

Monday 29 June 2015

Architects call for NPPF reform over 'viability' concerns

29 June 2015 | By [Elizabeth Hopkirk](#)

Planning system 'unwittingly unleashed industrial-scale affordable housing avoidance'

Architects are calling for the government to rewrite planning legislation to stop developers dodging "affordable" housing commitments.

They want to redraft a clause in the National Planning Policy Framework which introduced the concept of financial viability assessments to the planning system in 2012.

The system will remain at the mercy of practitioners of "dark arts", said one London architect and teacher, until terms like "viability" and "affordable" are given clear definitions.

The NPPF unwittingly spawned a whole industry devoted to helping developers argue their way out of providing social and "affordable" housing on the grounds it would render their projects unviable.

The practice was branded "a wholesale fraud on the public purse" by Northampton University housing expert Dr Bob Colenutt in an [investigation](#) published by the Guardian and written by Oliver Wainwright, BD's former architecture critic.

This revealed for the first time details of the financial viability assessment for Lendlease's Heygate redevelopment – after a three-year legal battle to keep it confidential.

It set the level of "acceptable" profit at 25%, an unusually high figure that apparently raised concerns at the planning authority but which ultimately went unchallenged.

One architect, at a large London practice which works on residential schemes, said the viability clause in the NPPF was essentially undermining affordable and social housing targets set by local authorities and should be revised.

"There's not much transparency in how the viability assessments are done," he said.

"As architects we haven't seen the cost plan or the sales model for a large number of the projects we are working on. It's highly likely that things are being cooked up to look unaffordable when in fact they are perfectly affordable.

"But it's unworkable as a public policy approach to say, 'You are behaving badly'. You have instead to make the rules as clear and straightforward as you can."

He added: "It's demoralising to work on stuff that neither you nor anyone you know could afford to live in – two-bed flats selling for £800,000."

Bartlett tutor Edward Denison (see box) said: "The secrecy of viability studies makes a complete mockery of a fair planning system and prevents anyone from challenging constructively what a developer claims can be achieved on any given site."

Architect Ruth Lang said the planning process had been shown to have "systemic flaws", with different figures referred

to by developer and council to describe the same project. She got so frustrated she quit practice to do a PhD investigating this.

“One of the problems is we have little agency as architects to change anything,” she said. “We need to get further up the food chain otherwise we are just a responsive rather than a pro-active part of the system.

“We’ve had conversations with clients but it comes down to whether we can persuade them to be a good moral citizen. It needs to be about how we can have some sort of leverage in that discussion.

“There’s got to be a way of incentivising their compliance and it’s got to come from government-level investment in social housing. Government also needs to help councils evaluate these schemes because local authorities are so overstretched.”

Ben van Bruggen, director of van Bruggen Urbanism, said: “The viability assessment is a tool and like many other bits of the planning system it is open to interpretation. Local authorities are finding it a drain on their limited funds and resources to respond and investigate all Freedom of Information requests about viability appraisals and so are more likely to want to avoid potential controversy.”

There were signs that things could change, he said, with Greenwich council proposing developers be required to publish their full viability report if they don’t meet affordable housing requirements.

“This seems to make it more transparent,” he said. “In any event local authorities could seek a review of the viability. If, for example, a scheme is granted consent then it would be possible to state that if it wasn’t completed within three years the viability must be reassessed.

“This at least could reflect a rapidly changing market and any uplift in value could be captured by the local authority as the developer’s profit was already built in.”

Another architect pointed out that inflation of construction costs was currently “so rampant” that this would need to be reassessed if rising residential sales values were also considered.

Mounting concern

Bartlett tutor Edward Denison, an architectural writer and photographer, is engaged in a [battle](#) with Royal Mail over its plans for Mount Pleasant in central London.

He said: “The secrecy of viability studies makes a complete mockery of a fair planning system and prevents anyone from challenging constructively what a developer claims can be achieved on any given site. Until viability studies are made public, developers will get away with making outrageous profits by overvaluing costs and undervaluing returns, safe in the knowledge these figures cannot be scrutinised.

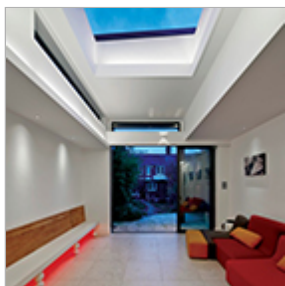
“This was a national scandal at Mount Pleasant where the Royal Mail Group claimed that 3.5 hectares of prime central London real estate owned by us, the public, until the company was privatised in 2013 could not accommodate more than 12% affordable housing. If the state had not allowed that land to be included in the privatisation, 100% of it could have been put to community use.

“An avaricious private company protected by secret viability studies on the other hand can reap hundreds of millions of pounds and only have to deliver a handful of social rented houses in return. We are delighted Camden and Islington are contesting this in the High Court, though saddened at the time and resources that have to be spent on getting a fair deal for the public.”

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Readers' comments (9)

[Peter Bill](#) | 29 June 2015 8:22 am

It could be oh-so-simple: "any site over 20 units will contain one 'affordable' unit for every four private units, built on site and accessible through the same lobby.

[Nicholas Waring](#) | 29 June 2015 8:56 am

It could be oh-so-simple: build more Council housing and don't flog 'em.

[Austin Mackie](#) | 29 June 2015 10:17 am

OK, so affordable is prioritised and design budgets come down - I assume that the un-named architect will complain about that, or will she/he cut their fees ! Sadly, it is obvious that the Government's desire to offload social housing onto the property system means that with , for example, CIL, increased space and energy standards, high design costs expectations, landowners expectations on value, public realm requirements etc etc; the ideological scheme is rarely possible.

[David Roberts](#) | 29 June 2015 10:20 am

The NPPF's 'viability' criteria explicitly prioritises housing's value as a financial commodity over the (democratically stipulated) idea that housing is a socially useful good, or even a fundamental right of citizens. Architects working on redevelopments which may either fail to provide, or actively displace existing social housing stock should be acutely aware of the viability assessments that underpin them, because it will determine whether they are designing housing for people, or for profit.

This article completely ignores the reality, and uses London examples only (where the cost multipliers are exceptional) to make a flawed case.

- a. The state has completely abdicated any responsibility for providing “affordable” housing.
- b. The state has introduced flawed requirements (at a national and a local level) that developers should shoulder all responsibility for the provision of affordable housing.
- c. The price offered for social rented or shared equity houses or flats is risible. The developer can only cover this financial burden by having a lower land cost, or ever increasing prices for the open market housing. Or both. Is upward pressure on housing costs as a result of planning policy really a good idea?
- d. The ongoing maintenance costs, particularly for apartments, will lead to huge social division in the future where the social tenants will have opted out (via their RSL) of any costs for maintenance or repairs other than the bare minimum (which doesn’t represent a fair service charge at the outset).
- e. The financial costs of developer provision of affordable housing renders many schemes unviable. The city where I live and practice is littered with schemes that have not progressed for this reason. We have only been able to unlock frozen schemes by negotiating away the affordable contribution.
- f. Britain has historically low house housebuilding numbers - consistently at about half the number that need to be built. Anything that further reduces the financial attractiveness of housebuilding as a business will only reduce these numbers. No house builder is going to go through years of development to lose money. Blaming them for a complete lapse of social policy is hypocritical and ineffective.
- g. The figure of 25% profit is the higher end of the range - we would see this used on a high risk site, one with contamination, or restoring listed buildings. Development is a risky business, and developers have to make a profit to cover the schemes that do not do so well. All recommendations are that 20% is a reasonable profit figure. Banks will rarely lend for much less than this, and in the absence of funding (do we want to go back to irresponsible lending), developments won’t progress, and neither open market nor affordable housing will be built.

In short, if as a society we want affordable housing, we need to put our hands in our pockets and build it. With the same energy and foresight that our predecessors did before the “right to buy” twisted and corrupted everything.

Or we can retain this impotent posturing and blame developers for not doing what we, as a society, will not do ourselves.

And finally, the headline of this article is misleading. It should be “Some” architects call... - the implication of the flawed wording is that all architects have taken a group democratic decision after an informed debate - which is quite untrue.

Karen Hill is correct. Residential developers, volume house builders, exist to make a profit out of the risk they take and the capital they invest. They are always incentivised by profit and I am sure their

shareholders are glad about that. If there are ways in which they can increase their profits by legitimately not spending where they don't have to then of course that's is what they will do. Social Housing should be built by society, by public funds for the public good and many thousands of homes should be built quickly. The housing associations are best placed to do this - given the land and the funding. Affordability in the private sector is a different issue, and far more complex.

[jonathan rowland](#) | 29 June 2015 11:50 am

The header for this article is even worse "profession's anger" - how can a profession be angry?

[Paul McGrath](#) | 29 June 2015 12:53 pm

The unnamed architect quite rightly complaining about a lack of transparency should have had the strength of character to reveal themselves.

If the big practices don't make themselves heard clearly, presumably because it may offend their client base, and lead from the front architects won't be able change anything.

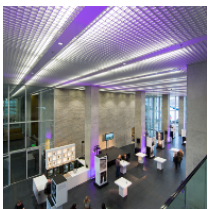
Karen Hill makes some excellent points in balancing the discussion.

[james carr](#) | 29 June 2015 2:14 pm

And of course both 'viability' and 'acceptable profit' are tested regularly at Appeal. The NPPF has many faults but its intention here is quite clear. It is the interpretation that you are objecting to. And that is a LA matter! And one that is supported and objected to in equal measure probably!

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