



STAG BREWERY CONSULTEES RESPONSES

Affordable housing team comments

Affordable housing provision falls well short of the strategic 50% target - Further negotiation concerning scheme viability and the inputs that sit behind this is therefore required to seek the maximum affordable housing provision that can be viably provided on site.

BNPPRE Response: The Council has appointed Carter Jonas to review the inputs and the appraisal inputs are largely agreed, with some minor differences on sales values and construction costs. As the appraisal currently stands, even if Carter Jonas' position is adopted, the proposed provision of 15% affordable (20% rented and 80% shared ownership) exceeds the maximum viable proportion, even when growth is applied to the appraisal. Further negotiation on scheme viability will not result in an increase in affordable housing.

Clearly the scheme will be subject to periodic viability reviews after implementation. If sales values exceed the current forecasts, then any surplus (after addressing the deficit) will be available for affordable housing.

a) The content and quantum of Affordable Housing

i. Inconsistency between Planning Statement and FVA in terms of affordable housing:

BNPPRE response: The FVA tests 15% affordable housing with a range of tenure mixes. Further options have been provided to officers to indicate the trade-offs between overall affordable housing percentage and tenure split. Although a degree of difference remains on private sales values, this difference is modest and will not alter the outcome of this additional analysis.

iv. Require confirmation that RHP / RP have had the opportunity to comment in detail on the latest iteration of the proposals, not just for the purposes of financial viability testing, but also to ensure that they are comfortable with the revised layouts of the residential elements of the scheme to support the efficient management of the homes and to ensure that service charges are affordable to future residents.

Gerald Eve's affordable housing team have been liaising with RHP and we understand that they are content with the revised layouts and management arrangements, the latter being unchanged from the previous iteration of the scheme.

b) Financial Viability

i. The final content of the affordable housing to be delivered is dependent on ongoing discussions regarding viability

BNPPRE response: discussion with Carter Jonas are ongoing, but as noted above, the differences are minimal and their current position accords with the Applicant's (i.e. that 15% affordable housing with a 20% rent / 80% shared ownership split exceeds the maximum viable proportion).

ii. The following are noted from a review of the submitted FVA;

Section 4.11 - states that the final sales will complete 12 months after completion. This seems unusual for a London location where sales to date have been extremely strong and many (particularly private) homes are sold off plan. Scrutiny of sales processes and the timing of income for the developer should be undertaken as this may have an impact on the on-going viability of the scheme (particularly with regard to potential Review Mechanisms).

BNPPRE response: this is a matter that Carter Jonas have reviewed and expressed no concerns. The Council need to bear in mind that by the time the scheme reaches its final phase, immediate demand generated by early marketing will have been taken up by the earlier phases. There is always a 'tail' in the final phase.



Overall, the development programme applied in the FVA is **extremely** ambitious, with all phases completed and sold within 5 years. Assuming 15% affordable, there would be 922 private units for sale, reflecting a sales rate of 15 units per month from implementation. No other scheme in London has achieved such an ambitious delivery and sales rate.

Development phasing – further consideration should be given to the phasing of the scheme development and how it relates to wider scheme viability. As it currently stands the first phase development delivers a significant proportion of private homes, with only 48 intermediate homes being delivered. All of the affordable rented homes are being delivered in the later phase. The proposed phasing is not acceptable given the significant level of market housing proposed in the detailed Phase 1, the low level of affordable housing proposed in Phase 1 and the absence of any affordable rented housing in this Phase.

BNPPRE response: bringing affordable housing forward into the first phase would have a detrimental impact on viability which would in turn necessitate a reduction in the overall affordable housing percentage. The current phasing was discussed at length with the GLA and agreed.

Further detail / justification is required to understand further the Phasing timescales for both the school application and Phases 1 and 2 and whether there is any overlap on when these phases commence on site and complete

BNPPRE response: the school is irrelevant to the viability of the Application Scheme as the school construction costs are assumed to be borne by the EFA.

As noted above, the phasing is ambitious and already reflects a large degree of overlap between the phases. The phasing is already pushing the boundaries of realism and there is no scope to compress the delivery programme.

iii. Should an agreement on scheme viability be reached the appropriate viability review clauses should be included within any s106;

BNPPRE response: As noted above, the appraisal inputs are largely agreed, with a very minor difference on sales values. Although Carter Jonas identified a very small potential reduction in construction costs, this has since been agreed at the Applicant's original costs. Notwithstanding, the Section 106 agreement will naturally include review provisions as required by the London Plan.

o Pre-commencement review to allow the consideration of whether the addition of Council grant funding could deliver an enhanced affordable housing offer.

BNPPRE response: There will be an early stage review in the Section 106 agreement and this will provide an opportunity for the Council to consider providing grant funding.

o Pre-implementation – if development has not occurred within 24 months.

o Mid Stage Review – Potentially at 80% completion of Phase 1

o Late-Stage Review – At the sale of 75% of the open market homes

c) Phasing

BNPPRE response: Noted, timings of the review to be subject to further discussions.

i. The timing of the affordable units must be secured in the S106 agreement, to ensure early completion of the affordable homes in Phase 2.

BNPPRE response: naturally, provisions will be incorporated in the Section 106 agreement on timing of delivery of the affordable housing.

ii. The following concerns are raised that need to be resolved prior to decision:

o lack of clarity of when the affordable housing would be provided and the trigger for affordable housing provision being built and completed



BNPPRE response: these issues will be addressed in the S106 HOTs/draft agreement.

o Currently 48 intermediate homes are to provided in Phase 1, with the remaining 165 general needs rented homes affordable homes to be completed in Phase 2. The significant back ending of the affordable housing delivery is a risk

o Recommend:

- **some rented homes within Phase 1 – Building 10?**
- **early phasing of delivery of the affordable housing in Phase 2 is also secured**

BNPPRE response: It should be noted that the 15% affordable housing provision is based on a tenure split of 20% rent and 80% shared ownership. Other tenure splits can be accommodated but would necessitate a reduction in the overall affordable percentage below 15%. Details of the affordable housing percentages that can be provided with alternative tenure mixes have been provided to the case officer.

As noted previously, earlier delivery of affordable housing would have a detrimental impact on viability which would necessitate a reduction in the overall percentage.

iii. The scheme must be subject to viability reviews in accordance with the Mayor's Affordable Housing and Viability SPD and the Council's Affordable Housing SPD in order to review the viability of providing affordable housing:

- **prior to first start on site,**
- **prior to start on site of the second phase on approval of a detailed scheme**
- **final scheme review given the level of affordable housing**

BNPPRE response: It is unclear whether or not the Housing Team have seen drafts of the Section 106 for the previous iteration of the proposals submitted to the GLA, but all these matters have been addressed, as required by the London Plan.

d) Tenure, Rents and Affordability

i. Concerns of the unit and tenure mix reflected in some of the options in the FVA, particularly where they depart from the 80/20 rented/intermediate split outlined in Local Plan policy. Any mix that proposes a significant proportion of intermediate homes will be resisted.

BNPPRE response: the 15% affordable housing offer is based on a 20% rent and 80% shared ownership mix. Alternative tenure mixes can be provided, but this would necessitate a reduction in overall percentage – these percentages have been shared with the case officer.

ii. Recommend discussions to ascertain whether the number of LAR homes can be improved through further viability negotiations and/or with the support of the Council's Housing Capital Funding.

BNPPRE response: there is currently no scope to increase the number of LAR homes without a reduction in the overall percentage of affordable housing. Clearly if the Council's preference is for rented housing, this can be accommodated as discussed with the Case Officer.

iii. Request confirmation that genuinely affordable housing is being delivered including accounting for service charge levels that would be due. (It is noted LAR/social rent is exclusive of service charges and these may be a significant additional cost)

BNPPRE response: the affordable housing will be in separate blocks so that the acquiring RP has control over services charges.

e) London Affordable Rented Housing

i. London Affordable Rented homes are proposed as the tenure for the general needs rented elements of the scheme. However, the new Affordable Homes Programme 21-26 promotes social rent as the preferred general needs tenure, and as such the availability of grant funding



to support this scheme (and in particular any grant for additional affordable housing over and above that identified within the FVA) may be limited. It should also be noted that as a scheme referable to the London Mayor the GLA are likely to promote social rent as the preferred tenure.

ii. As part of the viability discussions consideration is given to social rent as the preferred tenure

BNPPRE response: Social rented housing could be accommodated, but this would attract a lower capital value, so the overall percentage of affordable housing would fall as a result.

f) Intermediate Housing

i. The application seeks to offer a mix of both shared ownership and London Living Rent homes. However, it should be ensured that any intermediate homes remain genuinely affordable to Richmond residents, and to secure this the homes should meet the requirements of the Intermediate Housing Policy Statement. For clarity the following are required:

- two thirds of all intermediate homes are affordable to those on household incomes of up to £50,000 per annum with the remaining third affordable to those on household incomes up to the GLA intermediate housing threshold of £90,000 per annum for shared ownership
 - The applicant/RP demonstrates affordability of sales in each scheme at an average household income of £56,200,
 - The applicant/RP are required to demonstrate in marketing plans prior to launching sales that two thirds of the homes are affordable at gross household incomes of below £50,000
- ii. These affordability requirements should be cross-checked as negotiations on scheme viability progress to ensure that the assumed values for shared ownership homes accurately reflect these affordability requirements.
- iii. Any future S106 agreement must incorporate clauses that ensure the Council's adopted affordability criteria for shared ownership and intermediate rent homes is to be complied with.

BNPPRE response: The FVA assumes that the intermediate element is provided as shared ownership. Introducing London Living Rent would have a significant impact on capital value, resulting in a worsening viability. LLR could be accommodated in the Scheme, but this is likely to reduce the overall affordable percentage.

The Applicant has been informed by the Case Officer that one third of shared ownership units should be affordable to households in receipt of incomes of up to £47,000, whereas the comments above indicate that this should be two thirds. The FVA currently assumes that broadly one third of shared ownership units are affordable to households in receipt of incomes of £50,000. If this is extended to two thirds, there will be an impact on capital values.

g) Service Charges

- i. Overall housing costs should be affordable to the Council's income threshold for intermediate as well as those which would be assumed for general needs rent.
- ii. Provision should be made in any Section 106 to secure affordability having regard to confirmed service charge levels.

BNPPRE response: the affordable housing is provided in separate blocks and the acquiring RP will have control over service charges for intermediate units.

h) Wheelchair Accessible homes - s106 to ensure:

A. Council's minimum requirement for 10% of the units are to be provided and to ensure compliance with M4(3)

B. enable the Specialist Occupational Therapist to liaise with the developer in order to ensure that the identified homes are constructed to Building Regulation requirements (M4(3)(2)(b).

i) **Amenity Space - Details of the arrangements for the management of the communal amenity areas to avoid segregation and to ensure that all residents of affordable housing blocks have access to amenity space areas should be secured in the Section 106 agreement.**

j) **Parking - Confirmation that the parking for the wheelchair homes is genuinely accessible for the end user is required.**



BNPPRE response: These matters are addressed by Local Plan policies and have been addressed in the Design and Access Statement.

k) Public Grant funding

i. Need for discussions prior to determination with the aim of the adjusting the approved affordable housing (unit numbers and/or tenure mix) with public grant (Richmond Housing Capital Programme funding)

BNPPRE response: it would be helpful if the Housing Team could provide an indication of how much grant funding may be available so this can be tested. However, given that the proposed 15% affordable exceeds the viable maximum percentage, significant amounts of grant would be required to provide additional units.

ii. review mechanisms developed to consider both the level and tenure mix of affordable housing delivered to achieve a better level of policy compliancy.

BNPPRE response: the standard GLA SPG formulae make provision for tenure mix.

iii. review to assess the impact of Council Housing Capital Grant support (if not confirmed prior to determination) to improve the number of affordable units and/or to improve the tenure mix.

BNPPRE response: the GLA SPG formulae can make provision for Council grant as part of the 'Review Stage GDV'.

l) S106 Requirements

i. affordability of the intermediate housing across a range of household incomes through the share purchased and the level of rent on the unsold equity including a requirement that the Registered Provider should set the equity share and rent on the unsold equity in order to achieve the Council's requirement that homes are affordable for a household income of £50,000.

ii. confirmation the affordability of all the affordable homes takes account of service charges.

iii. Review clauses to increase both numbers and increase in the number of homes for Affordable Rent so the scheme meets a tenure mix which is more compliant with Local and London Plan requirements) through the application of Richmond Housing Capital Grant funding and through review mechanisms:

iv. Ensuring that the inputs, including deficit position, are fully evidenced and tested.

v. An Early Stage Review if the planning permission is not commenced within and agreed timescale.

vi. A Public Grant Review prior to commencement to assess the potential for public grant (both Mayoral and from the Council's Housing Capital Programme) to increase the amount and/or alter the tenure of the affordable housing to improve affordable rented delivery.

vii. residents' access to the proposed communal areas

viii. Consultation and engagement with Council's Specialist Occupational Therapist

BNPPRE response: this appears to be a repeat of earlier points.