

Substantive questions from Build to Rent consultation

LSE London responses

Kath Scanlon & Christine Whitehead, 28 April 2017

5. Do you consider there are market and regulatory failures impeding the rapid development of the Build to Rent market that merit national policy intervention? Please add comments. **Yes. Build to Rent schemes provide positive externalities in the form of faster development and placemaking which are not reflected in market prices. There is also regulatory failure in that the planning system has not yet caught up with the specific characteristics of BTR development; policies written to deal with standard for-sale speculative development can act as a barrier to BTR.**
6. Do you agree with the proposal to refer explicitly to Build to Rent in the National Planning Policy Framework? **Yes**
7. Do you think that Government should set a policy expectation on Affordable Private Rent in the National Planning Policy Framework, or not? (Please state your reasons.) **Yes. Making clear that APR is the default form of affordable housing in BTR should speed negotiations with local planning authorities.**
8. Will a policy expectation in the National Planning Policy Framework send a sufficiently strong signal to support Affordable Private Rent as the main vehicle for affordable housing in Build to Rent? (Please state your reasons) **It may not be enough but it is a good step forward.**
9. Do you consider that Affordable Private Rent could play a useful role in the delivery of affordable housing in the area(s) where you live or operate? **Yes**
10. Do you consider that the efficiencies arising through on-site provision of Affordable Private Rent can materially improve the viability of Build to Rent, compared to other affordable housing tenures? **Yes**
11. Do you consider that there could be unintended consequences of Affordable Private Rent if it is accepted as a form of affordable housing? **Possibly**
12. If your answer to Q11 is yes, would these consequences be mitigated by limiting Affordable Private Rent only to Build to Rent schemes? **Yes. The arguments in favour of APR are specific to BTR operators and their business model; it is hard to see a justification for allowing APR on other types of scheme.**
13. Do you think it is reasonable for Planning Authorities to specify minimum tenancy lengths in Build to Rent schemes? Please add your reasons, and give examples of such agreements where appropriate. **Yes. One of the reasons for encouraging the development of a BTR sector is that the high quality of the product will raise standards across the wider PRS. Longer tenancies, in cases where the tenants want them, are one element of this. They also go with the grain of**

the BTR business model, which is to retain tenants and minimise voids. However operators should be expected to offer shorter leases without additional cost.

14. Do you agree that Build to Rent tenancies should be for at least three years (with a one month break option for the tenant after the first six months), for all customers in the development who want one? **That seems reasonable. It should be clear that this would apply during the entire period after the first six months (ie not just at the six-month anniversary).**
15. Does the definition of Build to Rent set out on page 20 capture all of the appropriate elements? (If not, please state why, and what criteria should apply). **Yes**
16. Do you agree that the National Planning Policy Framework should put beyond doubt that Affordable Private Rent qualifies as affordable housing in Build to Rent schemes? (If not, please state why.) **Yes. Making clear that APR is the default form of affordable housing in BTR should speed negotiations with local planning authorities.**
17. Do you agree with the proposed definition of Affordable Private Rent set out on page 21? (If not, please state why, and what criteria should apply). **The definition is fine as far as it goes, but it does not address whether local authorities should or should not have nomination rights for these units. If local authorities are to have nomination rights then decisions should be taken by a committee on which BTR operators are represented.**
18. The Government intends to set the parameters of Affordable Private Rent as:
 - A minimum of 20 per cent of the homes to be discounted
 - The discount to be set at a minimum of 20 per cent relative to the local market
 - An offer of longer tenancy of three years or more
 - The discount to apply indefinitely (subject to a “claw-back” arrangement if Affordable Private Rent homes are withdrawn).

Taken as a whole, are these parameters (i) reasonable; (ii) too onerous; (iii) insufficient? Which, if any of them, would you change and why? **Reasonable. The benchmarking of the discount relative to the wider local market and not the scheme itself is sensible.**

19. Should the parameters for Affordable Private Rent appear on the face of the National Planning Policy Framework or within Planning Practice Guidance? **No view**
20. The Government is minded to leave determination of eligibility and nomination criteria for Affordable Private Rent to negotiation between the developer and the local authority. Do you support this position? Will it affect take-up of the policy? Please give your reasons. **Agree**
21. The Government considers there is no need for a fixed minimum covenant period, so long as appropriate claw-back arrangements are provided for. Do you agree? **No. A fixed minimum covenant of say 10 years (although this is short by international standards) would provide certainty to both local authority and operator/investor.**
22. Do you think Government should (a) prescribe the basis for calculating the amount of claw-back, (b) set a possible basis for calculating the amount of claw-back in guidance, or (c) leave the amount of claw-back to be agreed between the local authority and the applicant? **(b)**
23. Should the Government’s Build to Rent and Affordable Private Rent policy be identical across the whole of England or does it need to be set differently between London and the rest of England?

If it should be set differently, please use the comments box to tell us how and why the policy should vary in London from the rest of England. **Government should let *London* have its own BTR policy—rather than government having a London policy.**

24. Would it be helpful for Government to produce model clauses (which would not be mandatory) that could be used in Section 106 agreements to give effect to Affordable Private Rent? **Yes.**
25. Is a transitional period of six months appropriate for the introduction of the policies proposed in this consultation? (If not, why not?) **NO VIEW**
26. Does the summary Equalities Statement in Annex A represent a fair assessment of the equalities impacts of the policy proposals in this consultation? Please provide any further evidence on this issue, including how any negative impacts might be minimised and positive impacts enhanced **Yes.**