



**FURTHER REPRESENTATIONS TO
BRENT BOROUGH COUNCIL
LOCAL PLAN 2020 – 2041
MIQS JULY 2020
POLICY BH5**

- 1.1 These further representations seek to address the MIQ's from the Inspector's in relation to Policy BH5 of the Brent Local Plan and provide further evidence and context to the previous submissions¹ made on behalf of Quintain Ltd in respect of this policy in relation affordable housing provision within Build to Rent developments. They provide additional information on build cost assumptions and affordable housing values relied upon by BNPRE in their plan viability model.

London Living Rent Provision and Affordable Housing Values

- 1.2 Within their viability work, BNPRE do not comment on or take into account the significant impact of the variable London Living Rent levels across the Borough and how these will impact revenue for London Living Rent units. This is important as the significant rent variations will alter the revenue available from these types of affordable housing.
- 1.3 Further, the value assumptions relied upon by BNPRE for completed affordable housing units provided within BtR developments do not accurately reflect what can be reasonably achieved in the market for the LLR tenure. Analysis based on the inputs and assumptions set out below suggests the BNPRE sales figures are between 15% and 25% higher than could be reasonably expected.
- 1.4 Modelling affordable housing London Living Rents (where the modelled rent is based on the average position for the Borough), within Podplan software typically delivers a sales value per ft of c.£265psf for 1 beds, 195psf for 2 beds and 165psf for 3 beds.
- 1.5 This compares to the figures relied upon by BNPRE of £322psf for 1 beds, £253 psf for 2 beds and £190psf for 3 beds². Podplan is used by many registered providers to appraise potential developments and can be therefore relied on to identify the potential revenue for rented accommodation at London Living Rent levels.
- 1.6 Assumptions relied upon in PodPlan modelling:
- 1 beds – 50sqm, 2 beds 70sqm 3 beds 86sqm
 - Target NPV discount at 5.5% NPV period 45yrs
 - Rent inflation at 2.75%pa average
 - Management, maintenance and housing costs at £1,650pa
 - M/repairs 0.8%
 - Voids and Bad debt at 3%
 - Service Charge at £2.50 psf pa

¹ See 'Full Regulation 19 Representations' – document 50 Appendix 1 and for a summary See Core_03 - Local Plan Publication Stage Consultation Responses – Summary of Comments Received Responses and Proposed Changes to the Draft Local Plan - page 113 – Quintain.

² Table 4.10.1 London Living Rent no grant Core_Gen_01

Table of AH revenues for two BtR schemes

Scheme Size in total units	Affordable Provision at 35%	Revenue for LLR based on Podplan modelling and market evidence	Shortfall against BNPRE Revenue Assumption relied upon in the plan viability report
300	105	£14,000,000	£3,600,000
225	79	£10,500,000	£2,750,000

- 1.7 The above example schemes illustrate that the value differential achieved for affordable housing can have a very significant effect on development viability within a BtR scheme, particularly in the context of the findings at 6.24.2 of Core_Gen_01 where even fewer schemes would deliver the identified threshold land value.
- 1.8 In order to deliver the BNPRE levels of 'AH sale price' schemes would require minimal service charges, property types would need to be small in size and a registered provider or BtR developer in the case of BtR schemes would have to be prepared to operate a very low yield over an extended period. Achieving these all these elements is considered unrealistic and not a basis for setting a borough wide affordable housing policy.
- 1.9 Further the effect of different LLR rent levels across the Borough will have an impact on the revenue which can be achieved. In lower rent locations (a majority of wards have LLR levels below the average relied upon by BNPRE) the revenue will drop. The dynamic of the sales model means that sales values of AH £ per sqft will fall by a greater % than the % drop in rent. A fall in LLR rent level of say 10%, which would reflect a move from the BNPRE average rent position to one of the lower quartile rent areas in the borough, would typically reduce the sales value of that AH by around 15-20%. This effect further compounds the likely differential between the sales value which may be achieved in the market and the LPVS modelling assumption.
- 1.10 The BNPRE assumptions on sales values are overstating the potential revenue of LLR products and this is reducing the relative cost of providing AH on site in BTR schemes in the form proposed by draft Policy BH5. This will particularly be the case for schemes in the lower LLR rent level locations. This is important as these areas align with some of the key housing supply locations such as Wembley Park and Neasden where large scale sites (500 units +), which are also required to include BTR units, will come forward.

Build Costs

- 1.11 As set out in the original submission the reliance on BCIS data for all scheme types introduces the potential for error in the appraisals. Paragraphs 1.36 to 1.38 identified that BCIS is considered to be a poor and highly sensitive indicator of project cost where the sample of projects used is very small (and even smaller in relation to BtR developments).

- 1.12 The BCIS dataset for London relies on only two recent (last 4 yrs) new build projects of 6+ stories. This actual data is supplemented by ‘rebased’ information from schemes elsewhere in the country. This allows the BCIS to rely on a greater number of schemes when producing their dataset for a given locality. However, it relies on a number of statistical adjustments in order to try and reflect the locational differences between the schemes being ‘rebased’.
- 1.13 Whilst this approach underpins the BCIS dataset in all areas it is relevant and instructive to look at the local evidence within the BCIS dataset which has not been ‘rebased’ using this technique. Prior to rebasing the average cost across both of the London schemes identified above is £3,173/m² of GIA or £295/ft² of GIA. This compares with c. £245/ft² of GIA for an apartment led scheme in the BNPRE viability study. This would deliver the following differential across two example scheme types.

Table of base build cost comparison across two apartment schemes

Scheme Size in total units	Indicative base build cost at £295 psqft	Differential against BNPRE build cost assumption relied upon in plan viability
300	£66,750,000	£11,250,000
225	£50,000,000	£8,500,000

- 1.14 The robustness of the build cost evidence would be significantly enhanced where it relied on information in addition to the BCIS dataset. This is particularly the case for larger more complex developments which are represented by low numbers of schemes in the BCIS dataset (with many of these rebased from other areas). The viability study would benefit from additional cost analysis to ensure that the real costs of bringing forward complex schemes (inc. BtR) are accurately modelled.
- 1.15 Coupled with the potential value differential from the affordable housing provision these cost changes would significantly alter the conclusions from the BNPRE viability study as it applies to BtR proposals and therefore the number of schemes which are deemed viable in 6.24.2 of Core_Gen_01.
- 1.16 Together these two key variables provide clear evidence of why greater flexibility is required in the policy for affordable housing tenure and/or rent levels within the affordable housing element of a BtR scheme. This additional flexibility will improve viability and allow these schemes to come forward under the quicker and more certain ‘fast-track’ route whilst ensuring that the affordable housing is consistent with the national guidance and the affordability provisions of the London Plan. The encouragement for delivery within BtR proposals is important given these schemes will form a core part of the housing supply for Brent and London over the plan period.