

Contact: [REDACTED]

Attn Mayor Sadiq Khan,  
c/o [LondonPlan@london.gov.uk](mailto:LondonPlan@london.gov.uk)

Ref: The London Plan Consultation,  
Housing

1<sup>st</sup> March 2018

Dear Sadiq Khan,

Whilst we welcome a plan for housing in London, **we have concerns around the jargon used in the London Plan and we don't think it goes far enough to ensure that we build enough genuinely affordable homes**, preferably not for profit council homes.

We acknowledge that the term 'affordable' is a Government coined legal term, but **as Labour Mayor you should lead the way in rejecting Tory rhetoric, which stops us looking at the reality of high cost living in a low wage economy.** What is affordable is subjective. We think you appreciate that 80% of market rate, defined by the Government as affordable, is quite clearly UNaffordable for many in need of a home, particularly in Hackney, where the average wage is 33k.

**We object to the inclusion of shared ownership within your 'affordable' framework.** Many shared ownership residents we have spoken to say they are spending up to 50% of their income on rent, mortgage and service charges for their homes. Service charges are concerning in themselves, with developer appointed managing agents typically charging £3k a year for a one bedroom flat in Hackney. These service charges include large management fees and do not seem to prioritise value for money for tenants. We have also noted that shared ownership tenants in Hackney rarely increase their stake in their homes.

Moreover the entire shared ownership model is stacked in favour of the developer at the expense of would-be buyers, making them poor value which should not be touted as affordable. Please consider the following:

1. Shared ownership introduces new buyers to the market who would otherwise be unable to get a mortgage, thus creating demand. Developers are then able to take advantage of this new market through the receipt of a guaranteed purchase price for shared ownership homes.
2. The flats are not sold in the usual way as they are not exposed to market forces (you cannot submit an offer) – the price is determined by a valuation – thus the developer is guaranteed the valuation price and the buyer is obliged to pay the valuation price.
3. These valuations are often inflated, or optimistic, particularly when you consider that they are new builds and in any slump will likely be the first to lose value on the open market.
4. The case of Richardson v. Midland Heart is an example of a landlord bringing proceedings in court to obtain a possession order using the same procedure that is

used against assured tenants under Housing Act 1988. If this happens the landlord is not obligated to pay the shared owner any compensation for the loss of his or her share in the equity of the property. This is another reason we think shared ownership is of dubious value and should not be touted as affordable.

It is heartening to see that within your draft plan some homes will be provided at a reduced (from market rent) rate. This has been referred to as a '**Living Rent**' within your '**Genuinely Affordable**' campaign, where you state that the average cost of a two bedroom flat is around £1,000 a month, as opposed to around £1,800 on the private market in Hackney.

We applaud this as a step in the right direction, **but would urge you to avoid referring to this as a 'living rent'**. It is still incredibly expensive for many people, and most importantly, **it sounds like the Living Wage, something we in Hackney campaign for.**

**Please take into account that if a Living Wage in London is £10.20 an hour (approx. £1,401.00 a month based on a 37.5 hour week with tax deductions) then it cannot follow that a Living Rent is £1,000. This would leave only £401.00 a month for food, bills, travel, clothes, phone, internet and any form of entertainment.**

There is nothing affordable about spending two thirds of your income on rent and it is certainly not living, or not in a civilised way. Shelter suggests that to be affordable, an individual's rent should take up a maximum of 35% of their income, and clearly the poorer you are and the more dependants you have, the smaller the percentage you can afford give up without suffering.

**The terms 'living' and 'affordable', whether utilised by you or by the Tories, inevitably become tainted because they are very subjective.** Arguably names have to be coined to distinguish between the various schemes, but isn't it better just to say what things cost? **To describe them as 'living' or 'affordable' will alienate the (many) people who still simply cannot afford them,** particularly if a 'Living' rent does not align with a 'Living' wage. **Please take the lead and simply state the price of homes, allowing Londoners to judge affordability for themselves.** The Labour Party doesn't have to participate in Tory Newspeak.

**We welcome your call on the Government to free up Councils to build more and for removal of the Housing Revenue Account borrowing caps.** The type of housing that the majority would benefit from is not-for-profit, properly regulated, council housing and you should be clear about that in the face of Tory and media 'sink estate/benefit scrounger' rhetoric. However, unless planning law which favours big developers is reversed, it will remain difficult for Councils to achieve the ideal of many well maintained council homes. The law was changed in 2012 to say that developers must make 'competitive returns' (in practice, a profit of at least 20 %). This has been used to justify developers failing to provide the requested number of 'affordable' homes, and it is likely that this practice will continue, particularly if you do not ban cash in lieu contributions. **It is not enough for your Plan simply to state:**

***Cash in lieu contributions should be used in even more limited circumstances[45], and only where there is detailed evidence to demonstrate that on-site affordable housing delivery is not practical, off-site options have been explored but are not acceptable and that accepting a cash in lieu contribution will not be detrimental to the delivery of mixed and inclusive communities.***

**If we are serious about building homes the majority can afford to live in, then we must completely end the practice of accepting cash in lieu of 'affordable' housing.** Cash in lieu is unhelpful, as local authorities then have to identify yet another site on which to build housing. As your plan asserts, we lack space in London and we currently have a situation where working class and even middle class people are being pushed out, as developers insist that they cannot house the poor in central London, so they are driven further and further out of the city.

**The London Plan calls for empty space to be used for housing, but if it is merely more housing that the majority cannot afford then it will be a scandalous land-grab that infringes on current residents' recreational space with few benefits except profit for developers and sub-contractors. We urge you to go further and set the 'affordable' percentage at a minimum of 65% in new developments, which is what you yourself declare the London Strategic Housing Market Assessment says we need.** Instead you have called for a woeful 35% on private land (subject to review in 2021) and 50% on public land.

The sentiment in the plan appears to support more genuinely affordable housing, but it is not supported by radical policy change. We cautiously welcome fast-tracking as an incentive for developers whose plans meet the minimum levels of affordable housing, however we despair at the continued use of 'viability' assessments as an option to justify building less or no cheaper housing. **Please remove statements such as 4.5.3 (set out below) which will allow developers to continue to renege on their obligations:**

***Only where there are clear barriers to delivery and it is fully justified through detailed viability evidence, in line with the methodology and assumptions set out in Policy H6 Threshold approach to applications and the Mayor's Affordable Housing and Viability SPG, should a lower level of affordable housing be considered.***

**Whilst you cannot change the law, the removal of this clause would send a far clearer message to developers and help ensure that Londoners get some value from developments. If developers cannot afford to include a decent proportion of the housing Londoners actually need, then they must not build and we must not make it easy for them to do so.**

It would be useful to include a clause giving local authorities the right to see the accounts of developments which have been deemed, through viability assessments, to be unable to provide the requested affordable housing. If units end up being sold at a higher value than predicted in the viability report and creating more profit than forecast for the developer, then the local authority should be entitled to additional affordable housing on site.

Finally, all of this hard work to build homes is undermined if we do not repeal the right to buy scheme, as we will continue to lose much needed council stock. **Council housing has not been built en masse for forty years or more and since 1980 we in Hackney have lost a quarter of our council housing, whilst 13,000 people languish on the council housing waiting list.** Scotland and Wales have recently announced plans to stop right to buy and we urge you to come out in support of the same. Reforms will not solve the situation; the most frequently proposed reform is decreasing the discount available, making it less likely that a poor person could afford to buy under the scheme. **Right to buy must end as a matter of Labour principle and for the collective good, so please take the opportunity presented by the publication of your London Plan and make a public stand on this issue.**

Yours sincerely,

*Clare Joseph*

*Hoxton West Branch Vice-Chair and Victoria Ward Councillor Candidate*

Supported by:

Jonathan Rosenhead, Hoxton West Chair

Coral Jones, Hackney South CLP Chair

Barbara Roberts, Homerton Branch