

WIDER SOUTH EAST SUMMIT

11 December 2015

Annex 3**Annex 3 - Outer London Commission:****Barriers to Housing Delivery in London OLC DRAFT RECOMMENDATIONS****1 Forward funding infrastructure**

- Maximise use of existing mechanisms to forward fund infrastructure within the borrowing limits set by the prudential code (eg. Tax Increment Financing, joint ventures, bonds or pension funds).
- Greater fiscal devolution to the Mayor of the property tax revenues raised in London - so that these could be used or leveraged in order to forward fund infrastructure (eg council tax, business rates, stamp duty and capital gains).
- Additional mechanisms to capture land value uplift following planning approval and the delivery of infrastructure. This could be through:
 - Reform to the CPO process - to enable land assembly and compensation at Existing Use Value, with potential to use land value increases to forward fund infrastructure (and surplus profits shared between landowners, developers and the public sector).
 - Some form of land value taxation.

2 Small sites and small developers

- Provide a more streamlined, positive and certain planning policy framework for small sites and small developers.
- Produce more tailored, straight forward planning and design guidance for small developers.
- Make information on the availability of small sites more widely available – eg infill opportunities and surplus public sector assets.
- Explore the potential to fast-track planning permissions through planning permissions in principle or development orders.

3 Accelerate build out rates on large sites

- Greater use of recycled grant funding to address abnormal costs and infrastructure delivery challenges associated with complex brownfield development – ala Housing Zones.
- Require land parcelling or sub-division on large sites to increase the number and size of developers on each site and to stimulate greater diversity and competition.
- Provide greater encouragement to Private Rented Sector (PRS) – as this tenure may be less affected by the perceived absorption issues associated with selling market sale units at a particular price point.
- Explore potential approaches to incentivise developers to speed up the building out of planning permissions, for example:
 - Apply stricter timescales for starting onsite within a planning permission (with the option to extend timescales through appeal where there are mitigating circumstances).
 - Require a minimum agreed level of housing output over 5 year periods through planning conditions.
 - Levy Council Tax on approved but unbuilt homes (paid by developer).
 - Incentivise accelerated output (eg higher densities if within a set period).

4 Land assembly and CPO

- Simplify, speed up and de-risk CPO process for local authorities.
- Enhance local authority skills and resources in land assembly and CPO.
- Improve pan-London sharing of local authority technical experience, skills and resources.

5 Public Sector Land

- Simplify, speed up and de-risk the procedures involved in public sector land disposal and procurement.

6 Improve the speed & certainty of the planning system

- Speed up the planning process for schemes which already have outline consent – eg Section 106, conditions discharge – eg mediators and stricter timescales.
- Reduce the scope for negotiation on adopted policy - consider fixed affordable housing targets and fast-tracking policy compliant schemes. These policy compliant schemes would not need to be subject to further negotiation, viability appraisals or review mechanisms. This would provide an incentive to meet policy requirements and might reduce land value inflation.
- Address the absence of a single agreed methodological approach to assessing development viability.

7 Land supply

- Improve the speed of identifying and allocating brownfield land for housing (eg Brownfield Registers).
- Consider addressing supply challenges by increasing land supply from other sources – eg the green belt, suburban renewal/intensification.

8 Increase public sector housebuilding

- Encourage greater flexibility for local authorities and the Mayor to borrow and invest in building homes.

9 Construction sector capacity

- Encourage the use of modern methods of construction through bespoke planning policy and design guidance.
- Increase the resilience of the London labour market by funding construction training and apprenticeships.

Outer London Commission

Working Draft - Matrix of Issues - Barriers to Housing Delivery

	Issues	Barriers / challenges
1 Land supply	<ul style="list-style-type: none"> planning policy framework up to date and responsive Plans the identification / allocation of sites housing trajectories - maintaining a rolling 5 year supply (plus necessary buffer) 	<ul style="list-style-type: none"> existing policy barriers/constraints local authority resources and funding necessary political and local community buy-in identification & allocation of large and small sites reality - all options for additional capacity are contentious and difficult to deliver – eg higher densities, green belt, further industrial land release, estate renewal, suburban intensification
	<ul style="list-style-type: none"> land assembly 	<ul style="list-style-type: none"> fragmented ownership third party land – potential acquisition and ransom costs CPO process – too slow, complex, risky, issues with some local authority resources & skills
	<ul style="list-style-type: none"> land availability 	<ul style="list-style-type: none"> ownership barriers – non-house builders/non developers and land banking viability – distinction between identified capacity and viable & deliverable sites infrastructure delivery timescales and funding public sector land – procedural challenges (eg OJEU thresholds, ‘best value’) information and certainty – brownfield registers?
2 Getting consent	<ul style="list-style-type: none"> obtaining planning permission 	<ul style="list-style-type: none"> Section 106 – slow, lengthy negotiations & capacity of legal resource in local authorities condition discharge & statutory consultees - too slow local authority resources existing planning policy barriers to development or land use change certainty of the planning policy framework – for large and small sites/infill nimbyism
	<ul style="list-style-type: none"> other consents 	<ul style="list-style-type: none"> Rights to Light Environment Agency – eg protected species Utilities
3 Viability	<ul style="list-style-type: none"> risk v reward affordable housing requirements infrastructure delivery – CIL and other s106 construction costs abnormal costs acceptable developer return (%) changing/cyclical market conditions what benchmark land value to use? 	<ul style="list-style-type: none"> planning inputs to residual valuation are often negotiated and uncertain – can impact price paid for land, leading to inflated land values cash flow issues affect build out rates methodological uncertainty, ambiguity & dispute (eg NPPF, NPPG, RICS, GLA guidance) eg which benchmark land value to use? - EUV+ or Market Value circularity of some approaches to MV based appraisals – where AH policies are not fully taken into account transparency and openness local authority skills & resources lengthy and costly negotiations certainty and consistency of policies & decisions large proportion of developer costs are up front high land values and completion for sites price of land – do policy constraints and lack of availability increase competition & land values? How to avoid land value inflation with policy interventions/allocations (eg Housing Zones)

<p>4 Funding and infrastructure delivery</p>	<ul style="list-style-type: none"> • transport connectivity drives densities, values and viability • delivering large-scale transport infrastructure is difficult • development finance not easily available or affordable for small/medium sized developers or start-up firms • high land values in London 	<ul style="list-style-type: none"> • higher risks = higher interest • lenders require premium on risk – uncertainty costs money • small builders and developers pay increased costs on finance due to economies of scale • forward funding transport infrastructure is challenging and requires borrowing and a degree of risk • developers reliance on off-plan pre-sales to secure funding mortgage restrictions for residents • seeking off-plan or custom build
<p>5 Building out</p>	<ul style="list-style-type: none"> • perceived absorption issues with market sale units • lack of diversity in house building industry – dominated by big players • overpaying on land - leading to delays or slow build outs to achieve necessary sales values • construction sector skills and capacity • availability of skilled staff during a buoyant market • availability of finishers – eg plumbers, electricians, plasterers 	<ul style="list-style-type: none"> • challenges to sell units at certain price points during phases – reliance on mortgage finance being available to prospective buyers. The need for developers to recoup initial outlay on land. • challenges facing other tenures – affordable housing, PRS, custom build, older peoples housing, student accommodation, shared living • potential for local authority housebuilding • small sites and infill / gap sites – locally contentious • supply from housing associations and registered providers – impacts of right to buy and 1% rent cuts • public sector land and duties on land disposal – achieving ‘best value’ • use it or lose it powers or incentivising housing output? • parcelling and sub-dividing large sites • modern methods of construction – viability and scale of off-site production and issues with delivery on site • starter homes – impacts on viability, market absorption and other tenures • payments in lieu – when to take on site or off site affordable housing and speed of delivery • Skills and staff - Government immigration policy – availability of construction workers and other trades