

Affordable Housing Statement Addendum

The Former Stag Brewery, Mortlake

Reselton Properties Limited

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1 Introduction and Instructions

- 1.1 This Affordable Housing Statement Addendum been prepared by Gerald Eve LLP as an addendum to the Affordable Housing Statement (February 2018) submitted under Applications A, B and C (refs. 18/0547/FUL, 18/0548/FUL and 18/0549/FUL) ('the Applications'), in respect of the former Stag Brewery Site in Mortlake ('the Site') within the London Borough of Richmond Upon Thames ('LBRuT'). The Applications are for the comprehensive redevelopment of the Site. This document has been prepared on behalf of Reselton Properties Limited ('the Applicant'). A summary of the Applications is set out below:
- a) Application A – hybrid planning application for comprehensive mixed-use redevelopment of the former Stag Brewery site consisting of:
 - i. Land to the east of Ship Lane applied for in detail (referred to as 'Development Area 1' throughout); and
 - ii. Land to the west of Ship Lane (excluding the school) applied for in outline (referred to as 'Development Area 2' throughout).
 - b) Application B – detailed planning application for the school (on land to the west of Ship Lane).
 - c) Application C – detailed planning application for highways and landscape works at Chalkers Corner.
- 1.2 This document should be read alongside the information and assessment contained within the Affordable Housing Statement dated February 2018.
- 1.3 The Applications were submitted in February 2018 to LBRuT. The Applications are related and were proposed to be linked via a Section 106 Agreement. In May 2019, a package of substitutions was submitted to LBRuT for consideration, which sought to address comments raised by consultees during determination. On 29 January 2020, the Applications were heard at LBRuT's Planning Committee with a recommendation for approval. This scheme is thereafter referred to as "the Original Scheme".

- 1.4 The Committee resolved to grant Applications A and B, and refuse Application C. The granting of Applications A and B was subject to the following:
- a) Conditions and informatives as set out in the officer's report, published addendum and agreed verbally at the meeting;
 - b) Amendments to the Heads of Terms and completion of a Section 106 Legal Agreement which was delegated to the Assistant Director to conclude;
 - c) No adverse direction from the Greater London Authority ('GLA'); and
 - d) No call in by the Secretary of State for Housing, Communities and Local Government.
- 1.5 The Applications have been referred to the GLA and the Mayor has given a direction that he will take over the determination of the Applications and act as local planning authority in relation to all three applications.
- 1.6 The Applicant has engaged with the GLA in respect of the proposed amendments to the scheme, referred to throughout this document as the 'Revised Scheme'. As a result of these discussions, a number of changes have been made to the scheme proposals which are summarised as follows:
- a) Increase in residential unit provision from up to 813 units (this includes the up to 150 flexible assisted living and / or residential units) to up to 1,250 units;
 - b) Increase in affordable housing provision from up to 17% to up to 30%;
 - c) Increase in height for some buildings, of up to three storeys compared to the Original Scheme;
 - d) Change to the layout of Buildings 18 and 19, conversion of Block 20 from a terrace row of housing to two four storey buildings;
 - e) Reduction in the size of the western basement, resulting in an overall reduction in car parking spaces of 186 spaces, and introduction of an additional basement storey beneath Building 1 (the cinema);
 - f) Other amendments to the masterplan including amendments to internal layouts, re-location and change to the quantum and mix of uses across the Site, including the removal of the nursing home and assisted living in Development Area 2;
 - g) Landscaping amendments, including canopy removal of four trees on the north west corner of the Site; and

- h) Associated highways works may be carried out on adopted highways land.
- 1.7 The submission documents have tested an affordable housing provision of 30%. However, it should be noted that the final affordable housing level is subject to further viability testing and discussions with the GLA.
- 1.8 Minor amendments have also been made to the road and pedestrian layouts for the school (Application B). No other amendments are proposed to Application B. No amendments are proposed to the physical works proposed under Application C, although alternative options within the highway boundaries for mitigating the highway impact of the amended proposals have been assessed within the relevant substitution documents for Applications A and B and are the subject of ongoing discussions with the GLA and TfL.
- 1.9 A more detailed summary is included within the Planning Statement Addendum and Design and Access Statement Addendum submitted with the Revised Scheme documents.
- 1.10 These changes are being brought forward as substitutions to Applications A, B and C (refs. 18/0547/FUL, 18/0548/FUL and 18/0549/FUL), which are related applications (to be linked via a Section 106 Agreement).
- 1.11 It is important to note that no changes are proposed to the physical works proposed under Application C – the only change to this application is that the supporting documents (which include all documents submitted under Applications A and B) have been updated in the context of the proposed changes to the scheme as sought under Applications A and B. Application C was resolved to be refused by LBRuT at Committee on 29 January 2020. As a result, whilst the works proposed in Application C are still an available option, the Applicant has progressed alternative approaches for addressing and mitigating the impacts on surrounding highways, and these have been tested within the relevant substitution documents for Applications A and B. All of these options are subject to ongoing discussions and testing with TfL. They are all within the existing highway boundaries and if agreed would not, in themselves, require planning consent.
- 1.12 Accordingly, Application C remains ‘live’ within this substitution package.
- 1.13 This addendum note will provide updated information on the Scheme. The updates will be provided in the following sections:

- 2) Financial Viability and Overall Affordable Housing Proposal- Update
- 3) Affordable Housing Proposal: Tenure and Mix of Units- Update
- 4) Affordable Housing Proposal: Rental Levels and Affordability – Update
- 5) Concluding Statement- Update

2 Financial Viability and overall Affordable Housing Proposal

Introduction

- 2.1 In this section of the report the Revised Schemes indicative affordable housing offer is set out.

Financial Viability Position

- 2.2 There is a headline affordable housing requirement across both the GLA and local policy. However, a lower level of provision is permitted, provided it represents the maximum reasonable amount and can be demonstrated through the Financial Viability Assessment ('FVA').
- 2.3 The proposed overall provision of affordable housing across the Revised Scheme has increased from 17% to up to 30% on a habitable room basis from the 2018 application. This offer remains indicative at this stage and will be further determined and finalised through the financial viability negotiations.
- 2.4 The indicative proposals suggest that up to approximately 356 units could be provided as affordable housing across both development areas. This equates to 28% in terms of total unit numbers to be delivered.
- 2.5 The indicative tenure split proposed could equate to up to 64% Intermediate and 36% Affordable by unit numbers.
- 2.6 When considered on a habitable room basis, this equates to 59% Affordable Intermediate and 41% Affordable Housing for Rent.
- 2.7 The Revised Scheme currently generates a profit that is significantly lower than the target levels. A significant growth in sales values will be required to generate the standard level of profit, even assuming build costs remain unchanged over the development period.
- 2.8 The indicative affordable housing offer is accompanied with an extensive range of other public benefits, including the provision of a new secondary school, across the wider scheme. The offer is therefore considered to be in excess of the maximum reasonable financial viability position.

3 Tenure, Unit Mix and Location of Affordable Housing

Introduction

- 3.1 This section provides further detail on the different affordable housing products that will be provided as part of the Revised Scheme offer. Please note that the scheme proposals are still indicative at this stage and subject to further negotiation.

Tenure and Provision of Affordable Housing

- 3.2 Please review the original Affordable Housing Statement for further information on the proposed tenures.

Affordable Housing for Rent

- 3.3 In line with local policy LP 36, a proportion will be provided as Affordable Housing for Rent.
- 3.4 In the indicative scheme, up to a total of 127 Affordable Housing for Rent units could be provided. This equates to 449 habitable rooms.

Affordable Intermediate Housing

- 3.5 In line with local policy LP 36, a proportion will be provided as Affordable Intermediate housing.
- 3.6 In the indicative scheme, up to a total of 229 Intermediate units could be provided. This equates to 634 habitable rooms.

Unit Mix of Indicative Affordable Housing Offer

Mix of Units: Affordable Housing for Rent

- 3.7 The unit mix provision is set in line with the discussions undertaken with the GLA on their preferred mix, as set out in the original Affordable Housing Statement.
- 3.8 The indicative unit mix and habitable room breakdown of the Affordable Housing for Rent is presented in the following table:

Table 1: Indicative Offer - Affordable Housing for Rent Summary

Unit Type	Total Number of Units	Total Number of Habitable Rooms	Unit Type Percentage Breakdown %
1 Bedroom	8	16	6%
2 Bedroom	49	147	39%
3 Bedroom	64	256	50%
4 Bedroom	6	30	5%
Total	127	449	100%

Source: DAS

Mix of Units: Affordable Intermediate Housing

- 3.9 The mix set out in the original Affordable Housing Statement has been applied to the Revised Scheme.
- 3.10 The indicative unit mix and habitable room breakdown of the Affordable Intermediate housing is set out in the following table:

Table 2: Indicative Offer - Affordable Intermediate Housing Summary

Unit Type	Total Number of Units	Total Number of Habitable Rooms	Unit Type Percentage Breakdown %
1 Bedroom	67	134	29%
2 Bedroom	148	444	65%
3 Bedroom	14	56	6%
4 Bedroom	0	0	
Total	229	634	100%

Source: DAS

Location of Affordable Housing

- 3.11 At this stage, it is anticipated that the affordable housing will be in Blocks 10, (Development Area 1) and Blocks 14, 18, 19, 20 and 21 (Development Area 2).
- 3.12 The potential provision of affordable housing in Development Area 1 is very positive. The Applicant has also committed to the early delivery of Blocks 18, 19, 20 and 21 as part of Development Area 2. This combined earlier phasing will fast track the affordable housing delivery and increase tenure mixing across the wider site.

Summary

- 3.13 Overall, the proposed affordable housing tenures are aligned to the policy requirements of both LBRuT and the GLA.
- 3.14 The proposed unit mix is also considered policy compliant and will meet a wide range of housing needs. In the indicative proposals, over 50% of the Affordable Housing for Rent will be delivered as three- and four-bedroom units.
- 3.15 The Affordable Intermediate housing units will also meet the needs of smaller households through the provision of one bed units, whilst also maintaining flexibility for both sharing households and smaller families.
- 3.16 Early delivery of the affordable housing is a major benefit of the Revised Scheme which will ensure local housing needs are addressed earlier on in the delivery of the wider programme.
- 3.17 In the following section, we consider the affordability of these units for households.

4 Affordability of Accommodation

Introduction

- 4.1 In this section Affordable Housing for Rent and Affordable Intermediate housing is considered in further detail.

Affordable Housing for Rent

London Affordable Rent

- 4.2 It is proposed that the rental levels will in set in line with the London Affordable Rent figures, as specified in the GLA’s Homes for London Investment Prospectus. The units will be set at rent levels in line with the 2020-21 benchmarks. These reflect the formula rent cap figures for Social rents updated by CPI from September 2016 plus one per cent.
- 4.3 The proposed updated rent levels are set out in the following table.

Table 3: London Affordable Rent Levels 2020-21

Unit Size	London Affordable Weekly Rents Benchmark Levels (£)	Estimated Weekly Service Charges (£) *	Approx. Annual Household Income
1 Bed	£159.32	£30	£35,281
2 Bed	£168.67	£35	£37,955
3 Bed	£178.05	£40	£40,634
4 Bed	£187.42	£45	£43,312

* Subject to change

Source: Homes for Londoners Investment Prospectus (2016), 2020-21 LARs.

- 4.4 The rents will be subject to annual increases in line with the GLA formula of CPI plus one per cent.

Affordable Intermediate Housing

- 4.5 It is proposed that the Intermediate Housing will be delivered as London Shared Ownership (LSO) or London Living Rent (LLR).
- 4.6 Overall, the one and two beds will be delivered as LSO and the three beds as LLR.
- 4.7 The affordability of the units and household incomes levels required, set out in the following sections is based on the assumption that the households will not be spending more than 40% of their net income on housing costs.
- 4.8 Two thirds of the one and two bed units will also be affordable to households earning £47,000 per annum, in line with the locally set income thresholds. These units will be marketed to local people for a minimum of three months, as per GLA guidance.

London Shared Ownership (LSO)

- 4.9 The Affordable Housing Statement (February 2018) provided for the Original Scheme proposals provided a full explanation on this affordable intermediate housing product. Please refer to this document should you require any further information.
- 4.10 It is anticipated that a proportion of the intermediate units will be provided as LSO and affordable to households on incomes of between £50,000 - £60,000 for a one bed property and £60,000 - £70,000 for a two-bedroom property.
- 4.11 It is assumed that all purchasers will acquire a 25% initial equity stake in the property, with a 10% deposit and pay an average 2% rent on the unsold equity, across all unit types.

London Living Rent

- 4.12 London Living Rent (LLR) is a type of Affordable Intermediate housing that will enable households on average annual income levels to save for a deposit through lower rents on time limited tenancies.
- 4.13 The rents are set on an annual basis by the GLA. Ward-level caps are calculated, based on one third of median gross household income for the local borough. The cap varies from the Borough median by up to twenty per cent, in line with house prices within the ward. The caps have further variation based on the number of bedrooms within the unit. Registered Providers have the flexibility to let homes at lower rents should they wish.
- 4.14 The proposed rent levels for the Mortlake Ward are set out in the following table.

Table 4: London Living Rent Levels 2020-21

Unit Size	London Living Weekly Rents Benchmark Levels (£)
3 Bed	£348.50

Source: GLA Website (2020), 2020-21 LLRs

- 4.15 Please note that the above rent levels are inclusive of all service charges.

Summary

- 4.16 It is anticipated that the Affordable Housing for Rent units provided as part of this scheme will be let at London Affordable Rented levels in line with the Council and GLA requirements.
- 4.17 In order to meet both LBRuT and GLA income and affordability requirements, the one and two bed units will be delivered as LSO, with the three bed units at LLR.
- 4.18 The affordability of the Affordable Intermediate units will be set in line with the LBR IHPS (2018) statement and the GLA SPG requirements. A maximum income cap of £90k per household per annum for the LSO units and GLA LLR, will be set overall.

5 Conclusion

- 5.1 The affordable housing offer set out in this Addendum is indicative at this stage and is subject to further financial viability negotiations. However, the Revised Scheme may incorporate up to 30% affordable housing by habitable rooms.
- 5.2 The current scheme generates a profit that is significantly lower than the agreed target levels. The Development can only be brought forward on the basis of significant growth in sales values, which is clearly a significant additional risk to delivery. The financial viability of the Revised Scheme and associated offer therefore remains under negotiation.
- 5.3 The proposed indicative tenure mix, equating to 59% Affordable Intermediate and 41% Affordable Housing for Rent will meet the needs of a wide range of households, with single through to larger families accommodated across the various unit types.
- 5.4 The proposed LAR levels will meet both the Council and GLA policies for Affordable Housing for Rent and the affordability requirements associated with this.
- 5.5 The Intermediate housing will be provided as LSO and LLR. The proposed household income requirements for this product are within the Council requirements and will be accessible to households on income of between £50,000-£90,000.
- 5.6 A key factor of the scheme is the proposed early delivery of the affordable housing in Phase 1 and the additional benefits this will bring to the borough in terms of addressing housing need.