

A London Mayoral Manifesto on Housing:

Making London a Capital that is affordable, secure and fair for all its residents

The housing crisis gripping the UK is nowhere more crystallised and obvious than in London. As is the case in the rest of the country, housing supply has not kept up with demand, leading to rising prices, insecure tenancies and people accepting poorer conditions.

This national picture means that a private rented sector with little regulation on rents or security of tenure will continue to fail people, while a lack of oversight of landlords and agents, coupled with a dwindling enforcement resources for local authorities, mean that private renters are will continue to be exploited.

Initiatives that support rising house prices, and a stripping away of social housing through a lack of central government investment and Right to Buy, mean that more people will be privately renting for longer, but without the necessary protections and checks and balances to really make these properties their homes.

But following the 2015 General Election, we also know that the new welfare policy environment will be hitting Londoners hardest, particularly those who are most vulnerable and on lowest incomes. Under the current London market, where house prices and attendant rents are so high, the new proposed benefit cap will mean there is nowhere affordable for private and social renters on benefits with three or more children.

Similarly, LHA rates tied to the third lowest percentile of rents squeeze more and more people out of much of London's PRS and mean that as rents rise but the rate isn't increased, fewer properties are affordable for those trying to pay their rent with benefits.

The extension of Right to Buy will see London councils forced to sell many of their properties, effectively increasing the process of social cleansing that the current direction of travel in welfare has already produced, as well as heaping additional pressure on the private rented sector.

Under these circumstances there is no excuse for inaction on private renting, and yet government action has been slow, weak and ineffective. Indeed, even if one were to accept at face value the claim that a huge influx of supply in the coming years will solve the capital's housing problems that still means that for decades Londoners will remain in a private rented sector that cannot meet their needs.

For all of the reasons set out above, the London Mayoral elections in May 2016 are vital. It is only with a Mayor who is committed to tackling the housing crisis in the round that we can start to see housing being accessible and secure for Londoners. That means effective regulation where it is necessary, measures to dampen speculation and rising land and property prices as well as a focus on building genuinely affordable homes in preference to other kinds of supply.

The next London Mayor must also be prepared to act boldly where they can, and where they lack powers must argue for these under principles of devolution. It is either this or forcing central government to act on the problems – particularly around affordability – that are specific to London.

We have already seen government prepared to acknowledge the heightened costs in the capital with a larger benefits cap than in the rest of the country. It must now recognise that housing costs in London are at such a level that action specific to the city must be taken.

This document sets out a range of policies that a Mayor could enact on their first day in office, alongside the greater powers needed to really make London's housing – and especially its private rented sector – somewhere that serves the interests of those who live in the capital, as opposed to property developers, rogue landlords and international property speculators. The city needs a cultural as well as a political shift on housing and this document seeks to start that process.

What a Mayor can do within their current powers and scope:

Housing supply and delivery

The reality is that the London Mayor currently lacks a number of powers, both to intervene in the private rented sector (as opposed to social housing), and to deal with current developments and existing housing stock. However, they can set a strategic direction on supply that pumps more social housing into the city, takes the pressure off the PRS and dampens rent inflation. To this end, they should:

Redefine affordability in social housing

Definitions of 'affordable housing' in new developments as being up to 80% of market rate are both far too high for medium and low-income Londoners but also peg affordability to a rising and unpredictable matrix. This means our new housing supply is failing to produce mixed communities and is forcing many out of the city, while simultaneously increasing the national housing benefit bill for those who remain housed there.

Measures of affordability are necessarily vague and difficult to define but we support the proposal put forward by the Highbury Group on Housing Delivery: 'The official definition of affordable rented housing should be changed to cover only housing where costs (rent and service charge) do not exceed 30% of the net household income for households in the lowest income quartile'.¹

Affordable and secure private rented stock in new developments

Developers will naturally try to maximise profits when building for the private rented sector in a high-demand market like London; it is up to London government to ensure that profits are balanced with homes that are affordable and secure for the general population. Without making this a condition of new sites, all of London's new private supply will be luxury flats and other top-end properties, completely unsuitable for 90% of people who call the capital home.

As part of the London Plan, the Mayor should work with local authorities to give preference to developments where the proposed private rented stock is subject to rent controls and longer-term tenancies with break clauses for tenants but not landlords.

Fair use of publicly owned-land

Public land has to be part of London's housing supply solution because it allows the state to build at greatly reduced costs, effectively getting the land for free. A London Land Commission² has already been established to rationalise the publicly-owned land in the city and ensure that the best use is made of it.

Where development is taking place on publicly owned land, the Mayor must insist on 50% and upwards of social housing, rent controlled private rented homes and a secondary housing market (an extension of the community land trust model) for owner occupiers; in this system, new homes are built outside of the inflationary market and therefore remain permanently affordable.³

¹ http://www.westminster.ac.uk/_data/assets/pdf_file/0006/365352/Highbury-Pre-election-statement.-FINAL.27.3.15.pdf, p.1.

² For background information, see <http://londonfirst.co.uk/wp-content/uploads/2015/03/Wasted-Space-to-Living-Place-0315.pdf>

³ You can read about Generation Rent's proposal for a secondary housing market, under which homes are kept permanently affordable and insulated from rising house prices here: <http://www.generationrent.org/bubble>

Planning law

Reforming viability assessments

Viability in planning is plainly failing to deliver the affordable housing needed for the city. Media coverage in recent years has shown a number of high-profile cases of new developments that have used viability assessment to move away from s.106 obligations and negotiate down the numbers of affordable units being built in the capital.⁴ Furthermore, this information is very often opaque, unavailable for public scrutiny on the basis of commercial confidentiality, with many key details not provided even to the local councillors making the decision on whether to grant planning permission.

London can no longer be in a position where it does not know the housing mix it will get from new developments and where decisions about this are not open to communities and taxpayers. To that end, measures need to be taken to revise current viability assessments and to ultimately abolish and change the development viability system in the long-term.

Changes to the current system should include:

- i) Transparency:** The details of viability assessments should be made available in full to local authorities and the public so they can make informed decisions on the validity of a development plan.
- ii) Set rates of profit:** All new developments in London should be set at a maximum rate of profit. Currently 15% is a good benchmark and stops developers arguing for reductions in affordable housing to make returns of 20% or 25%.
- iii) Fixed and non-negotiable figures for affordable housing:** Government should set a target of minimum 50% affordable housing in every new development.

The lettings industry

The failings of letting agents to provide a good deal for Londoners are well-documented, particularly around exorbitant and unnecessary charges for tenants.⁵ Generation Rent still believes that fees should be banned for tenants but this is a central government issue which a Mayor would need to argue for. In the meantime, there are two areas where they can take immediate action:

i) Enforcing the current law: Powers that came into force in 2015 mean that all letting agents now have to display their fees accessibly and transparently, and that every letting agent needs to be a member of one of three national redress schemes, which provide a complaints process and potential compensation for renters. Despite the change in law, we know too many branches are routinely flouting it. Furthermore, although a breach is now subject to a fixed penalty notice of up to £5,000, local authorities have been slow in taking action.

The new Mayor must show that the Greater London Assembly is serious about cracking down on those agents who continue to break the law, by emphasising this with local authorities and ensuring that much greater action is taken as soon as possible.

ii) A London-wide, ethical lettings agent: The Mayor should be leading the way in showing the industry how a fairer lettings system would work. To that end a new not-for-profit, ethical agency should be formed, ending charges for tenants and reducing them for landlords, encouraging their participation. If this is done at

⁴ <http://www.theguardian.com/cities/2015/jun/25/london-developers-viability-planning-affordable-social-housing-regeneration-oliver-wainwright>

⁵ See for example <http://www.theguardian.com/money/2015/may/30/rent-property-tenancy-agreement-agency-charges>

scale and with the buy-in of similar schemes in London boroughs, it will start to open up a fairer system to London renters, drive out the worst agents and reduce fees for tenants. The ultimate path towards good lettings agents involves sector-wide regulation and professionalisation, but a London mayor could provide a working, positive example.

London-wide landlord licensing

Several local authorities in the capital now run landlord licensing across the whole of their borough area, with notable successes in tackling rogue landlords.⁶ Although the route for implementing selective licensing in this manner was changed before the 2015 General Election, and now requires permission from the Department for Communities and Local Government, a Mayor should be pushing for one joined-up, properly administered London scheme.

Such a scheme would stop landlords escaping responsibility by buying up homes in other boroughs, and would also simplify and clarify licensing for good landlords. Moreover, it would embed a culture in the capital that there is not a two-tier version of regulation, and that private renters can expect high standards and professional management wherever they are living. Despite good intentions, the voluntary London Rental Standard has not gained the widespread traction required; licensing would achieve that aim.

Estimates suggest that over £500 million is lost each year by landlords dodging tax and full licensing could stimulate the Treasury to recover this money too.⁷ In doing so they would also help to professionalise the sector and drive the criminal landlords out of business.

Tenant representation at the Greater London Assembly

To show a serious commitment to engaging with private tenants, the next Mayor should set up a forum through which local groups and individuals can feed into discussions around policy, practical initiatives and wider ideas around the private rented sector.

Housing policy in London needs to recognise the growing numbers of private renters in the capital, and ensure that any future strategy has tenant engagement and input at its heart. Such an approach will allow the GLA to reflect the diversity of the sector but also to ensure that private renters can provide information and data that is currently unavailable to government bodies.

Embedding renter representation will also start to change the culture around redevelopment in London, making it a collaborative process and empowering private tenants to assert their rights and demand a better level of housing.

⁶ <http://www.ehn-online.com/news/article.aspx?id=9874>

⁷ <http://www.exarone.com/articles/4895/one-million-landlords-dodge-tax-and-fail-to-declare-rental-income>

Powers and policies the new Mayor should call for:

Rent control

The affordability crisis is so paramount for Londoners now that immediate and strong action needs to be taken to control rents. The average London rent is now £1,500⁸, rising at 3.8% a year,⁹ and when first-time buyers are trying to save up mortgage deposits of potentially £70,000,¹⁰ the whole system is unsustainable.

There are various ways that rent control could work in practice and these should be explored in detail in relation to the particular features of London housing. Generation Rent helped to propose a 'flexible rent control' model, which levies a 50% charge on rents above a certain cap, with that money reinvested in social housing.¹¹

Many other models exist, from the system in place in the UK between and 1915-1988, through to current models in New York and the Netherlands. There are no other proposals on the table that can support affordability in the immediate future for Londoners. Any Mayor serious about the high cost of living for renters has to commit to outlining a new rent control system that will work in a modern London.

Increasing and enforcing the scope of the Decent Homes Standard

While there is a Decent Homes Standard for social housing, no such system applies for the private rented sector. Indeed, the system currently allows a private landlord to put a home on the market with disrepair that is injurious to health and wellbeing, and it is up to the tenant to then pursue action through the local authority or the law courts.

While we welcome any measures to better fund the environmental health teams at councils, or to make penalties against rogue landlords tougher, the PRS ultimately needs to move to a system where landlords first prove the fitness of their property before they can rent it out.

This system would need action from central government but could be linked to the aforementioned London-wide licensing scheme. A condition of gaining a licence would be showing that the property meets a decent standard (analogous to an MOT), and would help London to lead the country in making conditions better for private renters. Landlords could pay for an inspection, carried out by their local authority, ensuring it was self-funded and expert-led.

Other conditions could be attached to licensing too, such as energy efficiency standards. To do this would start to redress the balance in the current market where billions of pounds is being paid to landlords from the taxpayer in housing benefit for clearly unfit homes.

Those landlords without licences could be subject to Rent Repayment Orders and be made to bring the property up to a decent standard. This kind of scheme involves very few new concepts, and could be packaged together in a way that extends existing laws already available to private renters.

⁸ <http://www.theguardian.com/money/2015/jun/15/london-rents-homelet-survey-housing-crisis>

⁹ <http://www.ons.gov.uk/ons/rel/hpi/index-of-private-housing-rental-prices/april-to-june-2015-results/index.html>

¹⁰ <http://www.telegraph.co.uk/finance/personalfinance/borrowing/mortgages/10777588/First-time-buyers-in-London-need-a-cash-pile-of-70000.html>

¹¹ See here for further details:

<http://www.generationrent.org/controlling-rents-a-response-to-the-private-renting-affordability-crisis>

Such a scheme would clarify confusion around licensing – every privately rented property would need one – and stop rogue landlords moving across boroughs in the face of major enforcement in one area of London. It would also allow London councils to better target their reduced resources on suspected licence evaders who would tend to be those more likely to be operating poor rental portfolios.

Funding Enforcement

Local authorities need to be funded and incentivised to tackle rogue landlords more heavily and should therefore keep the fines they can levy on those landlords found guilty of certain offences. This would support the local political case for better enforcement and would help local authorities that are struggling with reduced funding.

Extending security of tenure

The days of the private rented sector being a flexible option for itinerant young professionals are over, particularly in London. Not only are increasing numbers of families living in the PRS, but we also see that the ending of an assured shorthold tenancy is now the number one cause of homelessness in the capital.¹² Competition for housing is so fierce that when people find a place they like, they want to stay there, and not worry about having to move every six months or year.

To support London renters, the system of section 21, ‘no-fault’ evictions must end and landlords should only have the option of possession in extreme cases, as set out in the current section 8 grounds for eviction. Tenants would be able to move with appropriate notice when they wanted to.

A move towards greater security of tenure is taking place in Scotland¹³ and recent research has shown that ending ‘no-fault’ evictions would be more acceptable to landlords than has previously been thought.¹⁴ Government at any level that is serious about improving private renting has to improve security – the London Mayor should be pushing for the powers to do so.

Greater security of tenure would help shift the culture of the private rented sector away from being a lucrative place to park your money and towards a professional, sustainable and long-term business reliant on rent rather than rising house prices.

The failure of welfare reform

Policies that support reducing public expenditure on direct benefits payments, as opposed to restructuring expensive services that are subsidised by these payments, should be abandoned. To that end, the current and proposed restrictions on housing benefit to different age groups, and the overall benefit cap, should be policies that are turned back.

¹² <http://www.theguardian.com/society/2014/jun/25/homelessness-crisis-england-perfect-storm>

¹³ <http://www.gov.scot/Publications/2015/03/6142>

¹⁴ <http://blog.shelter.org.uk/2015/07/new-research-regulating-rents-to-make-renting-stable-doesnt-pose-a-risk-to-the-market/>

The current net effect of these policies is to make much of London's privately rented housing inaccessible to very vulnerable tenants, leading to different patterns of social cleansing and low-income Londoners forced into poor and overcrowded housing.

Real welfare reform would reduce the housing benefit bill through rent control in the PRS and much greater investment in social housing. It would mean regulation to outlaw 'income discrimination'¹⁵ and ensure that more housing was available to everyone.

Conclusion

The London Mayoral Election of 2016 will be dominated by housing, both in the media and the political narrative, but also through the social movements that are growing to demand affordable and decent homes for all.

Yet the reality is that whoever is elected will be hamstrung by a number of factors: the lack of powers on housing that are available to the Mayor, existing and already approved developments that it may be too late to change, welfare reform that is incompatible with the housing costs of the city and a central government that will focus on other issues.

For that reason, it is vital that campaigners and activists act in the next year to force the greatest concessions possible from our London politicians. If we can force the Mayoral contest into more radical territory, it will show the rest of Parliament that there is a huge mandate for major action in London.

It is clear that nothing less will work. Business as usual has a wide range of negative consequences including a loss of diversity across the city, day-to-day lives harmed by ever-increasing housing costs, heightened inequality and for private renters, the acceptance that they will be in poor accommodation for years to come.

The narrative has already changed to a pitch where the consensus is that something must be done. It is up to us to ensure that a new housing strategy for London must make fundamental shifts in direction and principle. To do that, housing campaigns needs to be as rigorous, visible and uncompromising as ever before. Generation Rent hopes to stand with others in making that happen.

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¹⁵ Income discrimination is the practice of private landlords and agents refusing to let properties to people on housing benefit.