



## West London Economic Prosperity Board

6 December 2016

<b>Title</b>	<b>Accelerating the Delivery of Housing Supply</b>
<b>Report of</b>	Mary Harpley, Chief Executive, LB Hounslow
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Enclosures</b>	None
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### Summary

This paper outlines the key issues relating to increasing the delivery of housing supply in West London, and proposes steps to take forward the housing elements of the West London Vision for Growth Action Plan, which was approved by the West London Economic Prosperity Board on 8 June 2016.

### Recommendations

The Board is recommended to:

1. Endorse the view that a key step towards increasing housing supply is to accelerate the delivery of new housing.
2. Agree that in order to increase and accelerate the delivery of new housing supply, Growth Directors should be authorised to:
  - a) Establish a Joint Housing Supply Task Force: to be overseen by the Growth Directors Board and coordinated by West London Alliance (WLA) officers, consisting of boroughs, public sector asset managers, registered providers (RPs) and developers, chaired by a third party
    - o The aim of the Task force will be to build on previous work that has identified barriers to housing supply, to propose strategies and solutions

**to accelerate the delivery of new housing supply in West London, and build partnerships that can realise this ambitions.**

- **Output: to produce a jointly agreed West London proposal for accelerating the delivery of housing supply**
- b) Establish a West London Skills Hub: In order to support and accelerate the delivery of Local Authorities' own new build programmes, the WLA will scope, define and, if appropriate, establish, a sub-regional skills hub for professional support on for example, site assembly, viability issues, etc. This would dovetail with any work at a pan-London level, rather than duplicating it.**
- c) Consider Out of London Property Purchase options: to look at bulk purchase options for larger (50+ unit) schemes. Work needs to be done to consider financial models, and to specify individual borough requirements, prior to commissioning the procurement of potential schemes. It is recommended that WLA will work with potential suppliers to develop a business case and a feasibility study around bulk purchase options, with a view to procuring the first scheme by the end of 2017/18.**
- d) Commission a Strategic Housing Market Assessment (SHMA): to publish a West London SHMA by end 2017, aligned with wider work on planning being led by the new West London Chief Planning Officers group. This will provide an evidence base for housing supply and identify the nature of the new build requirement and related infrastructure across the West London sub region, alongside the development of more locally specific SHMAs at borough level.**
- e) Submit a bid to the One Public Estate (OPE) Programme: to scope and develop a WLA bid to One Public Estate, for resources to:**
  - **Engage with the North West and North Central Health Sustainability and Transformation Plan (STP) processes, and identify opportunities to develop housing on NHS land, at borough and sub-regional levels.**
  - **Coordinate the identification and mapping of development opportunities on brownfield sites in West London, and review derelict sites, in coordination with the London Land Commission (LLC).**
  - **Progress LLC project to ensure that all publicly owned sites in west London are mapped.**
  - **Establish a single point of contact that public sector land holders can engage with at sub-regional level, to bring forward sites in partnership with boroughs, and ensure that boroughs get first refusal on such sites, and that they are developed as far as possible, in line with local and regional housing requirements. This post would complement any strategic work done at a pan-London level, and there would be a delineation of responsibilities.**
- f) Work with Pan-London projects: London Councils is working to initiate a pan-London Collaborative investment vehicle for new supply. Ensure that sub regional working dovetails with and complements this, filling gaps where necessary.**

## 1. Background

- 1.1 The WLA Growth Directors recognise the need for an increase in housing supply. This paper outlines the issues, and makes recommendations about how boroughs can work jointly to help achieve an increase in the delivery of housing that meets the needs of people living and working in London, and supports economic growth to benefit all. This paper also recommends ways to take forward some of the ideas from the West London Property Strategy review commissioned by the WLA in 2014, as well as the action points relating to housing set out in the WLA Vision for Growth Action Plan .

## 2. Context

- 2.1 **The National context:** The challenges and opportunities presented by the Housing and Planning Act were set out in a previous paper to the Board and EPB. It is likely that further significant changes will be announced in the Government's forthcoming White Paper on Housing Supply. In his speech to the Conservative party Conference, Communities Secretary Sajid Javid stated:

“my message is very clear: it's time to get building. The big developers must release their stranglehold on supply. Time to stop sitting on land banks, delaying build-out: the homebuyers must come first”

- 2.2 He went on to stress that increasing the stock of affordable housing was a moral imperative, and reiterated the government's ambition for “a million new homes by 2020”.
- 2.3 The government's Autumn statement announced on 23<sup>rd</sup> November, promised a £2.3bn housing infrastructure fund to create up to 100,000 more homes in high demand areas, and £1.4bn to construct 40,000 affordable homes. Other national measures already announced include:
- £3bn Home Building Fund (for loans to SME builders)
  - £2bn investment ‘to encourage new developers to build at up to double the rate of traditional house builders’ on surplus public land.
- 2.4 **The London Context:** London's housing grant settlement for 2016-2021 is £3.15bn for 90,000 affordable homes, also announced in the Autumn Statement. The GLA expects to publish its prospectus for new housing bids at the end of November, along with new Supplementary Planning Guidance covering affordability and viability issues. The Mayor is proposing to fund 3 core affordable housing products: low rent housing, London Living Rent intermediate rented housing, and Shared Ownership.
- 2.5 The Mayor is keen to increase the existing London Plan Targets for housing in order to better address London's housing needs, although the new London Plan will not come into force until autumn 2019.

2.6 **The borough context:** For local authorities the key drivers for increasing housing development include:

- Increasing demand- homelessness and overcrowding, increasing numbers of people priced out of market housing and reliant on housing subsidy.
- High temporary accommodation (TA) costs: The most common cause of homelessness is eviction from private rented accommodation. Councils placing people back in the private rented sector have to meet the increasing shortfall between private rents and the temporary accommodation subsidy from their general fund (i.e. local taxation).
- Supporting economic Growth: LAs as place shapers
- Need to cut costs as councils budget continue to come under pressure
- Restrictions on use of right to buy (RTB) receipts
- Housing & Planning Act: replacement of high value sales
- Cost of homelessness and social support/ health

### 3. Cost of not building enough housing that Londoners can afford:

- 3.1 **Economic impacts** High housing costs reduce economic output if they deter people from moving to cities like London where the cost of living is growing faster than average earnings. High housing costs also reduce output by increasing employee wage demands and thus reducing employment: Centre for Economics and Business Research (CEBR) have estimated that the real cost to businesses of London's house price growth above the general rate of inflation since 2005 was an additional £5.4bn wage premium in 2015 – an extra £1,720 per employee to compensate for housing costs.
- 3.2 London's employers are increasingly concerned at the impact of high housing costs on their businesses. A survey by Fifty Thousand Homes and Grant Thornton found that 84% of businesses in London believe that its high housing costs and housing shortage pose a risk to its economic growth, while 72% are concerned about the impact on their staff recruitment and retention and 21% are so concerned that they think they might need to relocate their business to cope with these pressures.
- 3.3 High housing costs also mean London households have less left over to spend in other areas. CEBR reported that high housing costs removed £2.7bn a year in consumer spending. The effect of the housing market on land use patterns in London also has significant economic implications. If enough suitable sites cannot be found for housebuilding, the very high values commanded by residential development could mean large swathes of employment land are lost to housing.
- 3.5 **Social impacts:** As a result of the ongoing housing shortage, London suffers from far higher rates of both overcrowding and homelessness than the rest of the country. The proportion of overcrowded households has risen from 5.5% in 2000/01 to 7.9% in 2013/14 (with a particularly rapid increase in the private rented sector), while the number of homeless households placed in temporary accommodation by London boroughs has risen 42% in the last year to 51,000, or around one in seventy of all households in London.

- 3.6 As London's recent experience shows, an under-supply of housing does not prevent rapid population growth but can simply redirect it into the existing housing stock. This displaced population growth cannot easily be predicted or planned for, and is not accompanied by the services and infrastructure that are planned alongside and often funded by new development)
- 3.7 Whilst newly built homes are generally accompanied by (and/or funded by) new services and infrastructure, unplanned population growth accommodated by overcrowding the existing housing stock is not: causing stress not only on households themselves but on the infrastructure in general (schools, transport health and social services).

#### **4. Current barriers to meeting new supply targets**

- 4.1 There are major barriers that need to be addressed if new supply is to be delivered in the quantities and within the timescales being proposed. These barriers include:
- **Land costs:** the very high cost of land in London, and particularly in west London, makes viability an issue
  - **Site availability:** land banking and planning restrictions such as MOL (Metropolitan Open Land) help create scarcity
  - Site assembly can be extremely difficult as most sites are brownfield, may be in multiple ownership, and the costs for clearance and decontamination can be high.
  - **Viability:** developers can now challenge existing s.106 requirements, causing delays. Furthermore, there is no single model for viability assessments, which can exacerbate argument and cause delays, but can also work in authorities favour.
  - **Planning issues:** developers unwillingness to provide the amount of affordable housing required, at the required density and to pay infrastructure levy costs
  - **LA's borrowing capacity** restricted
  - Uncertainty around detail of **Housing & Planning Act 2016** and the forthcoming Housing Supply White Paper
  - Political uncertainty following exit from the European Union
  - **Municipal rented housing issues:** 1% rent cut/Benefit caps/ universal credit: all impact on revenue stream, and therefore ability to service any debt.

#### **5. Initiatives to address blockages in new supply**

##### **5.1. Publicly Owned Land**

- 5.1.1 A number of initiatives exist around identifying, releasing, and getting best value out of publicly owned land, for, amongst other things, increasing housing supply. These include:

5.1.2 **One Public Estate** - The government is keen for public bodies to sell off their assets and /or use them more efficiently: The One Public Estate Programme provides funding from LGA/ Cabinet Office to facilitate the release of public land and property to be used to stimulate economic growth, regeneration, new housing and jobs. Public bodies are required, and indeed are keen to attract the best price for selling off land that is no longer needed, so public land is not necessarily cheap to buy. And furthermore, just selling land does not mean it will be developed.

5.1.3 The **London Land Commission** was set up by the Greater London Assembly (GLA) in 2015 to identify publicly owned brownfield land for development, and to help co-ordinate and accelerate the release of land for new housing. The project has already mapped much publicly owned land in London on the ePIMs system, but relies on boroughs to provide the information and keep it up to date.

5.1.4 In West London, the WLA Vision for Growth Action Plan includes the aim of ensuring that where public sector land is sold,

*“Local Authorities should be given first refusal to purchase at existing use value, thus ensuring not only that the land is used for much needed housing, but that the uplift in value on market sale homes is reinvested in infrastructure or subsidized housing”.*

5.1.5 In 2014, West London commissioned a **Property Strategy** to review issues around the use of publicly owned land and property, and develop ideas for efficient use of such land particularly for additional housing supply. A key recommendation was the need for a dedicated post to work with public bodies to unlock opportunities across West London to bring forward new sites.

5.1.6 There is also need to engage with the **North West London Health Sustainability and Transformation Plan (STP)**, being led by the WLA, to identify opportunities to develop housing on existing NHS sites, with the NHS perhaps retaining an equity stake in the land.

#### **Recommendations:**

It is recommended that the WLA formulates an OPE funding bid for resources to

- Engage with the North West and North Central Health STP processes, and identify opportunities to develop housing on NHS land, at borough, sub regional levels.
- Coordinate the identification and mapping of development opportunities on brownfield sites in West London, and review derelict sites located on green belt land, in coordination with the London Land Commission.
- Progress LLC/ ePIMs project to ensure that all publicly owned sites in west London are mapped
- Establish a single point of contact for public sector land holders (Met, NHS, MoD) to engage with at sub-regional level, to bring forward sites in partnership with boroughs to ensure that boroughs get first refusal on such sites, and that they are developed in line with local and regional housing requirements.

## 5.2. **Regeneration Schemes, Housing Zones and the Old Oak & Park Royal Development Corporation (OPDC)**

5.2.1 The West London Vision for Growth sets a target of delivering 71,000 new homes across West London. This includes new homes in borough regeneration areas, and in particular in the seven housing zones now identified for the sub region:

- Alperton (LB Brent)
- Heart of Harrow (LB Harrow)
- Hounslow Town Centre (LB Hounslow)
- Southall (LB Ealing)
- Wembley (LB Brent)
- Hayes Town Centre (LB Hillingdon)
- Feltham (LB Hounslow)

### **Recommendations:**

**Establish a Joint Housing Supply Task Force:** to be coordinated by WLA officers, consisting of boroughs, public sector asset managers, RPs and developers, chaired by a third party, which will:

- Build on previous work that has identified barriers to housing supply, to propose strategies and solutions to accelerate the delivery of new housing supply in West London, and build partnerships that can realise this ambitions.
- Build partnerships across borough boundaries with developers and housing providers to deliver step change in new housing units.
- Review the development options set out in the West London Property Strategy paper
- Consider pros and cons of harmonising s.106 requirements across West London
- Consider the benefits of using a single viability model
- Produce a jointly agreed West London Accord to Accelerate the Delivery Housing Supply

5.2.2 In addition to the housing zones, the Old Oak Common & Park Royal Development Corporation (OPDC's) planning framework, which was approved in November 2015, aims to deliver 25,500 new homes and 65,000 jobs in the area.

5.2.3 The West London Economic Prosperity Board has indicated an ambition to increase the housing targets for the OPDC as well as across West London generally. There is a need not only to increase overall numbers, but to deliver existing targets more quickly, and to increase the proportion of housing that Londoners can afford to live in, in order to boost economic growth.

## 5.3. **Planning Issues**

5.3.1 Some of the key issues in speeding up the delivery of housing relate to viability assessments and s.106 agreements. Borough requirements on

affordability, density and infrastructure levies vary according to local policy and context, and developers use their own preferred viability models, if allowed to, which often lack transparency. Solutions could include:

5.3.2 Ensure uplift in land values resulting from planning and development is captured to fund required infrastructure – particularly for publicly owned land. Address scarcity of land: actively identify derelict parcels of land that are not required for environmental sustainability and could be developed for housing and publicly accessible green space, in partnership with local communities.

#### 5.4. ***Large Scale Property Purchase Options***

5.4.1 All the West London boroughs are now actively considering, or have already set up, schemes to purchase property either for use as temporary accommodation or private rented accommodation, in most cases at or below Local Housing Allowance (LHA) rates.

5.4.2 For properties to be affordable, boroughs are increasingly having to look at out of London options. Borough schemes tend to be based on spot purchase of individual units, but Housing and Growth Directors agree that joint working on bulk purchase of entire schemes could be beneficial, both in terms of getting the best price and in terms of sharing risk.

5.4.3 While most boroughs have, or are developing, their own schemes for spot purchase of individual units, Housing and Growth Directors recommend that boroughs work jointly on bulk purchase options for larger (50+ unit) schemes.

5.4.4. Work must be done to consider financial options and models, and to specify individual borough requirements, prior to commissioning the procurement of potential schemes.

#### **Recommendation:**

Consider Out of London Property Purchase options - The WLA will work with potential suppliers to develop a business case and a feasibility study into bulk purchase options, with a view to procuring the first scheme by the end of 2017/18.

#### 5.5. ***Skills Hub***

**Recommendation:**

Establish a West London Skills Hub: In order to support and accelerate the delivery of Local Authorities' own new build programmes, the WLA will scope, define and, if appropriate, establish, a sub-regional skills hub for professional support on for example, site assembly, viability issues, etc. This would dovetail with any work at a pan-London level, rather than duplicating it.

**6. Insight and Evidence base**

- 6.1 Although the evidence on trends shows a massive projected population increase in London, recent political upheavals and the rapid readjustment of the housing market may alter the projections. A review of population trends and the need for housing and other infrastructure across west London as a whole is needed.

**Recommendation:**

To jointly commission a West London Strategic Housing Market Assessment

**7. Conclusion**

- 7.1 Although the challenge to increase supply and particular to address affordability issues in London is enormous, by working together to address the issues outlined above, west London boroughs can achieve the necessary step change in delivery, to help ensure that Londoners can afford decent homes to live in and ensure that businesses can thrive for the benefit of all.
- 7.2 The Practical actions set out in the West London Vision for Growth Action Plan, and expanded on in this report will support the delivery of higher supply of housing over the medium and shorter term.

**8. IMPLICATIONS OF DECISION****8.1. Corporate Priorities and Performance**

- 8.1.1 The Priorities for west London are set out in the WLA Vision for Growth and the vision for Growth Action plan. Delivery is overseen by the West London Growth Directors Board.

**8.2. Resources (Finance, Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 8.2.1 The proposals set out in this paper will need to be assessed individually for resourcing. Some, like the SHMA will need to be reviewed by Growth

Directors, to identify resources from boroughs, others consist of agreement to bid for external funding like the OPE work.

### **8.3. Social Value**

8.3.1 The aim of accelerating the delivery of housing supply is key to the wellbeing of residents and supporting the local economy.

### **8.4. Legal and Constitutional References**

8.4.1 The Functions and Procedure Rules of the West London Economic Prosperity Board include:

- Representing the participating local authorities in discussions and negotiations with regional bodies, national bodies and central government on matters relating to economic prosperity for the benefit of the local government areas of the participating authorities.
- Representing the participating local authorities in discussion and negotiations in relation to pan-London matters relating to economic prosperity
- Making funding applications and/or bids to external bodies, in relation to economic prosperity for the benefit of the local government areas of the participating authorities.
- Agreeing and approving any additional governance structures as related to the Joint Committee, or any sub-committees formed by the Joint Committee.

### **8.5. Risk Management**

8.5.1 Overseen by the West London Growth Directors Board

### **8.6. Equalities and Diversity**

8.6.1 The proposals set out in this paper seek to address issues of increasing inequality resulting from the unfettered London housing market.

### **8.7. Consultation and Engagement**

8.7.1 The proposed Housing Task Force will be the key tool for wider consultation and engagement with key players in housing supply in West London.

### **8.8. Insight**

8.8.1 The proposed Strategic Housing Market Assessment will provide an evidence for the development of new housing supply in West London going forward.

**9. BACKGROUND PAPERS**

9.1 None.