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🕒 Posted on June 22, 2016 by [lselondon](#)

Accelerating Housing Production in London: Making national housing policy work in the capital

London is unique. It is the biggest city in England, in the UK and in Europe—indeed its population is larger than half of EU member states. It is not surprising, then, that some national housing policies do not work particularly well in the capital. We hosted a small round table on 8 June to discuss the relationship between national policies and London's problems, and to explore ways forward.

Besides its sheer size, London is different because of:

- very rapid growth in population and relatively high economic growth, both of which increase demand for housing faster than supply can respond;
- the make-up of the population which is more young, more mobile and in work, which makes renting a better fit – plus large numbers of low paid residents who cannot afford either market rents or home ownership;
- the scarcity of land, the high values of alternative uses in many areas and the complexity of sites – almost all of which are brownfield;

London needs a different mix of new housing as compared to much of the rest of the country because of the make-up of the population and the high costs of living in the capital. Critically, building for owner-occupation cannot be the answer

are called for. There should be a fundamental re-think about what types of housing should be built. Both Starter Homes and shared ownership policies need to be made more London-friendly. But policy-makers also need to recognise that rental could well be the most suitable tenure option for most Londoners.

London's governance involves comprises 33 local planning authorities and the Mayor, who provides the overall planning and housing strategy, but cannot direct the boroughs—even the majority that are controlled by Labour. A big issue is therefore whether the structure of London governance make it harder to achieve national housing goals?

One of the main pressure areas for boroughs is temporary accommodation. Each borough has a duty to house certain homeless households, but for central and inner London boroughs the expense of in-borough makes it hugely expensive. And while all boroughs want to maximise the amount of affordable housing available, the very high cost of land in inner London means that a given amount of money will provide less housing than in outer boroughs.

Bilateral agreements between high- and lower-cost boroughs can help. The attendees confirmed boroughs are increasingly entering into such agreements. However, the local authorities identified two particularly important national constraints on their ability to act: First, their responsibility is to accommodate homeless households within the borough and second, the requirement is to spend Right to Buy money within their own boundaries. Both constraints lead to excessive costs and inefficiencies.

Devolution to enable London-wide solutions for these issues, as well as city-wide targets for initiatives such as Starter Homes, in principle could work. However, it would be important to ensure that boroughs could not opt out of the arrangements if they were unhappy. This ability to opt out was a core selling point of the Manchester voluntary approach but would not work in London.

With respect to planning and land supply the biggest issue was seen to be land assembly (although some would argue getting the big sites to work is as or more immediately important). National initiatives on CPO powers could help considerably by enabling local authorities to purchase at valuations closer to existing use value and by speeding up the CPO process. But there are also other

inappropriate and generate significant costs of enforcement; and around the national Permitted Development policy which allows developers to change the use of buildings from office to residential without contributing to necessary services, which is both undesirable and distortionary. There needs to be a re-think on how best to meet what is clearly a growing market demand for smaller cheaper units. There also needs to be a simple tariff for Permitted Development to create a flatter playing field between change of use and new build/regeneration.

Finally it was agreed that there were real signs that Build to Rent is beginning to work, with tens of thousands of homes already occupied or under construction. But institutional investors still see the yield as inadequate and therefore want covenants or other forms of relief. And such investors generally prefer to keep control over their 'affordable' (discounted market rent) homes rather than transferring them to housing associations. This approach is unacceptable to many boroughs.

In conclusion, having 33 local authorities makes for a lot of diversity which can be good, but also for a lot of additional costs. It also raises significant issues around how to make any devolution package work. But there are fundamental reasons, not just political, why many national policies may be ineffective in London. There needs to be greater flexibility to match policies with housing requirements but there are also real opportunities and good will that should be built on now.

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