



**Building the Private  
Rented Sector**  
in Scotland

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# **Draft Planning Delivery Advice: Housing & Infrastructure**

**Commentary on Coverage of Build to Rent: Response  
from the Private Rented Sector Champion**

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### **About the PRS Champion & PRS Working Party**

The “Building the Rented Sector” project was initiated by Homes for Scotland in order to help determine how new sources of funding can be attracted to help expand the Scottish rental market.

Following the publication of the research findings produced by experts in housing finance from the world-renowned Cambridge Centre for Housing & Planning Research and LSE London, Homes for Scotland appointed Gerry More as “PRS Champion” to take forward the recommendations to spearhead growth in the private rented sector.

As an additional research recommendation a small, focused and time-limited Working Party was set up. The PRS Working Party was formed in November 2014 to support the work of the PRS Champion, drawing together key strategic stakeholders who seek to assess and unlock the key barriers to the growth of a sustainable PRS sector in Scotland.

## **Overview**

As PRS Champion, I welcome the opportunity to offer comments on the section of the draft Planning Delivery Advice on Housing and Infrastructure covering the Build to Rent Private Rented Sector (BTR PRS); paragraphs 50 to 54 in the current draft. This response has been informed by the expert views of the members of the PRS Working Party's Land and Planning subgroup.

I am pleased to see inclusion of commentary on the BTR PRS in section two of the draft PAN, which reinforces the Chief Planner's clear message that it can impact positively and rapidly on the supply of new housing. However, whilst the draft highlights the Build to Rent opportunity, I do not believe that it provides sufficient advice and justification for planning authorities to support their consideration of propositions. The BTR PRS market is still in its infancy, particularly so in Scotland, and it is accordingly critical that the guidance provides a clear narrative on how Build to Rent differs from conventional housing for sale propositions and the planning related considerations which accordingly need to be taken into account. Without this, there is a significant risk that this emerging – and much needed – approach to housing delivery at scale will fail to take route in Scotland, with investment directed elsewhere in the UK and beyond.

My response highlights a number of areas where I believe that changes should be considered. Much of this picks up on suggestions made at an earlier stage in the process.

## **Drafting Suggestions**

51. The text should be updated to make clear that the fact BTR PRS is just one element of the PRS and why it is included in this planning advice (an emerging sector with potential to make a significant contribution to housing targets).
52. This is a helpful section, which sets out some of the benefits that BTR PRS can offer. I would however suggest that the introductory wording be amended such that it talks about the benefits of BTR PRS without a comparative reference to building for sale. Comparisons between the two tenures can then be picked up as appropriate in the following text, most obviously in relation to speed of build. In terms of the subsequent text you may wish to consider bringing together the bullets on urban/brownfield and regeneration into a single bullet focused on site development. I'd also suggest incorporation of some wording about the potential through a flexible approach, for developments to support the delivery of affordable housing.
53. This section provides important scene setting commentary about the Scottish Government's support for the BTR PRS agenda. As such, it would be helpful to move this to the start of the section.
54. This is currently the only section which provides specific advice to authorities. My view is that significantly more detail is required in order to highlight to planning authorities the need to consider fully the benefits of BTR PRS for housing delivery and place making and to adopt a flexible approach on material planning considerations. As the current paragraph 52 notes, developments can have different needs compared to e.g. building for sale and different calculations in terms of financial viability. On this latter point, it would be helpful for the text to make clear that

developments generate a lower return on capital and have lower residual land value, which requires a proportionate approach to consideration of the cost and timing of planning gain contributions. On the other hand the benefit to authorities is new housing delivered at speed and scale.

### **Other Suggestions**

With regard to flexibility, the advice could be stronger in supporting planning authorities' consideration of local factors and the preparation of local guidance as follows:

- The potential for variation in the level, method and timing of developer contributions to acknowledge different factors arising from the location of BTR PRS developments and the lifestyle choices of their tenants. This could include consideration of e.g. whether there is scope to allow for reduced car parking provision; reduced education provision and reduced affordable housing provision in lieu of tenure blind intermediate rent accommodation. These are all areas where responsive planning guidance could support the financial viability of a project.
- The use of local planning briefs and design guidance by planning authorities could assist BTR PRS developments. Planning briefs for major development sites could ensure that BTR PRS developments are considered in the mix of appropriate land uses and tenures from an early stage. Local design guidance could incorporate consideration of the demographic of BTR PRS tenants and the impact that will have on the size and mix of housing units (e.g. three and four bedroom properties may be less appropriate). Additionally, consideration could be given to reducing minimum floor areas, storage provision and unit layouts, where additional communal facilities, features and storage spaces have been provided (e.g. internal or external spaces outwith the unit, reception areas, storage, sprinkler systems, use of district heating systems) and overcome any restrictive standard requirements which fail to account for this new style of housing accommodation.
- Following on from this, I would propose that the advice makes clear that, where a flexible approach is taken to developer contributions, it is reasonable for authorities to expect some form of commitment covenant. This can be achieved by a covenant or obligation (rather than planning conditions or section 75 agreements) to assure an agreed tie in period, for five or ten years, to private rental tenancies, on units which have been granted consent.

### **Further Information**

I think that it would be appropriate to include references to additional sources of information, including the Chief Planner's letter to local authorities on 7 October (<http://www.gov.scot/resource/0048/00487061.pdf>) and the recently published 2<sup>nd</sup> Edition of the ULI BTR Best Practice Guide (<http://uk.uli.org/news/successful-launch-uli-uk-build-rent-best-practice-guide-edition-2/>).

### **Case Study**

As I think others will have pointed out, the reference should be to Springside, rather than Springfield. In addition, it might be helpful to provide more detail about the planning

considerations of the proposals in order to provide useful context for readers of the advice and illustrate lessons learned for planning authorities of such proposals.

I hope that these comments are helpful. I would of course be very happy to discuss any of this in greater detail.

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## Appendix A: For Illustration Suggested Revised Text

50. Build to Rent PRS (BTR PRS) involves the rapid delivery of large scale purpose built, professionally managed and highly energy efficient residential accommodation for rent rather than sale. Developments are usually at large scale in urban areas, but can also include e.g. low rise suburban garden style developments. PRS developments can take a variety of forms, ranging from homes which are indistinguishable from those on the market for purchase to schemes which have greater similarities to purpose built student accommodation.
51. The Scottish Government is working to encourage a growing BTR sector, recognising its potential to become an additional route to quickly expanding housing supply and help to provide flexible housing options. As part of this commitment, funding has been provided to the home building industry body Homes for Scotland to enable the appointment of a PRS Champion. Supported by a working party of experts, the Champion has been exploring opportunities to unlock large-scale BTR development in Scotland, backed by long term patient institutional investment.
52. The development of BTR PRS homes offers a number of benefits including:
- Pace and Scale of Delivery:** The pace of development can be much quicker compared to e.g. housing for sale as letting rates are higher than sales rates, where buyers are unknown and constrained by affordability issues.
- Unlocking Sites:** BTR can kick-start larger development sites, including in regeneration areas, and be the early facilitator of other tenures and development uses on urban brownfield sites. City centre brownfield sites with access to a wide range of facilities and amenities can be particularly attractive.
- High Design Quality:** With a longer-term interest in the net operating income generated from the development, there are opportunities for high design, and inherently durable, quality attractive to investors, professional managers and client tenants. Further details regarding design considerations are available in the Urban Land Institute (ULI) BTR Best Practice Guide referenced below.
- Support for Affordable Housing Delivery:** With suitable flexibility in delivery and, perhaps tenure-blind, policy definitions BTR PRS can facilitate the delivery of affordable housing through offering a range of discounted rental levels to suit differing and diverse housing needs and demands.
53. Authorities should however be aware that Build to Rent propositions have different financial viability considerations compared to mainstream housing for sale development, with implications for their competitiveness in terms of securing suitable sites. While the for-sale model realises value as each unit is completed and sold, BTR PRS developments realise income as rent over a long term period. This means that, developments generate a lower return on capital and have lower residual land value.

54. The planning system accordingly needs to be responsive to reflect the particular approach being proposed for BTR PRS developments. In particular, planning authorities should consider:
- The potential for variation in the level, method and timing of developer contributions, in order to assist with the financial viability of projects and take account of their specific nature. This could include consideration of e.g. whether there is scope to allow for:
    - Reduced car parking provision in lieu of additional cycle storage and expected levels of public transport usage;
    - reduced education provision, taking account of the anticipated level of occupation by families;
    - Reduced affordable housing provision in lieu of tenure blind intermediate rent accommodation.
  - Development of planning and design guidance for BTR PRS developments. This could incorporate consideration of the impact that communal spaces and facilities (internal or external outwith the unit, reception areas, storage, sprinkler systems, use of district heating systems) will have on living accommodation and any stand requirements around space standards. Where supported by calculations on appropriate light provision, consideration should also be given to relaxing any requirement for dual aspect designed accommodation. The ULI BTR Best Practice Guide (linked below) may provide some useful reference material in this respect.
  - Whether a different mix of properties is appropriate, noting e.g. that the nature of the anticipated tenant demographic may mean that three and four bedroom properties are less appropriate.
55. Where a flexible approach is taken to developer contributions, it is reasonable for planning authorities to require that some form of commitment covenant be put in place. This can be achieved by a covenant or obligation to assure an agreed tie in period, for five or ten years, to private rental tenancies, on units which have been granted consent.
56. Planning briefs should also be issued by local planning authorities for major developments so that the most appropriate tenures and forms of housing are promoted from an early stage.

#### **Example: Build to Rent Development of Brownfield Sites**

A mixed-use development on the site of a former brewery, the planning application for the Springside development in Edinburgh included a significant share of housing for the Build to Rent sector. The proposal included community, commercial and retail space and was subject to public engagement and consultation.

**For Further Information on BTR in Scotland, see:**

ULI 2<sup>nd</sup> Edition BTR Best Practice Guide: <http://uk.uli.org/news/successful-launch-uli-uk-build-rent-best-practice-guide-edition-2/>

Letter from the Chief Planner to local authorities on Build to Rent: <http://www.gov.scot/resource/0048/00487061.pdf>

A Place to Stay, A Place to Call Home – A Strategy for the Private Rented Sector in Scotland: <http://www.gov.scot/publications/2013/05/5877>

Building the Private Rented Sector in Scotland: <http://www.homesforscotland.com/our-work/projects/building-the-private-rented-sector-in-scotland>

Joint Housing Delivery Plan for Scotland: <http://www.gov.scot/publications/2015/05/3392> - see Action 32 on the Large Scale PRS