

The Bermondsey Project

September 2019

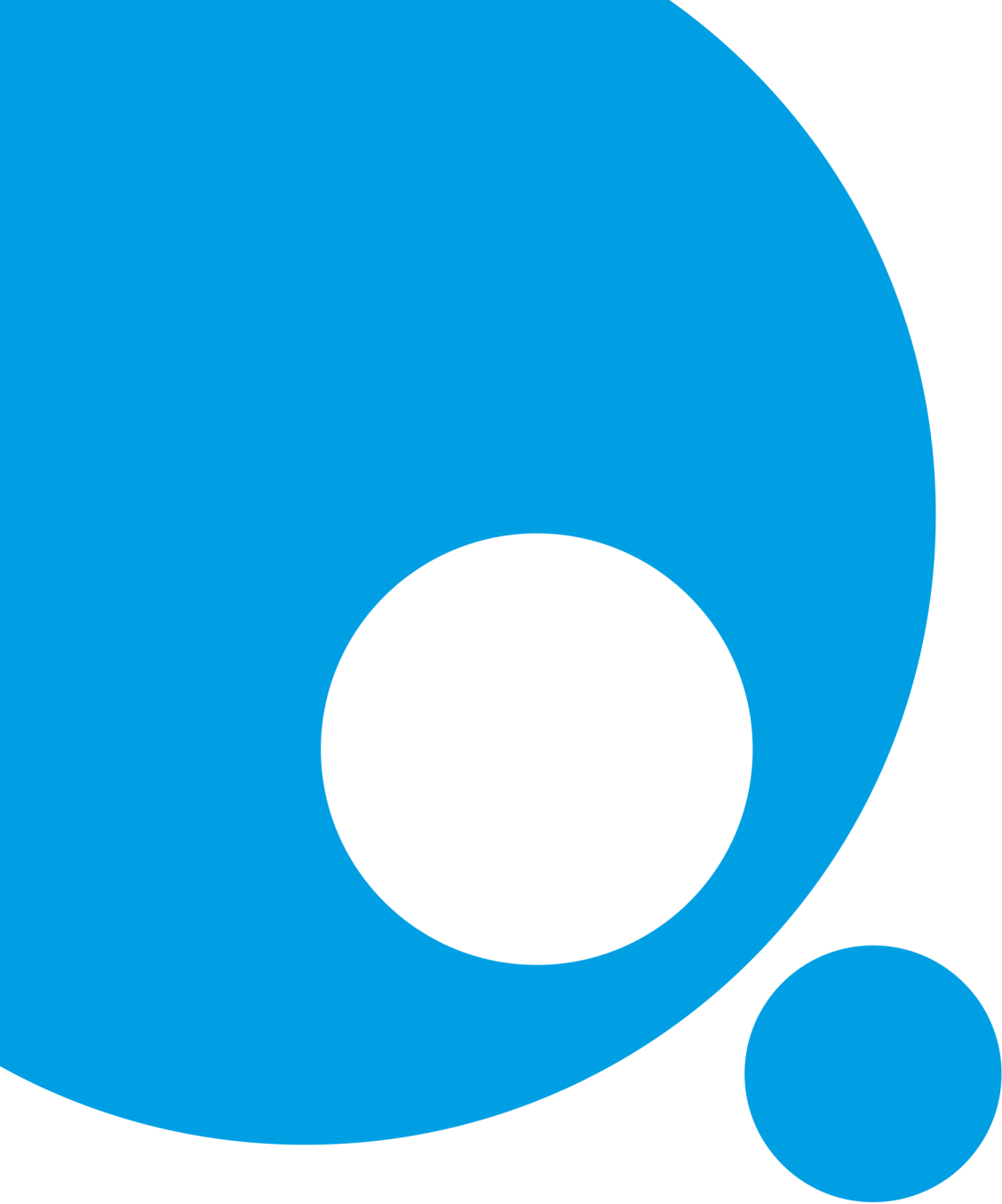
Affordable Housing Statement



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AFFORDABLE HOUSING STATEMENT

THE FORMER PEEK FREAN BISCUIT FACTORY AND THE
BERMONDSEY CAMPUS SITES SE16

SEPTEMBER 2019

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Executive Summary

This Affordable Housing Statement (“AHS”) is submitted to support the amended hybrid planning application for the redevelopment of the Former Peek Frean Biscuit Factory Site and the Bermondsey Campus Site.

The AHS details the improved affordable housing offer secured by the Mayor since taking over determination of the Masterplan Application. Grosvenor has worked with the GLA with the aim of amending the scheme proposals following the London Borough of Southwark's (LBS) resolution that it was minded to refuse the Masterplan Application. This has resulted in the affordable housing offer being increased to 35% (by habitable room) and revisiting the affordability of the affordable housing through an overall increase in unit numbers.

The proposed affordable housing package can be summarised as follows:

- Securing c. 482 new affordable homes, this is 160 more than in 2017.
- All affordable homes will be provided as Discount Market Rent tenure consistent with the scheme comprising entirely Build to Rent residential accommodation.
- The Discount Market Rent homes will comprise:
 - 30% at social rents levels with occupiers nominated through LBS's social housing waiting list ('Social Rent Equivalent').
 - 70% at a discount to Market Rent capped at a maximum household income of £60,000 pa i.e. £323 per week with occupiers nominated through Southwark's intermediate waiting list.
- A two stage review mechanism (early and late) enabling additional Social Rent Equivalent units as part of the overall 35% affordable housing, subject to viability.
- The affordable homes will be managed by a Registered Provider.

Overall the 2019 Amended Proposed Development will provide c. 1,397 habitable rooms of affordable housing on the Site, this is 35% of the development. The Financial Viability Assessment demonstrates, this is the maximum reasonable provision of affordable housing that can be delivered, in accordance with the draft New London Plan.

1 Introduction

1.1 This Affordable Housing Statement (“AHS”) is submitted to support amendments to hybrid planning application (“the Masterplan Application”) 17/AP/4088 for the redevelopment of the Former Peek Frean Biscuit Factory Site and the Bermondsey Campus Site (“the Site”). It has been prepared by Quod on behalf of Southwark GP Nominee 1 Ltd and Southwark GP Nominee 2 Ltd (a subsidiary of Grosvenor Britain and Ireland) (hereafter referred to as ‘Grosvenor’).

1.2 Grosvenor has developed amendments to the Masterplan Application following the Mayor’s direction that he will act as the local planning authority for the purposes of determining the Masterplan Application. This followed the resolution to be minded to refuse the Masterplan Application by LBS’s Planning Committee on 6 February 2019. Four reasons for refusal were cited, one of which was the failure to provide maximum reasonable amount of affordable housing:

“The development fails to provide the maximum reasonable amount of affordable housing, and the affordable housing offers would be at a cost which would not be affordable to those in greatest housing need. As such, the development does not maximise the delivery of affordable housing as required by saved Southwark Plan policy 4.4 ‘Affordable Housing’ Core Strategy policy SP6 ‘Housing for people on different incomes’ and London Plan policy 3.12 ‘Negotiating affordable housing on individual private residential developments’ or the Mayor’s Affordable Housing and Viability SPD 2017. In addition the development does not comply with the specific requirements for Private Rented Housing set out in the submission version (2018) of the New Southwark Plan policy P4 ‘Private rented homes’ in terms of the tenure split or the period for which the PRS housing is secured, or with the draft new London Plan 2017 policy H13 ‘Build to Rent’ in terms of the type of DMR homes being offered. As such, the development would fail to offer genuinely affordable housing to meet a recognised and acute housing need”

1.3 The Masterplan Application was subsequently referred to the Mayor for ‘Stage 2’ Review. Following a review of the Masterplan Application, the Mayor considered the scheme to be of strategic importance noting the potential to make an important contribution to housing and affordable housing supply. On 7 May 2019 the Mayor directed that he would act as the local planning authority for the purpose of determining the Masterplan Application. Paragraph 46 of the Mayor’s Stage 2 Report subsequently stated that:

“Should the Mayor issue a direction to take over determination of the application, negotiations on the affordable housing offer must be continued with the Applicant, noting emerging Southwark Local Plan Policy P4. The Mayor will seek to maximise affordable housing in response to local and strategic policy. Further negotiations will also be required on the affordability of homes to ensure that the scheme provides genuinely affordable homes for Londoners and to ensure that review mechanisms are secured in line with the Mayor’s Affordable Housing & Viability SPD.”

1.4 Discussions have since taken place with the Mayor and explored options to further increase the provision of affordable housing through amendments to the scheme in response to his comments. Grosvenor’s main objectives have been to revisit the Masterplan Application and explore options for increasing the quantum of affordable housing with the aim of seeking to meet the policy requirements of the London Plan but at the same time deliver a viable development.

1.5 This AHS sets out the policy context which has informed these discussions and sets out the amended affordable housing offer.

- 1.6 Quod were appointed to advise on the Masterplan Application following recovery by the Mayor and have prepared this AHS and the Financial Viability Assessment (FVA). Quod have looked at matters afresh. This AHS and the FVA supersede and replace the AHS and FVA submitted to support the Original Masterplan Application and it is intended to support the amendments to the scheme which are described in more detail in Section 4 of this AHS and referred to as the “2019 Amended Proposed Development”.
- 1.7 The revised affordable housing offer secures c. 482 affordable homes and increase of 160 from 2017. All the affordable homes will be Discounted Market Rent tenure comprising 30% at social rent levels with occupiers nominated through LBS’s social housing waiting list “Social Rent Equivalent” and 70% at a discount to Market Rent capped at a maximum household income of £60,000 pa.

Scope of AHS

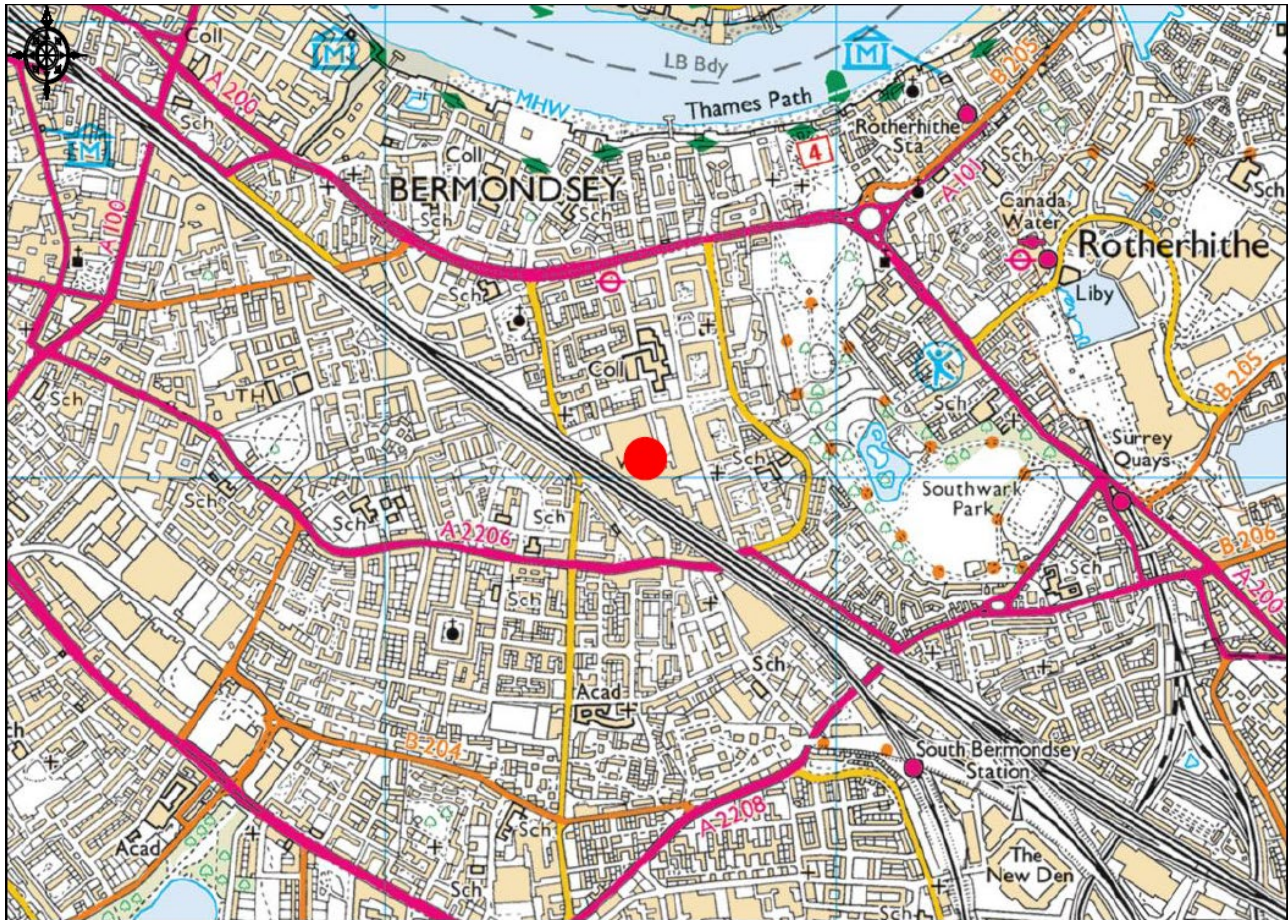
- 1.8 This Statement is structured as follows:
- Section 2: Site Overview and Context
 - Section 3: Planning Policies
 - Section 4: Revised Proposals
 - Section 5: Conclusions
- 1.9 The AHS should be read alongside the other documents which are submitted in support of the 2019 Amended Proposed Development, of particular relevance are the Planning Statement and the FVA.

2 Site Overview and Context

The Site

- 2.1 The Planning Statement and the accompanying Environmental Statement provides a detailed description of the Site and the relevant planning history. By way of brief summary, the Site is located in Bermondsey, in the London Borough of Southwark (LBS), situated c. 0.3 miles south of Bermondsey Underground Station. The Site measures 5.4 ha and comprises two parts, the Existing Former Peek Frean Biscuit factory and the Existing Bermondsey Campus.

Figure 1 Site Location Plan



- 2.2 There are 13 existing buildings on the Site, a number of which are interconnected and linked. The total combined area of the existing buildings is 42,518sqm (GIA) comprising a mix of uses including office, light industrial (B1); general industrial (B2); storage and distribution (B8); education and community (D1) including an existing Compass School; along with some sui generis and meanwhile uses.
- 2.3 The Site benefits from Extant Planning Permission for the redevelopment of the Biscuit Factory (12/AP/2737) granted in October 2013, for up to 800 residential units. The Site is allocated within the emerging New Southwark Plan for a mixed use development of at least 1,500 homes.

The Original 2017 Masterplan Application

- 2.4 The Original Masterplan Application was submitted to LBS in October 2017. This proposed redevelopment of the Site to provide up to 1,342 build to rent dwellings, up to 12,023sqm employment space, a 600-place secondary school and up to 9,380sqm complementary commercial, retail and community floorspace in buildings ranging from 4 to 28 storeys.
- 2.5 The Original Masterplan Application included 1,020 units at private market rent levels and 322 units at discounted market rent (DMR) proposed at a blended average market discount of 25%. This equated to 27% affordable housing by habitable room and 24% by unit. This was the affordable housing proposed considered by LBS's Planning Committee. The residential unit mix proposal is set out in the table below:

Table 2.1 Original Masterplan residential unit mix

Unit Type	Private Rent	Intermediate (DMR @ 75% market rent	Total	%
Studio	146	0	146	11%
1 bedroom	375	118	493	37%
2 bedroom	392	140	532	39%
3 bedroom	107	64	171	13%
Total	1,020	322	1,342	100%

- 2.6 A Financial Viability Assessment accompanied the Masterplan Application evidencing that the proposed affordable housing offer exceeded the maximum reasonable amount that could be justified by viability. The viability was reviewed by GVA on behalf of LBS and despite protracted discussions between the Applicant and LBS (including their respective advisors) there remained differences in the underlying appraisal assumptions. This is further expanded upon in the FVA.
- 2.7 Against this background and without LBS and the Applicant being able to agree the scheme viability, LBS's Planning Committee resolved that it was minded to refuse the Masterplan Application citing, inter alia, the failure to provide the maximum reasonable amount of affordable housing.
- 2.8 It should be noted that through the Original Financial Viability Assessment submitted with the Masterplan Application, Grosvenor have demonstrated that LBS's preferred tenure split as expressed in draft Policy P4 is not viable or deliverable, and does not recognise the trade-off between the quantum of affordable units deliverable and the depth to which rents can be discounted. In their assessment of the Masterplan Application to date, LBS's own external advisors on viability acknowledged that the discount levels and tenure split sought by draft Policy P4 were not achievable on this Site.
- 2.9 Since LBS's decision to be minded to refuse the Masterplan Application, Grosvenor has engaged with the GLA to identify opportunities to review and enhance the scheme with the specific objective of enabling an enhanced affordable housing proposal. This has been challenging given the financial constraints of the scheme but through a combination of increased homes on site, by incorporating opportunities within the wider Grosvenor residential portfolio in proximity of the Site and by revisiting the affordability of the homes proposed.

3 Planning Policy Overview

- 3.1 A detailed review of all the relevant planning policies is set out in the Planning Statement prepared by Gerald Eve. This section of the AHS provides a summary of key policies that have informed the evolution of the proposed affordable housing and that the 2019 Amended Proposed Development will be assessed against.

National

- 3.2 The National Planning Policy Framework (NPPF) provides the national context for planning in England, including Central Government's housing policy objectives. The NPPF was last updated in May 2019.
- 3.3 The NPPF is an important material consideration in the determination of all planning applications. The NPPF directs plans and decision-taking to ensure delivery of a wide choice of high-quality homes for a range of needs for today and in the future (paragraph 8(b)).
- 3.4 The NPPF sets out that planning authorities may give weight to relevant policies in emerging plans according to the stage of preparation of the emerging plan, the extent to which there are unresolved objections to relevant policies and the degree of consistency between the relevant policies and the NPPF (paragraph 48).
- 3.5 National Policy recognises the importance of Built to Rent housing to contribute to local housing needs, defining it as follows:

Purpose Built housing that is typically 100% rented out. It can form part of a wider multi-tenure development either flats or houses but should be on the same site and or continuous within the main development. Schemes will usually offer longer tenancy agreements of three years or more and will typically be professional managed stock in single ownership and management control.

- 3.6 The NPPG sets 20% affordable housing as generally a suitable benchmark for the level of affordable private rent to be provided (and maintained in perpetuity) in any build to rent scheme. The guidance does however allow local authorities to set their own proportions subject to local housing need.
- 3.7 The policies and guidance relating to viability are set out in the FVA.

Regional

- 3.8 The adopted London Plan (2016) contains Policy 3.12 which seeks to secure the maximum reasonable amount of affordable housing, subject to viability on individual private residential and mixed use schemes, providing flexibility to take into account individual circumstances including development viability.
- 3.9 The Affordable Housing SPG 2017 introduces the Threshold Approach to Viability whereby the necessity to provide viability information differs depending on the amount of affordable housing being provided. Schemes providing 35% affordable housing (calculated by habitable rooms), without public subsidy, and that meet the specified tenure mix along with other requirements are not required to submit viability evidence and are not required to include a late stage review mechanism.
- 3.10 The preferred tenure mix is for at least 30% low cost rent, 30% intermediate and the remaining 40% to be determined in partnership with the Local Planning Authority and the GLA. Schemes that do not meet the 35% onsite threshold, or require public subsidy, are required to submit detailed viability

information which will be scrutinised by the LPA, and where relevant the Mayor and will be required to include a late stage review mechanism.

3.11 The Affordable Housing SPG acknowledges the distinct economics of Build to Rent schemes (this is also addressed in the FVA) and the positive contribution that this type of housing can make, for example:

- Attracting investment into London's housing market that otherwise would not be there, particularly since Build to Rent is attractive to institutional investors seeking long terms, inflation tracking returns
- Accelerating delivery on individual sites as they are less prone to absorption constraints that affect the build out rates for market sale properties
- More easily delivering across the housing market cycle as they are less impacted by house price downturns
- Providing a more consistent and at-scale demand for off-site manufacture
- Ensuring a commitment to and investment in place making through single ownership
- Providing better management standards and higher quality homes than other parts of the private rented sector

3.12 Since the submission of the Masterplan Application in 2017, there has been evolution of emerging policy regarding affordable housing within the GLA. The Draft London Plan has been through examination, with the Inspectors' Report due to be published in Autumn 2019.

3.13 Draft Policy H5 of the New London Plan sets out the Mayor's strategic approach to delivering affordable housing. It states that the Mayor's strategic target is for 50% of all new homes delivered across London to be genuinely affordable. To achieve this aim, major developments which trigger affordable housing requirements are required to provide affordable housing through the 'threshold approach' reinforcing the Threshold Approach to Viability (Draft Policy H6), with schemes being tested under the Viability Tested Route if not meeting the required threshold. This reflects the principles introduced through the Affordable Housing SPG.

3.14 Accordingly, draft Policy H6 sets out the Mayor's 'threshold approach' to affordable housing. It states:

A. The threshold approach applies to major development proposals which trigger affordable housing requirements (see paragraph 4.6.15 for scheme types with bespoke approaches).

B. The threshold level of affordable housing on gross residential development is initially set at

- 1. A minimum of 35 per cent; or*
- 2. 50 per cent for public sector land where there is no portfolio agreement with the Mayor; or*
- 3. 50 per cent for Strategic Industrial Locations, Locally Significant Industrial Sites and Non-Designated Industrial Sites appropriate for residential uses in accordance Policy E7 Industrial Intensification, co-location and substitution where the scheme would result in a net loss of industrial capacity*

C. *To follow the Fast Track Route of the threshold approach, applications must meet all of the following criteria:*

1. *meet or exceed the relevant threshold level of affordable housing on site without public subsidy. Where agreed by the borough, small housing developments may follow the Fast Track Route where they meet the relevant threshold level off-site or as an in lieu payment*
2. *be consistent with the relevant tenure split (see Policy H7 Affordable housing tenure). Small housing developments may follow the Fast Track Route where the tenure split is to the satisfaction of the borough.*
3. *meet other relevant policy requirements and obligations to the satisfaction of the borough and the Mayor where relevant.*
4. *demonstrate that they have taken account of the strategic 50 per cent target in Policy H5 Delivering affordable housing and have sought grant to increase the level of affordable housing”*

3.15 Where applications satisfy the above threshold criteria set out in Policy H6, they qualify for the Mayor’s ‘Fast-Track’ Viability Route. ‘Fast-Tracked’ applications are not required to provide a viability assessment at application stage, however applicants are still required to commit to an ‘Early Stage Viability Review’ which would be triggered if an agreed level of progress on implementation is not made within two years of planning permission being granted (or another period agreed by the Local Planning Authority). Draft Policy H6 is not specific to Build to Rent schemes.

3.16 Specific guidance for Build to Rent is set out in Draft Policy H13 is relevant. Policy H13 Part A of the Draft London Plan states that where part B requirements are met the affordable housing offer can be solely Discounted Market Rent at a genuinely affordable rent, preferably London Living rent level. DMR homes must be secured in perpetuity. Part B sets out a number of 10 criteria that must be met:

1. The development or block or phase within a development, has a least 50 units
2. The homes are held as Build to Rent under a covenant for at least 15 years
3. A clawback mechanism intended to ensure there is no financial incentive to break the clawback
4. All the units are self-contained and let separately
5. There is unified ownership and unified management of the private and Discounted Market Rent elements of this scheme
6. Longer tenancies (three years or more) are available to all tenants. These should have break clauses for renters, which allow the tenant to end the tenancy with a month’s notice any time after the first six months

7. The scheme offers rent and service charge certainty for the period of the tenancy, the basis of which should be made clear before a tenancy agreement is signed including any annual increase which should always be formula linked
8. There is on-site management, this does not necessarily mean full-time dedicated on-site staff, but all schemes need to have systems for prompt resolution of issues and some daily onsite presence
9. Providers have a complaints procedure in place and are a member of a recognised ombudsman scheme
10. Providers do not charge upfront fees of any kind to tenants or prospective tenants, other than deposits and rent-in advance.

3.17 Related to Draft Policy H6 Parts C and D of Draft Policy H13 provide guidance on the threshold approach for Build to Rent schemes stating:

C. To follow the Fast Track Route, Build to Rent schemes must deliver at least 35 per cent affordable housing, or 50 per cent where the development is on public sector land or industrial land appropriate for residential uses in accordance with Policy E7 Industrial Intensification, co-location and substitution. The Mayor expects at least 30 per cent of DMR homes to be provided at an equivalent rent to London Living Rent, with the remaining 70 per cent at a range of genuinely affordable rents. Schemes must also meet all other requirements of Part C of Policy H6 Threshold approach to applications.

D. Where the requirements of C above are not met, schemes must follow the Viability Tested Route set out in Policy H6. Viability assessments on such schemes should take account of the differences between Build to Rent and Build for Sale development and be undertaken in line with the Affordable Housing and Viability SPG."

3.18 Where the requirements of C are not met i.e. they fail to "deliver at least 35 percent affordable housing" schemes must follow the Viability Testing Route. Viability assessment on such schemes should take account of the differences between Build to Rent and Build to Sale developments and be undertaken in line with the Affordable Housing and Viability SPG.

Local

3.19 The adopted Southwark Plan sets a minimum 35% affordable housing requirement on developments with 10 or more units. Viability assessment is required where the headline policy cannot be met. The Affordable Housing and Viability SPG identifies a tenure mix of 70% affordable housing as social rent and 30% intermediate accommodation.

3.20 The Draft New Southwark Plan is currently being prepared for submission for Examination. Formal Consultation on the Proposed Submission version ended in May 2019. It is anticipated it will be submitted to the Secretary of State for Examination in Autumn 2019, with an examination in public to follow early in 2020. Adoption is unlikely to be at least Summer 2020.

3.21 Draft Policy P1 sets out Southwark's approach to Social rented and Intermediate Housing in terms of the percentage requirement and approach to viability, maintaining the 35% policy requirement and

40% requirement to avoid the need for a viability appraisal. Details of Policy P1 relevant to this application are set out below:

Percentage:

- 1. Development that creates 11 or more home must provide a minimum 35% social rented and intermediate homes, as set out in Table 1, subject to viability. Expect in the Aylesbury Action area, as set out in table 2. Intermediate tenure homes should be suitable for households on a range of incomes. This may require a mix of shared ownership and other intermediate homes
- 3. The subdivision of sites or phasing or development which has the effect of circumventing affordable housing policy requirements will not be permitted.
- 4. Housing requirements will be calculated in habitable rooms. Where affordable habitable rooms and market habitable rooms are not of equivalent size across the development affordable housing requirements will be calculated in floorspace.

Figure 2 : Table 1 of the Draft New Southwark Plan

Table 1: Affordable homes requirement

Market Housing	Affordable housing	
Up to 65%	A minimum of 35%	
	Social rented housing	Intermediate housing
	A minimum of 25%	A minimum of 10%

Viability

- 1. Viability appraisals and reviews are required for all developments that do not follow the fast track route. Viability appraisals and reviews must be published for public scrutiny. All other development that does not meet affordable housing requirements for viability reasons will be subject to viability reviews
- 2. Development that provides 40% affordable housing with a policy compliant tenure mix (a minimum of 25% social rented and a minimum of 10% intermediate housing) can follow the fast track route and will not be subject to a viability appraisal. A review will only be necessary if amendments are proposed to lower the affordable housing provision to less than 40% following the grant of planning permission.
- 3. Where development cannot provide affordable housing on-site, and off-site affordable housing requirement will be measured in terms of as the total housing provision from the main development site plus any linked sites. This should provide no financial benefit to the applicant.

3.22 The reasons for these policy requirements set out in the supporting text of Draft Policy P1 state that the affordable housing requirements set out above may be applied flexibly where a development

proposal makes a significant contribution towards meeting affordable housing by providing more than 35% affordable homes.

- 3.23 Southwark go on to state they have set a requirement for all development to deliver a minimum of 35% affordable housing. They require planning applications that are not following the fast track route to show that the developments are viable and deliverable and provide a full viability appraisal. The minimum affordable housing requirement applies to both new development and any uplift in housing from redevelopments (current affordable housing provision will be retained).
- 3.24 Southwark consider a range of affordable homes are needed to meet the needs of households which are unable to access suitable housing on the open market. Social homes provide homes to meet the needs of lower income household and intermediate homes can provide suitable homes to meet the needs of minimum income households which are unlikely to access social rent homes and cannot afford suitable homes on the open market. Southwark publishes its own intermediate household income affordability thresholds, and the Mayor considers all households with incomes up to £90,000 pa are eligible for intermediate housing.
- 3.25 The supporting text also states that approximately 57% of Southwark's total housing need is for intermediate housing to meet the housing needs of lower and middle income residents. However the most acute affordable housing need is for social rented housing to meet the needs of homeless households living in unsuitable temporary accommodation such as bed and breakfast or overcrowded conditions. For this reason they require a minimum of 25% of homes to be provided as social rent housing on all major developments.
- 3.26 The draft New Southwark Plan also supports the delivery of new Build-to-Rent housing in draft Policy P4. This acknowledges that Build to Rent housing can meet the needs of residents who cannot afford to or do not want to buy private homes in Southwark. In respect of affordable housing Draft Policy P4 states:

New self-contained, private rented homes in developments providing 100 homes or more must...

1.7. Provide affordable homes in accordance with P1 or Table 3, subject to viability. Where the provision of private rented homes generates a higher development value than if the homes were built for sale, the minimum affordable housing requirement will increase to the point where there is no financial benefit to providing private rented homes over built for sale homes.

1.8. Be subject to a viability review to increase the number of and/or the affordability of affordable homes where an improvement in scheme viability is demonstrated between the grant of planning permission and the time of the review.

2. Discount market rent homes at social rent equivalent must be allocated to households on Southwark's social housing waiting list. All other discounted market rent homes must be allocated to households on Southwark's Intermediate Rent Housing List"

Figure 3 Table 3 Draft New Southwark Plan

Table 3: Affordable housing requirement option on qualifying private rented homes scheme

Market Housing	Affordable housing		
Up to 65%	A minimum of 35%		
	Social rent equivalent	Affordable rent capped at London Living rent equivalent	Affordable Rent for household incomes between £60,000 and £90,000 per year ²
	A minimum of 15% A minimum of 12% (34%)	A minimum of 20% A minimum 18% (52%)	A minimum 5% (14%)

- 3.27 Draft Policy P4 accepts that affordable homes delivered through this policy will comprise Discount Market Rent homes and introduces an aspiration for an element of these to comprise 'social rent equivalent'. Social Rent Equivalent homes are required to receive allocations through LBS's Housing Waiting List. All other discounted market rent homes will be made available to households on LBS's Intermediate Rent Housing List.
- 3.28 Importantly these policies are in draft status and subject to examination by Inspector in 2020, and therefore limited weight can be given to them at this stage.

4 Amended Proposals

- 4.1 Following the direction from Mayor to take over the Original Masterplan Application and act as the local planning authority in its determination, discussions with the GLA and the Applicant have taken place resulting in proposed amendments that seek to address LBS's reasons for refusal.
- 4.2 The amendments are set out in full in the Planning Statement prepared by Gerald Eve. The primary amendment is the increase in the overall quantum of residential accommodation by 206 units and the increase in the number of affordable homes delivered whilst retaining the design principles and significant public benefits of the development.
- 4.3 In the context of the LBS's concern that the scheme failed to deliver the maximum reasonable affordable housing, the proposed affordable housing has been amended to secure an increased quantum of affordable housing along with improvements to the affordability including Social Rent Equivalent homes.
- 4.4 The 2019 Amended Proposed Development is described as:

"A hybrid planning application comprising:

Full Planning Permission for demolition, alternations and extension of existing buildings and erection of new buildings comprising a mixed use scheme providing up to 1,418 residential units, up to 3,436 sqm GEA of flexible A1/A3/A4 floorspace, up to 14,666 sqm GEA of flexible Class D1/D2 and up to 3,311 sqm GEA of multi-use floorspace (A1/A3/A4/D1) within Building BF-F, a new secondary school, in buildings ranging from 5 to 35 storeys in height as well as the creation of a single storey basement. The development also includes communal amenity space, landscaping, children's playspace, car and cycle parking, installation of plant, new pedestrian vehicular and servicing routes, the creation of two new pedestrian routes through the Railway Arches and other associated works; and

Outline planning permission (with all matters reserved) for the part demolition and part retention of existing buildings and erection of two new buildings comprising a mixed use scheme providing up to 130 residential units and up to 780 sqm GEA of flexible A1/A3/A4/D1/Sui Generis Uses and other associated works."

- 4.5 The 2019 Amended Proposed Development includes a level of flexibility of uses and floorspace. For the purposes of preparing a viability appraisal of the scheme an indicative area schedule has been prepared setting out the land use components across both detailed and outline components.

Table 4.1 Amended Proposed Development Uses and Floorspace

Land Use	2019 Amended Proposed Development Sqm (GEA)
Residential (Class C3)	160,176
Retail (Class A1/A3/A4)	3,436
Multi Use Floorspace –building BF-F only (Class A1/A3/A4/D1)	3,311
Commercial (Class B1)	14,666
School (Class D1)	6,973

Community and Leisure (Class D1/D2)	869
DETAILED SUB-TOTAL	189,431
Residential (Class C3)	13,103
Flexible (Class A1/A3/A4/D1/Sui-Generis)	780
OUTLINE SUB-TOTAL	13,884
OVERALL TOTAL	203,314

4.6 The 2019 Amended Proposed Development provides 1,548 residential units, comprising a mix of unit sizes summarised below.

Table 4.2 Amended Proposed Development Residential Unit Mix

Unit Type	Number of Units	Habitable Rooms (GLA measure)	% Units	% hab rooms
Studio	132	132	8.5%	3.3%
1 bed	598	1,196	38.6%	30.0%
2 bed	615	1,845	39.7%	46.3%
3 bed	199	796	12.9%	19.9%
4 bed	4	20	0.3%	0.5%
Total	1,548	3,989	100%	100%

4.7 All of the homes will be provided as Build to Rent and as such specific policies relating to Build to Rent apply. This includes Draft London Plan Policy H13 and the criteria outlined in Part B and the approach to affordable housing detailed in Part C and the Draft New Southwark Plan Policy P4. In accordance with the NPPF consideration will need to be given to the weight that is given to these draft policies. In order to meet the requirements of Draft Policy H13 Part C, for the scheme to follow the Fast Track Route Build to Rent it must deliver at least 35% affordable housing – to be calculated on habitable rooms. The total habitable rooms proposed comprise 3,989 requiring at least 1,397 affordable habitable rooms to be delivered to meet the 35% requirement.

Build to Rent Proposals

4.8 As set out above all of the homes are Build to Rent tenure, of these 1,066 are to be provided as Build to Rent homes to be owned and managed by Grosvenor. The proposed Build to Rent housing will provide high quality secure professionally managed housing for a growing number of households who are currently either unable to afford private sale housing or who do wish to buy and who are unlikely to be prioritised for affordable housing to buy or to rent.

4.9 The proposed Build to Rent housing mix is set out in the table below:

Table 4.3 Built to Rent Unit Mix

Studio	1 bed	2 bed	3 bed	4 bed	Total
132	432	412	90	0	1,066
12%	41%	39%	8%	0	100%

4.10 The design and management benefits of Built to Rent include:

- Durable design providing high quality apartments, built to specifically cater for the needs of renters
- Appropriate apartments suitable for sharers with equal sized bedrooms and additional bathrooms and built in wardrobes
- Managed communal gardens and leisure spaces including external terraces and gardens
- 24 hour on site security, maintenance and professional management team (including concierge)
- Access to a range of onsite utilities and ultrafast broadband
- Access to a wide range of internal amenity spaces included in key buildings.
- Homes offered with more secure longer lasting tenancy terms and rents which are inclusive of all service charges.

4.11 The size and nature of the 2019 Amended Development Proposals will create a critical mass and place making that will create a new location attractive to renters with a range of onsite retail, F&B, leisure and community amenities.

4.12 The tenancy terms are set out below:

Table 4.4 Build to Rent tenancy terms

Tenancy Term	Description
Tenancy Type	Assured Shorthold Tenancy (AST).
Service Charges	No additional service charge will be added to rents
Tenancy Length	Flexible tenancy lengths will be provided from 1-5 years
Rent Certainty	There will be no surprise rent increase. Grosvenor will increase rents by no more than the rate of inflation +1%
Up front Fees	There will be no upfront or hidden costs
Tenants Right to Renew	Tenants will always have the automatic right to renew their tenancy subject to pre-determined criteria (i.e. no rent arrears etc).

4.13 The Built to Rent Homes have been designed specifically for the private rental market and are bespoke in this regard. In accordance with GLA Policy H13 the units would be subject to a 15 year covenant (secured via S106 Agreement).

Discount Market Rent Proposals

4.14 The 2019 Amended Proposed Development secures a significant increase in the number of Discount Market Rent homes, with an improvement to the depth of discounts including Discount Market Rent homes provided at Social Rent Equivalent consistent with the aspirations of LBS.

4.15 The 2019 Amended Proposed Development secures delivery of c. 1,397 affordable habitable rooms. This quantum of habitable rooms exceeds the 35% requirement, set out in paragraph 4.7 above.

4.16 The housing breakdown is summarised in table 4.5 below.

Table 4.5 Housing Breakdown

Tenure	Units	%	Habitable Room	%	Floorspace (NIA sqm)	%
Private	1,066	69%	2,592	65%	68,643	67%
Affordable	482	31 %	1,397	35%	34,250	33%
Total	1,548	100%	3,989	100%	102,893	100%

4.17 Compared to the Original 2017 Masterplan Application the 2019 Amended Proposed Development will secure an additional 206 homes for Southwark, an increase of c.160 affordable homes. In total c. 482 affordable homes, all Discount Market Rent, will be delivered through the scheme. This is a 43% increase in affordable habitable rooms / 50% increase in affordable homes where compared with the 2017 Masterplan Application proposals.

4.18 These homes will be secured via the S106 Agreement, and it is anticipated that they would be managed by a Registered Provider (RP) as part of the overall package of affordable housing. The location of the units is shown on a plan enclosed as Appendix 1 of this Statement.

4.19 The approach taken ensures the overall contribution to affordable housing has been optimised. The FVA evidences that the proposed package of affordable housing proposals exceeds the level that can be justified on the basis of viability alone and therefore complies with planning policy.

Tenure and Affordability

4.20 The 2019 Amended Proposed Development delivers improvements to the tenure and affordability of homes compared to the Original 2017 Masterplan Application proposals. All of the 1,397 habitable rooms are provided as Discount Market Rent (DMR) tenure, consistent with the scheme comprising entirely Build to Rent residential accommodation. The Discount Market Rent has been split into different affordability levels. Consistent with the Draft New Southwark Plan Policy P4 Social Rent Equivalent homes are secured at social rent levels and allocated to households on Southwark's social housing waiting list.

4.21 The split of the proposed Discount Market Rent tenure homes can be summarised as:

- 140 units are to be provided at social rent levels ('Social Rent Equivalent'); and
- 342 units are to be provided at rents up to £323 per week restricted to households with a maximum household income of £60,000 pa incomes ('DMR').

4.22 In terms of tenure split this equates to 30: 70 Social Rent Equivalent: DMR calculated by habitable 7room. The proposed tenure split exceeds the preferred tenure split for Build-to-Rent set out by the Mayor in draft New London Plan Policy H13(C), by providing 30% DMR homes at a greater depth of discount than London Living Rent, in response to local need. The balancing 70% provision of Discount Market Rent at rents capped at household incomes up to a maximum of £60,000 pa will also provide a genuinely affordable product as sought by draft Policy H13.

4.23 It is acknowledged that while the affordable housing provision of 35% quantum is met it does not meet the preferred tenure split set out in LBS's emerging draft Policy P4. However, in accordance with planning policy the proposed affordable housing offer is in excess of what can be justified on the basis of viability alone and therefore provides in excess of the maximum reasonable amount. This is evidenced in the FVA. It should be recognised that, as sought in the Mayor's Stage 2 comments, the affordable housing provision includes provision for local need by providing Social Rent Equivalent homes as part of the Discount Market Rent delivery. The table below provides a summary of the significant movement between the Original Masterplan Application proposal in 2017 and the 2019 Amended Proposed Development proposal towards the requirements of draft Policy P4 and makes an important contribution towards meeting local housing need in Southwark.

Table 4.6 Difference in Affordable Housing Proposals

	Original Proposal (2017)	Amended Proposal (2019)	Difference
Affordability	25% discount to scheme rents	30% Social Rent 70% maximum £60k pa HH income	Improved affordability
Breakdown:			
Social Rent Equivalent	Nil	140 units	+140 units
DMR	322 units	342 units	+ 20 units but affordability capped at £60k pa HH income

4.24 The Social Rent Equivalent rent levels will be capped at Target Rents as defined by National Formulas. Estimated rents per week (excluding service charge) are:

- 1 bed - £134p/w
- 2 bed - £160p/w
- 3 bed - £169 p/w
- 4 bed - £178 p/w

4.25 The rents are substantially below LHA rent levels for South East London BRMA, ensuring they are meaningfully affordable to local needs and in accordance with the draft London Plan and Mayor's Affordable Housing SPG.

4.26 The DMR units are restricted to a maximum household income of £60,000 pa which equates to a weekly rent of £323p/w (inclusive of service charge). The S106 will ensure that no more than 40% of net household income is spent on rent and service charges.

4.27 The overall mix of the affordable tenures and sizes of units secured is summarised in Table 4.7.

Table 4.7 Affordable Housing Unit Mix 2019 Proposals

Tenure	1 bedroom		2 bedrooms		3 bedrooms		4 bedrooms		Total	
	Units	HB	Units	HB	Units	HB	Units	HB	Units	HB
DMR	123	246	146	438	73	292	0	0	342	976
Social Rent Equivalent	43	86	57	171	36	144	4	20	140	421
Total AH	166	332	203	609	109	436	4	20	482	1,397

Grant Funding

4.28 The 35% affordable housing is secured without recourse to grant funding.

Location of Affordable Housing

4.29 The 2019 Amended Proposed Development is designed to maintain the principle of integrated across the Site whilst consolidating provision of affordable housing in individual buildings. This offers the opportunity to enter into partnership with RPs to manage and operate the affordable housing accommodation.

4.30 The affordable housing is to be provided in buildings BF-W, BF-U, BF-V, BF-OP and BC-5. Building BC-1234 is proposed as a mixed-tenure building where additional Discount Market Rent homes would be provided alongside privately let homes.

4.31 Individual blocks and numbers of units are summarised in the table below, full details are provided in the accompanying Design & Access Statement.

Table 4.8 Affordable Housing Locations

Building Name	Tenure	Approx. Number of Units
Phase 1		
Building OP	DMR	75
Building OP	Social Rent Equivalent	37
Phase 2		
Building V	DMR	75
Building U	DMR	55
Building W	DMR	9
Building W	Social Rent Equivalent	49
Phase 3		
Building 5	Social Rent Equivalent	38
Building 1,2,3,4	DMR	128
Building 1,2,3,4	Social Rent Equivalent	16
Total	Social & Intermediate	482

Delivery

- 4.32 The Applicant owns the Site. It is in a position to proceed with implementation of the planning permission for the 2019 Amended Proposed Development. The Applicant's original intention was to own and manage the entire scheme. As a consequence of the amendments which have been made to increase the quantum of affordable housing, the Applicant now intends to arrange for the DMR elements to be managed by an RP. The initial discussions with RPs have been positive and selection of a partner will be progressed as the project is brought forward. The Applicant is willing to enter into a S106 Agreement to secure compliance with the requirements of draft London Plan Policy H13B.

Review Mechanism

- 4.33 A two stage review mechanism is provided, to be undertaken early (linked to delivery of the school meaningful) and late stages in the scheme. This mechanism will enable additional Social Rent Equivalent units as part of the overall 35% affordable housing up to the levels in draft Policy P4, subject to viability.

5 Conclusion

- 5.1 Amendments to the scheme secured by the Mayor since taking over determination of the scheme improves the amount and affordability of the affordable housing that will be delivered.
- 5.2 In summary the proposed affordable housing comprises the following:
- c. 482 new affordable homes, this is 160 more than in the Original Masterplan proposals in 2017.
 - All affordable homes provided as Discount Market Rent tenure consistent with an entirely Build to Rent scheme providing protections that these homes remain as affordable housing in the future
 - The Discount Market Rent homes to be provided as:
 - 30% at social rents levels with occupiers nominated through Southwark's social housing waiting list ('Social Rent Equivalent').
 - 70% at a discount to the scheme's Market Rent capped at a maximum household income of £60,000 pa i.e. £323 per week with occupiers nominated through Southwark's intermediate waiting list.
 - All the affordable homes are to be provided on site integrated across the Site
 - A two-stage review mechanism (early and late) enabling additional Social Rent Equivalent units as part of the overall 35% affordable housing, subject to viability.
 - The affordable homes will be delivered by a Registered Provider.
- 5.3 Overall the 2019 Amended Proposed Development will provide c. 1,397 habitable rooms of affordable housing on the Site, this is 35% of the development. The Financial Viability Assessment demonstrates this is the maximum reasonable provision of affordable housing that can be delivered, in accordance with the draft New London Plan.
- 5.4 It is acknowledged that while the affordable housing provision of 35% quantum is met it does not meet the preferred tenure split set out in LBS's emerging draft Policy P4. The review mechanism will provide an opportunity to achieve the quantum targeted through draft Policy P4 within the 35% overall delivery. Viability evidence is provided to demonstrate the proposals are maximum reasonable. The submitted FVA provides detail on the viability of the scheme and evidences that the proposals are in excess of what can be justified on the basis of viability alone and represent in excess of the maximum reasonable thereby complying with policy. This is in accordance with the draft London Plan under the Viability Tested Route.

APPENDIX 1

AFFORDABLE HOUSING LOCATIONS

Proposed Building Naming & Zoning

Affordable housing location

*for illustrative purposes only

