

Matter 4 – Housing

**Westminster City Plan 2019-2040 – Examination in Public
Response to Inspector’s Matters, Issues and Questions**

Housing Requirement / Target

Question 2 - Would [a target of 22,222 homes over the plan period / annual target of 1,495 homes] be realistically achievable? What evidence is there to demonstrate this?

1. The Crown Estate notes the reduction in the scale of ambition for the City Council’s housing supply.¹ Whilst this is understood, the reduction in ambition is regrettable.
2. The City Council’s Annual Monitoring Report confirms that the current London Plan target for 1,068 net additional residential units per year has not been met in three of the four last years on which it reports.² There was a significant fall in 2018/19 and the effects of Covid-19, and a potential associated recession, may exacerbate this and may lead to a further fall in completion rates over the next few years.
3. Irrespective of the precise target to be adopted, it is clear that an acceleration of delivery from current rates will be necessary.

Policy 10 – Affordable Contributions in the CAZ

Question 30 – What is the basis for seeking affordable housing contributions from office and hotel developments in principle? Is the approach justified, consistent with national policy and in general conformity with the London Plan?

4. The Crown Estate supports securing affordable housing from commercial development within the CAZ provided that a realistic, effective and justified approach is adopted.
5. The Crown Estate’s longstanding support for this principle is demonstrated by its track record of providing housing, and affordable housing, associated with commercial development, in line with currently adopted policy. Recent examples include:
 - a. Offsite provision in association with St James’s Market Phase 1: 15 additional market homes and 12 intermediate affordable homes. These units were all completed ahead of the occupation of St James’s Market.
 - b. Morley House: provision of 44 new market homes and contribution to the City Council’s Affordable Housing Fund. Morley House is under construction.
 - c. 33 Vauxhall Bridge Road: 30 new affordable homes with a range of tenures, including 9no. at London Affordable Rents, 15no. at London Living Rents and 6no. at Lower Quartile Rents. This site was granted planning permission in June 2020.

¹ Main Modifications PS/H/01

² EV_GEN_013 Authority’s Monitoring Report 2018-19 (WCC, March 2020), page 16

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6. The Crown Estate is, and will remain, an active supporter of WCC's long term ambition to retain a mix of uses within the City of Westminster. It recognises the importance of securing affordable housing.
7. The requirements of Policy 10 to provide 35% affordable housing on-site are extremely challenging and go substantially further than previous requirements. TCE's experience is that this may not be achievable in all cases as currently drafted and consequently may be unsound. If the policy is not workable then this would affect the ability of WCC to provide additional commercial floorspace, as well as affordable housing that would derive from it.
8. WCC's Plan targets include supporting intensification and optimising density (Policy 1.A.1 and 1.B.1), providing new and improved office space to provide at least 63,000 new office-based jobs (Policy 1.A.3 and Policy 14.A) and balancing competing functions of the CAZ (Policy 1.A.4). Were the effect of the policy to compromise WCC's ability to deliver these growth targets, this would be inconsistent with regional policy. The wording of the policy must be therefore be carefully considered and evidence based, with an effective and justified approach taken.

Question 31 – How would the policy affect commercial growth.

9. The Crown Estate considers that Policy 10, in its current form, would be likely to lead to a fall in the growth, intensification and renewal of new office floorspace in Westminster. The policy would not reverse the current decline in the City's office stock and would prevent WCC's employment and jobs targets from being achieved.
10. This is because the proposed change in policy would very substantially increase the amount of subsidised floorspace that would be required from commercial development in Westminster.

Question 32 – What is the basis for the percentage contributions and floorspace thresholds

11. From its own development experience, The Crown Estate considers that the percentage contribution sought (35%) is likely to be too high to be achievable in many cases, for the reasons summarised in this statement and set out within The Crown Estate's previous representations.
12. For this reason, if the target is to remain, The Crown Estate considers it is essential that the policy provides sufficient flexibility for the objectives of policy to be achieved through the use of policy tools that have been shown to be effective.
13. In the first instance, the current thresholds proposed within Policy 10 are, however, too low. The Crown Estate proposes that affordable housing provision should be required only for developments increasing office floorspace by over an additional 2,000sqm. The provision of affordable housing should then be stepped from 0% at 2,000sqm up to 35% at 7,500sqm additional office floorspace.³

³ This has been suggested previously, see paragraph 6.43, July 2019 WPA Representations

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Question 33 – How was viability been taken into account in formulating the policy and is the evidence on viability sufficiently comprehensive and robust.

1. The Crown Estate has concerns regarding the viability exercise which was undertaken to support the policy. It is not persuaded that the evidence is sufficient sufficiently comprehensive and robust to support the proposed policy.
2. The Crown Estate, as a member of Westminster Property Association, notes that the WPA's review of the viability evidence concludes (contained within its representations on the Draft City Plan of July 2019 and its Interim Statement of April 2020) that many forms of commercial development would no longer be deliverable under this policy and commercial growth would be discouraged.

Question 34 – How would the viability of particular schemes be taken into account?

3. The Crown Estate has not, to date, submitted financial viability assessments as part of its applications for development. Instead, it has achieved, or exceeded, headline policy targets through an estate wide approach, including the flexible use of off-site and early provision, which the current plan facilitates.
4. The Crown Estate's preference would be that policy continues to be set at a level that is deliverable and achievable, based on robust viability evidence at plan-making stage. It does not wish to have to rely on regular use of financial viability assessments at scheme level.
5. Notwithstanding this, if Policy 10 is to set the requirement at a level that is considerably higher than that sought in the past, it would be essential that the text of Policy 10 itself should enable the use of financial viability assessments to provide the ability for the viability and circumstances of individual proposals should be considered on a site by site basis to be recognised, with the overall objective of encouraging, rather than discouraging, development in order to contribute to achieving WCC's employment growth targets. Additionally, appropriate thresholds should be used and flexibility allowed regarding the provision of affordable housing to address the policy aspiration, as described below.

Question 35(i) – Is the policy justified in terms of the approach to on site and off-site provision and payments in lieu? Is there sufficient flexibility?

6. Policy 10 is insufficiently flexible in respect of off-site provision, land use swaps and credits and payment in lieu. The Crown Estate has only been able to meet the requirements of existing affordable housing from commercial development policy, which are set at a much lower level, through the flexible and innovative use of a range of land use tools and mechanisms, such as these. Policy 10, setting a much higher requirement, will not be deliverable without being accompanied by flexible delivery mechanisms such as these. Without them, it is unsound because it will not be effective.
7. **Onsite** provision will frequently be difficult to achieve in the CAZ on sites that are currently developed. Isolated, individual residential units may not provide good quality homes when surrounded by commercial development. This is why the London Plan emphasises the need

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to consider the potential to use land use swaps, credits and off-site contributions in relation to commercial development within the CAZ.⁴

8. **Off-site** provision should be acceptable where it will demonstrably provide better housing outcomes, in terms of either scale or quality. Off-site provision throughout the city should be acceptable, as long as the mix of existing communities is retained or strengthened.
9. The Crown Estate welcomes Modification M/H/12 which recognises that **land use swaps** “may” be an acceptable mechanism for providing affordable where considered appropriate. The wording should be clarified to provide that land use swaps “will” be effective, and included within policy itself, rather than within supporting text only. The use of off-site provision and payment in lieu should be accepted as an alternative to on-site provision throughout the CAZ.
10. Further, on the matter of land use swaps and land use credits, The Crown Estate supports the response of the Westminster Property Association on Matter 9, Question 8.
11. The Crown Estate considers that the decision not to include reference to provision by **land use credits** is not justified. There is clear evidence that the use of land use credits can facilitate the early delivery of housing, including affordable housing. The Crown Estate’s residential development at Morley House, which is nearing completion and provides 44 residential units, is an example of this. Two of the commercial developments that are likely to be linked to the credits created, at Oxford Circus and Piccadilly, have not yet commenced. No. 33 Vauxhall Bridge Road has only just been permitted, but will also facilitate the early delivery of housing, in the form of 30 affordable homes.
12. Morley House therefore illustrates that permitting the use of credits can lead to residential units being provided well in advance of the commercial developments that will require them, thus meaning that more housing need is met earlier. The limited reference to early provision at paragraph 9.13, applicable only to public, charitable and non-profit providers, should be expanded.
13. Policy 10 is currently inconsistent with the recognition in Policy 15(B) that residential uses are not appropriate in the International Centres. Policy 10 should be amended accordingly to recognise that offsite affordable housing provision, or a payment in lieu of onsite affordable housing (at the applicant’s choice), would be acceptable for developments within the International Centres. Detail, and testing, of the levels of the payment in lieu is, however, needed to ensure the policy is effective. This detail cannot be left to subsequent supplementary guidance.
14. In general terms, the City Plan does not currently stand alone in defining the basis of quantitative provisions for matters such as affordable housing. Defining how affordable housing payments in lieu are to be calculated is integral to the deliverability of the policy and should be tested as part of it, rather than left to supplemental guidance as envisaged by the LDS.⁵

⁴ Intend to Publish London Plan, SD5(I)

⁵ CORE_023, Local Development Scheme, March 2020, page 8

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Question 35 (ii) – Is there sufficient clarity as to how the policy will be implemented in practice?

15. The Crown Estate considers that the way in which the proposed policy would be applied is not sufficiently clear with regards to how Policies 9 and 10 would interact and the plan does not provide sufficient technical detail to indicate clearly what level of affordable housing will actually be needed in real-life circumstances. This has the effect of making it impossible to establish if the viability testing that has been undertaken, has actually been carried out in the way in which WCC envisages policy being applied.
16. This is compounded by proposed modification M/H/11, which would, in effect, capture changes of use within mixed-use policy.
17. As noted in its response to part (i) of this Question, the details of the application of the policy should not be left to supplemental guidance.

Question 36 – Are the proposed modifications necessary for soundness? Are any other modifications necessary?

18. The Crown Estate does not support proposed modification M/H/11. This is a significant potential change. The City Council has not consulted on it nor is it clear that the effect of this has been taken into account in the viability assessment.
19. The effect of M/H/11 would be to capture the change of use of existing floorspace that is being repurposed (either through comprehensive redevelopment or, increasingly, through refurbishment/extension) as office space. This appears to discourage the more efficient use of existing buildings. Changes of use and repurposing of buildings has the potential to become more a more frequent occurrence, both as a result of structural changes brought about by Covid-19, particularly to the retail sector, and as momentum is gained in the re-use of buildings as a sustainable approach to development. Inhibiting the re-use of vacant multilevel retail buildings or, potentially, hotel buildings as office space by imposing a very high tariff is unsound.
20. With regards to other necessary modifications, Policy 10, as drafted, is not sound and would not be effective in achieving the overall aims of the City Plan. It is unclear that the viability exercise is comprehensive enough to justify the policy position.
21. To summarise from the above responses on Policy 10, The Crown Estate seeks modifications of the Policy and supporting text as follows:
 - a. Removal of modification M/H/11 (to include changes of use within the policy);
 - b. Clarification of the underlying viability exercise or provision of a new, fully robust viability exercise to include examples of a wide range of scheme types, the effect of M/H/11 if it is to remain in the text and sensitivity tested to allow for market downturns amongst other matters;
 - c. Following the above, clarification of the appropriateness of the 35% requirement;

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- d. Office thresholds as follows: affordable housing provision should be required only for developments increasing office floorspace by over an additional 2,000sqm. The provision of affordable housing should then be stepped from 0% at 2,000sqm up to 35% (or an adjusted requirement) at 7,500sqm additional office floorspace. This is in line with the previous proposal of the WPA;⁶
 - e. Furthering Modification M/H/12, a clear statement within policy that land use swaps, land use credits and off-site provision would form acceptable alternative means of providing affordable housing;⁷
 - f. Linked to this, the limited reference to early provision of affordable housing at paragraph 9.13, applicable only to public, charitable and non-profit providers, should be expanded;
 - g. To provide consistency with Policy 15(B), amendment to recognise that offsite affordable housing provision (including through the use of land use swaps and land use credits), or a payment in lieu of onsite affordable housing, would be acceptable for developments within the International Centres;
 - h. The text of Policy 10 itself should enable the use of financial viability assessments to allow the viability and circumstances of individual proposals to be considered on a site by site basis in order to promote, rather than restrain, development; and
 - i. Inclusion of the definition of how affordable housing payments in lieu are to be calculated within policy (and tested), rather than left to supplemental guidance as envisaged by the LDS;⁸
22. These policy tools have been shown to be effective in promoting and delivering affordable housing from commercial development. Their removal or restriction is at odds with evidence and The Crown Estate’s experience that they are effective. Modifications to reintroduce, or allow for, these tools are essential for there to be a realistic prospect of achieving the overarching objective of realising additional affordable housing from commercial development.

⁶ See paragraph 6.43, July 2019 WPA Representations

⁷ As per the Intend to Publish London Plan, SD5(l)

⁸ CORE_023, Local Development Scheme, March 2020, page 8