

Carmel Edwards
EiP Secretariat
Greater London Authority
City Hall
The Queen's Walk
London
SE1 2AA

By email and post

11 January 2019

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Dear Ms Edwards

**WRITTEN STATEMENT FOR MATTER 32 FOR THE LONDON PLAN
EXAMINATION IN PUBLIC – ON BEHALF OF TIDE CONSTRUCTION LTD**

We are pleased to submit this written statement on behalf of our client, Tide Construction Ltd (Reference ID 3001), to the Examination in Public for the New London Plan. Tide Construction is a development and construction company which designs, builds and delivers purpose-built student accommodation across London.

MATTER 32: Student Accommodation

This statement relates to Policy H17 Purpose-Built Student Accommodation (PBSA) contained within the Draft New London Plan, taking account of the Minor Suggested Changes published by the Mayor in August 2018. This statement should be read alongside our representations and appendices submitted on 2 March 2018 and has been produced in conjunction with Tide Construction's viability consultant James R. Brown Ltd.

M32. Would Policy H17 provide a justified and effective approach to the provision of purpose-built student accommodation (PBSA) in London? In particular:

Policy H17, in its current wording (August 2018), is not justified or effective. It is based on extremely limited and therefore weak evidence to justify such disproportionately large obligations in terms of the level of affordable student accommodation and the requirement for nominations agreement. Such obligations will make it difficult for PBSA schemes to compete with other land values resulting in the virtual halt of delivery of student accommodation in London. This will lead to significant unmet need for PBSA which will result in the housing requirements of students being met in the main residential market and therefore create even more need for conventional C3 housing. This is an extremely inefficient policy approach to meeting the needs for all sectors of London's population. PBSA provides a very efficient land use basis for meeting the needs of student's housing requirements.

a) Would the criteria set out in Policy H17A be justified and effective in delivering PBSA to meet identified need?

Part 1 of Policy H17A is not a limb of the policy which is relevant for the London Plan. The Act requires the London Plan to be a spatial plan setting out strategic policies for London as whole. This limb describes an issue which should be matter for a London Borough or Neighbourhood forum.

Requirement for Nomination Agreement

Part 3 of Policy H17 A requires a nomination agreement. This is an unreasonable and excessive requirement that should be deleted from the policy. Paragraph 4.17.4 implies that a nominations agreement is part of the mechanism to ensure that the development is occupied only by students. As is manifestly the case, this can and is controlled either by the description of development, the imposition of a planning condition or S106 obligation. The requirement of nominations agreement is therefore fundamentally unnecessary and would be a further barrier to development. In the event that no affordable student accommodation was provided, as defined by the Mayor, a nominations agreement with a HEP could, in effect, provide a limit on the rents and making the PBSA affordable in terms that suit the relevant HEP and its students.

Affordable Student Accommodation

Part 4 of Policy H17 A sets out the requirement for affordable student accommodation for the Fast Track Route as 35%. The inclusion of an explicit figure in the policy implies that there is a justified and evidenced need for 35% affordable student accommodation, which is not the case as noted in Part 'B' of this matter statement. It also implies that this is viable when considered against other competing land values. The Greater London Authority's evidence is simply not robust enough to support such a high and specific level of affordable student accommodation.

b) Would the approach to affordable student accommodation be justified and effective?

The approach to affordable student accommodation is not justified or effective. No specific evidence has been provided to justify the 35% or 50% benchmarks set out in H17A part 4) and they appear to have just been rolled from the draft policies relating conventional affordable housing. The implied suggestion that 35% or 50% is typically reasonable is not justified by the Mayor's evidence base. We previously identified flaws in the Local Plan Viability Study dated December 2017 and its accompanying Technical Report (dated December 2017) in our representation dated 2 March 2018. Since then, a London Plan Viability Study (LPSV) Addendum Report dated November 2018 has been produced but this remains fundamentally flawed with respect to its viability conclusions for PBSA because:

- No new/additional site archetype case studies for PBSA have been introduced over and above the 2 used in the earlier report. This was and remains an inadequate sample size.

- Some new sensitivity tests have been applied to previous financial appraisals relating to one of the previous 2 archetypes (SR2). One of these tests involves the reduction of build costs by 8.55% in order to exclude the cost of external works. James R. Brown acts for Tide Construction and Unite plc who are two of the most prolific student accommodation developers in London and, based upon real scheme specific QS cost assessments they have received, actual costs are substantially higher than those used within the LPVS. Whilst the build costs used within the LPVS have been supplied by Turner & Townsend (a QS), this is not evidence in itself. There is no evidence supporting the Turner Townsend figures and it is not clear what area (i.e. GIA or NIA) their build cost rate should be applied to. This is a critical and highly sensitive appraisal assumption, but it is not properly evidenced and appears far too low.
- We are concerned that the LPVS Addendum Report depicts a much more optimistic summary of the London property market changes since 2017 compared to reports by independent research companies, leading to conclusions by the Addendum Report that the viability of schemes has improved. Independent research carried out by MOLIOR was reported on in the Financial Times on 17 October 2018 that stated that rates of construction, planning applications and sales for 2018 are likely to be the lowest for some time, as far back as 2012. Therefore there is a clear question as to whether the requirements of Policy H17 are based on the current reality.
- Apart from some limited additional sensitivity testing, the LPVS Addendum Report provides no additional justification for the proposed London Plan Policy H17. The fundamental flaws we documented in our representation all remain valid and un-addressed.

The viability and general flaws in the LPVS which seek to justify the proposed Fast Track Route (and viability alternatives thereto) as noted in our representation dated 2 March 2018 can be re-summarised as:

- The LPVS appears to have been written to support pre-determined policies, rather than to inform the policy making process.
- The LPVS and information from the Mayor's Academic Forum does not provide clear, justifiable evidence that affordable student accommodation is required across London.
- The data relating to student accommodation values within the LPVS is not only limited but it is also misrepresented and muddled. For example, the forecasts listed on page 16 of the LPVS are out of date and out of kilter with revised forecasts in an increasingly uncertain economy. Forecasts should be obtained from independent research bodies as opposed Estate Agents. Basic Table headings (for example within the LPVS Addendum on Page 109) need to be corrected as otherwise the evidence is nonsensical. For example the data in Table J.2 cannot relate to £s per sqm as the table heading suggests as this would lead to colossal BLVs.
- The implication that 35% is a reasonable expectation across London appears to

be based on only 2 hypothetical schemes which is an inadequate sample.

- The build cost assumptions for student accommodation are out of kilter with what our student accommodation clients have recently experienced on projects in London and do not vary dependent upon scheme height/storeys. This does not match the LPVS's approach for conventional residential which does increase build costs for taller buildings.
- Explicit financial viability appraisals are not contained within the LPVS (which they should be for transparency and audit) and there is no reference to RICS guidance.
- There are questions that need to be answered with regard to Benchmark Land Values, finance costs and profit levels as set out in Part J, Appendix 1 of our representation dated March 2018.
- If proposed London Plan Policy H6 does apply to student accommodation, it should not given the unjustified nature of the LPVS.

It appears to us that the inclusion of a Fast Track Route and hence the proposed 35% affordable student accommodation would be unjustified and therefore unsound. For the reasons set out above, there has not been sufficient viability evidence to support the current policy requirements. This will obstruct the delivery of student accommodation making the policy ineffective. We therefore don't agree with the inclusion of a Fast Track option due to the unjustified 35% affordable student accommodation requirement.

c) Would the approach to living space and layout provide good design in PBSA to meet the objectives of good growth policies GG1 and GG4?

No comment.

d) Overall, would Policy H17 meet the objective of Policy GG4 in delivering the homes Londoners need?

In order to meet the objective of delivering the homes Londoners need, it is critical that planning policy does not unnecessarily hinder the delivery of PBSA across the Capital. We consider that the 35% affordable student accommodation expectation set by the 'Fast Track Route' option will not encourage PBSA development as set out in our answer to Part 'B' of this statement. Indeed, our client's viability consultant takes the view that it will that there is a significant risk that's such a policy approach will halt the development of student accommodation. This will have the significant and unintended effect of student's housing needs having to be met in the main residential open market where there are there is no affordable student accommodation (other than that provided by universities existing accommodation stock. Consequently the policy is unsound.

We will be appearing on behalf of our client at the hearing session for Matter 32 on Wednesday 27 February. If you wish to discuss any part of this statement in further detail, please do not hesitate to contact me or my colleague Philip

Freeman-Bentley.

Yours sincerely

A handwritten signature in black ink, reading "Mathew Mainwaring". The signature is written in a cursive style with a large initial 'M' and a trailing flourish.

Mathew Mainwaring

Enc: As noted above.