

2015/2221 - Viability in Planning Decisions

Nicky Gavron AM

Developers use viability assessments to drive down the number of affordable homes they build as part of projects. Will you produce planning guidance to help local authorities secure as many affordable homes for Londoners as possible?

Boris Johnson MP (Mayor of London): Thank you, Nicky. As you know, the London Plan and the Housing Supplementary Planning Guidance (SPG) provide a lot of guidance on this, we try to maximise affordable housing delivery and sets out ways in which boroughs can evaluate viability assessments. The Draft Housing SPG is out for consultation at the moment and states which benchmark land value is the most appropriate for planning negotiations and provides guidance on the use of review mechanisms and contingent obligations. I have also made clear in the London Plan that viability appraisals should be submitted as part of the planning applications to demonstrate that schemes will deliver the maximum reasonable amount of affordable housing.

I appreciate that the whole viability assessment business is something of a dark art, Nicky, but it is, in my view, much better to have 25% of something than 50% of nothing, which is what we were getting before and that is one of the reasons why we are now seeing affordable homes being built in record numbers.

Nicky Gavron AM: Thank you for that response, Mayor. I do indeed of course welcome the SPG and in fact the Planning Committee tomorrow is scrutinising it, investigating it and discussing it, but I do notice that it is generally about housing and out of the 200 pages it has two pages on viability. As you say, it is a sort of dark art and what we are seeing is that viability assessments are actually meant to demonstrate how much affordable housing you can get from any project. However, what we are seeing is developers gaming the system. They inflate the costs and that includes, too, at the point of buying the land. The land value is inflated, too. They inflate the costs and then play down the value of the scheme until it is built out. What happens is that they then say, "We do not have enough, do we? We do not have enough for affordable housing". London and Londoners are being ripped off and they are just not getting the affordable housing.

My question to you is a very serious question. Would you provide now a dedicated SPG on viability, rather than the two pages? I admit that is a good start, but I could speak for a long time about where it fails and what is not in it. Could we have a dedicated SPG on viability?

Boris Johnson MP (Mayor of London): I am certainly willing to look into that. I do worry continually about Three Dragons, whether it works, the number of units that it produces and whether or not we are being short-changed by developers. There is no question that it is something that is of great benefit --

Nicky Gavron AM: I am very glad you agree with that.

Boris Johnson MP (Mayor of London): When the planning proposals come to me, I do interrogate officers and developers very closely about this because, as my planning department would testify, I very often send them away to try to get more affordable housing because sometimes these algorithms or whatever they are do not really reflect the reality that there is a huge opportunity to build more. Sometimes I would have to agree with you, Nicky, that developers are getting away with it.

Nicky Gavron AM: You do agree with me?

Boris Johnson MP (Mayor of London): I do. Sometimes developers do get away with it and it is very frustrating.

Nicky Gavron AM: In that case then, do you agree that another way, of course, that it could be seen they are getting away with it is that they now --

Boris Johnson MP (Mayor of London): Sometimes. I do not want to cast general --

Nicky Gavron AM: Let me finish my question.

Boris Johnson MP (Mayor of London): Sorry.

Nicky Gavron AM: There is now an industry norm of a 20% to 25% profit margin or rate of return. That is extraordinarily high. There is no other industry that has a profit margin like that, backed by law, because you have a government inspector behind it. Do you think that is obscenely high? Do you think it is too high?

Boris Johnson MP (Mayor of London): Of course it is very high now, but do not forget that it was only a few years ago that there were no cranes at all in London. There was no building at all because they were all under water and we were facing an absolute crunch of epic proportions. They were not building a thing. It is a very cyclical business.

Nicky Gavron AM: Can I just go to my last question?

Boris Johnson MP (Mayor of London): We are now in an upturn. I agree with you that we are now in a big upturn and I do not want to see them getting away with it.

Nicky Gavron AM: Sure. You are now the biggest property owner and you are going to do lots of joint ventures as Chair of TfL.

Boris Johnson MP (Mayor of London): Yes.

Nicky Gavron AM: I am just asking you now. You have these 50 sites and you have a massive opportunity here to show leadership. What sort of profit margins --

Boris Johnson MP (Mayor of London): By the way, sorry, I will just clarify that point. We always have been a massive property owner, but it is under this mayoralty that we are going ahead and developing them.

Nicky Gavron AM: You are going to become a developer. What sort of leadership --

Boris Johnson MP (Mayor of London): Why do you think we were not before?

Nicky Gavron AM: You have been a developer.

Boris Johnson MP (Mayor of London): What were you doing before?

Nicky Gavron AM: I am sorry, Mayor. Do you remember, Boris, Earls Court? Do you remember Earls Court? Do you remember there and your housing joint venture?

Boris Johnson MP (Mayor of London): I thought you were opposed to that. We are going ahead with it.

Nicky Gavron AM: Not one additional rented flat. Not one additional one.

Boris Johnson MP (Mayor of London): There is just as much affordable housing as there was before.

Nicky Gavron AM: An under-estimate.

Boris Johnson MP (Mayor of London): There is just as much affordable housing as there was before.

Nicky Gavron AM: That was you gaming the situation.

Boris Johnson MP (Mayor of London): There is just as much as there was before, and you would have done nothing to redevelop the site.

Nicky Gavron AM: That was you gaming, as a joint developer there. Now what we need is different leadership from you, when you are now looking at being a joint-venture developer on all those TfL sites. Will you please, first of all, show the leadership and, secondly, bring out an SPG, an dedicated one?

Boris Johnson MP (Mayor of London): On the second thing, I will look at it. I will discuss it with my planners and with Eddie [Sir Edward Lister, Mayor's Chief of Staff and Deputy Mayor for Policy and Planning] whether there is any real advantage in that.

On the first point, we have built a record number of affordable homes and we will continue to. It is still the case in London that 32% of the housing stock in central London is social housing and I do not think people fully appreciate that fact. That is a huge quantity of social housing.

The people we need to be helping are not just people who qualify for social housing, but people who do not and who need help to get on the property ladder. That means building huge numbers of new homes and that is what we are doing. We are now building more homes than at any time since the 1980s and the figures I saw earlier this week suggest that we are going to get up to levels not seen since the 1930s. There is huge building going on now.

Jennette Arnold OBE AM (Chair): OK. Assembly Member Boff?

Andrew Boff AM: Mr Mayor, do you think the confidentiality of viability assessments should come to an end?

Boris Johnson MP (Mayor of London): Viability assessments should be as transparent as possible. They are shared with planning authorities and I do not see why they should not be shared more widely.

Andrew Boff AM: Would you take action to end the confidentiality of viability assessments?

Boris Johnson MP (Mayor of London): I would have to take advice on the effect of that and whether it would have the benign effects that we want.

Andrew Boff AM: You will try?

Boris Johnson MP (Mayor of London): I will certainly discuss it. I do not know whether it would have the positive effect that we want.