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Meyer Homes London Plan Reps



Mayor of London
Greater London Authority

Via Email Only:
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Dear Sir / Madam,

DRAFT NEW LONDON PLAN REPRESENTATIONS ON BEHALF OF MEYER HOMES

Thank you for the opportunity to engage with the preparation of the Mayor's London Plan. This representation has been prepared by Savills (UK) Limited on behalf of Meyer Homes. It is made in respect of the Draft New London Plan (Draft London Plan) published by the Greater London Authority (GLA) on 29 November 2017.

Meyer Homes is a major residential developer operating in London and the South East with 3,000 homes in its pipeline. Accordingly, its portfolio has the potential to play a significant part in the delivery of London's growth aspirations across large and small-scale sites. We have been asked to consider the implications of the Draft London Plan for the redevelopment of its portfolio and we have focused only those issues that we consider to be of relevance to Meyer Homes.

General Approach

In his recently published Draft Housing Strategy the Mayor made it clear that "*London's housing crisis is the single biggest barrier to prosperity, growth, and fairness facing Londoners today.*" Meyer Homes concur and welcome the recognition given in the draft London Plan that solving the housing crisis will require a significant increase in the rate of housing of delivery. However, they are concerned that the Draft London Plan does not set out a strategy that will solve the housing crisis and it could make things worse by preventing sites from coming forward. Although the Plan states that it "*marks a break from previous London Plans*", its core strategy is to prioritise brownfield land and optimise development. We agree that this should be supported but we think the Mayor should introduce a more radical approach if the Plan is to be significantly different from previous versions.

Historically the London Plan strategy has consistently failed to meet housing targets². The evidence suggest that the new draft London Plan will not deliver against the significantly increased housing targets. It is noted that when commenting on the relatively minor increase in housing delivery targets introduced by the Further Alterations to the London Plan (FALP) 2015, the Inspector stated:

¹ Draft London Housing Strategy 2017

² Source: GLA Annual Monitoring Reports



“The evidence before me strongly suggests that the existing London Plan strategy will not deliver sufficient homes to meet objectively assessed need....In my view, the Mayor needs to explore options beyond the existing philosophy of the London Plan.”

Against this context the main points of these representations with respect to the Draft London Plan are as follows:

- The housing delivery targets should be reviewed to ensure that they meet objectively assessed need;
- The 35% threshold approach to viability is too broad and a blanket approach could restrict delivery of much needed housing;
- Threshold approach should be applied flexibility in Opportunity Areas and across different typologies due to market dynamics.
- The Draft London Plan does not set out a strategy that meets housing need as the capacity of small sites has been greatly over estimated and cannot be relied upon to deliver the amount of homes stated.

Housing Delivery

Solving the housing crisis will require a significant increase in the rate of housing of delivery. However, despite a significant increase in the ten year housing targets set out in the Draft London Plan, Meyer Homes consider that these targets will still fail to meet the true level of housing need in London.

The Mayor has carried out a London-wide Strategic Housing Market Assessment (SHMA) and Strategic Housing Land Availability Assessment (SHLAA). The SHMA has identified a need for 65,900 additional homes per year. As set out in Policy H1 *Increasing housing supply*, Table 4.1 sets the ten-year target for net housing completions, which each local planning authority should plan for. Overall this results in a ten-year target of 649,350 which equates to an annual target of 64,935 new homes across London. These targets are based on a London-wide Strategic Housing Land Availability Assessment (SHLAA) 2017 carried out by the Mayor, which assesses the capital’s capacity for housing delivery. If these targets are met there will still be a shortfall of 9,650 homes over a ten-year period against the need identified in the SHMA 2017.

Shortly before the publication of the Draft London Plan the Government consulted on the White Paper *Planning for the right homes in the right places*, which proposed a standard method for calculating housing need. At a national level it generates a need figure of 266,000 homes, of which 72,000 are in London. Against this figure the targets, if met would result in a shortfall of 7,065 homes a year which equates to 70,650 homes over the ten-year period. This would result in a significant unmet need and the consultation document proposes no robust mechanism to apportion this need to elsewhere in the wider south east.

The Governments proposed method would increase housing need in London compared to the findings of the SHMA. Yet even this increased figure might not really be enough to really make an impact on worsening affordability pressures. The Governments methodology introduces a cap on the maximum uplift at 40% above levels in adopted local plans. Without this cap the national figure is closer to 300,000 homes, of which 94,000 are in London. Analysis carried out by Savills indicates that the delivery of new homes needs to be closer to this figure if issues of affordability are to be addressed and London’s housing crisis is solved.

The new target is a significant increase over the current target of 42,000 per year. Historically, delivery has consistently fallen behind the targets. Completions reached a high point in 2015/16 when circa 39,000 homes

were completed³. Whilst in the previous year completions were closer to 32,000⁴. This position is hugely ambitious and in order to achieve such a significant increase in the rate of housing delivery it is essential that the Draft London Plan encourages rather than constrains development.

Meyer Homes consider that the targets set in Table 4.1 will not provide sufficient housing to meet objectively assessed need. Moreover as discussed further below they consider that the Draft London Plan does not provides a strategy that will increase the rate of housing delivery sufficiently to meet even these targets.

Threshold Approach to Viability is too broad

It is against this context of housing need and delivery that we return to the impact of policies in the Draft London Plan on the delivery of housing on Meyer Homes portfolio of sites, in particular affordable housing policy. Meyer Homes support the delivery of affordable housing and the expectation that all development proposals should maximise the delivery of affordable housing. However, they have some fundable concerns regarding the Mayor's threshold approach to viability, initially detailed in the Affordable Housing and Viability SPG, which applies a 'one size fits all' to development of private land in London.

Whilst Meyer Homes encourages the prospect of adding more certainty into the planning process, they consider that there needs to be a balance between certainty and flexibility. Meyer Homes operates in a range of Boroughs across London with different value and site characteristics, and they are concerned that in some cases the blanket application of some of the proposed policies could restrict delivery.

Meyer Homes appreciates that the threshold approach is intended to fast track schemes which are providing 35% affordable housing in line with the policy target tenure split, however there is still a broad requirement that other relevant policy requirements are met to the satisfaction of the Borough. It therefore seems that a Local Authority could easily prevent the Fast Track Route being taken, and thus the route may not actually deliver clarity, certainty or speed of delivery.

Meyer Homes intends to actively develop their sites to contribute to the much needed housing supply, and in light of the growing housing crisis in London encourages policies that prevent land banking. However if a scheme is required to go down a Viability Tested Route, which could be the case for a number of reasons, a scheme may then become burdened by early stage and late stage (and in some cases, mid stage) viability reviews.

In reality the Viability Tested Route set out in Policy H6 is far more onerous than the established approach of the current London Plan pre-SPG, with comprehensive viability review mechanisms applied to schemes. Meyer Homes considers that the application of review mechanisms as set out in Policy H6, particularly late stage viability reviews, to schemes that have already demonstrated through detailed viability negotiations that they provide the maximum reasonable amount of affordable housing is simply about scrutiny, contrary to the core planning principles of the NPPF in paragraph 17.

Meyer Homes would suggest that one way of making review mechanisms less onerous would be to allow affordable housing contributions to decrease as well as increase based on viability. Whilst Meyer Homes appreciates the need to maximise affordable housing, the practicalities of delivering additional affordable housing on-site if triggered by a Late Stage Review are likely to be challenging, and Meyer Homes would therefore encourage the provision of financial contributions in these instances.

Therefore we suggest that part E of Policy H6 should be amended to make it clear that mid and late stage viability reviews can result in reductions to levels of affordable housing where the viability of a scheme worsens.

³ London Plan Annual Monitoring Report 13

⁴ London Plan Annual Monitoring Report 12

Threshold approach should be applied flexibly

It is acknowledged that particular areas of London have far greater scope and/or need for additional housing than others, and the recognition of this in identifying specific policies to assist delivery in Opportunity Areas is welcomed. However the Draft Plan allows scope for localised affordable housing thresholds to be set by Local Authorities in Opportunity Areas, so long as the provision exceeds 35%. Given that the Opportunity Areas are proposed to deliver a large quantum of housing, it is considered that the increased uncertainty, and potential viability constraints could actually hinder delivery in these locations.

Meyer Homes considers that the flexibility proposed in respect of housing mix could be beneficial, however where Borough's do have restrictive policies, they could clash with the Mayor's tenure aspirations which again could lead to added uncertainty and delays.

The Draft Plan seeks to apply the same 35% threshold to other C3 products such as Build to Rent, and non-C3 products such as Purpose-Built Shared Living, Student and Older Persons Living. Meyer Homes considers that further consideration of the different market dynamics of these products is required in order to ensure that development is not stalled. For example, it is widely recognised that Build to Rent schemes do not generate short term returns in the same way as Build for Sale schemes, and therefore adopting the same approach of applying a 35% threshold may overburden such developments.

Overall Meyer Homes considers that the Mayor's ambition of adding certainty and speed to the delivery of housing (including affordable housing) is positive. However Meyer Homes would welcome further consideration by the Mayor of the different market dynamics in the various sectors and areas of London to ensure that certain locations and/or sectors are not overburdened.

The Capacity of Small Sites

Meyer Homes consider that the strategy set out in the Draft London Plan has an over reliance on capacity of small sites to housing need. The Draft London Plan attributes a significant proportion (38%) of the increased housing targets across London to small sites, which are essentially windfall sites. This is particularly the case for the Outer Boroughs where the proportion of the housing target attributed to small sites rises to 46.5%.

Paragraph 48 of the National Planning Policy Framework (NPPF) and Planning Practice Guidance¹ states that 'windfall' assumptions for the projected rate of housing delivery on unidentified sites can be included in assessments of potential housing supply, providing there is 'compelling evidence' that such sites have consistently become available in the area and will continue to provide a reliable source. In estimating capacity on small sites the GLA has considered three approaches as set out below:

- Approach 1 - an 8 year windfall assessment based on post-recession trends
- Approach 2 - a longer term 12 year windfall assessment
- Approach 3 - a 'modelled approach'

Based on the findings of Approach 1, over the period between the financial years 2008/9 and 2015/16, a total of 79,370 homes were delivered on small sites, which equates to 9,921 homes a year. Based on the findings of Approach 2, over the period between the financial years 2004/5 and 2015/16, a total of 129,940 homes were delivered on small sites, which equates to 10,828 homes a year. As such delivery on small sites will need to increase dramatically over current trends if the small sites target of 24,573 homes a year, as set out in Table 4.2, are to be met.

In Approach 3, the modelled approach, the GLA has examined the scope to increase current trends in housing completions on small sites as a result of policy changes proposed in the Draft London Plan, in particular Policy H2 *Small sites*. Once trend forecasting based on historical trends is taken into account, Approach 3 generates



a dramatically different estimate to the more evidenced based Approaches 1 and 2. The projected ten year capacity estimates for each approach are set out in the table below.

	Approach 1	Approach 2	Approach 3
Projected 10 year capacity figures	93,710	104,592	245,280

Policy H2 *Small sites* states that boroughs should apply a presumption in favour for small housing development. This would apply to infill development and vacant underused sites and residential extensions, conversions and re-builds in areas with a PTAL over 3 or within 800m of a Tube station, rail station or town centre. It also applies to redevelopment or upward extension of flats and non-residential buildings to provide additional housing. Proposals should comply with design codes, which the policy encourages boroughs to prepare. It also states that where affordable housing requirements are applied to schemes delivering 10 units or fewer, it should be based on a tariff approach to off-site contributions.

Meyer Homes welcome the support that Policy H2 provides for developers of small sites. However, they consider that the Mayor has significantly over estimated the impact that this policy, and the package of measures outlined in the Draft London Housing Strategy, will have. The modelled approach is a high level assessment of capacity, and whilst it does factor in conservation areas and listed buildings, it does not represent a fully evidenced local level assessment of capacity, such as is promoted elsewhere in the Draft London Plan (see Policy D2 *Delivering Good Design*).

Overall, Meyer Homes consider that the Draft London Plan places an over reliance on the capacity of small sites to meet objectively assessed housing need, particularly in the Outer Boroughs. The available evidence does not suggest that small sites will deliver anywhere near the number of homes needed to meet the targets set out in Table 4.2, and it is unrealistic to assume that Policy H2 will have a sufficient impact to increase delivery to these levels. Consequently, Meyer Homes consider that the Draft London Plan does not set out a strategy that will meet housing need.

Summary

Our client would be grateful if the matters raised in this letter could be taken into account when completing the next stage of the London Plan and would welcome the opportunity to represent these views at the Examination in Public.

Yours sincerely

Nick Green
Director

Enc. As above