

Written submission to the Review of the Planning System PRS Champion, Homes for Scotland

Introduction

1. In October 2014, I was appointed by Homes for Scotland, with funding from the Scottish Government (SG), as Scotland's Private Rented Sector (PRS) "Champion". My remit was to take forward the recommendations of a major research project, launched by then Deputy First Minister in November 2013, aimed at encouraging the emergence in Scotland of new build PRS at scale, funded by significant long-term investor funds. My role as PRS Champion is supported by the PRS Working Party, a team of experts from industry, trade associations, managing agents, financiers, local authorities and government.

2. Large scale Build to Rent PRS developments, funded by institutional investment from pension schemes and life insurance funds, are already commonplace in other countries, including amongst others the USA, Canada, Germany, Netherlands and Switzerland. Purpose built PRS developments are now also increasingly prevalent in England – the British Property Federation's recent Build to Rent (BTR) manifesto, launched last month, noted significant activity in London and the South East and developments either complete or in the pipeline in Liverpool, Manchester, Sheffield and Birmingham.

3. My appointment recognises the opportunities that that this approach could bring for Scotland in terms of rapidly increasing supply and boosting flexibility, choice and affordability in the market, particularly in urban areas. At the moment, there is very little new build PRS development in Scotland and this new rental sector is very different from the existing buy-to-let PRS dominated by small amateur landlords. However, the PRS Working Party estimates that there is scope in Scotland to deliver between 7,000 and 10,000 additional new purpose built PRS homes over the remainder of the decade if the right conditions can be created for investment. Shared amenities are a feature of these developments which are pre-sold with high demand for lettings from tenants.

4. That is a significant opportunity, but securing it will require a planning and policy framework that works to support and encourage investment. The Review of the Planning System should take account of the opportunity that Build to Rent PRS could make to the delivery of new housing stock. It is in that context that the following evidence is offered to the Review. The evidence is derived from discussions with investors, fund managers and others in the development community who are members of the PRS Working Party.

Evidence

5. There are four key areas which the PRS Working Party considers could be of assistance to the Review's focus on housing delivery:

- The terminology used to define Build to Rent PRS housing is very important in differentiating the current private largely buy-to-let landlord market from the PRS large scale professionally managed product which the working party is promoting. Purpose Build To Rent (BTR) PRS is a label which is helpful when promoting this to institutional investors, particularly at a UK level. A different definition in Scotland could be counter-productive. Part of the explanation of definition should relate to the role PRS can play in increasing delivery of new housing and a sense of place with public realm in terms of both volume and speed, and its contribution to the rented sector for the long term. The Scottish Government's current review of its Planning Advice Note on housing delivery and general planning reform is an opportunity to develop understanding of PRS amongst stakeholders. The PRS Working Group would intend to promote understanding of BTR PRS to assist with this issue of definition.
- The retention of developments in rented sector is a key concern in securing long-term housing in this tenure when planning authorities are assessing new proposals. A mechanism to guarantee this retention is important for building confidence amongst planning authorities in relation to relaxation of developer contributions and design guidelines to facilitate PRS objectives. The preference is for the use of covenants rather than planning conditions or

section 75 agreements to prevent consented schemes being picked up by speculators to be broken up and sold on the market. It is recognised that the existing use class covers all housing and PRS doesn't exempt itself in the way that most purpose-built student accommodation does. The Scottish Government's Planning Advice Note and review of the planning system could provide guidance on the best way(s) of ensuring that accommodation remains in the rented sector in the long term, with appropriate break mechanisms after say three, five or ten years.

- Developer contributions and design standards have been a key concern of the PRS Working Party. There is evidence of a change in planning authorities' attitudes to BTR PRS following the issue of the letter from the Chief Planner. This is important in understanding how BTR PRS differentiates from build for sale housing and the need to adopt a flexible approach in dealing with planning applications. Specific design standards and supplementary guidance for purpose BTR PRS, for example as referenced in Build To Rent: A Best Practice Guide issued by the Urban Land Institute's UK Residential Council in 2014, should be developed by planning authorities to recognise communal amenities and remote storage can mean smaller unit sizes and mix with increased density meaning relaxation of dual aspect design where supported by calculations on appropriate light provision. The PRS Working Party would like to see an evidence base about BTR PRS tenants developed so that it would provide planners with confidence about relaxing car parking requirements, enhancing contributions to cyclepaths, amending affordable housing requirements (preferred approach is tenure blind on-site mid-market rent for key workers), reducing developer contributions to school infrastructure, etc.
- The use of spatial development plans to promote the right development in the right place could be strengthened for BTR PRS development through the use of planning briefs for major developments. In this way, the most appropriate tenures and forms of housing are promoted from an early stage. The PRS Working Party is pursuing further discussions about the use of surplus public sector land which could be promoted in this way to support purpose BTR PRS developments. However, the Scottish Government's Planning Advice Note and review of the planning system could provide guidance in a general way on the use of planning briefs to supplement the development plan and take forward BTR PRS as an important contribution to urban development and regeneration.

Gerry More
PRS Champion, Homes for Scotland

30 November 2015