



Winstanley and York Road Estate Regeneration

Hybrid Application

Financial Viability Summary

Town And Country Planning Act 1990 -
Application For Planning Permission

Montagu Evans
January 2018

**Taylor
Wimpey**

THE BRIGHTER BOROUGH
Wandsworth

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APPENDICES

1. Parameter Plan

1. Introduction

1. This report has been prepared to provide a summary of the Financial Viability Assessment prepared by Montagu Evans LLP and submitted on behalf of Winstanley and York Road Regeneration LLP (the Applicant) to support an application for planning permission on the site known as the York Road Estate, York Gardens and part of Winstanley Estate (the Site).
2. The Applicant comprises of Taylor Wimpey and the London Borough of Wandsworth (LBW). This follows Taylor Wimpey's selection by the London Borough of Wandsworth as their preferred partner in February 2017 through a competitive tender process to redevelop the Site as an Estate Regeneration Project. The joint venture was formalised in September 2017.
3. The Estate Regeneration Project dates back prior to the Council establishing the joint venture with Taylor Wimpey and to 2012 when the Council agreed a programme to improve the physical environment, and raise the aspirations and improve the life chances of those living in the most deprived areas of the borough.
4. Whilst being a standalone proposal, the Applicant has already obtained planning permission for the redevelopment of Land to the North of Grant Road (Ref: 2017/6864) which is located to the south of the Site. This permission provides 93 private and 46 affordable dwellings. A number of the existing residents on the Site will relocate to these affordable dwellings as part of an early phase of the decant proposals.
5. Alongside this, the Land North of Grant Road permission will deliver a school and a chapel which are intended to provide replacement accommodation for both the Thames Christian College and Battersea Chapel Baptist Church which currently reside on the Site.
6. The Council has also delivered a further circa 107 new units on other decant sites within the vicinity of the Site (less than one kilometre away). These site are listed below and are required to facilitate the relocation of existing residents during the delivery of the development.
 - Rowditch Lane – 6 units;
 - Shuttleworth Road – 71 units;
 - Gideon Road – 18 units;
 - Tynham Close – 8 units; and
 - Lavender Hill – 4 units.
7. The Application seeks part outline and part detailed planning permission for:
 - a) Phased demolition of all existing buildings;
 - b) Mixed use phased development comprising residential, leisure, health, flexible commercial uses, (including retail, financial and professional services, café / restaurants, drinking establishments, hot-food takeaways, business, non-residential institutions and assembly and leisure) park, landscaping and public realm, energy centres, and new vehicle accesses. All matters reserved except for phased construction of Blocks 1, 5 and 6 together with a park and associated works; and
 - c) Site clearance and enabling works including works to Winstanley Road. Temporary works necessary to enable the approved development.

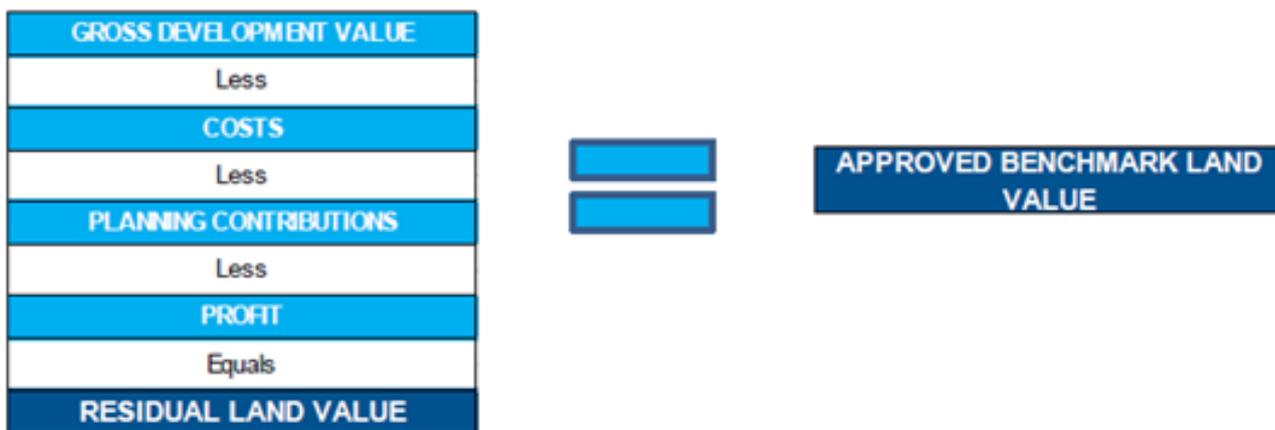
8. Estate regeneration schemes are required to follow the ‘Viability Tested Route’ as set out within the Homes for Londoners Affordable Housing and Viability Supplementary Planning Guidance (2017) and the draft new London Plan Policy H6 (‘Threshold approach to applications’).
9. In accordance with planning policy, Montagu Evans LLP have been instructed by the Applicant to assess the maximum reasonable amount of affordable housing that the proposed development is able to provide by undertaking a Financial Viability Assessment. The process has involved comprehensive modelling undertaken over a number of months with the applicant in order to maximise the provision of affordable housing whilst being able to support the considerable other benefits being provided by the proposals, including:
 - New community centre including a gym, swimming pool and library;
 - Up to 7,820 sq. m (GIA) of flexible commercial floorspace (A1-A5, B1, D1 and D2);
 - The re-provision of approximately 2.49 ha of open space; and
 - Cycle parking and enhanced public transport access.
10. This report summarises the financial viability as detailed within the Financial Viability Assessment which provides justification for the levels of affordable housing and other planning benefits included within the planning application.
11. We briefly summarise the current and proposed residential accommodation on the site below:

Tenure	Existing Units	Proposed Units	Difference
Social & Affordable Rent	541	584	+43
Intermediate	0	308	+308
Private Sale	218	1,316	+1,098
Build to Rent	0	342	+342
TOTAL	759	2,550	+1,791

12. In accordance with the Mayor’s Good Practice Guide to Estate Regeneration, the scheme will not result in a net loss of affordable housing. Appendix 1 of the Good Practice Guide sets out the relevant planning policies in the current London Plan and the Mayor’s draft new London Plan in relation to the replacement of affordable homes in estate regeneration.
13. Policy H10 of the Mayor’s draft new London Plan, ‘Redevelopment of existing housing and estate regeneration’, states that the loss of existing housing is generally only acceptable where the housing is replaced at existing or higher densities with at least the equivalent level of overall floorspace.
14. Where loss of existing affordable housing is proposed, the policy states that it should not be permitted unless it is replaced by equivalent or better quality accommodation, providing at least an equivalent level of affordable housing floorspace. Also it should generally produce an uplift in affordable housing provision.
15. The regeneration is a joint venture between Taylor Wimpey and the Council. The Council’s offer to residents was that all social rent tenants and resident leaseholders (via shared equity) would have a right to remain on the regenerated estate and to keep the community together. The partnership is committed to meeting these commitments and providing a net uplift in affordable housing on the site. The proposals will result in an increased level of affordable housing, provided to a high quality standard.
16. The comprehensive viability modelling has shown that the scheme cannot viably afford to provide the level of affordable housing proposed whilst providing the significant other benefits and allowing for a competitive return to the Applicant to enable the development to be delivered.
17. The provision of the proposed affordable housing and other planning benefits creates a viability deficit. However, the joint-venture partnership between LBW and Taylor Wimpey have wider objectives and are therefore willing to proceed at this level of affordable housing.

2. Summary of Financial Viability Position

- 1 The viability of a development for planning purposes is assessed by comparing the residual land value of the proposed development with an appropriate Benchmark Land Value (BLV). If the residual land value is lower than the BLV then the scheme is not technically viable with the level for affordable housing and other planning benefits required or being proposed.
- 2 This is illustrated by the diagram below.



- 3 We are pleased to summarise the viability position below.

Benchmark Land Value

- 4 In order to arrive at a suitable Benchmark Land Value (BLV) for viability purposes we have assessed the Existing Use Value of the properties which will be demolished on the site and added a landowner’s premium. It is accepted viability practice to add a premium to the Existing Use Value to reflect the incentive required for the landowner to release the asset for redevelopment.
- 5 In accordance with the Mayor’s Affordable Housing and Viability Supplementary Planning Guidance (SPG), the ‘Existing Use Value plus’ (EUV+) approach is usually the most appropriate for planning purposes and in most circumstances, the Mayor will expect this approach to be used.
- 6 The Viability Planning Practice Guidance (PPG) and updated National Planning Policy Framework were published on 24th July 2018. The Viability PPG states that, “To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements.”
- 7 The EUV + approach adopted and summarised below is therefore in accordance with both the NPPF and Mayors SPG.

Existing Affordable Residential Accommodation

Address	No. Properties	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Existing Use Value
Pennethorne House	106	13	25	59	0	9	£7,036,500
Chesterton House	40	0	1	21	18	0	£3,275,250
Holcroft House	107	15	28	58	0	6	£6,883,500
Scholey House	106	15	30	53	0	8	£6,799,250
Arthur Newton House	41	13	14	5	8	1	£2,507,000
Ganley Court	23	4	11	4	3	1	£1,458,000
Shepard House	32	12	0	14	6	0	£2,238,000
Gagarin House	28	7	0	15	6	0	£2,120,250
Farrant House	14	0	4	6	4	0	£1,017,500
Jackson House	11	0	4	6	1	0	£734,750
Kiloh Court	15	0	3	12	0	0	£1,026,000
Baker House	1	0	0	0	1	0	£94,250
Lavender Road	3	0	0	3	0	0	£218,250
TOTAL	527	79	120	256	47	25	£35,408,500

Existing Private Residential Accommodation

Address	No. Properties	Studio	1 bed	2 bed	3 bed	4 bed	Existing Use Value
Pennethorne House	26	3	7	9	0	7	£7,310,000
Chesterton House	21	0	0	9	12	0	£6,465,000
Holcroft House	25	1	4	10	0	10	£7,690,000
Scholey House	27	2	2	15	0	8	£8,075,000
Arthur Newton House	14	1	4	4	4	1	£4,855,000
Ganley Court	23	0	8	5	6	4	£10,470,000
Shepard House	6	0	0	4	2	0	£2,170,000
Gagarin House	8	2	0	4	2	0	£2,630,000
Farrant House	8	0	0	8	0	0	£2,800,000
Jackson House	13	0	2	8	3	0	£4,585,000
Kiloh Court	9	0	4	5	0	0	£3,010,000
Baker House	5	0	0	1	4	0	£1,890,000
Lavender Road	1	0	0	1	0	0	£350,000
1 Lavender Road	5	0	4	1	0	0	£1,610,000
Meyrick Road	11	3	3	5	0	0	£3,385,000
Darien House	16	0	16	0	0	0	£5,040,000
Galleon Court	14	0	2	11	1	0	£4,865,000
TOTAL	232	12	56	100	34	30	£77,200,000

Commercial & Community Accommodation

- 8 In order to ensure that our approach to arriving at a suitable Benchmark Land Value for the existing and residual land value for the proposed is consistent and to avoid any element of double counting we have taken the following approach:
- Where the community facilities on site are being demolished and re-provided, we have not included any value within the Benchmark Land Value or residual viability appraisal. We have only made an allowance for the estimated construction costs to re-provide the facilities within the viability appraisal.
 - Where the commercial properties on the site are either let (income producing) or are in private ownership, we have included a value for them within the Benchmark Land Value. Within the viability appraisal we have made an allowance for the cost to construct the new commercial accommodation and a value for them once completed. This value is in excess of their Existing Use Value due to improved quality of the accommodation and regenerated area generally.

- 9 We have undertaken an Existing Use Value of the commercial properties on the site including the Lavender Road retail parade which totals **£530,000**.

Existing Use Value + Landowners' Premium

- 10 As set out within the Affordable Housing and Viability Supplementary Planning Guidance, a landowner's premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site specific circumstances. We have considered the following site specific circumstances when applying premiums to the subject properties:
- Private residential owner occupiers and investors will find it very difficult to purchase a similar property in the area at the current Existing Use Value.
 - There is significant costs associated with an owner occupier moving including stamp duty, legal fees and general moving costs.
 - Residential investors would also be faced with additional costs to invest in another property elsewhere including the additional second home stamp duty liability.
 - Landowners are aware that the site will be comprehensively redeveloped and they will require a sufficient premium to persuade them to release their properties based upon their perception of the value that will be released by the development.
- 11 Based upon the above, we set out below our opinion of the total Benchmark Land Value after applying appropriate premiums:

Accommodation	Total Existing Use Value	Landowners' Premium (%)	Landowners' Premium (£)	Total Benchmark Land Value (£)
Affordable Residential	£35,408,500	20%	£7,081,700	£42,490,200
Private Residential	£77,200,000	30%	£23,160,000	£100,360,000
Commercial Accommodation	£530,000	20%	£106,000	£636,000
TOTAL	£113,138,500	26.8%	£30,347,700	£143,486,200

Viability Appraisal

- 12 We briefly summarise the proposals below and attach a parameter plan with each of the proposed blocks labelled at **Appendix 1**. A full set of detailed plans and accommodation schedules are available through the LBW planning website.

Residential Accommodation

Overall Proposed Housing Mix							
Apartment Type	Social Rent	Affordable Rent	Shared Equity	Shared Ownership	Private Sale	Private Rent	Total
1 Bed 1 Person	0	0	0	0	7	7	14
1 Bed 2 Person	201	54	28	115	460	179	1,037
2 Bed 3 Person	13	0	5	2	90	0	110
2 Bed 4 Person	143	38	31	60	517	149	938
3 Bed 5 Person	76	0	12	26	48	7	169
3 Bed 6 Person	6	4	0	2	194	0	206
4 Bed 6 Person	33	4	10	17	0	0	64
5 Bed 8 Person	8	0	0	0	0	0	8
6 Bed 10 Person	2	0	0	0	0	0	2
7 Bed 8 Person	2	0	0	0	0	0	2
TOTAL UNITS	484	100	86	222	1,316	342	2,550
TOTAL NIA SQ M	34,498	6,190	6,073	14,555	92,555	20,909	174,780
TOTAL NIA SQ FT	371,336	66,629	65,370	156,670	996,262	225,064	1,881,331

- 13 In addition to the above net saleable area there is an estimated 1,427 sq. m (15,360 sq. ft.) of residential accommodation included within the viability appraisal (spread across the blocks within the outline element) to account for the provision of 10% wheelchair units.

Non-residential Accommodation

- 14 The proposed development includes a range of flexible commercial floorspace (A1-A5, B1, D1 and D2) and a new community centre including a gym, swimming pool and library. We briefly summarise the accommodation below:

Proposed Floorspace				
Non Residential Use	Phase	Block	GIA (Sq. m)	GIA (Sq. Ft.)
Flexible Commercial	1	1A	143	1,534
Flexible Commercial	1	1B	2,048	22,045
Leisure & Community Centre	1	1	12,400	133,474
Retail	1	5A	393	4,231
Health Centre	2	10	1,022	11,055
Retail	6	2	1,117	12,019
Retail	6	3	439	4,720
Retail	6	4	401	4,312
Workspace	6	3/4	1,741	18,737
Flexible Commercial	2	11	1,541	16,584
TOTAL			21,245	228,711

Financial Viability Appraisal - Summary of Inputs & Results

- 15 Based upon market research and a draft construction cost estimated prepared by the Applicant's Quantity Surveyors, we have undertaken a residual appraisal of the proposed development and summarise below.

Financial Viability Appraisal – Summary of Inputs & Results			
Revenue	Units	Average Value per sq. ft.	Gross Development Value
Private Residential Sale (including ground rents)	1,316	£871	£882,648,659
Private Build to Rent	342		£170,151,429
Affordable Residential (Social Rent / Affordable Rent / Intermediate)	892	£156 / £287 / £415	£170,111,029
Commercial			£34,068,661
Gross Development Value			£1,256,979,777
Less Commercial Purchaser's Costs			(-£13,505,519)
Net Development Value			£1,243,474,258
Costs			Total Cost
Private Residential Construction			£352,496,600
Build to Rent Construction			£72,549,380
Affordable Residential Construction			£206,214,712
Commercial Construction			£23,313,675
Community Facilities Construction			£55,289,937
Other Construction – All Phases			£56,898,305
Contingency	5%		£38,338,130
Professional Fees	10%		£80,510,074
Community Infrastructure Levy Estimate			£59,258,905
Marketing, Letting, Legal & Disposal Fees			£34,778,560
Developer's Return – Private Residential	20% GDV		£176,529,732
Developer's Return – Private BTR	15% GDV		£25,522,714
Developer's Return - Affordable	6% GDV		£10,206,662
Developer's Return – Commercial	17.5% GDV		£5,962,016
Developer's Return – Community	6% Cost		£3,831,593
Finance – 7% Debt Debit Rate			£64,424,615
Residual Land Value			(-£22,651,352)

- 16 It can be seen from the above that the proposals result in a negative residual land value of **(-£22,651,352)** and a viability deficit of **(-£166,137,552)** when compared to a total Benchmark Land Value of £143,486,200.

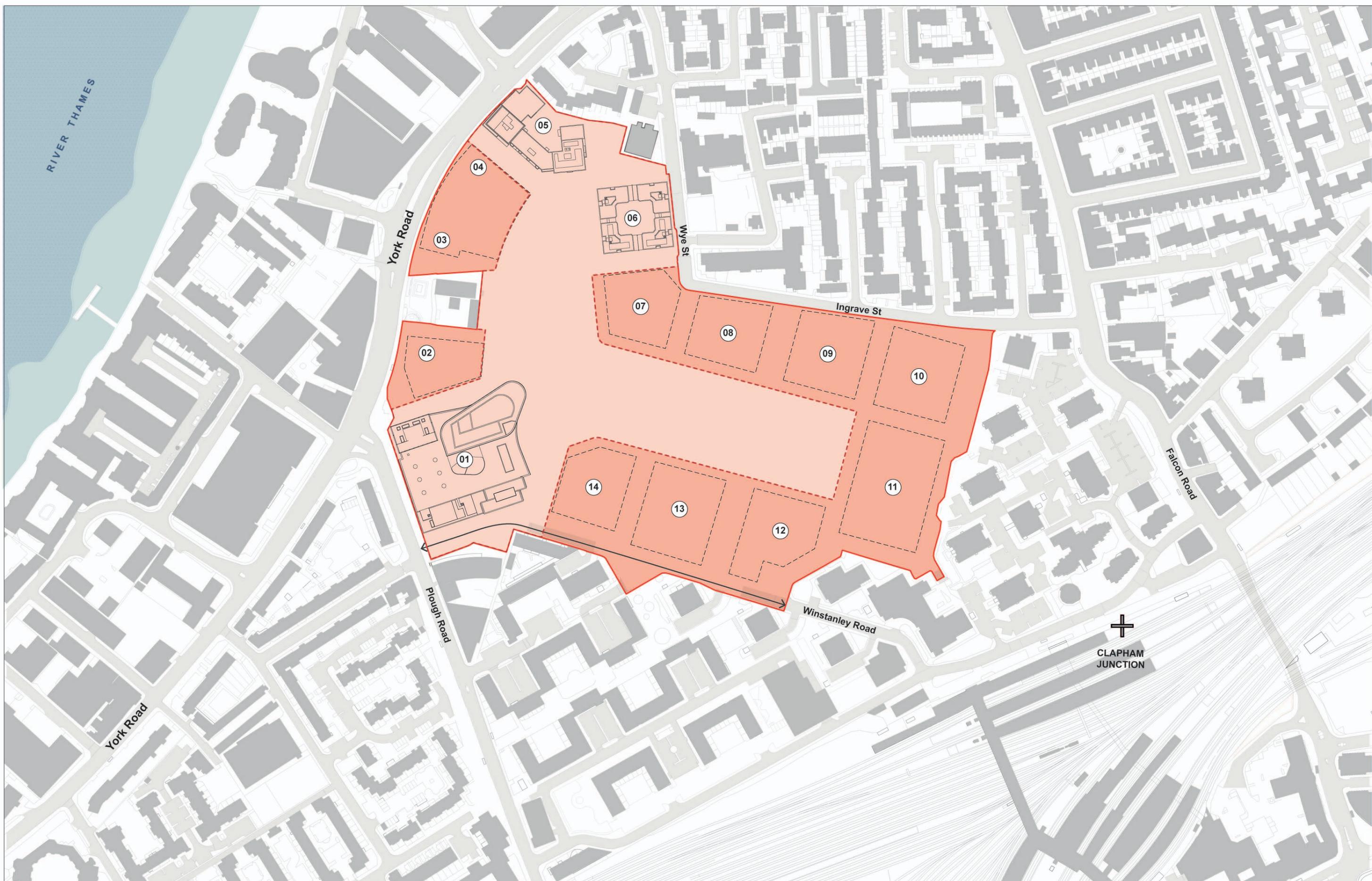
3. Treatment of Deficit & Review Mechanisms

- 1 As summarised above, the proposed development results in a large viability deficit. The viability modelling therefore demonstrates that the development is unable to viably support the level of affordable housing being offered whilst providing the significant other benefits and allowing for a competitive return to the Applicant to enable the development to be delivered. It would therefore be possible to submit a Financial Viability Assessment in accordance with planning policy that supported the delivery of less affordable housing.
- 2 Notwithstanding the results of the viability modelling, the Applicant is willing to proceed at these levels of affordable housing on the basis that the deficit is taken into account within any future review mechanism. In simple terms, there would need to be a net value increase or cost decrease in excess of the agreed deficit, after taking into account the change in profit requirement (% of GDV/ cost), before any additional contributions towards affordable housing would become due.

4. Viability Conclusions

- 3 Based upon the findings herein the development produces a developer's return below what is considered a commercially acceptable level based on the Benchmark Land Value.
- 4 The Benchmark Land Value and appropriate level of developer's return have been adopted in accordance with published guidance on the financial viability in planning process.
- 5 The comprehensive viability modelling has shown that the scheme cannot viably afford to provide the 892 affordable residential units whilst providing the significant other benefits including:
 - New community centre including a gym, swimming pool and library;
 - Up to 7,820 sq. m (GIA) of flexible commercial floorspace (A1-A5, B1, D1 and D2);
 - The re-provision of approximately 2.49 ha of open space; and
 - Cycle parking and enhanced public transport access.
- 6 The provision of the development therefore creates a viability deficit. However, despite the lack of viability of the application, the Applicant is still willing to proceed at this level of affordable housing. The Council's offer to residents was that all social rent tenants and resident leaseholders (via shared equity) would have a right to remain on the regenerated estate and to keep the community together. The Applicant is committed to meeting these commitments and providing a net uplift in affordable housing on the site.

Appendix 1



Rev	Date	Drawn	Description
A	16.11.16	AJK	For Planning Approval

Notes:
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 Check all dimensions on site prior to commencing the works. Drawing to be read in conjunction with other relevant consultant information.
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 Drawing to be read in conjunction with outline specification.

- Legend
- Hybrid Planning Application Site Boundary
 - Hybrid Planning Application Site Boundary

- Extent of Detailed element of hybrid application
- Extent of Outline element of hybrid application
- Extent of Plot Boundary

Extent of Detailed Element Within Hybrid Application WIM-WYR-200_HTA-U_PP01
 drawing site Parameter Plan

Winstanley and York Road Regeneration LLP 1:2500
 client / project scale @ A3

WIM-WYR-200
 project number

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