

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2493

Title: Build to Rent Development Research

Executive Summary:

Approval of expenditure of up to £35,000 on commissioning a report which will provide the GLA with a greater understanding of the market economics of Build to Rent (BtR) development. This will help to ensure that viability assessments submitted with planning applications for BtR development in London are robustly assessed. The GLA will also be able to use the report to inform its guidance on affordable housing and viability and related documents.

Decision:

That the Assistant Director of Planning approves:

Expenditure of up to £35,000 to commission a report on the market economics of Build to Rent Development in London.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Lucinda Turner

Position: Assistant Director of Planning

Signature:



Date:

16 February 2021

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 An increasing number of planning applications for Build to Rent (BtR) residential development are being referred to the Mayor of London which has become an important sector in the London residential market. Where a planning application does not propose the relevant 'Threshold' level of affordable housing as set out in the Publication London Plan, the application must follow the Viability Tested Route. This involves the submission of a Financial Viability Assessment (FVA) to justify the proposed level of affordable housing.
- 1.2 The GLA Viability Team reviews FVAs submitted in support of these schemes to ensure that the level of affordable housing and other planning obligations are maximised in line with the existing development plan and the Publication London Plan. The research will assist the Mayor and boroughs in maximising the level of affordable housing and other public benefits in these schemes.
- 1.3 The commissioning of the report is also in line with the recommendations of the Mayor's CV-19 Housing Delivery Taskforce Report which advised that the GLA should undertake research on investment models for BtR.
- 1.4 While some market information for BtR transactions is publicly available, the nature of the sector in which deals are made between developers and providers/ investors without systematic recording on the Land Registry, is such that comprehensive market evidence is often not available. This has led to different and disputed valuation methodologies being adopted by viability consultants in some cases.
- 1.5 The advice will take the form of market research from a property consultancy that undertakes an agency role for BtR transactions and that is able to advise on transactions involving BtR development. It will focus on types of transactions that occur in the marketplace, the capital values achieved and the relationship between rental values and capital values (known as the 'yield'), which is an important factor when valuing BtR developments.

2. Objectives and Outcomes

- 2.1 The advice sought is likely to comprise of the following:
 - information on transactions of Built to Rent development schemes, including rental values, capital values, investment yields and operating expenses;
 - a market overview, relating to the status of equity investment and debt funding and current trends; and
 - an overview of the financial structure of typical delivery vehicles.
- 2.2 The above information will help ensure that assumptions adopted in FVAs for BtR developments are reflective of the market, and to maximise affordable housing provision through the planning process, as required by the development plan and the Publication London Plan.
- 2.3 The research will also inform the update to the Mayor's affordable housing viability guidance and related documents.

3. Equality comments

- 3.1. No adverse equality impacts are identified in relation to this procurement. The commissioning of this report will ensure that the GLA will be able to robustly assess viability assessments submitted

alongside planning applications. This will help achieve the Mayor's policies within the Publication London Plan and Affordable Housing and Viability Supplementary Planning Guidance which seek to maximise the provision of genuinely affordable homes for Londoners.

- 3.2. Consequently, there are no negative equality impacts in carrying out this work and there are positive impacts on groups with protected characteristics in need of affordable housing.

4. Other considerations

- 4.1. There are no substantial risks related to this commission.
- 4.2. The Mayor is committed to increasing the level of affordable housing delivered through the planning process. To achieve this, the Mayor's Publication London Plan sets out a strategic target that half of new homes should be affordable (Policy H4).
- 4.3. There are no conflicts of interest to note for the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1. Approval is sought for the expenditure of up to £ 35,000 to commission a report on the market economics of Build to Rent Development in London.
- 5.2. The cost will be funded by the Development Management Viability budget which is supported by fee income received from applicants.
- 5.3. As this work relates to a consultancy contract, officers have to ensure that the requirements of the Authority's Contracts & Funding Code are adhered to and that the requirements relating to consultancy services within the Authority's Financial Regulations and Expenses & Benefits Framework are also adhered to.

6. Legal comments

- 6.1 The sections above indicate that the decision requested of the Assistant Director falls within the Mayor's statutory powers under section 30 of the Greater London Authority 1999 (as amended) ("the Act"), acting on behalf of the Authority, to do anything he considers will promote the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
 - (a) pay due regard to the principle that there should be equality of opportunity for all people;
 - (b) consider how the proposals will affect:
 - i. the health of persons in Greater London,
 - ii. the health inequalities between persons living in Greater London;
 - iii. the achievement of sustainable development in the United Kingdom; and
 - iv. climate change, and the consequences of climate change; and
 - (c) consult with appropriate bodies.
- 6.2 The Mayor also has a subsidiary power pursuant to Section 34 of the Act to do anything which is calculated to facilitate or, is conducive or incidental to the exercise of any of the statutory functions. In this case this piece of work is incidental to the section 30 powers defined above as well as section 334 and 339 of the Act.

- 6.3 Section 334 of the Act requires the Mayor to prepare and publish a spatial development strategy (known as the London Plan). Section 339 of the Act requires the Mayor to keep the London Plan under review, especially matters which may be expected to affect the development of Greater London or the planning of its development. The decision in this case, may reasonably be regarded as facilitating, being conducive or incidental to, the exercise of the Mayor's power detailed above.

7. Planned delivery approach and next steps

- 7.1 Indicative delivery table set out below:

Activity	Timeline
Procurement Start Date	22 February 2021
Finalise appointment of Supplier	15 March 2021
Contract commences	16 March 2021
Provision of draft research	26 April 2021
Provision of final report	10 May 2021

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Joseph Ward has drafted this report in accordance with GLA procedures and confirms the following:

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 15 February 2021.

ASSISTANT DIRECTOR OF FINANCIAL SERVICES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date

16 February 2021