



**GERALDEVE**

## **Affordable Housing Statement**

The Former Stag Brewery, Mortlake

Reselton Properties Limited

March 2022



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# 1 Introduction

- 1.1 This Affordable Housing Statement has been prepared by Gerald Eve LLP on behalf of Reselton Properties Limited (“the Applicant”) in support of two linked planning applications (“the Applications”) for the comprehensive redevelopment of the former Stag Brewery Site in Mortlake (“the Site”) within the London Borough of Richmond upon Thames (LBRuT).
- 1.2 This Affordable Housing Statement provides detailed information on the housing need in LBRuT, how this is reflected in policy requirements and how these factors have been taken account of in the final affordable housing offer to be delivered as part of the scheme. This information is provided in the following sections:
  - 2) The Proposed Scheme and Planning Application
  - 3) Planning Policy Context
  - 4) Housing Need in Richmond
  - 5) Financial Viability and Overall Affordable Housing Proposal
  - 6) Affordable Housing Tenures and Products
  - 7) Concluding Statement

## 2 The Proposed Scheme and Planning Application

### Introduction

2.1 This section provides further background to the scheme and the new designs being proposed as part of the planning application.

2.2 The Application seeks planning permission for:

Application A:

**“Hybrid application to include the demolition of existing building to allow for comprehensive phased redevelopment**

**Planning permission is sought in detail for works to the east side of Ship Lane which comprise:**

- a) **Demolition of existing buildings (except the Maltings and the façade of the Bottling Plant and former Hotel), walls, associated structures, site clearance and groundworks**
- b) **Alterations and extensions to existing buildings and erection of buildings varying in height from 3 to 9 storeys plus a basement of one to two storeys below ground**
- c) **Residential apartments**
- d) **Flexible use floorspace for:**
  - i. **Retail, financial and professional services, café/restaurant and drinking establishment uses**
  - ii. **Offices**
  - iii. **Non-residential institutions and community use**
  - iv. **Boathouse**

- e) Hotel / public house with accommodation**
- f) Cinema**
- g) Offices**
- h) New pedestrian, vehicle and cycle accesses and internal routes, and associated highway works**
- i) Provision of on-site cycle, vehicle and servicing parking at surface and basement level**
- j) Provision of public open space, amenity and play space and landscaping**
- k) Provision of public open space, amenity and play space and landscaping**
- l) Installation of plant and energy equipment**

**Planning permission is also sought in outline with all matters reserved for works to the west of Ship Lane which comprise:**

- a) The erection of a single storey basement and buildings varying in height from 3 to 8 storeys**
- b) Residential development**
- c) Provision of on-site cycle, vehicle and servicing parking**
- d) Provision of public open space, amenity and play space and landscaping**
- e) New pedestrian, vehicle and cycle accesses and internal routes, and associated highways works”**

Application B:

**“Detailed planning permission for the erection of a three-storey building to provide a new secondary school with sixth form; sports pitch with floodlighting, external MUGA and play space; and associated external works including landscaping, car and cycle parking, new access routes and other associated works”**

2.3 Together, Applications A and B described above comprise the ‘Proposed Development’.

### **Background to Submission**

2.4 The Applications follow earlier planning applications which were refused by the Greater London Authority. The refused applications were for:

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.

2.5 The LBRuT (the Council) originally resolved to grant planning permission for Applications A and B but refuse Application C.

2.6 Following the LBRuT’s resolution to approve the applications A and B, the Mayor called-in the applications and became the determining authority. The Mayor’s reasons for calling in the applications were set out in his Stage II letter (dated 4 May 2020) but specifically related to concerns regarding what he considered was a low percentage

of affordable housing being proposed for the Site and the need to secure a highways solution for the scheme following the LBRuT's refusal of Application C.

2.7 Working with the Mayor's team, the Applicant sought to meaningfully respond to the Mayor's concerns on the applications. A summary of the revisions to the scheme made and submitted to the GLA in July 2020 is as follows

- i. Increase in residential unit provision from up to 813 units to up to 1,250 units;
- ii. Increase in affordable housing provision from (up to) 17%, to 30%;
- iii. Increase in affordable housing provision from (up to) 17%, to 30%;
- iv. Change to the layout of Blocks 18 and 19, conversion of Block 20 from a terrace row of housing to two four storey buildings;
- v. Reduction in the size of the western basement, resulting in an overall car parking spaces reduction of 186 spaces and introduction of an additional basement storey under Block 1;
- vi. Internal layout changes and removal of the nursing home and assisted living in Development Area 2;
- vii. Landscaping amendments, including canopy removal of four trees on the north west corner of the Site; and
- viii. Alternative options to Chalkers Corner in order to mitigate traffic impacts through works to highway land only and allow the withdrawal of Application C.

2.8 Application A was amended to reflect these changes.

2.9 Notwithstanding this, and despite GLA officers recommending approval, the Mayor refused the applications in August 2021.

2.10 The Mayor's reasons for refusal in respect of Application A were:

- (i) height, bulk and mass, which would result in an unduly obtrusive and discordant form of development in this 'arcadian' setting which would be harmful to the townscape, character and appearance of the surrounding area;
- (ii) heritage impact. The proposals, by reason of its height, scale, bulk and massing would result in less than substantial harm to the significance of several listed buildings and conservation areas in the vicinity. The Mayor considered that the less than substantial

harm was not clearly and convincingly outweighed by the public benefits, including Affordable Housing, that the proposals would deliver;

(iii) neighbouring amenity issues. The proposal, by reason of the excessive bulk, scale and siting of Building 20 and 21 in close proximity to the rear of neighbouring residential properties in Parliament Mews and the rear gardens of properties on Thames Bank, would result in an unacceptable overbearing and unneighbourly impact, including direct overlooking of private amenity spaces. The measures in the Design Code would not sufficiently mitigate these impacts; and

(iv) no section 106 agreement in place.

2.11 Application B was also refused because it is intrinsically linked with n A and therefore could not be bought forward in isolation.

### **The Proposed New Scheme**

2.12 This 3<sup>rd</sup> iteration of the scheme seeks to respond directly to the Mayors' reasons for refusal and in doing so also addresses a number of the concerns raised by the LBRuT.

2.13 The amendments can be summarised as follows:

- i. A revised energy strategy is proposed in order to address the London Plan (2021) requirements;
- ii. Several residential blocks have been reduced in height to better respond to the listed buildings along the Thames riverfront and to respect the setting of the Maltings building, identified as a Building of Townscape Merit (BTM) by the LBRuT;
- iii. Reconfiguration of layout of Buildings 20 and 21 has been undertaken to provide lower rise buildings to better respond to the listed buildings along the Thames riverfront; and
- iv. Chalkers Corner light highways mitigation works.

2.14 The school proposals (submitted under 'Application B') are unchanged. The Applicant acknowledges LBRuT's identified need for a secondary school at the Site and the Applications continue to support the delivery of a school. It is expected that the principles to be agreed under the draft Community Use Agreement (CUA) will be the

same as those associated with the refused school application (LBRuT ref: 18/0548/FUL, GLA ref: GLA/4172a/07).

- 2.15 Overall, it is considered that together, the Applications respond successfully to the concerns raised by the GLA which also reflect some of the concerns raised by stakeholders in respect of the previous schemes and during pre-application discussions on the revised Proposed Development. As a result, it is considered that the scheme now represents a balanced development that delivers the principle LBRuT objectives from the Site.

### **Summary**

- 2.16 The scheme proposals have been subject to a long history of design development to ensure compliance with both GLA and LBRuT planning and housing policies.
- 2.17 The 3rd iteration of the scheme seeks to respond directly to the Mayors' reasons for refusal and in doing so also addresses a number of the concerns raised by the LBRuT.
- 2.18 The scheme comprises of two applications, including both (a) Hybrid application to include the demolition of existing buildings for comprehensive phased redevelopment and (b) Detailed application for a new school building and associated facilities.

### 3 Planning Policy Context

#### Introduction

- 3.1 In this section we provide a brief overview of relevant planning background to the Scheme. A more detailed assessment is contained within the Planning Statement, which has been submitted to the LBRuT in support of the Application.
- 3.2 This section also provides an overview of key planning policies associated at national, regional, and local level including an overview of the planning background relating to the Application. Additional reference should be made to the National Planning Policy Framework ('NPPF'), the Planning Practice Guidance ('PPG'), the London Plan, the Mayor's Housing SPG, LBRuT's local planning policies, including information on the emerging Local Plan (2021).
- 3.3 The affordable housing strategy for the Application has been set in accordance with National and Regional Planning Policy guidance and has had regard for the following:
- National Planning Policy Framework (2021), ('NPPF')
  - The London Plan (2021).
  - Mayor's Affordable Housing and Viability Supplementary Guidance (August 2017), ('SPG')
- 3.4 Locally, it has had regard for the following LBRuT planning policies and guidance:
- Local Plan (2018 and 2020)
  - Emerging Local Plan (2021)
  - Affordable Housing Supplementary Planning Document (SPD) (2014)
- 3.5 Consideration was also given to the following Housing documents:
- LBRuT Local Housing Market Assessment (2021)
  - LBRUT Tenancy Strategy (2019)

- LBRuT Intermediate Housing Policy Statement (2018)

### **National Planning Policy Framework**

- 3.6 The National Planning Policy Framework (“NPPF”), originally published in March 2012 and revised in 2018, 2019 and 2021, sets out the Government’s planning policies for England and how these are expected to be applied. The NPPF has a clear presumption in favour of sustainable development and in determining planning applications local planning authorities should take account of this.
- 3.7 The NPPF recognises the place of viability testing, in both plan-making and decision-making.
- 3.8 Paragraph 41 of the NPPF looks to guide Authorities to address and resolve planning issues at the pre-application stage, including the need to deliver improvements in infrastructure and affordable housing.

### **London Plan (2021)**

- 3.9 The London Plan is the Regional Spatial Strategy for Greater London defined to include the 32 Boroughs and the City of London
- 3.10 On 21 December 2020, the Mayor formally approved the new London Plan, the ‘Publication London Plan’, which was prepared to address the Secretary of State for Housing, Communities and Local Government’s directions of the 13 March 2020 and 10 December 2020 to the Intend to Publish plan. Whilst the regional component of the development plan remains the London Plan (consolidated with alterations from 2016), Rt Hon Robert Jenrick confirmed on 29 January 2021 the Intend to Publish version contained the necessary modifications to conform with previously issued directions and can be formally published.
- 3.11 The London Plan was formally adopted on 2nd March 2021.
- 3.12 The London Plan promises to change one of the key foundations of planning policy for development in Greater London. A principal concept in the London Plan is “Good Growth,” which is defined as “sustainable growth that works for everyone” to improve

the health and quality of life for all Londoners, and in particular by rebalancing housing development towards more genuinely affordable homes for Londoners to buy and rent.

3.13 Policy H5 sets out the Threshold approach to applications. This approach applied to major development proposals which trigger affordable housing requirements. There is also a requirement for Strategic industrial Locations, Locally Significant Industrial Site and Non-Designated Industrial Sites appropriate for residential uses to provide 50% affordable housing.

3.14 The London Plan with suggested minor changes sets out the policy in relation to the required tenure split under Policy H7. This includes the following:

- Minimum of 30 per cent low cost rented homes, as either London Affordable Rent or Social Rent, allocated according to need and for Londoners on low incomes;
- a minimum of 30 per cent intermediate products which meet the definition of genuinely affordable housing, including London Living Rent and London Shared Ownership;
- The remaining 40 per cent to be determined by the borough as low cost rented homes or intermediate products based on identified need.

3.15 The policy also emphasises the Mayor's priority to deliver "genuinely affordable housing" including all of the affordable housing products listed in the above section.

3.16 The London Plan with suggested minor changes sets out the policy in relation to the required tenure split under Policy H7. This includes the following:

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- a minimum of 30 per cent intermediate products which meet the definition of genuinely affordable housing, including London Living Rent and London Shared Ownership;
- The remaining 40 per cent to be determined by the borough as low cost rented homes or intermediate products based on identified need.

- 3.17 The policy also emphasises the Mayor’s priority to deliver “genuinely affordable housing” including all of the affordable housing products listed in the above section.
- 3.18 The policy also sets out the annual household income requirements and affordability levels.
- 3.19 For dwellings to be considered affordable, annual housing costs, including mortgage (assuming reasonable interest rates and deposit requirements), rent and service charge, should be no greater than 40 per cent of new household income.
- 3.20 The new London Plan is aligned to the GLA’s SPG for Affordable Housing and Viability which is discussed in the following section.

### **Mayor’s Affordable Housing and Viability Supplementary Guidance (August 2017)**

- 3.21 The Mayor’s Housing SPG (March 2016) has been updated to reflect the London Plan consolidated with alterations (2016). It provides updated guidance on a range of strategic policies including housing supply, residential density, housing standards; build to rent developments, student accommodation and viability appraisals. This SPG replaces the Mayor’s Housing SPG 2012 and the Mayor’s Housing Standards Policy Transition Statement.
- 3.22 In August 2017, the Mayor published the final SPG. We have therefore had regard to the SPG in this statement.
- 3.23 The key theme from the SPG is the GLA’s flexibility with regards to tenure mix on new developments. Point 2.40 of the document refers to the following flexibility allowed in regard to tenure mix is applied to the scheme.
- 30% low-cost rent (social rent or affordable rent) with rent set at levels that the LPA considers genuinely affordable;
  - 30% as Intermediate products, with London Living Rent and/ or shared ownership being the default tenures assumed in this category;

- The remaining 40% to be determined by the relevant LPA.

### **Local Planning Policy**

Local Plan (2018 and 2020)

- 3.24 Local Plan Policy LP 34 states that the Council will seek to exceed the minimum London Plan housing target. It is anticipated that East Sheen, Mortlake and Barnes Common and Barnes could deliver 400-500 units over the Plan period (2018 to 2033). The supporting text to Policy LP 34 states that proposals should optimise the potential of sites and recognises that there is potential for housing development on existing employment land where the level of employment floorspace is retained or enhanced.
- 3.25 Providing a living community (including housing) is a key aspect of the vision for the former Stag Brewery Site, and the SBPB recognises that the scheme can provide a significant contribution to housing provision. Para 5.22 of the SBPB notes that LBRuT will support a:

“Mixed tenure residential led mixed use development provided there is a range of other uses to create a vibrant Riverside area and associated employment and leisure opportunities.” The emerging Site Allocation also echoes this and notes that the provision of residential uses will ensure that the new Mortlake village heart becomes a vibrant centre for new communities.”

#### *Affordable Housing Quantum and Tenure Mix*

- 3.26 LBRuT’s affordable housing target is for 50% of all new housing to be affordable, with a tenure mix of 80% social rent and 20% intermediate (Plan Policy LP 36). The Council will seek the maximum reasonable amount of affordable housing on private residential and mixed-use schemes, having regard to individual site circumstances (Local Plan Policy LP 36).
- 3.27 Policy LP 36 states that, on sites capable of 10 or more units, at least 50% on-site provision will be sought and, where possible, a greater proportion than 50% should be achieved.

- 3.28 Para 5.22 of the SBPB recognises that the amount of affordable housing on Site may be affected by the provision of a mix of uses, open space, community uses and restoration of historic buildings. Therefore, the amount of affordable housing that can be provided will be assessed on a case-by-case basis and subject to a detailed viability appraisal.

*Affordable Housing Unit Mix and Standards*

- 3.29 LBRuT has a clear priority to provide family sized accommodation, although it should be appropriate to the site-specifics of the location, as set out in Local Plan Policy 35.

- 3.30 The supporting text (9.0.0) of Policy LP35 states the following:

*“The appropriate mix should be considered on a site-by-site basis having regard to its location, the existing stock in the locality and the character of an area and take account of existing infrastructure capacity such as schools and transport.”*

- 3.31 Local Plan Policy LP 36 9.3.3 requires that “Affordable housing should be designed to the same high quality and sustainability standards as private housing,” referring to policy LP 35. The units also need to be designed in accordance with the Nationally Described Space Standard.

Richmond Local Plan - Pre-Publication Regulation 18 Draft for Consultation Version  
(December 2021)

- 3.32 The affordable housing strategy of this scheme has also had regard to the developing policy environment at LBRuT and the emerging Local Plan (2021).

- 3.33 The overall vision for the next 15 states that the following will be achieved:

*“A range of affordable housing has been delivered, with a future pipeline, supporting low- and middle-income residents and workers into low-cost rent and homeownership options and providing housing options that let vulnerable residents live independently in their own homes.”*

- 3.34 LBRuT intends to achieve the above through Policy 10 – New Housing (Strategic Policy) and the delivery of 4,110 new homes, over the next ten years. The target for the Barnes and East Sheen area where the site is located, has increased to 800-900 units within this period.
- 3.35 LBRuT’s requirement that 50% of new housing should be affordable has been maintained though Policy 11- Affordable Housing (Strategic Policy). Affordable housing should be considered on the basis of habitable rooms, in line with the GLAs requirements.
- 3.36 Policy 11 also states the requirement that affordable housing provision should be ‘genuinely affordable for the majority of residents in the borough’. Key products include Social Rent, London Affordable Rent, London Living Rent and Shared Ownership (the latter two, only when delivered in compliance with the Council’s Intermediate Housing Policy Statement 2019 or any other further update).
- 3.37 As well as key planning policies in both the adopted and emerging Local Plan, consideration has also been given to various LBRuT documents that have been produced outside of the planning process but are aligned to the policies. These are discussed in further detail below.

#### LBRuT Tenancy Strategy (2019)

- 3.38 The Tenancy Strategy (2019) sets out guidance on affordable rents for new development and confirms that the rents set should comply with the London Affordable Rent levels set by the GLA annually. Special regard is also required in relation to the additional service charges imposed on low-income households.

#### LBRuT Intermediate Housing Policy Statement (January 2018)

- 3.39 This policy statement outlines the Council’s position with regards to the income eligibility range for applicants to intermediate housing schemes in the Borough.
- 3.40 It states that the range of income for intermediate housing, there is an upper cap on salaries set by the GLA of £90,000 per annum for shared ownership and £ 60,000 per

annum for intermediate rent. Beyond this households are not eligible for intermediate housing.

- 3.41 The Council expects however that 2/3rds of scheme applicants will have an income up to £47,000 per annum, and that these households are prioritised.

### **Summary**

- 3.42 A review of national, regional, and local policies demonstrates that the LBRuT is generally aligned with national and GLA policies.
- 3.43 The affordable housing policy agenda has undergone important change at the London level, with the emergence of GLA policy through the SPG and the London Plan. Both policies support flexibility within affordable housing offers and encourage LPAs to adopt this strategy.
- 3.44 In both the new and emerging Local Plan, LBRuT requires a 50% affordable housing contribution on development.
- 3.45 LBRuT currently seeks developments containing 80% Social-Affordable and 20% Intermediate housing. (Local Plan Policy LP 36). However, under the emerging plan, the new requirement will be for the provision of 70% affordable rented housing and 30% intermediate housing, by habitable room.
- 3.46 The unit mix specified places an emphasis on larger family sized accommodation, although considers that an appropriate mix should be considered on a site-by-site basis. (Local Plan Policy LP 36).
- 3.47 Affordability is a key consideration for LBRuT, and it is important to ensure that the affordable housing proposed is not only 'genuinely affordable' but also meets the local affordability income caps proposed by LBRuT.

## 4 Affordable Housing Need in the London Borough of Richmond upon Thames

### Introduction

- 4.1 In this section, further information is provided on affordable housing need in the LBRuT.

### Housing Need in Richmond

- 4.2 The emerging Local Plan (2021) refers to the '*acute affordable housing crises*' in LBRuT<sup>1</sup>.
- 4.3 It is acknowledged that the LBRuT has limited land and development opportunities due to various physical constraints including the River Thames and the numerous parks and open spaces across the borough.
- 4.4 At the same time, the borough remains an extremely attractive place to live due to its Outer London location and suburban appeal. Between 2001 and 2020, it is estimated that the population of the Borough increased by 14% (ONS data).
- 4.5 As a result of these combined factors, LBRuT has the highest house prices in Outer London with almost the entire borough having levels which are more than 10 times average incomes. Similarly, LBRuT is an expensive area to rent privately and again, has some of the highest rental prices in Outer London (Hometrack July 2019).
- 4.6 According to the LHNA (2021), the median value of house sales in LBRuT in 2020 was £675,000. This was 28% (£192,00) above the London average and 63% (£426,000) above the national average. Relative to the national and London average, prices for all properties in Borough are substantially higher (with the exception of flats in a London context) which points to stronger relative demand.

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<sup>1</sup> Emerging Local Plan (2021) Paragraph 17.12

- 4.7 The LBRuT Housing and Homelessness Strategy (2021-26) recognises that the scale of homelessness in the Borough presents a significant challenge. It sets out that high property prices and rents ultimately result in many people facing homelessness with an inability to independently find solutions to their housing problems.
- 4.8 The LHNA (2021) concluded that two thirds of households assessed as having a current housing need are estimated to be likely to have insufficient income to afford market housing. This equates to c. 2,900 households in the borough.
- 4.9 Numerous studies and assessments on need have been undertaken and evidenced the level of demand in the borough. further information is set out in the following section.

### **Housing Delivery Targets**

- 4.10 The London Plan (2021) stipulates the requirement for 411 new net housing completions in LBRuT per annum during the current London Plan period (2019-2041). This equates to a total of 4,110 over a ten-year period.
- 4.11 The Local Housing Need Assessment (2021) (LHNA) undertaken by LBRuT estimates a net annual need of 1,123 affordable rented and 552 home ownership products to be provided between 2021-2039. This is significantly higher than LBRuT's overall annual housing target set by the GLA.
- 4.12 The above need is reflected in both the Local Plan (2018) and the emerging Local Plan. Strategic Objective 4 confirms that LBRuT is seeking to pursue all opportunities to maximise affordable housing across the borough through a range of measures, including providing more choice in the different types of affordable housing and different levels of affordability.
- 4.13 In the current Local Plan (2018), the required tenure split is 80/20 in favour of affordable rent over intermediate. However, the emerging Local Plan (2021) proposes an adjusted split of 70/30.

4.14 Whilst the Local Plan continues to emphasise the importance of affordable rented accommodation in the borough, this split also demonstrates the increased need for intermediate housing.

4.15 This is further supported by the fact that only 4.4% of all affordable housing stock in the borough is classified as intermediate (LHNA, 2021).

### **Summary**

4.16 There is an acute housing shortage in LBRuT which policy makers have sought to address through housing delivery targets.

4.17 There is a strong emphasis to provide both affordable rented and intermediate housing in LBRuT, to accommodate a wide variety of households in need.

## 5 Financial Viability and overall Affordable Housing Proposal

### Introduction

- 5.1 In this section, further information is provided on the Financial Viability Assessment being undertaken by BNP Paribas Real Estate (BNPP) and the ongoing discussions around the affordable housing offer.

### Financial Viability Position

- 5.2 In accordance with planning policy, the level of affordable housing that can be supported by the proposal is determined by Scheme viability through the Financial Viability Assessment ('FVA').

- 5.3 The Local Plan (2018) Policy LP 36 states the following:

"The Council will seek the maximum reasonable amount of affordable housing when negotiating on individual private residential and mixed-use schemes. The Council will have regard to:

- a) economic viability.
- b) individual site costs.
- c) the availability of public subsidy; and
- d) the overall mix of units and other planning benefits.

- 5.4 Similarly in the emerging Local Plan (2021), Policy 11, states that any proposals where site-specific viability evidence is accepted, the scheme must provide the maximum amount of affordable housing, informed by detailed viability evidence.

- 5.5 A total of up to 1,085 residential units are proposed to be delivered by the scheme. The overall quantum of affordable housing that will be provided is still subject to ongoing financial modelling and viability discussions.

- 5.6 The viability of the Scheme has been assessed against a wide range of mixed tenure scenarios to achieve the optimum position and the maximum reasonable level of affordable housing.
- 5.7 All the scenarios have been set in accordance with both adopted and emerging policies to deliver a scheme that addresses a wider range of local needs in terms of income levels and affordability.
- 5.8 The financial viability of the scheme has been modelled on the basis of the intermediate housing being delivered as Shared Ownership and the Affordable Rented as London Affordable Rent. This is to demonstrate the best and worst case scenarios, in terms of viability and provide the base case position. The final affordable housing offer and the tenure and product composition within this, are still to be determined.
- 5.9 As the final affordable housing is still being assessed, RPs were not invited to provide formal financial offers on the scheme. However, as part of the FVA due diligence, BNPP applied their market knowledge and understanding of the RP sector, and previous indicative offers from RPs to devise a suitable value for the affordable housing that was then adopted in their appraisals.
- 5.10 For reasons of commercial confidentiality, we are unable to share the initial and updated offers that we have received from RPs during the planning process. However the Financial Viability Assessment, undertaken by BNP Paribas Real Estate, which has been submitted with this assessment, refers to offers received from RPs when establishing the affordable housing value, which has been previously agreed by LBRuT and the GLA's independent assessors.
- 5.11 As detailed we have taken full account of prevailing policy, including the London Plan (2021), the Mayor's Affordable Housing and Viability Supplementary Guidance (2017), LBRuT Local Plan (2018 and 2020), and the Emerging Local Plan (Pre-Publication Regulation 18 Draft for Consultation Version December 2021), LBRuT's Tenancy Strategy (2019), and the Intermediate Housing Policy Statement (January 2018).

- 5.12 All assumptions in regard to the value of the affordable housing units have noted that affordability is a key consideration for LBRuT, and that the affordable housing proposed is not only 'genuinely affordable' but also meets the local affordability income caps proposed by the Borough.

### **Summary**

- 5.13 An FVA has been undertaken to support the planning application, as required under LBRuT policy.
- 5.14 The final affordable housing in terms of quantum and proposed split is currently being determined through FVA scenario testing to establish the maximum reasonable level that the scheme can reasonably provide.

## 6 Affordable Housing Tenures and Products

### Introduction

- 6.1 This section provides further detail on the different affordable tenures and housing products that will be provided as part of the development.

### Affordable Housing Definition

- 6.2 The NPPF (2021) defines affordable housing as follows:

*“Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers).” (NPPF, 2021).*

### Affordable Housing Tenure and Types

- 6.3 All affordable housing products fall into two broad tenure categories: affordable housing and intermediate housing.
- 6.4 Within these tenures, there are a wide range of affordable and intermediate housing products that can be delivered to accommodate households with different needs and income levels.
- 6.5 As set out in Section 2, the current Local Plan (2018) policy stipulates a requirement to provide 80% affordable and 20% intermediate housing on new developments. However, the emerging policy will require 70% affordable rented and 30% intermediate housing.
- 6.6 In the following sections, we have considered these requirements in further detail and discuss what will be provided in the scheme.

### Affordable Rented Housing

- 6.7 The NPPF defines affordable housing for rent as follows:

(a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent or is at least 20% below local market rents (including service charges where applicable).

(b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and

(c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.

6.8 In line with the NPPF, affordable housing for rent is set in accordance with Government's rent policy for Social Rent (SR) or Affordable Rent (AR) or is at least 20% below local market levels.

#### *Social and Affordable Rents*

6.9 SR homes are for households on low incomes where the rent levels are based on the formulas in the Social Housing Regulator's Guidance. The rent levels for SR homes use a capped formula (SPG).

6.10 Affordable rent was brought in under the 2011 Homes and Communities Agency's (formerly known as) grant funding programme.

6.11 Generally, this is a form of rent whereby tenants can be charged up to 80% of market rent, including service charges.

6.12 In order to increase the affordability of affordable rent, the GLA introduced LAR, specifically for their areas of operation.

#### *London Affordable Rent*

6.13 LARs were established by the GLA in the 2016-21 funding programme. They are set out within the GLA's Homes for London Investment Prospectus. These reflect the formula rent cap figures for Social Rents, uprated by Consumer Price Index for September 2016, plus one per cent.

- 6.14 LAR is considered to be a '*genuinely affordable*' product, in line with both GLA and LBRuT policy requirements.
- 6.15 In line with the Richmond's Tenancy Strategy (2019) and the emerging Local Plan, it has been agreed with LBRuT that the affordable rented housing will be provided as LAR.
- 6.16 The proposed 2022-23 rent levels are set out in the following table. An indication of the required household income level has also been included, assuming that no more than 40% of net income is spent on housing costs, as per the London Plan Policy H6.

**Table 1: London Affordable Rent Levels 2022-23**

<b>Unit Size</b>	<b>London Affordable Weekly Rents Benchmark Levels (£)</b>	<b>Approx. Annual Household Income</b>
1 Bed	£168.34	<b>£31,371</b>
2 Bed	£178.23	<b>£33,219</b>
3 Bed	£188.13	<b>£35,059</b>
4 Bed	£198.03	<b>£36,904</b>

Source: GLA Website

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

### Intermediate Housing

- 6.18 Intermediate Housing includes discounted market rent products and, unlike social affordable housing, low-cost home ownership products
- 6.19 The NPPF sets out the key products that are currently in place under this tenure. These include Starter Homes, Discounted Market Sales, other affordable routes to home ownership.
- 6.20 The RICS define intermediate housing as:

*“Housing that is at prices and rents that are above those of social rent but below market price or rents, and that meet local affordability criteria that will enable people unable to access market housing to afford them. The affordability criteria are set by local authorities and are typically related to the amount that a person can afford, as a percentage of their gross income, to spend on housing costs. Intermediate tenure can include a number of products that have an element of equity sale or are purely for rent.”*

6.21 Similarly, the LBRuT SPD (2014) defines Intermediate as follows:

*“Homes available for sale or rent at a cost above social rent, but below market levels. These can include shared equity (shared ownership and equity loans), other low costs homes for sale and intermediate rent, but not affordable” (Point 2.2.1).*

6.22 The intermediate mix for the scheme is currently under discussion and will be determined through the FVA. However, it has been agreed that a mixture of both Shared Ownership and London Living Rent (LLR) will be provided in the intermediate housing allocation.

6.23 The products are considered to be a ‘genuinely affordable’, in line with both GLA and LBRuT policy requirements. Further detail is provided in the following sections.

#### *Shared Ownership*

6.24 Shared ownership is an intermediate home ownership product.

6.25 The GLA definition of London Shared ownership is:

*“An affordable home ownership home where purchasers buy a proportion of the home, usually with a mortgage and deposit and pay rent to a landlord on the remaining unsold share.”*

6.26 Shared ownership refers to housing where occupiers buy a share (generally 10% to 75% of the value of the home) and pay rent on the remaining value of the property to the landlord. (10% for homes funded through AHP 2021-26)

- 6.27 This product enables a potential buyer to start with a minimum purchase share of 10% equity of the values, with the option to staircase up to 10% per annum, making it more widely accessible and affordable for prospective purchasers.

#### *Affordability*

- 6.28 The London Plan states that Intermediate ownership products such as Shared Ownership and discounted market sale (where they meet the definition of affordable housing), should be affordable to households on incomes of up to £90,000.
- 6.29 LBRuT's Intermediate Housing Policy Statement supports the upper income cap of £90,000 per annum. However, it is expected that 2/3rds of schemes households will have an income of £47,000 per annum.
- 6.30 It is anticipated that a proportion of the intermediate units will be delivered as shared ownership and in line with the above affordability and income requirements.
- 6.31 Minimum equity shares and low rent levels percentages on the unsold equity will be available to prospective purchasers.
- 6.32 Consideration has also been given to the GLA guidance that units being delivered as shared ownership should not exceed the £600,000 in private values terms. This may impact some of the proposed intermediate units to be delivered as part of the scheme. In this instance, it is proposed that LLR could be delivered as an alternative product

#### *London Living Rent*

- 6.33 LLR is an intermediate rented or home ownership product.
- 6.34 This intermediate product was established by the GLA as part of the 2016-2021 grant funding programme. It is initially offered for rent, but by the end of the initial ten years it converts to a shared ownership product<sup>2</sup>.

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<sup>2</sup> <https://www.london.gov.uk/what-we-do/housing-and-land/improving-private-rented-sector/london-living-rent>

- 6.35 The product is London-specific and offers Londoners on average incomes a lower rent, enabling them to save for a deposit and start the transition from renting to shared ownership.
- 6.36 The GLA define LLR as “an intermediate rented home where rent is set at or below a third of local household incomes. Residents have the opportunity to save and purchase the home on a shared ownership basis within 10 years.”
- 6.37 Where funded by the GLA, LLR will be a Rent to Buy product, with sub-market rents on time-limited tenancies, which will enable households on average income levels save for a deposit.
- 6.38 LLR renters must also save for a deposit to buy their home, so the scheme is exclusively for middle income households looking to purchase a home. Effectively, the money you save on rent for this scheme is what you build up as savings towards a deposit when buying a home. The maximum income requirement for LLR equates to an annual cap of £60k per household.
- 6.39 The rents are set at a third of average gross local earnings, which translate as, on average, circa 67% of market rents across London. The rent levels are derived from average local incomes and ward-level house prices using a multi-stage process. Broadly, the rent for a 2-bedroom property is based on one-third of the local median household income, and across London as a whole comes to around £1,050 a month, or just over two thirds of the median monthly market rent in London of £1,475 reported by the Office for National Statistics for 2019/20.
- 6.40 The proposed 2022-23 rent levels for the Mortlake and Barnes Common Ward are set out in the following table.
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**Table 2: London Living Rent Levels 2022-23**

<b>Unit Size</b>	<b>London Living Rent Levels (£) Per Week</b>	<b>Approx. Annual Household Income</b>
1 Bed	£279	<b>£51,955</b>
2 Bed	£310	<b>£57,727</b>
3 Bed	£322	<b>£59,976</b>

Source: GLA Website

- 6.41 The GLA publish maximum monthly rents by number of bedrooms for new LLR homes (inclusive of service charges) in every ward in London and update these figures each year.
- 6.42 An indication of the required household income levels has also been included in the above table. These assume that no more than 40% of net income is spent on housing costs, as per the London Plan Policy H6.

### **Registered Provider Consultation**

- 6.43 During the design development and planning process for The former Stag Brewery redevelopment we have consulted a number of Registered Providers (RPs), notably L&Q, Notting Hill Genesis and Richmond Housing Partnership (RHP) regarding the potential affordable housing proposed. This consultation addressed:
- Affordable block location and integration with the wider scheme
  - Unit mix
  - Unit typology
  - Tenure mix
  - Tenure Type
- 6.44 More recently, due to their potential wider involvement in the project, we have worked with RHP to ensure that the potential affordable housing offer met the requirements of a RP Partner. We undertook several workshops where we concentrated on the location, typology, tenure mix, and other design considerations including block

entrances, lift cores and servicing, giving particular attention to access arrangements, and service charge implications.

- 6.45 The consultation we have undertaken has informed the design development of the potential affordable housing blocks and units, to ensure that they are well-integrated and designed to the same high quality as the private housing proposed, with the intention to create tenure neutral homes and spaces. The development of the design has been consistent with the requirements of RPs on similar schemes we have worked on.
- 6.46 The level of consultation we have undertaken is appropriate for this phase of the scheme being an hybrid application. Further consultation will be undertaken with potential RP partners as the scheme progresses through the planning detailed design of the reserved matters applications.
- 6.47 The current proposal to deliver LAR, Shared Ownership and LLR was supported. In addition, the rental levels and local intermediate affordability levels are considered reasonable and accepted by all parties.
- 6.48 Grant funding has been considered in relation to the current application. However, under the 2021-26 GLA programme, the scheme will not be considered eligible for funding as the affordable housing provision will be delivered under the Section 106 requirements. In addition, the Developer Route, whereby an incentive is provided to increase the level of affordable housing beyond a viable level, is no longer available under the new programme. This will be kept under review, and any policy changes in regard to grant investment into affordable housing being delivered through Section 106 will be incorporated.

### **Summary**

- 6.49 Overall, the proposed affordable housing tenures that have been tested within the FVA are acceptable in policy terms to both LBRuT and the GLA.
- 6.50 Provision of LAR will enable local households in designated housing need to access affordable accommodation, in accordance with local priorities.

- 6.51 Similarly, the intermediate housing products will offer a mixture of both rented and home ownership options for local people, enabling households to access on incomes of c.£47,000 per annum to £90,000 per annum to access a range of housing.
- 6.52 All of the proposed products are considered to be 'genuinely affordable' by both the GLA and LBRuT and deliverable by RPs.

## 7 Conclusion

- 7.1 In response to the acute housing shortage in LBRuT, policy makers at both the GLA and local level have set ambitious housing delivery targets.
- 7.2 The shortage principally relates to affordable housing covering both affordable rented and intermediate housing, which currently make up only 12% of the existing housing stock in the borough (LHNA, 2021).
- 7.3 The proposed development will deliver up to 1,085 housing units which will provide an important contribution to the current LBRuT housing targets and meet a significant level of demand, for both private and affordable housing.
- 7.4 As set in planning policy, the scheme should provide the maximum reasonable level of affordable housing on site. This has been subject to extensive financial modelling to determine the appropriate level of affordable housing that can be reasonably delivered, along with other planning obligations.
- 7.5 The tenure and unit mix of the affordable housing will be determined through this process, whilst having regard to the key policy objective of delivering genuinely affordable homes.
- 7.6 Provision of LAR will enable local households in designated housing need to access affordable accommodation, in accordance with local priorities.
- 7.7 The intermediate housing will be provided as SO and LLR. The proposed household income requirements for this product are within both GLA and LBRuT affordability thresholds and will be accessible to households on annual income of between £47,000-£90,000.