

Consultation on the London Plan

The Royal Institution of Chartered Surveyors (RICS) welcomes this opportunity to respond to the Mayor of London's New London Plan.

RICS is the leading organisation of its kind in the world for professionals in land, property, construction and infrastructure. As an independent and chartered organisation, RICS regulates and maintains the professional standards of over 91,000 qualified members (FRICS, MRICS and AssocRICS) and over 50,000 trainee and student members, 17,000 of whom are in London.

RICS regulates and promotes the work of these property professionals throughout 146 countries and is governed by a Royal Charter approved by Parliament, which requires it to act in the public interest.

General comments

The London Plan is a substantial piece of work that covers a wide variety of topics that touches on multiple areas that RICS regulates and enforces standards on. Much of what is being proposed in the Plan relates to the dissemination and uptake of best practice amongst property professionals. As a professional body, this is at the core of what we do. We invite the Mayor to engage with us and the wider property sector, including RTPI, RIBA and others to better coordinate the development and spread of these ideas.

In formulating this response, we group together key sectors and topics, such as economic growth and commercial/industrial spaces, which are intricately linked. We refer to specific policies within these sections.

We have also not included a response for policies **H6** (threshold approach) and **H13** (planning for Build to rent). This is because of the technical nature of the policies coupled with the stated preference for using the Existing Use Value Plus approach, to valuing land, over Market Value for viability purposes, which RICS has suggested is not in line with the National Planning Policy Framework and Planning Practice Guidance. We have responded in detail to the GLA's Affordable Housing and Viability consultation and backed up our position with legal counsel. We also presented our position to the London Assembly Planning Committee.

We also note that the London plan is a substantial document and is larger than the last. Due to its significance and impact on planners and policy it is critical that the plan is not undermined by its sheer volume and scope. Although RICS members recognized that the plan is a comprehensive document that attempts to address the long term

aspirations of a global city, its effectiveness will depend on how well it engages its readers, both property professionals and lay persons with an interest in how the city evolves.

Should the Mayor or the GLA wish to discuss our response in detail, please direct any queries to RICS' London Policy Manager Abdul Choudhury (achoudhury@rics.org).

RICS Response to the London Plan

Making the best use of land

RICS agrees with the approach set out in Policy **GG2**. These are common sense ideas, tied into 'best practice' that professional bodies such as RICS promote amongst our members and stakeholder.

Moreover, we have called for a transition to a low energy, low impact and low cost infrastructure system in our Vision for London report prior to the Mayoral Election in 2016 and we are supportive of efforts to do just that through the London Plan.

RICS invites the GLA work with us alongside other industry bodies to ensure that professionals working in property are given the tools and support needed to realise the ambitions set out in the London plan. This means working with the sector to understand what research or professional guidance are needed to help professionals make decisions that would lead to the outcomes stated in the London plan. By working through the practical implications of the London Plan's policies to working professionals, the Mayor can speed up the development and dissemination of best practice by organisations like RICS.

For example, RICS has undertaken research that look at design and delivery mechanisms and how that creates value in our 'Placemaking and Value' professional guidance paper. Research and guidance such as these share best practice amongst many RICS professionals working to further similar goals and equips those professionals with the knowledge and insights they need to make best use of land and property.

Alongside this, tracking the progress towards the policies and objectives stated in the London plan is critical. Furthermore, by continually engage with property professionals through RICS and other professional organisation, the Mayor can work proactively with the property sector to achieve his goals.

Delivering the homes Londoners need

RICS agrees with and support the Mayor's ambitions to deliver genuinely affordable homes quickly. We have argued strongly that the best way to achieve this goal is to deliver across different tenures and through a diverse array of bodies alongside the traditional builders.

The Mayor should emphasise the role alternative housing providers (such as Community house builders, SME builders, institutional private rental developers, local authorities, retirement and student accommodations providers etc.) can and should play in the London plan and work proactively to support the growth of such niche sectors. This should be an ongoing process that starts with the London Plan and ends with London having a rich mix of housing providers that meet the needs of all Londoners.

The build out rate was also noted as an issue for **Policy GG4 E** and elsewhere. The criticism is that, much of London's new homes are being delivered on large sites. Developers cannot deliver large sites all at once, partly due to resource constraints and partly because the market cannot absorb large numbers of new homes at current price points. A solution to ensuring large sites deliver quicker is to have sites deliver across different price points and tenures, that way the development does not oversaturate the market with a tenures or types of homes. This also provides more choice to consumers in terms of tenures.

The plan also suggested restricting the practice of gaining permissions and selling land on for higher prices. Given the complexity and difficulty in gaining planning permissions, organisations that deliver sites with permissions are a critical part of the market. The applicant takes on risk and expends resources to gain planning permissions. This requires skills and expertise as well as resources that developers may not have in abundance, particularly smaller ones. The issues the GLA should seek to address is making planning simpler and more streamlined so that the space for such practices should be reduced.

Moreover, the GLA can also work with boroughs to provide more flexible planning permissions. This would allow developers to adapt plans according to market conditions, as well as provide flexibility for when a different developer wants to deliver something different. This way, any disruptions caused by such practices can be minimised.

Increasing housing supply by supporting small housebuilders

RICS agrees with **Policy H1** which sets targets for Boroughs to identify sites for housing, advises them to be more proactive in providing permissions in principle and

focus on creating dense, mixed-use development. Together with **Policy H2** on Small Sites, the plan notes the need to support SMEs and community let housing projects. Though this is a step in the right direction, the GLA can do more to nurture those sections of the market and help to ensure they play a continued and sustained role in London's housing market.

RICS also believes that the definition of small sites are too narrow. In particular, **Policy H2 part D and F**, which suggests boroughs should apply a presumption in favour of development on small sites which deliver between one and 25 homes. Conversations with industry practitioners suggests that, even within the 0.25 hector limit, industry can deliver substantially more units. Therefore, the limit on the number of homes for the presumption in favour of small sites to apply should be removed in favour of limits based on negotiations with the planning authority. The planning authority is better placed to judge the potential of a site based on factors such as PTAL, Design codes, Local character etc.

Moreover, on small sites, its more economical to deliver a single tenure development. Members recognise the need to deliver 'mixed communities' and this can still be achieved on an area wide bases, however they Mayor must recognise the different market conditions that apply on sites and businesses of different sizes and adjust policies to maximize housing delivery.

The 0.25 hector limit was also questioned by RICS members. As a definition of a small site, it is very clear, however, the Mayor seems to want to link small sites with SME house builders. Consequently, members suggest that the price and risks associate with 0.25 hectares of land differ vastly between inner and outer London. And so, to align the small sites policies with support for small builders, it is worth reconsidering the definition of a small site based on the different land market conditions.

Access to land and financing of small sights by smaller organisations is often noted as a critical barrier. The strategic identification and provision of sites for such builders is a positive step. However, the Mayor can go further by partnering with smaller builders on small publicly owned sites to help nurture their growth while simultaneously delivering on other policy objectives (e.g. design and affordability) by directly being involved in development. This could also help businesses develop products and supply chains to cater to those markets, including construction firms, lenders and other professional services. This could tie into the Mayor's Community Led Housing Hub.

Another substantial factor for SME's in accessing funding is planning uncertainty. If the GLA worked with Boroughs to provide sites with permissions or planning briefs that gave prospective developers clear view of what was acceptable, much of the risk and negotiations time is reduced. Such permissions and briefs would need to be attractive to

private sector developers and the cost of preparing these can be recouped when applications apply for permissions.

The Mayor can further assist community led housing by ensuring the provision of fully serviced sites, with planning permission and are connected to necessary utilities and other relevant infrastructure. These oven-ready sited would need an initial investment and the costs could be recouped through the sale of those sites. These can be prepared by the GLA itself or by developers through their s106 obligation. This greatly reduces the burden on self and community builders who are not all property professionals or have the resources to take a site from start to finish by themselves. The initial costs could also be recouped once the land and development rights are sold.

Delivering affordable housing

With regards to delivering **Policy H5** (affordable homes), RICS agree with the Mayor's suggestion that there should be more affordable housing. However, the long-term goal should be to ensure that the market delivers affordable homes for most people. In the short term however, delivery of affordable housing is made more viable with the financial support, available through grant funding via the affordable homes programme. The Mayor can again use the GLA's land holdings to further support the delivery of affordable homes through joint ventures or direct commissioning.

We recognise the need for the GLA, under government guidelines, to get the best returns from sales or use of public assets. We would encourage the Mayor to talk with RICS about developing thinking on approaches to disposal or use of public assets at less than best financial considerations where non-financial benefits exist and cannot be properly quantified. These could be anything from supported or affordable housing to delivering schemes that retain the character of an area.

There is also scope for the GLA to use its land holding more creatively. For example, this could entail allowing developers or housing associations to build on and manage homes on public owned land without purchasing the land, thereby substantially reducing the cost. The freehold for the land could remain with the GLA and leasehold given with covenants to the developer alongside agreed amount of ground rents to be paid based on negotiations and delivery of rental properties at different price points. Again, we invite the GLA to discuss options with the property sector.

Institutionalised Private Rental Sector

The Mayor's support for Build to Rent as stated in **Policy H13** is encouraging to investors. An institutionalised Private Rental Sector (PRS) can greatly boost that level of investment in housing while at the same time improving standards through professional management. The RICS has developed a PRS code, in collaboration with other industry bodies, which will support greater standards for tenants as well as provide institutional investors the confidence to invest in a professionally managed product. Of course, this is beyond the scope of the London plan, however, we believe introduction of the PRS code could add momentum to institutional investment into PRS housing. We encourage the GLA to adopt our code.

More homes and better use of stock

London doesn't just need more homes, but it needs the right type of homes that are suitable for its population. Although we agree with **Policy H11** (ensuring the best use of stock) that would provide London Boroughs powers to penalise 'buy to leave', this plays a relatively small role in the market.

We believe there is an enormous potential to address shortcomings in the housing market by providing homes and accommodates specifically for certain demographics, such as for older people (**Policy H15**) and students (**Policy H17**). Supporting the delivery of homes specifically for those demographics could not only provide accommodations more suited for their needs, it could also free up larger homes to go back on the market for others on the housing ladder, as well as provide additional sources of investment into housing.

RICS, in its 2015 Residential policy paper, made recommendations to government to support older people downsize when they want to. Homeowners over 55 are sitting on a substantial amount of housing wealth, which can be used to fuel housebuilding if new developments are marketed to them and cater for their needs. This could also release larger homes back onto the market, effecting a movement along the housing ladder, when older people downsize. The relevant recommendations are:

- RICS endorse recommendations that arose from the APPG on Housing and Care for Older People's inquiry into 'The affordability of retirement housing'. This includes the support for alternative ownership models, the stamp duty land tax discount for older people in lower value homes under 'Help to Move' and a requirement for local authorities to provide housing and financial advice to people as they transition into old age.

- RICS has found that communication of housing options for older people were poor meaning that emerging models for housing in later life that included retirement rentals, co-housing, housing co-operatives and shared ownership models were not fully exploited. Moreover, there is an apparent disconnect between financial advisers and housing advisers meaning that those providing advice on one topic are not fully aware of the options available in the other.
- RICS recommends that government, both central and local, work with the property industry and financial advisers to create and develop an innovative catalogue of housing solutions for older people. Then use key transition and contact points in the aging process (e.g. when applying for age related benefits) to distribute that information.

We also recognise there is a very strong emotional dimension to people's homes, with considerable effort, both physical and emotional, to moving.

- In recognising the difficulty of moving one's possession at an older age, we recommend providing a moving fund to help with moving costs. This is similar to something that is already offered by Bristol City council.
- Knowing one's neighbours and feeling a sense of community is also an important factor in deciding to move homes for some older people. RICS recommends that local authorities and industry work together to provide accompanied visits to suitable properties to mitigate emotional distress and create a more positive experience.

Growing a good economy

The Mayor is right to prioritise the provision of adequate commercial and industrial spaces in **Policy E1 (offices)**, **E2 (Low-cost business spaces)** and **Policy E3 (Affordable workspace)**. For London to thrive and to achieve the vision of sustainable growth and nurture new businesses.

The need for affordable work places (**Policy E3**) is also understood, however, provision of such places under Section 106 arrangements further shifts the balance away from provision of affordable housing. It has been suggested that some discounted commercial spaces can be provided in certain locations through 'meanwhile use' (**Policy H4**). The scope of these places to provide this is an idea worth exploring through the London plan.

The commercial property market however is a highly competitive market and is one of London's strengths. Where there is a business demand for space, the sector innovates and develops solutions as is already happening with business cafes and co-working spaces. The Mayor should focus, as is being done to a degree with the London plan, on

supporting innovation, highlighting best practice and promoting standards. This is something the RICS can support the Mayor in doing.

Through policies **E4, E5, E6 and E7** the Mayor also states the need to protect and enhance London's existing industrial sites. This is a critical issue for a diverse London economy. One of the drawback members suggested is a reluctance amongst planners and developers to locate light industrial (use class B1) within residential developments, even though it is approved in planning policy. This is due to a negative perception of industrial and lack awareness of the benign nature of light industrial properties. Co-locating light industrial alongside residential would make an excellent contribution to the mayor's goal of creating mixed use spaces and help better focus heavy industrial sites by providing more options for occupiers.

Fire Safety

RICS would like to draw attention to Policy **D11 (Fire Safety)**. The policy requires submission of information, at planning submission stage, which may not/almost certainly will not, be available at outline planning stage. Usually it is only a requirement to consult with Fire & Rescue Services at planning stage, who will comment on the adequacy or not of access for their equipment being easily deployed quickly at a building on fire.

Planning officers, and their planning committees, are not experts in building regulations nor fire safety. Fire safety in all but the simplest of buildings, will now increasingly involve a fire engineered approach, and the details of the building design, products & materials will not be available at outline planning stage. **Section B of D11** in particular, as drafted, would be unworkable.

At present, there is no requirement to submit detailed fire strategies at planning stage, and that is a system which works well.

Digital connectivity infrastructure

Policy SI6 states the Mayor's vision for a digital city that is able to take advantage of emerging technologies. This is critical to ensuring London stays competitive and relevant to an ever advancing and digital global economy. The Mayor has already adopted standardised wayleave agreement which RICS has worked on with industry stakeholders which is a move in the right direction.

However, with the emergence of 5G, cities across the UK and the world are undertaking numerous studies and tests of the new infrastructure. London has its own goals and ambitions and that needs to tie in more with what's happening across the board with cities like Manchester with its CityVerve and the intensive digital modeling of Bournemouth which will be critical to implementation of 5G connections.

Transport

RICS agrees with the Mayor's approach to transport as set out in policies **T1 and T2** (strategic approach to transport and Healthy streets). Moreover, the Mayor's Transport strategy is tied into the strategic relations with the Policies for collaboration for the Wider South East (WSE) (**Policy SD2 and SD3**). Recognising the impact on transport policies on local growth and challenges is a positive first step, as is the prospect of further collaboration between the different local and regional authorities.

Infrastructure funding

Funding and building the homes and infrastructure London needs is critical to its success. The mayor sets out his funding streams through planning obligation and local taxes (Mayoral CIL, business rates and council tax) and revenue (fares and charges for transport). However more needs to be done to share in land value uplift because of public investment in infrastructure. RICS will seek to support the mayor however we can to piloting the Rights Auction Model and will work with the GLA to develop and implement policies to capture land value uplift.

We do however note that policies to capture land value uplift, in the past, have tended to stall the market as land owners and investors simply hold onto land when they can until policies change. Therefore, we would advise that when policies are implemented to capture land value uplift, there is a comprehensive cross-party approach which could stand the test of time.

Valuations will play a critical part in any such endeavour, and as the body that sets the standards for valuation and regulates valuations professionals, we are eager to be at the forefront of change rather than be subject to it.

Alongside this, the Mayor also has the option to entice institutional investors into investing more in infrastructure. The adoption of regulated internationally recognised standards can assist the GLA in attracting private infrastructure investment to offset the fall in public sector spending. Like the International Financial Reporting Standard, the International Construction Measurement Standard (ICMS) provides a level of certainty -

through transparency - to investors. Effective and accurate reporting of capital expenditure can only benefit the construction sector by providing investors with accurate information that inform their investment decision. RICS would recommend that the Mayor engage with the RICS and examine the potential impact of such standards on the attractiveness of London's infrastructure priorities to investors.

Fiscal devolution

RICS agrees with the principle of fiscal devolution in terms of London retaining revenue raised in London. However, we caution against devolution of local tax setting powers. This could create a fractured tax environment making it more difficult and costly for national and international businesses. We could recommend utilising the common tax framework that varies by market conditions, which exists today, to the best of its abilities, before pursuing further changes. Any changes should be national and comprehensively thought out in consultation with stakeholder.