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19 February 2018

Sadiq Khan (Mayor of London)
New London Plan
GLA City Hall
London Plan Team
Post Point 18
FREEPOST RTJC-XBZZ-GJKZ
London SE1 2AA

By Email and Post

Dear Mr Khan,

Re: Draft London Plan - The Formal Response of the Watkin Jones Group

Please see below the comments of the Watkin Jones Group in relation to the draft version of the New London Plan published for consultation on 1 December 2017. Our response initially provides some general comments on the draft Plan as a whole, and then provides detailed comments on a range of specific policies.

Introduction to Watkin Jones Group

The Watkin Jones Group (est. 1791) is a market leading national development company which undertakes all of its own construction. The Group has constructed approaching 40,000 student bedspaces across the UK over the last 19 years, and it continues to deliver up to 5,000 student bedspaces each year. In addition to student accommodation, the Watkin Jones Group has also recently started to develop Build to Rent residential schemes and currently has several thousand beds in operation or in the pipeline.

As part of the Watkin Jones Group, the Fresh Group is a UK-wide residential property management business operating in the Build-to-Rent (BTR) and student markets. The Fresh Group operate two specific brands, Five Nine Living who manage the BTR developments and Fresh Student Living who operate purpose built student accommodation. Both have their own brand identity, bespoke delivery model, and customer-facing management team that understands their specialist sector and the needs of their clients.

Four of our current schemes in the boroughs of Brent, Hillingdon, Sutton and Waltham Forest have been referred to the GLA over the past 12 months. This comprises in combination approximately 500 BTR units, over 600 purpose-built student accommodation units and a range of commercial uses forming other elements of these developments.

General Comments

Throughout the draft London Plan the key theme of promoting further sustainable growth is wholly supported.

The increase in proposed housing numbers, density caps and the drive towards these to be located within the outer London Boroughs and for residential uses to be part of town centres is welcomed by the Watkin Jones Group. The proposed growth areas around existing and new public transport routes and stations make complete sense and are again supported.

Support from the Watkin Jones Group is also given to the further promotion of the general hierarchy approach towards density of development, with more accessible locations being supported for higher density developments, considering the local context. In addition, the drive to ensure that sites are used as efficiently as they can be, is also supported. Further comments in relation to this matter are set out within our specific policy comments below.

The Watkin Jones Group are supportive of the notion that the amount of car parking across all development within London should be reduced. We are also in support of the promotion of car free development where appropriate.



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The promotion of smaller sites in helping to play a part in delivering residential development, through the wording of Policy H2 is wholly welcomed. The Watkin Jones Group considers that these types of site have previously been underutilised and can assist the Boroughs in trying to meet their requirements for new housing and other development types.

With regards to purpose-built student accommodation, we welcome the support for use of such accommodation as temporary visitor accommodation outside of university terms. The use of the accommodation in this manner ensures that it is being efficiently used all year round.

Also, in relation to student accommodation, the Watkin Jones Group do not support the requirement for one cycle space to be provided for each student room. We have over 16,000 student bedspaces across the UK in operation (through the brand Fresh Student Living) and it is our experience that about 20% of students within our developments have cycles and use the on-site cycle parks provided. This trend has been the same for the last decade and any peaks in usage only climb a few percent above the previously stated figure.

Added to this, London itself benefits from much higher levels of public transport accessibility and therefore the number of students that have cycles within our London developments is less than the 20% figure stated above. If the policy of one-for-one cycle parking is introduced, it will result in at least 80% of cycle parking spaces within student accommodation schemes not being used. This is an overprovision and does not represent an efficient use of land which is in direct conflict with some of the principle aims of the Plan. This space would be better utilised for alternative uses.

In light of this, whilst our preference would be for the provision of cycle parking within student accommodation schemes to be significantly reduced to match actual demand (a provision of four cycle parking spaces for every ten students is suggested), an alternative would be for the amount of cycle parking to be linked to the PTAL rating of a site (i.e. the higher the PTAL rating, the lower the amount of cycle parking that is required). Whichever way, we consider that the quantitative requirements should reduce.

In terms of Build to Rent schemes, communal amenity space provision (which is often higher in Build to Rent developments) should be taken into account in the space standards applied to residential Build to Rent units and, if appropriate, allow for reduced floor areas within the residential areas themselves.

We agree that tenants should be offered three-year leases however in return they should be required to give two months' notice before ending the tenancy to give the landlord / operator sufficient time to re-let the unit and maintain full occupancy.

The Housing SPG published in March 2016 included within it the following statement in relation to Discounted Market Rent and London Living Rent units: "*The landlord/operator will also satisfy themselves that households can afford to both pay the rent (without recourse to Housing Benefit) and accumulate savings, using standard affordability tests (as stated in the SPG and Draft LP).*" This highlighted an important distinction between DMR (which is an intermediate product) and other forms of affordable housing. The Watkin Jones Group would therefore propose that this distinction is enshrined in policy.

Specific Policy Comments

General Growth Policies

Policy GG2 Making the Best Use of Land

The aims of providing high density mixed use developments are supported by the Watkin Jones Group. The requirement to prioritise the development of opportunity areas, brownfield land, surplus public sector land, sites which are well-connected by existing or planned Tube and rail stations, sites within and on the edge of town centres, and small sites is supported as it makes absolute sense.

Furthermore, support is given to exploring the potential to intensify the use of land, including public land, to support additional homes and workspaces, promoting higher density development, particularly on sites that are well-connected by public transport, walking and cycling. Support is also given to the potential promotion of car-free lifestyles to assist with promoting an efficient use of land, as well as utilising new and enhanced public transport links to unlock growth.

Policy GG4 Delivering the Homes Londoners Need

This policy is supported, specifically the proposed identification and allocation of small sites for development to assist in the delivery of residential development. The Watkin Jones Group consider that the use of suitable and accessible small sites within already densely populated urban areas can prove to be a significant source of additional housing needed to meet the needs of Londoners. These sites are often in locations that are highly accessible and therefore require less facilities including car parking.

Design Policies

Policy D4 Housing Quality

Whilst the overall aim of the policy is supported, the strengthening of the requirement for minimum residential space standards within all developments is not supported. With the ever-increasing population in London there is a need to provide suitable and affordable homes for all. To accommodate this growing population there will be a need to provide innovative types of residential products population due to the limited availability of land for residential development. As it stands, the policy, as currently worded does not allow for progressive and innovative micro-living concepts that could potentially provide a useful addition to the current housing choices within London.

In addition, it could potentially have a negative impact on the efficient use of land for development (i.e. if there is an irregular shaped site and there is some space that could be used for an apartment that does not meet the standards then the space would be wasted if the policy is strict and that reduced standards could not be agreed). The policy should be amended to enable flexibility in such circumstances whereby additional apartments not meeting the required standards could still be permissible. It should require that generally housing standards are met but enable some flexibility.

Policy D8 Tall Buildings

Whilst the Watkin Jones Group support the Tall Buildings Policy we do not consider that it currently goes far enough to address issues of tall buildings that will not be located within the designated tall building areas that are to be proposed by Local Planning Authorities within Local Plans. Additional policy guidance should be added that considers 'windfall tall buildings' (i.e. those not located within the designated areas) to assist in providing clarity to the boroughs. If this is not in place, then the current position of tall buildings being de-railed by local opposition (particularly in suburban locations) will continue.

The use of 3D virtual reality modelling accessible to developers and provided by the GLA to assist assessment of tall buildings is welcomed.

Housing Policies

Policy H1 Increasing Housing Supply

The overarching aims of this policy to increase the housing supply across the boroughs is supported. The potential redevelopment and intensification of sites including low density retail parks and car parks for mixed-use development is supported. There is no doubt that some retail parks will inevitably be retained but they are reflective of past trends in retailing due to their typical locations within or on the edge of commercial centres (i.e. accessible locations). The redevelopment of such sites for residential development makes absolute sense. Similarly, car parks are an inefficient use of land and their redevelopment (which can incorporate replacement car parking if required) again makes complete sense. The redevelopment of such sites will provide not only much needed housing but can also provide more suitable, modern accommodation for retail, commercial and leisure uses as part of a mixed-use development that can prove to be a catalyst for the regeneration and re-invigoration of a local area.

In addition, we support the potential mixed use of existing industrial and employment sites for residential purposes and provide further comment on this in relation to Policy E7 below.

Policy H6 Threshold Approach to Applications

The introduction of a fast track route for development proposals that comply with the requirement of 35% affordable housing is wholly supported. In addition, Watkin Jones Group support the introduction of an Early Stage Viability Review if an agreed level of progress on implementation is not made within two years of the permission being granted.

Policy H7 Affordable Housing Tenure

This latest iteration of the affordable housing tenure policy is fully supported because the policy introduces a new level of flexibility for tenures subject to the relevant local housing need context. This added flexibility enables LPA's and developers to be able to provide the required tenures for that Borough.

Policy H13 Build to Rent

The Housing White Paper entitled 'Fixing our Broken Housing Market' published in February 2017 outlined the importance of the rise of build to rent schemes. It states that *"Our key proposals are to change the National Planning Policy Framework, so authorities know they should plan proactively for Build to Rent where there is a need, and to make it easier for Build to Rent developers to offer affordable private rental homes instead of other types of affordable housing"*.

In addition, within the Affordable Housing and Viability Supplementary Planning Guidance 2017 it states that *"The Mayor believes that Build to Rent developments can make a particular contribution to increasing housing supply and are beneficial in a number of ways including that they can attract investment into London's housing market that otherwise would not be there, particularly since Build to Rent is attractive to institutional investors seeking long-term, inflation-tracking returns."*

It is pleasing to see that the Draft London Plan agrees with these sentiments and indeed makes policy provision for Build to Rent schemes. For that reason, the general aims of Policy H13 are supported by the Watkin Jones Group. However, there are some matters that we consider do need addressing to ensure the policy is fair to all parties.

A late stage review that occurs after practical completion of a Build to Rent scheme fundamentally fails to consider the 'unique economics of build to rent'. The delivery and operation of these projects is often broken down into two phases with a developer achieving planning permission and delivering the scheme and agreeing to sell the scheme to a long-term investor/operator at or usually prior to practical completion, typically under a 'forward funding' structure. This is a common deal structure which has been used to deliver a large proportion of the current Build to Rent pipeline and stock in the UK.

A review at, or after practical completion of a build to rent scheme delivers a significant amount of uncertainty and will often be considered an unacceptable risk to a future investment buyer. This will hinder a developer's ability to forward fund the project and in turn could inadvertently reduce the amount of build to rent developments that are delivered, and which are an important housing source. We therefore propose that the late stage viability review does not apply to Build to Rent. Indeed, we also question the need for any viability review after a permission has been granted and the affordable housing requirements agreed with the local planning authority if the development proceeds before the two-year trigger at which it would automatically be required to undertake a review for not commencing. This would remove a significant layer of risk and uncertainty from forward funding transactions and enable the sector to deliver more housing.

As an alternative we would propose that if there is to be a late stage review, this occurs no later than practical completion and the estimated GDV of the development at review will be fixed at the price agreed at the 'first point of sale' (assuming this meets the criteria of an arm's length transaction). This would enable the developer to make a 'clean break' once the scheme has completed and the investor to acquire the scheme for a fixed price. In addition, we also propose that the overall amount is capped at the amount necessary to deliver the policy level of affordable housing (35%) so the investor can be certain of their downside risk.

We welcome the introduction of the 35% fast-track being applied to build to rent schemes, however we do have concerns over the prescribed rate of at least 30% of those being at the London Living Rent (LLR). We consider that the policy is overly weighted towards the London Living Rent. Within the Housing White Paper 'Fixing our Broken Housing Market' published in February 2017 it stated that Build to Rent schemes should be required to provide Discount Market Rented (DMR) properties at 80% of market rent. We therefore consider that the rental mix which the Draft London Plan is promoting is at odds with this and there should be a fairer weighting to ensure that Build to Rent schemes are delivered. No reasoned justification for this split is set out in the supporting text of the policy and we therefore think this point should be reconsidered.

Point 1 of Part B of the policy states that a qualifying build to rent scheme must consist of 50+ units. We would query why this figure has been chosen as it appears to be a completely arbitrary figure with no justification within the supporting policy text to confirm the reasoning for the figure.

Point 3 of Part B of the policy seeks that a clawback mechanism is in place to recoup additional affordable housing contributions in the event of the covenant being broken. We do not agree with this provision as we are concerned that a clawback provision could be overly onerous as it effectively leaves the investor 'locked in' under a 'worst case scenario' which would impact their pricing and the viability of the project. We therefore propose that the clawback is subject to taper relief that steps down every year to effectively equal zero after 15 years.

This gives the investor greater flexibility to pursue an alternative exit strategy if the scheme is unsuccessful as a build to rent project (likely to be symptomised by significant void levels). It is worth noting that in such a scenario it would also be in the GLA's mutual interest for the units to enter the 'for sale' market if this will result in full occupancy.

We propose that the amount of clawback payable is capped at the amount necessary to deliver the policy level of affordable housing (35%) under a conventional 'for sale' scheme at the time of grant of planning consent. This should be off-set by any additional affordable provided under a viability review. We propose that disposal costs are deducted from the market sale in the calculation values to ensure the difference reflects the investors true profits from the break up.

We also consider that in the event that a build to rent scheme becomes a build to sell scheme, that the type of affordable product in the build to sell scheme should be agreed at that stage with the LPA, as it may be that LLR/DMR cannot be operated within a 'for sale' scheme with no Build to Rent operator/manager in place. We would suggest that the most practical solution in this circumstance would be for the LLR/DMR units to be converted to an alternative intermediate product such as Shared Ownership.

Policy H17 Purpose-Built Student Accommodation

The encouragement for the development of purpose-built student accommodation is welcomed by the Watkin Jones Group. In addition, the counting of student accommodation towards housing completions is also supported as this is in accordance with planning practice guidance contained within the NPPG (paragraph 021 Ref: ID: 2a-021-20150326) which states that *"Local planning authorities should plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Student housing provided by private landlords is often a lower-cost form of housing. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock."*

The Watkin Jones Group is one of the UK's largest developers of purpose built managed student accommodation (who typically forward sell during the construction period to an institutional investor). We are increasingly developing on sites that have previously been allocated for residential development but, due to the constraints of that site both physically and commercially, they do not work for Class C3 residential development. The use of these sites for purpose-built student accommodation also allows for a more efficient use of the site, aligning with other policies in the London Plan. This enables local authorities to have more flexibility and consider which form of residential development is more appropriate for a site and ultimately could lead to the delivery of more student accommodation (if the delivery of schemes was not hampered by the other policies which are proposed).

In terms of the individual provisions of the policy, we agree and support Points 2 and 5 of Part A and also much of Part B of the draft policy. However, notwithstanding our general support for the policy overall, Watkin Jones Group do have considerable concerns in relation to some provisions of the policy and these are dealt with below:

Firstly, with regards to Point 1 of Part A of the policy we would like to see some clarification on a definition of a mixed and inclusive neighbourhood. Many local authorities become hung up on the potential studentification of certain areas and have differing ideas on what level of student accommodation is acceptable in creating the 'mythical' balanced community. It should also be noted that recent case law has proven that successfully managed student accommodation schemes are no more likely to cause additional noise and disturbance to an area than more traditional residential schemes.

Secondly, Point 3 of Part A of the policy requires that student accommodation is secured for occupation by members of one or more specified higher education institutions. We do not agree with this provision that partnerships between universities and developers should be in place before a scheme can be considered/determined. The reasons we disagree with this provision are set out below:

- The provision will lead to direct let developments being forced out of the market. Direct let schemes are a vital part of the student accommodation market and they add to the mix of products available on the market. As with other members of society, students seek variety in the properties and tenures available at differing price ranges.
- The Watkin Jones Group have progressed and are constructing schemes for purpose-built student accommodation since the current adopted student accommodation policy was introduced, these schemes being supported by universities. It is our experience, and indeed the experience of other developers, that the universities will only show interest before an application is determined, and this interest will only subsequently be secured once planning permission has been granted for the development and the intricacies of the development have been ironed out. Therefore, this policy approach does not work from a commercial point of view and will scupper a host of suitable developments from coming forward ultimately having a negative impact on the supply of student accommodation.
- Furthermore, this policy approach will ensure that universities will effectively be able to reduce the amount of money that they can offer to purchase schemes or provide as rent through nominations agreements as they will be aware that developers need these to obtain planning permission for a student accommodation development in the first place. This could very easily impact upon the student accommodation market in London as a whole and result in the impact of student accommodation developers pulling away from London completely.
- Finally, these unnecessary additions to policy will result in a reduction of the amount of student accommodation being delivered across London, which is contrary to the London Plan requirement for further purpose-built student accommodation. A further impact will be that there would be an increase in rents and ultimately the supply becoming stagnant, this is again at odds to the desire of the Mayor to provide affordable student accommodation in the capital.

With regards to Point 4 of Part A of the policy, it is our belief that the provision of affordable student accommodation should only be required on a direct let scheme and subject to a viability assessment if less than 35% affordable student accommodation is proposed. In addition, if a university is linked to the scheme then no affordable student accommodation should be required as per the existing policy situation. The requirement for a university link and the provision of affordable student accommodation would be a double-whammy on student developers and would unduly impact the viability of the majority of schemes which would subsequently impact on the supply of purpose-built student accommodation.

In relation to Point B of the policy, we support much of this policy apart from the last sentence which alludes to the fact that student accommodation should be away from existing concentrations in Central London and as part of mixed-use regeneration and redevelopment schemes. We do not agree that student accommodation schemes should always be part of a wider mixed-use regeneration or redevelopment scheme. There are a range of sites that could be suitable for the provision of stand-alone student accommodation in areas that are perfectly acceptable for such developments.

In addition to the above, we consider that the fast track approach should be available for student accommodation developments, this would ensure that there is consistency across the range of residential development types.

Finally, we support the Mayor's statement within the policy's supporting text at 4.17.13 which states that "*Where a PBSA development meets all the requirements of part A of Policy H17 Purpose-built student accommodation boroughs should not require on-site provision of, or a contribution towards, conventional Use Class C3 affordable housing*". We are aware that some of the London boroughs (e.g. Southwark) have required that purpose built student accommodation provide Class C3 affordable housing. Any such requirements should be removed (if schemes are genuinely restricted to occupation by students), to prevent any potential for a double whammy of affordable housing and affordable student accommodation being provided by a student accommodation developer.

Economy Policies

Policy E7 Intensification, Co-location and Substitution of Land for Industry, Logistics and Services to Support London's Economic Function

The Watkin Jones Group is supportive of this policy but has specific comments to make with regards to provisions C, D and E of the policy that relate to the co-location of commercial, logistical and some industrial uses alongside residential uses. The innovative approach to the potential co-location of these uses is welcomed and supported. There is currently a new wave of live-work schemes being developed in the UK that follow an American model whereby, rather than the live and work space being located within a single unit, the live and work spaces are integrated within and spread across a single building. Some examples of this type of scheme are already being promoted within London including at Kleine Wharf in Hackney, The Collective at Old Oak and Fish Island at Hackney Wick.

The issue with trying to progress this type of scheme is that traditionally local planning authorities have generally retained sites for employment and industrial uses only and are unable to permit the residential element of such schemes due to outdated existing planning policies within their local plans. The provision of this policy within the Draft London Plan is supported but it is imperative that the Boroughs are encouraged to adopt similar policies otherwise the policy at London Plan level becomes almost redundant.

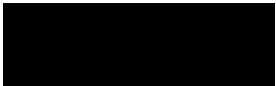
In addition, we do not agree with the requirement for a 50% provision of affordable housing on the fast-track route for sites classed as industrial/employment sites. Due to the need to provide replacement (refurbished or new) employment/industrial space there is already a reduction in the potential profit for the scheme and the introduction of a 50% provision of affordable housing will ensure that these innovative schemes will become unviable and the opportunity to provide an alternative range of residential accommodation in accordance with the Mayor's overarching aims within the London Plan. We therefore propose that the rate for the fast-track route on these developments should be 35% bringing them in line with the requirements for traditional residential development.

Finally, whilst we acknowledge and support the aims of Policy E7 we consider the provisions of the policy into the potential mixed-use redevelopment of such sites can be transferred and utilised within both Policy E5 sites (Strategic Industrial Locations) and Policy E6 Sites (Locally Significant Industrial Sites) on a strictly case by case basis.

We would like to thank the Mayor for the opportunity to provide comments on the Draft London Plan and would request that the comments made above are taken into account when the Plan is revised. If you would like any clarification on any matters raised within this letter, then please do not hesitate to contact Mike Hughes or myself on 01928 785920.

I would be grateful if you could confirm receipt of this letter in due course. I look forward to hearing from you shortly.

Yours Faithfully



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Watkin Jones Group