

Our Ref: MR/JD/12265
Your Ref: A City for all Londoners

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Date: 8th December 2016

Greater London Authority (GLA)
City Hall
The Queen's Walk
London
SE1 2AA

Dear Sirs/Madam,

A City for all Londoners – Representations on behalf of Unite Group Plc

I write on behalf of our client Unite Group Plc in response to the Mayor's consultation on the above emerging document. Whilst Unite broadly support the overall strategic approach taken towards economic growth in London and the principle of additional student accommodation, they have some significant reservations towards implementation and the likely adverse impact on the delivery of student accommodation.

Relevant Planning Policy

National Policy

University accommodation is an integral element of the student experience and it is essential to ensure a choice of accommodation tenures is available to students throughout the duration of their course. The requirement to provide for a choice of accommodation is reflected within NPPG Paragraph 50 and mindful that student accommodation forms part of conventional housing supply (particularly within London where students have a direct impact upon the local housing market and demographic and this reflects NPPG Paragraph 38) it is essential any emerging strategic policy provides sufficient flexibility to meet identified housing need.

Paragraph 38 states that:

"All student accommodation, whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus, can be included towards the housing requirement, based on the amount of accommodation it releases in the housing market. Notwithstanding, local authorities should take steps to avoid double-counting".

Strategic Policy

Strategic and local requirements for student housing meeting a demonstrable need are addressed by working closely with stakeholders in higher and further education and without compromising capacity for conventional homes as noted at part h of London Plan policy 3.8.

Local Policy

At the local level, Unite students actively engage and collaborate with local planning authorities to determine policies that support the principle of additional student accommodation.

Representations to "A City for all Londoners" consultation document

The UK's Higher Education Sector makes a vital contribution to the UK's growth output and attracts investment and talent from across the world. It is therefore imperative that the necessary

accommodation and infrastructure is delivered to support the growing number of students studying at higher education institutions across the UK. As expressed within our representations, PBSA is further integral to the delivery of a wide range housing requirement. As is evident in London, there exists the danger that a sustained shortage of PBSA can exert significant pressure on more traditional housing markets. Indeed the deliverability of student housing can have a positive impact on housing supply through the release of other market housing on to the general market for example the release of HMOs back into family housing.

Investment and yields in the student housing sector is projected only to increase in the coming years through portfolio based activity and sustained capital investment from foreign markets. Indeed the UK remains a primary location for a number of International students and the gravitas of the UK HE Sector should not be understated. However with sustained growth opportunity come the requirement to satisfy demand through the requisite investment into required infrastructure and facilities that support our recognised University HE institutions.

The British Property Federation (BPF) in their manifesto, *making the grade*, reiterate the integral role that purpose built student accommodation has played in enabling the HE sector to expand over the past 20 years. The sector has grown considerably over the past two decades, and saw £2.1bn invested in the sector in 2013. As further expressed, the HE sector attracts international students and develops the UK's future workforce, and in 2011/2012 universities contributed over £36.4bn to UK GDP.

It is therefore important to ensure a better balance is struck in strategic policy to enable the further delivery of student housing within London given the recent constraints to delivery across the city.

Supporting Growth – Deliverable schemes and planning levies

The introduction of Borough CIL in London has had a dramatic adverse impact on the supply of student accommodation in the City. This has resulted in a significant slow-down in the delivery of pipeline schemes across the city with many student housing providers including UNITE being squeezed out of the acquisition of prime development sites due to the combination of extra development costs through CIL rates as well as increased tender prices and build costs.

Admittedly, whilst it's difficult to argue the constraints of increased tender prices and build costs being solely applicable to the student housing market sector, the clear additional costs of developer infrastructure levies are however evident. In a recent research report undertaken by GVA Bilfinger (Autumn 2015) into the student housing sector it sufficed to conclude at page 11 that, "*in a third of the local authorities which have a CIL policy in place on student housing, the payment for student accommodation is higher than other uses such as office, retail or residential*".

Thus the immediate indication is that when considered against other land uses there is a clear disparity in the applied charges owed to certain forms of development. The argument thus leads to the extent the Council has used the provisions of CIL to act as an instrument for limiting supply. The figures, again provided by GVA Bilfinger (Autumn 2015), do not dispel such concerns demonstrating that on average the CIL levy charged upon student housing is as high as £175/sqm in London [£75/sqm average in UK Provincial Cities] with 4no. London Boroughs being in excess of £350/sqm i.e. Tower Hamlets, Hackney, Camden and Islington.

An assessment of notable boroughs in London and the disparity between charges levied against student housing in comparison to conventional forms of housing and hotel uses reiterates this point. Outlined in the table below, student housing is seen to outstrip other land uses in the majority of cases:

London Borough	Student Housing CIL	Residential CIL	Hotel CIL	Charge
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	Charge Rate	Charge Rate	Rate
Tower Hamlets	£425/sqm	£200/sqm	£180/sqm
Islington	£400/sqm	£300/sqm	£350/sqm
Hackney	£373/sqm	£190/sqm	£80/sqm
Camden	£400/sqm	£500/sqm	£40/sqm
City of London	£75/sqm	£150/sqm	£75/sqm
Haringey	£265/sqm	£265/sqm	Nil
Southwark	£100/sqm	£400/sqm	£250/sqm

Thus the delivery and viability of student housing has been adversely impacted in prime Central London locations given an unfair advantage to competing land uses in terms of competitive returns and the deliverability of development. The situation has therefore been compounded by:

1. The inability to compete with other sectors due to lower CIL rates in the same Boroughs on the same sites with similar returns eg hotel;
2. The ability for residential developers to absorb the impact of CIL rates by the provision of standard viability assessments which enables them to reduce the level of provision of affordable housing;
3. The additional impact on student viability through the need to provide affordable student accommodation to meet the terms of the relatively recently introduced London Plan policy.

In light of the above, the perhaps unintended consequences of the above are:

- a) A reduction in the supply of purpose built student accommodation;
- b) A reduction in the supply of affordable housing;
- c) Lack of supply of student housing not being able to address the increased demand and thus existing rents increasing.

UNITE are concerned that the application of CIL has been used unfairly as a tool to hinder the development of student housing and indeed concern is raised in respect to increased projections in student demand following the recent stabilisation of student applications in and removal of the cap on student numbers. As noted in our background discussions, higher education and institutions continue to make an important contribution to many local economies and the requirement for associated facilities should not be understated. This is expected to consolidate the delivery of a wide range of new purpose built student housing within local markets, including many of the London boroughs.

As is apparent from a recent research report produced by Savills *Spotlight UK Student Housing* (2015) London will endure a significant shortfall in the number of student housing completions post 2016. This conflicts with London's continued role as an attractive city for students both across the UK and globally with increasing demand likely to follow long into the future.

However and as partly restricted by high CIL charges, such an undersupply becoming outweighed by sustained demand will have a significant impact in the future:

- Acute pressure on London's housing stock will be sustained with many students forced into the traditional private rented sector;
- Continued proliferation of poor quality HMOs and poor amenity standards for students and not released for family housing;
- Students put off higher cost markets such as London due to increased living costs;
- Risk of constraining growth of UK's higher Education (HE) sector therefore stifling Global influence.

Recommendation: Unite consider the CIL Regulations 2010 (as amended) require further refinement in order to more accurately reflect current economic position and ensure that student accommodation development remains viable in the face of costly Community Infrastructure Levy (CIL) payments in many of the London Boroughs. It is evident *other sectors do not encounter the additional cost of planning gain levies, designed to deter development, often in areas where rental affordability for students is already under significant pressure.* This should be refined through strategic support in the London Plan over the next four years to ensure additional student housing stock is not unfairly constrained.

Student Housing supply – affordable student housing provision and deliverability

The City for all Londoners document is surprisingly silent on the role the UK HE Sector has within the City. It is an export success story generating significant income both locally and nationally which has seen the expansion of the sector. Such expansion is due to be consolidated by the ongoing increase in student numbers and thus demand for student accommodation needs to be thoroughly reviewed due to its value in enhancing the appeal of London HEI's.

Unite have been actively engaging with the GLA and the London Mayor Academic Forum in respect to its, now adopted, policy on affordable student accommodation. Unite are concerned that with the additional hurdle of affordable student accommodation in place, that the pipeline of future purpose built student accommodation schemes will be further restricted. This is a further barrier in addition to those of excessive CIL rates; 'local university only' restrictions with complex cascade arrangements; limiting student accommodation to small specific areas within Boroughs; requiring the provision of affordable housing and policies resisting perceived 'over-concentration' of students in an area.

The student accommodation delivery pipeline in London has already been severely curtailed by these factors which as a result has seen a significant dropping off of the forecast student accommodation delivery. In addition to the various London Borough imposed restrictions which are limiting delivery of student accommodation, the resurgent residential sector is driving higher land transaction values.

These all will further compound actual delivery of future supply of student accommodation. With supply being reduced, market forces will of course dictate that the rents of the limited supply of purpose build student accommodation will inevitably become more expensive. This is not only counterproductive to the policy of delivering affordable student accommodation but also to overall housing requirement given the positive contribution PBSA can make to the release of other conventional forms of housing. Constrained supply will mean higher rents which will inevitably undermine wider Mayoral aims to increase affordable student accommodation.

Further to the recent adoption of the affordable student housing policy, Unite is further concerned towards its translation within local emerging documents and its implementation thereafter. We thus consider the main obstacles to the implementation of the policy below:

- **Eligibility Criteria** - Unite consider some care is necessary when defining eligibility for affordable accommodation and that further details of this element are required e.g. whether this should be means tested. Locally the processes of (i) identification of eligibility and (ii) allocation/ determination of who is eligible are undetermined at this stage. This process is focused within a narrowly-defined timeframe i.e. between May and September (acceptance of student place at university and term commencement) and is considerably shortened where student places are confirmed through the 'clearing' process (usually in August). It is therefore considered this process has potential to be significantly

burdensome and risks additional resource pressure upon accommodation providers which in turn may constrain delivery/ restrict supply and ultimately increase rental levels;

- **Securing affordable provision** – Unite are concerned that too much flexibility is perceived through policy to enable local planning authorities to seek to maximise the amount of affordable housing provision from student housing developments for example where there are no nominations agreements in place. Paragraph 3.9.16 of the London Plan Housing SPG states, *‘When determining the amount of affordable student accommodation to be provided boroughs will need to take into account the viability implications of locally specific requirements for PBSA developments in their local plans, such as student bursaries and CIL charges. Local requirements may reduce the level of affordable student accommodation that is viable’*. There needs to be strategic clarity as to how local planning authorities should take into account locally specific requirements, particularly high land values, in respect to the delivery of student accommodation and affordable provision within the borough.
- As with the conventional affordable housing, the guidance should allow the provision of affordable accommodation off site in certain circumstances. The perverse likelihood of this document; will be the increase of rents for the majority of students within a development that will have to pay for the small number of students that qualify. This increase will be required through the viability appraisal to ensure any scheme can support the reduced market rents for the affordable element.
- **Enhancing the vitality and occupation of student accommodation** – Unite support overarching commentary within the London Plan and Housing SPG which encourages widening the occupation of student accommodation during vacation periods for ancillary uses. This will serve to enhance the vitality of the building and ensure the building is in use all year round. Unite will be happy to collaborate further with the GLA and relevant London Boroughs over the next four years to assist in the delivery of identified short term accommodation.

Recommendation: Wider policy support should be afforded to the growth and expansion of current HEI’s and supporting infrastructure including student housing especially where they would relieve pressure on conventional forms of housing in areas of identified need.

Student Housing Supply – restrictive policies

University accommodation is an integral element of the student experience and it is essential to ensure a choice of accommodation tenures is available to students throughout the duration of their course. The requirement to provide for a choice of accommodation is reflected within NPPG Paragraph 50 and mindful that student accommodation forms part of conventional housing supply (particularly within London where students have a direct impact upon the local housing market and demographic and this reflects NPPG Paragraph 38) it is essential any emerging strategic policy provides sufficient flexibility to meet identified housing need.

Greater consideration should therefore be given to wider benefits that the delivery of student housing can bring to the delivery of more conventional forms of housing. The deliverability of student housing is paramount to solving the housing crisis in city-regions such as London with student housing known to impact on local housing markets and economies in the following ways:

- Release of other market housing on to the general market such as the alleviation of concentrations of HMOs to family housing;

- Strong demand for higher quality university product amongst International and Post-graduate students thus stimulating further investment;
- PBSA has played an integral role in allowing the HE sector to expand over the past 20 years.

Recommendation: Purpose built student accommodation therefore has a positive impact on housing supply and will make a significant contribution to future growth output of local economies in assisting the HE Sector. Unite would encourage the GLA to consider the delivery of student housing and its positive impact on overall housing requirement more favourably.

I trust these comments will be taken into consideration in the future versions of the London Plan.

A handwritten signature in blue ink, appearing to read 'Matthew Roe', with a stylized flourish at the end.

Matthew Roe
Director

c.c. Unite Group Plc