

## **Matter 3 – Co-living (purpose built shared living)**

### **Introduction**

1. This note has been prepared in response to Action 11 on purpose built shared living following the Part 1 Hearings (Matter 3) of the New Southwark Plan (NSP) Examination in Public. This relates to Policy P5 student homes – the Inspectors have requested:

*Council to provide a brief note on policy options for co-living as an alternative to Policy P5. Would London Plan H16 be sufficient (including payment in lieu of affordable housing – noting London Plan para 4.16.8 gives Borough flexibility on the trigger point) or is the Council intending through Policy P5 or another policy option to deal with co-living schemes at a lower threshold than London Plan Policy H16?*

### **New Southwark Plan Policy P5:**

2. Within the NSP co-living is assessed under Policy P5 student homes, there is not a standalone policy. Reason 5 states:

*Development proposals for ‘co-living’ will be considered in the same way as direct let student accommodation and similarly trigger a requirement for self-contained affordable housing for 35% affordable housing. However, where this requirement can be exceeded additional affordable housing will be conventional affordable housing rather than affordable student rooms.*

### **London Plan 2021 Policy H16 Large-scale purpose built shared living**

3. The London Plan 2021 Policy H16 Large-scale purpose built shared living sets out the policy for developments for large-scale purpose-built living. It sets out helpful guidance on the quality of and requirements within large-scale purpose built shared living. It also sets out affordable housing requirements.

*A Large-scale purpose-built shared living development must meet the following criteria:*

- 1) *it is of good quality and design*
- 2) *it contributes towards mixed and inclusive neighbourhoods*
- 3) *it is located in an area well-connected to local services and employment by walking, cycling and public transport, and its design does not contribute to car dependency*
- 4) *it is under single management*
- 5) *its units are all for rent with minimum tenancy lengths of no less than three months*

*6) communal facilities and services are provided that are sufficient to meet the requirements of the intended number of residents and offer at least:*

- a) convenient access to a communal kitchen*
- b) outside communal amenity space (roof terrace and/or garden)*
- c) internal communal amenity space (dining rooms, lounges)*
- d) laundry and drying facilities*
- e) a concierge*
- f) bedding and linen changing and/or room cleaning services.*

*7) the private units provide adequate functional living space and layout, and are not self-contained homes or capable of being used as self-contained homes*

*8) a management plan is provided with the application*

*9) 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*

*10) In both cases developments are expected to provide a contribution that is equivalent to 35 per cent of the units, or 50 per cent where the development is on public sector land or industrial land appropriate for residential uses in accordance with Policy E7 Industrial intensification, co-location and substitution, to be provided at a discount of 50 per cent of the market rent. All large-scale purpose-built shared living schemes will be subject to the Viability Tested Route set out in Policy H5 Threshold approach to applications, however, developments which provide a contribution equal to 35 per cent of the units at a discount of 50 per cent of the market rent will not be subject to a Late Stage Viability Review.*

4. Paragraph 4.16.8 sets out that a borough can decide whether it would prefer the financial contribution as a single upfront payment for affordable housing (Part A9a of Policy H16 *Large-scale purpose-built shared living*), which will be based on a 50 per cent discount to market value of 35 per cent of the units, or 50 per cent where the development is on public sector land or industrial land appropriate for residential uses in accordance with Policy E7 *Industrial intensification, co-location and substitution*, or an ongoing in perpetuity payment linked to actual rental income (Part A9b of Policy H16 *Large-scale purpose-built shared living*). The ongoing payment should be based on 50 per cent of rental income for 35 per cent of units for as long as the development is used for this form of accommodation. Because of the immaturity of the market for this type of

*development, all large-scale purpose-built shared living developments will be assessed under the Viability Tested Route as set out in Policy H5 Threshold approach to applications. However, schemes which meet the relevant threshold will not be subject to a Late Stage Viability Review.*

5. Paragraph 4.16.9 - *the rental cost of this form of accommodation is not directly comparable to the rental costs of conventional Use Class C3 housing, as shared living units are significantly smaller than the minimum housing space standard i.e. a one person dwelling of 37 sq.m. Shared living tenants typically pay a room rate that includes utility costs and rent. If a comparison is undertaken it should be on a square metre rental rate, excluding utility costs, of the private accommodation and not a unit rental rate.*

### **Consideration of the policies:**

6. P5 requires affordable housing to be provided on site as a priority. Whereas H16 requires a cash in lieu contribution either upfront or as an in perpetuity annual payment to the local authority. Our priority is for affordable housing to be provided on site which should be provided as set out in Policy P4.
7. H16 – requires a contribution equal to 35% of the units at a discount of 50% of the market rent, P5 requires 35% affordable housing, a minimum of 15% social rent equivalent and a minimum of 20% affordable rent capped at London Living Rent equivalent as per P4. A payment in lieu is accepted in exceptional circumstances where justified.
8. H16 requires development on public sector land and industrial land to provide a contribution of equal to 50% of the units at a discount of 50% of the market rent whereas P5 requires the maximum amount with a minimum of 35% on site of conventional affordable housing on all sites as a first priority.

### **New Policy P5A purpose built shared living**

9. It is proposed to include a new policy for purpose built shared living within the New Southwark Plan with the affordable housing requirements from Policy P5 carried forward. As the other requirements for purpose built shared living are set out within the London Plan it is not required to carry them forward to Policy P5A.
10. The proposed policy set out below is necessary for soundness of the New Southwark Plan (Paragraph 35 of the National Planning Policy Framework), in particular effectiveness to ensure sufficient guidance is provided for development of purpose built shared living accommodation coming forward.
11. The proposed policy wording is set out below:

## **P5A Purpose built shared living**

Development of purpose built shared living must:

1) provide the maximum amount, with a minimum of 35% conventional affordable housing by habitable room subject to viability as per Policy P4, as a first priority. Where affordable housing cannot be provided on site a cash payment towards the delivery of new council homes will be required. The value of any contributions will be based on the cost of meeting an on site affordable housing requirement and should provide no financial benefit to the applicant.

2) All purpose-built shared living schemes will require a viability appraisal to be submitted.

### **Reasons**

There is a requirement for purpose built shared living accommodation across the whole of London. However this needs to be balanced with making sure we have enough sites for other types of homes, including affordable and family homes.

Our Strategic Housing Market Assessment highlights an acute need for more family and affordable homes. Allowing too much purpose built shared living accommodation will restrict our ability to deliver more family and affordable housing. By requiring an element of affordable housing or contribution towards affordable housing from purpose built shared living accommodation we can make sure we work towards meeting the strategic need for this accommodation and our local need for affordable homes including affordable family homes.