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## **LB BRENT LOCAL PLAN – REGULATION 19 CONSULTATION REPRESENTATION BY QUOD ON BEHALF OF QUINTAIN LIMITED**

Quod's representation relates to Policy BH5 which sets out the Council's approach to securing on-site affordable housing on developments providing 10 or more dwellings and financial contributions on developments providing between 5 to 9 dwellings. The policy requires that developments providing 10 or more dwellings should provide 50% affordable housing with a tenure split of 70% social/London Affordable Rent and 30% intermediate, including London Living Rent. However, the supporting text to the policy (para 6.2.44) indicates that the Council is supportive of the Mayor of London's 'Fast Track' approach of securing 35% affordable housing.

Build to Rent schemes are also required to provide 50% affordable housing, with a tenure mix of 100% London Living Rent. As noted in the supporting text (para 6.2.48), London Plan policy H13 requires that at least 30% of units in a Build to Rent scheme should be provided as London Living Rent, with the balance left to the discretion of individual boroughs, having regards to housing needs and viability. The paragraph also notes that where schemes provide less than 35% affordable (and are therefore required to be determined through the 'Viability Tested' route), the tenure mix may be varied from 100% LLR to 70% LLR, with other tenures making up the balance.

The Council's approach to tenure mix of Build to Rent meets the Mayor of London's requirement that a minimum of 30% of units are provided as LLR. Consequently, there is no conflict between the tenure mix sought by the Borough that would prevent applicants from utilising the Fast Track route (where all other planning requirements are met)<sup>1</sup>.

### **Quod's representation**

Quod appear to be suggesting that the Council's requirement for schemes to provide 100% LLR to qualify for the Fast Track route is inflexible and prescriptive. This is a somewhat bizarre assertion, as the Council is simply saying that in order to maximise the overall percentage of genuinely affordable housing on schemes where viability is challenging, it will relax the tenure mix to a degree to boost viability. The Council adopts the same approach for Build for Sale schemes; in paragraph 6.2.46 of the supporting text, the Council notes that where schemes are viability tested "flexibility will be shown on the part of the Council to allow a move away from the preferred tenure of social rent/London Affordable Rent". Such flexibility is entirely normal where viability is under pressure and it is odd that Quod should challenge this.

Quod's claim that the approach is "not effective, is not justified and does not accord with national guidance" is misguided. If their claim were proven to be correct, it would prevent all councils from setting targets of any kind. For the avoidance of doubt, the policy does not prevent applicants from departing from the requirement for 100% London Living Rent; it offers flexibility should there be a proven case to justify that departure.

In paragraphs 1.10 to 1.12 of the Quod representation appear to be suggesting that the Council should be adopting a target for affordable housing that all sites can meet without the need for any further testing. This approach has not been adopted by the Mayor of London in the New London Plan, nor is it the approach adopted by other London boroughs who are reviewing their local plans post 2019-NPPF. The Mayor of London *explicitly* acknowledges that his 50% affordable housing will not be deliverable on every site through his adoption of the 'threshold approach' of offering a viability tested route and a fast track route, the latter at a much reduced level of affordable housing of 35%.

The Council has also stressed that its primary objective is to deliver genuinely affordable housing, even where this might mean the overall percentage of affordable housing on a scheme may fall.

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<sup>1</sup> The requirements to qualify for the Fast Track route are outlined in the Mayor of London's 'Affordable Housing and Viability SPG (2017)'. Applications will qualify where they '*deliver at least 35 per cent affordable housing on-site without public subsidy; are consistent with the relevant tenure split and meet other obligations and requirements to the satisfaction of the LPA and the Mayor where relevant; and have sought to increase the level of affordable housing beyond 35 per cent by accessing grant*'.

Paragraph 6.2.47 of the supporting text notes that “*the Council will seek at no extra cost to the developer, a scheme which greater prioritises genuinely affordable rents, even if this results in the overall headline percentage of affordable justifiably reducing*”. In this context, Quod’s central assertion that the Council’s policy is inflexible does not withstand scrutiny.

The remaining sections of the Quod representation should be viewed in the context above; namely that the evidence base acknowledges that the viability of Build to Rent schemes can be challenging and when this is the case, the Council’s policy accepts that an alternative tenure mix may be required and that the overall percentage could be lower than the 50% sought by policy. Quod’s complaint appears to be limited to the Council’s desire to set a target tenure mix for Build to Rent schemes, despite the proposed mix fully complying with the London Plan.

### **London Living Rent provision – revenue and rent levels**

We are aware that in Build to Rent schemes, there is no onward sale of the affordable element to a Registered Provider; however, Table 4.10.1 in our report reflects the capital value of the LLR units to the developer, whether they sell them to another party or retain them. In arriving at these capital values we have **not** assumed that these units are later sold to the tenant, as alleged by Quod. We have simply adopted the rents set out in Table 4.7.1 as the basis for establishing the capital value, assuming that the units remain as rented housing in perpetuity. For the avoidance of doubt, our capital values do **not** reflect any reversion to shared ownership.

The mix relied upon to calculate the capital values for LLR units is 25% one beds; 45% two beds; 20% three beds and 10% four beds. The text referred to in paragraph 1.18 of the Quod response has no impact on the modelling.

With regards to Quod’s observations at para 1.19, clearly if there is pressure on a particular scheme towards larger units, any reduced blended capital value will be reflected in the viability assessment and the unit mix can be balanced with the overall affordable housing percentage sought.

Quod’s observations at paragraph 1.20 are irrelevant as we have not assumed that any of the units will be ‘exiting’ to shared ownership after 10 years. As noted above, we have assumed that the units will remain as rented units in perpetuity for valuation purposes.

Paragraphs 1.21 to 1.26 would only have any bearing if the Council was seeking to impose a fixed affordable housing quota across the Borough, which it is not. As noted at paragraph 6.25 and 6.26 of our report, the most challenging conditions for delivery build to rent schemes are when sites have high existing use values, but these sites are typically only found where residential values are also high. The same applies to rent levels; where these are lower, existing use values will typically be lower.

With regards to paragraph 1.28, the capital values for the affordable units reflect normal allowances for management and maintenance costs incurred for affordable housing.

With regards to the overall conclusion of this section at Quod’s paragraph 1.29, the Viability Study acknowledges that the viability of Build to Rent schemes can be challenging, which is why the Council’s policy provides a significant degree of flexibility so that schemes can come forward with a varied tenure mix, or a reduced overall quantum of affordable housing. As noted in paragraph 6.2.47 of the supporting text, the Council wishes to prioritise the delivery of genuinely affordable rent over the headline number of units, whereas Quod appear to be promoting a goal of number of units over affordability.

### **Build costs**

With regards to Quod’s comments at paragraphs 1.30 and 1.31, the approach adopted in the Viability Study fully complies with the Planning Practice Guidance, which at paragraph 012 states that “*Costs include... build costs based on appropriate data, for example that of the Building Cost Information Service...*”. Clearly costs may exceed benchmark BCIS data in some cases and this would be

identified when a particular site comes forward through a site-specific viability assessment if those costs mean that 35% affordable housing cannot be provided. This approach is clearly envisaged by paragraph 012 of the PPG as it notes that “*costs should be identified at the plan making stage...Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application*”. Developments in Brent are not homogenous and costs can be highly variable, which is why the Council applies its policy requirement flexibly and having regard to site-specific viability as noted in Local Plan paragraphs 6.2.46 and 6.2.47.

Paragraph 1.32 of the Quod representation and their footnote 7 are a wilful misrepresentation of the Viability Study. The Viability Study does not claim – as Quod suggest – that the build costs utilised in the appraisals include abnormal costs. In fact, the reverse is the case – the report notes that “*in the absence of detailed site investigations, it is not possible to provide a reliable estimate of what exceptional costs might be. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results*”. Clearly if sites do suffer from exceptional costs, this would be reflected in a site-specific assessment submitted with an application if the affordable housing target cannot be viably met.

The remainder of the comments in this section would only be relevant to the consideration of the soundness of the policy if the Council were seeking to impose a fixed affordable housing percentage that every scheme must meet. As noted previously, the Council’s approach is to seek 50%, subject to individual site viability. If any of the additional costs that Quod identify occur on a particular site, and those costs prevent the scheme from providing 50% affordable housing, a lower quantum will be accepted based on a proven viability case. Furthermore, as noted, the Council’s preference is for schemes to prioritise genuinely affordable housing, even if this means that the overall percentage may be lower than would have been the case with a mix with more higher-cost housing.

### **Benchmark land value**

The benchmark land values are as stated in paragraphs 4.40 and 4.41 and this is also clearly shown in tables 6.12.2 to 6.12.14. Quod do not raise any actual comment on the benchmark land values, other than to point out a typo.

### **Output tables**

Quod’s comment at paragraph 1.44 is incorrect – tables 6.24.1 and 6.24.2 model the schemes with 35% and 25% affordable housing respectively.

### **Quod’s conclusions**

Quod assert that the viability appraisals do not “provide support to the policy provisions of BH5”. Whilst Quod’s representation identifies that costs may be higher in some circumstances and values may on occasion be lower, this should be balanced against the wide range of sites that come forward in Brent and it would be a disproportionate task to test every single site circumstance (which would run into thousands of individual appraisals). Balanced against Quod’s various assertions, we would point out that our appraisals assess Build to Rent schemes on a conventional basis and do not reflect forward funding of developments. In our experience, forward funding can make a significant improvement to the viability of Build to Rent developments which is not currently reflected in our assessments. If Quod’s assertion that Build to Rent developments always generate lower values were true, then no Build to Rent schemes would come forward as they would be outbid by Build for Sale developers.

The Council accepts that the viability of Build to Rent schemes can be challenging and this is why its policy has flexibility to take account of site-specific circumstances, including viability. There is no suggestion - as Quod appear to claim - that the Council will be applying its 50% target as a rigid quota and its practice in applying its existing policies utterly disproves this suggestion.