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Dear Mayor

## **MINOR ALTERATIONS TO THE LONDON PLAN: HOUSING STANDARDS**

Thank you for consulting with the Home Builders Federation (HBF) on the Minor Alterations to the London Plan (MALP): Housing Standards.

The HBF is the principal representative body of the house-building industry in England and Wales. Our representations reflect the views of our membership which includes multi-national PLC's, regional developers and small, local builders. In any one year, our members account for over 80% of all new "for sale" market housing built in England and Wales as well as a large proportion of newly built affordable housing.

**We would like to submit the following representations and we would welcome, in due course, being invited to participate in hearings of the Examination in Public.**

### **Policy 3.5 Quality and Design of Housing Developments**

The Mayor has decided to adopt the Nationally Described Space Standard. He will therefore need to demonstrate that he has met the tests set out in the Ministerial Statement of 25 March 2015. The new addition to the Planning Practice Guidance – *Housing – Optional Technical Housing Standards* – provides further guidance regarding the relevant tests.

The PPG advises that local planning authorities should consider the following tests: need, viability and timing.

## Need

In terms of need we have noted the *Evidence of Need* report. We note in paragraph 3.4.1 of the report that the GLA considers that: “the need for standards can be argued to have increased in importance with the growth of London’s population and the significant pressure on current and future housing stock”. We agree that there is considerable pressure on London’s housing stock. This is a consequence of the considerable increase in population over the last decade. We note that the London Plan is unable to meet its own objectively assessed need in full – there is a shortfall of at least 6,600 dwellings per annum when measured against the lower end of the range (see also paragraph 3.4.4 of the *Evidence of Need* study). The unmet need could be as great as 20,000 dpa when measured against the upper end of the objectively assessed need range of 62,000 dpa. Even this range of figures may under-estimate the true scale of the need in London over the next ten years because these figures are derived from very optimistic assumptions about migration patterns and the Mayor’s hope that local councils outside London will plan responsibly and increase their own levels of supply to compensate for increased levels of household formation in their districts over the next twenty years. There is no evidence that this is taking place. Therefore, the demand for housing in London means that space is at a premium and the national space standard will contribute to the constraint on space for housing. We agree that it would be desirable to have bigger homes but without a campaign to provide more space for homes for people outside of London – something that the Mayor has shown little inclination to argue for before now as illustrated by reluctance to shoulder responsibility for the Duty to Cooperate (see the FALP) – then there will be pressure on housing sizes.

We note that the assumptions that informed the London Plan (FALP) are contradicted by the arguments put forward in paragraph 3.4.7 and 3.4.8 which puts the argument that there will continue to be inward migration to London albeit perhaps to a lesser degree than before (as explained by demographic Central Variant C).

Paragraph 3.4.4 of the *Evidence of Need* report observes that “London’s population is growing significantly” and paragraph 3.4.6 acknowledged the “rapidly rising population” but justifies the national space standard as a way of mitigating the density of development required.

Therefore, in view of the inability of the Mayor to meet in full the objectively assessed housing needs of London it is arguable whether the adoption of the minimum space standard is justified for London.

We acknowledge that there is evidence to show that London dwellings are not providing adequate levels of space but on its own this issue does not necessarily provide a justification to introduce the national standard. This issue must be balanced against the other two important issues: namely the paucity of planned housing supply relative to need and the affordability of housing in London. Concerns over sub-optimal levels of internal space is

currently far less of an issue in London than the paucity of supply and the question of affordability.

We also note that the PPG also advises plan-makers to consider how the adoption of the national space standard would affect the Government's Starter Homes initiative.

### Viability

We have noted the *Viability Assessment*. We do not understand how the report is treating the cost of affordable housing. Paragraph 3.47 of the report explains that the 'Baseline Appraisal' considers the overall viability in London of the housing space standards. The report states that it has:

*"sensitivity tested...the impact of applying the average levels of affordable housing being delivered in each borough, where these are lower than the target levels, to assess viability at status quo affordable delivery levels as a comparison to the policy compliant baseline".*

We are unclear what is being stated here, but the principle of viability testing is to assess the cumulative impact of local plan policies, including current affordable housing target rates, plus the effect of the MALP standards. We are concerned that the *Viability Assessment* might rely too much on the evidence of viability from the scenario that uses the average affordable housing delivery rates rather than policy compliant rates required by Borough local plan policy.

We note the explanation in paragraph 4.6. We consider that the fourth column (carbon) provides the more reliable assessment of viability as this takes into account the cost of complying with Zero Carbon Homes in 2016 and tests against policy compliant levels of affordable housing. It would have been helpful if the *Viability Assessment* clearly stated what percentages of affordable housing were modelled in each district. We assume that these are the figures shown on pages 40-41 of Appendix 6.

### Grant funding to subsidise affordable housing delivery

The report is confusing about the modelling of public subsidy for affordable housing. Paragraph 3.24 states the assessment models the availability of grant. Appendix 6, on page 39, however, states that *'generally no grant is available; however, in some relevant cases boroughs sensitivity testing has been undertaken assuming a £30,000 grant per affordable unit is available'* (our emphasis).

It follows from this statement that public subsidy has been factored-in for some cases. It is unclear which boroughs these are, and whether this has been assumed for all schemes, or just some. The report is unclear in this respect.

It follows that it is unclear if the modelling results presented on pages 35-38 of the main report present the results with a public subsidy factored-in.

Generally, most local plan viability assessments are conducted on the basis that public subsidy (disbursed usually by the HCA) will not be forthcoming. Only special-case schemes tend to receive grant from the HCA. We consider that it would be unsound to assume HCA funding will be available for most cases. We may have misread the report but this should be clarified.

#### Does the report provide a true cumulative assessment?

It is unclear from the *Viability Assessment* whether it has tested the effect of all the MALP standards in addition to local plan CIL rates, and affordable housing percentage rates. In short, it is very unclear from the report whether it does provide a genuine assessment of the 'cumulative' impact of all London Plan policies plus Local Plan policies (policy complaint) and CIL rates. We are concerned that the GLA may be considering the particular costs of elements of the optional standards in isolation from all the others. The GLA needs to consider them altogether. We have read the report several times but this is still not clear. Paragraph 4.6 is ambiguous and the presentation of the results in the subsequent paragraphs and tables is not clear.

#### Affordability

The PPG advises that if choosing to adopt the national space standard, in addition to viability *"local planning authorities will also need to consider impacts on affordability where a space standard is to be adopted"* (ID 56-020). We have been unable to locate any proper consideration of the effect on housing affordability in London as a consequence of adopting the national space standard. We note paragraph 4.15 of the *Viability Assessment*. This admits that no assessment has been conducted but assumes (perhaps somewhat cavalierly) that because the London Plan space standards already apply *"it can be assumed that the adoption of the government's standards will not affect affordability"*.

Firstly, we are not sure that just because a standard already applies this obviates the need to consider the effect on affordability, especially when you are assessing the cost of the optional standard along with other new standards. Secondly, is the Mayor really saying that the affordability of housing in London is not an issue? The Mayor contradicts himself here because paragraphs 3.4.35 to 3.4.38 of the *Evidence of Need* report does refer to the high cost of housing in London. The HBF cannot think of a single commentator or anyone who currently lives in London who does not acknowledge the acute problem of housing affordability in the capital. Paragraph 3.13 of the London Plan also notes the importance of providing homes that meet the diverse and changing needs of Londoners but also *"at a price they can afford"*. We therefore consider that an assessment of the effect of adopting the Nationally Described Space Standard in conjunction with the other optional standards on affordability is an essential element of the process.

Thirdly, we are not sure that relying on an ‘assumption’ that the adoption of the Nationally Described Space Standard will not affect affordability is an adequate of defence. We consider that the GLA is obliged to assess this in better detail.

Given the expense of housing in London (buying and renting) we would question whether the application of the space standard is justified. In a way the Mayor already acknowledges that this is an issue hence his support for Pocket Homes – a company that constructs dwellings that are exempted from being required to meet the London Plan dwelling space standards in order to provide low cost housing for Londoners.

Given the affordability pressures in London we consider that the GLA should provide evidence to show that people are currently unhappy with living in homes that are smaller than the Nationally Described Space Standard. People would most likely be happy with the trade-off. Which is more important in London for most newly forming households: somewhere that they can afford or a more spacious but unaffordable home?

A more reliable test might have been for the GLA to have surveyed residents of market and affordable dwellings to establish whether dwelling sizes are so unsatisfactory that the adoption of the nationally described standard is warranted. They would need to balance this question with a survey question regarding affordability. We are confident that for those living in the private rental sector more households would be concerned about the cost of renting and the cost of purchasing a home than the issue of dwelling space.

### Starter homes

The PPG advises within the ‘need’ test that *“evidence should be provided on the size and type of dwellings currently being built in the area to ensure the impacts of adopting space standards can be properly assessed, for example, to consider any potential impact on meeting demand for starter homes.”*

The GLA has not addressed this aspect of the PPG but this is an important consideration because the Government’s initiative to support Starter Homes was conceived as a response to the pressing problem of housing affordability. Affordability is a pressing issue in London as the GLA acknowledges, hence its support for the company Pocket Homes that provides sub-sized London Space Standard dwellings in order to provide lower cost market homes. As we have argued above in relation to the effect on affordability, the GLA needs to provide more evidence that the size of dwellings is more of an issue for households in housing need in London than the matter of affordability. The GLA will also needs to consider how the adoption of the national space standard will affect the delivery of the Government’s Starter Homes initiative.

### The columns for charts 4.1-4.3b

The explanation in paragraph 4.6 of the main report is confusing. For chart 4.1 it says that the third column represents the calculation with lifts (step free

access) and the fourth column factors in zero carbon. However, the key for chart 4.1 on page 35 says something different – with lifts and carbon the other way around.

Secondly, it is unclear why the subsequent three charts – 4.2 to 4.3b do not include a column showing the viability results for lifts (step free access). These subsequent charts consider 160 and 320 dph schemes. Because schemes at such densities are going to be flats we assume that this would require step free access?

#### The viability results: what they show?

As we have commented above, we consider that only the fourth column in Chart 4.1, and the third columns in the other charts can be considered to provide a reasonable model for development costs and any conclusions to be reached on viability. It is unclear why the cost of providing lifts (M4(2)) has not been applied to the 160 dpa and 320 dpa scenarios).

Notwithstanding our various questions and points of clarification we have noted the presentation of the results in graphs on pages 35-38.

It is notable that the lower value outer London boroughs have difficulties absorbing the costs of the optional standards in addition to affordable housing rates. Boroughs such as Barking & Dagenham (no affordable housing modelled), Barnet, Bexley, Harrow, Havering, Hillingdon, Newham, Croydon, Greenwich and Waltham Forest perform badly against all of the upper benchmark land values and some of the lower benchmark land values too. If one considers Chart 4.2 (developments at a density of 160 dph) it is evident that Croydon only just exceeds the upper benchmark and is on par with the upper benchmark when the cost of moving to zero carbon homes is factored-in. Newham also fails to achieve the two higher benchmark values.

Chart 4.3a models developments at a density of 320 dph. This shows boroughs struggling to achieve the higher benchmark values and some of the lower benchmarks. While not all schemes would necessarily come forward at the higher benchmark (reflecting the effect that policy does have on suppressing landowner expectations) we are concerned that some Boroughs are only just exceeding some of the lower benchmarks. Chart 4.3b shows in more detail the effect (omitting those boroughs with high RLVs). Viability appears to be quite adversely effected in the case of Brent, Greenwich, Lewisham, and Waltham Forest. Once the cost of M4(2) and water is added we do not agree with the GLA that these costs can be omitted) then we might expect residual land values to be eroded even further. Viability, in other words, seems precarious.

The fact that viability only appears to be an issue in some of the outer London Boroughs could lend credence to the argument that – in the overall context of the 33 London Boroughs – the impact of the optional technical standards is relatively benign. However, in terms of housing delivery within these boroughs, the effect of the application of the standards could be quite serious.

The GLA's own evidence, therefore, would tend to suggest that it would be imprudent to adopt all of the optional technical standards since they will militate against housing delivery, especially in the outer London boroughs. The GLA may need to allow for much greater discretion on the part of the London Boroughs in adopting London Plan (i.e. MALP) policies.

The effect of viability in the outer London boroughs is important to consider. The outer boroughs have provided a source of relatively affordable housing for Londoners up until now. The risk in adopting the Optional Technical Standards with its attendant heating costs (described below in relation to ceiling heights) plus the increasing cost of travel for people in the outer zones means that these areas will no longer be affordable.

### B Ceiling heights

Paragraph ID 56-018 of the PPG advises that where a local planning authority wishes to require an internal space standard they should only do so by reference in their Local Plan to the Nationally Described Space Standard.

In keeping with this statement we consider that there is no justification for 'encouraging' a different ceiling height in the MALP even if this is something that is only 'encouraged' by the London Plan. This conflicts with the purpose of the Housing Standards Review which is to remove the uncertainty and confusion that has arisen from the application of differing construction standards by different planning authorities. It is also hard to see how the vagaries associated with interpreting this particular wording in the policy accords with paragraphs 14 and 17 of the NPPF (paragraph 17 states that plans should 'provide a practical framework within which decisions on planning applications can be made with a high degree of predictability and efficiency'). An applicant needs to know precisely what is required of him/her so there is reasonably certainty that the application can be granted permission so long as it accords with the development plan. An applicant who is 'encouraged' to do something, but chooses not to, could not be certain if this would result in the rejection of his/her application.

The scope for the London Boroughs to introduce discretionary ceiling heights as a consequence of this policy militates against the purpose of the Housing Standards Review and the principle of the plan-led system. The Government has stated in the Ministerial Statement of the 25 March 2015 that if its statement is not being accorded sufficient weight by planning authorities then it will consider bringing forward legislation to secure implementation.

It also imposes a cost for the occupants. An additional 20cm of room height would add another 8-9% to the heating bills of the occupants. These issues affecting the lives of people were considered when setting the National Described Space Standards. The GLA has not.

### Policy 3.8 Housing Choice

The Mayor has opted to adopt the two optional Part M Building Regulations. These are Building Regulation M4(2) 'accessible and adaptable dwellings' and Part M4(3) 'wheelchair user dwellings'. The Mayor requires that 90% of all residential units meets Part M4(2) and 10% of all residential units meets Part M4(3).

The Mayor will need to demonstrate that he has satisfied the tests in the Ministerial Statement of 25 March 2015. The new addition to the Planning Practice Guidance – *Housing – Optional Technical Housing Standards* – provides further guidance regarding the relevant tests.

The PPG advises, that among other things, there is a need to consider the need for these optional Building Regulations and to consider the effect on viability.

#### Need

We have noted the *Evidence of Need* document. It is unclear why the Mayor has alighted upon the figure of 10%. Why is 10% of all new housing required to meet the wheelchair standard? The Mayor has not justified the derivation of this figure.

#### Viability

##### a) Part M4(2)

In paragraph 4.16 of the Viability Assessment we note the effect on viability of applying M4(2). Firstly, it is important to understand that this report appears to be examining the effect of applying M4(2) separately from the other optional technical standards plus affordable housing rates – a methodology query we have raised elsewhere in these representations. Nevertheless, we note that according to table 4.3a some 13% of schemes overall (an agglomeration of the results across the four benchmark land values used) are unviable. When combined with the costs of moving to zero carbon homes the percentage of unviable schemes increases to 14% (see table 4.5a). Clearly there is an effect on viability and 14% is not an insubstantial figure.

We have noted the *Viability Assessment*, but we are concerned that no additional cost has been allowed for meeting M4(3) since it has been assumed that meeting M4(3) will have no additional cost implications as it is already current London Plan policy (see paragraph 3.53). While this is true in terms of the current London Plan it does not necessarily mean that there will be no cost for development. The cost of this should be considered alongside the other technical standards being introduced by the MALP.

b) Part M4(3)

We note that the report bases its build costs based on London schemes (see paragraph 3.25). The appendix shows that this is schemes surveyed between 2010-2013. The current London Plan, however, does not require lifts to be provided in all dwellings which would be the implication of adopting standards M4(2) and M4(3). This is a significant additional cost. Furthermore, Lifetime Homes in the London Plan is only a discretionary requirement – something that is specified in the SPG (see paragraph 3.50A). It is not London Plan policy requirement. Therefore, it is questionable whether recent build costs for residential developments in London based do truly reflect the cost of building Lifetime Homes if this is only a discretionary element. Do we know if any of the builds surveyed actually do reflect the cost of incorporating Lifetime Homes?

To ignore this as a cost would be contrary to the NPPF and the PPG. Paragraph 3.4 of the *Viability Assessment* confirms that the cost of M4(3) has been omitted as part of the exercise. We note that the table on page 15 of the report indicates that the cost of complying with M4(3) is potentially very high – it is much higher than the cost normally allowed for complying with Lifetime Homes which was previously typically estimated to cost between £500 and £1,600 depending on dwelling type – houses were cheaper than flats (see the DCLG report titled *Assessing the Cost of Lifetime Homes Standards*, DCLG, July 2012).

However, we do note that paragraph 3.26 seems to argue that an allowance has been added to accommodate 10% of units to be adaptable for wheelchair users. The report is making contradictory statements and is therefore unclear.

We note that the previous viability assessment produced to support the FALP did not include an assessment of the cost of building to Lifetime Homes. Therefore this is a policy requirement that has not recently been assessed by the GLA for its overall contribution to the viability or otherwise of development.

Even though only 10% of dwellings will be required to meet M4(3) the cost could have a considerable effect on viability. This could be important in those Boroughs where viability appears to be marginal (see Charts 4.1 to 4.3b).

The Evidence of Need report

We note that paragraph 4.2.15 of the *Evidence of Need* report refers to the implications of adopting Parts M4(2). The report acknowledges that while the current London Plan specifies Lifetime Homes this does not require the provision of step-free access in all developments. It observes that the policy will have particular implications for three and four storey blocks of flats and stacked maisonettes (this observation is repeated in paragraph 3.48A of the MALP). The report, therefore, as a remedy, suggests that to address potential problems of viability applications where this may be an issue should be supported by site specific viability assessments. This reflects the advice contained in paragraph ID 56-008 of the PPG.

We consider that this condition regarding viability should be included in Policy 3.8 rather than left to the supporting text. This is necessary to ensure that Borough Local Plans reflect this condition.

#### Clarity necessary within the policy regarding what is being required

It is also unclear from the policy whether the 10% of units that are required to be built to Part M4(3) are also required to be building to Part M4(2) as well. To put it another way, is the 10% a subset of the 90% or are they strictly separate? Does this mean that 100% of the units in a scheme will be constructed according to either M4(2) or M4(3) standards?

It would also be helpful if the policy clarified how these standards would work alongside affordable housing provision. We understand from the PPG and from paragraph 3.49A of the MALP that the Part M4(3) standard can only be applied to the affordable housing element of the scheme. Therefore, if a scheme of 50 dwellings is providing 30% affordable housing this would require a total of 15 affordable units. Is the 10% being applied to this 30%? If so this would require 1.5 homes on the scheme to be provided as M4(3) compliant dwellings. Or is the 10% being applied to the total of 50, which would generate a need for 5 homes to be provided as M4(3) compliant homes leaving 45 to be built to M4(2)?

It would be helpful if the MALP clarified the mechanics of how the new regulations will be applied. It would be inappropriate to delegate this matter to the SPG as this matter will have considerable cost implications for development in London.

### **Policy 5.2 Minimising Carbon Dioxide Emissions**

#### Allowable solutions

It is sensible that the Mayor factors in the cost of moving to zero carbon homes.

#### Part F

We note part F of the policy. This part of the policy is not consistent with the Government's statement on the outcome of its consultation on allowable solutions (DCLG, July 2014). The policy is too prescriptive and implies that the London Boroughs can expect developers to demonstrate how they will meet the zero carbon homes standard in accordance with the hierarchy specified in the policy. The Mayor and the London Boroughs will not be able to do this. The DCLG statement of July 2014 is clear that house builders will be able to decide how they meet the shortfall between the minimum on-site energy standard and the zero carbon requirement (paragraph 8). In particular, paragraph 11 states that while local authorities should work with house builders to bring forward projects through routes iii (contract to a third party) and iv (pay into a fund) *'ultimately it will be the house builders' choice as to*

*which route he chooses*". It will be down to the discretion of the house builder how s/he meets the carbon efficiency targets reflected in Part L of the Building Regulations. The Mayor and the Boroughs cannot prescribe the precise manner by which developers achieve this. The policy does not comply with national policy.

## **Policy 5.15 Water Use and Supplies**

### Need

We note the evidence relating to need. We acknowledge from the *Evidence of Need* report that London is identified as being in an area of water stress (paragraph 5.4.1). This is what the PPG advises (paragraph ID 56-016).

### Viability

We note in paragraph 3.4 of the *Viability Assessment* that the GLA has not accounted for the cost of the optional requirement for water efficiency because it is "essentially the same as the current London Plan standard". This may be the case, but a robust viability assessment requires that all building costs, in addition to London Plan and Local Plan policies and CIL rates, are assessed all together at the same time. The viability assessment provides a 'point-in-time' assessment of the cost of development and its effect on viability based on current values. Dwellings may already have been built incorporating this standard but that doesn't mean that it isn't a cost.

Paragraph ID 56-016 of the PPG requires plan-makers to consider the impact on viability and housing supply of adopting the water efficiency standard.

The cost may be a minor one. However, cumulatively, it does have an effect on overall viability. This could be important in those Boroughs where viability is already marginal (Charts 4.1 to 4.3b).

We note that the policy actually specifies 105 lpppd whereas the national standard prescribes 110 lpppd with the assumption built-into this that 5 litres of this will be for external use. It is arguable, therefore, that the MALP policy is seeking something that is in fact more demanding than national policy allows. We strongly recommend that the policy is amended so that is clearly in line with national policy, otherwise there is a strong risk that the London Plan will be undermining the implementation of the Government's Housing Standards Review.

## **Part Q (Security)**

No assessment has been made of the cost of this although this is a new national Building Regulation.

## **Housing Standards Policy Transition Statement**

### **Implementation: October 2015**

The Ministerial Statement and the PPG advise that plan-makers consider the timing of any policy to adopt the policy on space standards. While we note the argument that because the current London Plan standards are broadly comparable to the new ones there is no need to factor-in a transition period, this is not altogether true because the new standards are different in some respects. Perhaps the most important difference is the need to provide step-free access (i.e. lifts) as paragraph 4.3.30 of the *Evidence of Need* report confirms. The (outgoing) Lifetime Homes standard does not require the provision of lifts but M4(2) does require all dwellings to have step-free access (see paragraph 4.2.12 of the *Evidence of Need* report) which means that all dwellings accessed above the ground floor require lift access. The *Viability Assessment* on page 15 indicates that the costs of providing M4(2) and M4(3) is potentially very high. Paragraph 3.50A of the London Plan (March 2015) refers to Lifetime Homes being required for all dwellings and 10% of these are to be wheelchair accessible. While this is specified in supporting text and the SPG rather than in policy it still represents a cost of development that may cause difficulties in transition.

The cost of reflecting this policy addition should be allowed time to work through into future land transactions. Lifetime Homes was a discretionary requirement since it was only specified in SPG (paragraph 4.3.27 of the *Evidence of Need* report suggests it has been policy since 2004). The adoption of M4(2) and M4(3) in the London Plan will no longer be so discretionary because they will now be Building Regulations introduced by specific London Plan policy. Therefore, land deals already completed or agreed may be jeopardised by the immediate adoption of these newly proposed London Plan Building Regulations. We therefore consider that it would be reasonable to allow for a period of transition. We recommend that the new regulations are not applied until one year on from when the MALP is adopted. Until then the current London Plan standards could apply. This would be consistent with the advice on the section of the Ministerial Statement titled *Decision Taking, Transition and Compliance*.

### **Parking Standards**

The Government has added the following text to be read alongside paragraph 39 of the NPPF. This specifies that: *“local planning should only impose local parking standards for residential and non-residential development where there is clear and compelling justification that it is necessary to manage the local road network.”*

We do not consider that this is an appropriate matter for the London Plan. Parking standards should not be set by the London Plan. This is a matter that is best considered on an evidence-based basis through the preparation of Borough level plans.

Yours faithfully,

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