THE COLLECTIVE

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Company Registration Number: 7271022
Registered as Share in the City Ltd.
Registered in England and Wales

2 March 2018

New London Plan
GLA City Hall
London Plan Team
Post Point 18
FREEPOST RTJC-XBZZ-GJKZ
London SE1 2AA

Dear Sir / Madam,

THE DRAFT LONDON PLAN – DRAFT FOR PUBLIC CONSULTATION DECEMBER 2017
THE COLLECTIVE

<u>Introduction</u>

The Collective Ltd is a property development and management company that specialises in delivering and operating high-quality, shared-living rental accommodation across London. Our developments are comparable to serviced apartments or a long-stay hotel. However, given the focus on shared communal facilities between the residents throughout all of our buildings, they are distinct from other products on the market and have therefore been coined 'co-living.'

Established in 2010, we currently operate circa 750 co-living units across 7 sites in London. We have an immediate pipeline consisting of a further 1,000 co-living units and a programme to achieve 5,000 units in London by 2022. We are involved in all stages, from site procurement and development through to letting and management.

Discussions opened with the GLA in 2013 with the aim of establishing a pan-London approach to delivering large scale co-living buildings ranging from 200 to 750 units, and focused on providing high-quality affordable accommodation for London's young working population. Not only are we market leading this new approach, but as a young company, involved with the day-to-day operations and lettings of our co-living schemes, we understand how to create spaces in which London's young professionals want to live. Given the focus on shared communal space, co-living schemes are not just a home, but create a social experience, bringing people together and creating communities. The result is that people wish to remain within a co-living scheme for several years until they reach the next stage of their life. As such, we offer a stepping stone on the ladder between studying and more traditional forms of residential accommodation, at a rental price point affordable to London's young working professionals. The affordability of our product will

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help to keep London's young professionals living in London, rather than being forced away from their places of work.

A complementary use in many of our schemes is serviced office space. Creating synergy between flexible working spaces in the same building as vibrant living communities.

Our existing smaller properties that we manage and operate under previous permissions for HMO's have been rebranded and operate along the shared living concept described above. The product has now evolved considerably and The Collective Old Oak (546 co-living units and 3000 sq.m of serviced office floorspace), is a perfect example of the opportunity for both scale and quality of communal facilities. 5 mins walk from Willesden Junction Station, the scheme was completed in May 2016 and fully-let by October 2016, proving the huge demand for the product.

<u>How we have worked with the GLA so far</u>

In response to ongoing discussions with the GLA, a set of criteria were introduced into the Mayor's Housing SPG, 2016 which recognise the need for this type of specialist housing and set out guidelines for innovative, non-self-contained accommodation. It is supportive of co-living schemes in locations with a high PTAL in mixed-use areas, where high quality management can be ensured and unintended user groups such as the homeless can be controlled. It makes it clear that viability appraisals should be undertaken to determine whether affordable housing can be delivered as part of such schemes. We have embraced these guidelines as the parameters for bringing forward new schemes.

Since 2013, we have engaged with many London Boroughs, all of whom have acknowledged and identified the need to increase the supply of high-quality housing for London's young professionals. The challenge that London's Boroughs have recognised is the lack of a clear planning policy framework that deals with innovative housing products such as co-living, and particularly how to deal with affordable housing targets.

The Collective therefore want to continue to play an active role in taking this document forward along with the recently published Affordable Housing and Viability SPG (2017) and any future changes to the Housing SPG (2016) to assist with the formulation of London Plan policies relating to new forms of innovative housing products.

<u>Policy H18 Large-scale purpose-built shared living</u>

We support the inclusion of a specific policy relating to *Large-scale purpose-built shared living* or Co-living as we call it. The policy recognises that purpose

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built shared living is a way to meet housing need in London. The concept opens opportunities for the housing sector, potentially allowing individuals to live in a desired location at an affordable space.

Part 1 of the policy requires proposals to meet an identified need. This is reiterated in the sub-text at paragraph 4.18.2 where it states, *Development proposals for such schemes should only be supported where they meet an identified market need.* The product is about creating new homes for Londoners aimed at London’s young workers who may not be able to afford conventional housing in the local area. There is a critical need across all of London for this type of accommodation.

Paragraph 47 of the National Planning Policy Framework states that housing policies should be based on full objectively assessed needs for market and affordable housing in the market area. The draft policy is based on an up to date assessment of housing need (The Mayor’s 2017 London Strategic Housing Market Assessment) which identifies significant growth (circa 300,000 homes) in single occupancy households across the stated plan period 2017-2041. The reference to ‘identified market need’ in the draft policy is therefore unnecessary and we propose this is removed from the draft policy. If it is not removed then we propose that further clarity and guidance is provided on how this point can be addressed because as drafted it is open to interpretation.

Part 8 of the draft policy relates to affordable housing contributions. The draft policy states,

> *it delivers a cash in lieu contribution towards conventional C3 affordable housing. Boroughs should seek this contribution for the provision of new C3 off-site affordable housing as either an:*
>
> *a) upfront cash in lieu payment to the local authority, or*
> *b) in perpetuity annual payment to the local authority*
>
> *In both cases developments are expected to provide a contribution that is equivalent to 35 per cent of the residential units to be provided at a discount of 50 per cent of the market rent. If a lower contribution is proposed the scheme will be subject to the Viability Tested Route set out in part E of Policy H6 Threshold approach to applications.*

Whilst we accept that affordable housing contributions are required as part of shared living schemes, it is a market product that relies on no public subsidy and typically provides accommodation at rental levels that can be afforded by those who would otherwise qualify for traditional affordable housing provided by boroughs or Registered Providers.

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Given that shared living is a housing product (notably contributing towards housing delivery targets) and does not fall within the current definition of traditional affordable housing, we have been following the Housing SPG, 2016 approach to test what the maximum reasonable contribution this housing product can make towards subsidised affordable housing.

As a rental product, which the London Plan recognises has a distinct economic model, and given the rental levels the market derives it will not be able to deliver affordable rental levels for London's workers and also achieve the target market sale levels for traditional affordable housing targeted by the Mayor.

To ensure that shared living products maximise the contribution towards mixed and balanced communities and meet a range of housing needs, our suggested approach as schemes come forward is to undertake viability appraisals and focus any subsidy available in one or both of the following ways:

1. a financial payment to the Borough to bring forward traditional affordable housing to meet the specific local needs; or

2. a discounted market rent approach to a proportion of the co-living units. This would be expected to follow a similar approach to Section 4 Build to Rent, of the Affordable Housing SPG which currently relates to C3 housing and excludes non-self-contained accommodation. Such that subsidised rent levels are provided on a proportion of the units set at a level to address local needs. Where this has been explored to date co living has been able to provide for incomes of c £25,000 which would cater for those on low starting salaries in their first jobs.

The above proposed approach is consistent with paragraph 50 of the NPPF which states that where there is an identified need for affordable housing, policies should be set for meeting this need

> *on site, unless off site provision or a financial contribution of broadly equivalent value can be robustly justified and the agreed approach contributes to the objective of creating mixed and balanced communities.*

We feel that the restrictive approach of Part 8 means an opportunity would be lost to help large numbers of Londoners who currently live in similar single occupancy accommodation such as nurses and other key workers (usually without access to amenities offered in shared living, or access to similar community benefits). We note that paragraph 4.18.7 states that

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> *because [this form of housing] does not meet minimum housing space standards and generally consists of bedrooms rather than housing units, it is not considered suitable as a form of affordable housing itself*.

A discount market rent option helping those who are unable to access social housing, but also do not earn enough to access intermediate housing options has the chance to help encourage a mixed community in Large Scale Shared Living buildings as well as enhance the quality of life of the junior doctors, nurses, teachers, police and other key workers that are so important to keeping London running.

It is proposed that policy flexibility is provided for either of these approaches to be considered on a site by site basis, so that authorities can consider how to maximise the affordable housing outcomes from co-living schemes and opportunities to deliver mixed and balanced communities.

In response to the proposed reqirement to provide a contribution that is equivalent to 35 per cent of the residential units to be provided at a discount of 50 per cent of the market rent to be elgible for the “Fast Track” viability route we have reviewed the London Plan Viability Study (December 2017) and there are a number of areas where we would question the assumptions that have been made. As one of the leading co-living developers we would welcome the opportunity to review the evidence base with the London Plan team and provide our comments as currently drafted the approach is likely to be prohibitive to the delivery of co-living schemes. Given the growing concerns about meeting overall housing need across London there is a desirability not to restrict new products which could take up some of the slack from entering the market.

We propose the following minor amendments to paragraph 4.18.5 (underlined):

- *incidental meeting spaces should be provided in public and semi-public spaces <u>and shared spaces</u> within the building*

- *amenity spaces should be of a size and quality that actively encourages their use and community engagement. <u>These should vary in size throughout the building to allow both smaller and larger groups to gather comfortably.</u>*

In response to draft paragraph 4.18.9 which states,

> *The rental cost of this form of accommodation is not directly comparable to the rental costs of conventional Use Class C3 housing as units are significantly smaller than the minimum housing space standard i.e. a one person dwelling of 37 sqm. If a comparison is*

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> *undertaken it should be on a square metre rental rate of the private accommodation and not a unit rental rate.*

we would like to make clear that the policy should acknowledge that the rents charged include additional services such as: cleaning; linen changing; utility bills; Wifi etc so the absolute rents per unit need to be considered rather than rents per square metre. Also any rent comparison must take account of the shared spaces within the building and not just a tenant's private space.

In response to paragraph 4.18.3 which states,

> *To ensure this form of accommodation is meeting its specific housing need, it is important that it does not effectively become a hostel, so tenancies should be for a minimum of three months.*

Whilst we acknowledge the importance of preventing the use becoming a hostel, we do not consider it acceptable to impose a restriction on tenancies of less than 3 months. We propose that flexibility is applied to enable tenancies of less than 3 months to cover void periods. Traditional C3 residential units and HMOs have the ability to let rooms for up to 90 days of short lets per year so we consider a similar approach can be applied to shared living.

<u>Summary</u>

We would welcome the opportunity to work with the London Plan team to ensure that the new London Plan along with any other emerging policy documents include recognition of new forms of housing such as our co-living product in the form of specific policies and standards that deal with the detail of the use to ensure quality products are delivered. The aim is to establish a clear planning policy framework for how to deal with innovative housing products such as co-living and particularly how to deal with affordable housing targets.