

Agenda item

The Deputy Mayor for Planning and Policy Weekly Planning meeting

Prepared by:	██████████
Title Extension	Principal strategic planner ██████
Meeting Date:	31 August 2009
Item:	Southall Gasworks
Format: <i>Attached papers:</i>	Paper
Purpose	To provide an update on progress with affordable housing and engagement with Hillingdon; to seek a steer on the applicant's latest affordable housing position.
Decision sought	<ol style="list-style-type: none"> 1) Whether to support officer's negotiating position with the applicant 2) Whether to accept applicant's request for you contact Hillingdon Council to ask them to properly engage with this planning application, including agreement on confidentiality.
Options	<ol style="list-style-type: none"> 1) <ol style="list-style-type: none"> a) Agree that the applicant's revised tenure mix and subsequent affordable housing offer is maximum reasonable amount of affordable housing b) Maintain the view that a greater contribution and a review mechanism are required. 2) <ol style="list-style-type: none"> a) Contact Hillingdon Council to request it ensures that confidentiality agreements are in place to progress planning discussions. b) To advise that intervention is not necessary and that in any case the applicant should ensure it reaches agreement with the GLA on affordable housing.
Recommendations	<ol style="list-style-type: none"> 1) b) To advise that the applicant's offer is not acceptable from a strategic point of view. 2) b) To advise that there is no need to intervene at this stage and in any case you will only discuss the case with Hillingdon Council if the applicant reaches agreement on affordable housing.

Body of Briefing

Proposal: Regeneration of Southall gasworks for approximately 3,750 homes and extension to town centre on land in Ealing with bridges landing in Hillingdon.

Previous decision - The applicant proposed a one-off █████% affordable housing contribution based on a series of broad assumptions fixed at January 2008 costs and values, which it takes to be the most reasonable date available to it to account for an average.

Following an independent assessment, officers recommended that this was insufficient, as small changes to costs or revenues could have a significant impact on the potential to provide additional affordable units. Given the lifetime of the development build out, a review mechanism was also considered appropriate.

In July 2009 you advised that this was not an acceptable figure or approach and that a review mechanism was required.

Update on affordable housing: The applicant's position is that it will pull out of the scheme if it is required to enter a review mechanism. Based on its financial assessment, it does not consider any additional affordable housing possible, but instead proposes to alter the housing mix as follows:

	Existing	Option 1	Option 2
Tenure split	██████ (intermediate :social rent)	██████	██████
Affordable housing provision	██████ %	██████ %	██████ %
Additional grant requirement	n/a	£██████	£██████

The applicant's main reason for not agreeing to a review mechanism is that it would be commercially unacceptable and introduce too much risk for their ability to secure finance and to engage partners to develop the site.

GLA officers consider that at this stage it is not possible to provide the Mayor with assurances that the maximum reasonable amount is being provided. The basis for the assessment is considered too broad and general for it to be taken as a robust view of economic performance over the likely timescale of development.

Recommendation: To agree that the proposed approach would not address the Mayor's affordable housing requirement.

Hillingdon Council

Update

To date the applicant and Hillingdon have been unable to reach agreement on confidentiality to enable the Council to join in discussions with GLA and Ealing. The applicant has asked whether it is possible for you to intervene to ensure that the Council engages with the applicant in particular and agrees to a confidentiality agreement with Ealing and the GLA to be able to progress planning discussions.

The Council will be producing two formal responses – an out-of-borough response to Ealing, and it's own determination of the application. The first of these is expected in mid September.

Although relations with individual officers are good and GLA officers are happy that work on the application is progressing, the Council overall remains highly controlling and limiting in terms of information they will share with the applicant, Ealing and the GLA and firm/aggressive in the tone of any letters or emails sent in respect of the application. Ealing and GLA officers have worked jointly to progress the scheme whilst encouraging Hillingdon and the applicant to resolve confidentiality matters and provide planning responses.

At this stage the Council is progressing its detailed assessment of the scheme, and the applicant has not been able to provide the maximum reasonable amount of affordable housing in a manner appropriate to the scale of the development.

Recommendation: Not to intervene at this stage.

Agenda item

The Deputy Mayor for Planning and Policy Weekly Planning meeting

Prepared by:	██████████
Title Extension	Principal Strategic Planner ██████
Meeting Date:	Monday 13 July
Item:	Southall Gasworks – Results of independent viability assessment
Format: <i>Attached papers:</i>	Meeting paper Within briefing
Purpose	To provide an update on the independent assessment of viability and to seek a steer on the acceptability of the proposals
Decision sought	Whether a fixed ███% affordable housing provision is likely to be acceptable to the Mayor as part of regeneration proposals for Southall Gasworks. The proposals include between 3,475-3750 residential units and substantial retail and leisure development to extend and complement Southall Town Centre. Development requires extensive decontamination of the site and provision of new infrastructure
Options	1) To endorse continued negotiations to secure a greater provision of affordable housing and a mechanism to test viability over the timescale of development against a minimum target. 2) To consider that the provision is reasonable in the wider interests of securing the regeneration of the gasworks site and the wider benefit for Southall.
Recommendations	To endorse continued negotiations and agree that ███% fixed affordable housing provision is not consistent with London Plan policy in this instance.

Body of Briefing

Background

On 9 December 2008 the Mayor considered a scheme at the Southall Gasworks site for approximately 3,475-3750 residential units and a mix of commercial uses (case number PDU/2310). The scheme is primarily within Ealing but three bridges land within Hillingdon. He supported the scheme in principle, subject to the satisfactory resolution of affordable housing, wheelchair accessible housing and hotel rooms, children's play space, climate change, biodiversity, flooding, and transport issues.

The GLA and Ealing Council has jointly commissioned an independent appraisal of the scheme's viability to ensure that it delivers the maximum reasonable amount of affordable housing. Hillingdon Council, as a determining authority with land ownership, supports the joint commission but has reserved its right to undertake an additional assessment and to date has not reached agreement on

confidentiality with the applicant or the appointed assessors – the District Valuation Service (DVS). To that extent, the information in this report remains confidential.

The applicant proposes a fixed ■■■% provision of affordable housing over the lifetime of the scheme, which equates to ■■■ units if 3,475 were constructed. It has supported this with an appraisal based on the Three Dragons Toolkit, underpinned by a detailed financial model produced by DTZ. As part of this it assumes a developer's profit of ■■■■%.

Terms of the appraisal

On the DVS was appointed to appraise this information and advise GLA and Ealing officers on the following:

- The financial arguments underpinning the approach to the provision of affordable housing on-site.
- The suitability of the toolkit to assess a mixed use development of this scale.
- Whether the costs and values used are reasonable.
- Whether the arguments regarding non-viability of additional on-site affordable housing are accepted.

Conclusions

The appraisal concludes that:

- The toolkit approach is not suitable to assess a mixed use development of this scale. The proposed ■■■% affordable housing provision is based upon the viability of the scheme at a fixed point (using costs and values at January 2008) and does not take a broader, long term view about what affordable housing provision could be achieved over the period of development (20 years). The scale and nature of the development, along with the future provision of a Crossrail station, means it has the potential to create its own momentum and value, independent of January 2008 values for the area.
- A ■■■% has not in anycase been satisfactorily justified. However, the scheme has significant infrastructure costs to bear and a target of ■■■% is unlikely to be achievable for the scheme.
- A small change in circumstance over time could significantly alter some of the key costs and values and result in either an increase in money available for affordable housing or a decrease. The costs and values lack detail or justification and can only be considered at the high level. For example, the costs do not take account of the ability of specialist developers to value engineer schemes, even though the appraisal recognises the potential to
- As a crude rule of thumb, each £■■m saving on cost/addition to value could provide an extra ■ affordable housing units in this instance. As an example, an ■% improvement on the efficiency of net developed area compared to the gross area would create an extra £■■m in value. It is anticipated that if plots are built out by individual developers they will seek to maximise these efficiencies. If achieved this could provide an additional ■■■ units giving a provision of ■■■%. The key point is that the applicant's assessment does not account for such scenarios as it's model is too general, yet by accepting the fixed amount, the Mayor would not be able to secure any further affordable housing if these savings were to be achieved.
- Planning controls are required to reduce the risk on values and cost, particularly in terms of delivering the key access points, ensuring the vitality of the town centre uses and ensuring the success of the waterside area.

Recommendation

- To advise Ealing Council and the applicant that on the basis of the independent appraisal, a ■% fixed provision of affordable housing would not be acceptable to the Mayor as it would not provide the maximum reasonable amount of affordable housing.
- To advise Ealing Council and the applicant that both a higher minimum provision should be secured and that a mechanism secured as part of any legal agreement that identifies a reasonable way to ensure suitable provision of affordable housing, without compromising the incentive to develop.