

31 July 2003

Kate Barker  
Barker Review of Housing Supply  
1 Horseguards Road  
London  
SW1A 2HQ

Dear Kate Barker

I am responding to the invitation to submit views dated 9<sup>th</sup> June.

Quintain is an active member of London First and we support the submission made by them very recently. However, we feel that there is a slightly different perspective from mixed-use developers, such as ourselves, which justifies a separate and distinct submission. For the record, Quintain is a Joint Venture partner in Meridian Delta Limited which is the developer of the Dome and Greenwich Peninsula site. This site, of course, will produce some 10,000 new homes for Londoners. As regards Wembley, we own the land surrounding the new National Stadium and will submit, in September, a planning application for a major mixed-use development which will include some 4,000 new dwellings. At other, smaller, mixed-use schemes both within and outside London we are looking to maximise housing output in our mixed-use proposals.

I set out our principal points below: -

1. We believe that mixed-use developers have a different perspective and timeframe from house builders. We see ourselves as being there for the long-term. That is, having an ongoing role in terms of estate management, public realm management and of course the portfolio and asset management of retail and leisure facilities, which in many cases will be integrated vertically with residential above. Some have defined this role as 'town builder'. House builders will typically move on to the next development once construction is completed and sales are effected. This is not the case with mixed-use development, although an element of plot sale may be involved. Generally, we would perceive ourselves as retaining a long-term freehold and investment interest.
2. Coherent management regimes for the residential, retail/ leisure and public realm interfaces will be essential. Housing Associations must integrate their tenancy agreements within a single management regime for all residential occupiers, whatever their tenures. We believe that this gives us a right to have a say in the letting policies to be adopted by the nominating Local Authorities and Housing Associations. For example, nominating tenants with a previously proven record of anti-social behaviour into a dense mixed-use development would be disaster in our

view and whilst generally Local Authorities recognise this, the sub-regional nature of Housing Corporation funding to the larger mixed-used developments means that there will be disparate nomination criteria, as well as disparate affordability criteria, operated by the respective Local Authorities/ Housing Associations. It is essential that a commonality of approach is adopted by these organisations. Similarly, management and maintenance regimes must ensure that tenancy obligations are adhered to – enforcement of estate wide management practices against owner occupiers, whilst affordable housing tenants are treated less robustly, is a recipe for disaster.

3. Mixed-use is inherently more risky than single focus development. The investment cycles for housing and for commercial/ retail/ leisure do not necessarily coincide. As such, adding affordable housing burdens to a complex mix of commercial drivers and public sector demands is problematic. More clarity and certainty as regards the obligations that mixed-use schemes are likely to inherit is essential. The recent plethora of advice and policy change on affordable housing has created turbulence and reduced predictability.
4. One particular aspect is a problem, the investment cycle of the Housing Corporation, is restricted to 3 years by the Public Sector Borrowing Requirement. This is clearly a risk that the private sector cannot manage. The developments we are involved in will take place over many years – certainly more than a decade. Where public sector subsidy to the affordable housing is essential, and in the vast majority of cases in our experience, it is essential, then it must have a funding horizon of greater than 3 years. There are many other examples of Government support for projects such as Housing Action Trusts (10 years), Single Regeneration Budget (5 years, sometimes 7 years), New Deal for Communities (5 years). Whilst it is appreciated that the heavy capital spend implied in affordable housing does not sit easily with the Government's need to manage the wider economy, it is not reasonable to effectively switch the risk of funding to the private sector without expecting a concomitant significant increase in risk premium, or, reduction in affordable housing demands.
5. It is clear that the existence of affordable housing is generally believed to reduce private sector values. Atis Weatherall Real published a report last year which indicated that developers felt that a 10% reduction in value was experienced where new affordable housing was a planning requirement. This is not calibrated in terms of whether increased levels of affordable housing would result in reduced levels of private values on a rising scale, but intuitively this feels right. Similarly, there is no evidence either way, as to whether affordable housing has an impact on commercial/ retail values when located in the same building or, in close proximity. Our belief is that at Wembley, where we are trying to create an “18 hours a day 7 days a week” leisure/ specialist retail environment, large numbers of affordable housing tenants, particularly social renters who are predominantly on housing benefit would not help

the economic performance of the restaurants, bars, cafes, cinemas in the area. Therefore, we believe that high levels of affordable housing on mixed-use development are to be avoided and wherever possible, affordable housing should be targeted at economically active households.

6. As regards public sector subsidy going into affordable housing schemes, this is already capped off through the TCI system at some way short of value. We believe, therefore, that any attempt to ration grant by reducing it from current TCI levels, or other benchmarking, is inappropriate. This is particularly the case in the current environment where heavy emphasis is being placed on high quality design in high density schemes. The recent Cabe Report on values and good design clearly indicated that whilst good design does cost extra, it is reflected in better private sector returns. Of course, this does not apply when affordable housing is capped at current TCI levels – there is no mechanism for recouping or mitigating the additional cost arising from high quality design.
7. It is important to remember that planning obligations for affordable housing are fundamentally different from other planning obligation requirements. Development does not of itself cause a need for affordable housing. All other planning obligations arise out of the impact of the development itself. More homes require more schools, require better public transport etc, requiring affordable housing as a consequence of building new homes is in a different category, and whilst we accept that it is a material planning consideration, we cannot accept that the development should be required to make good deficiencies in the existing housing system caused by public policy, e.g. loss of social rented accommodation under the right to buy, failure to ensure that private residential landlords maintain their existing properties. Affordable housing demands therefore need to be reasonable and proportionate. In London we do not believe this to be the case.
8. Considerable concern has been expressed by partner housing associations about the impact of service charges on tenants and other occupants of affordable housing. High service charges will be incurred in high density schemes in recognition of concierge, leisure facilities, lifts and a high level of servicing. We are concerned that some housing associations say, that, given the levels of service charge they can only let to tenants who are on full housing benefit. This is the very antithesis of the approach we would wish to see whereby vibrant, economically active communities were fostered in these new quarters of London. We believe that a major problem could emerge under the question of who pays the service charges. Developers and estate managers will expect occupants to pay a fair and reasonable proportion of the services they receive. Similarly, it is our understanding that groups or tenures cannot cross subsidise each other without the possibility of legal challenge. Housing associations have limited resources and are clearly indicating that they will have no alternative but nominate tenants on full housing benefit. Clearly where working households are living in high density developments and perhaps working

very locally, they are making savings in terms of travel costs, minimisation of time and costs associated with shopping and these factors need to be balanced against the higher level of service charges. Similarly, where there is CHP or bulk buy of services such as electricity and gas supply, any discounts or cost reductions achieved (also through better levels of insulation) should reflect in the income versus service charge equation. We would not wish to have to be forced into considering unpalatable options such as not providing lifts in affordable housing to reduce servicing and sinking fund costs, on differentiating design to reduce cost in use for the affordable housing, e.g. by providing hard surface amenity space, whereas the private sector had soft green spaces. These are very real issues and will need to be addressed.

9. Building Regulations. We note from the Government's response to the Select Committee report on Planning for Sustainable Communities, the Government indicates that reviews of building regulations are routinely undertaken and have at times addressed specific issues. We are struck by some of the building and planning regulations which limit design freedom and building utility. For example, it is commonly reported that most people on the continent live in closer proximity, with more overlooking. But there, the issues are primarily about adequate sound insulation, rather than simply the distance between windows. Similarly, we would draw your attention to the examples of design which would fall foul of Buildings Regulations in the PRP architects report, "High Density Housing in Europe: Lessons for London". There are many examples here of successful schemes which clearly defy existing building/ planning regulations. One example, of a Dutch flat, which has a central wet core with a bathroom and toilet with no ventilated lobby located in the middle of an open plan area. This offers immense design freedom to architects, but would be wholly un-acceptable in England. We wonder whether the Government/ Local Authorities would be prepared to consider a limited number of experiments/ exemplars which clearly anticipated breaching building regulations where an appropriate relaxation of waiver could be offered. We would be keen to engage in looking at such an approach on a limited basis.

I hope this contribution is helpful and I would be delighted to meet with you, along with our Head of Housing Initiatives, Mike Youkee, at any time.

Yours sincerely

**N S K Shattock**