

# City of London Local Plan

## City Plan 2036

### Proposed Submission Draft

### Topic Paper 2 – HOUSING

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Queens Quay residential units

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## Summary

This paper provides evidence to support the housing policies in the Proposed Submission Draft City Plan 2036. The policies are in line with government and London Plan guidance and are robust in their implementation, demonstrated by land use decisions made through planning applications. Figure 1 below lists the Proposed Submission Draft City Plan 2036 housing policies and relevant evidence base.

<b>Housing policies</b>	<b>Evidence Documents</b>
<b>S1 Additional housing</b>	NPPF paras 59-76 MHCLG Planning Practice Guidance; Housing Supply and Delivery 2019 London Plan Policies H1, H4, H5, H6, Table 4.4 London Plan SHLAA 2017 London Plan SHMA 2017 City of London Housing Strategy 2019-2023 Draft City of London Planning Obligations SPD 2020 Housing Delivery Test Action Plan 2020 Strategic Housing Market Assessment Final Report 2016 & Strategic Housing Market Assessment Addendum Report 2016 City Plan 2036 Viability Assessment 2020 & Update Commentary February 2021
<b>HS1 Location of new housing</b>	City of London Housing Stock 2020
<b>HS2 Loss of housing</b>	London Plan Policy H8 City of London Local Plan Monitoring Report-Housing 2020
<b>HS3 Residential Environment</b>	London Plan Policy D6, D13, D14, S4 City of London Noise Strategy 2016-2026
<b>HS4 Housing quality standards</b>	London Plan Policies D6, D7 Sight layout; Planning for Daylight and Sunlight, BRE, 2011
<b>HS5 Short-term residential letting</b>	Deregulation Act 2015 London Plan Policy H9
<b>HS6 Student housing &amp; hostels</b>	London Plan Policy H15 City of London Homelessness Strategy 2019-23
<b>HS7 The Temples</b>	City of London Development Monitoring in the City of London 2019/2020
<b>HS8 Older persons housing</b>	London Plan Policy H13 Department of Children and Community Services; Business Plan 2017-2022
<b>HS9 Self &amp; Custom building</b>	MHCLG; Self-build and custom housebuilding regulations 2016 London Plan Policy H2

**Figure 1: Evidence base supporting Proposed Submission Draft City Plan 2036 housing policies.**

# 1. Policy Context

## 1.1 National Planning Policy Framework

The National Planning Policy Framework (NPPF) requires local planning authorities to maintain a 5-year supply of specific deliverable housing sites to demonstrate that sufficient housing will come forward through allocated and windfall sites to meet projected need. Authorities are also required to identify a supply of specific deliverable sites for years 6-10 and, where possible, for years 11-15 of the Plan. The NPPF sets out a standardised approach to assessing housing need and requires strategic planning authorities to follow this approach in setting housing targets in Local Plans. The Government has introduced a Housing Delivery Test as part of its efforts to boost housing delivery. The test compares the Government's assessment of the local housing requirement with Government data on local housing delivery. It considers performance in housing delivery over the previous 3-year period and applies a percentage score of housing delivery against the housing requirement.

## 1.2 Planning Practice Guidance

The Ministry of Housing, Communities and Local Government (MHCLG) has set out requirements for local authorities to review housing supply through the 5-Year Housing Supply and Housing Delivery Test. The purpose of the 5-year housing land supply is to provide an indication of whether there are sufficient sites available to meet the housing requirement set out in the adopted strategic policies for the next 5 years. Guidelines for assessing Housing Delivery are set out in the MHCLG guidance "Housing and economic land availability assessment 2019".

## 1.3 London Plan

The Mayor recognises the pressing need for more homes in London and seeks to significantly increase the supply of housing. The London Plan 2021 sets out 10-year housing supply targets for each borough until 2028/29. These targets are informed by the need for housing as evidenced by the Greater London Authority's (GLA) 2017 Strategic Housing Market Assessment (SHMA) and London's housing land capacity as identified through its 2017 Strategic Housing Land Availability Assessment (SHLAA). Consistent with the National Planning Policy Framework, this approach takes account of London's locally distinct circumstances of pressing housing need and limited land availability and aims to deliver sustainable development.

The level of household growth over the life of the London Plan is identified through the SHMA, which draws on government guidance to identify London's need for both market and affordable housing. As well as demographic trends, the SHMA reflects the Mayor's intention to address the existing backlog of housing need and takes account of the range of influencing factors.

On the supply side, the London SHLAA is designed to address the NPPF requirement to identify supply to meet future housing need as well as being consistent with the policies requiring development to be sustainable. The SHLAA's methodology is designed to address the distinct circumstances of London, including the limited and pressured stock of land and the dependence on recycling brownfield land currently in existing uses. This methodology has been developed and refined over time through partnership working with boroughs and others involved in London's housing arena, as well as reflecting the principles of government guidance on preparation of SHLAA's nationally.

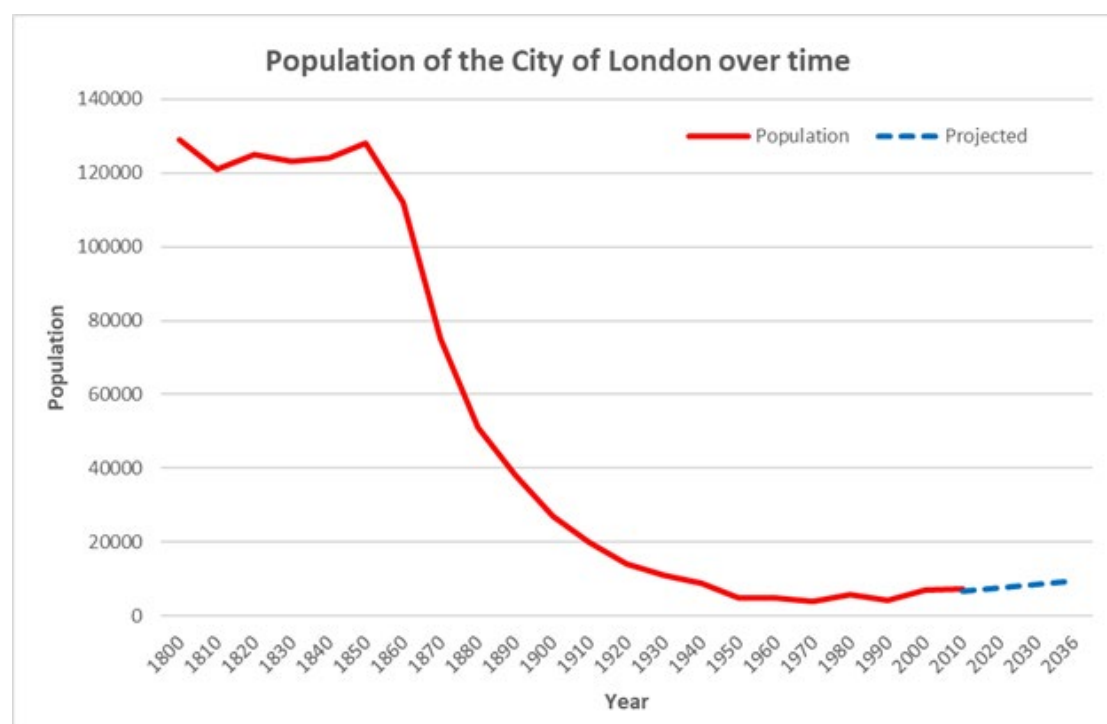


Figure 2: City of London population and forecast to 2036

## 2. Background

### 2.1 City of London land use

The City of London is little more than one square mile in area. It is the core of London's office-based employment. Its primary function, as an international financial and professional services centre rather than a residential location, is recognised in the London Plan 2021. The City lies within London's Central Activities Zone (CAZ).

The London Plan policies SD4 and SD5, indicate that the agglomeration of offices and other CAZ functions should not be compromised by new residential development and, in particular, that residential development is considered inappropriate in the commercial core area of the City of London, reflecting its prominent role in providing capacity for world city business functions. Outside of the core commercial area of the City, office and other core CAZ functions should be given greater weight than residential development.

The priority given to office and commercial development in the City of London has been a key part of successive City of London plans, including the Unitary Development Plan in 2002, the Core Strategy in 2011 and the current adopted Local Plan in 2015. The policy emphasis on office development to support the City's international business role has been endorsed by Inspectors appointed to consider each of these plans.

The Proposed Submission Draft City Plan 2036 continues this policy emphasis on office and commercial development. The approach is also supported nationally. The Government has recognised the City as an office centre of national and international significance, granting the City an exemption from national permitted development rights for the change of use of offices to housing from 2013 until 2019. From May 2019, this exemption has been replaced by an Article 4 Direction permanently removing the national permitted development right.

The recognised primary commercial role of the City of London explains why it is not possible to allocate sites for housing in the City, why all housing development is enabled on unallocated windfall sites and why the Corporation of London manages and develops significant housing stock outside the City.



## 2.2 City of London Housing Market

Housing in the City of London is located primarily in and around the 10 residential areas identified in the Proposed Submission Draft City Plan 2036. Most residential units in the City are flats with one or two bedrooms, which is consistent with the findings of housing need in the City of London Strategic Housing Market Assessment (SHMA) 2016. The City's existing housing stock is distributed predominately in four purpose-built estates, as well as in areas identified in the table and map below.

Housing area	Units
Barbican Estate	2,141
Golden Lane Estate	670
Mansell Street Estate	248
Middlesex Street Estate	224
Smithfield	890
Queenhithe	321
City West	352
Botolph	199
Carter Lane	256
Temples	101
Rest of the City outside residential areas	2,248
<b>Total</b>	<b>7,650</b>

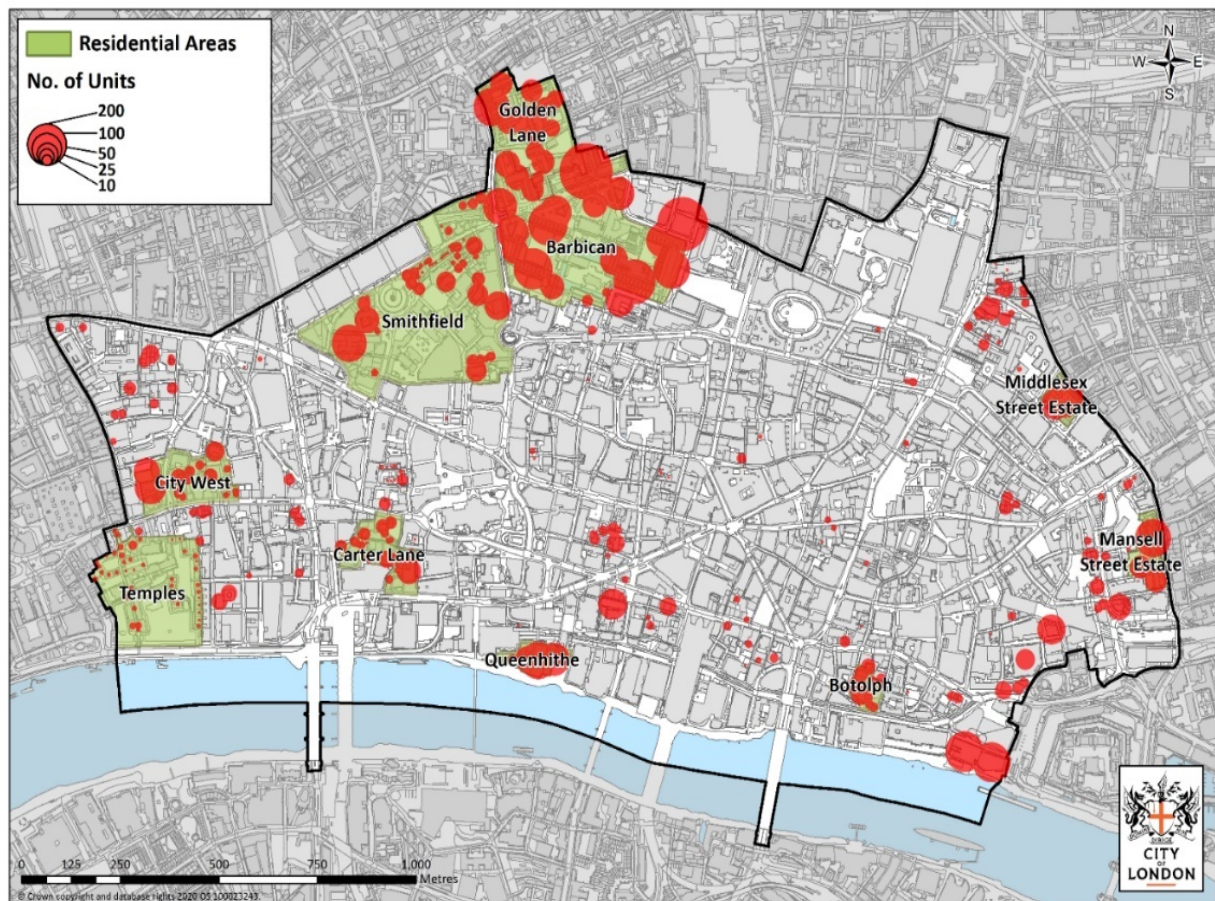
Figure 3: Housing units in residential areas 2020

Source: City of London housing stock; March 2020



Middlesex Street Estate





**Figure 4: Housing units analysed by residential area 2020**

Source: City of London Housing Stock; March 2020

The City's housing stock as of March 2020 was 5,402 units within the 10 identified residential areas and 2,248 units in the rest of the City, outside the residential areas. The City's housing stock has a large proportion of second homes. As at 2019 there were 1,970 second homes, accounting for 30% of the number of dwellings on the valuation list. This compares with the national average of 1%.

Although average house prices have risen significantly in the City since 2010, the housing market is small in comparison with the wider central London market and is susceptible to wider economic influences, such as continuing uncertainty over the economic impact of Brexit and the Covid-19 pandemic.

Housing delivery in the City has for many years relied upon windfall development and future housing delivery is expected to continue this trend, relying entirely on new windfall sites being brought forward by developers. Any slow down or contraction in demand for new housing in central London

therefore has a significant impact on the demand for, and delivery of, new housing in the City.

### 2.3 Population and household forecasts

The City's population is forecast to rise, as shown in Figure 5. The projections are sourced from the GLA 2018 housing-led (SHLAA-based) population projections, with population growth constrained by projected future housing growth until 2036. From 2011 to 2036 there is projected to be an increase in the City of London population from 7,412 to 9,526.

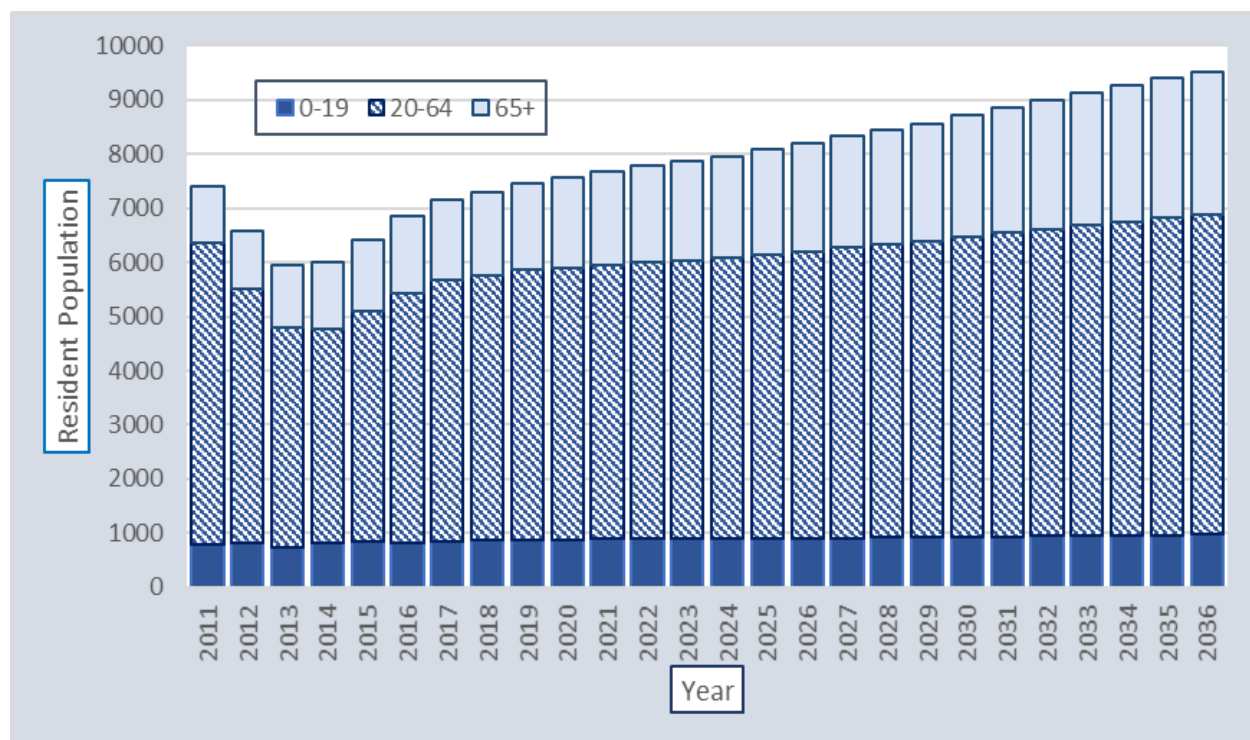


Figure 5: City of London demographic projections by age band

Source: GLA: 2018-based Demographic Projections

The age profile of the City's population is assessed in three cohorts, 0-19, 20-64 and 65+;

- There is projected to be a steady increase in the 0-19 age band from 780 in 2011 to 971 in 2036. Given that developments in the housing pipeline are predominantly flats with a small number of rooms it is difficult to assess whether this will materialise in practice.
- The 20 - 64 age band is projected to increase slightly from 5,582 in 2011 to 5,905 residents in 2036. This age band will also be the main occupier of second homes or short-term lets.
- The 65+ age band is projected to increase significantly from 1,051 in 2011 to 2,649 residents in 2036. This is largely due to the ageing of the

population profile in the main residential locations of the Barbican and Golden Lane. This is based on the assumption that a high proportion of older residents will remain in their current accommodation.

In terms of projected age profiles, the younger and older age groups (0-19) and (65+) show no significant difference between numbers of males and females. The working age group (20-64) is projected overall to have noticeably more males than females.

## 2.4 Historic housing prices

The City of London is an expensive area to live, with ONS data showing the affordability ratio of lower quartile house prices to lower quartile residential earnings in 2019/20 as 14.9. This is considerably higher than the England average of 7.8 and higher than the London average of 13.1. House prices in the City have followed recent national trends, with values falling in 2009 and recovering over the intervening years, as shown in Figure 6. The City of London SHMA also showed that rental prices in the City were significantly above the London-wide average, indicating a significant problem of affordability.

Average house prices have been volatile between the end of 2014 and the final quarter of 2019, with steep increases followed by decreases, but with average prices remaining unchanged over the period as a whole. Sales volumes fell below historic levels in 2008 and 2009 but have since recovered. By September 2019, sales values had increased by 129% in comparison to the lowest point in the cycle in April 2009, or 67% higher than the previous peak in August 2007.

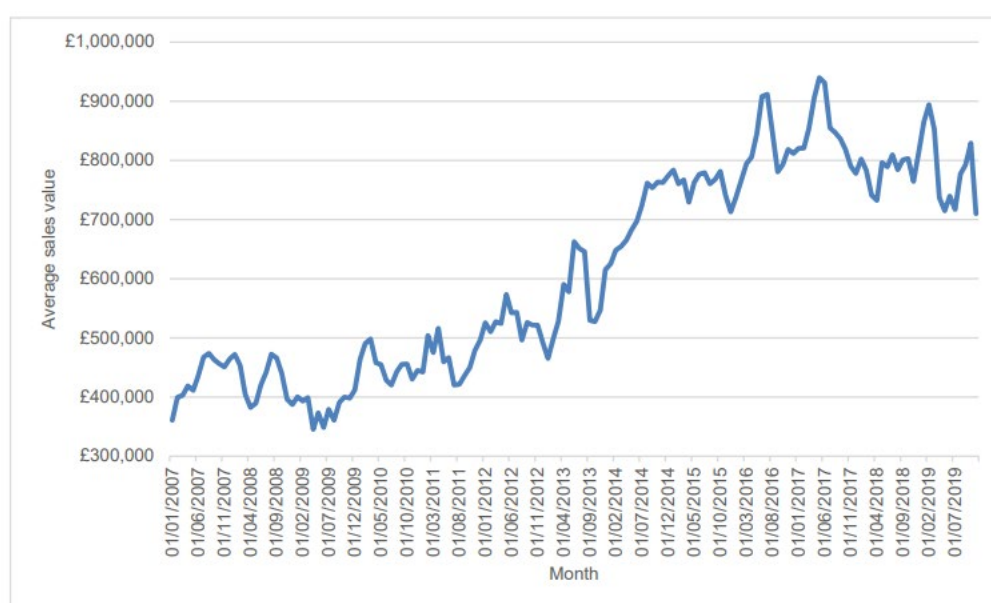


Figure 6: Average sales values in the City of London.

Source: JLL's UK & London Residential Forecasts; November 2019

The future trajectory of house prices in the City is currently uncertain due to Covid-19 and its potential longer-term economic implications, however prior to the pandemic prime central London values were expected to grow by 15.4% between 2020-2024.



### 3. Housing targets

#### 3.1 Context

There are a range of housing targets which are applied to the City of London in various formats, which demonstrate the complex nature of setting housing targets, particularly in dense urban locations. Although the methodologies used are quite diverse, the resulting housing targets are within a narrow numerical range.

Date	Assessment methodology	Target units
2020	National Standard Methodology	112
2020	35% uplift of National Standard Methodology	154
2017	London Plan SHLAA	146
2016	City of London SHMA	126

**Figure 7: City of London housing targets**

The London Plan methodology results in a higher housing target for the City than the national methodology (without the 35% uplift) and the City's SHMA, and therefore enables the City Corporation to address its own housing need as well as contributing towards meeting London-wide housing need. The Proposed Submission Draft City Plan 2036 therefore seeks to meet the London Plan housing target of 146 dwellings per annum.

#### 3.2 National standard methodology

The NPPF advises that the national standard method of assessing housing need should be employed, unless justification can be made for using alternatively derived figures. The standard methodology uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic undersupply. Using the national standard methodology for assessing the City's minimum annual local housing need over the ten-year period from 2020 to 2030 results in a figure of 112 units (See Appendix 1 for calculation).

The Government subsequently applied a 35% uplift to the figure in urban areas, including London, to mitigate the impact of basing the standard methodology on 2014 population projections, and to focus housebuilding in cities. This uplift potentially increases the City's expected housing figure from 112 to 154 units per annum. Revised national planning practice guidance in December 2020 indicates that "the responsibility for the overall distribution of housing need in London lies with the Mayor as opposed to individual boroughs so there is no

policy assumption that this level of need will be met within the individual boroughs.” The determination of the City’s future housing requirement against the revised standard method will therefore be determined through a future review of the London Plan.

### **3.3 London Plan SHLAA**

In London, minimum housing targets for the London Boroughs and the City of London are set out in the London Plan and calculated through the London-wide Strategic Housing Land Assessment.

The Mayor of London prepares a SHLAA for London, providing guidance on the amount of land potentially available in the City for residential development. The 2017 SHLAA, which informed London Plan policy, identifies a potential supply of large housing sites in the City over the period 2019-2029 of 527 dwellings and an annual average of 74 dwellings on sites under 0.25 hectares, based on past trends.

The London Plan 2011 required the City to provide a minimum of 110 additional residential units a year up to 2026. This figure was incorporated into the City of London Core Strategy 2011 and carried forward into the City of London Local Plan 2015. In March 2015 the Further Alterations to the London Plan (FALP) were published. The City Corporation was then set a target in the 2016 London Plan of providing:

- A minimum ten-year target (2015-2025) of 1,408 residential units
- An annual monitoring target (2015-2025) of 141 residential units

The London Plan 2021 includes Policy SD5, which indicates that residential development is inappropriate in the commercial core of the City of London. Within this context, it requires the City of London to deliver 1,460 new homes during the period 2019/20 – 2028/29, at an annual average rate of 146 dwellings per year. This annual average rate then continues beyond 2028/29 until such time as the London Plan is further reviewed.

The City Plan 2036 is required to be in general conformity with the London Plan. In City Plan Policy S3 the City’s housing requirement is expressed as a total of 2,482 dwellings for the Plan period to 2036, which represents the 10-year London Plan target of 1,460 dwellings plus the combined annual average of 146 dwellings for the seven years post 2028/29 (1,022 dwellings). The housing requirement beyond 2028/29 will be kept under review and may need to alter to ensure general conformity with any subsequent review of the London Plan. The London Plan also includes an indicative target that 740 units should

be provided on small sites of less than 0.25 hectares in size over the 2019/20 – 2028/29 period.

This provision would be sufficient to meet London Plan housing targets up to 2029. Beyond 2029 and up to the end of the City Plan 2036 period, it is expected that further windfalls will come forward to ensure that the City can meet its housing requirements for the longer term. In the event that monitoring demonstrates that insufficient housing land is coming forward, the City Corporation will review the City Plan 2036 or bring forward a partial review relating to housing land supply.

### 3.4 City of London SHMA

The City of London SHMA assessed the annual average level of housing need, including the needs of those requiring supported and specialised accommodation, over the period 2014-2036 at 126 dwellings per year, which is below the required target in the previous 2016 London Plan (141 dwellings) and the target in the London Plan 2021 (146 dwellings). The SHMA included the predicted need for 69 affordable dwellings per year.



Housing in Bartholomew Close



## 4. Housing delivery

### 4.1 Development pipeline

The City Corporation has prepared a housing trajectory to assess whether the development pipeline and potential windfall will provide sufficient capacity to meet the London Plan housing target to 2035/36. The City Corporation's Article 4 Direction which removes permitted development rights for the change of use of offices to residential, the size and commercial character of the City and the priority given to commercial development through London Plan Policy SD5, all mean that new housing development in the City will be delivered through 'windfall' development rather than through the allocation of sites.

This is a pragmatic approach which reflects the primacy accorded to commercial office development in the City by Government and in the London Plan. This approach has been endorsed by Inspectors examining both the City of London Core Strategy 2011 and the current City of London Local Plan 2015. The reliance on windfalls was tested during the public examination of the City of London Local Plan 2015, with the inspector concluding;

"I consider that this reliance is entirely appropriate for the City, given its densely developed nature and the pre-eminence of its finance, business and maritime role".

Monitoring in the City of London Local Plan Monitoring Report- Housing 2020 shows that in the period 2011/12 to 2021/22, completions and permissions on windfall sites will have delivered an annual average of 160 dwellings per year. Despite a slowdown in residential development activity due to the Covid-19 pandemic, there is no evidence that in the longer term, the level of windfalls previously seen in the City will not continue. It is anticipated that windfalls will continue to deliver the majority of housing.

The City Corporation has published a brownfield land register on its website, identifying land that is suitable for residential development in accordance with government requirements.

### 4.2 Five-year land supply position

The NPPF requires local planning authorities to demonstrate a 5-year supply of deliverable housing sites to demonstrate that sufficient housing will come forward through allocated and windfall sites to meet projected need. The City Corporation demonstrates that it meets this requirement through housing

trajectories, which are published in the annual Local Plan Monitoring Report – Housing.

The latest Local Plan Monitoring Report – Housing covers the period ending 31<sup>st</sup> March 2020 and includes a summary of the City’s current 5-year housing land supply position. Based on sites that are under construction or permitted but not yet commenced, together with projected windfall sites, the calculation shows a small margin of 27 dwellings over the target 5-year land supply figure. Full details can be found at the link below;

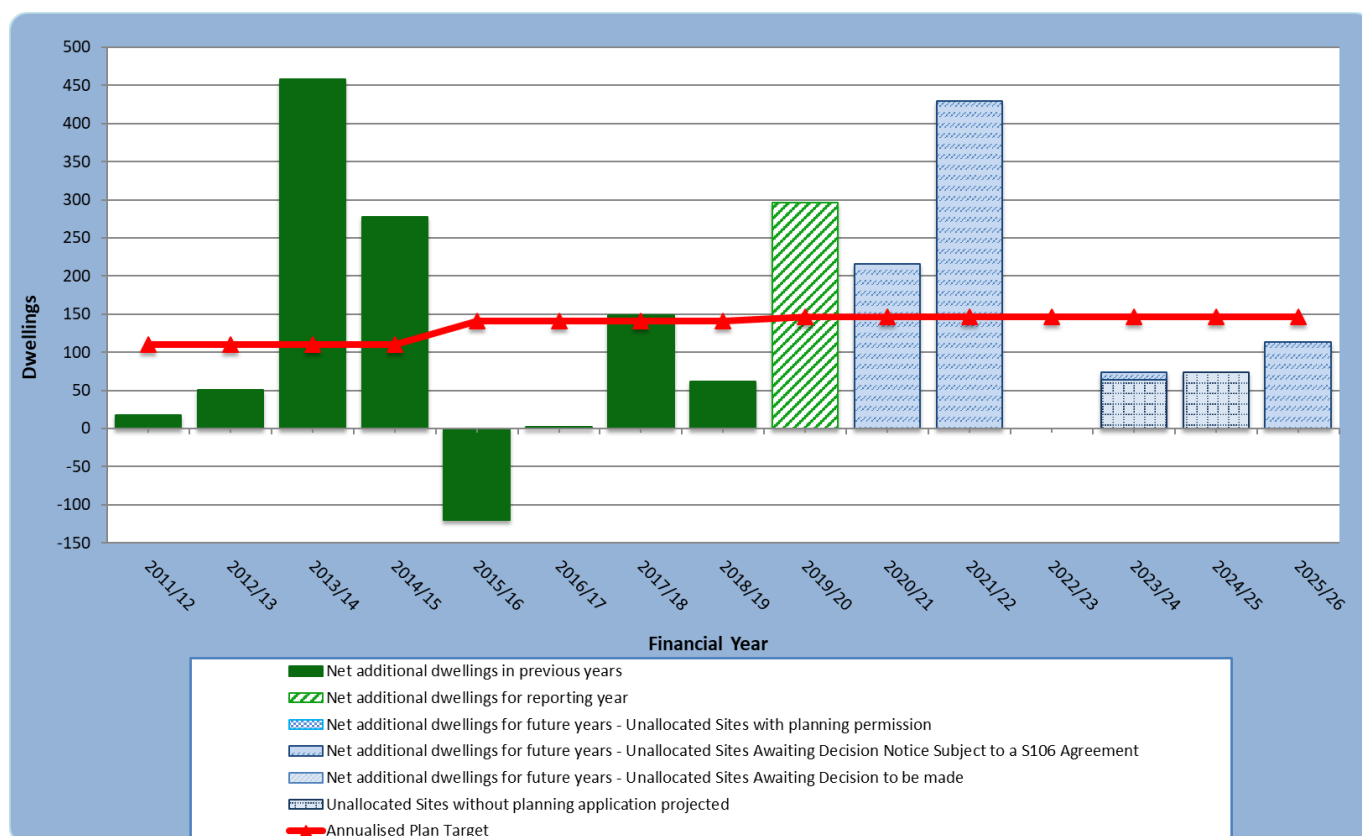
[City of London Local Plan Monitoring Report - Housing](#)

The Ministry of Housing, Communities and Local Government (MHCLG) has set out requirements for local authorities to review housing supply through the 5-Year Housing Supply and the Housing Delivery Test and evaluate the delivery against the housing delivery targets set out in the London Plan. The 5-Year supply evaluates housing delivery from the inception of the Local Plan in 2011/12 and 5 years into the future.

Figure 8 below shows the housing trajectory published in the Local Plan 2015 and demonstrates that the City will be providing sufficient housing to meet its targets in the Local Plan 2015.

In the **first five-year period** (2011/12-2018/19) net completions against the cumulative target over the period showed the delivery of dwellings was above the cumulative allocation.

In the **second five-year period** (2019/20 - 2023/24) the City will meet its housing target. A significant delivery of housing is projected in the year 2021/22 and therefore the cumulative delivery of housing will be significantly above that set out in the London Plan cumulative target.



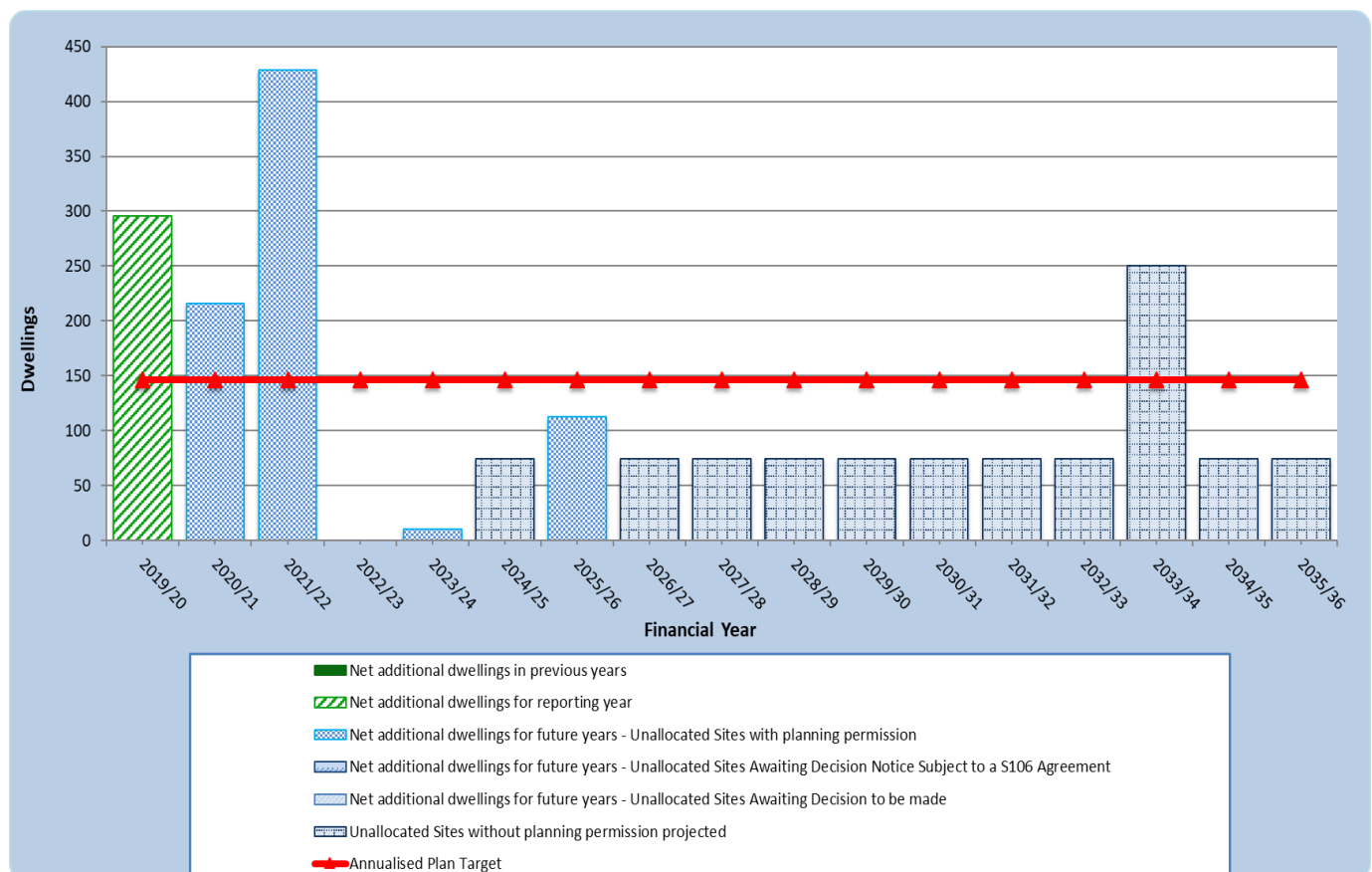
**Figure 8: City of London Housing Trajectory for the Local Plan 2015**

Source: Local Plan Monitoring Report – Housing; 2020

Figure 9 below shows the housing trajectory for the City Plan 2036. The trajectory shows actual housing delivery in the City in 2019/20 and projected delivery over the period 2020/21 to 2035/36 – the period of the City Plan 2036.

For the period up to 2028/29, it is anticipated that the required level of units will be delivered. Taking a cautious approach to the projection, it is anticipated that the level of new housing completions will be at a lower level than previous years but still above the London Plan cumulative target profile.

In terms of delivery of the London Plan strategic target between 2019/20-2028/29 the City will meet the ten-year target.



**Figure 9: City of London Housing Trajectory for the Proposed Submission Draft City Plan 2036**

Figures 8 and 9 show that annual housing delivery in the City varies from year to year, with housing delivery in some years being below the required London Plan target, whilst in others it is significantly above annual targets. Housing delivery in the City follows a pattern of a relatively consistent delivery on small housing sites (those with under 10 units) combined with a highly variable level of delivery on a few larger sites, which come forward in response to development opportunities and favourable market conditions. This erratic pattern of delivery is a response to the primacy attached to commercial office development, the reliance on windfall sites and the small geographical size of the City.

It is a major challenge to allocate housing sites within the dense commercial environment of the City of London. Consequently, all the projected housing delivery is on unallocated sites (i.e. windfall sites). An assessment of planning permissions over the past 15 years shows a high probability that such potential schemes will be delivered in practice.

Although there is a highly variable delivery of housing in the trajectory over the shorter term, over the longer period of the Proposed Submission Draft City

Plan 2036, additional windfall development over and above the projected contribution from small sites will be needed to meet the London Plan and City Plan housing targets. Previous experience suggests that windfall development will continue to come forward at the rate required, but this will be kept under review.

This pattern and evidence of delivery was instrumental in the Inspector's consideration of the Local Plan 2015 and his conclusion that this approach to housing delivery and the reliance on windfall development was appropriate in the City's circumstances. Housing delivery will be monitored, and consideration given to alternative courses of action if the supply of windfall sites coming forward gives cause for concern.

Uncertainty over Covid, economic impacts and changes in commuting and working patterns may result in greater demand for conversion of older and lower quality vacant office floorspace to residential use. Housing policies in the City Plan 2036 are more encouraging to further housing development in or near the Plan's residential areas and promote the development of alternative forms of housing such as Build to Rent and Co-Living accommodation.

#### **4.3 Housing pipeline delivery**

The net additional dwellings for 2019/20 was 296 units, at Sugar Quay (165 units) and Bartholomew's Close Phase 1&2 (131 units). The year 2020/21 is projected to see the delivery of 216 units. Schemes include the major developments at 43 Golden Lane in the north of the City (99 units) and Bartholomew's Close Phase 3 (100 units). This expected delivery of net additional dwellings is evaluated by taking into consideration the progress of construction works and marketing of the accommodation.

The year 2021/22 is projected to see the delivery of 429 units including major schemes at 35 Vine Street of 619 student flats. (As per the methodology in the Housing Delivery Test a ratio of 2.5:1 is applied when calculating the housing delivery figures. This means the delivery of the student housing scheme will equate to 248 housing units). Also 160 units will be delivered near Devonshire Row.

These major sites are complemented by a range of small-scale schemes. The years 2022/23 through to 2023/24 currently have a few small-scale schemes potentially delivering a low number of new housing units. The year 2025/26 is projected to see the delivery of one major scheme at 15 - 16 Minories & 62 Aldgate High Street delivering 87 units.

Commencing in 2023/24 the site capacity is assessed using the London Strategic Housing Land Availability Assessment 2017. This includes setting the Annual Small Sites Capacity for each London Borough. This was based on the projected rate of housing delivery on unidentified sites that 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. The Annual Small Sites Capacity was assessed in the London SHLAA to be 74 units per annum. This forms the basis of quantifying the lower scenario for the net additional dwellings for the future year's projection commencing 2023/24.

#### **4.4 Housing Delivery Test**

In order to boost housing delivery, the Government has introduced a national Housing Delivery Test applicable to all local planning authorities, which compares the Government's assessment of the local housing requirement with Government data on local housing delivery. The test is published annually and considers housing delivery performance over the previous 3 years, giving each authority a percentage score of housing delivery against the housing requirement.

Where housing delivery falls below the housing requirement, then the following actions are required to be taken by the local planning authority:

- the publication of an action plan if housing delivery falls below 95%. This should be published on the local planning authority's website within 6 months of the publication of the Housing Delivery Test;
- a 20% buffer on a local planning authority's 5-year land requirement if housing delivery falls below 85%. This will be applied with immediate effect from the date of publication of the Test; and
- a presumption in favour of sustainable development if housing delivery falls below 75%, once transitional arrangements have ended.

The 2019/20 Housing Delivery Test figures published in January 2021 found that 674 housing units had been delivered in the City of London, representing 237% of the Government's assessment of 284 units required for the 3 years 2017/18 to 2019/20.

In the previous three-year period of 2015/16 to 2017/18 the City delivered 42% of the Government's target. This substantial increase in housing delivery



between the two assessment periods demonstrates the volatility and unpredictability of the City's housing market.

Recent completions and the projected housing supply mean that there is no need for additional actions to ensure that the City Corporation can meet the Government's Housing Delivery Test for the next three-year assessment period of 2020/21 to 2022/23.

However, in future years, if the City's housing delivery falls below the Government's criteria of successful housing delivery, actions would have to be taken as outlined above. The City Corporation will continue to implement its Local Plan policies and report annually on new housing delivery through its Local Plan Housing Monitoring Report, including reporting on the City of London Housing Trajectory.

#### 4.5 Location of housing delivery

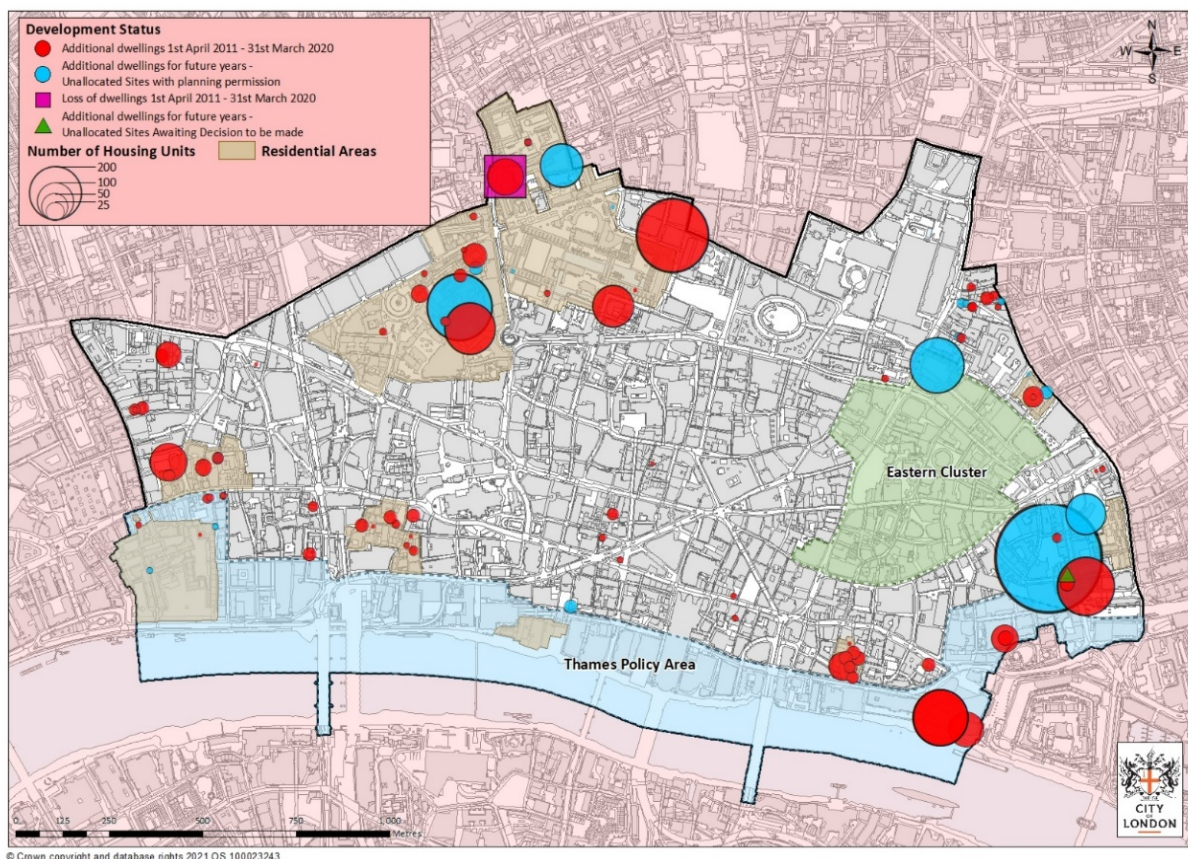


Figure 10: Location of housing development

Source: City of London Local Plan Monitoring Report – Housing; 2020



The spatial distribution in Figure 10 shows the location of residential areas and development pipeline status. For both completed schemes in the period 2011/12 to 2019/20 and projected development, there is a minimal delivery of housing schemes in the Eastern Cluster and nearby business localities in the central core of the City near Bank and the Thames Policy Area. Both the actual delivery and projected delivery of housing is primarily within the residential areas set out in the Proposed Submission Draft City Plan 2036. Analysis of each residential area follows;

#### Thames Policy Area

There have been two major schemes delivered in the period 2011/12 to 2019/20, the first of which was at Three Quays, Lower Thames Street which delivered a mixture of residential (C3) units and hotel bedrooms (C1) in the financial year 2013/14. The second delivered scheme was located at 10 Trinity Square which is a mixed-use refurbishment providing 41 (C3) residential units delivered in the financial year 2017/18. The reporting year of 2019/20 saw the completion of a major development of 165 units at Sugar Quay on Lower Thames Street.

#### Barbican, Golden Lane residential areas and neighbouring localities

In the locality neighbouring the Barbican and Golden Lane estates there have been three completions in the 2011/12 to 2019/20 period:

- A new building at Milton Court providing 284 units completed in 2013/14.
- Roman House, Wood Street which was a change of use and refurbishment completed in 2014/15, delivery 90 dwellings.
- 2 Fann Street, refurbishment and change of use from a hostel which included the loss of 202 hostel units and has delivered 74 new housing units.

In addition, the site at 43 Golden Lane (formerly Bernard Morgan House) was under construction as at 31st March 2020. This will deliver 99 housing units and is currently projected to be completed in 2020/2021.

#### Smithfield Residential Area

A short term let serviced apartment scheme was delivered at 3 Cloth Street in 2014/15 delivering 32 units. There were several small-scale schemes completed in the period 2011/12 to 2016/17, and a range of schemes that are currently under construction. The major delivery of new housing in this residential area is through a scheme at the site of Bartholomew Close and Little Britain, providing a total of 231 units. The scheme was partly completed in 2019/20 with the first two phases delivering 131 units and is projected to be fully complete in 2020/21.

#### Carter Lane residential area

The Carter Lane residential area has seen several completed schemes and several schemes currently under construction which are small scale changes of use and refurbishments.

#### City West residential area

There is a mixture of housing schemes. The primary site completed in 2015/16 was at St Dunstan's House on Fetter Lane which was a redevelopment to provide 75 units.

#### Middlesex Street residential area

A range of residential units were delivered on the Middlesex Street Estate which involved change of use from retail and office use to deliver 24 additional units to the existing housing scheme.

#### Botolph Lane residential area

The Botolph Lane residential area is within a Conservation Area characterised by small scale buildings. There were a range of small-scale conversions completed in the period 2011/12 to 2016/17. The largest was at 14 Lovat Lane where 41 units were completed in 2014/15.

#### Mansell Street residential area

In close vicinity to the residential area is the student housing scheme at Emperor House, 35 Vine Street, programmed for completion in 2021/22. This will provide 619 student flats, equivalent to 248 residential units (using the national ratio of 1 residential unit per 2.5 student flats).

#### Rest of City area

##### City Cluster (formerly Eastern Cluster)

The City Cluster is primarily an office location where residential development is not considered to be appropriate. An exception to this policy approach was allowed at the north-west corner known as 150 Bishopsgate where there is a redevelopment scheme to deliver a mixture of housing and hotel development. This will provide 160 housing units.

##### Bishopsgate

At the northern end of Bishopsgate on the eastern side there have been a range of small-scale residential conversions completed in the period 2011/12 to 2019/20.

#### **4.6 Housing delivery outside the City**

The City Corporation enables both market and affordable housing outside the City, mostly in neighbouring authorities. There are over 1,500 social housing units on 11 housing estates outside of the City in Southwark, Islington, Lewisham, Lambeth, Hackney and Tower Hamlets. Where homes are developed outside the City, the City Corporation normally seeks joint nomination rights with the host borough to ensure that the housing can meet both City and host borough housing need.

In September 2015, the City Corporation's Policy and Resources Committee approved an ambitious policy to deliver 3,700 new homes over the next ten years. The policy identified plans to develop around 700 new affordable homes on the Corporation's existing housing estates by 2025, and a further 3,000 homes on other sites owned by the Corporation. Although the timing for delivery of these new homes has slipped, the Corporation's ambition to deliver a substantial increase in housing on its land holdings outside of the City of London remains.

Details of the delivery of affordable housing outside the City is explained in section 5.3 on affordable housing.

The City Corporation as a strategic landowner across London is seeking to deliver a further 3,000 mixed tenure homes on other sites in partnership with other providers, in recognition of the need for additional housing across London to meet housing needs. The City Corporation plans to enable a significant amount of housing on two sites which may be freed up during its market consolidation programme. The New Spitalfields site in Leyton and the Billingsgate site near Canary Wharf, currently active wholesale markets, may become available for large scale mixed-use redevelopment, including housing, if the Smithfield, Billingsgate and New Spitalfields markets are relocated to a single site in Dagenham. Any such relocation is likely to take place post 2025/26, with any new housing provision on the vacated sites being completed from the late 2020s.

#### **4.7 Protection of existing housing stock**

There is a strong presumption against the loss of housing in the Plan. There has been no overall loss of permanent residential units during the life of the current Local Plan 2015. There is likely to have been minor losses of ancillary units, usually single staff flats in commercial buildings, which cannot be tracked through planning permissions.

## **4.8 Specialist forms of housing**

### Student housing and hostels

The demand for student accommodation in London continues to grow and is supported by policies in the London Plan 2021. Higher education provision is a key part of London's attractiveness as a World City and supports the City's commercial role. Student housing will contribute towards meeting general housing need at the national ratio of 2.5 student rooms to 1 residential unit. However, opportunities for residential development in the City are limited and student housing may represent an opportunity lost to meet other housing needs in residential areas. Nevertheless, there have been several large student housing developments in the City in recent years, in buildings or on sites that were unsuitable for modern office use, such as the large student housing development at Vine Street.

Hostels can contribute to providing accommodation for vulnerable homeless people. The City of London Homelessness Strategy 2019-22 outlines how the Corporation will seek to reduce the incidence of rough sleeping in the City and seeks to provide appropriate accommodation, including through the use of s106 contributions. This accommodation may be outside of the City.

### Older persons housing

The London Plan 2021 recognises that London's ageing population will require additional residential units to cater for older persons specific requirements. The City has an ageing resident population profile, in line with national demographic trends. Some people will wish to remain in their own homes, with suitable adaptations, or may choose to move into specialist housing which caters for the needs of older people, with varying degrees of support. The City SHMA identifies a need for 67 specialist older person units over the life of the Plan, and the London Plan has an indicative figure of 10 units per year.

There has been no sheltered housing developed in the City during the life of the 2015 Local Plan, however the City Corporation manages 20 sheltered units in the City at Tudor Rose Court and 80 units in Bermondsey and Islington. The Guinness Trust provides 18 sheltered units on the Mansell Street Estate and there are also 15 private leasehold units at Tudor Rose Court.

### Short-term letting

Under the Deregulation Act 2015, short-term letting, for less than 90 days in a calendar year, of domestic premises liable for council tax does not require planning permission. Letting for periods of more than 90 days in a calendar year would require permission. The London Plan 2021 advises that short-let

accommodation should not be permitted at the expense of permanent housing units. Short-term residential lets of more than 90 days will not normally be permitted in the City as they would reduce the stock of permanent housing, possibly jeopardise housing delivery targets and adversely impact on the amenity of existing residents.

As of March 2020, there were 440 short-term let housing units in the City in permitted purpose-built blocks being let for more than 90 days, accounting for 6.4% of the total housing stock. Over half of the short-term lets are located outside the residential areas identified in the Proposed Submission Draft City Plan 2036 and there were none in the prime residential areas of the Barbican, Golden Lane, Middlesex Street and Mansell Street.

### Gypsy and traveller accommodation

The London Plan 2021 indicates that, in the absence of an up-to-date local gypsy and traveller needs assessment, boroughs should use the needs figure set out in the London Plan. This needs table indicates that there is no need for specific gypsy and traveller accommodation in the City of London.

### The Temples

The Inner and Middle Temples are two of the Inns of Court which provide accommodation for the legal profession in the south-west of the City between Fleet Street and the River Thames. Along with other nearby Inns of Court and the Royal Courts of Justice in Westminster, the Temples form part of a specialist legal cluster recognised in the London Plan.

The Temples mainly contain barristers' chambers, together with other accommodation for Members of the Bar. The Inner and Middle Temples have a strong collegiate atmosphere due to the mix of residential and commercial uses. This mix of uses contributes to the historic interest and high environmental quality of the area and should be maintained.

In determining applications, the City Corporation will have regard to the importance of the continued existence of residential, office and support uses in the Temples and the contribution that this makes to their special character. There are approximately 100 residential units in the Temples. Permissions granted for changes of use from office to residential and vice versa tend to balance themselves out, with no overall loss of residential or office floorspace in the Temples.

### Self and custom housebuilding

The London Plan 2021 advises boroughs to support housing on small sites (below 0.25 hectares in size), including custom, self-build and community-led housing. The Self-Build and Custom Housing Building Act 2015 requires councils to create a public register of individuals and groups who are interested in acquiring a plot to use for a self-build or custom build home. The City Corporation launched its own register for prospective self-builders in 2016.

There are no large areas of unused land in the City that would provide an opportunity to create serviced building plots. Furthermore, self-build and custom-build are likely to involve lower density development, which would conflict with policies in the Plan which seek to maximise housing supply. Given these constraints, the City Corporation considers that the best prospect for bringing forward suitable land will be in conjunction with large housing developments where units can be built to shell and core and individually fitted out. The City Corporation has 17 individuals registered on its Self and Custom Build Register as at October 2020. The City Corporation will continue to encourage residential developers to make suitable properties available to meet the requirements for self and custom house building under the Act.

## 5. Affordable housing

### 5.1 Affordable housing targets

The London Plan 2021 and the Mayor's Affordable Housing and Viability Supplementary Planning Guidance set a strategic target for 50% of all new homes across London to be affordable, with a minimum threshold of 35% affordable housing on all developments comprising more than 10 units or which have a combined floorspace greater than 1,000m<sup>2</sup>. Schemes which meet or exceed 35% affordable housing, or 50% on public sector land, are not required to submit viability information. Where an application does not meet these requirements, a viability assessment is required, and the development will be subject to a viability review as the development progresses.

In light of the Mayor's approach and the shortage of available affordable housing to meet the needs of London's workforce, a minimum of 35% affordable housing will be required on residential schemes in the City, with an ambition to deliver higher levels of affordable housing where this is viable. On public sector owned land, the higher 50% target set out in the London Plan 2021 will be applied. The presumption is that affordable housing provision should be made on-site and all sites will be expected to deliver at least the minimum required level of affordable housing.

Off-site provision or cash-in-lieu contributions will only be accepted in exceptional cases. This could include situations where off-site provision or cash in lieu contributions are considered to be acceptable in principle; the off-site provision or the financial contribution will be set at a level which captures the full uplift in value when delivering 100% market housing. This will ensure that the development is not more viable when the affordable housing obligation is satisfied through off-site provision or a cash-in-lieu payment in comparison to on-site delivery.

The level of off-site provision, or the amount of the cash-in-lieu payment, must be sufficient to deliver at least the same number, size and type of affordable homes that would be required on-site. Further guidance on affordable housing requirements, including the methodology for calculating the level of cash-in lieu or off-site contributions required is set out in the draft City of London Planning Obligations SPD 2020. This SPD has been subject to public consultation and is programmed to be considered for approval by the Planning & Transportation Committee in spring 2021. The provisions in the SPD will be kept under review and amended as required to ensure financial contributions



keep pace with the cost of delivering affordable housing, whilst ensuring that development in the City remains viable.

## **5.2 Local Plan Viability Assessment**

A viability assessment of the Proposed Submission Draft City Plan 2036 was undertaken by BNP Paribas for the City Corporation in March 2020. The assessment appraised residential schemes with a range of affordable housing from 0% to 50% to test the ability of development typologies to meet the requirements of Policy S3 which requires 50% affordable housing on publicly owned sites and 35% on other sites with more than 10 units. The tenure mix of the affordable housing also has a bearing on viability and therefore two scenarios were tested. The first was 100% London Affordable Rent (equivalent to social rent) and the second was 30% London Affordable Rent 30% shared ownership and 40% London Living Rent.

The BNP Paribas independent assessment concluded that the Proposed Submission Draft City Plan 2036 affordable housing requirements can be met on most sites tested, although the existing use value is a critical factor in determining the outcome. Where existing use values are high, the ability of residential schemes to meet the policy requirement will be more constrained and the level of achievable residential sales values may become a critical factor. In these circumstances, the study conclude that the policy contains sufficient flexibility, both in terms of tenure mix and overall quantum, to enable schemes to come forward with a viable package of affordable housing. The appraisals also indicated that the requirement of Policy S3 for existing affordable housing to be reprovided is viable, providing a sufficient quantum of private housing is incorporated to cross subsidise the affordable housing. An updated commentary report was prepared by BNP Paribas in February 2021, re-visiting the viability assumptions in their original report in light of the impacts of Covid-19. This updated commentary indicated that viability had not been significantly impacted by Covid and that flexibility within the Plan was sufficient to address any potential impacts.

The City of London Planning Obligations SPD 2014 requires new commercial developments, where there is a net increase of 500 m<sup>2</sup> or more GIA, to make a financial contribution towards affordable housing provision at a rate of £20 per square metre (£25.91 per square metre after indexation). An update to the 2014 SPD was consulted on in late 2020. The draft Planning Obligations SPD 2020 seeks to increase the level of contribution from commercial developers to a rate of £50 per square metre. The potential for increased developer contributions (both s106 and Community Infrastructure Levy) was assessed through the

Local Plan Viability Assessment and it was considered that increased contributions, including contributions of the scale of increase proposed for affordable housing, would not adversely impact on the overall viability of development in the City. Where individual schemes are at the margins of viability, due largely to site specific considerations, there is sufficient flexibility in the implementation of Local Plan policies to ensure necessary development can proceed.

### **5.3 On and off-site affordable housing delivery**

There is a presumption in national policy and the London Plan 2021 that new affordable housing associated with housing development should be provided on-site. However, land within the City is an expensive and limited resource and there is a policy priority to deliver new office floorspace to strengthen its strategically important business role. The City Corporation therefore works with housing partners to deliver new affordable housing on sites in the City fringe and in neighbouring boroughs, principally on City Corporation-owned housing estates, utilising commuted sums from commercial and housing developments within the City.

This approach to affordable housing provision taken by the City Corporation has been supported for many years, including at the examination into the Core Strategy and 2015 Local Plan and also by the GLA. By being flexible in its approach to affordable housing provision, the City Corporation has enabled affordable housing to be developed in locations in or near the City that meet local housing need, whilst making the best use of scarce City land for strategically important commercial activity.

The City Corporation also requires commercial development to make a financial contribution towards off-site affordable housing delivery instead of delivering mixed use development including housing on commercial sites. These contributions are used to deliver new affordable housing principally on City Corporation housing estates within and outside the City of London.

The two methods of securing affordable housing are set out in the City of London Planning Obligations Supplementary Planning Document 2014. Changes to figures in the revised draft SPD 2020 are referenced below.

#### **(a) Affordable housing requirement on commercial development**

This applies where there is a net increase of 500m<sup>2</sup> or more Gross Internal Area. Development is required to make a financial contribution towards the off-site

provision of affordable housing, either elsewhere in the City, or within reasonable travel distance of the City.

The financial contribution will be sought at a rate of £20 per m<sup>2</sup> of additional floorspace. (*The revised SPD has increased the rate to £50 per m<sup>2</sup>*). The financial contributions delivered by planning permission for commercial development totalled £3,612,116 in 2019/20.

(b) Affordable housing requirement on residential development;

- On site: 30% of the total number of units proposed where the affordable housing is to be provided on-site or;

(The revised City Plan 2036 and the draft SPD require a minimum of 35% of the total number of housing units proposed; or a minimum of 50% affordable housing on public sector owned land).

- Cash in lieu: housing is to be provided on-site; or exceptionally, a rate equivalent to 60% of the number of units on the application site, where the units are to be provided off-site or through a financial contribution. Cash in lieu affordable housing payments on residential developments have varied by financial year. Contributions totalling £5,674,910 were received in 2018/19. There were no contributions received in 2019/20.

(The revised City Plan 2036 and the draft SPD require that the level of this contribution will be calculated on a site by site basis, to ensure that the full uplift in value when delivering a 100% market scheme is reflected in the contribution and that there is no financial incentive to the developer deliver the affordable housing by means of a commuted sum).

Affordable housing contributions have enabled the funding of schemes within housing estates located primarily in Islington and Southwark. As of 31st March 2020, the closing balance of funds for affordable housing was £57,908,116. Land in the City is expensive and therefore the City Corporation works with housing partners to deliver sites on the City fringe.

This approach to the delivery of affordable housing in the City is unique in that, although the schemes are being delivered outside of the City and cannot count towards meeting the City of London housing target, there are nomination agreements in place with the host boroughs such that these developments will provide affordable housing for individuals on the City Corporation's housing register, as well as helping to meet wider London needs.

There are three schemes underway as of 31st March 2020 totalling 78 units and three schemes planned to commence from 2020/21 – 2025/26 totalling 203 units in Figure 11 below.

Status of scheme and financial year	Scheme	Number of units
Schemes in progress as at 31 <sup>st</sup> March 2020	COLPAI (Richard Cloudesley School) <i>Islington</i>	66
	Great Arthur House <i>City</i>	2
	Middlesex Street <i>City</i>	10
Future schemes 2020/21-2025/26	Isleden House <i>Islington</i>	3
	Sydenham Hill <i>Lewisham</i>	110
	York Way Estate <i>Islington</i>	90

**Figure 11: Affordable Housing Schemes**

Source: City of London Housing Monitoring Report 2020

Since 2015 there have been 72 new homes delivered on Corporation owned estates against the target of 700, in Tower Hamlets (Dron House), Southwark (Horace Jones House and Twelve Acres on the Avondale Estate) and Middlesex Street Estate in the City.

There are five schemes currently progressing through the gateway system which will deliver 271 new homes by 2023. This includes two flats at Great Arthur House on the Golden Lane Estate, three flats at Isleden House in Islington, 66 flats on the site of the City of London Primary Academy in Islington, 110 flats at Sydenham Hill (formerly Mais House) in Lewisham and 90 flats at York Way in Islington.

There are also two schemes at an early stage of preparation which, if realised, could deliver in excess of 600 additional homes on City Corporation owned sites outside of the City.

It is assumed, through past experience, that these schemes outside the City will normally offer a maximum 50% nomination rights to residents on the City's housing waiting list. The City Corporation is therefore developing a minimum of 135 dwellings to meet its identified housing need outside the City, with potentially further units later in the City Plan 2036 period.

# Appendix 1: National Standard Methodology

## Calculation for the City of London

### Step 1: Setting the baseline

10-year household growth based on Table 406 of 2014 household projections and starting from 2020 when the Reg 19 Plan will be published.

2020 – 5,317

2030 – 5,994

Total increase of  $677/10 = 67.7$  average household growth per year (rounded up to 68).

### Step 2: Adjustment to take account of affordability

Table 5c of the median workplace-based affordability ratios shows a ratio of 14.29 for the City on the most recent data (2018)

Adjustment factor =  $(\text{Local affordability ratio} - 4/4) \times 0.25 + 1$

$= (14.3 - 4/4) \times 0.25 + 1$

$= (10.3/4) \times 0.25 + 1$

$= 2.575 \times 0.25 + 1$

$= 1.64375$  (rounded up to 1.644)

Projected household growth x Adjustment factor =  $68 \times 1.644 = 111.792$   
(rounded up to **112**)

### Step 3: Capping the level of any increase

Doesn't apply to the City as the national methodology gives a lower need figure than the current London Plan target.