

Increasing the Housing Supply – The Realities of Developing in Westminster

**On behalf of the
Westminster Property Owners Association**

HJWB/MDP/J5152

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1 The Westminster Property Owners Association

- 1.1 The Westminster Property Owners Association came into being on 1 January 1988.
- 1.2 The principal objects of the Association are to consider all aspects of planning and other matters insofar as they affect the property situation in Westminster and to act as a representative body for those having an interest in such property.
- 1.3 To these ends, the Association collates and disseminates views and information, promotes goodwill and understanding, liaises with others including Planning Authorities and makes representations.
- 1.4 The Association consists of a Council having 30 Members and some 90 Ordinary Members. A schedule of the WPOA Council and Ordinary Members is attached.
- 1.5 The Association membership includes many organisations which are directly or indirectly responsible for implementing planning policies and therefore it is important that a practical consensus of policy is achieved. The Members are directly responsible for nearly 6.5 million square metres of commercial, retail and residential floorspace.
- 1.6 It will be readily apparent therefore that the Members of the WPOA are key stakeholders in the successful implementation of City Council policy, especially within the Central Activities Zone insofar as economic and world city functions, as well as housing, are concerned, and outside the CAZ insofar the provision of additional housing is concerned.
- 1.7 The Association recognises the challenges associated with increasing housing in London and especially in Central London. These submissions are intended to be constructive suggestions in considering how best to increase housing whilst sustaining London's key economic functions.

2 Spatial Strategy

- 2.1 There is a fundamental distinction between the Central Activities Zone (defined in the late 1970's by reference of distribution of Central London activities), Central London and remainder of London.
- 2.2 Within the CAZ, housing policy cannot be considered without analysis of the interaction with mixed use policy. Mixed use policy requires that any increase in commercial floorspace is matched by an increase in residential floorspace, subject to a threshold used for guidance of 200 sq m.
- 2.3 Significant growth in Westminster's economy¹, which contributes 10% of the UK Gross Value Added, is forecast.
- 2.4 Draft London Plan Alterations propose 705 dwellings per annum from 2007/08 to 2016/17, a reduced annual monitoring target from 974 per annum. This may reduce further to 680 dwellings.
- 2.5 Within the CAZ, there is a significant tension between economic growth and housing provision, e.g. 370,000 sq m of additional comparison goods retail floorspace required in Oxford Street, Regent Street, Bond Street alone to 2016.

¹ City of Westminster, Gross Value Added, 2005, £24 bn; growth forecast 40% to 2016; UK, Gross Value Added 2005, £252 bn.

3 Economics of Development

- 3.1 High existing asset values create a high entry price to development through the destruction of the existing asset, which may already be providing satisfactory returns. Thus, substantial additional value and return must be generated to justify redevelopment. Therefore, there is the need to generate the incentive to invest. Cities need to improve through the regeneration of buildings.
- 3.2 The glass ceiling – the perception is that Westminster is substantially fully developed to capacity. Thus, the opportunity to increase floorspace which would justify redevelopment is not made available. Most changes to development capacity tend to be very much at the margin.
- 3.3 Policies are applied on a site by site basis in terms of both affordable housing and mixed use provision. This means that, in the CAZ, the cumulative affordable / mixed use policy threshold bites on commercial development at an increase of only 750 sq m of gross external floorspace (assuming 10 homes at 75 sq m gross floorspace per home).
- 3.4 Policies applied on a site by site basis result in substantial inefficiencies in development in seeking to design and service, say, three land uses (e.g. office / retail, general needs housing, affordable housing).
- 3.5 The capital value of such a mixed use development is depreciated.
- 3.6 Lot sizes of new housing, and especially affordable housing, can be low, generating significant lack of economies of scale. (Average size of residential development is four units in CAZ, nine units outside CAZ, WCC, Background Paper 4, Page 27.)
- 3.7 The opportunity cost of affordable housing in Central London is exceptionally high (e.g. affordable housing by Belgrave Square). This represents a very inefficient allocation of land and capital.
- 3.8 This can have an adverse effect on total housing supply.
- 3.9 Uncertainty is created at present by the First Secretary of State's unresolved direction.
- 3.10 Is the land required for social infrastructure available?

3.11 Conversion of office buildings to residential use in the 1990's was a one-off windfall.

4 Functions of Supply

4.1 There is exceptional complexity in the use of stock:

- a) Permanent homes
- b) Second homes
- c) World City homes
- d) Corporate
- e) Serviced apartments
- f) Holiday lets
- g) Temporary sleeping accommodation < 90days
- h) HMO's
- i) Students
- j) Shared Equity
- k) Key worker
- l) Social rent
- m) Hostels
- n) Care homes

5 Solutions

5.1 The objective is to stimulate all housing supply but we must also support Westminster's critical economic functions. The CAZ is defined by reference to economic function.

5.2 What might be done to increase the housing supply?

- a) Critically assess the development envelope especially in Opportunity Areas (Paddington) and Areas of Intensification (Tottenham Court Road and Victoria) and make best use of the scarce land resource.
- b) Consider the role of the silent majority in the planning process. Are they judged indifferent or silently supportive?
- c) Critically assess where the balance is struck between preserving the status quo for existing interests, thus reducing development capacity, e.g. average daylight factor (under BRE guidance) and adding to development capacity.
- d) Convert land uses through planning permissions into tradable planning benefits. This helps to resolve the constraints of the site by site approach.
- e) Positively encourage residential land use and affordable housing credits strategies. These enable more efficient use of land, greater economies of scale, reduced opportunity costs whilst still encouraging economic development (e.g. residential land use credit proposal : affordable housing credit proposal).
- f) Review the 70:30 social rent : intermediate (London Plan) ratio in Central London because:
 - A high SR proportion depresses development value when compared with existing or alternative non-residential uses and / or existing residential asset values. The "cross over" value justifying additional residential development is not achieved, reducing housing supply.
 - More intermediate housing is particularly important in Central London given the size of the economy and level of employment.
- g) In the context of Westminster and Central London, the philosophical prejudice against multi site proposals must be

overcome; the right units need to be in the right place at the lowest cost in the context of London as a whole, particularly given the principles of the urban renaissance.

- h) Where multi site approach is not deliverable, review the conversion of opportunity cost into shared value and thus increase total affordable housing supply.
- i) Certain locations in Westminster are not very suitable for family housing. This should be accepted and mix aligned accordingly.
- j) More emphasis is needed on low paid private sector workers that support the Central London economy.
- k) Students currently often occupy private rented accommodation. If student accommodation were to be defined also as part of the affordable housing stock, purpose built accommodation would be stimulated, releasing general needs housing.
- l) Discourage use of parking policy to restrict housing supply.

Appendix 1

WPOA Members - November 2005

Allford Hall Monaghan Morris
Allsop & Co
Aon Limited
Areen Design Services
Berners-Allsopp Estate
Boodle Hatfield
Boxall Sayer
BP International
British Land
Burford Group plc
Candy & Candy
Capita Symonds
Capital & Counties plc
CB Richard Ellis
Chapman Petrie
Charles Russell
Church Commissioners
City Inn Ltd
CLSH Management Ltd
Cluttons
Colliers CRE
Coverdale-Davis
CREMS
Crown Estate
Cushman & Wakefield Healey & Baker
D E & J Levy
Dalglish
Davenport Lyons
Davis Langdon LLP
Derwent Valley Holdings plc
DP 9
Drivers Jonas
DTZ Debenham Tie Leung
Duchy of Lancaster Office
EPR Architects Ltd
Estates & Agency Holdings plc
Eversheds
Farrer & Co
Fitzroy Robinson

WPOA Members - November 2005

Fletcher Priest Architects Ltd
Forsters
Four Communications
Freshfields Bruckhaus Deringer
Gardiner & Theobald
Gascoyne Holdings
Gensler
Gerald Eve
Godfrey Vaughan
Grafton Advisors LLP
Great Portland Estates PLC
Grosvenor
Grosvenor Securities Ltd
GVA Grimley
Hamilton Associates
Hammerson
Heath Lambert Group Ltd
Helical Bar
Henderson Global Investors Ltd AMP
Hermes Pensions Management Ltd
Howard de Walden Estates Ltd
HRO UK Ltd
ISG Interior Exterior
ISIS Property Asset Management plc
JER Partners
Joint London Holdings
Jones Lang LaSalle
King Sturge
Knight Frank
Kohn Pedersen Fox Associates (Int)PA
Lancer Property Asset Management Ltd
Land Securites PLC
LaSalle Investment Management
Legal & General
Legal & General Property Ltd
Lifschutz Davidson
Linklaters
Loftus Family Property
London Merchant Securities plc
Lovells
MacFarlanes
Malcolm Hollis

WPOA Members - November 2005

Mercers Company
Millar Kitching Ltd
Minerva Corporation plc
Montagu Evans
Nabarro Nathanson
Nathaniel Lichfield & Partners
NCP
Nelson Bakewell
Network Railtrack Infrastructure Ltd
Noved Investment
Oxford Street Association
Paul Davis & Partners Architects
Pell Frischman
Pellings
Potter Raper Partnership
Prudential Property Investment Managers Ltd
Quintain Estates & Developments plc
RadcliffesLeBrasseur
REDEVCO
Rolfe Judd
Rugby Estates
S J Berwin & Co
Sames Ltd
Savills Commercial Ltd
Shaftesbury plc
Sheppard Robson
Sir Robert McAlpine Ltd
Skanska Construction UK Ltd
SKM Anthony Hunts
Slaughter & May
Soho Estates Ltd
Squire & Partners
St Anselm Development Co Ltd
St Martins Property Corporation Ltd
Standard Life Investments
Stanhope plc
Stow Securities plc
Structadene Ltd
T P Bennett
The Eyre Estate
The London Practice
The Portman Estate

WPOA Members - November 2005

The Royal Bank of Scotland Group

The Rutland Group Ltd

Trehearne Architects

Trevor Estate Ltd

Tuckerman

Turley Associates

United House Ltd

University of Westminster

W A Ellis

Warner Estate Holdings Plc

Waterman Associates

Watts & Partners

Wereldhave Property Management Co. Ltd

Western Heritable

Woods Bagot