

British Property Federation written statement to the London Plan Examination in Public

SPECIFIC TYPES OF HOUSING – BUILD TO RENT (POLICY H13), M29

BPF Reference ID: 399

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. It is important that the draft Plan includes Policy H13 for the reasons the draft Plan explains, that the development model for Build to Rent differs from traditional build for sale and so should be treated differently reflecting the different development economics. There are a raft of good reasons why the draft Plan should seek to encapsulate a supportive Build to Rent policy, and build on existing Supplementary Planning Guidance (SPG), in terms of diversifying the housing supply base, accelerating delivery especially on large sites, catering for a part of the population that may not have easy access to home-ownership or social housing, and providing an innovative and quality private rental offer. Paragraph 4.13.1 of the draft Plan provides a good summary of the reasons.
2. The definition in H13B, essentially builds on the 2017 SPG, and is quite prescriptive. Parts of it, for example H13B 10., will become redundant as the Government implements the Tenant Fees Bill 2017 and overall the definition in the draft Plan should be updated to reflect new National Planning Practice Guidance (NPPG) on Build to Rent:

<https://www.gov.uk/guidance/build-to-rent>.

3. The caveat (via footnote 54) to H13B 2, which stipulates that “*Covenant periods are expected to increase as the market matures*” should be deleted. The policy requirement of at least a 15-year covenant is already reflecting market practice, and there is no evidence to suggest such periods are lengthening in a market that is about five years old. The policy wording is ‘at least’ and it needs no further augmentation with speculation about where the market may or may not go on covenants.

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 general approach to affordable housing requirements in this section is helpful. The development economics of Build to Rent are different and that is accepted and recognised in national and London-specific policy. The way both reflect it in planning policy is to stipulate that the affordable housing requirement for Build to Rent should be satisfied via a Discounted Market Rent product.

2. A Discounted Market Rent (DMR) product is not, however, just of benefit to the developer, but its flexibility is often also welcomed by the Local Planning Authority. The ability to blend rents at different points of affordability allows the local authority to cater for a wide range of housing needs, some of which are not being met by any other products. There are also benefits in terms of no 'poor doors' and all tenants being treated the same regardless of what rent they are paying.

3. Policy H13A stipulates that:

Where a development meets the criteria set out below, the affordable housing offer can be solely Discounted Market Rent at a genuinely affordable rent, preferably London Living Rent level. Affordable housing should be secured in perpetuity.

4. We think this could be simplified. The draft Plan no longer needs to define Discounted Market Rent as being genuinely affordable rent as it is an affordable housing product recognised and defined as so in the National Planning Policy Framework (NPPF) and NPPG. (Note in national policy Discounted Market Rent is now referred to as Affordable Private Rent).

5. The expressed preference for a London Living Rent also undermines the strength of the DMR product for local authorities and developers, which is its flexibility.

6. We therefore recommend that Policy H13A should be amended as follows:

Where a development meets the criteria set out below, the affordable housing offer can be solely Discounted Market Rent ~~at a genuinely affordable rent, preferably London Living Rent level.~~ Affordable housing should be secured in perpetuity.

7. There is an inter-relationship between the definition, stipulations on affordable rents, and access to the Fast Track Route. A scheme may be able to deliver a high percentage of units at a smaller discount, or a smaller percentage of units at a higher discount. A local authority is probably better placed to make that decision as to what it wants to meet local needs than to be so prescriptive in a draft strategic plan.

8. The wording in H13C and inter-relationship we have described could also lead to some sub-optimal outcomes. The developer that offers deeply discounted rents must take the Slow Track and therefore desperately needed affordable home delivery takes longer to deliver. Whereas a shallower discount being offered can achieve the 35 per cent affordable housing threshold and gets the Fast Track Route.

9. Evidence shows that very few Build to Rent schemes in London with existing permission have achieved 35 per cent affordable housing – 51 schemes out of 301 (17%)¹. If you strip out schemes that have had some form of public land support, or are owned by housing associations, charities or local housing companies, the figure drops to 7%, and most of this 7% are on large multi-tenure mixed-use schemes. On Build to Rent schemes of less than 250 units only 6 of 168 have met the 35 per cent threshold (3.5%).

¹ Source: Savills, Molior, BPF, Quarterly BTR database

10. The evidence shows that the 35 per cent Fast Track threshold would be challenging for most existing schemes and without access to the Fast Track route would slow the delivery of future market rent and affordable homes. On top of this the draft plan is drafted to become more prescriptive with a stipulation of 30 per cent London Living Rent.
11. We would urge a more cautious and stepped, evidence-based approach, which doesn't implement both policies at once. Instead, it uses the review planned in 2021 to assess whether the percentages we cite have risen significantly, and if so, considers introducing a London Living Rent threshold at that point. It would be better for policy to be informed by evidence, than risk constraining housing delivery.
12. H13C stipulates that:

For Build to Rent schemes to follow the Fast Track Route they must deliver at least 35 per cent affordable housing, of which at least 30 per cent should be at London Living Rent Level, with the remainder being at a range of discounts below market rent to be agreed with the borough and/or the Mayor where relevant. Schemes must also meet all other requirements of part C of Policy H6 Threshold approach to applications. This threshold and affordable housing tenure split, will be reviewed and if necessary updated in 2021, through Supplementary Planning Guidance.

13. Given our explanation and evidence in paragraphs 7. to 11., but also keenness to ensure that as many Build to Rent schemes as possible are able to deliver 35 percent affordable housing and therefore able to utilise the Fast Track (and deliver market and affordable homes quicker), we would advise H13C is revised to read:

For Build to Rent schemes to follow the Fast Track Route they must deliver at least 35 per cent affordable housing, ~~of which at least 30 per cent should be at London Living Rent Level, with the remainder being at a range of discounts below market rent to be agreed with the borough and/or the Mayor where relevant.~~ Schemes must also meet all other requirements of part C of Policy H6 Threshold approach to applications. This threshold and affordable housing tenure split, will be reviewed and if necessary updated in 2021, through Supplementary Planning Guidance.

14. Looking at the policy in H13A-E, there is a gap with a presumption that all Build to Rent schemes start off planned as being for Build to Rent. It is not uncommon, however, for Build to Rent developers to acquire sites that were planned as build for sale and therefore they must apply to have existing planning applications altered. In such circumstances, it would be helpful if the draft Plan stressed that policies in this section equally apply where an application is being changed from build for sale to Build to Rent.

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. Most schemes will include generous communal space for work, entertaining and leisure, including indoor and outdoor

space, and most also accommodate different travel infrastructure, with cycle storage and good access to public transport and electric car pools, rather than large car parks.

2. It is important to recognise, however, that the Build to Rent is not a one size fits all market. There will be a range of providers seeking to deliver a range of products from high end, high spec, through to more affordable and mid-market products aimed at key workers and renters on a tight budget. In an evolving market, flexibility in use of communal space is also an important factor as providers try different products and services and test what renters most appreciate and want.
3. Design and layout are therefore key considerations, as is placemaking, as a BTR Investor will want to ensure that a development is as attractive a place to live in 15 or 50 years as it is today. There will therefore be different design considerations to that of a conventional for build for sale scheme.
4. The Mayor's Affordable Housing and Viability Supplementary Planning Guidance 2017 helpfully provided some guidance on Build to Rent design considerations:

"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."

5. It is disappointing that this hasn't been carried forward or at least referenced in the draft Plan. At the very least, H13 should refer to paragraph 4.33 of the Supplementary Planning Guidance above, which could be done 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.**

6. Ideally though, paragraph 4.33 from the guidance above 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.

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

1. Overall, we are very positive towards the inclusion of new Policy H13 in the Plan. Our latest statistics as at end of Q4 2018, show that there are 72,767 Build to Rent units in the

development pipeline in London, 14,801 that are complete, 19,304 in construction, and 38,662 at various stages of planning.

2. Part of this success in establishing the sector is down to planning policy, which has been supported by successive mayors and last reflected in the 2017 SPG. The evolution of the sector is fragile in London, however, with year-on-year growth at Q4 2018 of 16% in London, compared to 28% in the regions.
3. We continue to believe the Build to Rent sector can make an important new and additional contribution of housing delivery in London, but hence the stress on some of the issues and suggested changes above.
4. There is also an important timing issue, which is simply a consequence of circumstance, which is that national planning policy has been evolving so that the recently revised NPPF and NPPG reflect Build-to-Rent policy in far more detail. An important aspect of the new NPPF is to encourage local planning authorities to plan more granularly in their local plan making process for delivery a variety of housing for different identified groups, and an important one of those is private renters. The draft London Plan could also reflect this.