

Housing – Critical Futures.

Statement by: Colin Rice, **Cullinan Studio**

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Affordable Housing

The abuse of words contributes to our cynicism of politics. 'Affordable Housing' is a prime example. To a Martian, affordable would mean ... well, affordable: something I can pay for in my financial circumstances. In our land of double-speak, 'Affordable Housing' is a technical term with other meanings. Typically, if you were seeking Affordable Housing in London it would not be affordable unless you had well above average income.¹

However, for a healthy city, we need a range of housing so that there are really affordable places to live for all its citizens, and to do that there needs to be greater intervention by our elected government to curb speculation in land and to plan its use better. Since 2011 the Government's new definition of 'affordable rent' means it is set at no more than 80% of market rent. The Guardian, on the 3rd of February 2015, pointed out that to be able to pay an 'affordable rent' at this level in Westminster, tenants would need an income of up to £109,000. London employees' median income in 2014 was £34,320.²

The London Plan³ defines Affordable Housing as 'housing designed to meet the needs of households whose incomes are not sufficient to allow them to access decent and appropriate housing in their borough. Affordable Housing comprises social and intermediate housing.' Clear? This definition starts with 'designed' as if there is some simple connection between design and affordability. There is a role for good design, but it is squeezed by land speculation.



The diagram in KPMG and Shelter's report shows the components that make up the price of housing. ⁴ 'The residual land value model of bringing land into the system, means that high density development with the lowest possible affordable housing and infrastructure provision is systematically prioritised, with windfall gains for land owners.' In plain English, the key element that affects the price of developer-led housing, and therefore its affordability, is land. Unless this aspect is tackled the only way that housing will become more affordable is by reducing the other variables, in particular *build quality* - and that includes *sustainability and design quality*.

Land prices are set through competition to squeeze other costs: KPMG and Shelter.

We have to look at housing in a different way. The value of land and the building on it should be separated. The increase in value of the land should accrue to the community as a whole rather than to the private individual.⁵

Present systems to make housing affordable (such as housing benefit, Help to Buy) add fuel to the fire rather than douse its flames. Housing benefit is being used to transfer wealth to landowners at the general taxpayers' expense. The press portrays housing benefit as if the money is going into the pockets of the tenants. Whilst they benefit from the housing, the financial benefit goes to the landlord and the landlord, like any owner of property, is also enjoying substantial capital gain whilst house prices are rising. There must be a better way.

Some possible methods to address this - each the subject of a far longer study - include:

- Introduce Land Value Taxation so that the increase in value of the underlying land is captured for public benefit and recycled to invest in the infrastructure that contributes to that value. This was the economic model of Ebenezer Howard's Garden Cities, and was successfully implemented in the post-war New Towns. Government invested in infrastructure to enable development and, through the rents on that developed land, had a return on that investment.⁶
- Bring in capital gains tax on first and well as second homes.
- Land already held by public authorities is used for housing on a different model. Rather than being sold off to the highest developer bidder, the public authority could retain ownership of the land, extracting rents. This model has served the 'Great Estates' well, giving much of central London its wonderful urban quality that has proved adaptable over several centuries.

Numbers are important but we need to focus on making places – truly sustainable communities – that come from a response to the specific site. The recent introduction of 'Housing zones'⁷ could take us back to the 1960s when numbers and method took priority over place-making and build quality. By focusing on numbers we are in danger of repeating the mistakes of the 1960s and 70s when poor quality housing was put up in forms that were not sustainable. The result: the current demolition of developments such as the Aylesbury Estate in Southwark where the council is still paying off the debt on its original construction.

Public investment to produce affordable housing will only work over a long time-frame, using forms of dwelling that will be adaptable and stand the test of time, including climate and social change. We need to design thinking in terms of 200 years timespans. The pattern of terraced streets and squares from 18C and 19C proves it is possible.

Homes for the city's citizens will always form the largest portion of the urban matrix. Any old city map shows how this was created in the past: landowners selling off or leasing their fields and providing serviced sites to small and medium housebuilders so that every piece of land is accounted for. In today's terms, such an approach would accommodate development plots for custom builders and self-builders.

Positive master-planning and investment by the public sector must create the physical and organisational framework for a wide range and scales of interventions from the private sector that puts the flesh on the city's bones. The public sector should make a long-term investment for a long-term steady return.

Why does all this matter? Because, if cities are to function well, add to the sum of human happiness and facilitate sustainable wealth creation rather than polarise prosperity, we need housing that is affordable for all citizens of the city.

Text written by: Colin Rice. Cullinan Studio. March 2015

Ed Cullinan is currently a visiting Professor at the University of Nottingham, and has been awarded four other professorships at The Bartlett, Sheffield University, Massachusetts Institute of Technology and Edinburgh University. Cullinan Studio was established in 1965 and has specialised in design socially responsible, sustainable design. Amongst its housing projects are Bristol Harbourside Building 3b and Penarth Heights Regeneration. It has also engaged in events such as *Too few units, even fewer homes!*, aimed at raising awareness of the affordable housing crisis.

¹ Joseph Rowntree Foundation suggests 'affordable' rent that is not more than 28% of the tenant's net income. In London the GLA put this figure at 35%. See: Stephens, Mark et al. *What Will the Housing Market Look Like in 2040?* Joseph Rowntree Foundation. 17 November 2014. <http://www.jrf.org.uk/publications/what-will-housing-market-look-2040>

Recent figures (CityAM 24.11.14) for London suggest that average rents are closer to 49% of average incomes. The higher the figure, the less likely families can afford to live in the city. See: Weise, Karen. "Housing's 30-Percent-of-Income Rule Is Nearly Useless". Bloomberg Business. July 17, 2014. <http://www.bloomberg.com/bw/articles/2014-07-17/housings-30-percent-of-income-rule-is-near-useless>

² Office of National Statistics. *Annual Survey of Hours and Earnings 2014 Provisional Results*. See: <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2014-provisional-results/index.html>

³ The Greater London Authority. *The London Plan*. Section 3A.8. <http://www.london.gov.uk/priorities/planning/london-plan>

⁴ KPMG and Shelter, *Building the homes we need - A programme for the 2015 government*. KPMG and Shelter, 2014. p34. http://www.shelter.org.uk/_data/assets/pdf_file/0019/802270/Building_the_homes_we_need_-_a_programme_for_the_2015_government.pdf

⁵ Harrison, Fred. 2006. *Ricardo's law house prices and the great tax clawback scam*. London: Shephard-Walwyn.

⁶ 1980 when the [Harlow] development corporation handed over its commercial assets to the Commission for the New Towns, they were yielding 12% pa in rents. See: Hall, P and Ward, C *Sociable Cities* 2nd Ed, Routledge, p.57

⁷ The Greater London Authority. *Mayor names London's first Housing Zones*. London.gov.uk 20, February, 2015 <https://www.london.gov.uk/media/mayor-press-releases/2015/02/mayor-names-londons-first-housing-zones>