GREYSTAR

Greystar – submission for consideration in EiP of New London Plan

Organisation:	Greystar Europe Holdings Ltd
Respondent Number:	0069
Matter:	M24 – Affordable Housing

Introduction

Greystar is a leading investment, development and management organisation within the Build to Rent (BtR) and Purpose-built Student Accommodation (PBSA) sectors in London, and is the global leader in rental housing. We are keen to play our part in addressing London's housing needs, whilst creating sustainable, successful and lasting communities, alongside long-term placemaking. This will benefit both those that need good quality rental homes, as well as the wider neighbourhoods in which these are developed. The responses below include consideration of the specific questions set out in Panel Note 6, Annex 1 where appropriate and related to Build to Rent and / or PBSA.

M24 – Affordable Housing

Policy H5 *'Delivering Affordable Housing'*

Policy H5 'Delivering Affordable Housing' is broadly welcomed, and continues to largely be in continuity with the 'Homes for Londoners' SPG published in August 2017. We note that the supporting text for this policy in relation to agreements with the Mayor, public sector land and industrial land has been provided in new paragraphs 4.5.4A – 4.5.4C, however, we would like to again emphasise the following specific points which we provided in March 2018 and reiterated in October 2018:

- BtR development is able to deliver housing to the market at a much quicker rate than standard residential for sale product, as it is not constrained by individual sales rates. On this basis, the BtR sector has the ability to significantly increase the supply of corresponding affordable units over the short to medium term;

- There is some confusion around the terminology surrounding affordable housing tenures, but the reality is that more homes of all tenures are needed across London. BtR is well placed to address the gap which has resulted from the conventional polarisation of typical 'for-sale' developments.

- We believe that the combination of this contribution and the financial constraints of BtR's previously recognised 'distinct economics' should be recognised through a modified affordable housing target and viability tested threshold;

- It should also be noted that even open market BtR units are generally more attainable to people who do not qualify for affordable housing, in the context of not requiring the sort of significant deposits, stamp duty or other transaction costs which access to a 'for sale' market home would require.

Policy H6 *'Threshold Approach to Applications'*

Policy H6 'Threshold Approach to Applications' builds upon Policy H5 and whilst it is noted that additional text offering clarification in respect of small housing developments or for those schemes which provide 75% or more affordable housing has been provided, we would again like to reiterate our suggestion that BtR should be recognised separately and treated differently in terms of the viability threshold to allow a greater number of units to come to market more swiftly to enhance the supply of new homes for Londoners.

We seek to reinforce this point following Greystar's own experience to date which demonstrates that the 35% threshold within the BtR sector is extremely challenging and will be rarely met in practice. In light of this, we believe and maintain that a lower threshold value for BtR of between 20% and 25% would be appropriate – whilst challenging, this would be attainable in more cases and would enable more BtR homes to be delivered via a 'Fast Track' route.

However, even this would still present a financial challenge. As the policy has not been amended as we hoped during the Minor Suggested Changes, our request for clarity on how any 'Fast-Track' process would work in practice without the need for a potentially time-consuming viability assessment exercise (given that the calculation of the clawback amount (as described in the SPG) is based on a viability assessment at application stage) is once again sought at the EiP stage.

We have encountered difficulty in agreeing Benchmark Land Value in situations where we propose amending an existing 'for-sale' consent to become a BtR scheme. This should recognise that the new proposal should be compared to the intention of the original consent, rather than create an artificial comparison with a hypothetical prior BtR scheme that was never envisaged.

We would also like to make some additional points regarding viability reviews, as they relate to Build to Rent developments. We understand the principle of viability review, but note that the reason for their introduction was to address problems of stalled sites and / or slow delivery, often on larger, phased developments. In the BTR sector, it is typical that developments commence on site as early as is practicable following a planning consent, and are built out as quickly as possible to completion – we frequently employ modular construction methods in order to speed this delivery still further. In these circumstances, given that it is not possible to construct anything instantly, it appears that there is no genuine rationale for re-examining the agreed parameters of such a development if it is being constructed and delivered as quickly as can reasonably be expected.

Our suggestion therefore is that a waiver should be introduced for any development that:

a) commences on site quickly after consent is granted (perhaps within six months, or sufficient to allow for satisfactory clearance of pre-commencement conditions), and;

b) adheres to the construction programme as envisaged within the original agreed viability assessment referred to within a planning consent, or with delivery evidenced as being as quick as could reasonably be expected.

This proposal would not only benefit the delivery of individual schemes, it would remove the need for additional resources being used on all sides for undertaking additional assessments as a 'late stage' review, when the underlying parameters have not effectively changed from the time of consent. In our opinion, these resources would be better employed in the delivery of additional new homes for Londoners on additional sites – resulting in more new homes in both market and affordable tenure categories. It would also remove a significant layer of perceived risk for institutional investors into the BTR sector which would result in more development proposals coming forward more quickly.

Policy H7 *'Affordable Housing Tenure'*

We would like to reiterate our disappointment in that the supporting text to Policy H7 'Affordable Housing Tenure' in paragraph 4.7.8 continues, in our opinion, to suggest a positive discrimination towards Discount Market Sale (DMS) over Intermediate Rent. This represents an unfair effect on households with incomes between £60,000 and £90,000 pa, who may have been looking forward to being eligible for the LLR / DMR homes within new BTR developments, but who are now effectively deemed to be too wealthy to qualify for this tenure. As this could relate to, for example, three sharing key workers on average salaries of just over £20,000 pa each, this does not seem to be equitable to those in housing need. Counter-intuitively perhaps, the income caps as described could actually lead to under-occupation of much needed intermediate rental accommodation.

We repeat our previous suggestion regarding a compromise, which would retain the £60,000 household income cap for 1-bedroom LLR / DMR homes, whilst reverting to a cap of £90,000 for 2-bedroom homes or larger on the basis that it is likely that the combined household income will comprise the income of more than one individual. We would again implore that this is reconsidered.

Word count: 1,196