



Manor Road / Richmond

Affordable Housing Statement

Avison Young

February 2019

Our Ref: JGK/CF/02B825164
Your Ref: 84 Manor Road

27 February 2019

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Dear Sirs

Manor Road - Affordable Housing Statement

This Affordable Housing Statement (AHS) has been prepared by Avison Young on behalf of the Avanton Richmond Developments Ltd (the Applicant) in support of the planning application relating to 84 Manor Road, Richmond.

The scheme proposes:

Demolition of existing buildings and structures and comprehensive residential-led redevelopment of four buildings of between four and nine storeys to provide 385 residential units (Class C3), flexible retail/ community/ office uses (Classes A1, A2, A3, D2, B1) provision of car and cycle parking, landscaping, public and private open spaces and all other necessary enabling works.

The report sets out the affordable housing position in relation to the scheme and details engagement with Registered Providers to date. A full description of the scheme and the rationale for the affordable housing position is set out in the attached Financial Viability Assessment (FVA).

Planning policy in relation to the proposed scheme and the provision of affordable housing is set out in the Planning Statement and the FVA accompanying the application.

The design standards are set out in the Residential Design Standards which also comprise part of the application documentation.

Summary of the applicant's affordable housing offer

The scheme proposes the following affordable housing offer.

35% affordable housing provided as 36% affordable rented tenure at LB Richmond's affordable rents and 64% shared ownership. This has been calculated by habitable room. We set out below the split by habitable room and by unit.

	Number of habitable rooms	% affordable by HR	% of affordable total by tenure (HR)
Market housing	251	65%	
Affordable Rented	135	35%	36%
Shared Ownership	236		64%
Total	1,057	100%	100%

	Number of units	% affordable by Unit	% of affordable total by tenure (unit)
Market housing	251	65%	
Affordable Rented	40	35%	30%
Shared Ownership	94		70%
Total	385	100%	100%

The affordable housing will be provided in Blocks A and C with the shared ownership split between core A of Block A and core A of Block C and the rented accommodation provided in the remainder of Block C. The unit mix can be summarised as follows:

	1 bedroom	2 bedroom	3 bedroom	Total
Affordable Rented	6	13	21	40
Shared Ownership	46	48	-	94
Total	52	61	21	134

	1 bedroom	2 bedroom	3 bedroom	Total
Affordable Rented	15%	32%	53%	100%
Shared Ownership	49%	51%	0%	100%
Total	40%	46%	14%	100%

At this stage it is anticipated that the affordable housing will be located across the scheme providing mixed blocks with dedicated cores.

	Private	Affordable rented	Shared Ownership
Block A	Y	N	Y
Block B	Y	N	N
Block C	N	Y	Y
Block D	Y	Y	N

Engagement with Registered Providers

The Applicant has been in detailed discussion with the following Registered Providers regarding the affordable housing proposed in the scheme:

- A2 Dominion
- Clarion House
- Guinness Trust

All parties have expressed a strong interest in the scheme.

Furthermore, an offer (subject to contract) has been received from Clarion Housing, which is attached to this document. This offer is consistent with the values adopted in the FVA. The letter also confirms that the RP is satisfied with the suitability of the design and therefore the scheme would be deliverable by the Housing Association. The offer has been derived having regard to Borough and GLA affordability criteria and therefore would be affordable to local residents.

Affordability

The affordable housing within the scheme would be affordable to local resident based on Borough and GLA requirements.

Affordable Rented

The proposed scheme includes the provision of affordable rented tenure housing based on LB Richmond's affordable rental levels which are as follows:

	Richmond weekly rents	LAR
One Bedroom	£210	£144
Two Bedroom	£225	£153
Three Bedroom	£200	£161

This result in annual rental charges for the occupier at between 25% and 65% discount to market rent levels. The FVA also includes commentary on the impact of adopting London Affordable Rents which results in further discounts to market levels.

Shared Ownership

The shared ownership units provide a range of one and two bedroom apartments to ensure affordability is maintained based on the GLA's affordability criteria which requires a maximum income threshold of £90,000. The values have been arrived at assuming 25% equity sale and between 2% and 2.5% rent on the retained. Service charges average £2,000 per annum and we have included staircasing at £250 per annum. The cash flow has been capitalised at 5%.

This results in the following gross annual salary requirements for the shared ownership units:

	Gross Annual Income
One bedroom	£67,367
Two bedroom	£80,904

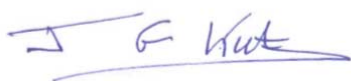
Grant funding

We have tested the potential for improving the viability of the scheme and increasing the provision of affordable housing with the inclusion of Mayoral Grant. Assuming the benefit from the full level of grant funding at £28,000 per unit on 40% of the units (154 units) equating to £4,312,000 of grant funding results in an outturn profit of 13.32% on GDV against the target of 16.34% and the outturn profit on the proposed scheme of 14.28% (as set out in the FVA). This demonstrates that the provision of grant does not improve the viability of the scheme to support additional affordable housing. This is part because the applicant is already offering more than the maximum reasonable of affordable housing the scheme can support.

Conclusion

The attached FVA assessment undertakes a full assessment of scheme viability, testing policy compliant scenarios based on both GLA and LB Richmond policy. This demonstrates that the scheme is not viable on these bases and the maximum reasonable level of affordable housing the scheme can support is 31.5% based on the provision of Richmond Affordable Rents and Shared Ownership split 36:64. However, being committed to maximising affordable housing delivery, the proposed scheme includes the provision of 35% affordable housing at a 36%:64% tenure split between Affordable Rented (Richmond rents) and Shared Ownership tenure housing. The apartments will be integrated across the scheme in a manner that meets the requirement of the Housing Association whilst meeting local and Mayoral affordability criteria. The affordable housing values adopted in the FVA are consistent with the attached offer. Because the applicant is offering more than the maximum reasonable level of affordable housing, the viability of the scheme cannot be improved by the inclusion of Mayoral grant.

Yours faithfully

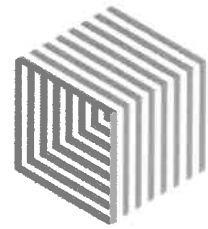


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Encl. Affordable Housing Letter from Clarion Housing



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HOUSING**

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Dear Jonathan,

Subject to Contract

I can confirm that the proposed scheme would be suitable for Clarion Housing Association's affordable housing programme. CHAs offer for the S106 land and build package at Manor Road, Richmond is set out below:

- Affordable Rent units at a rate of £140/sqft NIA
- Shared Ownership units at £450/sqft NIA

It is assumed that this package price would be payable 10% at exchange, 25% at golden brick and 65% at monthly valuations throughout the construction period.

This offer has been made on the basis of the following assumptions:

- Unit mix below as set out below:

Tenure	1b 2p	2 b3p	2b 4p	3 b5p	3b 6p	Total Units
Affordable (Building C)	6	-	13	1	20	40
Shared Ownership (Buildings C, A)	46	-	48	-	-	94

- Use of single core per tenure, as set out in current designs.
- The package has been valued on according to OMVs from a desktop study, which is subject to a red book valuation. For the specified units this equates to a blended rate of £853/sqft.

- London Affordable Rent has been assumed for the Affordable Rent tenure at the levels set out below:

Type	18/19 b/mark
Bedsit and one bed	£150.03
Two bed	£158.84
Three bed	£167.67
Four bed	£176.49
Five bed	£185.31
Six or more beds	£194.13

In addition, this offer is subject to the following conditions:

- Subject to Contract and suitable contract terms
- Board approval
- Valuation
- Full compliance with London Housing Design Guide
- Suitable Specification for Shared Ownership including white goods
- Good & Marketable Title
- Acceptable s106 terms for Affordable Housing
- Confirmation of Affordable Service Charges for all affordable tenures.
- Confirmation of payment terms specified above.
- Service Charge Includes for minimum of £300 pa sinking fund per unit.
- Price is fully inclusive, for example inclusive of VAT, all design fees and planning fees and s106 contributions
- NHBC Buildmark Choice (12 years cover) with Insolvency Cover.

If you have any questions about this offer, or the assumptions made in our appraisal, I'd be very happy to discuss.

I look forward to hearing from you.

Kind regards



Coner Anderson

New Business Manager
Clarion Housing Group