

How the 'housing crisis' is a crisis of policy, profiteering and politics

Housing development policy is marked by secrecy and misleading definitions. But can it be pushed back?

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Consider this: every one of the developers mentioned on the opposite page is intimately linked to a tax haven or a billion-pound company. Now factor in that each is claiming that it's not profitable enough to include much, if any, 'affordable' housing in their developments. Then, that the calculations behind their claims are so shrouded in secrecy that the public can't find out what's going on.

Next, consider that even so-called affordable housing often only means 'less unaffordable', in expensive markets such as Bristol's. Finally, consider that despite council policy and due to the diktats of the government, elected councillors are under pressure to disavow the politics upon which they were elected, and wave through developments with few – or zero – 'affordable' homes.

With these things in mind we can start to understand an important facet of what has come to be known as the housing crisis. It could more accurately be called 'the crisis in housing caused by years of bad policy and profit-seeking people and companies'. Not quite as snappy, but truer in its description of why Bristol homes have become by far the least affordable of the 10 core cities outside of London. Here's a little breakdown of the situation.

'It's not profitable enough': viability reports and secrecy

If you had to identify a single factor that perpetuates the chronic non-delivery of affordable housing in developer-led schemes, it would be the system of 'viability assessments'. Within these reports, consultants hired by developers argue that including 'affordable' housing will make projects financially unviable. In the strange world of planning, developer's anticipated profits are counted as a scheme 'cost' (as opposed to something left over once all costs have been covered). Developments often become technically financially 'unviable' when their projected profit margins dip below about 20%.

The system of predicting those profits is also ripe for being gamed by developers. "The methods of the developers and their agents are simple: they undervalue the final development by making the costs of the scheme artificially high," explains Dr Bob Colenutt, a senior lecturer in planning at the University of Northampton. "Costs of construction, fees, contingencies, and finance are put at the high end of the range, while sales and rental value are at the lower end of the range. Bingo! The scheme is no longer profitable enough to carry the amount of affordable housing required by the local authority."

In the world of planning, developer's anticipated profits are counted as a scheme 'cost'

To make matters worse, the public are routinely denied access to viability reports on the grounds of commercial confidentiality. "Developers use [this] cloak of secrecy to submit viability reports that have been constructed with the sole purpose of removing affordable housing to increase the profits," says George Turner, an investigative journalist and researcher with the Tax Justice Network.

The implications of this secrecy were illustrated when the Cable obtained a confidential viability assessment relating to the development of the former Elizabeth Shaw chocolate factory in Easton. The consultancy behind the report had based its income projections partly on 18-month-old property prices, in an area where valuations have since leapt by around 20%, throwing into question the integrity of its zero-affordable housing proposal. The developer has the next move following a planning decision deferral by councillors.

What does 'affordable' mean anyway?

You may be wondering why the Cable often puts 'affordable' in quotation marks. By way of explanation, it's

our rather feeble attempt to strike back at the doublespeak employed by developers and the government, and too often unchallenged by the media.

The government's definition of affordable housing includes properties rented or sold for as much as the 80% of the market rate, as well as homes part-owned by councils or housing associations. This notion of 'affordability' has little to do with how much people earn. These factors have helped Bristol top the list as the least affordable for housing among the UK's 10 core cities, according to the Centre for Cities think-tank.

So keep those fingers in the air.

But the council has a policy of 30-40% affordable housing, right?

It's true Bristol council has a policy of seeking 30-40% affordable housing in developments of over 15 units. Unfortunately, it's also true that 'seeking' is the operative word in this policy, and that central government legislation requires councils to drop these obligations if they get in the way of a developer's profit expectations.

One of Bristol council's planning officers recently likened the process of securing affordable housing as being "sent into the boxing ring with one arm tied behind your back". The result is that officers, while sometimes gallantly negotiating a less bad deal, are compelled to recommend that councillors approve the developer's application. But that's when our elected representatives ride to the rescue... right?

Putting the politics back in politicians

Not necessarily. Councillors are up against a well-organised industry, backed by government legislation. For example, if they turn down an application, the developer could appeal. The case is then taken to the Planning Inspectorate – a sort of planning officer overlord – where the odds are stacked against local authorities. If they lose, councils must foot the legal bills too. As such

just 21% of homes built in Bristol are "affordable".

But there is some wriggle room. Local councillors often labour under a prevailing myth that they are unable to have an opinion on a planning application. Being elected on an explicitly political platform, it would be ludicrous if this was the case. Thankfully it isn't. Councillors are required to have an "open mind" and not approach a planning application with a "predetermined" decision. But councillor guidance includes a large degree of flexibility, stating: "A Councillor may campaign for or against a planning application, and still vote at planning committee, so long as they go into the meeting with an open mind to hear all the facts and evidence. This can be demonstrated by the Committee Chair asking the Councillor at the beginning of the meeting to confirm whether or not they still have an open mind on a proposal."

The notion of 'affordability' has little to do with how much people earn

Unfortunately a lack of clarity, guidance and the threat of costly appeals has reduced the appetite of councillors to push back. That's despite guidance also stating that the "overriding duty as a Councillor is to all residents of the City of Bristol and in relation to planning issues to help ensure that the council's planning policies are achieved".

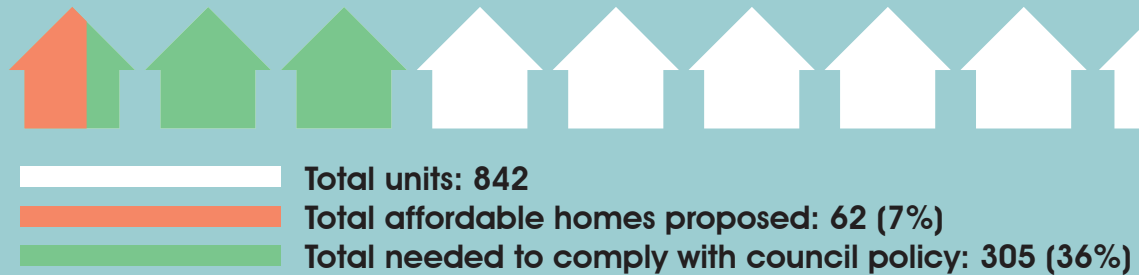
Nationally, 90% of councils recently reported that government targets for house building are unattainable in large part due to cuts in local planning departments. Closer to home, with ambitious plans for 800 affordable homes a year and a euphemistic "reshaping [of the council] planning enforcement service", mayor Marvin Rees' administration will have to be bold, exploiting every angle for manoeuvre in what seems like a rigged game. A genuine commitment to transparency would be a good place to start.

The offshore companies and billion pound corporations stealing Bristol's homes

Four recent major applications reveal a picture of profiteering from the housing crisis

In what sometimes feels like a very local issue, Cable research has found that behind these four major development applications are a global web of offshore companies based in tax havens or billion pound multinational companies. Yet these developers can't dig deep to provide much, if any, affordable housing.

Bristol's lost affordable homes from all four developments:



Elizabeth Shaw chocolate factory, Easton



Fun fact: The international bankers financing the development, REVCAP, have significant dealings in tax havens including Luxembourg, Jersey and the Cayman Islands.

Total units: 135
Affordable proposed: 6 (4.4%)

Decision status: Following revelations about outdated profit calculations in the Cable and a concerted community campaign, councillors deferred the decision in November 2016, despite a last minute offer of six affordable units. The developer may appeal or make a new offer.

Brooks Dye Works, St Werburghs



Fun fact: The company that owns the land and applicant developer, Folland Limited, is registered to a Post Office box in the tax haven of Jersey. Due to corporate secrecy we don't know much about who is behind Folland, and how much work really gets done in that little letter box.

Total units: 102
Affordable: 24 (24%)

Decision status: Approved by council as an 'outline' application in October 2016, with 24% affordable, following negotiations. A detailed application from a developer is still to be submitted.

Redcliff Quarter



Fun fact: The financier behind the development, ICG-Longbow, is based in the tax haven of Guernsey. In turn, it is owned by ICG PLC, where one director was paid £5.4 million for 2016, earning the same amount in three days as the average UK worker did in a year.

Total units: 300
Affordable: 32 (12%)

Decision status: Approved in November 2016

Blackberry Hill, Fishponds

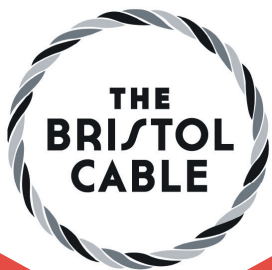


Fun fact: The developer Galliford Try PLC was initially awarded the contract to build affordable housing by the government Homes and Communities Agency. Despite reporting record profits on its annual £2.76 billion turnover and boosting payouts to corporate shareholders in 2016, Galliford Try now can't afford any affordable housing.

Total units: 305
Affordable: 0

Decision status: Pending in early 2017

Sources from the Land Registry and Companies House. All documents will be made available online.



BRISTOL NEEDS TRANSPARENCY ON HOUSING DEALS

VIABILITY REPORTS MUST BE MADE PUBLIC, WITH IMMEDIATE EFFECT

Off the back of several Cable investigations and a campaign led by community union ACORN, in December 2016 councillors approved a Green Party motion to publish viability reports when developers attempt to avoid affordability obligations. Bristol councillors followed the lead of Islington, Greenwich and Lambeth councils, and now it falls to Marvin Rees and his team to give force to the motion. With several major developments on the horizon, it's of crucial importance for the city that this happens pronto!