

Isle of Dogs Neighbourhood Estate Regeneration Briefing



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Summary of status;

This is the Regulation 14 consultation document containing a briefing on estate regeneration issues. It is an addendum to the Neighbourhood Plan but is part of the statutory consultation.

If you wish to comment on this draft Neighbourhood Plan you must do so by midnight Wednesday 19th April 2017, our contact details are below.

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Briefing on Estate Regeneration/Redevelopment

This briefing aims to inform residents of planning and housing issues and policy guidance – local, London-wide, and national – to generate discussion and engagement in the process of formulating future policies in a future, more comprehensive Neighbourhood Plan. **Policies** or **recommendations** included in the Quick Plan are highlighted in bold. Criticisms and suggestions for additions or clarifications are welcome from all sources, especially residents living on social housing estates.

Defining terms and policy context

1. The generic term estate ‘regeneration’ has been used to describe several, widely varied initiatives, from those with ‘social’ aims such as better health and employment outcomes, to projects focussed solely on housing; from refurbishment of existing stock or ‘infill’ new build schemes which may not greatly affect existing residents; to the demolition and ‘redevelopment’ of entire estates with life changing impacts on whole communities.

2. Key ‘drivers’ vary significantly too. In the current context, of London’s housing shortage and reduced government grant for sub-market rented housing, social landlords’ main motivation is increasingly to boost the supply of new homes and generate revenue from private sales, even when future repair cost projections don’t necessitate demolitions.

3. Redevelopments are more economically viable in high value areas – where higher sales revenues can generate cross subsidy for the re-provision of affordable housing - and in places where densities can be significantly increased, facilitated by the necessary transport capacity. Both factors apply to the Isle of Dogs, particularly as Crossrail becomes operational in 2018. The Greater London Authority (GLA) has also designated the Isle of Dogs and South Poplar as an Opportunity Area, and Tower Hamlets council’s draft Local Plan intends to focus much of the delivery of new housing in the area.

4. All council owned estates on the Isle of Dogs have been transferred to Housing Associations (HAs), so policies have to address factors unique to the sector. HAs own stock across borough boundaries, operate under different regulations, and have different roles to local authorities. As Tower Hamlets council does not own any local homes it may be able to play a facilitating role in consultation processes, as well as use its powers and influence to establish and uphold key standards.

5. The Isle of Dogs Neighbourhood Planning Forum’s initial plan primarily addresses ‘redevelopment’ projects where homes are demolished, because these schemes affect peoples’ lives in much more fundamental ways than refurbishments, for better or worse, depending on how they are implemented. Our overriding objectives are to meet housing need and protect the interests of existing and future residents. All policies and recommendations are needed in the current regulatory framework, based on extensive local consultation and established best practice or policy guidance.

6. It is an accepted principle that existing residents should be consulted in a transparent way and enabled to make informed decisions about their futures. To deliver these objectives the following policies should be incorporated into a Residents Charter from the beginning of any consultation process where the demolition of homes is being considered. Recommendations make additional points that Forum considers good practice but can't carry the status of formal guidance within planning policy guidelines.

Part 1: A resident-led, objective decision making process

7. Local Case Study: New Union Wharf (voting rights and development phasing to minimise the need for temporary accommodation)

East Thames Housing Association is in the process of completing the comprehensive redevelopment of New Union Wharf Estate on the Isle of Dogs, where 189 homes are being demolished and replaced by 399 new ones: 195 social or affordable rent; 47 shared ownership; and 157 for outright sale.

Demolitions have been phased to reduce the need for temporary accommodation, allowing some residents to move into new blocks before their homes are demolished. All wishing to return have been able to. Residents were involved in examining options. The final choice was between full redevelopment or refurbishment to Decent Homes standards. Redevelopment was decided upon through a binding resident ballot, overseen by the Electoral Reform Service. The commitment given early in the process – that the decision would be democratically made by those affected - built residents' confidence that they would be empowered to make an informed choice and protect their interests.

Policy: The right to vote to approve or reject final proposals where demolition is an option

8. Majority support in elections is not a legal pre-requisite prior to the demolition of social housing estates, (unlike before stock transfers from local authorities to housing associations), but Westminster council and some housing associations require binding 'approval' ballots. Tenants and leaseholders consulted by and engaged in the Isle of Dogs Neighbourhood Planning Forum also overwhelmingly believe that ballots on final proposals are the only credible way of demonstrating the support needed to sustain communities and minimise negative impacts, for several reasons.

i) Demonstrating 'majority support' is self-evidently not possible without quantifying views in a fair election. Public meetings, while valuable, only engage a minority of residents. Surveys suffer from the same limitation, to a lesser extent, and can be seen as controlled by the landlord, and therefore potentially biased. Although these methods can provide information or opportunities for discussion, and may be sufficient to take decisions on schemes that do not affect residents as drastically as demolitions, by their nature surveys cannot claim to match the legitimacy and inclusiveness of secret ballots, which allow everyone to express their views without fear of intimidation after considering all points of view.

In an open public meeting on the Barkantine estate in autumn 2015, over 100 residents unanimously voted for the right to vote to be included as a key principle in any future final

proposals for the redevelopment of their estate. There has also been support for the possibility of votes at the option appraisal stage – a point covered in Part 2.

ii) As detailed below, tenants and leaseholders' interests have limited legal protections; as one example, there is no 'right to return'. Elections therefore incentivise landlords to go beyond minimum regulatory standards, to motivate residents to vote for a final proposal.

iii) No other 'consultation method' can demonstrate so clearly a social landlord's sincere commitment to empower residents and protect their interests. Elections counteract potential criticisms that a consultation process could be a tokenistic exercise designed to fulfil a legal duty to 'consult,' then push through a decision already made in the landlord's own corporate interests to maximise revenues or deliver other benefits.

iv) Potential reservations about binding votes are surmountable and secondary:

9. Entitlement to vote: options include:

a) One vote for all resident tenants and leaseholders/freeholders as registered on leases and tenancy agreements; the method used in stock transfer ballots.

b) As for a), plus other adults living as part of tenants' or owners' households.

c) One vote per resident household

The Forum will continue consultations as part of compiling more detailed future guidance. Meanwhile we view such questions as secondary issues that cannot override the principle of democratic decision making. Ballots using any entitlement criteria would be far better than no election at all, because all would give a meaningful, quantifiable indication of residents' views.

d) 'Non-resident' owners: need careful consideration, because their life circumstances vary considerably. Most rent out flats long term as an investment and live permanently somewhere else. A minority may move away temporarily, to travel or care for relatives for significant periods, but their flat is still their main home.

Recommendation: some temporarily 'non-resident' owners should have the right to vote, if their circumstances fit the following criteria: they are only 'non-resident' on a temporary basis; the properties are their main homes; and they move back before an election. Residents should determine secondary eligibility criteria in consultation with landlords, (such as deadlines to move back), along with protections for private tenants of non-resident owners; a concern considered below.

10. Complexity: although considering future options can be a long, complex process, voting on a final proposal is not. Once protections for leaseholders and tenants and other factors are clearly detailed, which they must be, residents can make a binary choice as to whether they wish their homes to be demolished or not under those circumstances. See later recommendations on Conduct of Elections.

11. Blocking viable options and reducing housing supply: fears that residents will inevitably vote against redevelopment – to stay with the 'devil they know' – have been disproved by New Union

Wharf's experience. Using these concerns to deny the right to vote essentially argues that social landlords demand the right to demolish their residents' homes against the majority's will, a view that directly contradicts the universally held principle that demolitions should only be carried out with residents' support – central to the National Estate Regeneration Strategy 2016 and the Mayor of London's draft Good Practice Guidance to Estate Regeneration.

12. A social landlord's view may be that there is no long term viable alternative except demolition due to housing quality and projected future maintenance or refurbishment costs. In such a case residents would inherently have strong reasons to vote for change. If they vote no, the landlord should ask itself why.

13. The Forum endorses the principles in the *Estate Regeneration National Strategy* (2016), that, 'All approaches to regeneration should have the **support of a majority of the residents whose lives will be affected,**' and that consultation methods must be commensurate with the impacts of what is being proposed. To the Forum **potential demolitions are so life changing that they should require binding 'approval' elections.**

14 'Demonstrating resident support' (*Estate Regeneration National Strategy* (2016))
*Estate residents and the wider community should have the opportunity to have a say at the milestone stages where there are choices to be made, such as at option appraisal, master-planning, procurement and design stages. **Where Neighbourhood Plans exist, or are in development, these should be taken into account in all discussions.***

*It is particularly important that residents have the opportunity to express their views on the final options...as individuals or via a democratic process using representatives. **The mechanism chosen...should be agreed locally and should be suitable for the activity... For example, a vote may be appropriate before complete demolition, whereas workshops or surveys could be used to communicate views about partial demolition or refurbishment.***

15. The same conclusion has been reached by several reports. The London Tenants Federation's recommendations were made to the London Assembly Housing Committee in July 2014 and since in a paper entitled: *Demolition v refurbishment discussion*. They include:

*'Tenants and residents should be involved in discussions at early stages of decision-making about demolition or refurbishment. This should include provision of options (including tenant-led alternatives) and a full balance sheet analysis... **Tenants and residents should have a right to a ballot prior to a final decision on demolition.***

16. The multi-party London Assembly Housing Committee published an evaluation of best practice based on research into many recent regeneration projects in London: *Knock it down or do it up? The challenge of estate regeneration* (2015).

*'An effective decision-making process would: have fully justified any regeneration proposal for which the provider considers there to be no viable alternative. **An independent ballot of estate residents would be undertaken which would inform any final proposals to demolish.***

'If residents vote against regeneration proposals, the provider must accept this and work constructively with residents to continue to maintain and improve their homes.'

17. In 2015 the Joseph Rowntree Trust submitted recommendations in its report: *'Estate Regeneration Briefing for the expert panel.'*

** The largely successful programme of voluntary stock transfer built transparency, legitimacy and trust through consultative ballots of residents and clear commitments on improvements to their homes and communities. The same principles should apply here.*

** **Residents should be entitled to a vote in a consultative ballot on all major redevelopment proposals...and the right to independent advice... If major redevelopment is approved, all residents should have a right to return to their neighbourhoods.***

18. In 2016, four architectural practices (Hta, Levitt Bernstein, Pollard Thomas Edwards, PRP), involved with estate regeneration projects for four decades published, *Altered Estates: How to reconcile competing interests in estate regeneration.*

*'Ballots were a legal requirement brought in with stock transfer legislation affecting programmes such as the Estate Renewal Challenge Fund... In many subsequent regeneration projects the ballot has been dropped...or circumnavigated, although some local authorities such as Westminster City Council favour ballots for all major regeneration initiatives. Meanwhile, relatively recent aspects of planning policy, such as Neighbourhood Planning, now involve referenda. **In principle, we endorse the use of ballots as an effective way of crystallising support for regeneration proposals.***

19. *Great Estates: Putting communities at the heart of regeneration* (Respublica 2016)

'Representation – all residents should have the ability to have a final say on a regeneration plan. This can take different forms, but it provides a strong incentive for the development of plans to keep the needs of the community at its heart.'

20. The Mayor of London's draft Good Practice Guide to Estate Regeneration highlights the importance of resident support, and lists several methods of demonstrating this, including votes, but raises some causes for caution.

'In most cases, surveys of residents (including door-to-door conversations) and small-scale meetings (including organised workshops or more informal drop-in events) will be appropriate ways to test views and satisfaction with proposals. These can retest opinions over time, and can enable views on a range of issues to be gauged and analysed, and for nuances in views to be established, especially in cases where the options for work on an estate are not binary.'

'Surveys and meetings should be repeated as proposals develop so that a 'real time' assessment of the acceptability of what is being proposed is enabled. This highlights a potential reason for caution around using ballots or votes, since they can risk turning a complex set of issues that affects different people in different ways over many years into a simple 'yes/no' decision at a single point in time.'

21. The Forum recognises that meetings, drop in events, and surveys may be appropriate ways of answering some initial questions in schemes where redevelopment may prove to be a final option, and could help make decisions in several types of 'regeneration' project that do not radically affect lives in the same way as demolitions do. For example, votes would obviously not be suitable for evaluating preferences about important 'complex' but lesser issues such as design standards, where a range of qualitative possibilities cannot be reduced to a simple 'binary' choice for or against.

The process of option appraisal *is* complex - and 'consultation' *should* take many forms, to be inclusive and meaningful - but, in the specific case of 'redevelopments,' at some stage a very drastic, very binary, decision has to be made – should homes be demolished or not, with all that entails? As it stands, the Mayor of London's generic draft guidance to 'regeneration' risks applying the same general principles or concerns to *all* types of scheme, including mass demolitions, rather than tailoring them to widely varied situations.

Local housing estate residents believe that demolition of homes is a very specific, special case, where they should make the final choice for the reasons already explained, particularly in paragraphs 8 and 10 on 'complexity'. Landlords cannot purport to be applying the generally lauded principles of 'empowerment' in a 'resident-led' process if the main decision is taken out of residents' hands. Claiming otherwise can only increase resentment.

22. Tower Hamlets 2016-21 Housing Strategy addresses key issues not covered in Tower Hamlets Draft Local Plan (2016-2031), by setting out guiding principles when considering proposals for 'New Homes on housing association-owned land.' In Section 7.7, regarding consultation, the council expects: *'Tenants and leaseholders to be consulted from the outset on proposals and to have access to their own independent tenant advisors and ideally a consensus reached on development proposals. The council will always ensure that residents have the opportunity to have their say with all proposed schemes having to meet the council's planning policies.'*

23. The council's Draft Local Plan and Statement of Community Involvement do not make specific recommendations about 'consultation' methods concerning estate regenerations, beyond the expectation that they be 'thorough,' 'inclusive,' and 'evidenced through a consultation statement.' (Plan Policy SG1.5). The Forum aims to enable these principles to be delivered in practice by detailing how residents can have a meaningful 'say.'

24. Policy: conduct of elections

a) Election subject: binding elections on final proposals must pose clear binary choices - either between two options, or yes/no votes to a single option, to enable clear majority results. If more than two options are considered initially, the number should be cut down to two preferred alternatives by initial votes or resident-approved surveys or meetings, to enable a final ballot on a clear, binary choice. Residents should choose methods of reducing options through TRAs democratically constituted for that purpose and open to all.

b) Entitlement to vote: see above.

c) Fair elections: those opposed to demolitions have the right to put their case. If possible, agreement should be reached between groups for and against a proposal about how arguments are put, to distinguish fact from opinion and avoid misleading people. To facilitate this, the final proposals need to be explained in detail in accessible language, to answer all questions raised and minimise areas of doubt. The voting process and ballot count must be managed by a trusted independent third party, such as the Electoral Reform Service.

d) Postal voting: should be used to maximise turnout with unique ballot papers distributed several days in advance of the voting deadline.

e) Well publicised public meetings open to all: are essential to allow residents to clarify any questions and hear all arguments. Meetings should also be organised to address the needs of specific interest's groups, (tenants; leaseholders; freeholders; commercial leaseholders), and enable all sections of the community to participate at suitable times and venues. For example: the elderly; ethnic minorities; disabled; parents with young children.

f) Estate by estate: if a landlord proposes the redevelopment of more than one estate, elections should be held on an estate-by-estate basis because housing conditions vary and individual estates form the most distinct communities, geographically and through their established networks and organisations.

g) Block types/parts of estates: if a proposal is to redevelop an entire estate, a simple majority of all votes should be required. In some cases, a consultation may reveal that there are clear majorities for and against demolition in particular types of building or parts of an estate. If that situation is objectively verifiable, it may be legitimate to propose demolitions and votes only for types of block or a part of an estate.

Such proposals should be approved by residents. For example, it would not be objective for a landlord to limit elections to high value locations and exclude other similar blocks from a vote to maximise chances of a yes vote. Equally, if a proposal is to only demolish some blocks, other residents should not seek to deny those whose homes might be replaced the opportunity to make decisions, because it would contradict the principle of self-determination by the people most affected, although residents from the wider estate should be consulted about potential impacts on them of demolitions and rebuilding, for example, access to daylight and disturbance from construction.

h) Deciding if elections should be required: in addition to decisions on demolitions, ballots could be appropriate in other situations where proposals have significant impacts, such as substantial infill new build projects, or assessing preferences between initial options. Residents should take the lead in deciding whether ballots are necessary through TRAs democratically constituted for that purpose, after inclusive public meetings and consultations.

i) Re-ballots: it may be legitimate to significantly revise plans and hold another ballot in future. However, this would need careful consultation to avoid criticisms of landlords for arranging new elections until they get the answer they want, when initial 'final' proposals should have already

fully responded to all concerns. Residents and TRAs should decide if any re-ballot is justified, and there should be a minimum period of several years, to incentivise landlords to address all residents' concerns first time.

Recommendation: residents through TRAs should decide if votes should be recorded for each block or street and interest group: tenants; leaseholders; freeholders. Doing this may provide valuable information for considering future proposals.

Policy: resident participation in a transparent, inclusive, objective decision making process

Most of the following steps are recommended in all best practice guidance and reports already cited. Some aim to add detail or clarity.

25. Independent advice

The social landlord should fund independent advice for residents as a first step, to enable understanding of technical matters and objective evaluations of all options. Advisors should be appointed by democratically constituted TRAs, and work to a brief set by residents, once relevant professional qualifications are mutually agreed with landlords. Relevant skills and experience are varied - from knowledge of construction, regulations governing estate regeneration, to planning policy – so residents may require different advisors at different stages of the process.

26. Stock condition survey

Landlords may not have comprehensive, up to date information about projected future maintenance and repairs costs. Some factors may be disputable, and/or benefit from the knowledge of residents who live in the properties. Residents should therefore be able to appoint an independent consultant to scrutinise and interpret data and opinions - paid for by the landlord but appointed and managed by TRAs. If residents believe that further information is necessary, surveys should be carried out to their satisfaction. The results should be presented to all residents in accessible form, through literature distributed to all homes as well as open public meetings to enable everyone to ask questions.

27. Option appraisal & impact assessments

The social, economic, and environmental costs and benefits of all future options should be assessed in detail to ascertain which are viable, and the pros and cons, including:

- i) Refurbishment of existing homes where necessary without demolitions, with impacts on future service charges and rents.
- ii) Infill new build with no homes demolished: maximum numbers deliverable within planning guidelines, eg impact on open space and daylight to existing homes etc.
- iii) Demolition and replacement of some homes with the highest future repair costs, various proportions.
- iv) Demolition of all or the majority of homes, and their replacement by new housing of various densities.
- v) Demolition of homes of a specific problematic construction type or a part of an estate for reasons considered legitimate by residents.

Impact assessments: should be published, including affects on housing waiting list allocations, if any, along with assumptions and Financial Viability Appraisals behind different options' costs and revenue projections; space and other construction standards; rent levels and rental income; owner compensation; costs and use of temporary accommodation; delivery of affordable housing by tenure; Community Infrastructure Levy payments for private homes; cost of benefits provided under future Section 106 planning agreements.

Part 2: Protections for existing residents

Legal requirements for leaseholders, freeholders, and tenants, where homes are demolished in estate redevelopments

28. For tenants, Homes and Communities Agency Tenancy standards currently protect existing tenants' security of tenure – tenants must be given offers of replacement homes somewhere - but not rent levels or the right to return to a redeveloped estate. Secure 'general needs' tenants resident for more than one year receive a Home Loss payment regularly up-rated by government; £5,800 as of February 2017, and 'disturbance payments' to reimburse reasonable expenses such moving costs; utility connection; new carpets. There are no minimum or maximum 'disturbance' amounts. 'Assured shorthold' tenants are not entitled to home loss compensation but are entitled to disturbance payments.

29. Leaseholders and freeholders (owners) are legally entitled to compensation:

- a) Market value, plus...
- b) A Home Loss payment of 10% of the value of the owners' interest in their property – (the equity they own after any mortgage is paid off) – within minimum and maximum amounts, currently between £5,800 - £58,000, for owner's resident for 12 months or more.
- c) 'Disturbance payments' to reimburse reasonable expenses, as for tenants, including solicitors' fees.

Policy guidance – national and London-wide - advises that landlords should see statutory requirements as minimum not maximum standards.

The Isle of Dogs housing market

30. According to Foxtons Estate Agency, average prices on the Isle of Dogs in January 2017 were £636,760 for flats and £846,273 for traditional houses. In December 2016, Nationwide Building Society reported London's average property price as £473,073 – for all kinds of home; and local agents Landmark Estates reported that private flats in E14 had risen in value by 18.5% since January, above the London average rise of 3.7%, despite a general Central London price downturn since stamp duty changes and the Brexit vote.

Some three bedroom flats sold under right to buy on social housing estates on the Isle of Dogs were valued at around £250,000 in 2016. Replacement flats on a redeveloped 'mixed tenure' estate are likely to be priced at more than twice the value of existing homes.

Enabling the right to return

31. Although regulations do not guarantee the right of return to redeveloped estates, to tenants or leaseholders, all policy guidance expects this option to be available for everyone who wishes it, including the Mayor of London's draft. *Tower Hamlets 2016-21 Housing Strategy* applies the same standard to 'New Homes on housing association-owned land.

** Tenants to be able to move once or at minimum have a right to return to their area*

** Housing options for leaseholders to remain in their area.'*

The *Estate Regeneration National Strategy* states: 'We believe that all existing council and housing association tenants, **whether on a lifetime or fixed-term tenancy, should have the option to return to the estate, alongside at least two other housing options which address their needs, in accordance with the social housing policy of the local authority.'**

32. Increasing densities: is a key aim of most redevelopments; in the London Assembly Housing Committee's review of many schemes, densities doubled on average. Therefore, building enough new homes to re-provide locally should usually be deliverable in terms of numbers of new units, but sometimes a theoretical right to return has not been delivered in practice because re-building has taken several years. As a result, some found the prospect of living in temporary accommodation for a long period was too disruptive so were forced to move away from their communities against their wishes. As new homes are considerably more valuable than old ones, some leaseholders have also been priced out.

33. Delivering the right to return to all those who wish to requires two key elements

a) Phasing of demolitions and new build to minimise the use and duration of temporary accommodation. If some new buildings can be built before the first homes are demolished, it may be possible for residents to move straight into replacement homes.

b) Offering leaseholders options that enable a right to return to be a financially viable for people on modest incomes.

Policy: all leaseholders, freeholders, and tenants, whether on a lifetime or fixed-term tenancy, should have the right to return to redeveloped estates if they wish.

Policy: limiting moves and the use of temporary accommodation

a) Option appraisals should report on possibilities for a 'build first' strategy, including the use of suitable, nearby, unoccupied land owned by other parties.

b) Tenants, leaseholders and freeholders should have to move only once where possible, for all those that prefer this option. Proposals for the phasing of construction and demolitions must be as detailed as possible, to answer all relevant questions, including: how many people will have to be temporarily re-housed, for how long, and where? Will other social landlords stock be used and how will that impact Tower Hamlets waiting list allocations? Suitable temporary accommodation should be as close to the estate as possible.

Policy: as temporary re-housing can be unsettling, friends, family or neighbours who wish to live close to each other during the process should be given opportunities to express that view, and landlords should report on possibilities. This may be particularly important to the elderly, carers, and vulnerable people.

A fair deal for tenants

34. The Mayor of London's draft guidance states that, '*Landlords should offer tenants who have to move off the estate while works are underway a full right to return to a property of a suitable size, at the same or similar level of rent, the same level of security of tenure and with the appropriate design features.*'

35. The retention of security of tenure is essential to gain support and minimise disruption to peoples' lives. The Forum believes that the welcome standard - 'same or similar' level of rent - should be clarified by landlords to avoid all doubt and reassure tenants that 'similar' means retaining 'social' 'target' rents, as defined by regulatory formula based primarily on incomes. Such a specific definition is needed – in landlords' interests too - to avoid unnecessary concerns that 'similar' rents could be a wilfully vague definition that may turn out to mean 'affordable' rents at up to 80% of market rates.

36. Guaranteeing 'social' or 'target' rent levels does not necessarily mean that new rents will be exactly the same as old ones. In some cases - for example, where tenants choose to move to larger properties to avoid over-crowding, or where additional services are provided such as a concierge - rents could legitimately be increased while still being calculated at social target rates. Similarly, if 'under-occupying' tenants choose to downsize to a flat with less bedrooms their rents would be reduced accordingly.

Policy: security of tenure and rent levels: all secure tenants should be offered secure tenancies at social 'target' rents. Fixed term tenants should also be offered the same or better terms, including rent basis and tenure security.

Policy: downsizing and overcrowding: tenants should be offered the option to move to flats with fewer or more bedrooms, if their circumstances make this justified and financially viable. Although rents would change in terms of weekly amounts, levels would still be set by the same regulations. Social 'target' rent levels would be retained, calculated under national formula based primarily on incomes, with annual changes decided by regulations.

Policy: existing space standards: should at least be retained, or improved if current standards fall below national guidelines.

Policy: Landlords should provide full information on all property related costs when options are being 'appraised,' including: rent and what it includes; service charges; utility bills; Council Tax bills (because new homes may be in a higher band). Only detailing all costs will enable tenants to judge the impacts on their disposable income.

Recommendation: TRAs are encouraged to comprehensively define what residents consider reasonable disturbance costs.

Recommendation: although assured shorthold tenants are not entitled to statutory Home Loss payments, they would be losing valued homes too. The Forum recommends that landlords offer them significant discretionary compensation to recognise this.

Consultation option: tenants should be consulted about all factors that would affect their living costs, and enabled to choose whether they wish to pay higher service charges for particular benefits. Landlords should take all reasonable steps to accommodate different preferences.

37. Location preferences and neighbour relationships

Some tenants would like to continue to live close to their current neighbours, family, or people they care for. Others may particularly value aspects of their existing home, such as: locations at ground level or high storeys; proximity to shops; views of the river or parks. As redevelopments typically increase densities significantly, it should often be possible to accommodate such preferences.

Policy: wherever possible landlords should accommodate preferences for particular locations, or neighbours who wish to remain neighbours. Option appraisals and final proposals should report on options and deliverable possibilities.

Tenants and freeholders with gardens

38. Gardens are a precious amenity, particularly to retired people and families with young children. This is not addressed by any guidance but as only a small minority of local housing estate households have gardens re-provision should be possible. With freeholders, landlords may take the view that a garden's value is taken into account in market value compensation. In cash terms this may be true, but compensation is unlikely to buy a replacement garden anywhere in London.

39. Phoenix Heights in Byng Street is a local example of high storey blocks with gardens attached to ground floor flats, proving that re-providing gardens need not reduce densities. Planning policy, London-wide and in Tower Hamlets, encourages 'active uses' of street frontages, to engender a feeling of community and provide overlooked space to improve security. Although new gardens may not be as large as original ones, they could still provide valued spaces for those they belong to and other residents.

Policy: Where possible gardens should be re-provided, possibly attached to ground floor units, if tenants or freeholders wish. Alternatives may include:

- a) Access to roof gardens, either individually or with others.
- b) Access to communally 'owned' green space, such as ornamental gardens or mini-allotments along with others interested in maintaining them.

These options should be considered alongside the needs of other residents who may benefit from ground floor flats, (with or without gardens), for health reasons.

A fair deal for leaseholders and freeholders

40. The problem for leaseholders and freeholders - that they cannot afford to buy higher value replacement homes outright - is particularly acute on the Isle of Dogs. The typical 'offer' is to transfer equity (from market value compensation and home loss payments) to a new flat with no rent paid on the proportion the owner can't afford to buy. Both parties share any increase or decrease in value over time according to their shares. The landlord recoups their share when the flat is sold but they may have to wait a long time, because owners are unlikely to sell soon if they wish to remain living in London.

41. Succession rights: a leaseholder with no mortgage is currently in a situation where they can give their property to someone else or pass it on when they die, leaving their children or other beneficiaries a home with no rent or mortgage to pay. This can drastically change in estate redevelopments. If a landlord requires that their share is repaid when the property's ownership is transferred or bequeathed to someone else, then the beneficiaries may only inherit a forced sale, (if they can't afford to buy-out the landlord's share), and a cash amount that will not enable them to live in London. Alternatively, the landlord could allow homes to be passed on without requiring a refund of their share, but stipulate that the beneficiaries start paying full rent on the share they don't own.

42. Shared ownership rents: regulations stipulate that social landlords should charge annual rents at the rate of 2.75% of the value of their share. In a hypothetical case where a landlord owns 54% of a flat worth £450,000, the value of their share would be £245,000, so the rent charged would be £561/month (2.75% of £245,000 = £6,737 per year)

Options for leaseholders and freeholders: as detailed in the Estate Regeneration National Strategy (Annex B):

43. Shared ownership model: enables residents to buy a share of a property that they can afford – generally, 25%, 50%, or 75%. They will also pay rent on the share that they do not own but at a level below market value. They will have the option to increase their share as and when it is affordable. The estate landlord retains a long-term investment in the property and is able to generate ongoing income from the rent.

44. Shared equity model: gives an opportunity to purchase a property which is of a higher value or larger than current homes. The estate landlord retains a share in the property until the leaseholder or the freeholder can purchase the remainder...or sells the property. The homeowner is not required to pay interest on the value of the share or rent. The landlord will have a long-term investment that they can expect to appreciate in value.

45. Early buy-back model: an option to purchase a property at less than the forecast market value during the early stage of the scheme. This enables the estate landlord to secure revenue early on.

46. Home Swap model: leaseholders receive market value plus a home loss payment, which can be used to move elsewhere, or take a Home Swap option to buy a property on the estate. The difference in value becomes a charge on the property that is repayable if the property is sold within seven years. This enables landlords to secure revenue early on.

47. Cash-back deals model: residents undertake some of the finishing touches to the home e.g. tiling walls, in return for a reduction in the market value or rent. Can be beneficial for custom built or community-led schemes.

48. The Mayor of London's draft guidance recommends the following options.

a) Shared equity: the leaseholder buys a proportion of the property with no rent to pay on the unsold share. (But they can't buy more shares in future).

b) Shared ownership: the leaseholder is able to increase the share they own and may pay rent on the share they don't own.

c) Other 'innovative ways are encouraged'

Local case study: 'Blackwall Reach' redevelopment of Robin Hood Gardens (Home Swap option)

49. Robin Hood Gardens estate in Poplar is to be redeveloped, with ownership transferred from Tower Hamlets Homes to Swan Housing Association. 252 homes will be replaced by up to 1,575, over 50% of which will be 'affordable.' Of these, 80% will be social rented, and 20% 'intermediate' tenures such as shared ownership. Resident leaseholders have been offered a 'Home Swap' replacement property; a form of a shared equity allowing them to remain in the area at no extra cost to them.

50. Leaseholders can choose to use their market value compensation and home loss payments to buy a share of a new local property. Swan Housing will 'top up' their equity every year until it reaches 100%. After 7 years' owners can sell it without having to repay the proportion of the equity they couldn't afford to buy. The 7-year qualifying period avoids granting extra equity free to leaseholders who could immediately sell, because the purpose is to enable people to stay part of their community as full owners, not provide windfall profits to enable some to cash in and move away.

51. With Home Swaps landlords lose future income, but from leaseholders' viewpoint this legitimate compensation for drastic disruption not of their choosing. Also, their payments may cover actual re-building costs. House prices vary hugely across London. Building costs don't, in terms of materials and labour, and with redevelopments of social housing estates there are no land acquisition costs. If densities considerably increase, with large numbers of units for private sale in a high value area, a Home Swap model may be financially viable, depending on funding streams, the proportion of leaseholders, and other factors. Having consulted local leaseholders and freeholders, the 'Blackwall Reach' Home Swap model is overwhelmingly their preferred one, because it allows even those with low incomes to retain 100% ownership and removes concerns about lost successions rights.

52. One of the financial challenges in estate redevelopments - for social landlords and developer partners - is the large up-front costs of demolition and building before revenues are generated from sales and rents. If leaseholders and freeholders choose to make early payments before homes are built, this revenue would significantly reduce the need for developers or landlords to borrow, both in terms of amounts and duration, and therefore cash flow risks and interest rates. This should make it possible for developers to reduce their required profit level, (often factored in

as a cost at a 20% margin based on risk profiles for private market developments), enabling improved offers to leaseholders and/or provision of extra affordable housing.

Policy: landlords should enable owners with modest incomes to return to redeveloped estates without increasing their housing costs or debt. To deliver these aims and enable a 'right to return,' the costs, benefits, and viability of options described in national guidance should be reported in detail including combined elements or 'hybrids':

A) A 'full Home swap:' as delivered in Robin Hood Gardens/Blackwall Reach. After 7 years of equity top-ups owners will own 100% of their home.

B) Full home Swap combined with early payments

Leaseholders/ freeholders buy equity in properties in advance before they are built, (possibly with little or no 'discount' on forecast future value), to reduce upfront costs for landlords and developers, and compensate landlords for lost revenue longer term due to owners not paying back shares they couldn't originally afford to buy.

C) Partial Home Swap or equity top-up: if granting 100% equity after a 7-year qualifying period proves unviable, the model could be varied in two significant ways:

- i) The 'no-repayment' deadline could be extended beyond 7 years.
- ii) A compromise where leaseholders/freeholders are offered a significant 'equity top up', (in addition to what 'market value plus 10%' compensation can buy), but with a ceiling less than 100% after 7 years or another reasonable period.

Such a 'partial equity top-up' could be combined with early payments too. In the Forum's view, such flexible possibilities should be reported upon at option appraisal stage, not dismissed as non-standard models.

53. Under C leaseholders/freeholders would never own 100% of new homes, (unless they make extra payments under a hybrid scheme), but they would own a higher share than the proportion they could have afforded otherwise. Like a 100% Home Swap option, this could be viewed as an increased and deferred 'home loss' payment in another form. Landlord's revenues would still be reduced, but significantly less so, and it would demonstrate tangible financial benefits to residents, by enabling them to share in the increased value brought about by a redevelopment that their support facilitates. From owners' point of view, a financial 'gain' could help compensate for the loss of valued homes which landlords sold to them with a 125-year lease without mentioning that properties may be demolished well before the lease term expires.

Variations on 'standard' options should also be reported on:

D) Shared equity: where 'market value' payments and home loss compensation can be used to buy a share of a new home. There is no rent to pay on the share that the leaseholder/freeholder cannot afford to buy. There is no option to buy more shares in future.

E) Shared ownership: again, no rent to pay on the share the leaseholder/freeholder cannot afford to buy. There is an option to buy more equity in future, with no minimum amount. For

example, a leaseholder could increase their share from 25% to 35%, rather than have to reach a new threshold of 50% or 75%.

F) Early purchase options for C, D and E:

Recommendations

- a) Where viable, owners should be offered a Home Swap model, with the option to make early payments.
- b) For both D, E, and F, there should be no 'minimum initial share' required, to enable the inclusion of those on low incomes, as opposed to the standard minimum 25% equity in the case of shared ownership.
- c) Owners should be able to transfer or bequeath their property to their children or other beneficiaries without the landlord requiring the new owner to buy out the unsold share or start paying rent on it.

54. Additional benefits for leaseholders: extending leases

The right to buy originally only applied to council tenants but for council estates transferred to housing associations, tenants retained a preserved right to buy. Standard leases are for 125 years. As the remaining term reduces, the market value of properties reduces in proportion. At some stage leaseholders can pay a fee, (usually several thousand pounds), to extend their lease to a longer term, to 125 years or more.

Recommendation: landlords should report on the cost of extending leaseholders' leases free of charge; to 125 years or more. This would reduce future income but the losses would be limited and only apply over a very long period.

Non-resident owners and their tenants

55. Non-resident owners of homes are a minority whose interests are not fully addressed by any policy guidance beyond the recognition that they have the legal right to market value compensation for demolition. Unlike resident leaseholders/freeholders and tenants, non-resident owners are rarely engaged in TRAs, and have no means of contacting each other to discuss their situation. Many let flats to tenants with short term tenancies. Social landlords should have contact details for owners and their private tenants.

56. Non-resident owners may choose to move back to their properties, for reasons connected to (potential) redevelopments or others. If they do, their private tenants' tenancies may be ended as a result, well in advance of any eventual demolitions. The Mayor of London's draft guidance points out that owners' private tenants should be offered advice about their housing options. Given that consultations about redevelopment options is a long process, non-resident owners should have a significant time period before needing to decide to move back to their properties.

Policy: landlords should write to all non-resident owners as soon as any consultation starts with other groups, and provide a means for them to contact each other without breaking the Data Protection Act by revealing individual addresses, for example, by, a) emailing everyone individually with the option of giving permission to join or set up an email or social media group, b) arranging a meeting with notice.

Recommendation: ‘non-resident’ owners whose flats are their main homes should receive the same compensation as residents and the right to return. Landlords should consult to clarify any criteria and/or deadlines defining eligibility for them to be ‘re-classified’ as ‘resident owners’ by moving back. The Forum recommends that long notice periods are given.

Recommendation: social landlords should make it clear to non-resident owners and their tenants that there is no reason to end private tenants’ tenancies at short notice, in order to move back to their properties. Landlords should take all reasonable steps to enable private tenants of non-resident owners to be given as much notice as possible of terminations of their tenancies. Local authorities and housing associations should see this as supporting council’s recently redefined duties to prevent homelessness.

57. Cash-back deals and maximising choice in decorating new flats

Some residents of social housing estates have expressed disappointment about standards when new kitchens and bathrooms were installed in the past; for example, tiles in one colour only; very limited choice of floor coverings or paint colours.

Recommendation: DIY decoration & local training/employment initiatives

- a) Leaseholders and tenants should be given the option of doing or arranging some decorating work themselves, to their specification, individually or collectively. Savings to the landlord could be reimbursed through a reduction in service charges.
- b) Landlords could combine such work with local employment, training, and apprenticeships schemes, by publicising them to residents with local providers.

Small businesses, retailers, and community organisations

58. Provision of facilities like community centres is considered in redevelopment schemes and built into Tower Hamlets’ guidance. The Mayor of London’s draft guidance recognises that housing estates often include ‘commercial’ units let to small and medium sized enterprises (SMEs) or community organisations. It recommends that ‘owners and operators’ should be ‘involved in discussions’ and ‘weight attached to...retaining local employment opportunities.’ Other organisations like schools or churches should be ‘fully consulted.’

59. Isle of Dogs estates have small businesses, retailers, or community organisations leasing premises from social landlords; convenience stores, hair dressers, newsagents etc. The owners or operators and their staff depend on these businesses for their livelihoods. Although some may not live locally, they form part of communities and are often valued local employers providing useful services. Without safeguards estate redevelopments could destroy livelihoods and cause people to become unemployed.

60. Because redevelopments usually increase population, it should be possible to offer re-provision of units to existing leaseholders without precluding additional retail or community space. But new properties are likely to be higher value, leading to the same cost problems faced by resident leaseholders. Re-providing suitable premises at existing rent levels is likely to only reduce profit levels rather than lead to losses - if long term rents still cover building and maintenance costs.

Policies

- a) Commercial leaseholders should be formally consulted in their own distinct group from an early stage, and represented on a formal consultation body alongside tenants and resident leaseholders if they wish.
- b) Suitable replacement properties should be offered to all those who wish to remain on redeveloped estate.
- c) New premises should be provided as soon after demolitions as possible

Recommendation: landlords should enable businesses and community organisations to continue to operate in the period between demolitions and re-provision, either by arranging suitable temporary alternative premises, or paying necessary compensation.

Recommendation: If new market rents will be higher, commercial leaseholders should be offered sub-market rents to match their old rates per square metre, and premises of suitable size with long leases. This accords with related aims of Tower Hamlets' draft Local Plan and the London Plan; that developers of office schemes should provide a proportion of 'affordable' space for SMEs. The same principle should apply to commercial leaseholders in estate redevelopments.

Recommendation: all 'commercial' or 'community' leaseholders should have the right to vote on any final proposals that involve the demolition of their premises. The election result should be binding in the same way as for residents.

Part 3: Tower Hamlets Council's role in upholding standards

61. Recommendation: making commitments legally binding

'Redevelopment contracts' should explain how all promises could be made enforceable before approval ballots, and residents should receive independent legal advice paid for by the landlord. If a scheme is approved by residents Tower Hamlets council should act as a guarantor and co-signatory along with TRAs.

62. Compulsory Purchase Order (CPO) Powers

Estate redevelopments cannot happen without councils formally agreeing to grant social landlords the power to compulsorily purchase owners' properties, if necessary, as a last resort, in the likely event that some leaseholders or freeholders refuse to sell by voluntary agreement. Owners who felt unfairly treated in previous redevelopments have successfully appealed to the Secretary of State for Communities and Local Government to have CPOs revoked. Southwark council was found to have infringed Aylesbury estate leaseholders' rights by not taking sufficient steps to enable them to return to redeveloped estates. Inadequate consultation is another grounds for appeal.

Recommendation: Tower Hamlets council's CPO powers

Tower Hamlets Council should refuse to agree CPOs for any estate redevelopment proposals that fail to meet key policies detailed above, particularly the right to vote, because without ballots

on final proposals local support cannot be credibly demonstrated. This commitment should be incorporated into relevant policy guidance, such as:

- a) The finalised Local Plan
- b) Future Housing Supplementary Planning Guidance
- c) The borough's forthcoming Covenant with housing associations

Housing associations following such guidance would immediately engender confidence that redevelopment proposals would do everything possible to protect residents' interests and give them real influence over the future of their estates. It would also minimise the chances of owners appealing CPOs.

63. Local investment of revenues

Many housing associations are large organisations with the majority of their stock outside of the Isle of Dogs, or Tower Hamlets. In estate redevelopments in high value areas like the Isle of Dogs the sale of private homes may provide surpluses in addition to the funds needed to re-provide homes to existing residents and meet local minimum planning guidelines concerning the provision of affordable homes and infrastructure. The Forum believes any such 'surplus revenues' should be reinvested locally for the following reasons.

- a) As existing residents would suffer the negative effects of demolitions, they deserve to be compensated as much as is financially viable.
- b) Tower Hamlets has one of the most acute housing needs in London, with over 19,000 households on the Housing Waiting List, (larger than Birmingham's 18,000), and many residents with low and modest incomes.
- c) Along with Wapping, the Isle of Dogs has the lowest proportion of social rented housing in the borough, at 10-20%, compared to 40-68% in most areas. (*Housing in London 2014: Evidence for London Housing Strategy (GLA)*). A local investment policy would therefore follow borough, London, and national guidance, aimed at maintaining 'mixed and balanced' communities.
- d) The case for investing all revenues locally is particularly strong for estates transferred from council ownership, because these homes and the land were transferred for the purposes of improving and providing social housing to meet needs in the borough.

64. Case Study: Circle Housing and Merton Council's Pledge

The GLA Housing Committee's valuable report, *Do it up, or knock it down?* (2015), praises an initiative taken by Circle Housing Association and Merton council before the borough's stock was transferred to a subsidiary of Circle HA. Appendix 4 reports Circle and Merton council's 'Pledge Commitments,' which include: '*As a not for profit organisation, Circle Housing Merton Priory will not profit from any regeneration and will use any surplus to provide more housing or improve existing neighbourhoods.*'

65. Development clawback clauses in stock transfer contracts

When housing estates owned by Tower Hamlets council were transferred to housing associations stock transfer contracts included a standard Development Clawback clause, (applicable for 25 years), designed to give the council a 50% share of any surpluses from future sales of stock. The legal language of this clause is not clear but seems to imply that the clawback clause does not apply to estate redevelopments that include social housing. If so, a housing association may be legally allowed to make a surplus and reinvest it outside of the borough without paying a half share to Tower Hamlets.

Alternatively, under a different interpretation, the borough may be entitled to a 50% share. In either legal eventuality, the same principle applies in the Forum's view; that revenues should be reinvested locally, for the reasons given. Although the Forum is confident that both the council and local housing associations would gladly commit to local reinvestment, residents also believe that this commitment should be made explicit and the legal situation clarified.

Recommendation: development clawback

The council should translate the Development Clawback clause in stock transfer contracts into accessible language to enable residents to understand what it means. In particular, the public need to know;

- a) If a housing association can make a 'surplus' from redeveloping estates transferred to it by the council which could be spent outside the borough, and if so, how calculations are made.
- b) If Tower Hamlets council could receive a share of any surplus, and if so how calculations are made.

Policies: local investment of revenues

1. In the event that Tower Hamlets council would be entitled to receive a 50% share of surpluses made from redevelopment of transferred estates, the borough should commit to support the principle of investing all revenues on the Isle of Dogs.

2. Local housing associations should commit to invest all revenues from local estate redevelopments on the Isle of Dogs, to provide additional genuinely affordable housing, refurbish existing homes, and maximise benefits to residents. Tower Hamlets Council should require this in relevant policy guidance, for example; the finalised Local Plan; future Housing Supplementary Planning Guidance; its forthcoming Covenant with housing associations.

Part 4: affordable housing

Recommendation: 'intermediate' affordable housing types

In addition to re-providing social rent units for existing residents, any additional affordable housing provided should follow Tower Hamlets policy guidelines:

- a) 70% should be for 'social or affordable rent.' 'Affordable rent' levels should be set at 'target levels' or lower.
- b) The majority of the 30% of units devoted to 'intermediate products' should be for London Living Rent (LLR) or similar 'rent to buy' products, (eg, Tower Hamlets Living Rent if adopted and lower

than LLR), because this would make them much more affordable to the intended beneficiaries, (average earners and key workers), than shared ownership or discount market sales, as evidenced by the following analysis of comparative local costs.

The new Mayor of London's *Draft Affordable Housing Supplementary Planning Guidance (SPG)* of 2016 states that for 'intermediate dwellings to be considered affordable, annual housing costs, including mortgage, (assuming reasonable interest rates and deposit requirements), rent and service charges, should be no greater than 40% of net household income.' (Mortgages are assumed to be for 25 years with a 90% loan to value ratio). 'Generally shared ownership is not appropriate where unrestricted market values of a unit exceed £600,000.'

Shared ownership costs on the Isle of Dogs do not meet these criteria. Discounted sales products are even further beyond the reach of average earners. A summary of the evidence is outlined below. First, an awareness is needed of revised definitions of affordable housing under recent government policy changes.

66. Affordable housing types in 2017/18

The government's Housing White Paper of February 2017 defines 'Affordable housing' as 'for sale or rent to those whose needs are not met by the market (including subsidised routes to home ownership), and which meets one of the models below.' (See page 100 of '*Fixing our broken housing market*'). Below is a summary with explanations.

Social rent: guideline 'target' rents are determined through the Government's rent policy, based primarily on local incomes, along with house prices to a lesser extent.

Affordable rent: let to households eligible for social rented housing. Rents at no more than 80% of the local market rates (including service charges). Both social and affordable rent properties must remain at affordable prices for future eligible households, unless vacant units are sold, in which case the subsidy has to be recycled into new affordable units.

Intermediate: for sale and rent at a cost above social rent, but below market levels. Includes: shared ownership (with a 25% minimum stake); equity loans; intermediate rent; and 'Rent to buy,' where sub-market rents are paid and a proportion goes into a savings vehicle which can eventually be used to buy a share in a property. Eligibility for 'intermediate' housing is 'determined with regard to local incomes and house prices'; remains at an affordable price for future eligible households or receipts are recycled or refunded to Government or the relevant authority.

The Housing White Paper 2017 defines new forms of affordable housing, with proposed changes due to come into force from April 2018, subject to consultation.

A) Discounted market sales housing: sold at 20 per cent below local market value. Homes remain at a discount for future eligible households.

B) Starter Homes: as defined in Sections 2 and 3 of the Housing and Planning Act 2016 and any 'subsequent' secondary legislation. As of February 2017, starter homes are eligible to households with maximum annual incomes of £90,000 in London. Homes must be bought by first time buyers

with a mortgage, to deter cash buyers, and if the owner sells the property within 15 years they have to repay some of the discount. So, unlike 'discounted market sales' Starter Homes discounts are not repaid if properties are sold after 15 years. Both types are initially sold at a 20% discount.

Originally it was proposed that all major developments would have to include at least 20% Starter Homes. The Housing White Paper 2017 changed this. Instead local authorities will have to require that at least 10% of new units will be affordable home ownership products, of all types, including shared ownership and rent-to-buy. So, it is up to councils to decide if starter homes are required, or shared ownership or other intermediate products.

C) Affordable private rent housing: at least 20 per cent below local market rent. Eligibility is determined with 'regard to local incomes and local house prices.' Homes remain available for rent at a discount for future eligible households or, if the discount is withdrawn at a future sale, it must fund alternative affordable housing provision. 'Particularly suited to the provision of affordable housing as part of Build to Rent schemes'.

Build-to-Rent schemes are developments of private rented housing, with planning conditions that they must remain rented and not sold for a period – intended to boost the supply of private rented housing provided by institutional investors as opposed to small landlords. 'Affordable private rented housing' can be provided as part of such schemes, as the affordable element, instead of social rent or shared ownership etc.

67. London Living Rent

The Mayor of London's *Homes for Londoners: Affordable Housing Programme 2016-2021*, introduces a new kind of 'intermediate' affordable housing: 'London Living Rent' (LLR). This is a variation of 'Rent to Buy' with the aim of increasing affordability by calculating local ward-level rent caps based on one-third of median gross household incomes, (of residents rather than people who work in an area). Ward caps can only vary from borough medians by 20 per cent. 'Providers are welcome to set rents below these levels if they wish.'

Tenancies are Assured Shorthold. 'To ensure stability the GLA does not expect tenants to be required to move for at least three years.' Significantly, rent levels include service charges, and annual increases are capped at 'CPI' inflation. 'Providers delivering LLR homes without direct GLA involvement are able to choose appropriate tenancy terms,' so GLA standards may not apply. 'Providers will be expected to' ensure 'that households can afford to both pay the rent (without recourse to Housing Benefit) and accumulate savings, using affordability tests.'

The aim is to help, through low rents on time-limited tenancies, households with average earnings, (from £35k-£45k), to save for a deposit to buy their own home. Eligibility is restricted to existing tenants with a maximum household income of £60,000, without sufficient current savings to purchase a home in the local area. It 'is unlikely to be suitable for multiple adults due to the household income limit.' Registered Providers (Housing Associations), are 'expected to actively encourage tenants into home ownership. On 'mixed-tenure schemes' tenants should be offered the right to purchase their LLR home on a shared ownership basis. On 'non-mixed' schemes they may not have the right to buy the home they have been renting. Instead they can use their savings to buy somewhere else.

68. Comparing housing types and costs on the Isle of Dogs

According to the GLA, average monthly private rents in Tower Hamlets in 2016 were £1,733. Recent private rents on the Isle of Dogs were above this level:

Average monthly private rents in Tower Hamlets (Source: LBTH Draft Housing Strategy 2016)

Studio	1 bed	2 bed	3 bed	4 bed+
£1,256	£1,447	£1,820	£2,262	£2,890

Isle of Dogs average monthly private rents January 2017 (Source: Foxtons Estate Agents)

Studio	1 bed	2 bed	3 bed	4 bed+*
£1,478	£1,738	£2,760	£3,137	£10,8118

* The levels for properties of four bedrooms or more are so high because large properties make up a small proportion of an exceptional local market, targeted at the very wealthy. 'Average' may also be based on 'mean' rents rather than 'median.' The same source, Foxtons, records the proportion of different sized properties as follows:

Studio	1 bed	2 bed	3 bed	4 bed+
10%	25%	49%	9%	8%

'Affordable rent' limits on the Isle of Dogs

Affordable rents, introduced in 2012, can be set at a maximum of 80% of local market rates. In practice, so far, the London-wide average reported by the GLA in 2015 has been around 65% of market rates. The estimates below are based on the recent local estate agent average figures used above. Although not a comprehensive, scientific survey, they give some indication of costs.

Monthly 'Affordable rents' at 80% of Isle of Dogs market rates

Studio	1 bed	2 bed	3 bed	4 bed+
£1,182	£1,390	£2,208	£2,510	£8,649

Monthly 'Affordable rents' at 65% of Isle of Dogs market rates

Studio	1 bed	2 bed	3 bed	4 bed+
£961	£1,130	£1,794	£2,039	£7,027

'Affordable private rent:' (at 20 per cent below local market = 80%)

Studio	1 bed	2 bed	3 bed	4 bed+
£1,182	£1,390	£2,208	£2,510	£8,649

The difference between 'affordable rent' and 'affordable private rent'

'Affordable rent' and 'affordable private rent' are both capped at a maximum rate of 20% below local private market rates. But there are key differences. 'Affordable' rent homes are managed by 'social landlords' – councils and housing associations – and regulated by the Homes and Communities Agency. In practice rents have been set below 80% of market rates although they can reach this level. 'Affordable private rent' can be managed by developers and unregulated

companies. As mentioned, the Housing White Paper 2017 intends to introduce this product as a new type of affordable housing from April 2018, which councils can include in Local Plans and housing policies if they wish.

'Target' affordable rents in Tower Hamlets

Tower Hamlets Affordable Housing Supplementary Planning Document (2013) gives guidance on setting 'affordable rent' levels to meet local need. Rents for one bedroom homes should be a maximum of 65% of market rates, with rents for properties of two bedrooms or more at 50% of market levels. Using the recent average monthly private rents for the Isle of Dogs noted above would lead to the following rent levels.

Target 'affordable' rents on the Isle of Dogs according to current council policy

Studio (65% of market*)	1 bed (65% of market)	2 bed (50% of market)	3 bed (50% of market)	4 bed+ (50% of market)
£960	£1,130	£1,380	£1,568	£5,406

* Assumes the 65% guideline for one bedroom properties also applies to studio flats.

Average monthly rents in London: 'social' and 'affordable rent'

Rent type	1 bed	2 bed	3 bed	4 bed+
Social rent	£504	£566	£614	£680
Affordable rent	£693	£811	£868	£963

Source: Understanding the likely poverty impacts of the extension of the right to buy to housing association tenants. Joseph Rowntree Foundation 2015

Comparing 'social' rents (SR) and target 'affordable' rents (AR) for the Isle of Dogs

Rent type	1 bed	2 bed	3 bed
Social rent	£504	£566	£614
Target AR	£1,130 = £626 more than SR = +124%	£1,380 = £814 more than SR = +143%	£1,568 = £954 more than SR = +155%

Average social rents in Tower Hamlets are likely to be slightly higher than for London.

69. London Living Rents (LLR) for Isle of Dogs Wards -vs- London average (GLA)

LLR rents are based on a benchmark for two bedrooms. Rents for a one bedroom are 10% lower; for 3 bedrooms 10% higher; for four bedrooms 20% higher. 'As a final affordability safeguard, the rent...must be at least 20% below market rent.' The average of all LLRs across the whole of London is £968 a month, (for two bedrooms) or '67% of the median monthly market rent' of £1,445.

Number of bedrooms	Blackwall & Cubitt Town	Canary Wharf	Island Gardens	London average
1	£1,004	£1,058	£928	£871
2	£1,115	£1,176	£1,031	£968
3	£1,226	£1,293	£1,134	£1,065

70. Tower Hamlets Draft Housing Strategy (2016)

Tower Hamlets Living Rent: Tower Hamlets Draft Housing Strategy proposed considering the establishment of a Tower Hamlets version of London Living Rent, based on the same principles with a cap at 1/3 of gross median household incomes.

71. Shared ownership costs on the Isle of Dogs

Average prices for flats on the Isle of Dogs in January 2017 were £636,000. For the sake of illustration, it is assumed that this price applies to a 2-bedroom property. Typically, shared ownership buyers initially purchase 25% of the equity. 25% of £636,000 is £159,000. The social landlord would own 75%, or £477,000, so the shared owner's housing costs would be:

- A minimum deposit of 5% of £159,000 = £7,950. (Excludes stamp duty and fees).
- Monthly rent on the £477,000 share not bought at the rate of 2.75% - £9,545 per year, or £795/month
- Mortgage repayments on 95% of £159,000, or £151,050. Payments vary depending on mortgage types. For a repayment mortgage over 25 years at current historically low interest rates, monthly repayments would be around £720 - making total monthly costs of mortgage and rent around £1,515.

Comparing monthly housing costs for 25% shared ownership to other affordable tenures for average two bedroom properties on the Isle of Dogs.

Local ward area	London living rent	Shared ownership	Social rent	Boor Target affordable rent
Blackwall & Cubitt T	£1,115	£1,515	£566	£1,380 (50% market)
Canary Wharf	£1,176	£1,515	£566	£1,380 (50% market)
Island Gardens	£1,031	£1,515	£566	£1,380 (50% market)

Costs for shared ownership and target affordable rents compared to London Living Rent

Local ward area	London living rent	Shared ownership	Borough Target affordable rent
Blackwall & Cubitt T	£1,115	£1,515 = £400 more than LLR = 36%	£1,380 = £265 more than LLR = 24%
Canary Wharf	£1,176	£1,515 = £339 more than LLR = 29%	£1,380 = £204 more than LLR = 17%
Island Gardens	£1,031	£1,515 = £484 more than LLR = 47%	£1,380 = £349 more than LLR = 34%

72. Costs for Starter Homes and Discounted Market Sales (with 20% discount)

With an average price of a flat at £636,000, a 20% discount would reduce the price to £508,000.
Costs:

- a) Minimum deposit of 5% of £508,000 = £25,440. (Excludes stamp duty and fees).
- b) Mortgage repayments on 95% of £508,000, or £482,000. For a repayment mortgage over 25 years' monthly repayments would be around £2,285.

Average house price on the Isle of Dogs (Houses and flats) (Source: Foxtons)

Studio	1 bed	2 bed	3 bed	4 bed+
£420,892	£451,377	£716,262	£1,085,832	£922,333+

These prices include houses as well as flats. Flats are generally cheaper but dominate the local property market as there are comparatively few traditional houses. For illustration purposes, a 20% discount on these prices gives the following figures.

Average house price on the Isle of Dogs with 20% discount

Studio	1 bed	2 bed	3 bed	4 bed+
£336,713	£361,101	£573,000	£868,665	£737,664+

73. Borrowing limits by income levels

Single people are at a huge disadvantage in an expensive housing market. Only the very highest earners could afford a studio flat. The example below gives an indication of what couples with various combined incomes could afford to borrow. Assumes good credit ratings based on banks' typical lending criteria. (Source: Money Saving Expert)

Joint income	Borrowing range
£50,000	£125,000 - £175,000
£60,000	£150,000 - £210,000
£70,000	£175,000 - £245,000
£80,000	£200,000 - £280,000
£90,000	£225,000 - £315,000
£100,000	£250,000 - £350,000
£120,000	£300,000 - £420,000
£150,000	£375,000 - £525,000

Income required to buy a Starter Homes or a Discounted Market Sale property:

For a couple to buy a one bedroom flat costing £361,101 (with a 20% discount), would require a joint income of over £100,000, or £50,000 per person on average, assuming the couple had no savings to buy more equity after paying a 5% deposit. This is £10,000 above the current 'income cap' for all intermediate products. See below.

74. London Policy context

The new Mayor of London's *Draft Affordable Housing Supplementary Planning Guidance (SPG)* of 2016 proposes new policy definitions. (See para 2.32 onwards). Currently the 'income cap' for all intermediate products is £90,000. The Mayor intends to limit eligibility for London Living Rent

and other intermediate rent products to households on incomes of £60,000 a year or less in the forthcoming (2017) annual monitoring report.

For 'intermediate dwellings to be considered affordable, annual housing costs, including mortgage, (assuming reasonable interest rates and deposit requirements), rent and service charges, should be no greater than 40% of net household income.' (Mortgages are assumed to be for 25 years with a 90% loan to value ratio). 'Generally shared ownership is not appropriate where unrestricted market values of a unit exceed £600,000.'

'The Mayor will, and Local Planning Authorities' (borough councils) 'and applicants should, ensure that intermediate housing provision is for households within the full range of incomes below the relevant upper limit, and provide a range of dwelling types in terms of a mix of unit sizes (measured by number of bedrooms).'

75. Conclusions on the affordability of different affordable housing types

In the context of the Isle of Dogs property market the following affordable housing types are not affordable to the majority of Tower Hamlets' population, or London's.

* Discount market sales and Starter Homes

* Shared ownership: as the Mayor of London's SPG points out, 'generally shared ownership is not appropriate where unrestricted market values of a unit exceed £600,000. Also, 'rent and service charges, should be no greater than 40% of net household income.'

76. Affordable tenure split: Tower Hamlets 2016-21 Housing Strategy

Tower Hamlets 2016-21 Housing Strategy proposes to maintain the existing guidance in terms of 'planning compliant' tenure splits for affordable housing in new residential developments: 70% should be provided at 'affordable or social rent,' and 30% as 'intermediate' products.

The Mayor of London's guidance on housing recommends 60% at social or affordable rent, with 40% intermediate, but Tower Hamlets existing Affordable Housing Supplementary Guidance of 2013 was approved by planning inspectors as an acceptable variation based on evidenced local housing need, particularly more than 19,000 households on Tower Hamlets Housing Waiting List, representing over 50,000 people.

The Isle of Dogs Planning Forum endorses this tenure policy as a necessary response to acute housing need. It also applies to new homes provided in redevelopments of social housing estates. As detailed earlier, the Housing White Paper gives Local Authorities flexibility in setting guidance on tenures of affordable housing. The proposed requirement that local planning policies must include at least 10% of affordable home ownership products – of all kinds – does not necessitate any change in Tower Hamlets' policy, as shared ownership or rent-to-buy products have previously been included in the 30% devoted to 'intermediate' products.

77. Household income in Tower Hamlets (Insights from the 2013 CACI Paycheck data)

Headline figures: the median household income in Tower Hamlets in 2013 was £30,805 around £900 lower than the Greater London average of £31,700. Both were considerably above the Great Britain median household income of £27,500.

- * The most common (modal) household annual income band was £17,500 in 2013.
- * Around 17% of households had an annual income of less than £15,000 while just below half (48.7%) of all households have an annual income less than £30,000.
- * 17% of Tower Hamlets households have an annual income greater than £60,000.
- * The lowest median household income can be found in East India & Lansbury (£24,000) and Bromley by Bow (£24,800) while the highest is in St Katherine's & Wapping (£42,280) and Millwall (£43,900).

'Millwall' refers to the western side of the Isle of Dogs. This ward was replaced when the Isle of Dogs was split into three new wards due to its growing population. New ward names are listed in London Living rent calculations. It should be noted that the Isle of Dogs has one of the most polarised income ranges in London. Although many households have low incomes, there are also a large number of high income households, many working in financial services around Canary Wharf. For this reason, London Living Rents for Isle of Dogs wards are significantly higher than London averages – because they are based on median incomes.

FOR REFERENCE

78. Tower Hamlets 2016-21 Housing Strategy (re affordable housing)

The council's new Housing Strategy sets out guiding principles when considering proposals for 'New Homes on housing association-owned land.' In Section 7.7, the council expects:

- * the number of social rented housing units to be replaced on a 'like for like' basis, for example, space standards, but also allowing for some changes of mix to reflect tenants' changed accommodation needs, caused, for example, by overcrowding
- * tenants to be able to move once or at minimum have a right to return to their area
- * housing options for leaseholders to remain in their area
- * at least 50% affordable housing on the proposed new development

79. Tower Hamlets Council's Draft Local Plan (2016-2031): main regeneration and affordable housing policies

This draft went out to a first consultation ending in January 2017. A revised version will be consulted on later in 2017, scheduled for May/June.

Strategic Policy H1 Delivering Housing (Page 64)

d. working with Registered Providers to support the **regeneration of housing estates where open space, existing homes (including affordable and family) are protected**, and where homes are brought up to a high-quality standard;

2. The Council supports the creation of mixed and balanced communities that respond to local and strategic need by:

a. setting an overall strategic target for affordable homes of 50% subject to viability.

This will be achieved through:

- i. securing affordable homes from a range of Council led initiatives; and
- ii. **requiring 35% - 50% affordable homes on sites providing net additional residential units (subject to viability).**

b. Requiring a mix of housing sizes and tenures on all sites providing new housing.

c. Supporting a variety of housing products in the market and affordable tenure.

Strategic Policy H2 Mixed and Balanced Communities (Page 67)

Developments for estate regeneration will be required to:

a. fully reprovide existing affordable homes and increase additional net affordable housing units, by applying Policy H1 to all new additional units; and

b. help meet the Council's housing priorities as further set out in the Housing Strategy.

Estate regeneration schemes are required to replace existing social rent units, or deliver larger homes, which are prioritised for Social Rent.