

ORGANISATION	LONDON FIRST
ID	1588
MATTER	M29 BUILD TO RENT

M29. Would Policy H13 provide a justified and effective approach to build to rent housing to meet housing need? In particular:

a) Would the criteria to define build for rent set out in Policy H13B be justified and would they be effective in supporting delivery?

1. The introduction of Policy H13 in the draft Plan is vital to supporting the growth of the build to rent sector in London. The new policy provides the first London-wide planning framework for this type of development. If London is to meet its housebuilding target it will require more development from different types of housing provider and build to rent is an essential part of this mix.
2. London First supports the concept of the definition of build to rent, but considers it unnecessary to repeat the list of criteria in H13B. Build to rent is already defined in national policy and the criteria in H13B are directly lifted from the Mayor's Affordable Housing and Viability Supplementary Planning Guidance 2017. This is another example of unnecessary repetition in the draft Plan which makes it overly long. It is not necessary to reproduce the definition here, and H13B should merely make reference to the SPG.

b) Would the approach to affordable housing requirements be justified and effective? Would it be effective in meeting local needs? Would the approach to discounted market rent homes be effective? Should the discount level be defined locally to take account of local circumstances?

1. The overarching approach to affordable housing requirements is heading in the right direction, but it requires some changes to support delivery. Build to rent is based on a different financial model to that of for-sale housing. While this is helpfully reflected in paragraphs 4.13.2 and hinted at in H13D, it should be explicitly recognised within the policy. A failure to do so will fundamentally undermine the effectiveness of the affordable housing policy for build to rent and would be inconsistent with national policy. To this end, the following sentence, which has been struck out of H13A, should be reinstated:

A To recognise that the Build to Rent development model differs from a traditional for sale scheme and the potential role it can play in accelerating delivery

2. The remaining part of the sentence in H13A, which states that the affordable housing offer can be solely Discount Market Rent (DMR), is welcomed. This is an essential part of build to rent development and will be an effective approach to supporting the delivery and long-term management of this type of development.
3. The policy goes on to express a preference for the DMR homes, which are by definition an intermediate product, to be set at London Living Rent levels. Given the strategic nature of the Plan, it would be more appropriate to allow applicants and boroughs to determine the most suitable rent levels on the basis of local need and the viability of the scheme, within the intermediate parameters for a DMR product. This would allow boroughs to prioritise either a larger proportion of affordable homes at a lower discount or a smaller number of homes at a heavier discount, according to local need and circumstances.
4. Therefore, taking on board the points made above, Policy H13A should be amended as follows:

A To recognise that the Build to Rent development model differs from a traditional for sale scheme and the potential role it can play in accelerating delivery, where a development meets the criteria set out in H13B, the affordable housing offer can be solely Discounted Market Rent (DMR) at a genuinely affordable rent, preferably London Living Rent level. DMR homes must be secured in perpetuity.

5. In terms of the quantum of affordable housing required for a build to rent scheme to use the Fast Track Route, the approach taken in H13C cannot currently be justified. In an immature market, with few real build to rent schemes in existence (as a percentage of the overall housing stock across London), inadequate evidence has been presented to justify the 35 per cent threshold and, given the acknowledged distinct economics when compared to developments for sale, it is difficult to understand how the same threshold level could be set for build to rent.
6. The 35 per cent threshold also makes it more challenging for build to rent developers to compete for land against build for sale developers. When assessing land value to calculate how much to bid for a site, if a build to rent developer assumes 35 per cent affordable housing provision, they will struggle to make their bid competitive compared with a for sale developer because of the distinct economics around viability for build to rent which result in a much

longer-term return on investment. This position is supported by paragraph 4.5 of the Mayor's Affordable Housing and Viability SPG (2017), which states, *"Build to rent cannot compete on an equal footing with speculative build for sale when competing for land, as it can generate lower returns"*.

7. Following the viability tested route carries significant risk for developers as to where to pitch the alternative quantum of affordable housing, particularly when expectations amongst decision makers are being continually reinforced by the GLA at 35 per cent. By adding unnecessary risk to the land acquisition process, this ultimately risks constraining a fledgling sector which should be exploited to its full potential as an alternative source of housing supply.
8. H13D does recognise the difference in viability terms between build to rent and market sale housing, but fails to take this into account in H13C with regard to the quantum of affordable housing required on the various scenarios provided in the policy. Logically, this does not make sense as the difference in viability is acknowledged, but subsequently disregarded when applying affordable housing policy. The National Planning Practice Guidance (paragraph 002) states the following:

"20% is generally a suitable benchmark for the level of affordable private rent homes [i.e. DMR] to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan."

9. We do not believe the draft London Plan provides sufficient justification for the different approach in London. It is also important to stress that delivering 35% affordable housing is not only challenging because of the build to rent financial model; but also because of the cumulative impact of the draft Plan as a whole, which adds further complexity to the planning process and will thus result in further delays and costs in obtaining planning permission. In reality, very few build to rent developers will be in a position to follow the Fast Track Route as currently set out in H13C.
10. Finally, H13C sets out the Mayor's expectations for rental levels for the DMR homes for an application to follow the Fast Track Route. It states:

"The Mayor expects at least 30 per cent of DMR homes to be provided at an equivalent rent to London Living Rent with the remaining 70 per cent at a range of genuinely affordable rents."

11. This policy wording requires tightening. As currently worded in the draft Plan, and when read in conjunction with footnote 54A, H13C could be interpreted by the boroughs that it allows them to introduce Local Plan policies that require

rental levels below London Living Rent level. In other words, they could adopt policies that require DMR at London Affordable Rent or social rent levels.

12. Annex 2 of NPPF2 (2018) states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent (i.e. DMR, an intermediate product) and managed by the build to rent landlord. London First therefore proposes that paragraph 4.13.8 of the draft Plan should explicitly state that rental levels for DMR homes should not be set below London Living Rent at London Affordable Rent levels.

c) Are there specific design requirements of this type of housing and would the policy be effective in delivering them?

1. There are specific design requirements for build to rent housing, reflecting the fact that this particular type of development is for the rental, rather than the for-sale, market. Renters have distinct needs, particularly renters who are sharing and prefer to have equal sized bedrooms with their own en-suite facilities. This is an important part of the growing build to rent market.
2. Typically, build to rent schemes place a strong emphasis on delivering generous communal space and facilities, which are just as important to the success of the building as a place to live as the internal space within an apartment. Design and layout should therefore be given some flexibility to differ in a build to rent scheme (accepting that there are different models of build to rent development focused on different parts of the market that will have different approaches to design) to that of a conventional for sale scheme.
3. Disappointingly, none of the above is reflected in the Plan's build to rent policy. Although H13 has largely been imported from the Mayor's Affordable Housing and Viability Supplementary Planning Guidance 2017, there is currently no reference to Paragraph 4.33 of that guidance, which helpfully states the following:

"All schemes are expected to meet the minimum space standards, but it should also be noted that space standards are not prescriptive regarding the layout of dwellings. When assessing a scheme in relation to design LPAs are encouraged to take into account the value of on-site management and purpose-built design in dealing with some of the challenges that would otherwise arise were it a build for sale scheme. This may therefore allow flexibility on some design standards, such as the number of homes per core per floor, and number of single-aspect homes. The length of covenant may influence the level of flexibility that is acceptable - the longer the covenant the more justification there may be for flexibility on some standards."

4. At the very least, H13 should make reference to paragraph 4.33 of the Supplementary Planning Guidance above; this could be rendered in paragraph 4.13.13 as follows:

Further guidance on Build to Rent schemes can be found in the Mayor's Affordable Housing and Viability SPG, **including guidance on the potential for flexibility on some design standards.**

5. But ideally, paragraph 4.33 from the guidance should be replicated in the Plan as paragraph 4.13.13, with the existing text in that paragraph becoming a new paragraph 4.13.14.
6. Finally, on applications where there is an acceptance that a more flexible application of the design standards is appropriate, but there remains concern about a building changing tenure in the longer term when the build to rent covenant expires, appropriate S106 obligations could be explored to ensure that design flexibility is linked to the build to rent use.

d) Overall, would it meet the objective of Policy GG4 to delivering the homes Londoners need?

1. Overall, the inclusion of new Policy H13 in the Plan, subject to the recommended changes outlined above, will increase housing delivery from this new source of supply, thus supporting the delivery of the homes Londoners need and helping to meet the objectives set out in GG4.
2. Additional support could, however, be provided by ensuring that the planning system is properly addressing the need for built to rent development within its framework. For example, in paragraph 4.13.12 boroughs should be encouraged to proactively plan for build to rent schemes in their area. The following additional bullet point at the end of 4.13.12 should be added:
 - reviewing the demand for different types of tenure and proactively taking into account the need for build to rent development as defined by H13B) in their local area.
3. Furthermore, paragraph 4.13.12 should be combined with paragraph 4.13.1, as both address the role that boroughs can play in supporting build to rent development, and this combined paragraph should be moved into a new policy – H13F. This would provide a powerful and clear steer to boroughs regarding the importance of planning for, and supporting, the delivery of build to rent. This would, in turn, help provide the diversity of housing stock that Londoners need and better contribute towards the objectives of GG4.