be for low cost home ownership, with the longer term aim of laying the foundations to make this the tenure of choice for 250,000 Londoners by 2025. Working Londoners will also be assisted through the provision of Affordable Rented housing, with a re-stated rent structure that offers a differentiated sub-market product for those in low paid employment as well as those who require more heavily subsidised rents. This will reflect better the pressures of housing costs in the capital while delivering the revenues necessary to support an ambitious new build programme. Boroughs will be encouraged to give greater priority to local working households in their allocations policies to help ensure mixed and sustainable communities, with working households prioritised for a proportion of lettings on new developments. In order to make best use of assets, the use of fixed-term renewable tenancies will be encouraged, with exceptions for older people and the long-term disabled. Support will extend beyond the affordable homes programme. In addition to working with the Council of Mortgage Lenders to develop mortgage options, the private rented sector offer will be improved through the implementation of the London Rental Standard, a set of core standards expected of private landlords and lettings agents.

On land

There will be a strong focus on using the GLA's powers to work with boroughs and the sector to promote the 33 Opportunity Areas, as set out in the London Plan, which offer huge housing potential. The GLA will prioritise and accelerate the development of these areas and will seek to designate new Housing Zones within them, building on the approach of the new Enterprise Zones. Delivery on public land will be accelerated through the fast and cost effective procurement offered through the London Development Panel, and the GLA will support flexible deals on its own landholdings where this can accelerate delivery. There should be increased development in other areas of London through infill, densification and realignment of employment land and open space, in line with London Plan policies. This could also involve the delivery of new garden suburbs, including at Barking Riverside, where the GLA is supporting the creation of a new community larger than Windsor.

On quality

The design and condition of homes is just as important as the numbers delivered. The Mayor is keen that all new homes should continue to be built to the current high design standards, set out in planning guidance. The Mayor will continue a dialogue with the government as to how best to ensure appropriate space standards and homes that are accessible and adaptable to people at all stages of life. The capital also has some of the worst housing conditions in the country, thus prioritising estate-based regeneration through improving the quality and energy efficiency of existing homes remains a key priority. To achieve this, the Mayor will make available funding to ensure that by 2016 all council landlords will be in a position to independently resolve their Decent Homes backlog, and will support affordable housing providers to retrofit their entire stock for improved energy performance by 2020.

PART 1 IDENTIFYING THE CHALLENGE

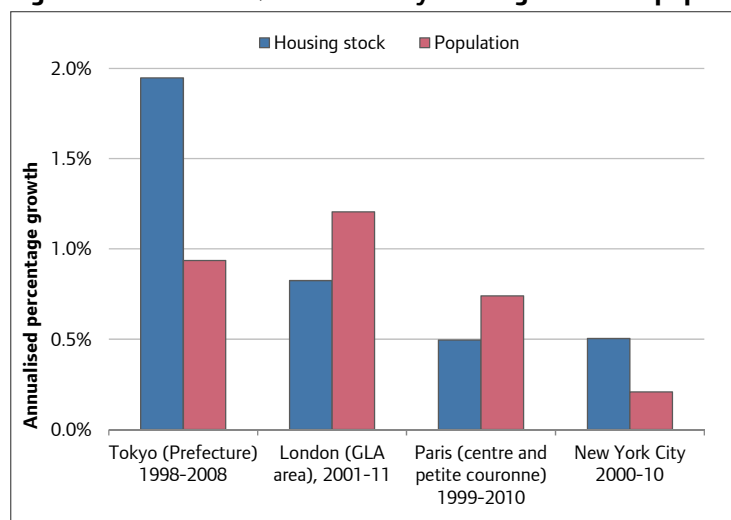
Part 1 sets out the scale of the challenge. It describes the increased demand for homes driven by a growing population, alongside changes in the patterns of tenure. It describes the impacts of insufficient supply – undermining economic competitiveness, worsening housing affordability and increasing levels of acute housing need. It goes on to set out the economic case for housing as infrastructure that is essential to London’s growth, detailing the contribution that house building makes to GDP and to job creation. It identifies the concern that not providing adequate housing for low and middle income Londoners could have severe impacts for future economic growth.

Housing London's growing population

1.1 A global challenge

Global cities around the world are facing a massive housing challenge. 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. However, London's stock grew at a much slower rate than Tokyo's, which increased by around two per cent per annum. To achieve a similar rate of growth, London would need to build around 60,000 homes every year.

Figure 1: Annualised % in world city housing stock and populationⁱ



1.2 London's housing sub-markets

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

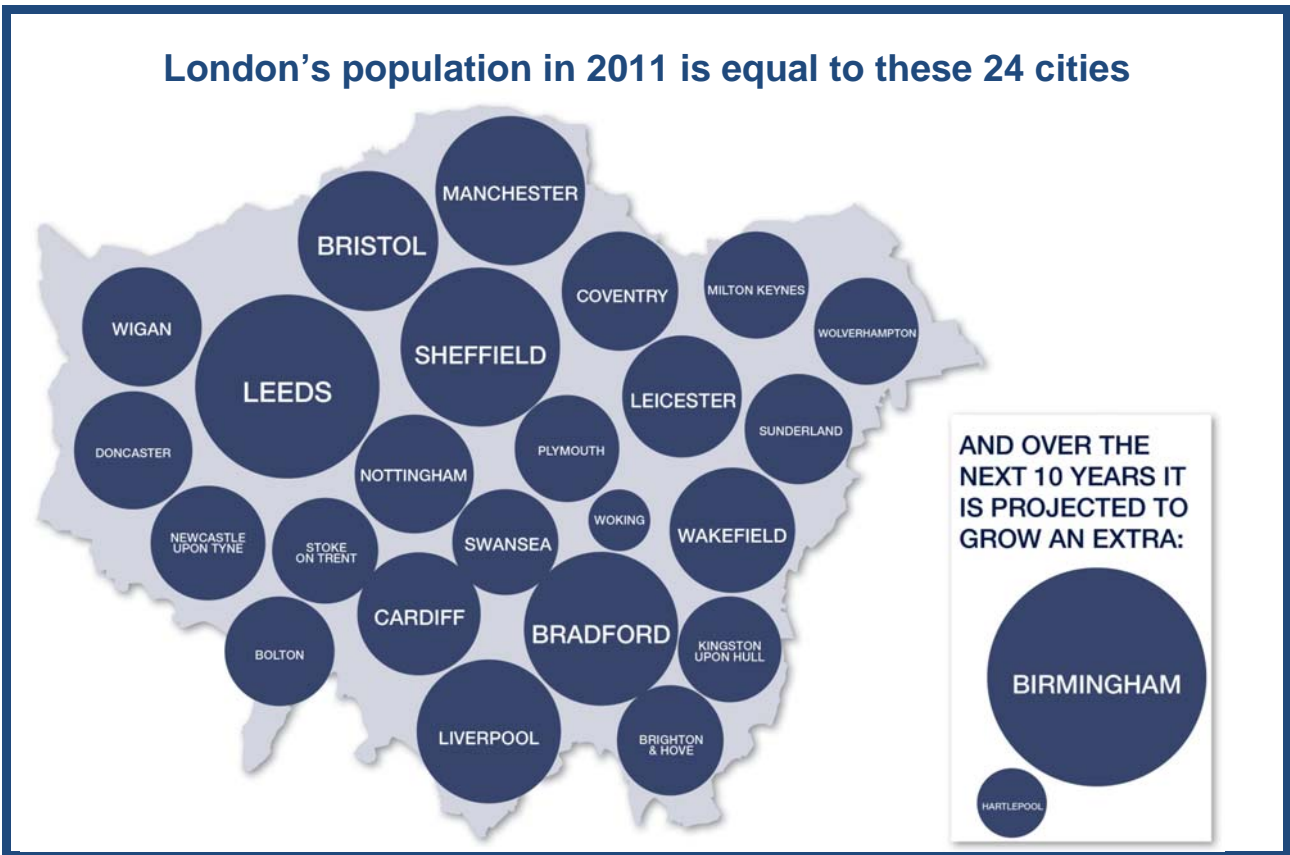
The rest of inner London has also seen a strong growth in prices, again in part due to overseas investment, but to a far lesser extent than prime central London, and in part due to strong domestic demand from both home owners and landlords. Finally, most of outer London is still predominantly a traditional mortgage-led market and has thus seen less price growth in recent credit-constrained years, though there is also rapid growth in renting in some town centres and suburbs. 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.

1.3 London's population boom

The complexity of the housing market is coupled with other challenges. London's economy is expanding: its share of the UK's Gross Value Added has grown from 18.9 per cent in 1997 to 21.6 per cent today. Over the same period, London's economy has nearly doubled in size, growing from £138 billion to £238 billion in 2011.ⁱⁱ By many measures, London is the greatest city on earth; the UK's only global city and Europe's most cosmopolitan capital. This success places enormous stress upon its infrastructure, not only from London's indigenous population growth but from those who head to the capital from elsewhere in the UK and further afield.

London's population is booming: it grew from 6.7 million in 1986 to 8.4 million in 2013. It is now projected to surpass its 1939 peak of 8.6 million as early as 2016. However, though the trend is clearly upwards, there is uncertainty as to its long-term trajectory, not least because it is not yet clear whether the unblocking of the housing market across the wider south east following the recession will lead to a resumption of historical levels of out-migration. Best estimates are that it will reach nine million by 2020 and ten million by 2030.ⁱⁱⁱ This is the equivalent of adding the population of the UK's second biggest city, Birmingham, every ten years.

Figure 2: London’s population growth^{iv}

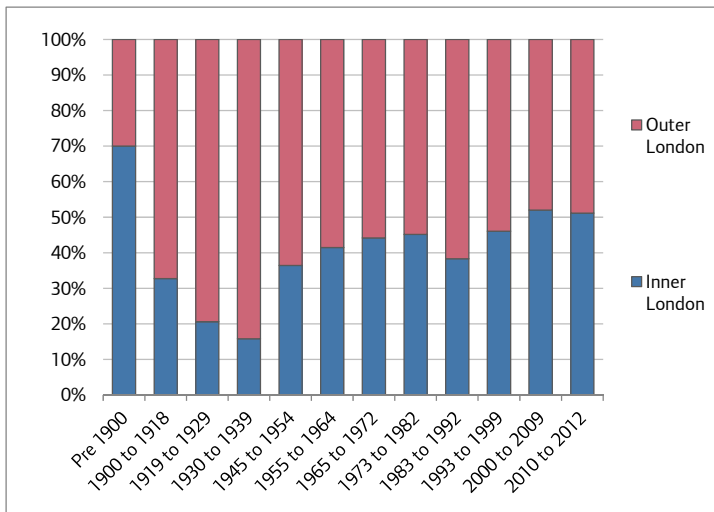


This astonishing growth, after decades of falling population from the 1940s to the 1980s, is driven by a number of factors, primarily the natural growth that results from London’s relatively youthful population. There has also been a fall in out-migration over the last ten years, with more people choosing to stay and raise families. In-migration has stayed more constant.

The 8.4 million Londoners comprise roughly 3.3 million households, a number which is projected to reach around 4.4 million over the next 25 years. This is an annualised growth of 40,000 households. The main drivers are expected to be one-person households (projected to rise by 160,000 by 2031) and couple households (projected to rise by almost 480,000).^v Taking into account the backlog of housing need, this could give rise to a long-term requirement for some 50,000–60,000 homes per annum.

While London’s population has grown more over the last ten years than at any time in its 2,000 year history, housing supply has not kept pace. Figure 8 in Part 4 below shows that annual net new housing supply has stayed around, or too often below, 20,000 for over thirty years – all but untouched by boom and bust. As a result, for the first time in over 100 years, the average household size in London has increased, from 2.35 to 2.47 persons between 2001 and 2011.^{vi}

Figure 3: Inner and outer London homes built by period^{vii}

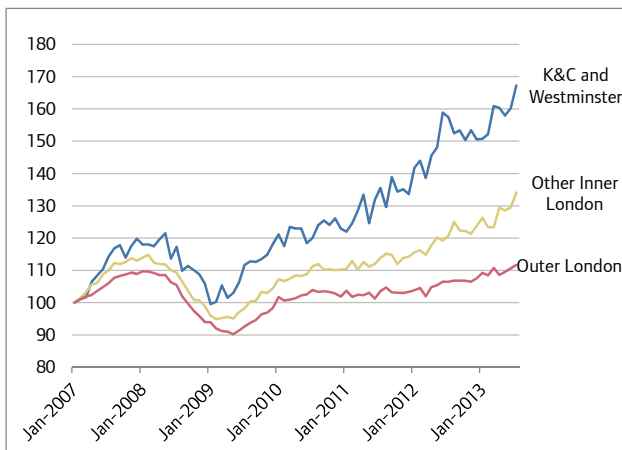


Throughout the twentieth century, most new house building was in outer London. Figure 3 shows that 84 per cent of London’s surviving homes built in the 1930s are in outer London, but outer London’s contribution to new housing supply has fallen since then and it accounts for just under half of the homes built since the millennium. The highest growth was in the first four decades, with around half a million homes built in outer London between 1900 and 1929 and another half a million in the 1930s alone. By contrast, thus far the twenty first century has seen slightly more homes built in inner London.

But 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. A return to the pre-2008 world would not deliver the homes that London needs.

1.4 London’s affordability crisis

Figure 4: Estimated London house price indices^{viii}



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 remarkable. In October 2013, the average house price in the capital was £438,000, compared with an England average of £248,000. Average prices in London have risen by ten per cent in the last twelve months, compared with four per cent nationally. The chart below shows that prices have stayed consistently above those in the rest of the country, but that there are wide variations between

outer, inner and prime central London. The median monthly rent for a private rented home is £1,250, compared with a national average of £585.^{ix} Private sector tenants in London spend an average of thirty per cent of their gross household income on rent.

It is estimated that overseas investors purchase in the region of ten to fifteen per cent of new build homes in London as a whole, while UK residents buy ninety per cent of new build homes in outer London. Only 6.5 per cent of total sales by value (including both new and second hand homes) are to foreign buyers.^x With regard to pushing up prices, new build generally comes with a premium. However, it typically represents only ten to fifteen per cent of total sales.^{xi} The remaining activity in the secondary market plays a much greater role in setting local price benchmarks, particularly for aspiring first time buyers. The share of new homes bought by overseas investors is much greater in high value prime London locations, and these rarefied markets have been well beyond the reach of

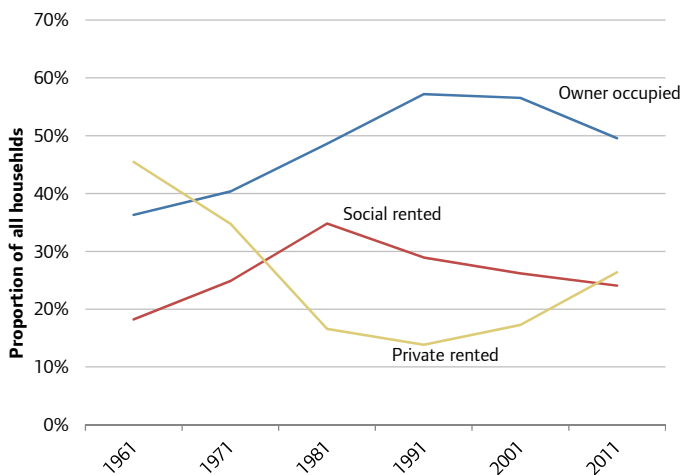
most Londoners for many years.

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 more than domestic purchasers as they have a greater propensity to purchase off-plan, triggering development by providing vital upfront funding without which projects are often unviable. This is not a new phenomenon. It is estimated that the proportion of sales to overseas buyers in 2012 was the same as in 1990.^{xii} Notwithstanding these benefits, new homes should continue to be marketed in the UK in the first instance, or at least simultaneously to overseas markets.

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 thirteen per cent of all outstanding mortgage debt in the UK, and probably a significantly higher proportion in London. However, there is little evidence that buy to let lending is crowding out lending to first time buyers as the lending conditions for each are governed by very different rules. And, as with overseas investors, forward sales to buy to let investors is an important way for developers to reduce costs and risk, thereby supporting higher levels of housing supply.

1.5 London’s changing tenure pattern

Figure 5: Trend in household tenures, London 1961-2011^{xiii}



Population growth, limited supply of new homes and the resultant 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 since the 1960s, flattened in the 1990s and has been declining since 2000. There has been an even longer term fall in social rented housing, which has been declining since the 1980s. These changes have resulted in the private rented sector (PRS) growing significantly over recent years. It now houses 25 per cent of households,

exceeding the number in affordable renting for the first time since the early 1970s. Owner occupation and private renting are expected to converge at just under forty per cent by the mid-2020s.

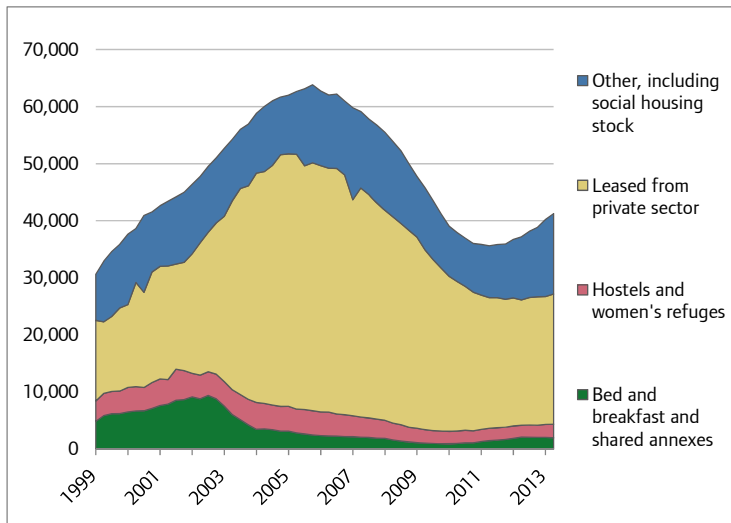
Over 37 per cent of social sector households have dependent children, which is the highest percentage in any tenure and has stayed fairly stable for many years. However, the proportion of private renting households with children has increased sharply, from 19 per cent to 29 per cent between 2001 and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

1.6 London’s acute housing need

There are also significant challenges for those in the most acute housing need in the capital. After declining for more than two decades, the number of households in temporary accommodation in London is rising again. There was an increase of three per cent between 2010 and 2013, with nearly three quarters of all households in temporary accommodation in the country placed there by London authorities. There has also been a seven per cent rise in the use of bed and breakfast accommodation

in the past year.^{xv} Although the number of households in temporary accommodation is growing, it remains low in historical terms.

Figure 6: Households placed in TA by London boroughs^{xvi}



The number of people seen sleeping rough in the capital rose by thirteen per cent between 2011/12 to 2012/13, largely fuelled by the rise of single foreign nationals sleeping on the streets. But the overall numbers of people living on the streets is low, with 75 per cent seen only once.^{xvii} London also has the most overcrowded households of any region, with an estimated 255,000 households living in overcrowded accommodation across all tenures.

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 to a city functioning effectively. Public transport, roads and utilities are all essential for economic growth, and so is quality and plentiful housing. The economy cannot grow and communities cannot flourish without investing in the transport networks that will get people around, but too few homes for London's workforce is an equal barrier to growth.

London has delivered major improvements to its transport infrastructure in the last decade, and the network will be further transformed 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. 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.

London is one of the most important business and financial centres in the world, with an economy nearly six times larger than Wales, two and a half times larger than Scotland, and bigger than all but eight national European economies.^{xviii} However, it risks falling behind in the global race as other international cities power ahead with investment in their infrastructure. Like transport, housing needs a long-term settlement to enable a steady supply of homes, rather than the periodic nature of investment rounds. Proposals for 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. House building creates jobs directly in construction and indirectly in a range of sectors including logistics, finance and other services that extend far beyond London's boundaries. Housing construction supports more jobs compared with investment in many 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. Every £1 of investment in construction is estimated to generate a total of £2.84 in total GDP. Housing construction, repairs and maintenance have accounted for an average three per cent GDP in the last decade.

Investment in low cost 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. 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 as households claim 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.

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 growth of 280,000 between 2011 and 2036 within the Central Activities Zone, already an area with one of the highest jobs densities in Europe.^{xix}

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 spillover effects such as the rapid spread of knowledge and innovation. Agglomeration helps explain why finance, creative and hi-tech industries 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.

Additionally, London’s jobs market functions as an escalator region 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.^{xx} A healthy supply of new housing is a critically important part of this dynamic; if affordability worsens, only those who already earn high salaries will be able to afford to come to, or live in, London.

The cost of owner occupation in some parts of the capital means that much of it is accessible to only a minority of Londoners without some assistance, whether from parents or government. Eighty per cent of the new build sales market is affordable to only twenty per cent of working households, and the average first time buyer is now in the top twenty per cent of London’s household income distribution.^{xxi} If the increase in house prices continues to outpace the growth in wages, these figures are likely to become progressively more extreme over the coming years.

Research suggests 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 eighty per cent of all earnings. Although these earnings are forecast to rise faster than average incomes, it is estimated that there could be a total shortfall of between 50,000 and 90,000 homes for professionals in London over the next ten years. Failure to provide homes for this group could have a disproportionately negative impact on London’s economy as many move out of the capital in search of adequate housing. It could weaken London’s competitiveness, resulting in a potential loss of economic output of £15 billion to £35 billion over the decade.^{xxii} This would have direct negative impacts on businesses in the capital as they struggle to fill jobs; as well as secondary impacts as this group is more likely than the most wealthy to spend its income locally, and has a higher disposable income than those not working.

The capital’s residents and employers alike cite the serious shortage of homes that are affordable to ordinary workers as a major problem. This shortage manifests itself in many ways, from increasing numbers of aspiring but frustrated home owners, the growth in long distance commuting, through to potentially serious damage to the economy as workers essential to London’s future leave the city and its jobs market altogether.

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

PART 2 SETTING THE AMBITION

Part 2 identifies the number of homes that London will need to deliver over the coming years to meet newly arising and backlog housing need, and the market and affordable housing requirement within this. It sets out the mix of tenures that the Mayor is seeking to deliver. It reiterates the design standards expected for these homes, and identifies ambitions and resources required 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 Mayor's two terms, more than 100,000 new affordable homes to rent or buy will be built, providing quality homes for around a quarter of a million Londoners. This is significantly more than any eight year period for decades, but it is still insufficient. Over the last ten years, the overall level of new housing supply has been about 20,000 homes per annum; again, significantly more than over the preceding twenty years, but still not nearly enough.

The Mayor will use his full range of powers to get more homes built in all sectors across the capital. For market homes, this will focus on removing the barriers to delivery that are preventing some of the 200,000 homes in London that have planning permission from being built out.^{xxiii} This will include revisiting some historical planning agreements and working with developers and boroughs to consider what interventions could unlock sites. There is also capacity currently still largely untapped for long-term private finance to move into residential development, especially for new, high quality private rented homes which could help accelerate the building out of large sites.

2.2 An ambitious new programme for London

A detailed assessment of London's housing needs and options to meet this will be set out in the Strategic Housing Market Assessment (SHMA), due to be published in January 2014. The London Plan is currently being reviewed in light of the SHMA and the Strategic Housing Land Availability Assessment (SHLAA), which provides the detailed evidence base for the supply of future development land for new homes. The Mayor is considering how these should be taken forward in a change to the London Plan. One option is a set of Further Alterations that might be published for consultation in early 2014, and could include the number and mix of homes required for the long-term to 2036. The proposals arising from changes to the London Plan will be incorporated into the final draft of the London Housing Strategy.

The available data indicates that demand from newly forming households as a result of population growth, combined with the current backlog of people in housing need, means that at least 42,000 new homes a year are likely to be required for the next 25 years; 420,000 homes in the next decade, one million over 25 years. This requires a doubling of current levels of building and doing so consistently over a number of economic, public spending and political cycles. Levels of house building like this have not been seen since the 1930s, and even then have not been sustained for anything like a 25 year period (see figure 8 in Part 4).

To encourage the market to deliver this almost unprecedented number of homes, the GLA will seek to ensure that private and public sector developers build at least 5,000 long-term private rented homes a year. Any scheme of more than one phase should give active consideration to homes that will remain private rented for at least ten years, ideally through a covenant mechanism, to supplement and accelerate construction activity. Local planning authorities will be encouraged to take into account the need to achieve viability for such an approach.

Although the majority of new homes will be market homes for owner occupation and for private rent, the SHMA also considers the affordability of housing in London and the need to deliver new homes for those who cannot meet their housing need in the open market. As with the overall housing requirements figure, the affordable housing requirement will be formally set out in the Further Alterations to the London Plan. On an interim basis, to guide funding decisions in the 2015-18

investment round, this Housing Strategy is aiming for at least 15,000 affordable homes per annum.

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. Londoners in the highest income bracket are able to meet their housing aspirations without any state assistance. At the other end of the scale, affordable housing still accounts for nearly a quarter of all existing homes, a figure that rises to one third in inner London.^{xxiv} In contrast, just 1.3 per cent of London homes are low cost home ownership and specifically aimed at the mid-market.^{xxv} This tenure is seriously under-supplied given the increasing pressures facing modestly paid households.

The average first time buyer is now in the top twenty per cent of the household income distribution, with those on low and middle incomes struggling to afford new homes outside the rented sector. This group must continue to 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, 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 longer.

The downward trend in owner occupation is a concern. In response, the government has launched the two-part Help to Buy scheme: the equity loan scheme has been available since April 2013 and the mortgage guarantee scheme since October 2013. The scheme is open to both first time buyers and existing owners for 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 the next programme will shift towards a greater supply of low cost home ownership homes.

Equally important is providing good quality homes to rent. 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 still below market rents, will greatly reduce the subsidy needed for these homes. Ensuring these homes are provided for low and middle income working households will give providers much greater certainty over their viability and will provide a rented offer to complement the continued provision of low cost home ownership products.

Ensuring that rented homes are provided for those on very low incomes, who are reliant on benefit support, particularly families, is also a priority. Given very high market rents, the Mayor will support the provision of homes at lower rents for this group.

2.4 The 2015-18 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 average annual household income of those who access affordable homes for rent is £12,000, this rises to £33,000 for low cost home ownership products.

Overall, the GLA's aim is to deliver a balanced programme that supports low paid working households who would otherwise face punitive costs in the PRS, as well as providing a safety net for those in the most acute need. One key strength of the Affordable Rent model is its flexibility in meeting a range of

needs. Thus, in the 2015-18 programme, the GLA will harness this flexibility to fund a more differentiated 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 a higher rent product targeted at low income working Londoners. This will deliver better value for money by reducing grant levels across the majority of the programme to ensure that it can be focused on homes where rents need to be most heavily subsidised.

The GLA will maintain the current London Plan affordable tenure mix of 40:60 intermediate:rented homes for the 2015-18 investment round. Therefore, of the 15,000 affordable homes that London will seek to deliver each year:

- Forty per cent will be for flexible low cost home ownership products. The ambition is to double the number of First Steps homes by 2020, and double again by 2025. This will be a mixture of shared ownership, rent to save and other intermediate models, depending on the financial circumstances of individual households. Eligibility will be based on existing First Steps criteria and income thresholds: currently households earning up to £66,000 per annum, extended to £80,000 for larger families requiring three or more bedrooms.
- Sixty per cent will be for Affordable Rent
 - Half of this will be “capped” at low affordable rents, and will be prioritised for those in the greatest need and those in low income employment. To assist with long-term asset management, promote mobility and reflect changes in household circumstances, investment partners should use fixed-term renewable tenancies. For the purpose of this investment period only, and for this part of the programme, the GLA will promote smaller homes specifically to enable under-occupying households affected by the social sector size criteria. Boroughs should therefore consider giving greater priority to under-occupying households for these homes.
 - The remaining half will be at “discounted” rents, set at the lower of up to eighty per cent of market rent or the local housing allowance. This will maximise output and provide cross subsidy for the homes at the lower capped rents. Access to these homes would be targeted to those in work in the first instance. Thirty six per cent of these homes should be family-sized homes of three or more bedrooms.

The GLA will ensure that there continues to be flexibility at a local level for providers and boroughs to negotiate further variations, while maximising affordable housing supply. Providers are also encouraged to make provision for much larger homes of four or more bedrooms where there is specific local need.

Part 3 of this strategy sets out further details about improving the intermediate housing offer, priority for affordable housing allocations and the use of fixed-term renewable tenancies.

Policies: Increasing the supply of new homes

- P1** The GLA will work with partners to deliver 420,000 homes over ten years. This will comprise:
- 220,000 for open market sale
 - 50,000 for purpose-built long-term private rent
 - 150,000 affordable homes to rent or buy

- P2** Developers will be encouraged to provide private rented homes on schemes with more than one phase, to deliver at least 5,000 homes per annum across London. These homes will be covenanted for long-term private rented usage for at least fifteen years.
- P3** In the 2015-18 investment period, the GLA will seek to deliver 15,000 affordable homes per annum. This will comprise:
- forty per cent for low cost home ownership
 - sixty per cent for Affordable Rent
 - half at a “capped” rent
 - half at a “discounted” rent, of which 36 per cent will be family-sized. These will be targeted at low income working households.
- P4** The number of First Steps homes delivered in the capital will be doubled by 2020, and doubled again by 2025, helping 250,000 Londoners.

Improving design

2.5 The Mayor's Housing Standards

Of course, it is not just the number of homes that are delivered that matters, the quality of those homes is equally important. London has a proud tradition of creating new design typologies: merchants' houses gracing Georgian squares, the suburban Victorian terrace, Edwardian mansion blocks and some excellent examples of modern housing all successfully blend elegance with functionality. The Mayor's London Housing Design Guide, as adopted through the Housing Supplementary Planning Guidance, encourages a new London vernacular that draws on traditional street patterns. Without imposing any singular architectural style, the guide seeks to create attractive homes and neighbourhoods, without segregation by type or tenure.

The guide focuses heavily on standards to improve the internal design of new homes with minimum space standards, adequate room sizes and generous levels of usable integrated storage, broadly equivalent to ten per cent larger than the old Parker Morris standards. It recognises that in higher density development, it is important that internal design is integrated with that of the immediate residential environment, and includes provision for private amenity space such as balconies which are vital for occupants without gardens. The Design Guide has reduced the burden on developers by rationalising the number of requirements to which they must refer from more than 300 to ninety.

New dwellings should also be accessible to all people at all stages of life, including disabled and older people. The guide's minimum space standards ensure that homes have the long-term adaptability to suit changing lifestyles as people age, families grow and new occupants arrive. The ability to quickly and cheaply adapt a home when circumstances change is particularly important in an ageing society, where people want to maintain their quality of life, maximise independence and stay in their own homes for as long as possible. To ensure this happens, the guide stipulates that all new homes should be built to Lifetime Homes standards and that at least ten per cent should be wheelchair accessible. Section (3.8) sets out more details about housing for older people.

The design standards have been successfully adopted as planning policy through the London Plan and are the first design standards to apply to new homes across all tenures. They have been incorporated into the specification of all major house builders and registered providers operating in the capital and are the basis for a large number of planning permissions. The government is undertaking a review of building standards, and this is currently out for consultation, but the Mayor is keen that his current standards continue to be applied across all tenures. The Mayor will continue a dialogue with the government about the implications of the government's review for the London design standards. The scale and density of housing development in London, coupled with the successful introduction and consistent application of the new standards, justifies maintaining London's approach and provides certainty to the entire house building sector.

Policies: Improving design

- P5** All new homes should be built to the London Housing Design Guide standards, as set out in the London Plan Housing Supplementary Planning Guidance.
- P6** New homes should be built to Lifetime Homes standards, with at least ten per cent wheelchair accessible.

Improving existing homes and estates

2.6 Retrofitting and improving energy efficiency

As well as improving the design of newly built homes, the Mayor is committed to a targeted programme of retrofitting and upgrading the capital's existing housing stock. The new homes delivered in any year will only ever be a small fraction of London's overall housing stock. It is therefore essential that the quality of existing homes across all tenures is maintained and, where necessary, improved. London's housing stock is relatively old compared with the rest of the country, with fifteen per cent of it dating from the nineteenth century or earlier, and over half from before the 1940s. Just ten per cent of homes date from 1991 onwards.^{xxvi} This has implications for stock condition and energy efficiency because older homes are more expensive to maintain or upgrade to modern standards.

Despite these challenges, London has significantly lower per capita carbon emissions than the rest of the country and carbon emissions have fallen back to 1990 levels – a reduction of almost fourteen per cent since 2000. However, London's domestic buildings remain a major source of the city's overall carbon emissions at 36 per cent (excluding aviation).^{xxvii} This is a particular issue for private sector homes, which tend to be significantly less energy efficient than more recently built affordable homes.

RE:NEW is the GLA's domestic retrofitting programme, and has already improved the efficiency of over 99,000 homes, saving over 18,000 tonnes of carbon and providing significant savings on energy bills. However, London received only six per cent of the total UK insulation installations, much less than London's share of the total housing stock of roughly twelve per cent.

To increase retrofit numbers under the government's Energy Company Obligation (ECO) and Green Deal schemes, the RE:NEW programme has put in place measures to assist all large landlords in London to identify works that can be carried out to their stock, procure the works, access finance and manage contractors. This support will continue until at least 2016, maintaining the momentum for the successor ECO arrangements. The GLA is keen to expand retrofit activity on a more strategic area, or even whole borough, basis. The Green Deal also represents an innovative way to finance energy efficiency works which saves money for individual households. The Mayor will continue to promote the opportunities that the Green Deal offers to Londoners across all tenures. As Table 1 shows, the projected rate of delivery in London is therefore expected to increase significantly over the next three years.

Table 1: CO2 reductions by programme to 2015

	Delivered to date	Projected		
		2013/14	2014/15	2015/16
RE:NEW (homes)	18,801	29,418	52,058	63,213
RE:FIT (workplaces)	15,571	8,801	11,443	13,023

2.7 Upgrading the housing stock

Alongside some of the country's finest housing, London has some of the worst housing conditions, and this has a direct impact on people's quality of life, their health and educational attainment. In 2011, 22 per cent of homes across all tenures in London were estimated to fall below the Decent Homes standard.^{xxviii} To tackle the backlog of improvement works for council homes, the Mayor secured £821 million in the 2011-15 spending round period for boroughs to improve the condition of 45,000 homes. However, even after this investment, London will still have eleven of the thirteen local authorities in the country where more than ten per cent of their homes do not meet the Decent Homes standard.

The government has recently announced that it is extending the programme into 2015/16. The GLA is likely to receive more than ninety per cent of this newly available funding and will invest up to £145 million to bring over 9,500 homes up to the Decent Homes standard. This additional funding should enable all council owned homes to reach the standard, finally removing the blight of unmodernised council housing in London. For some social housing estates, redevelopment and intensification may be the most appropriate solution to upgrading the housing stock, and where this is the case, the GLA will consider contributing towards estate regeneration projects.

As well as addressing fuel poverty through reduced energy bills, improving the quality of life for residents and contributing to environmental improvement, Decent Homes works create jobs and local economic activity. It is estimated that every £1 invested through the programme generates local spend of £1.46 through orders to local tradespeople and suppliers, and every £1 million of investment creates an additional sixteen jobs.

The Mayor will make it a condition of funding that all borough landlords in receipt of Decent Homes monies should also have detailed plans for environmental improvement of their homes. Additionally, all providers of affordable housing should have carried out environmental retrofit on all of their stock in London by 2020. The GLA is interested in hearing views from stakeholders about how this could be measured. One way of achieving this could be that all affordable homes would be required to be at least a grade D Energy Performance Certificate (EPC) rating.

This would help London's poorest households stay warm and reduce costs, and will lead the way for all of the remaining stock to be retrofitted by 2030, saving up to 600,000 tonnes of CO₂ per annum. Through the London Rental Standard, the Mayor will also look at ways to support private landlords to improve their stock and meet new legislation that will restrict the selling and renting of properties with EPC ratings below grade E.

2.8 Empty Homes

Empty homes are a wasted housing resource and can often be a blight on neighbourhoods. Although the proportion of London's homes empty for more than six months is the lowest since the 1970s, at just 0.7 per cent of the total stock (down by 12,000 since 2008^{xxix}), with minimal public investment, many of these could be brought back into use. The Mayor is committed to maintaining this low level and will continue to support investment to do so, building on the £75 million invested since 2008 that will bring over 6,000 empty homes back into use by 2015.

Policies: Improving existing homes and estates

- P7** The GLA will have a plan in place to retrofit every poorly insulated home in London by 2030.
- P8** All affordable homes in London should be retrofitted by 2020.
- P9** All London borough landlords should be in a position to independently resolve their Decent Homes backlog by 2016.
- P10** No more than one per cent of homes in London should remain empty for more than six months.

PART 3 FULFILLING THE COVENANT

Part 3 sets out how to make best use of the homes that will be delivered. It sets out the principles behind the Mayor's Housing Covenant as a framework for rethinking policies on intermediate housing, the private rented sector and affordable housing allocations. It also makes proposals to expand the offer for older Londoners, as part of planning for a population that it is living longer, and meeting a range of acute housing needs, including those sleeping rough or living in overcrowded conditions.

Supporting working Londoners

3.1 Re-defining need

Alongside the overarching need to build many more homes is the question of who should benefit from the new homes that are built through public subsidy. With rents and house prices rising, and mortgages still relatively scarce, many Londoners are struggling to find a home they can afford. They are often locked out of home ownership, too many are forced to house share because they are unable to set up home on their own, and too many are living in inappropriate or poor quality private rented accommodation. Alongside a continued commitment to helping those in the most acute housing need, more priority needs to be focused on working households that are the backbone of the economy, but still cannot afford to meet their housing aspirations in the capital.

In 2012, the Mayor launched his Housing Covenant. The premise was simple: those who contribute through hard work to London's success should expect a reasonable housing offer in return. The covenant seeks simply to make work pay and to reward effort through improving the affordable home ownership and private rented sector offers, as well as making the best use of affordable housing.

3.2 A more structured intermediate market

London is a city where most areas are home to diverse communities on a wide range of incomes. In recent years, however, a growing proportion of London's workforce that would have traditionally expected to access home ownership in many of these areas now finds itself locked out by high housing costs. The top end of the market continues to boom, while at the other end, the supply of affordable housing has been sustained. But in the middle market, where most of the unmet demand exists, the deficit in supply has grown. There are an estimated 500,000 households in London's PRS, earning between £11,000 to £38,000 per annum, who are increasingly unable to access home ownership. Improving affordability for these households is essential as they are crucial to the capital's economy and services.

Through First Steps, the Mayor launched a highly ambitious intermediate housing programme that has delivered 22,000 intermediate homes and helped 35,000 Londoners gain a foothold on the housing ladder since 2008. The first [Housing Covenant](#) built on this success by introducing further policy changes to streamline and structure the intermediate housing market. There are many features that are unique to London:

- A commitment to review the annual household income thresholds for eligibility, and a differentiated threshold for smaller and larger homes.
- Eligibility for First Steps homes has been broadened to be defined by income rather than narrow employment categories and existing households in intermediate housing are now eligible for other intermediate products.
- Equity loans can be ported to another intermediate home for households that still fall within the London income thresholds for First Steps.
- In order to treat intermediate homes as a pan-London resource, the GLA has issued planning guidance to ensure that these homes are available to a wider number of Londoners meeting headline First Steps eligibility criteria, where there is insufficient local demand during a specified period.
- To reduce unnecessary bureaucracy, the First Steps agents service has been replaced with an enhanced pan-London website service. The single portal acts as a one-stop-shop for Londoners to view properties and to access information about their housing options, as well as enabling partners to market intermediate homes. The service is provided by a private sector

partner at nil cost to the public purse, representing a saving of £700,000 per annum to the taxpayer.

Alongside the policy review, the Mayor launched a fund of up to £100 million to stimulate new intermediate housing supply and products. The Mayor remains committed that all of the returns from this pot realised by the GLA over the next ten years will be reinvested into further affordable home ownership. The Mayor's Housing Covenant fund now totals £300 million.

The response from the housing industry about these policy changes and the additional funding has been overwhelmingly positive. The GLA will continue to work with partners to explore how the intermediate housing offer can be improved further. The 2015-18 programme will seek to increase the number of low cost home ownership homes by fifty per cent to 6,000. Over the longer term, the Mayor will double the number of new intermediate homes by 2020, and double this again by 2025, helping an estimated 250,000 Londoners. One way of achieving this could be by partnering with large-scale investors who value this product for its stable rental stream. There is potential to accelerate delivery on large sites through this model with huge benefits for working Londoners who are currently squeezed out of home ownership.

It is not just new homes that have the potential to offer an equity stake to their occupants. The London borough of Hammersmith and Fulham is considering a 'right to part buy' scheme that offers the sitting tenant the opportunity to buy a fifteen per cent share of their home. The Mayor supports the roll out of this kind of scheme across the capital, and will fund housing associations to offer such schemes to their tenants. The introduction of fixed-term tenancies means that landlords will need to offer support, and possibly alternative housing options, to households whose tenancies are coming to an end. Purchasing a stake in the property at the end of the fixed-term could offer long-term security of tenure that would not otherwise be available. The GLA is particularly interested in exploring ways of dividing the costs of repairs and maintenance between the landlord and purchaser, proportionate to the shares owned by each party.

3.3 Supporting home ownership

The primary means of supporting the aspiration of Londoners on low to middle incomes to own a home is through First Steps. Also, and in addition to supporting the Help to Buy initiative which enables those who can afford a mortgage but who cannot raise the deposit to get on the housing ladder to do so, the Mayor will press mortgage lenders to treat lending for intermediate housing as a core part of their business, not a niche or in any way sub-prime product.

It is not just for mortgages that the Mayor would like to see the banks taking a more active role in lending for growth. The Mayor would be keen to explore the extension of Help to Buy to cover development finance. This could involve the GLA guaranteeing part of loans taken out to fund housing delivery where there is a commitment to build out over a given timescale, or taking an equity stake in market housing developments, which would be repaid as the homes are sold.

Those who are buying on the open market without financial assistance from the public purse, particularly first time buyers, also deserve support to realise their aspirations. Similarly, existing owner occupiers, who make up half of all Londoners, are essential to the social and economic viability of the capital. One of the few financial positives in the existing economic climate is low interest rates. The Mayor would encourage stability of interest rates over the longer term, to provide certainty for home owners and developers.

The current development market in London relies heavily on pre-sales, with the gap between securing

a mortgage and actually taking ownership being a lot longer than for purchases of existing homes. This puts potential UK owner-occupiers at a disadvantage against overseas investors, when most mortgage offers expire after three months. To level the playing field, the Mayor will press mortgage lenders to offer nine month in-principle mortgage approvals in London, instead of the standard three months.

Many of those who own a home are leaseholders. There are an estimated 500,000 leaseholders in London; in the majority of cases the freehold of their properties is in private ownership, although some are retained by local authorities or housing associations. London's leaseholders pay estimated annual service charges of over half a billion pounds between them. A key factor in many disputes between freeholders and leaseholders is that the financial responsibility for maintenance falls upon the leaseholder through service charges, yet it is the freeholder or their agent who decides what work needs to be done, who will do it and what it will cost. There is thus little or no incentive for the freeholder to keep costs at a minimum. Written submission to the London Assembly evidenced that achieving the right to manage can reduce service charges by between ten to twenty per cent.^{xxx} However, there are significant barriers to achieving the right to manage for private sector leaseholders.

The Mayor will lobby the government to amend the legislative requirement that fifty per cent of all leaseholders must vote in favour of the right to manage, to fifty per cent of those leaseholders who respond to the opportunity for self-management once it is presented. In such a case, the interest of absentee leaseholders could be protected through the introduction of an obligation for the freeholder to supply the contact details for absent leaseholders and a requirement that sufficient effort is made to ensure that absent leaseholders are contacted. The Mayor will also lobby the government to consider the removal of the requirement that 75 per cent of a building must be residential. Instead it could allow for the elements of residential and commercial to be defined by a third party, such as a chartered surveyor, with service charges then apportioned accordingly. Once defined, the residential element, regardless of its proportion to the rest of the building, would be subject to the same opportunities and constraints to achieve the right to manage as any other building.

Policies: Supporting working Londoners

A more structured intermediate market

- P11** The GLA will continue to encourage providers to enable households to choose a First Steps home and then agree the appropriate financial package.
- P12** The GLA will agree to port equity loans for households that who fall within the income thresholds for First Steps.
- P13** Intermediate homes funded by GLA programmes should be made available to all Londoners meeting the First Steps eligibility criteria, and should not be restricted by occupational definitions.
- P14** Affordable housing providers will be encouraged to offer tenants the right to part-buy their home, and the GLA will fund housing associations to do so.
- P15** Mortgage lenders will be encouraged to treat lending for intermediate homes more like lending for open market ownership.

Supporting home ownership

P16	The Mayor will lobby government for legislative changes that make it easier for private sector leaseholders to obtain the right to manage.
P17	The Mayor will lobby government to ensure there is long-term stability around interest rates for home owners.
P18	The Mayor will work with the Council of Mortgage Lenders to encourage lenders to offer in-principle mortgage approvals for nine months.
P19	The Mayor will explore with the development and finance industry the potential options for an extension of Help to Buy to support development finance.

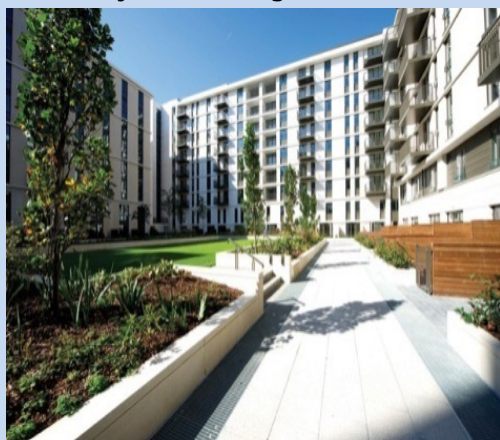
3.4 Recognising the importance of the private rented sector

The PRS plays a vital role in the economy. It is the tenure that almost all adults experience first, offering choice and flexibility to both new entrants to the labour market and young people leaving home. A professional and business-like PRS should be a positive housing choice and London's relatively young and mobile population means that the PRS has long been an important part of its housing market. A quarter of London's households are now private tenants, almost double the number two decades ago, and the highest since the early 1970s.

In December 2012, the Mayor published his [Housing Covenant for private renters](#). The centre piece was the ambitious London Rental Standard (LRS), the final version of which was published in July 2013. Developed by the GLA, in collaboration with accrediting organisations and boroughs, it sets the benchmark for the standards that are expected of landlords and letting agents. The LRS is not an accreditation scheme in its own right, rather it sets the framework for other accreditation schemes in the capital.

The purpose of accreditation is that it gives certainty to tenants about the standards that they can expect, reduces the risk of litigation for landlords, and generally improves the knowledge and professionalism of the sector. Building on the success of more than doubling the number of accredited landlords and agents since 2008, the Mayor has set a bold target to achieve 100,000 accredited landlords and agents by 2016. To help give accredited landlords and agents a market advantage over non-accredited competitors, the GLA will develop a single 'badge' of accreditation, underpinned by the LRS, and will launch a public awareness campaign in early 2014. As with other self-regulatory markets, it is vital that the industry leads the drive to improve standards through attracting more landlords and agents to take up accreditation. One way to do this is to offer incentives such as discount cards, and this is being explored as part of the LRS.

The Housing Covenant sets out two further ambitions. First, it seeks to offer greater protection for tenants. The demographic of London's PRS is changing: people are renting for longer, and there are increasing numbers of families with children. Renters' expectations are also changing in terms of choice, transparency and accountability of landlords and letting agents. The assured shorthold tenancy regime is flexible enough to accommodate longer tenancies, as well as more certainty over rent increases, and the Mayor is keen to see landlords testing new and innovative tenancy agreements. Some larger landlords are responding positively, such as Get Living London at East Village and Genesis at Stratford Halo. It is also important that there is greater transparency about letting agent fees, and agents will be encouraged to adopt a means of independent redress for when disputes occur between them and landlords or tenants. The GLA strongly supports the government's plans to improve the lettings agent market.

Case study 1: Get Living London, East Village^{xxxii}

Get Living London, the brand name for the joint venture between Qatari Diar Real Estate Development Company and Delancy (QDD), is offering new private rental homes at the East Village. A significant proportion of the homes which made up the Athletes Village were acquired and now 1,439 homes have been made available for private rent, a unique example of a long-term commitment to London's PRS from a professional and long-term investor. This commitment is reflected in the longer tenancies that will be offered, for up to three years, with options to downsize or upsize as a tenant's situation changes, and transparency of rental fees. Tenants started moving into homes during summer 2013.

Second, to promote better property standards. Although most homes in London's PRS are of an adequate standard, thirty per cent fall below the Decent Homes benchmark – the highest proportion of any tenure.^{xxxiii} Reasons for this include the age and nature of much of London's privately owned stock, but it is also because some private landlords lack the skills and knowledge to manage their portfolio professionally. A range of legislation is in place giving local authorities powers to enforce minimum standards. Greater partnership working between boroughs to share knowledge and intelligence about criminal landlords will also help to improve the use of these powers. Boroughs and accrediting organisations are encouraged to share data on accredited landlords, thereby helping boroughs to focus their efforts on non-accredited landlords, instead of those who are already committed to improving their standards.

The GLA is also committed to tackling poor quality at the bottom end of the market, which blights communities and the health and well-being of tenants. It also affects the reputation of the whole sector because of sub-standard practices and the actions of a tiny criminal minority. The GLA is represented on the national "beds in sheds" taskforce and will be making the case for further measures, including advice for magistrates to maximise fines for criminal landlords.

Finally, the Mayor is concerned about the problem of high deposit requirements in the PRS, and the impact that this might have on London's businesses in recruiting and retaining staff. The GLA is working jointly with Shelter to encourage employers to give staff loans of up to £5,000 to cover rental deposits, analogous to season ticket or bike loans. The GLA is seeking to offer this to its employees, and will encourage major employers in the capital to do likewise. The government's decision to increase the exemption threshold for employment-related loans from £5,000 to £10,000 should make this offer more practicable. In addition, large employers will be encouraged to invest in subsidised housing products to reduce the costs of renting for their employees.

Policies: Supporting working Londoners**Recognising the importance of the private rented sector**

P20 The London Rental Standard will be implemented, with a target to accredit 100,000 landlords and agents by 2016.

P21 The GLA will work with boroughs to optimise enforcement action against rogue landlords and to understand the operation of the housing health and safety rating system.

- P22** The GLA will explore how longer tenancies can be promoted, within the framework of the assured shorthold tenancy regime.
- P23** The GLA is seeking to offer its employees interest-free loans of up to £5,000 towards private rental deposits, and will promote this initiative to London's employers.
- P24** Major employers in the capital will be encouraged to invest in subsidised housing products to reduce the costs of renting for their employees.

3.5 Rethinking affordable housing allocations

While proportionately fewer individuals own their home in London than in the rest of the country (50 per cent, compared with 63 per cent nationally), more Londoners live in affordable rented accommodation (24 per cent, compared with 17.5 per cent nationally).^{xxxiii} Affordable housing is an extremely valuable public asset providing low cost and secure accommodation for vulnerable and low income households. However, there are 319,000 London households on waiting lists,^{xxxiv} and the number of lettings of affordable housing is in long-term decline. There is an urgent requirement to ensure that this scarce asset is used most effectively to meet housing need.

All boroughs have been rethinking their allocations policies, with many revising their policies to reflect local circumstances and policy priorities. While many will continue to focus their energies on housing those in the most urgent need, given new and emerging pressures there is likely to be a greater recognition of different categories of need within the majority of boroughs.

The Mayor will encourage boroughs to give greater priority for allocations to local working households on low incomes. In doing so, boroughs should ensure that decisions to award additional priority are proportionate and take account of factors that might exclude certain households from receiving this priority. It should also be balanced with the need to ensure the most vulnerable are looked after. This would help to better reward those who are essential to London's economy, while protecting older and vulnerable people. It would also mean boroughs making the most of their new flexibilities to prioritise working households for affordable housing, while still working within the statutory framework of reasonable preference categories.

3.6 Facilitating mobility

The GLA's successful Housing Moves scheme is designed to facilitate cross-borough mobility for affordable housing tenants who wish to move within London. The scheme prioritises those in employment – worklessness in the affordable housing sector is estimated to cost £63 million per annum. Housing Moves also helps to tackle overcrowding by prioritising under-occupying households. Since the launch of the scheme in May 2012, over 210 households have moved to new homes across the capital. The Mayor is currently considering proposals to extend the scheme, along with Seaside and Country Homes, which is targeted at affordable housing tenants aged sixty and over.

Fixed-term renewable tenancies can also assist social landlords to facilitate mobility within and out of the sector, ensuring that lettings are targeted at those who need them most. There is a case for considering the employment and income status of tenants at the end of their fixed-term. Those on high incomes could be assisted into intermediate or market home ownership, or pay a higher rent to remain in their home, the proceeds of which should be used to support new affordable housing. Under-occupying households would be offered alternative appropriately sized homes at the end of the fixed-term. The use of fixed-term renewable tenancies should always be accompanied with appropriate exceptions and safeguards, and lifetime tenancies should continue to be an option for the most vulnerable households.

On new developments, there is scope to go further. In future spending rounds, the Mayor will use his investment and other powers to ensure that the benefits of investment in new affordable housing are shared across the capital. To achieve this, the Mayor will require that between five and ten per cent of all new rented homes that receive GLA funding will be let on a pan-London basis. Registered providers will be able to retain a further ten per cent of lettings to assist their housing management functions. It is intended that this system will replace the existing sub-regional nominations arrangements.

3.7 Towards a London rental policy

Where it has been tried, rent control has limited the supply of rented homes by reducing the incentives for landlords to let. Indeed, once rent controls were abolished in England in 1988, the long-term decline in the number of private rented homes in the UK reversed and the sector has been growing ever since. Rent controls can also result in the deterioration of properties, with landlords less willing or able to maintain them where rents are artificially suppressed. Instead, PRS landlords could consider how greater certainty over rents can be provided to tenants, facilitated by longer tenancies, as successfully demonstrated by QDD and others (see case study 1).

Almost a quarter of Londoners live in the affordable sector, some 786,000 households. More than half of these households are solely reliant on state support for their income because of age, disability or care responsibilities. A further quarter have such low incomes that they require housing benefit even on subsidised rents. However, there are 115,000 households who could afford to pay more towards their rent. The average social rent in London is typically around one third of the average market rent. The difference amounts to more than £5,000 a year on average, but a significant minority do not need this financial support.^{xxxv} While many thousands of low income households in need are excluded from the advantages that affordable housing could bring, it is fair to consider the contribution that higher rents paid by higher earning tenants could make towards the provision of more affordable homes.

The government has confirmed that it will take steps to enable social landlords to charge market rents to tenants with incomes of at least £60,000 per annum, and expects all additional income arising from the policy should be available for reinvestment in affordable housing, particularly the provision of new homes. The GLA supports the principle of pay-to-stay, but believes the thresholds at which London's social landlords opt to implement pay-to-stay should be set in line with the income limit for First Steps, i.e. £66,000 for smaller households and £80,000 for larger families. Additionally, providers of low cost home ownership should ensure that rent and service charge increases are proportionate and are in line with rent increases more generally.

Policies: Supporting working Londoners

Rethinking affordable housing allocations

P25 Local authorities and other affordable housing providers should give greater priority to working households for lettings.

Facilitating mobility

P26 In order to encourage mobility and to enable best use of stock, affordable housing providers are encouraged to consider the use of fixed-term renewable tenancies.

P27 For Affordable Rented homes funded through GLA programmes, five to ten per cent will be let on a pan-London basis, and ten per cent will be retained for nominations by the registered provider. This will replace the current system of sub-regional nominations.

P28 The Mayor will explore the expansion of the Housing Moves and Seaside & Country Homes schemes for under-occupiers and those in employment.

Towards a London rental policy

P29 Private sector landlords should consider the use of longer tenancies, tied in with greater certainty over rents, where this is viable.

P30 Affordable housing providers should consider adopting a high earners' contribution in line with the First Steps income thresholds.

P31 Providers of low cost home ownership should ensure that rent and service charge increases are proportionate and in line with rent increases more generally.

Meeting a range of housing need

3.8 Housing for older Londoners

London has a comparatively young population, but current projections suggest that it is ageing faster than the national average. With many Londoners living longer, healthier lives the proportion of older people in the population is set to grow, with those over 64 projected to increase by almost two thirds to reach nearly 1.5 million by 2036, including almost 90,000 more who are over ninety.^{xxxvi} Alongside this growth, challenges have emerged to traditional assumptions about ageing and the housing needs of an older population. The vast majority of London's older population will live in mainstream homes, and will continue to be a key part of their communities. For this reason it is vital that all new housing is accessible to the current and changing needs of older people.

The Mayor has set out in planning guidance that all new homes built in London should meet the Lifetime Homes standard, and that at least ten per cent should be designed to be wheelchair accessible or easily adaptable for wheelchair users. London's housing stock should, therefore, increasingly be able to accommodate changing circumstances for older and for disabled people as a matter of course.

However, Lifetime Neighbourhoods are as important as Lifetime Homes. Older and less mobile people may need easier access than the general population to community facilities such as post offices and doctors' surgeries. Easy access to social and leisure facilities can enhance independent living and redress isolation. This could make town centre locations particularly appropriate for purpose built accommodation, especially for the active elderly. The Dickens Yard and Kidbrooke developments (see case studies below) demonstrate the potential for meeting wider ambitions around town centre regeneration, while helping to meet the housing needs of older people.

For many, it will also provide an opportunity to downsize to a more manageable home which will, in turn, improve the wider housing market by freeing up larger properties, helping to tackle overcrowding. Thus, the provision of older people's housing should deliver a much better product offer, including shared equity, and high quality attractive accommodation in mixed tenure developments. To support this, the GLA will undertake a review of equity release products to identify best practice as well as current barriers to take up of schemes.

Case study 2: Apsley House, Dickens Yard, Ealing^{xxxvii}



Apsley House forms part of the Dickens Yard development in Ealing, a partnership between Catalyst Housing and St George. The scheme comprises new flats for residents who relocate from homes they are under-occupying. Making the best use of affordable housing and tackling under-occupation is increasingly important. Schemes such as this ensure that active, older residents are offered appropriate, well situated accommodation. This then releases larger family homes that can be allocated to overcrowded families. The level of interest in the project far exceeded expectations and offered the potential to free up nearly 250 bedrooms for much needed family housing. Although Apsley House cannot satisfy all this demand, the initiative has shown that offers such as this can help to tackle under-occupation and provide safe, accessible homes for the over-55s.

There is insufficient supply of purpose-built older people's housing, especially in the open market sector. The Mayor is keen to encourage more specialist and mainstream developers to build more housing suitable for older people. The challenge over the coming decades will be how to plan

adequate housing provision for older people with increasingly limited financial equity.

Some of the most vulnerable older Londoners will require more specialist housing. While the primary focus of the Housing Covenant is on rewarding the contribution of working households, it is equally important to recognise the contribution that older people have made to London, and to protect those least able to help themselves. As part of the covenant, the Mayor has announced £30 million to increase the supply of purpose built quality homes for older and disabled people.

The first phase allocated funding to 35 supported housing developments, to deliver almost 700 specialist, high quality homes. The development of specially designed housing of this kind will give older and disabled Londoners homes that are better suited to their individual needs. The second phase invited expressions of interest from developers to submit plans to stimulate the private specialised housing market with innovative design, accessibility and new technology. As part of this, the Mayor is keen to promote telecare and telehealth services that make use of technology to help people, including those affected by dementia, to live independently in their homes. Proposals should have a positive effect on the long-term usability of homes for their residents and to offer good value to the programme as a whole, including through making sustainable savings to local health budgets. The Department of Health is currently consulting on how phase two of the programme will be delivered and the proportion of funding that London will receive.

Case study 3: Kidbrooke Village extra care scheme^{xxxviii}

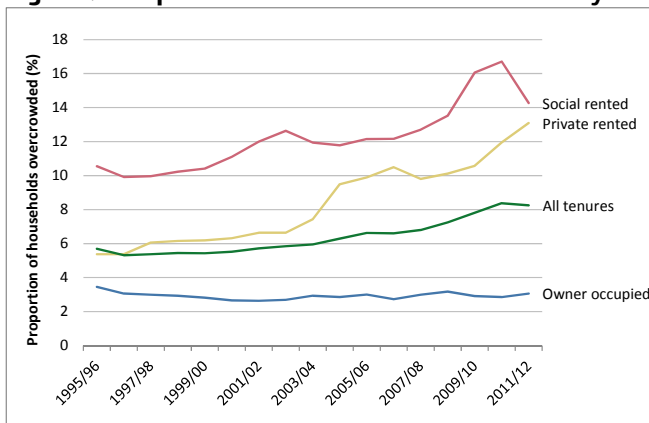


The Extra Care scheme at Kidbrooke is the cornerstone of the second of five phases in the £1 billion redevelopment of Greenwich’s Ferrier Estate. Berkeley Homes will deliver 170 new homes specifically designed for older residents, based on the ethos and principles recommended by the Housing our Aging Population: Panel for Innovation (HAPPI). All are one and two bed self-contained homes; 150 affordable rent, twenty intermediate. The residential block will contain communal facilities including a café, IT suite and a salon. The outside space has been carefully planned to include two roof gardens, fully accessible to those in wheelchairs. The scheme won the 2010 HAPPI award.

3.9 Alleviating overcrowding

In 2010, the Mayor introduced London’s first ever target to halve severe overcrowding in affordable housing by 2016, and tackling overcrowding remains a key priority. For the capital’s affordable housing sector this means making better use of the existing stock and delivering more family-sized homes.

Figure 7: Proportion of households overcrowded by tenure^{xxxix}



There are 106,000 families living in overcrowded affordable homes in London, 12,000 of whom endure severe overcrowding – a situation that can damage health, lower educational attainment and erode general well-being. At the same time an estimated 43,000 households under-occupy their affordable homes.^{xi}

Reforms to introduce greater fairness in the welfare system will encourage more working age

tenants to find homes that better meet their needs. By introducing the social sector size criteria for working age social tenants, the government has brought these households in line with those supported to rent privately. In doing so, it will free up under-occupied properties as households find homes that better reflect their needs. The Mayor will also continue to support opportunities for downsizing through the Housing Moves and Seaside & Country Homes schemes.

3.10 Tackling rough sleeping

Rough sleeping is the most acute manifestation of homelessness in the capital. In 2008, the Mayor set London's first target to eradicate rough sleeping in the capital, and has been working closely with statutory and voluntary organisations to ensure that no one should live on the streets and no one arriving on the streets should sleep rough for a second night. Several notable successes have been achieved:

- Despite an increase in the number of new rough sleepers reported each year, the No Second Night Out initiative has reduced the proportion of new rough sleepers who spend more than one night on the streets from 41 per cent in 2008/09 to 25 per cent in 2012/13.^{xli}
- The Mayor launched the London Delivery Board in February 2009, to provide the cross-sector, cross-authority partnership necessary to reduce rough sleeping. The board was the first of its kind in London and in 2013 it was succeeded by the Mayor's Rough Sleeping Group.
- Responsibility and funding for commissioning pan-London rough sleeping services was devolved from central government to the GLA in 2011. The funding to support these services amounts to almost £34 million for the period 2011-15.
- In 2012, the GLA launched one of the first Social Impact Bonds in the country, to improve the currently poor outcomes for a target cohort of 800 rough sleepers who frequently return to the streets. This model reduces the financial burden on the public purse, as payments are made to the service provider only where specified outcomes are achieved.

The success achieved in responding to those who come new to the streets should not mask the importance of preventing rough sleeping from occurring in the first place. Boroughs are encouraged to continue to deliver locally responsive services to this group, and to provide advice and assistance to prevent those at risk of homelessness from spending a first night out.

3.11 Addressing statutory homelessness

After a prolonged period of decline, the number of households accepted by boroughs as homeless and in priority need has increased steadily since early 2010. An estimated 14,500 households were accepted as homeless in 2012/13, compared with just 9,500 in 2009/10. This growth has contributed to the increased use of temporary accommodation, which now houses 40,230 households, compared with 35,800 in 2011.^{xlii}

Recent legislative changes give boroughs greater flexibility to use the PRS to meet the needs of homeless households and so prevent prolonged and detrimental stays in temporary accommodation. Given London's limited supply of affordable housing, the PRS is proving a vital source of housing for homeless and vulnerable households. There should be an appropriate balance in the use of the private rented and affordable housing sectors by boroughs when discharging their duty to house homeless households. When boroughs do assist homeless households to access homes in the PRS, it is important that they comply with their statutory obligations in relation to location, quality and length of tenancy. Boroughs should also promote the London Rental Standard to ensure landlords offer high and consistent management standards.

Similarly, boroughs should continue to make appropriate use of mechanisms such as NOTIFY and the

pan-London inter-borough accommodation agreement to monitor out of borough placements, to notify receiving boroughs in a consistent and transparent manner, and to help ensure that households have access to relevant services.

Policies: Meeting a range of housing needs

- P32** The provision of older people’s housing should deliver a range of products, including shared equity, in mixed tenure developments.
- P33** The GLA will undertake a review of equity release products.
- P34** The level of severe overcrowding in affordable rented housing should be halved by 2016.
- P35** The Mayor will work with boroughs and other partners to ensure no one new to the streets sleeps rough for a second night, and no-one lives on the streets of London.
- P36** Boroughs should continue to make appropriate use of mechanisms such as NOTIFY and the pan-London inter-borough accommodation agreement when placing homeless households in out of borough accommodation.

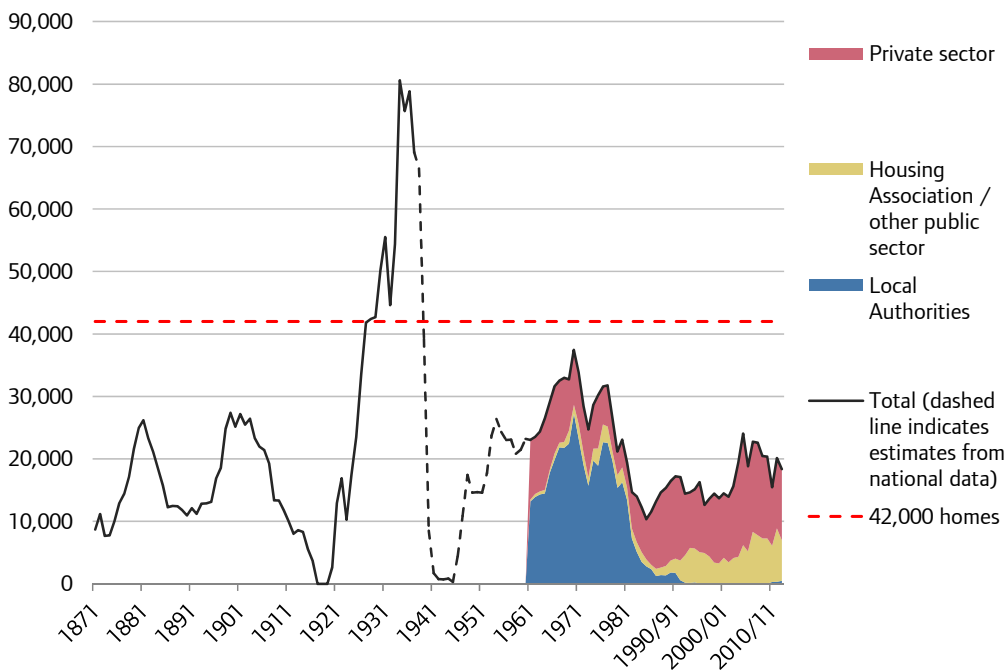
PART 4 DELIVERING THE VISION

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 sets out the need for a long-term settlement for housing that includes fewer borrowing restrictions, and the devolution of property taxes. It also identifies a range of interventions, notably bringing forward land for development, optimising affordable housing assets and measures to unlock development capacity.

Learning the lessons of the past

Over recent decades, and over successive economic cycles, the house building sector has failed to keep pace with London’s requirements. It is striking to look at the rate of delivery over the last fifteen years. Despite house prices rising at record levels, and development and mortgage finance being available with almost unprecedented ease until 2009, the number of homes built in London was only just over 20,000 homes per annum – around half the minimum number of homes that is now required. Even if it were possible to re-create the benign lending conditions of the pre-2008 market, it would almost certainly not deliver the requisite volume of homes. There is a more fundamental structural problem with the housing market that needs to be addressed.

Figure 8: New homes built in Greater London, 1871 to 2012/13^{xliii}



It is instructive to examine the two eras when London built the most homes, and far more than in recent years: the 1930s when suburban ‘metroland’ development reached levels unprecedented before or since, and the post-war era of council-led reconstruction.

In the inter-war era, much of the development was on greenfield land, along the new tube lines and roads that were being run out to the suburbs, by numerous small builders often working to shared design pattern books. All this came to an end with the war and the subsequent introduction of the greenbelt and modern town planning arrangements which halted much edge of city development. In the post-war era, governments sought to rebuild the economy and end the squalor of poor housing, providing massive funding for council-led house building programmes. This came to an end in the 1980s with the end of subsidies for council house building and the emergence of housing associations.

However, the government has not proposed to reverse greenbelt policy and it seems unlikely that earlier levels of public investment can return any time soon. A new approach to harnessing the investment and effort necessary to increase house building is therefore required. This means addressing the inter-related challenges of finance, land and the capacity of the development industry.

Financing housing delivery

4.1 A long-term financial settlement for housing

In recent years, there have been significant moves towards greater devolution of housing and regeneration functions from central government to both the Mayor and London boroughs. The GLA is now able to invest directly in housing, complementing its existing powers on planning and infrastructure. Boroughs are able to retain the rental income from the homes they own and are free to make spending decisions for their Housing Revenue Accounts (HRA), albeit within borrowing caps set by government. This is helping to drive a major programme to deliver affordable housing and to upgrade existing homes, matched with greater efforts to bring forward surplus public land for development, as well as a better alignment of housing, regeneration and infrastructure planning.

However, while these new powers will continue to assist future delivery, they are constrained by a lack of financial autonomy which seriously undermines the efforts to make the long-term plans that London's housing providers need. The short-term, top-down nature of existing public funding arrangements is not fit for purpose.

London is an extreme outlier in comparison with other international cities with regard to its financial autonomy. Just 1.7 per cent of the tax raised in London is determined by the Mayor or boroughs; the rest is decided by national government. This compares with ten per cent in Germany and the United States, and over fifteen per cent in Canada and Sweden.^{xiv} London is an outlier even in comparison with the devolved governments of Scotland, Wales and Northern Ireland, which have gained increasing powers and financial freedoms; including in the case of Scotland and Wales, the power to raise and retain Stamp Duty Land Tax (SDLT).

The powers and remit of London government are significantly more constrained, and the way it is funded is very different. Grant funding to London is subject to ongoing negotiations with government, sometimes with limited scope to determine policy priorities within the individual grant sectors. The Barnett Formula, by contrast, automatically adjusts the resources available to Scotland, Wales and Northern Ireland in relation to changes in the UK total. This disparity is difficult to justify when London's population is equivalent to those of Scotland and Wales combined and its economy is twice their size.

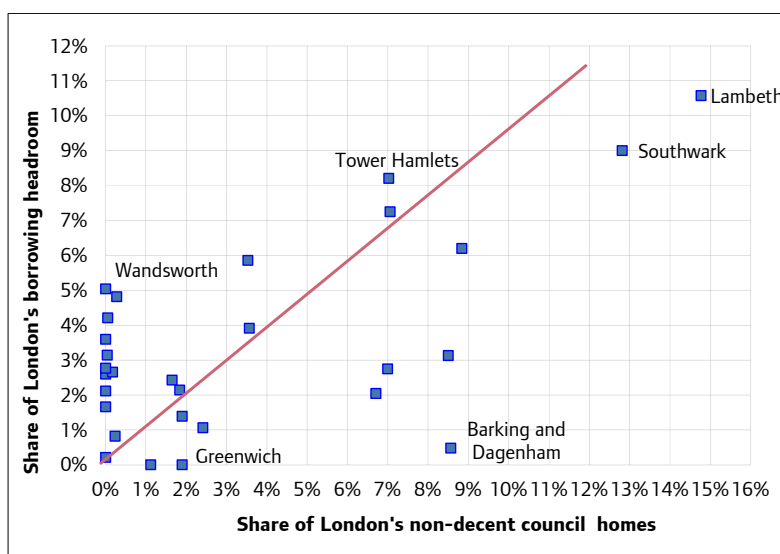
Greater stability of funding, together with more flexibility in applying that funding, would deliver a longer term framework for developers and investors to plan and increase their commitments. It is especially important that there is certainty over funding for affordable housing. Fixing London's housing crisis can only be undertaken over a number of years and while recent spending rounds have spanned longer periods, they are still cyclical. Although there is no expectation that there can be a return to the huge levels of public subsidy of the post-war years, there are two proposals that would provide the resources necessary to increase housing provision: greater borrowing freedoms and the devolution of property taxes.

4.2 Further borrowing reforms

The Mayor wants to see more flexibility in the borrowing rules for housing. London boroughs want to, and should, become important players in the delivery of new homes. Following the 2012 reform of the HRA, the GLA has worked closely with boroughs to encourage and fund their development ambitions; thirty per cent of the funding in the Building the Pipeline programme has gone to local authorities. However, boroughs' capacity has been massively reduced by their current investment borrowing caps, preventing sustainable borrowing for new developments based on asset values and income.

The Mayor would like to see new arrangements for prudential borrowing for new housing considered as a separate capital investment activity which would distinguish it from more mainstream public borrowing, along the lines that apply in much of the rest of Europe and for housing associations. At a minimum, the government should consider extending to English local authorities the Scottish model, whereby such investment is classified as Annual Managed Expenditure. This arrangement is less restrictive than the Departmental Expenditure Limits by which English council housing borrowing is classified, and enables Scottish authorities to enjoy a far greater degree of borrowing freedom, while continuing to be governed by prudential borrowing rules.^{xlv}

Figure 9: Borrowing headroom and Decent Homes backlog, 2012^{xlvi}



The removal or revision of boroughs' debt caps could generate funds for a significant increase in council house building, help deliver complex estate regeneration projects and accelerate stock improvement programmes. The revised Right to Buy scheme, with its larger discounts, should also increase the amount of capital available to boroughs to invest in new supply. If this was coupled with relaxation of borrowing caps, there could be a considerable increase in housing delivery.

A relaxation of borrowing rules was supported by the London Finance Commission. The Commission argued that borrowing which is used to promote growth or will be repaid and reduce public expenditure, should be distinguished from recurring or revenue borrowing. It reiterated the Mayor's call for local authority borrowing limits for housing purposes to be relaxed or removed, within prudential borrowing rules.

The Mayor could manage the process of approvals for additional borrowing to ensure capacity is focused on new development. The GLA could, for example, administer a programme whereby London boroughs would bid for an inflation-linked debt cap in return for commitments such as new supply or improvements to existing homes and estates. To enable this to happen, the GLA would be willing to explore the possibility of matching borough commitments with its own equity funding, through a bridge-financing model. It would also be useful if boroughs could pool their borrowing capacity in order to invest in affordable housing, especially in instances where one borough lacks delivery capacity or local support. In exchange for nomination rights, the GLA could look to broker arrangements between boroughs and developers through the consolidation of investment into a single London-wide programme.

4.3 Devolving property taxes

The relaxation of borrowing restrictions should be accompanied by the devolution of property taxes to London government. The London Finance Commission has examined the case for this in detail and has called for the devolution of the full suite of London's property taxation, including SDLT, council tax, business rates, annual tax on enveloped dwellings and capital gains property disposal tax. A devolved arrangement would include setting the tax rates and decisions over matters such as revaluation,

banding and discounts. The yields would be offset through corresponding reductions in grant to ensure a fiscally neutral position (initially at least) for the Exchequer. This would bring London in line with many international cities, such as Paris, Berlin, Frankfurt, Madrid, Tokyo and New York, where property taxes are largely devolved to sub-national government.^{xlvii} Further, the government has recently agreed to devolve SDLT to the Welsh Assembly, making the case for devolution to London all the more stronger.

Such devolution would revolutionise the ability to address London’s housing challenges, and to adjust property taxation to achieve a greater efficiency and fairness that reflects London’s particular circumstances. It would represent a significant ongoing income stream against which the Mayor and local boroughs could pump-prime infrastructure funding to unlock housing growth, invest in estate regeneration, and significantly expand the supply of homes of all tenures through grant, gap and equity funding. It would help to create greater confidence for developers to make long-term investments and get more complex and long-term schemes underway. This would have particular importance for bringing forward some of London’s strategic sites within the Opportunity Areas that are fundamental to the delivery of additional homes in London, but where remediation, land assembly, infrastructure and other ‘abnormal’ costs demand a public-private partnership approach.

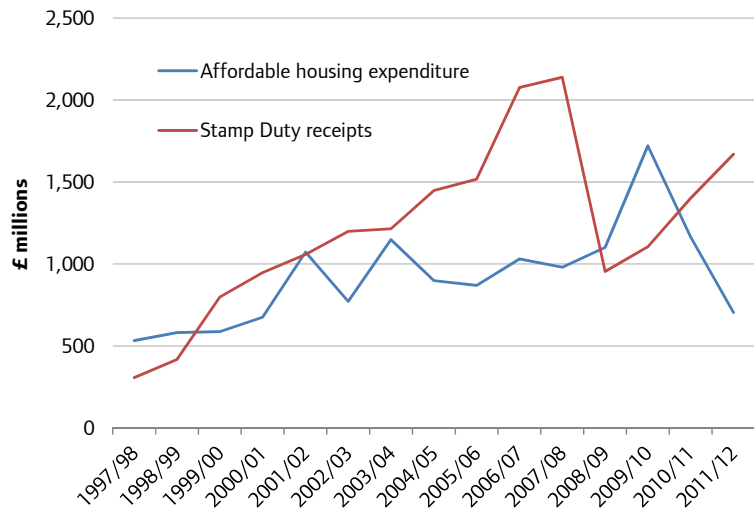
The London Finance Commission also made the case for a shift in housing finance from personal to capital subsidy. Over the last ten years, London has received around £17 billion of capital investment to build new or improve existing homes, while the total housing benefit bill has been £50 billion. In a period when the most pressing problem is a shortage of supply, it is important to find ways to shift more public subsidy towards investment in the bricks and mortar of new affordable homes, which will lead to reductions in the overall housing benefit bill. The challenge here would be the transitional consequences for low income households in receipt of benefit who need to continue to pay high rents in the private sector while funds flow towards home building. This will require an appropriate future capital settlement from central government, alongside appropriate revenue funding to mitigate these transitional costs.

Until such time as there is a stable and long-term settlement for London’s housing, resources from government should reflect the city’s needs. Funding allocations must be directed to those areas of the country with the most serious housing needs, alongside greater flexibility over that funding.

4.4 A new investment framework

The future funding of affordable housing is not just a question of where the resources come from, but also how they are made available. The model over recent decades has been one where housing grant dominated. Grant still has a significant role to play in delivering affordable homes: if housing needs subsidy, grant is the simplest method of making that available. There is, however, a compelling need to

Figure 10: Affordable housing investment and SDLT receipts^{xlviii}



make the levels of grant that will become available over the foreseeable future work much harder to deliver value for money, while also delivering the ambitions set out in this strategy. There is likely to be a greater focus on equity investment in future years, where the public sector is able to recover and reinvest its original investment, or towards loan guarantees, which can bring down the cost of borrowing for developers.

Case study 4: Loan funding for Pocket Homes^{xlix}



It is critically important to increase the number of housebuilders operating in the London market, and providing loan or equity investment rather than just grant is one way of achieving this outcome. In September 2013, Pocket Living, a private developer of affordable housing, was awarded £21.7 million loan funding for ten years by the GLA as part of the Mayor's Housing Covenant commitment to help thousands of working Londoners into home ownership. Targeted at the intermediate market, this investment will see around 400 Pocket homes developed across eight London boroughs in the first three years alone. Pocket intends to reinvest its profits to deliver the maximum number of homes by 2023, and the first homes are anticipated to be ready for occupation by October 2014.

4.5 The London Housing Bank

The GLA is particularly keen to explore the concept of a London Housing Bank focused on large-scale developments to generate additional supply. This could include purchasing market homes off-plan, or underwriting developments by offering guarantees through Build to Rent. Funding could come from a range of sources, including the public sector and institutional investors. The London Housing Bank could be piloted with at least £160 million, which will enable the GLA to provide loans to develop affordable housing that will be available at below market rents for a fixed period, at the end of which the homes can be sold on. The funding provided by the public sector would be repaid, potentially including a value uplift, and then reinvested in delivering more homes. Instead of land lying vacant, sometimes for many years before being developed, the homes will be built earlier, thereby easing the housing crisis. The GLA will publish a discussion paper about the Housing Bank in 2014.

4.6 Making affordable housing assets work harder

This section has discussed how local authorities could be enabled to build more homes through the relaxation of public borrowing rules. For the foreseeable future, however, housing associations are still likely to be the major developers of affordable housing for rent and for low cost home ownership. London's 368 housing associations own and manage over 430,000 properties - housing one in ten Londoners. While the sector is dominated by some very large organisations, the smaller housing associations (those with fewer than 1,000 homes) own 40,000 of these homes.^l

Many larger developing associations operating in London are already 'sweating' their assets through increased levels of borrowing. As the current Affordable Rent programme nears completion in 2015, some of them are likely to be approaching the limits of their financial capacity. Conversely, there are significant numbers of smaller associations that are not developing new homes, but which, between them, own many thousands of properties. Most of these homes were provided through public funding and, particularly for homes built decades ago, rental income now delivers surpluses for the associations involved. The social housing regulator has indicated that associations with 2,500 or fewer homes hold around twenty per cent of the sector's financial capacity, while contributing only three per cent of new development. Encouraging these associations to develop will deliver much needed affordable homes, as well as meeting reasonable expectations relating to the use of assets built up through government grant. The GLA will work with the g15^{li} and the g320^{lii} to explore how these associations can be

supported to unlock capacity in the sector.

Just as smaller, non-developing associations will be expected to utilise their borrowing capacity, larger associations must also face renewed pressure to utilise more of their own resources to pay for development. In recent years, many have generated record annual surpluses. The global accounts show that the sector recorded an aggregate surplus of £1.8 billion in March 2013, £400 million more than that recorded in 2012.^{liii} Over the past thirty years, they have accumulated taxpayer grant of £51 billion on their books. Whilst it is important to acknowledge that healthy surpluses are crucial to the financial strength of housing associations, especially in the new regime of smaller public grants, it is important that the leverage that these record surpluses represent is exploited fully to address London's acute housing crisis. The GLA will explore with the social housing regulator how housing associations can be incentivised to fully utilise these surpluses to maximise new development, including the recovery of recycled capital grant funding and historical grant, where this is appropriate.

In addition to borrowing against unencumbered assets, better asset management that includes conversions and disposals can help unlock financial capacity for providers. For investment partners with a contract to deliver a GLA funded programme in 2015-18, the Mayor wants to move towards a more balanced programme of targeted disposals and conversions.

- First, due to the imperative for increased supply of homes of all tenures, it is expected that cross subsidy will primarily come through the provision of open market housing. All providers will be expected to provide market housing, for rent and/or sale, alongside their affordable housing offer.
- Second, better use of asset management will also be a significant source of cross subsidy. Providers will be strongly encouraged to give consideration to targeted disposals, or lettings at market rent, of selective high value or non-standard stock. As it is important to retain social rented homes which are in short supply, the Mayor believes that the case for conversions should be recalibrated, in particular, as a way of introducing households with a range of incomes onto mono-tenure estates. This could be through conversions to Affordable Rent let to working Londoners or as shared ownership.

Policies: Financing housing delivery

- P37** The GLA will lobby government for changes to housing finance arrangements in the capital. This will include:
- the relaxation of local authority borrowing rules for housing purposes
 - the devolution of the full suite of property taxes to London Government
 - exploratory work on how SDLT can be made more equitable and efficient.
- P38** The GLA 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.
- P39** The GLA will work with partners to explore the concept of the London Housing Bank model and will publish a discussion paper in 2014.
- P40** The GLA will work with the regulator to explore how housing associations can be incentivised to maximise development capacity.
- P41** Targeted disposals and conversions of properties should be utilised to unlock capacity, but only 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 Mayor's existing powers for planning, transport and economic development, coupled with new powers in the Localism Act 2011, bring housing investment responsibilities together with substantial landholdings, the London Enterprise Panel and the power to set up Mayoral Development Corporations. Taken together, these present a new institutional platform for the Mayor, the wider GLA Group (London Fire Brigade, London Legacy Development Corporation, Metropolitan Police and Transport for London) and London boroughs to maximise the benefits of regeneration activities.

Following the transfer of powers and assets under the Localism Act 2011, 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 GLA inherited 625 hectares of land, with capacity for over 23,000 homes and 100,000 jobs.

The Mayor's approach to regeneration includes using these land and property assets to drive housing supply and economic growth. In recent months, contracts have been exchanged for Silvertown Quays and the Royal Albert Dock with a combined gross development value in excess of £2 billion, delivering six million square feet of commercial space, 1,500 homes and 29,000 jobs. Other major GLA sites already under contract include Catford Greyhound Stadium, St Clement's and Queen Elizabeth hospitals in Tower Hamlets, Cane Hill in Croydon, Greenwich Square and Lymington Fields in Barking. These sites will provide a total of over 3,000 new homes.

The GLA is also driving major regeneration schemes at Greenwich Peninsula, where it is the main landowner, at Barking Riverside in a joint venture with Bellway Homes, at Kidbrooke in Greenwich and at Woodberry Down in Hackney through grant funding and infrastructure investment. These four developments alone will provide in excess of 30,000 homes, as well as major employment, education and leisure facilities.

4.8 Estate regeneration

There is also vast development potential in London's existing affordable housing estates. There are over 100 estate regeneration projects underway at various stages across the capital, comprising a pipeline of over 35,000 new and re-provided homes over the next ten to fifteen years. From Kidbrooke to Woodberry Down and Heathside/Lethbridge to South Acton, these estate regeneration schemes are delivering exciting new neighbourhoods. However, projects of this scale are susceptible to delays, many running into years, or may be stalled completely, holding back a significant source of housing supply. The main reason for delay is often the financing of costly infrastructure works, leaseholder purchase costs and land assembly processes required to create new streets and buildings.

The GLA has been working with London boroughs to review estate regeneration appraisals and will look to bring forward development. A sample of the eight largest projects currently struggling with viability and upfront costs suggests that, if unlocked, over 20,000 homes could be built over the next fifteen years. Of these homes, approximately 15,000 would be net additional private sale homes, which would cross-subsidise the early stages of development. One possible solution to unlock development would be for the GLA to take an investment position in schemes with local delivery partners to jointly cash flow land assembly and infrastructure costs as part of any emerging London Housing Bank model. The investment could be recovered ten to fifteen years into the build programme, as sites are cleared and new build homes are constructed and sold. The GLA is currently exploring options as to how such a funding approach may be piloted.

4.9 Twenty first century garden suburbs

The Mayor will lead the regeneration of large parts of London through facilitating the release of vast amounts of vacant public land for housing development and long-term public-private partnerships with the private sector on major sites. This could also involve the delivery of new garden suburbs, including at Barking Riverside, where the GLA is supporting the creation of a new community larger than Windsor, as well as in Beam Park, which has the potential to be an attractive new waterside neighbourhood.

Case study 5: Garden suburb at Barking Riverside^{liv}



At Barking Riverside, the GLA is undertaking London's largest brownfield regeneration project, in partnership with Bellway Homes. The development will deliver 10,800 homes and over 65,000 square metres of commercial, retail, leisure and community space, along with five schools. It takes the challenges of developing a post-industrial brownfield site in an area at flood risk and with extensive protected habitats, and uses these as an opportunity to integrate the design of new landscape, open space and green infrastructure. Incorporating many of the original principles of the garden city and suburb, forty per cent of the scheme is dedicated to open space, including new parks and open areas linked by cycle routes and

footpaths and a network of local and neighbourhood play areas providing for formal and informal play alongside creating new habitats for wildlife.

4.10 Maximising the value of London's Opportunity Areas

The scale of some of London's major regeneration schemes is impressive. Some, like Vauxhall Nine Elms Battersea, with 16,000 new homes, are the size of medium-sized towns. There is scope to do a great deal more and 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. London's 33 Opportunity Areas could provide nearly 290,000 new homes and capacity for 550,000 new jobs. If this housing could be built out over the next ten years, it would represent nearly seventy per cent of the 420,000 homes London needs over the coming decade (see figure 11 below).

Figure 11: London’s Opportunity Areas



Collectively, the Opportunity Areas constitute a massive development opportunity, with nine out of the ten biggest regeneration schemes in the country found in the capital. 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 co-ordinated approach by the public sector to enable the private sector to deliver.

4.11 Housing Zones

The GLA will concentrate its planning efforts and housing investment in the Opportunity Areas, alongside investment from Transport for London and the London Enterprise Panel. Many of these sites will need additional support to unlock development, particularly to ensure that the capacity to deliver homes is maximised. It would be a hugely wasted opportunity to bring these sites forward at less than optimal capacity due to a lack of collective foresight and upfront investment. The Mayor is, therefore, seeking additional support from the government on a small number of these sites to unlock development and optimise delivery through “Housing Zones”. This could include measures that focus on a range of targeted tax incentives, in a similar way to Enterprise Zones, lighter touch planning and effective land assembly. The Mayor has asked the government to work jointly on developing options for such interventions. The GLA is also keen to work closely with boroughs to identify potential zones, and will publish a discussion paper in 2014.

The Royal Docks



The Royal Docks is a 125 hectare site which includes the regeneration areas of Silvertown Quays, Royal Albert Dock and Royal Albert Basin – with a development value of £22 billion. The docks were once at the forefront of international trade and exchange, and will be once again, aided by innovative developments such as the Siemens Crystal and the Emirates cable car. A new enterprise zone will support business ventures, creating 6,000 jobs, and a floating village will host some of 11,000

new homes to be built. A £1 billion joint public-private investment will create London’s first Asian business park. There will be transport links to Crossrail at Woolwich and London City Airport.

Lower Lea Valley and Stratford^{lv}

The Olympic Park will be at the heart of a new urban district in east London, comprising the capital’s most important regeneration project for at least two generations. Alongside the Westfield Stratford shopping centre (which employs 10,000 people, over 2,000 of them previously unemployed local residents), will be 7,000 family homes. iCity’s leading technology and digital cluster will provide 4,500 jobs over time. UCL will create a new science-led academic district bringing thousands of students and research skills to east London. In all, it is estimated that the development potential across the Lower Lea Valley and Stratford will total 32,000 new homes and 50,000 jobs.



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Vauxhall Nine Elms Battersea^{lvi}



Driven by new transport infrastructure, including the Northern line extension, rail, bike and river boats, this part of central London will move forward a century in a matter of years, creating 25,000 jobs and 16,000 homes across the £8 billion office, retail and community development. Many of the new homes in the soon to be rejuvenated Battersea Power Station have already been bought off plan. The US and Dutch Embassies are to be at the heart of a new diplomatic quarter south of the river, while parkland and a river passage for pedestrians and bikes will

make up fifty acres of new public space. Construction will start on the Northern Line extension to Vauxhall, Nine Elms and Battersea by 2016.

4.12 Bringing forward public sector land

London must demonstrate that it is making the most effective use of the resources already at its disposal. Foremost among this is facilitating the release of public sector land. The 2012 devolution settlement resulted in the GLA becoming one of the largest public landowners in the capital, inheriting 625 hectares of land. Much of this has been developed already, but more will be released.

The Mayor has set a target that all the inherited sites should be either under development or have in place a clear exit strategy by 2016. Since 2012, the GLA has released around 130 hectares, with a development value of £3.5 billion. The GLA is also taking a longer term partnership approach with the private sector on key sites such as Barking Riverside, Greenwich Peninsula and the Royal Docks.

Case study 6: Deferred receipt at Catford Greyhound Stadium site^{lvii}



The former Catford Greyhound Stadium is a 4.7 hectare site in the London borough of Lewisham. The scheme will deliver a total of 589 homes, 173 of which will be for affordable rent or shared ownership. The GLA will contract with BDW Trading Ltd (Barratt) on the basis that the GLA will take a 25 per cent land receipt on grant of the building lease, and the remaining 75 per cent over five years from the signing of the lease (or completion of construction, whichever is earlier). In

addition, the delivery partner is expected to agree to planning and sales overages, whereby the GLA will share fifty per cent of any increase in value.

It is estimated that forty per cent of brownfield land suitable for development in London sits with the public sector, including both central and local government. 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.

- First, the GLA 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. It establishes a framework agreement between 25 developers and contractors, enabling public land owners, including boroughs and government bodies, to enter into structured development agreements much faster and less expensively than going through a full 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).
- Second, the GLA 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 the development industry to identify suitable sites.
- Third, the GLA is participating in the review of all government assets in the capital, and is making the case that the Mayor should take over responsibility for bringing forward all government landholdings in London. The GLA is also engaging with NHS trusts in London as part of the Department of Health's public land investment fund programme. The Mayor is particularly keen that there is additional funding for London's government to support the

acquisition of new sites that can help deliver homes.

Case study 7: Peel Centre and the London Development Panel^{lviii}



In September 2013, the Mayor's Office for Policing and Crime announced the preferred bidder to purchase its historic police training site in Hendon, the Peel Centre, which is now surplus to operational requirements. The site was the first to be brought forward through the GLA's London Development Panel. Redrow was selected as the successful developer, following a streamlined procurement process that lasted only three months. The 22 hectare site is already identified for regeneration by the GLA and the London borough of Barnet as part of the Colindale Area Action Plan. The development will create a thriving new

neighbourhood with more than 1,650 homes, cycle routes, retail units, a new school and nursery, as well as a substantial amount of green open space.

4.13 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 chance to build high density housing on existing brownfield sites. There are many ways of achieving high density, including iconic tall buildings like the Shard, but also in lower rise developments such as the new neighbourhoods emerging on the Queen Elizabeth Park, which are modelled on Georgian terraces.

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, and SME workspace 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.

There is capacity to go further, especially in the inner suburbs, in town centres and near transport links. Where buildings are within, or immediately adjacent to, transport hubs, it can make sense to have significant increases in density, as long as this is sympathetic to the historical and architectural context. There are some places, such as Vauxhall or London Bridge, where the case for high rise development is strong. The Mayor is also keen to review the development opportunities that could be unlocked arising from the realignment of open space along highly accessible transport corridors. This could involve a range of innovative solutions, including those currently being examined along the Redbridge arm of the Central Line.

Town centres can also provide ideal locations for the densification of housing, and some of the post-millennium urban renaissance across the UK has been driven by revitalising town centres in large cities. However, in London, any housing growth must be balanced with the need to ensure that the primary economic and social purposes of local town centres are not undermined. Outside the Central Activities Zone, some conversions from office to residential can be supported, but only where this will not undermine the economic vitality of the location.

Case study 8: King’s Mall car park, Hammersmith^{lix}



The King’s Mall scheme will see St George West London re-develop office buildings and a car park to provide a mixed-use development comprising over 400 residential units, over 500 square metres of commercial floorspace, replacement car parking and amenities space. The site is located within Hammersmith town centre, which is designated as a ‘major centre’ in the London Plan. According to the Plan’s principles of development, such schemes should accommodate housing growth through

intensification.

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 stresses 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.

Policies: Bringing land forward for development

- P42** The GLA will work with boroughs to review estate regeneration appraisals to bring forward development. This could include creating a long-term investment portfolio.
- P43** The Mayor will prioritise efforts and investment to bring London’s major Opportunity Areas forward for development. Within this, up to ten Housing Zones could be identified.
- P44** The GLA will have an exit strategy in place by 2016 for all its transferred landholdings.
- P45** The GLA will promote garden suburbs on sites such as Barking Riverside.
- P46** The GLA will act as a conduit for all public sector land in London, and will encourage public land holders to use the structures the GLA has in place, such as the LDP and its public land register, to bring forward landholdings.
- P47** The Mayor will work with boroughs and other partners to support housing-led, high density, mixed-use town centre renewal.
- P48** The potential to manage the release of surplus industrial land around transport nodes for higher density housing will be explored, taking into account London Plan policies.

Increasing development capacity

4.14 Driving supply through private rent

The PRS already contributes a great deal towards new housing supply in the capital. In future, the Mayor wants to attract new sources of investment, particularly from long-term financial institutions seeking annuity type returns, in order to increase supply further.

It is already clear that institutional investment into the PRS is generating some significant interest in London. The capital has the most buoyant rental market in the UK, is already the destination for significant levels of domestic and overseas investment in housing, and many of the institutions and investment funds that would be involved in such models are based here. Several recent examples demonstrate the potential of this new source of investment: the Get London Living scheme at East Village, London borough of Barking and Dagenham's accelerating the development of homes they will own, Genesis' Stratford Halo scheme, Fizzy Living in Canning Town, Royal Borough of Kensington and Chelsea foregoing capital receipts for an ongoing rental stream from new built homes, and London & Quadrant's commitment to set up a £250 million private rental arm.

The Housing Covenant set out the GLA's ambition to work with the sector to promote the bespoke rented products and the right financial climate to make these kinds of investment viable and attractive. The Mayor wants to accelerate delivery, bringing new buyers into the market via a Build to Rent fund, backed by the government's debt guarantee. To enable institutional investment, well designed, purpose-built homes for rent need to be developed, with reduced maintenance costs and longer tenancy agreements. To demonstrate the potential further, the Mayor will encourage these types of development on the GLA's own landholdings, beginning with the Newington Butts development at the Elephant and Castle.

Case study 9: Institutional investment at the Elephant at Castle^x



In July 2013, the Mayor struck a ground-breaking deal. The development of the Newington Butts site in Elephant and Castle, owned by the GLA, will see preferred developers, Mace and Essential Living, using institutional investment to deliver one of the largest professional rental developments seen in the capital for decades, containing 462 units, 188 of which will be affordable. In the first deal of its kind in the UK, the developers have secured institutional backing via M3 Capital Partners. In a major milestone, the tower will contain one of the largest numbers of long-term private rental homes in the country.

The GLA has also amended planning guidance to encourage local planning authorities to support private rented-led developments and will seek to ensure that this is available to providers who covenant to provide long-term rental housing.

4.15 Encouraging more competition in the house building industry

London needs a significant increase in housing of all tenures. The experience of recent decades shows that the existing model of a market dominated by a small number of very large house builders and developers alone cannot deliver the number of homes needed – no matter how efficient and effective they are. In addition to encouraging a wider range of affordable housing providers, including boroughs, London needs a wider range of organisations building market housing.

The UK house building industry is now the most concentrated it has ever been. Less than twenty years ago, over two thirds of homes were built by small and medium-sized building companies. Today, the largest house builders (those producing more than 500 units a year) account for around seventy per cent of total house building in Britain, the highest share since records began. There are now fewer developers registered with the NHBC than there were in 1994.^{lxi}

Of course, much of this is down to the challenging economic climate which has slowed down production. But the failure to build enough homes is a longer term failure and is a symptom of the structure and practices of the house building sector. The slow output on large sites is partly caused by the challenge of absorption where developers are unwilling to put more than a given level of new homes onto the market in any period (typically 100 to 150 market homes per annum) because sales rates are difficult to sustain above this level. A recent study found that in the 24 months to June 2012, in schemes of twenty or more private homes, 23,700 private sale units were started on 318 sites across London. This is an average of 37 starts per scheme, per year – or 100 private sale units on average in any three year period. When a further fifty per cent for affordable housing delivery on these sites is accounted for, the average delivery per scheme across London is roughly 150 units in any three years.^{lxii}

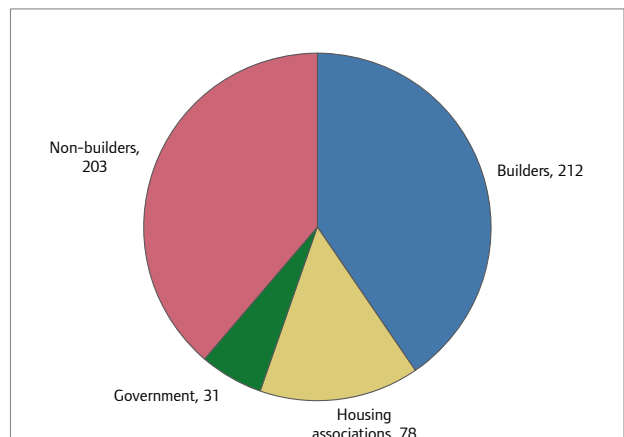
It is notable that in the two periods of highest housing supply in London, the market was not dominated by large-scale builders in this way and did not suffer the absorption problem. In the inter-war years, in addition to the large-scale builders, there was a large number of small and medium-sized builders, who were keen to build to their full capacity on their small plots every year and sell those homes. In the post-war era of council house building, homes were built for sub-market rent and so no absorption problems arose. Greater dispersion and competition for the delivery of housing for sale should increase the speed at which homes are built, as should an increase in the provision of homes built for long-term rent (both affordable and market), which do not compete with homes for sale.

So, alongside the promotion of council house building and long-term investment in the PRS, there is a need to promote new entrants to the London house building market; contractors working with investors, small and medium sized developers, community-led schemes and self-builders. Although the barriers to entry for new smaller builders are serious in London because of the high cost of land, planning risk and the difficulties of development finance, the contribution of smaller house builders to overall supply could be increased if, for example, there was more flexibility around their Community Infrastructure Levy with payment on completion or after a property sale, rather than upfront.

4.16 Unblocking stalled sites

Just as the public sector must play its part in releasing public land, the private sector must play its part in bringing forward stalled sites in private ownership. Although the pace of development has picked up strongly in the last year or two, there are too many sites in the development pipeline with planning permission that are currently not progressing. A GLA study into London’s stalled sites found that nearly half of the 200,000 homes with planning permission in schemes of ten units or more are owned by organisations that are not

Figure 12: Ownership of large schemes in the London planning pipeline, 2012^{lxiii}



house builders.^{lxiv}

The GLA will help developers bring these sites forward, and is working with government and boroughs on a package of measures to unblock delivery. In return, developers will be expected to get starts on site. The Mayor will examine, and is likely to be supportive of, any proposals which restrict or reduce the ability of developers to extend the life of existing, unimplemented, planning permissions.

Policies: Increasing development capacity

P49 The GLA will encourage institutional investment in London's PRS, including through its own landholdings.

P50 A programme to encourage and support small and medium-sized builders to enter the London market will be developed, including for custom and self-build.

PART 5 ABOUT THIS STRATEGY

The Mayor's responsibilities for the housing strategy

The Mayor's existing statutory powers and responsibilities with regard to the London Housing Strategy are set out in the GLA Act 2007 as amended by the Localism Act 2011. The key provisions are as follows:

- That the Mayor must prepare, publish and keep under review, a statutory London Housing Strategy.
- That this strategy must set out his assessment of housing conditions in London and the need for further housing provision, his policies and proposals to meet needs and improve housing conditions and measures that other bodies are to be encouraged to take to achieve the aims of the strategy.
- That he must set out a statement of his spending proposals for the spending round.
- That these proposals may include his proposals as to how the GLA will provide financial assistance for housing, the amount of housing financial assistance to be given for different activities or purposes and the number, type and location of houses to be provided by means of this housing financial assistance.
- That these proposals must also include a statement of how much should be allocated to boroughs and his expectations as to how the boroughs will use the money granted to them.

The Mayor produced London's first statutory housing strategy in February 2010. He published a draft revised London Housing Strategy for public consultation in December 2011, but the Mayoral election in May 2012 precluded moving to the publication of a final version of that draft. Since that time the Mayor has published his Vision, the London Finance Commission has published its report, there has been a new spending round announcement for housing for 2015-18 and Further Alterations to the London Plan are to be published shortly. The view of the Mayor is that this necessitates a new strategy rather than the finalisation of the previous draft. Nevertheless, the consultation responses to the last strategy have been used to inform the development of this version; and for completeness, the Mayor's spending proposals for that (the 2011-15 period) can be found in the appendices to the 2011 draft London Housing Strategy.

The process of producing a revised strategy is subject to a number of statutory processes and requirements. This publication represents the first stage in the process, i.e. the public consultation on the proposed new strategy. This London Housing Strategy meets the Mayor's duty to publish a statement of spending proposals for the investment round, including proposals for funding housing investment in new and existing homes, as set out in Appendix 2. More detail on the funding proposals will be provided, as it is available, and also in the final version of the strategy.

Alongside the Mayor's evidence base, *Housing in London*, this strategy also meets the duty to set out an assessment of London's housing needs and, in addition to its investment proposals, it sets out the wider policy proposals the Mayor considers necessary to improve housing in London.

Housing and devolution

On 1 April 2012, as set out in the Localism Act 2011, the Mayor became directly responsible for strategic housing, regeneration and economic development in the capital. The Act devolved the powers and responsibilities of the Homes and Communities Agency (HCA) in London to the Mayor by, in effect, turning off the HCA's powers in the capital, while removing the legal restriction on the Mayor to spend money on housing. These powers are now exercised within the GLA, directly under the Mayor, rather than through an external body. There are, however, a few functions that the Mayor

has delegated to the national HCA, primarily for reasons of efficiency and business continuity. The functions delegated by the Mayor to the national HCA are the Private Finance Initiative Schemes operated by the boroughs, previous HCA equity loan investments in London, the Berkeley Homes investment rental fund, the Armed Forces Home Ownership Scheme and the Get Britain Building loan fund.

The Act also abolished the London Development Agency (LDA). The LDA's regeneration functions have been transferred to the GLA, as have the London Thames Gateway Development Corporation's (LTGDC) property, rights and liabilities outside the boundaries of the Olympic Park Legacy Company. The GLA has now set up a new Housing and Land Directorate, bringing together the former housing and land roles and responsibilities of the GLA, LDA, LTGDC and the HCA in London.

In addition, the Act set out the relationship between the Mayor and the social housing regulator, placing obligations on each body to co-operate with one another to ensure the alignment of regulation and investment decisions. The Mayor has agreed Memorandums of Understanding with the government, the HCA and the new regulatory body to ensure that the new powers are delivered effectively.

As a key component of the new arrangements, the Mayor has set up a new board, Homes for London, to replace the former HCA London Board. The role of Homes for London, which has an equal membership of Mayoral appointees and borough representatives, is as follows:

- to oversee housing investment and delivery in the capital
- to contribute to the London Housing Strategy and the Mayor's housing investment and business plan
- to monitor delivery of the housing programme
- to advise the Mayor on risks relating to housing delivery, and
- to provide a steer on decisions relating to GLA land and property holdings being brought forward for housing and on any major changes in investment programmes.

Responding to this consultation

The consultation period runs from **25 November 2013 to 17 February 2014**, during which time the Mayor would like to receive Londoners' views about the issues raised in this draft strategy. Following this, the draft will be revised and it is intended that a final proposed version will be submitted by the Mayor to the London Assembly and then subsequently to the Secretary of State in Spring 2014.

Please email your comments to housingcovenant@london.gov.uk (with 'Draft London Housing Strategy' as the subject) or send your written comments to:

Draft London Housing Strategy
Housing Policy Team
Greater London Authority
City Hall, The Queen's Walk
London, SE1 2AA

Please note that if you send a response by email it is not necessary to also send in a paper copy. All information in responses, including personal information, may be subject to publication or disclosure under Freedom of Information legislation.

This document can be downloaded from www.london.gov.uk.

APPENDIX 1 Summary of policies

SETTING THE AMBITION

Policies: Increasing the supply of new homes

- P1** The GLA will work with partners to deliver 420,000 homes over ten years. This will comprise:
- 220,000 for open market sale
 - 50,000 for purpose-built long-term private rent
 - 150,000 affordable homes to rent or buy
- P2** Developers will be encouraged to provide private rented homes on schemes with more than one phase, to deliver at least 5,000 homes per annum across London. These homes will be covenanted for long-term private rented usage for at least fifteen years.
- P3** In the 2015-18 investment period, the GLA will seek to deliver 15,000 affordable homes per annum. This will comprise:
- forty per cent for low cost home ownership
 - sixty per cent for Affordable Rent
 - half at a “capped” rent
 - half at a “discounted” rent, of which 36 per cent will be family-sized. These will be targeted at low income working households.
- P4** The number of First Steps homes delivered in the capital will be doubled by 2020, and doubled again by 2025, helping 250,000 Londoners.

Policies: Improving design

- P5** All new homes should be built to the London Housing Design Guide standards, as set out in the London Plan Housing Supplementary Planning Guidance.
- P6** New homes should be built to Lifetime Homes standards, with at least ten per cent wheelchair accessible.

Policies: Improving existing homes and estates

- P7** The GLA will have a plan in place to retrofit every poorly insulated home in London by 2030.
- P8** All affordable homes in London should be retrofitted by 2020.
- P9** All London borough landlords should be in a position to independently resolve their Decent Homes backlog by 2016.
- P10** No more than one per cent of homes in London should remain empty for more than six months.

FULFILLING THE COVENANT

Policies: Supporting working Londoners

A more structured intermediate market

- P11 The GLA will continue to encourage providers to enable households to choose a First Steps home and then agree the appropriate financial package.
- P12 The GLA will agree to port equity loans for households that who fall within the income thresholds for First Steps.
- P13 Intermediate homes funded by GLA programmes should be made available to all Londoners meeting the First Steps eligibility criteria, and should not be restricted by occupational definitions.
- P14 Affordable housing providers will be encouraged to offer tenants the right to part-buy their home, and the GLA will fund housing associations to do so.
- P15 Mortgage lenders will be encouraged to treat lending for intermediate homes more like lending for open market ownership.

Supporting home ownership

- P16 The Mayor will lobby government for legislative changes that make it easier for private sector leaseholders to obtain the right to manage.
- P17 The Mayor will lobby government to ensure there is long-term stability around interest rates for home owners.
- P18 The Mayor will work with the Council of Mortgage Lenders to encourage lenders to offer in-principle mortgage approvals for nine months.
- P19 The Mayor will explore with the development and finance industry the potential options for an extension of Help to Buy to support development finance.

Recognising the importance of the private rented sector

- P20 The London Rental Standard will be implemented, with a target to accredit 100,000 landlords and agents by 2016.
- P21 The GLA will work with boroughs to optimise enforcement action against rogue landlords and to understand the operation of the housing health and safety rating system.
- P22 The GLA will explore how longer tenancies can be promoted, within the framework of the assured shorthold tenancy regime.
- P23 The GLA is seeking to offer its employees interest-free loans of up to £5,000 towards private rental deposits, and will promote this initiative to London's employers.
- P24 Major employers in the capital will be encouraged to invest in subsidised housing products to reduce the costs of renting for their employees.

Rethinking affordable housing allocations

P25 Local authorities and other affordable housing providers should give greater priority to working households for lettings.

Facilitating mobility

P26 In order to encourage mobility and to enable best use of stock, affordable housing providers are encouraged to consider the use of fixed-term renewable tenancies.

P27 For Affordable Rented homes funded through GLA programmes, five to ten per cent will be let on a pan-London basis, and ten per cent will be retained for nominations by the registered provider. This will replace the current system of sub-regional nominations.

P28 The Mayor will explore the expansion of the Housing Moves and Seaside & Country Homes schemes for under-occupiers and those in employment.

Towards a London rental policy

P29 Private sector landlords should consider the use of longer tenancies, tied in with greater certainty over rents, where this is viable.

P30 Affordable housing providers should consider adopting a high earners' contribution in line with the First Steps income thresholds.

P31 Providers of low cost home ownership should ensure that rent and service charge increases are proportionate and in line with rent increases more generally.

Policies: Meeting a range of housing needs

P32 The provision of older people's housing should deliver a range of products, including shared equity, in mixed tenure developments.

P33 The GLA will undertake a review of equity release products.

P34 The level of severe overcrowding in affordable rented housing should be halved by 2016.

P35 The Mayor will work with boroughs and other partners to ensure no one new to the streets sleeps rough for a second night, and no-one lives on the streets of London.

P36 Boroughs should continue to make appropriate use of mechanisms such as NOTIFY and the pan-London inter-borough accommodation agreement when placing homeless households in out of borough accommodation.

DELIVERING THE VISION**Policies: Financing housing delivery**

- P37** The GLA will lobby government for changes to housing finance arrangements in the capital. This will include:
- the relaxation of local authority borrowing rules for housing purposes
 - the devolution of the full suite of property taxes to London Government
 - exploratory work on how SDLT can be made more equitable and efficient.
- P38** The GLA 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.
- P39** The GLA will work with partners to explore the concept of the London Housing Bank model and will publish a discussion paper in 2014.
- P40** The GLA will work with the regulator to explore how housing associations can be incentivised to maximise development capacity.
- P41** Targeted disposals and conversions of properties should be utilised to unlock capacity, but only within the context of a contract with the GLA to deliver an affordable housing programme.

Policies: Bringing land forward for development

- P42** The GLA will work with boroughs to review estate regeneration appraisals to bring forward development. This could include creating a long-term investment portfolio.
- P43** The Mayor will prioritise efforts and investment to bring London's major Opportunity Areas forward for development. Within this, up to ten Housing Zones could be identified.
- P44** The GLA will have an exit strategy in place by 2016 for all its transferred landholdings.
- P45** The GLA will promote garden suburbs on sites such as Barking Riverside.
- P46** The GLA will act as a conduit for all public sector land in London, and will encourage public land holders to use the structures the GLA has in place, such as the LDP and its public land register, to bring forward landholdings.
- P47** The Mayor will work with boroughs and other partners to support housing-led, high density, mixed-use town centre renewal.
- P48** The potential to manage the release of surplus industrial land around transport nodes for higher density housing will be explored, taking into account London Plan policies.

Policies: Increasing development capacity

- P49** The GLA will encourage institutional investment in London's PRS, including through its own landholdings.
- P50** A programme to encourage and support small and medium-sized builders to enter the London market will be developed, including for custom and self-build.

APPENDIX 2 Funding proposals

The resources that will be allocated to London to deliver against the aims of this strategy, post-2015, are still being finalised with government. The GLA expects negotiations to conclude shortly, at which point the GLA will be able to make announcements on funding for the following areas:

- Affordable housing
- Stock upgrade support to borough landlords
- Care and supported housing
- Rough sleeping hostels
- London Housing Bank

From ongoing discussions with government, the headlines of the indicative settlement are as set out below, with expected outputs for affordable housing and stock upgrade to support borough landlords set out in Table 1:

- Over £1 billion to support the delivery of 42,000 affordable homes in 2015-18.
- At least £160 million for the London Housing Bank to deliver up to 3,000 homes.
- Around £145 million to improve the condition of 9,500 council-owned homes.
- £120 million for the Get Britain Building Fund to kick-start housing delivery on 22 sites to deliver 2,755 homes up until 2015.
- At least £750 million in aggregate from the Build to Rent programme and the Help to Buy equity loans programme up until 2016.

Table 1: Expected housing outputs from GLA programmes, 2008/09 to 2017/18¹

Tenure	2008/09 - 2010/11	2011/11- Q2 2013/14	Q3 2013/14 - 2014/15	2015/16 - 2017/18
Rent (social and affordable)	22,260	17,568	18,575	25,200
First steps	18,400	9,383	9,474	16,800
London Housing Bank	-	-	-	3,000
Stock upgrade to support borough landlords	n/a	21,585	23,415	9,500 ²
Total new homes	40,640	26,951	28,049	45,000
Annual average new homes per spending round	13,547	13,750		15,000
Annual average stock upgrade per spending round	n/a	11,250		9,500

A bidding prospectus for the affordable housing programme will be published shortly. Details on the allocation process for the funding to improve the quality of existing homes will follow in the next few months. The full detail of the allocations for the 2015-18 funding and associated outputs will be published in the final London Housing Strategy in Spring 2014.

¹ Sources: 2008/09 to 2013/14 Q2: DCLG live tables and GLA Investment Management System; 2013/14 to 2014/15: Projected remaining completions from the current programme; 2015/16 to 2017/18: Projected split of new GLA programme

² Decent Homes funding will end in March 2016.

ENDNOTES

- ⁱ Data from a mixture of Valuation Office Agency and Office of National Statistics, Tokyo Statistical Yearbook, French Census, and the American Community Survey
- ⁱⁱ Office for National Statistics
- ⁱⁱⁱ GLA Intelligence
- ^{iv} Infographic courtesy of Savills, based on ONS data
- ^v GLA Intelligence
- ^{vi} GLA Intelligence
- ^{vii} Valuation Office Agency, Council Tax Property Attributes, 2012
- ^{viii} Data produced by Land Registry © Crown copyright 2013. Period covered is January 2007 to July 2013. The indices have been calculated by GLA as weighted averages of borough level price indices, weighted by the number of sales in each borough in each period
- ^{ix} Valuation Office Agency
- ^x Knight Frank
- ^{xi} London School of Economics
- ^{xii} Savills/London First
- ^{xiii} Compiled by GLA from ONS Census data
- ^{xiv} Census 2011
- ^{xv} DCLG homelessness statistics
- ^{xvi} DCLG PIE data
- ^{xvii} Broadway Street to Home
- ^{xviii} Raising the Capital, London Finance Commission, May 2013
- ^{xix} GLA Intelligence
- ^{xx} Champion et al www.cpc.ac.uk/resources
- ^{xxi} GLA analysis of Land Registry, English Housing Survey and ONS data
- ^{xxii} Professor Michael Ball, commissioned by Cluttons, 2011
- ^{xxiii} London Plan Annual Monitoring Review, February 2013
- ^{xxiv} Census 2011
- ^{xxv} CORE data
- ^{xxvi} Housing in London, GLA, December 2012
- ^{xxvii} Housing in London, GLA, December 2012
- ^{xxviii} Housing in London, GLA, December 2012
- ^{xxix} Housing in London, GLA, December 2012
- ^{xxx} Highly Charged, London Assembly, March 2012
- ^{xxxi} Photo courtesy of LB Newham
- ^{xxxii} DCLG, English Housing Survey
- ^{xxxiii} Census 2011
- ^{xxxiv} DCLG local authority housing statistics
- ^{xxxv} Housekeeping: a fair deal for London's higher earning social tenants, Centre for London, June 2013
- ^{xxxvi} GLA Intelligence
- ^{xxxvii} Photo courtesy of Catalyst Housing
- ^{xxxviii} Photo courtesy of housingdesignawards.org
- ^{xxxix} DCLG, English Housing Survey
- ^{xl} DCLG English Housing Survey
- ^{xli} Broadway Street to Home
- ^{xlii} DCLG homelessness statistics
- ^{xliii} Compiled by GLA from:
- 1871-1937: Report of the Commissioner of the Metropolitan Police, via Quandl.com;
 - 1946-1960: GLA estimates based on national data from 1946 to 1960 (DCLG, Live Table 244) and London's share of the national total before World War II (from B. Mitchell, British Historical Statistics, p392) and after the war from the GLA and DCLG data below;
 - 1961 to 1969: Annual Abstracts of Greater London Statistics;
 - 1970 to 1989: Data provided to GLA by DCLG;
 - 1990/91 to 2012/13: DCLG house building statistics
- ^{xliv} Raising the Capital, London Finance Commission, May 2013
- ^{xlv} UK Housing Review, edited by Steve Wilcox and Hal Pawson, March 2013
- ^{xlvi} DCLG HRA settlement and Local Authority Housing Statistics, 2012

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- xlvii Raising the Capital, London Finance Commission, May 2013
- xlviii Affordable housing expenditure from HCA and GLA
- xlix Photo courtesy of Pocket Living
- I G320
- li The g15 represents London's 15 largest housing associations
- lii The 3320 represents small housing associations working in London
- liii Global accounts of housing providers, Homes and Communities Agency
- liiv Photo courtesy of Bellway Homes
- liv Photo courtesy of Getty Images
- lv Photo courtesy of architectsjournal.co.uk
- lvii Photo courtesy of Barratt Homes
- lviii Photo courtesy of Redrow PLC
- lix Photo courtesy of St George West London
- lx Photo courtesy of Mace and Essential Living
- lxi National House Building Council
- lxii Barriers to Housing Delivery, GLA, December 2012
- lxiii Barriers to Housing Delivery, GLA, December 2012
- lxiv Barriers to Housing Delivery, GLA, December 2012

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City Hall
The Queen's Walk
More London
London SE1 2AA

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Chinese

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी
भाषा में चाहते हैं, तो कृपया निम्नलिखित
नंबर पर फोन करें अथवा नीचे दिये गये
पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có văn bản tài liệu
này bằng ngôn ngữ của mình, hãy
liên hệ theo số điện thoại hoặc địa
chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে नीचेर ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος
εγγράφου στη δική σας γλώσσα, παρακαλείστε να
επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυ-
δρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں
چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر
پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde
hazırlanmış bir nüshasını
edinmek için, lütfen aşağıdaki
telefon numarasını arayınız
veya adrese başvurunuz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى
الاتصال برقم الهاتف أو مراسلة العنوان
أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ
ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ
ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં
જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર
ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.