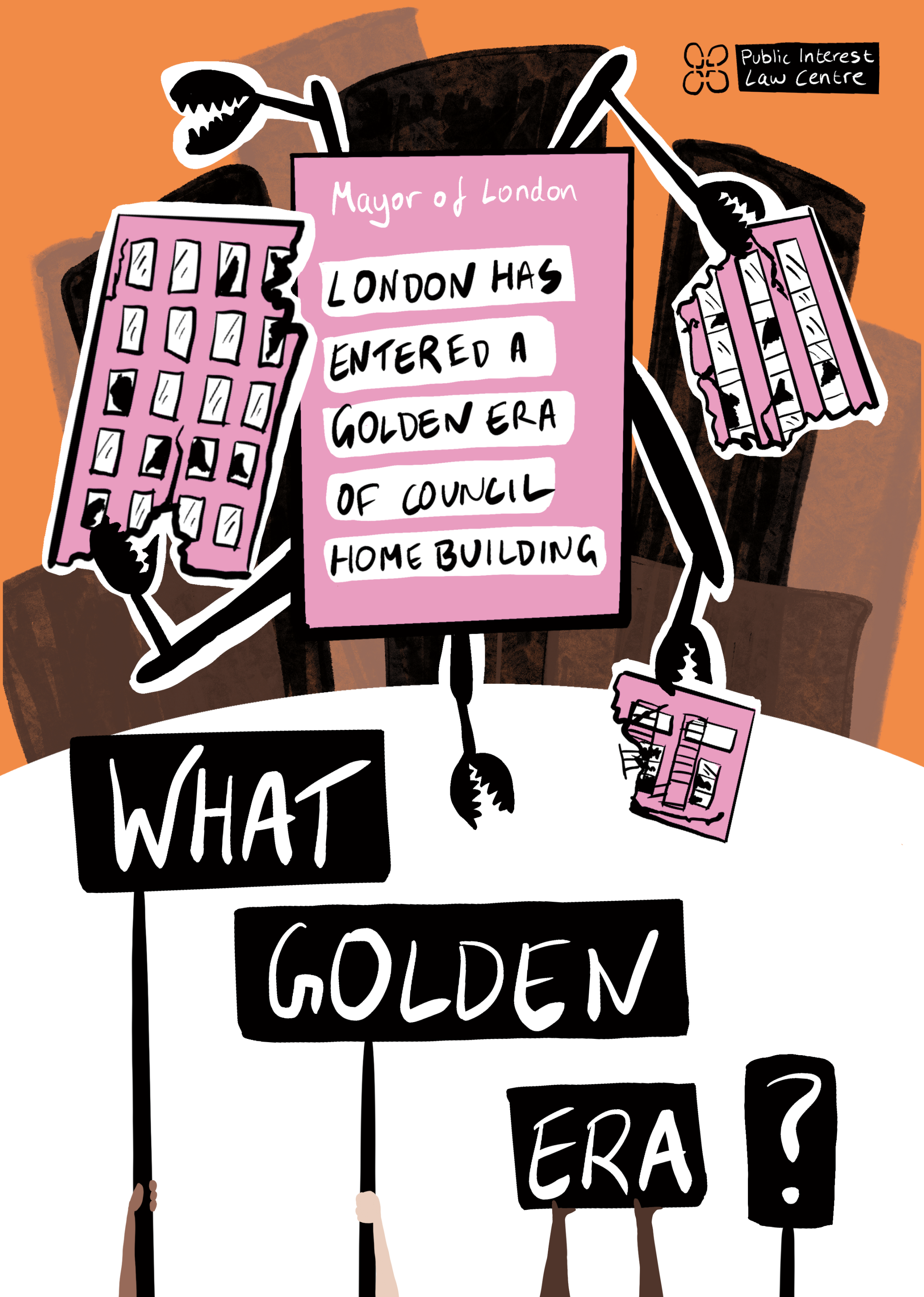


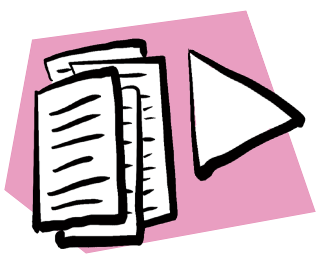
Public Interest Law Centre
Mayor of London
LONDON HAS ENTERED A GOLDEN ERA OF COUNCIL HOME BUILDING
WHAT GOLDEN ERA ?

Printed September 2024

Based on the report written by Dr Joe Penny
Designed by Chikaboo Designs

WHAT GOLDEN ERA?

A guide to challenge estate demolition plans with hard facts



Download the full report and watch the video:
pilc.org.uk/gentrification-project/what-golden-era

In 2023, London Mayor Sadiq Khan launched a high-profile campaign saying that "London is in a golden era of council home building."

This confused us.

Can this really be a "golden era" when there are record levels of homelessness? And what does "affordable" even mean when thousands of families are displaced and forced to live in temporary accommodation?

Do the new builds provide secure, long-term homes for low-income, working-class Londoners?

We commissioned academic Dr Joe Penny (UCL Urban Laboratory) to find out. He investigated six case studies of cross-subsidy regeneration that include demolishing council homes. Analysing both acclaimed and criticised regeneration sites, he wanted to know just how affordable the new homes were for working-class Londoners, and how secure the tenures of the new units will be.

None of the developments that he reported on meet the needs of low-income, working-class Londoners.

The evidence shows that these projects routinely overproduce housing that London has the least need for (market homes for sale and rent) and either underproduce or (more often) reduce the truly affordable council houses that Londoners have the greatest need for.

Plus, social homes on the regenerated sites are, on average, £80 per week more expensive to live in than the council homes they replaced.

On top of that, the whole process of redevelopment is highly disruptive and painful to the people who live on these estates, haunting communities for decades.

The new Labour government and the Greater London Authority maintain that cross-subsidy models are the answer to the housing crisis. They want to “back the builders” without examining what these builders are proposing to build... or who they are building homes for.

This guide is designed to empower you and your communities to challenge this narrative with hard facts.

It presents evidence that can help you fight to keep your homes and communities, and to be clear on what type of homes you want and need.

You’ll find out what the report uncovered, understand the evidence that’s available for your situation, and learn how to leverage this in your campaigns when facing or opposing the demolition of your homes.

HOW TO USE THIS INFORMATION

Who is this guide for?

- Residents facing displacement from the demolition of their housing estate
- Communities facing gentrification because of local regeneration plans.
- People experiencing homelessness who have a right to know what is happening to public housing and land
- People in insecure housing in the private rented sector
- Academics, journalists, artists, councillors, legal folk and anyone concerned about the loss of truly affordable, secure housing in London

What's in the guide, and how can it help?

1. What is *truly* affordable?

There's a lot of confusion regarding which tenancies will be available and the rent levels that will be offered in plans for estate regeneration.

Discover how we define what is *truly affordable* to people living in London today. This will help you gain perspective on just how unaffordable the so-called "affordable" options are throughout the report.

2. Language, debunked

Plans for estate regeneration often use loosely defined terms and subtle turns of phrase in their plans. This clouds the specifics about the nature of affordability and tenancies of the houses developers are building.

This section defines different tenancy types and housing products. This will help you get a clearer idea of what developers/local authorities are proposing, and what this means for you and your neighbours.

3. Cross-subsidy models explained

The cross-subsidy model promises to fund the construction of “affordable” homes by building private units for sale or rent.

Using six examples, you’ll learn about three different approaches to cross-subsidy that include demolition. You’ll discover the ways that they impact the security and affordability of the proposed housing on the regenerated sites.

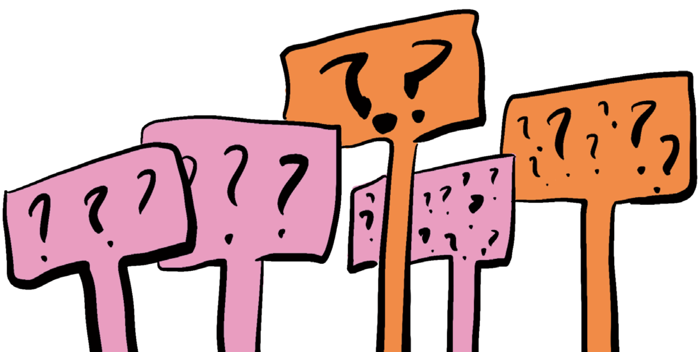
4. Repeating patterns and unaffordability

The report shows that estate demolition through cross-subsidy is worsening the housing crisis for low-income working-class Londoners.

Using infographics, you’ll see just how far the gap is between real incomes and the so-called “affordable” housing options on offer.

5. Your questions answered

Find out answers to questions we are regularly asked by those concerned by estate demolition in this helpful Q&A.



WHAT IS TRULY AFFORDABLE?

Truly affordable rent/housing
Housing that costs no more than 30%
of a household's net monthly income.

Estate regeneration plans often use the word "affordable" or "genuinely affordable" to describe the types of housing they're planning to build.

But just as fast-fashion companies use "greenwashing" terms to hide the environmental cost of their production methods, the word "affordable" is used with no relation to what's *truly affordable* for real people living in London today.

Just because they say it's
affordable, doesn't mean it is.

When we use the term *truly affordable* in this guide, we are not referring to a type of housing product used by developers, we're describing a rent-level that relates to household incomes and is actually affordable for working-class, low-income Londoners.

To calculate this, we've taken the UN-Habitat's definition of what is *truly affordable* which is rent that costs no more than 30% of a household's total monthly income.

"Housing is generally deemed affordable when a household spends less than 30% of their income on housing related expenses, such as mortgage repayments (owners), rent payments (renters), and direct operational expenses such as taxes, insurance and service payments."

- UN-Habitat

LANGUAGE, DEBUNKED

When estate regeneration plans are first presented, there's often a lot of confusion about what tenancies will be available, and the rent levels that will be offered.

Use this section to get clear information on the types of tenancy that are being proposed in your area, and how affordable they will be.

Companies and councils are always coming up with new ways to describe the housing they build. This means the word affordable is often used when the housing options presented are anything but.

We keep an updated list of terms and definitions on our website:

pilc.org.uk/gentrification-project/estate-regeneration-glossary

Types of tenancy
Who's your landlord?

The easiest way to work out what type of tenancy you have is to look at who your landlord is.

Housing Association

Housing associations are Registered Providers of Social Housing. These homes are for households on low incomes and can be given to households on the council's waiting list.

Many housing association tenants will have **assured tenancies**. These have no fixed term and are lifelong. Tenants have more protection from eviction than they would from a private landlord, but have less protection than secure tenancies, for example, it's easier to be evicted for rent arrears.

It's becoming more and more common for housing associations to give tenants **starter tenancies**, or a **fixed assured shorthold tenancy**. These will likely be for a longer fixed term than if you are renting privately (two years or more), but it's easier for your landlord to evict you from a starter tenancy.

Some housing association tenants may have a secure tenancy if it started before January 1989.

Private Landlord

Typically, you will have an **assured shorthold tenancy**. This is the least secure type of tenancy in England. Tenants have very few rights and it's much easier to be evicted. Assured shorthold tenancies are usually for a fixed term and are either renewed at the end of the term or can become rolling month to month. Rent will almost certainly be market rent.

Council

If the council is your landlord, you'll likely have a **secure tenancy**. These homes are for households on low incomes and can be given to households on the council's waiting list. This is usually a lifelong tenancy.

A secure tenant has strong statutory rights which limit the situations in which they can be evicted. Homes are owned and managed by a local authority. These can be sold under the Right to Buy Scheme or transferred to tenant-led management.

In some circumstances a council can give a **flexible tenancy** (a form of secure tenancy granted for a fixed term of a minimum of two years) but it can't give a tenant an assured tenancy.

Types of rent

Affordable Housing/Rent

Capped at up to 80% of market rents. They are also available to households waiting for social housing on a council's waiting list. The report found that these rates are not *truly affordable* to low-income households.

Council Rent

Between 20-50% of market rents. Typically the lowest cost housing available in London, this is the closest to *truly affordable* rent. However, council rents are increasingly set in relation to the marketable value of the properties, so higher rents can be charged for new homes in well-located, or 'desirable' areas.

Council rents have increased faster than social rents in the past 20 years as the government tries to align the two.

Intermediate housing

Intermediate housing is a blanket term to describe a range of housing 'products' that sit between social rent, market rent and sale. They can be for rent and (part) ownership.

Affordable Rent, London Living Rent and Shared Ownership are all forms of intermediate housing.

The Mayor of London claims that intermediate housing is intended to support 'key workers' (those working in roles considered essential to the functioning of the city) who can't afford market rents or to buy homes at full market cost.

Market rate/rent

These are the unregulated rents set by landlords and lettings agencies in the private rented sector.

Types of rent continued...

Genuinely Affordable Housing

The term was first used by Mayor of London Sadiq Khan in his draft London Plan, and was presented as an alternative to the definition of the much contested “affordable” rent.

London Affordable Rent (LAR)

This term was created by the Mayor of London Sadiq Khan to get around nationally imposed restrictions on funding social rent homes.

Rent is capped between £150-£200 per week. It’s intended for households who are on the council waiting list for social housing. LAR is usually higher than social rent.

London Living Rent (LLR)

Capped at up to 67% of market rents, LLR is considered an intermediate and “affordable” rent. It’s designed to allow people to save up to eventually buy the home on a shared ownership basis within 10 years.

Whilst recognised in planning documents as an “affordable” housing product, LLR homes are targeted to households who earn a combined income of up to £60,000 - well above median incomes in London.

This is an umbrella term that describes a range of housing tenures, or 'products', including social housing, London Affordable Rent, London Living Rent and Shared Ownership. Presented without a cap against market rents or of household income, the report has found that most of these don't meet the criteria for *truly affordable* rent.

Shared Ownership (SO)

Described in planning documents as an "affordable" and intermediate ownership product for households who would struggle to buy on the open market. SO enables people to take out a mortgage to buy a share in a new home and pay rent on the remaining part, plus service charge.

Whilst it counts in affordable housing statistics, this is for middle-income earners with a combined income of up to £90,000 - almost three times the average median annual pay across the 33 boroughs.

Social Rent

Social rented homes are provided by Registered Social Landlords (RSLs) – such as housing associations. They are for households on low incomes and are let to households on a council's waiting list for social housing.

Based on formulas in the Social Housing Regulator's Rent Standard Guidance, social rent is calculated in part by using the market value of the property. This means it can vary significantly. If social rent is provided by council-led development, it can be provided under a secure tenancy.

CROSS-SUBSIDY MODELS EXPLAINED

Cross-subsidy model:
the promise of financing affordable homes by building private housing

The cross-subsidy approach to estate regeneration has been the dominant model for the past two decades and looks set to continue. Council estates are demolished to make way for expensive for-sale/rent properties. These private homes are supposed to fund the construction of affordable homes on the sites.

We looked at how effective the three main types of cross-subsidy model are at providing *truly affordable* homes for low-income, working-class Londoners.

Using evidence from six different projects, the report found that the loss of social housing and displacement of working-class tenants are features of regeneration projects that involve demolition.

These examples are evidence for you and your neighbours to use in the fight to keep your homes and communities, and/or to establish which types of housing you want.

Which model is your local authority championing?

The developer-led approach

A council sells public land to either a corporate or 'not-for-profit' developer, who are then responsible for funding and designing the plans for regeneration.

Examples include Lendlease, Berkeley Group, L&Q and NHG.

Heygate Estate (Southwark)
'Regenerated'

The Aylesbury Estate Regeneration (Southwark)
Ongoing 'regeneration'

- Across both estates **3,971 homes, including 3,435 council homes, will be demolished** to make way for new mixed-tenure developments. In their place, 6,979 homes have been planned, or have already been built.
- By far the most significant tenure, **58% of these units are to be for market sale or rent.**
- **Just 27% of the units are projected to be available for social rent.** But this is not net new social housing.
- Despite a 1.76x increase in the density of the two estates, there will be a **net reduction of 1,538 council homes.**
- All the replacement social rent **homes are provided with less secure assured tenancies** and have higher weekly rents and service charges.
- **On average, rents are £107.51 higher** per week including service charges.
- **None of the new social homes that have been built or planned are truly affordable** to those on low incomes.

The Local Housing Company (LHC) approach

A local council creates a real estate company to redevelop, acquire and manage housing separately "outside" the council.

Homes are built for private sale and rent, intermediate housing, and social housing. In theory, an LHC approach allows local councils to open new financing opportunities and stop housing they are building being eligible for 'Right to Buy'. However, this approach typically results in council housing either being lost in its entirety, or at best replaced with social housing, with less secure tenancies and higher rents for residents.

Barking & Dagenham Borough Council LHCs 'Reside' and 'BeFirst'

Has won awards for innovation and design

Lambeth's LHC 'Homes for Lambeth'

Broadly regarded as a failure

- These development programmes intend to build 9,242 homes from 2012 to 2030.
- Of the newly developed units, the **most significant tenure delivered or planned are market homes for sale and rent (45%)**.
- **Just 25% are projected to be social homes.**
- **Tenants will lose their secure tenancies** for either assured tenancies or assured shorthold tenancies. Both options are less secure because the homes are to be delivered outside of both councils ring-fenced landlord accounts (Housing Revenue Account, or HRAs) that record income and expenditure of local authorities that relate to providing council rented housing.
- Despite there being a 3x increase in density of council estates across both boroughs, **an estimated 3,096 truly affordable council homes will be lost.**
- On average, the **rents in the new social homes are £103 per week more expensive than the average** council rent home in the boroughs.
- **None of the new social housing is truly affordable** to low-income Londoners.

The council-led approach

A local council leads on the (re)development of council estates on public land.

In this approach, money ringfenced to maintain the housing is being used to develop new houses.

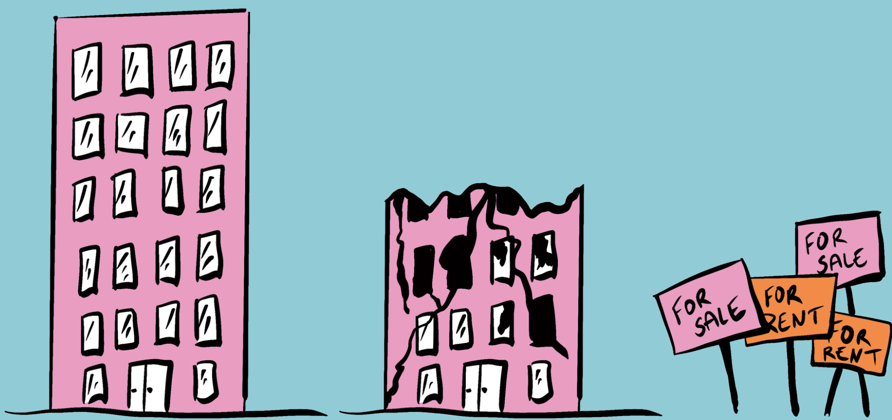
Council housing is delivered within the ring-fenced landlord accounts (the HRA) so residents can be provided with secure tenancies. That being said, homes are still demolished to make way for higher density mixed-tenure estates, and/or other public assets are sold off locally to fund these homes.

This approach comes at additional risk to the residents. Borrowing for regeneration through the HRA has placed a strain on its financial position, meaning these finances could be diverted away from the management and maintenance of existing homes.

This also means council tenants may also bear some risk for the financial failure of any development that has been financed against the account that invests in the long-term quality of their homes.

Camden's Community Investment Programme (CIP)
Known as the borough's 'North Sea Oil', this was set up in 2010 to extract value from the high land and housing prices. It was set up to deliver new housing and social infrastructure.

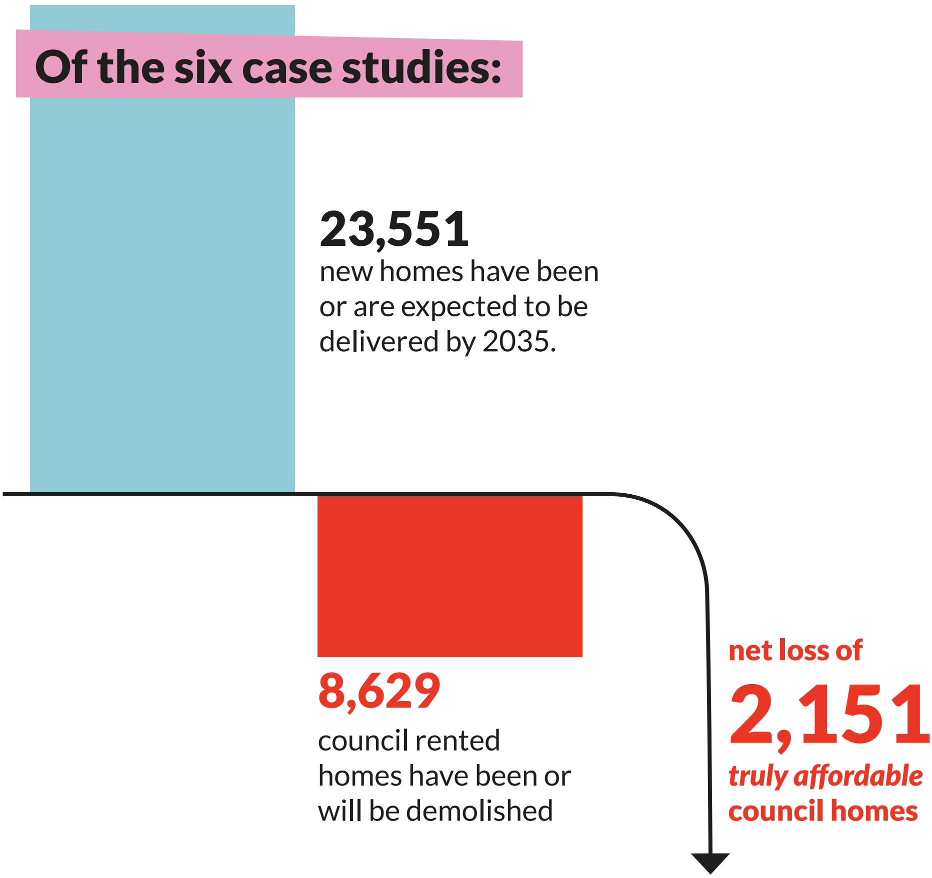
Hackney's Estates Regeneration and Housing Supply Programmes (ERP & HSP)
These programmes have been lauded as innovative and are considered good practice in several official reports.

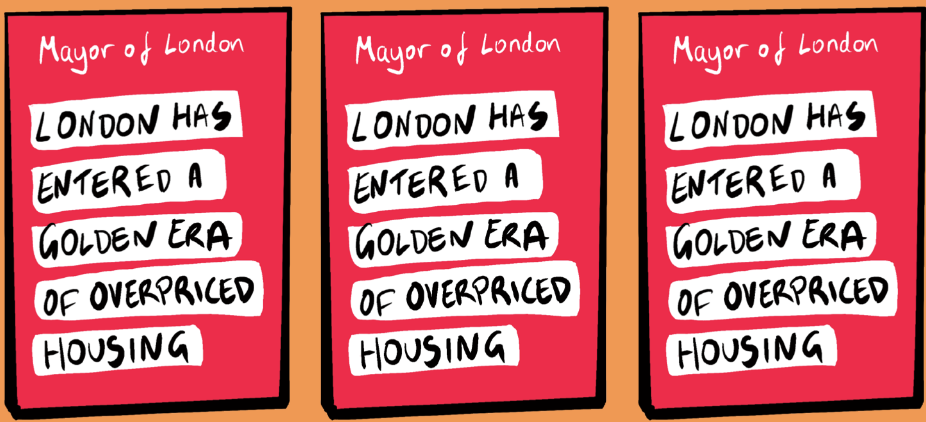


- This approach has **the best gross and net numbers of new council and social housing in the report.**
- However, it's **still a disruptive, inefficient, and insufficient means of delivering truly affordable housing.** Both councils in our study are now moving away from the model due to the increase in construction and borrowing costs.
- This model is a way of financing the replacement of existing council homes with newer, possibly larger properties. But **it doesn't address the shortage of truly affordable homes.**
- Plus, **the Camden project was partly funded by the sale of a large amount of public land to private developers and has likely been lost to public ownership forever.** Existing council estates have more than doubled in density, and green, social infrastructure and amenities have been lost.
- Across both programmes, **an estimated 1,919 council homes will be demolished.**
- In its place, **7,404 homes will be built over 15 years. 47% of these will be for private sale and rent**.
- **37% will be council rented housing, but this is not net new council housing overall.**
- While there will be a net addition of social rented homes, this accounts for just 11% of the overall build and **has come at the expense of public land sold to developers.**
- The tenancies of these homes will be the same as before redevelopment, but the **rent levels will increase by £50 per week.**

REPEATING PATTERNS AND UNAFFORDABILITY

Of the six case studies:



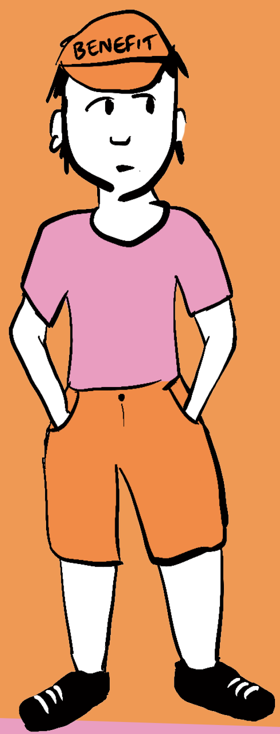


Across all three cross-subsidy models in the report:

- The loss of social housing and displacement of low-income working-class tenants are embedded features of regeneration projects which involve demolition
- All underproduce the housing that Londoners need the most (council rent and social rent)
- All overproduce the type of housing London has the least need for (market sale and rent)
- The total number of council and social housing was reduced in all but one of the regeneration projects
- Redevelopment of council estates increases the rents of council and social housing by more than £80 per week on average

Of the homes due to be built:

- Just 6,478 (27%) of these homes are replacement social rented homes
- Almost double the amount of social or council homes will be for private market sale or rent (11,961, 51%)
- 5,112 (22%) will be intermediate ownership and rent
- Council and Social rents have increased by over £80 per week on average



AFFORDABLE TO WHO?

A secure tenancy is worthless unless you can afford the rent.

Many developers use the word "affordable" when describing the houses they want to build. But how affordable is rent on redeveloped estates for real people?

In the following pages you'll see examples of rent levels that have been described as "affordable" by developers.

Remember: Rent must be less than 30% of a household's income for it to meet the UN's level of affordability and be truly affordable.

The following examples are for people who are impacted by the benefit cap. For those not subject to this cap, universal credit would often fill the affordability gap. This situation raises broader questions about the use of public funds, particularly as it results in public finance being redirected to housing associations, developers and/or investors.

First, some terms

MIS

Minimum income standard (£)

The amount of money a household needs to live after they've paid their rent.

RI

Residual income (£)

How much money the household is actually left with after paying rent.

RAG

Rent affordability gap (£)

How far short of the minimum income standard a household is when paying these "affordable" rents.

A single working age adult affected by the benefit cap

Developer-led

- Aylesbury Redevelopment
- Social Rent
- **Rent = 55% of household's income**
- 25% higher than the UN level of affordability

£357.13
Minimum Income Standard (MIS)

£-211.42
Rent Affordability Gap (RAG)

£145.71
Residual Income (RI)

Local Housing Company

- Barking & Dagenham's Reside
- Affordable rent level 65% of market rate
- **Rent = 62% of household's income**
- 32% higher than the UN level of affordability

£333.93
MIS

£-211.53
RAG

£122.40 RI

Council-led

- Maiden Lane
- Intermediate Rent
- **Rent = 76% of household's income**
- 36% higher than the UN level of affordability

£357.13
MIS

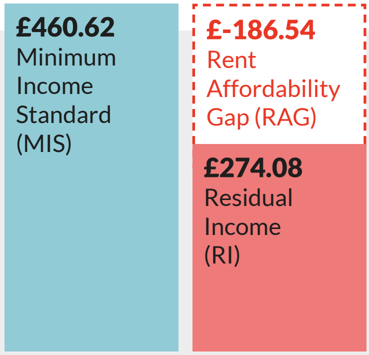
£-278.27
RAG

£78.86 RI

Single parent with children (two-bed) affected by the benefit cap

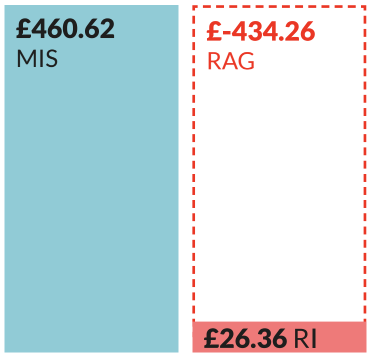
Developer-led

- Aylesbury Redevelopment
- Social Rent
- **Rent = 44% of household's income**
- 14% higher than the UN level of affordability



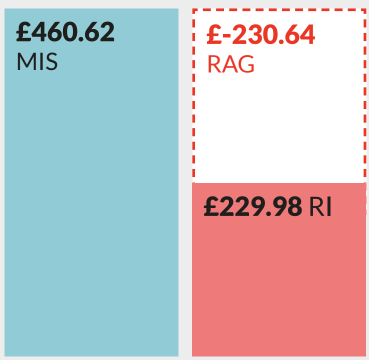
Local Housing Company

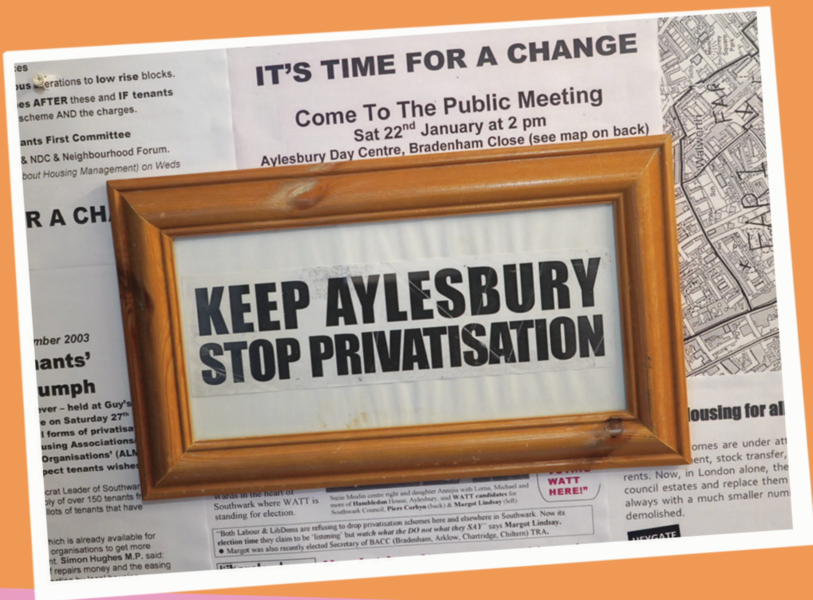
- Westbury Estate
- Strategy Rent (similar to London Affordable Rent)
- **Rent = 71% of household's income**
- 41% higher than the UN level of affordability



Council-led

- Hackney
- Living Rents
- **Rent = 53% of household's income**
- 23% higher than the UN level of affordability





YOUR QUESTIONS ANSWERED

Q: What happens if I lose a secure tenancy to an assured tenancy?

A: New secure tenancies are only provided by the council in council homes. Council rents are the lowest cost housing available in London.

If you have an assured tenancy your landlord is likely a housing association (and so your rent is social rent). Typically, this is more expensive than council rent. It's also easier to be evicted for rent arrears.

Q: Why are affordable products not affordable?

A: Developers, politicians and councils often use the word "affordable" to describe the types of houses they're planning to build. However, this report shows that this doesn't mean it will be affordable to people on low incomes. Section 5 of this guide illustrates just how big the rent affordability gap is. Use this information in your campaigns to evidence the affordability of the proposed plans for you and your neighbours.

Q: Why would my rent go up if my home stops being a council home and becomes a housing association home?

A: Council rents are the lowest rents in London, whereas housing associations typically charge social rent.

Because social rents are based on a formula in the Social Housing Regulator's Rent Standard Guidance, they're calculated partly by using the market value of the property. This means social rents can vary and can mean higher rents for better quality homes in 'desirable' areas.

Q: Why do rents go up if a newly built council home replaces a demolished council home?

Since the 2000s, council rents have been set in relation to the marketable value of the properties, allowing higher rents to be charged for better quality homes in 'well-located' areas.

The more gentrified an area becomes the more 'well-located' it may be.

Q: What about retrofit and refurbishment projects?

A: Retrofit and refurbishment projects aren't included in the report as there are not any notable examples. Retrofit and refurbishment typically means communities aren't displaced which makes it harder to change the affordability and tenures of homes.

There are no VAT exemptions for developers for retrofitting or refurbishing projects, whereas new builds typically incentivise demolition by providing VAT exemption. This makes it more financially viable for them.

The information in this guide is still useful if you want to challenge the affordability of the options that are being proposed.

About PILC's Gentrification Project:
Supporting Access to Justice in the Class-based Transformation of Urban Space

We've been active in supporting local residents and grassroots campaigns to challenge injustice from gentrification for many years.

We use the law as a tool to assist, support and empower communities at the frontline of gentrification.

We work to support local residents and campaigns to shift the power balance away from demolition and cross-subsidy regeneration back to the people who live there.

As movement lawyers, we seek to be on the ground with campaigners, offering legal services as just one tool or tactic amongst others in a campaign.

We hope this guide is useful for the amazing campaigners we support.

pilc.org.uk/gentrification-project/what-golden-era

Public Interest Law Centre

A guide to help

CHALLENGE ESTATE DEMOLITION PLANS

with hard facts

Public Interest Law Centre