

Briefing note

Deputy Mayors' meeting with Waltham Forrest Leader, Councillors and Chief Executive

Prepared by:	██████████, Principal Strategic Planner (extension ██████████)
Meeting date:	29 August 2017
Item:	The Mall, Walthamstow
Format:	Pre stage 1 briefing from Waltham Forest Council
Purpose	To set out the local significance of the proposed redevelopment.

Development proposal and context

Capital & Regional has submitted an application for extension of The Mall shopping centre, reworking of Walthamstow town square and gardens, and new residential apartments above the shopping centre to provide up to 502 units. The scheme was submitted without an offer of affordable housing.

The scheme has been developed closely with Waltham Forest Council, and generally responds to Local Plan objectives to regenerate Walthamstow town centre through: an increased and more varied retail offer; high density housing; and, improvements to the quality of public space. The Walthamstow Town Centre AAP envisages a limited level of development on open space at the adjacent town square and gardens in order to enable delivery of the scheme. The submitted proposal would encroach onto 4,437 sq.m. of open space (which significantly exceeds the level anticipated by the AAP). The applicant proposes to mitigate this loss through extensive public realm enhancements to the remainder of the square, and (as part of the land deal) the forfeiture of ground rent associated with the encroachment, to cover public space maintenance costs.

Scheme viability

Further to rigorous joint scrutiny, both the GLA Viability Team and the Council's independent viability assessor share the view that this scheme is at the margins of financial viability. A fundamental constraint on viability in this case is the cost of foundation works necessary to work around London Underground station infrastructure which exists beneath the site. Nevertheless, to date GLA officers have negotiated to the following position: 10% affordable housing (all intermediate); £4m public realm; £1.1m carbon offset; and, £300,000 for other S.106. This is in addition to CIL (£3.5m local and £1.2m Mayoral). The consensus from the financial experts now is that the affordable housing/S.106 pot is now as large as scheme viability would reasonably allow (refer to the attached table).

Critical issue

The extremely poor viability position set out above will be impacted further by a requirement to deliver safeguarding for future expansion of Walthamstow Underground station - the cost of which is still to be confirmed and factored in to the scheme viability. The scheme is required to provide this safeguarding because it proposes to build over a currently open area of land that London Underground has identified as a critical site to deliver future capacity enhancements to the station. Enabling these enhancements to be delivered practically and economically in future is essential in order to support continued sustainable growth and housing delivery in Walthamstow over the medium to long term. TfL is currently undertaking a feasibility study to develop firm costings for the work required. Initial estimates are in the region of £1.5-£2m for an option that TfL considers to be the minimum safeguarding requirement.

Possible resolutions being actively explored

In an effort to address this financial shortfall (and to further enhance the affordable housing offer), GLA officers are progressing a twin-track approach of: i) asking the applicant to accept greater risk in order to enhance the S.106/affordable offer; and, ii) exploring what the public authorities can do to minimise the infrastructure cost burden on the scheme and redirect the flow of financial contributions in order to more evenly address strategic and local priorities. The specific avenues being explored by the public authorities include:

- opportunities to value engineer the TfL safeguarding requirement in order to reduce the cost;
- external funding opportunities for the infrastructure safeguarding works (e.g. TfL Growth Fund, National Housing Infrastructure Fund);
- potential reinvestment of local CIL into proposed public realm works in order to release additional funds for affordable housing funding; and,
- potential reinvestment of local carbon offset payment into scheme sustainability measures in order to release additional funds for affordable housing funding.

GLA officers acknowledge that this scheme is of huge significance to Waltham Forest Council given its potential to catalyse the local regeneration of Walthamstow town centre. However, it is jointly acknowledged that the Mayor must be satisfied that his strategic priorities would be similarly addressed. As set out above GLA officers will work to negotiate an improved and optimised package of public benefits in response to these strategic priorities, however, based on the established viability position, and the requirement to provide effective transport safeguarding, it is evident that the affordable housing offer is likely to remain at a level that the Mayor would typically consider to be unacceptable. Therefore, if officers are to recommend this scheme positively, significant weight will need to be attributed to i) the importance of safeguarding transport capacity in order to unlock future long-term growth in the area; and; ii) the local regenerative benefits of the scheme. This briefing has been arranged so that the Deputy Mayors may hear first-hand what Waltham Forest Council considers the local benefits of the scheme to be.

General matters

The Deputy Mayors should note that they both politely declined an invitation from the Leader of the Council (Cllr. Clare Coghill) to speak at the Waltham Forest Housing Summit on 6 September.

	Scenario							
	1	2	3	4	5	6	7	8
	Base Scenario	Base Scenario Including all S106 Requests	Base Scenario Including S106 Maintenance Only	Base Scenario Including TfL Min Cost	Base Scenario Including TfL Enhanced Cost	Base Scenario Including Ground Rent Income	Base Scenario Excluding Carbon Offset	Base Scenario Excluding Public Realm Construction
Total Number of Apartments	471	471	471	471	471	471	471	471
Shared Ownership Units	47	29	34	34	26	81	63	103
Percentage On-Site Affordable	10.0%	6.2%	7.2%	7.2%	5.5%	17.2%	13.4%	21.9%
Public Realm Construction (Exc. Fees)	£3,973,636	£3,973,636	£3,973,636	£3,973,636	£3,973,636	£3,973,636	£3,973,636	£0
LBWF CIL	£3,456,743	£3,456,743	£3,456,743	£3,456,743	£3,456,743	£3,456,743	£3,456,743	£3,456,743
Mayoral CIL	£1,180,777	£1,180,777	£1,180,777	£1,180,777	£1,180,777	£1,180,777	£1,180,777	£1,180,777
Ground Rent Income	£0	£0	£0	£0	£0	£4,037,000	£0	£0
TfL Cost	£0	£0	£0	£850,000	£1,500,000	£0	£0	£0
Total S106 Costs	£0	£1,100,000	£750,000	£0	£0	£0	£0	£0
Carbon Offset	£1,102,140	£1,102,140	£1,102,140	£1,102,140	£1,102,140	£1,102,140	£0	£1,102,140
Profit on Cost (Reduced for Scenario Modelling)	21.36%	21.34%	21.35%	21.36%	21.34%	21.36%	21.38%	21.37%
Variation in On-Site AH (Units)	-	-18	-13	-13	-21	34	16	56
Variation in On-Site AH (%)	%-	-3.8%	-2.8%	-2.8%	-4.5%	7.2%	3.4%	11.9%