London’s turning
Towards a sustainable private rented sector under the new Mayor
Executive summary

With the London Mayor beginning to implement his manifesto, Generation Rent calls on him to provide more detail of his policies and proposes a set of principles for him to follow in order to help the city’s growing private renter population.

**Generation Rent’s proposals can be summarised as follows.**

**Building new homes**

London Living Rent should be:
- Set at rates that are affordable to a typical London household for each size of property
- Set at the same rate across London
- Accessible only to households who are unable to afford the median London rent

Private developers should be required to publish their viability assessments, to allow scrutiny of their affordable housing provision.

“First dibs” on new homes should be given to first time buyers who would be required to live in them (and not rent the home out).

**City Hall initiatives**

The Londonwide lettings agency should:
- Offer longer tenancies as standard
- Not discriminate against tenants relying on housing benefit
- Manage properties seized from negligent landlords, and new-build homes for rent
- Accredit other letting agents which subscribe to its high standards

The London Mayor should coordinate with London boroughs the publication of information about criminal landlords thought to be operating in London in advance of the launch of the government database.

The London Mayor should also:
- investigate the merits of different forms of rent control to bring down the cost of renting,
- provide funding for a London Renters’ Union and
- establish a private renting forum to commission research and contribute to policy development and local government practices.

**New powers**

The London Mayor should seek powers from central government to:
- Approve local authority landlord licensing schemes and require landlords to upgrade the energy efficiency of their properties to C or above by 2025.
- Set terms of private tenancies to give renters better security and protection from rent rises
- Provide better support to low income families dependent on housing benefit
- Outlaw discrimination against low-income households
- Build more council homes in London
Yet given this focus, there was also room to believe that the next Mayor would be duty-bound to radically change housing policy where they could – and that they would have the mandate to do so.

When Sadiq Khan stated in his manifesto that ‘The housing crisis is the single biggest barrier to prosperity, growth and fairness facing Londoners today’, he made clear that the future of the city was at stake, and that a new direction was needed, quickly.

Since then, the reality of the world and our political system has seen a quieter, more measured approach from City Hall. This has partly been the result of forces outside of the control of the Mayor; with the EU referendum throwing open profound questions about the future political and economic direction of the country, and the process of selecting a new Prime Minister slowing discussions on London’s future devolution settlement.

Changing the way the private rented sector works in London so that it meets people’s needs is a long-term, ongoing process. Nonetheless, there is a feeling in some quarters that the previous necessary urgency is seeping away. For those at the sharp end of the housing crisis, time is not a luxury they have.

These trends threaten London’s economy and communities, but they can be reversed if the city can start providing adequate, affordable homes to all Londoners, whether they grew up here, made their home here or have arrived to start a career.

This document then, is an attempt to renew that sense of urgency and point to the policies that can properly support private renters throughout the capital. The Mayor’s pre-election offer for the private rented sector was positive in that it recognised the range of issues facing renters and looked to tackle them within the powers of the post. However, more powers are needed to properly address the issues that Londoners face in the most competitive housing market in the world, and the negotiations to get such powers from central government need to fully recognise the difficulties of renting in the city, particularly for residents on low incomes.

Finally, though, beyond the issues and policy direction already identified as needed and under discussion or development, this document builds on our Mayoral Manifesto to suggest additional focuses that are needed to properly support the wide range of the city’s renters.

This future plan therefore considers PRS policy in three segments, looking at the Mayor’s existing commitments for private renters and drawing out some detail on how these proposals could work, then considering the priorities for devolution and finally undertaking an analysis of how the Mayor could go even further in creating a private rented sector that Londoners are genuinely happy with.

The election had the feeling of looking towards the future for London, but that future has quickly become uncertain, and no doubt will continue to be. However, a radical, consistent and focused policy for private renters can provide the bedrock upon which a more socially just city is built. Two million Londoners are directly relying on it, but its effects will go beyond that to the kind of future we want London to have.

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ii. http://www.generationrent.org/london_s_housing_costs_are_driving_families_away
Manifesto commitments

The Mayor has made a number of positive commitments to improve the private rented sector, both ahead of his election and in the short time he has been in post. Necessarily, these headline promises require greater detail and will also need fuller consultation and discussion.

Below is our first contribution to that discussion, outlining Generation Rent’s immediate priorities for these policies and what direction is needed to make them work as well as possible for private renters.

**London Living Rent**

“Homes for Londoners will build the genuinely affordable homes we need, including:

- **Homes for London Living Rent** – a new type of home for people struggling to rent privately, where rents are based on one-third of average local wages**iii**.”

Through the London Plan**iv**, the Mayor has strong powers over the mix of homes built on new developments and their rent levels. To date, private renters who do not qualify for social housing have had very little access to affordable, below-market homes on new developments.

Although the numbers of units built under this tenure will continue to be relatively small when compared to the overall private rented sector, it is important that private tenants are given an affordable option on new developments and that the sector within London starts to think purposefully about affordability.

To take forward the London Living Rent, the three main questions that need to be answered are: i) how it scales up for larger, family-sized houses so that affordability is retained for tenants with children; and ii) how we define local in order to set rent levels; and iii) who gets access to these homes.

The immediate answer to the first question is to base rents on average local incomes for each household type, so that rents match typical incomes for single occupants, couples, families and so on.

Defining what counts as local is more difficult. This is because certain parts of London vary wildly in local income; and therefore the London Living Rent risks entrenching income inequalities across London boroughs and making the London Living Rent unaffordable to most Londoners in certain areas.

To avoid entrenching divides across London, and to make the London Living Rent accessible across the city, a calculation should be made on a cross-city basis, taking out the highest outliers so they do not skew the figure.

Ensuring that the London Living Rent is accessed by those who most need it must also be central to the policy. Previous intermediate rent schemes have income limits on their access and this seems like a practical way to ensure these new units aren’t available to the wealthiest tenants.

The London Living Rent can exist separately to keyworker housing, which is already under review by the London Assembly and supports a different need – these new cheaper rental units should reflect the diverse economy of London which includes hundreds of thousands of workers in retail, hospitality and cleaning.

The London Living Rent should also provide a good quality service to renters in other aspects. To that end, the Mayor should build in security of tenure to London Living Rent tenancies, providing indefinite tenancies in these new homes, but with the opportunity for renters to give notice if they need to do so.

**Reforming the viability assessment process**

“Support councils to enforce clear, new rules to maximise the affordable housing in new developments, with greater transparency around viability assessments, and the option to set local affordable housing targets.”

In order to assess housing policy in London, particularly in the light of a redefinition of affordable housing, a new form of privately rented stock, and commitments to dramatically increase affordable housing quotas, it is vital that viability assessments are made more transparent.

This means that important details of schemes can no longer be withheld for commercial reasons, but should be made available early for both local authorities and the general public.

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iii. Sadiq Khan, A Manifesto for All Londoners, p. 20, see http://www.sadiq.london/.
iv. The current London Plan can be viewed here: https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan. A revision of the plan will be needed to instigate many of the policies proposed both by the Mayor or in this document, and this revision process is ongoing.
The ambition for an overall 50% affordability quota across all new starts in London, means that viability needs to be better assessed in that context, so that many sites go well over and above that 50% target, to compensate for those schemes with lower levels.

Levels of profit should be clearly set out, to give greater credence to what viability means and to show that sites with levels of profit above 15% can often be revised to include greater levels of new affordable housing.

Priority access to new homes for Londoners
“Homes to buy where we can give Londoners first dibs – building on brownfield public land and using the Mayor’s planning powers to their fullest extent”.

A key plank of the Mayor’s housing offer has been his ‘first dibs’ for Londoners’ policy on new homes built in the city. We know that many private renters are keen to become homeowners but struggle to compete in a market driven by speculation in property values. Buy-to-let landlords and overseas investors will overbid for new homes, with the expectation that they will profit anyway, and this pushes prices out of reach for people who just want to live in them.

However, we do not believe that residency requirements should play a role in the allocation of new homes to buy. London is a fluid and changing city which should enable people to move into it without barriers, and buy homes – if they intend to live in them.

This policy would most help renters across the country if homes were available to first-time buyers only and sales made conditional on future, rather than past, residency.

This would prevent people from buying homes as investments but would support renters who want to own their own homes. As this policy is developed, the Mayor should consider local authority policy that has been used to prevent homes being left empty.

A London-wide, not-for-profit lettings agency, ending rip-off fees for renters
“Setting up a London-wide not-for-profit lettings agency for good landlords, building on the work councils have started, and ending rip-off fees for renters”.

The Mayor has importantly recognised that letting agents can have a problematic influence on the experience of renters, whether through poor management, charging unfair fees or causing instability by encouraging rent increases and new tenancies in order to maximise their fee income.

Although the whole industry needs greater oversight and regulation, the proposal for a not-for-profit lettings agency under the aegis of City Hall is a good one. It should be able to drive forward good practice and demonstrate that renters should not have to pay fees in order to find a home.

It should also look to offer longer tenancy agreements as a matter of course and have no barriers to tenants on housing benefit, while also seeking to manage properties that have been acquired from rogue landlords through local authority enforcement.

However, it should not have a specific focus on low-income tenants but rather be a mainstream operator, providing lettings for renters of all incomes across London, and able to attract large numbers of new landlords (including new build-to-rent landlords) through a professional and well-known name and the ability to charge lower fees to landlords due to its not-for-profit structure.

Other agents that cohere with its philosophy and practice should also be able to receive accreditation from the body so that good practice is spread further into the industry.

Promoting landlord licensing and calling for a London-wide scheme
“Working alongside boroughs to promote landlord licensing schemes to drive up standards, and make the case to government for London-wide landlord licensing”.

Landlord licensing remains the major tool for providing local authorities with the oversight and clout to drive up property conditions in the private rented sector and ensure that rogue landlords are not able to operate under their purview.

Through awarding and revoking licences, and consequent prosecutions, licensing schemes streamline enforcement and guarantee quality in a sector where poor conditions can have considerably detrimental effects on tenants’ health and wellbeing. Currently, approval for borough-wide licensing schemes sits with the Secretary of State for Communities and Local Government, and this approval mechanism should be devolved to the London Mayor and should become London-wide.

Having one system for the city would produce clarity and consistency for both landlords and tenants and finally provide a more comprehensive picture of the city’s whole private rented sector; which is vital for London’s future housing policy.

Enforcement would still need to take place through local authority environmental health teams, but the Mayor could provide coordination and resources behind the new London-wide scheme to ensure consistency of practice, better sharing of information and support to tackle poor landlords operating across multiple London boroughs.

vi. Sadiq Khan, A Manifesto for All Londoners, p. 21, see http://www.sadiq.london/.

vii. Islington is one example: http://www.islingtongazette.co.uk/news/islington_council_wages_war_on_buy_to_leave_investors_1_4161591.

viii. Sadiq Khan, A Manifesto for All Londoners, p. 23, see http://www.sadiq.london/.

ix. Sadiq Khan, A Manifesto for All Londoners, p. 23, see http://www.sadiq.london/.
Naming and shaming rogue landlord and ensuring tenants have online access to this information

“Name and shame rogue landlords and ensure tenants have access to this information online.”

The Housing and Planning Act 2016 introduced a database of “rogue” landlords and letting agents, to assist local authorities in their enforcement work. How that information is shared and with whom remains an open question, to be decided locally.

However, the Mayor has called for the database to be made public in London, and there are very good reasons for doing so. In the first instance, a mechanism whereby tenants could check if their prospective landlord was guilty of any housing offences would help support them as informed consumers.

Second, making this information public provides a strong deterrent which cannot be matched by simply providing this information to local authorities. Convictions under housing law are serious offences, rather than trivial actions, and those operating in the market who have been found guilty should come with warnings for potential tenants.

The database will come into force in Autumn 2017 and the Mayor should be using the time between now and then to coordinate a public blacklist between local authorities for the whole of London, supporting easily accessible online mechanisms for sharing the information that link to current licensing schemes in London and considering best ways to ensure tenants are aware of this new apparatus. Some data on criminal landlords already exists and the Mayor should use this as the starting point for a public resource.

Ensuring estate regeneration has resident support

“Require that estate regeneration only takes place where there is resident support, based on full and transparent consultation, and that demolition is only permitted where it does not result in a loss of social housing, or where all other options have been exhausted, with full rights to return for displaced tenants and a fair deal for leaseholders.”

Estate regeneration remains a totemic issue for housing campaigns in London. It has often taken place against the wishes of residents, with a net loss of social housing and accusations of social cleansing as people have been relocated far from their original homes.

The Mayor’s manifesto pledge is therefore very important and marks something of a sea-change in London. More recently, he has also addressed concerns about the rights of private renters living on estates. He has stated that the new mandatory guidance that is being developed for local authorities will include private renters within consultation and development processes.

However, there remain questions over the full detail of the Mayor’s estate regeneration plans and how exactly resident support will be evidenced. A basic tool that should be used is a ballot of all residents, including private renters.

x. Sadiq Khan, A Manifesto for All Londoners, p. 24, see http://www.sadiq.london/.
Devolution, additional powers and going further

There are various processes taking place that will look to extend devolution within London. By 2020, all local authorities will have full control over business rates, though this will be matched with a phasing out of other grant funding by local government.

Equally, the Mayor is in current discussions with the Department for Communities and Local Government about gaining further powers, including over the private rented sector. He has also reconvened the London Finance Commission to consider a devolved financial settlement with the context of London leaving the EU.

Some of the Mayor’s manifesto commitments are contingent on gaining more powers from central government, as we have set out in the previous section. However, within these negotiations, he should also be going further and making the case for additional powers for London in the private rented sector giving the Mayor proper authority to control and improve the PRS.

Below we set out some immediate priorities in this area, following a government reshuffle that may open up new options for policy development.

Extending security of tenure
We know that a wider group of Londoners are living in the private rented sector, and for much longer periods of time. When only 26% of twenty- and thirtysomethings in London expect to have bought a home in the city by 2025, there is a large population who require greater security of tenure to make their lives in the city, without the threat of potential eviction affecting their families, their access to services and their work-life balance.

Ideally, the Mayor should be asking for a comprehensive package to ensure that Londoners can stay in their homes without fear of eviction for no reason. This would involve ending the use of section 21 and putting limits on rent rises, a model similar to that recently passed in Scotland.

We advocate a model where eviction would still be possible if a landlord needed to sell the property, but when doing so they would be obliged to pay the moving costs of the tenant (up to a reasonable limit, which could be assessed based on average costs for tenancy fees, deposit, removal vans etc).

Equally, in the case of a sale, a sitting tenant would be given the first refusal to buy the property, moving towards a system where a private rented property is properly considered a tenant’s home.

While devolution negotiations are ongoing, better practice on a London level should be promoted by the Mayor. As previously mentioned, the new not-for-profit lettings agency should be promoting model tenancy agreements that offer longer tenancies as a matter of course.

Equally, there must be better coordination with mortgage lenders in the capital to move beyond conditions on buy-to-let mortgages that only allow landlords to offer tenancies at a maximum length of a year.

Rent control
There is an affordability crisis within the private rented sector in London, and this will continue to be the case even if housebuilding is considerably increased over the coming years. Too many Londoners are paying rents that are well above a third of their income, the widely agreed definition of affordability.

There are immediate and long-term consequences stemming from this fact. In the immediate term, people’s living standards are hit and the London economy is damaged as money that would otherwise circulate throughout the economy goes towards a relatively small number of landlords. In the long-term, renters are forced to settle for less for their money, living in poorer conditions and smaller homes where they can find lower rents.

Furthermore, inequality increases as first-time buyers struggle to save up deposits and the gap between homeowners and everyone else grows, hitting London’s mixed communities and making it harder and harder for low-income workers to live in the city.
Given this situation, we believe that rent controls that limit the overall amount that tenants pay, as opposed to limiting rent rises, should be explored in greater detail. There should be a full-scale investigation into the merits of different forms of rent control for the PRS in London, considering other systems overseas and the particular context of private renting in London.

For example, we have already put forward a model which would help to fund new housing supply through a levy on landlords who charged more than a local affordable rent level\(^{xiii}\).

If the London Mayor accepts the principle of rent control (the London Living Rent) for private tenants on new developments, then he must also consider how affordability can be regained for the vast majority of tenants in London who will not have access to this new scheme.

**Support for low-income private tenants**

If London is increasingly unaffordable for the wide range of private tenants, it has for some years been moving towards a no-go area for private tenants on housing benefit. Local Housing Allowance rates are at a level which mean renters on benefits cannot find homes in the city, and this will worsen with the freeze on levels up to 2020.

Greater numbers of people are being housed in the PRS either outside of the borough or outside of London altogether by local authorities, looking for homes on rents that match these levels\(^{xiv}\).

The Mayor should be arguing for a new welfare settlement for London that takes into account its increased housing costs and provides better support for those on LHA.

He should also be making the strongest possible case for a higher grant allocation to build social housing and be pushing for a mass council housing building programme in the city.

The lack of access to the PRS for claimants is compounded by the continuing ‘No DSS’ advertising of properties, where landlords or lettings agents refuse to let to benefit claimants. Income discrimination of this kind should be outlawed, with enforcement falling under trading standards in the same way as functions for current obligations on the lettings industry.

**Energy efficiency linked to landlord licensing**

London still has extraordinary levels of fuel poverty for a city with such wealth\(^{xv}\). Private renters are more likely to be in fuel poverty, and to live in the least-insulated homes. The Mayor should therefore be putting energy efficiency at the front and centre of PRS licensing, as a means to immediately support people who are struggling to heat their homes.

Central government is currently revising the funding details for national policy that will require private landlords to improve the energy efficiency of their homes for new lettings from 2018. However, it is clear that current provisions will not go far enough in helping the worst-affected households or ensuring a properly insulated PRS stock in London.

The Mayor should be moving towards a system that requires properties to hold an Energy Performance Certificate of level C, as a condition of being licensed. Given that this will take time to implement and require considerations over funding and implementation, we should be aiming for policy that gives time for landlords to adjust and comes into full force by 2025.

**A private renters voice at City Hall**

While the Mayor’s manifesto recognised the massive growth in London private rented sector in recent years, and the need for policy to address problems in the sector, this now needs to be reflected in the structures at City Hall.

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\(^{xiii}\) Generation Rent, May 2015, pp6-7 https://d3n8a8pro7vhmx.cloudfront.net/npto/pages/96/attachments/original/1431594459/Queens_Speech_v6.pdf?1431594459


Generation rent campaigns for professionally managed, secure, decent and affordable private rented homes in sustainable communities.

Join us today and help campaign for a better deal for private renters at generationrent.org