

Date: 13 March 2017

Item: Affordable Housing

This paper will be considered in public

1 Summary

- 1.1 This paper sets out our approach to facilitate delivery of the Mayor's objective for the provision of much needed affordable housing and the Business Plan assumptions in terms of income from the disposal or development of surplus TfL sites.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 Our plan for property development is predicated on delivering capital largely through Joint Venture arrangements, which enables us to capture developers' profit as well as land value from our sites. To do so, we have invested in transforming our approach to property development. We have a largely new team recruited from leading external developers and consultancies. This team is assisted by experienced, dedicated resource providing the engineering, finance, legal, planning, procurement and communications support.
- 3.2 We have also established a Commercial Development Advisory Group (CDAG) offering industry-leading experience and insight, chaired by Francis Salway, ex-Chief Executive of Land Securities, the UK's largest property company.
- 3.3 In February 2016, the Board approved the setting up of a Property Partnerships Framework comprising 13 leading developers with experience of delivering large schemes in London. Using the Framework, TfL can enter into Joint Ventures with developers and bring forward sites using a mini-competition procedure.
- 3.4 Since May 2016, we have been formulating a programme of activity to support the Mayor's objective of higher levels of affordable housing whilst delivering the same or higher targets in terms of capital receipts in line with the new Business Plan.

4 Proposal

- 4.1 The Mayor has set out his aim to tackle the housing crisis, which requires building thousands more homes each year and delivering a higher proportion of new homes that are genuinely affordable for ordinary Londoners. Our target is that

overall 50 per cent of homes (as measured by habitable rooms) built on surplus TfL land will be affordable.

- 4.2 Equally important is the commitment that our surplus land should be put to better use, generating a long-term and secure revenue stream. We believe this can be achieved by retaining ownership and building a mixture of affordable and market homes, as well as commercial space. Alongside 50 per cent affordable housing, we now have a Business Plan target of £1.3bn gross (£911m net) income from property disposal or development activity (including Crossrail sites) in the five years to 2021/22. All net revenues will be reinvested into improving the transport network.
- 4.3 There is a broader range of objectives that we will also deliver when considering disposals or development of our property portfolio. Wherever practical, we will seek to improve accessibility at rail and Tube stations, ensuring in particular that wheelchair accessibility is central to development.
- 4.4 In light of the scale and profile of our surplus sites, it is important that we create a positive legacy for London. We will therefore have a clear focus on placemaking, whilst also ensuring new proposals for sites meet ambitious low carbon, energy efficiency and sustainability standards that will be agreed with the GLA.
- 4.5 Finally, given the acute nature of the housing crisis, we are accelerating our programme and during the next four years aim to bring forward sites that will ultimately deliver 10,000 homes.

5 Current Status

- 5.1 The portfolio actively being worked on currently consists of 48 sites, with initiatives at varying stages of feasibility, marketing and delivery. We continue to expand the size of the development team to allow us undertake more projects.
- 5.2 Our projects are predominantly in the residential sector with a broad geographical distribution across London. The first four schemes brought to market this year (Kidbrooke, Fenwick, Landmark Court and Blackhorse Road) are on target to deliver an average of 51 per cent affordable homes (490 affordable homes out of a total of 970). Despite delivering over 50 per cent affordable, these sites are on track to deliver higher financial receipts than was previously assumed in the Business Plan. The next challenge is to continue to meet both affordable housing and financial targets whilst further increasing the pace of delivery. The next tranche of seven sites has the potential to deliver a further 2,400 homes.
- 5.3 Critical to hitting Business Plan targets is the ability to take a portfolio-wide view, so that some sites are prioritised for financial return whilst others may be appropriate to deliver more affordable housing. Even where sites are prioritised for financial return, we will work with the GLA and local planning authority, and expect schemes to be compliant with the Mayor's Draft Affordable Housing and Viability Supplementary Planning Guidance (SPG). The draft SPG sets an expected minimum threshold of 35 per cent of habitable rooms, being affordable on all sites unless there is a scheme specific reason to undergo a detailed viability assessment.

- 5.4 Under the Greater London Authority Act 1999 TfL must act commercially when developing its land for use by others and as such must maximise the returns available. To overcome this restriction and to facilitate delivery of more housing on the Kidbrooke site, the Mayor directed TfL to take all such steps and measures as reasonably necessary to ensure that not less than 50 per cent of residential accommodation to be constructed on the land will be used as affordable housing.
- 5.5 Also critical to the delivery of the affordable housing and revenue targets will be our ability to bring forward additional sites. To that end, we are working with the GLA to bring small sites forward for residential-led development. Along with the GLA, are also seeking to invigorate new and emerging 'sources of supply' including small developers, small housing associations and community-led groups.
- 5.6 The programme for 2017/18 is currently being developed. Subject to successfully concluding feasibility work, we expect to bring to market development sites at Finchley, Golders Green, Limmo (Canning Town), Northwood, Paddington, Parsons Green and Southall, as well as a number of small sites. Initial indications are that we will be able to deliver 50 per cent affordable housing whilst continuing to hit or exceed the income targets in the Business Plan.
- 5.7 There is the prospect that over the course of time, projects will change, be delayed, or be removed from our programme. When this occurs, we will review our strategy and approach to ensure that the Business Plan targets are maintained. Working closely with the GLA, we will ensure the programme of activity is monitored and reviewed relative to agreed milestones and targets. We will also ensure consistency of reporting, including to the GLA's Homes for Londoners Board and the Committee.
- 5.8 There are risks to the programme. In order to address the restrictions placed on TfL to act commercially when undertaking development of its surplus sites, we are seeking an amendment to our statutory powers. This is being explored with Government. In the absence of such a change, the extent to which TfL can facilitate delivery of higher levels of affordable housing may be affected. We are also dependent on local planning authorities. Although the principle of development around transport nodes is widely recognised, at a local level development around our stations is often contentious, and we are therefore investing in experienced communications and engagement support to ensure the value to local areas is understood. There are also market risks. Although demand currently remains strong in outer London, some values have decreased, particularly in prime residential in central London, and we are resequencing our programme accordingly. Finally, given the requirement for increased pace, there may be issues with resourcing, particularly in terms of construction, and hence we are exploring options for modular or offsite construction.

6 Conclusion

- 6.1 In the past nine months, we have made great progress in changing our strategy to achieve much higher levels of affordable housing. This has only been possible because of the investment in creating the new property development team and ensuring that team is working closely and effectively with the GLA.

- 6.2 Given the scale of challenge in London's housing crisis, more remains to be done, particularly in increasing the pace of delivery. However, having exceeded 50 per cent affordable housing in disposals and developments in the year to date and being on track to deliver higher financial receipts from these sites than previously assumed in the Business Plan, we are confident of being able to facilitate delivery of more affordable housing consistent with the Business Plan targets next year and in the future.
- 6.3 An update on the proposed sites for marketing in 2017/18 will be provided at the meeting along with how each of these proposed sites will contribute to TfL achieving a portfolio wide average of 50 per cent affordable housing.

List of appendices to this report:

None

List of Background Papers:

None

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