

# Indicative Plan for Heads of Terms



**Lambert  
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**GREATER  
LONDON  
AUTHORITY**

HOUSING ZONES

DUE DILIGENCE

LB Tower Hamlets

Ailsa Wharf

Interventions 1 and 2

## HOUSING ZONES EXECUTIVE SUMMARY

<b>Housing Zone:</b>	London Borough of Tower Hamlets
<b>Intervention Number:</b>	1 and 2
<b>Intervention Name:</b>	Ailsa Wharf Footbridge and Green Mile project
<b>Transaction Type:</b>	Grant / recoverable grant
<b>Funding Amount Requested:</b>	Intervention 1: £3,873,378 (of which £1,473,378 is recoverable grant) Intervention 2: £500,000
<b>Summary</b>	
<b>What is the intended outcome and need of the intervention:</b>	<p>Ailsa Wharf is a proposed development in the Poplar Riverside Housing Zone. The scale and likely early delivery of the scheme is important in establishing the Poplar Riverside as an emerging area where it is affordable to both live and work. The development proposals are to deliver 785 homes in two phases (delivering 35% affordable housing) over the next 5 years, in addition to 2,600 sq m of commercial workspace. These two interventions are based on Phases 1 and 2. Ailsa Wharf is likely to be the first major development to come forward in Leaside Areas of Poplar Riverside. In total approximately 8,000 new homes are anticipated in immediate Leaside Areas over the next 5-10 years, and approximately 15,000 homes in the wider neighbourhood. Ailsa Wharf will be one of the first schemes to come forward in this area and therefore LBTH wish to ensure that the development aids with place creation and value enhancement.</p> <p>The two interventions proposed consist of the construction of a pedestrian and cycle bridge over the River Lea from Lochnagar Street and the A12 Green Mile project which will deliver a series of environmental improvements to enhance pedestrian journeys along the A12 between the Ailsa Street and Gillender Street developments and Bromley-by-Bow tube station.</p> <p>The London Borough of Tower Hamlets (LBTH) has identified a need for the interventions in order to ensure that the developer of Ailsa Wharf has confidence in the Council's ability to bring forward changes in the area. In relation to Intervention 1, LBTH are disposing of a site to the developer of the Ailsa Wharf scheme in order to affect Phase 2 of the development. As part of the disposal agreement, the developer is required to provide land for the bridge on the Tower Hamlets side (642m<sup>2</sup>). On the Newham side AWDL (the developer) is only required to assist LBTH with acquiring the land or rights for the bridge. Additionally the developer is required to design and secure planning permission for it (amongst other interventions). The bridge will improve accessibility and connectivity to and from the Ailsa Wharf development and the wider area, but additionally, if the bridge is not able to progress, the deal with the developer will likely need to be revised. We therefore</p>

## HOUSING ZONES EXECUTIVE SUMMARY

	<p>consider that funding the bridge will accelerate delivery of housing on this scheme.</p> <p>In relation to Intervention 2, funding is required to deliver an acoustic barrier along the A12 which is called the Green Mile project. We are of the view that this intervention will not accelerate or unlock the housing on the Ailsa Wharf scheme and therefore do not recommend that the GLA fund this intervention.</p>
<b>Key Assumptions:</b>	<p>We have not been provided with an appraisal of Phases 1 and 2 of the Ailsa Wharf scheme, and have therefore undertaken our own appraisal, based upon the information we have been provided with.</p> <p>We note that this appraisal is outside of the scope of our instruction but provides an indicative position in relation to the viability of the scheme as we are not privy to all pertinent information. It should not be relied upon as a valuation of the development.</p>
<b>How the intervention meets the objectives of the Housing Zone programme:</b>	<p>Intervention 1 is related to providing accessibility and connectivity of the site to the wider area and this will improve occupier and investor demand, enhancing place creation. The intervention is also linked to the disposal of the LBTH site to the developer for Phase 2, and therefore is linked to the early delivery of 785 units. Intervention 2 (in our opinion) does not directly lead to meeting the objectives of the Housing Zone programme.</p>
<b>Brief summary of analysis:</b>	<p>Our assessment of the development appraisal for the Ailsa Wharf scheme indicates that the scheme is viable (although we note that we may not have all relevant information, particularly in relation to costs) and therefore delivery risk is linked to securing planning consent and wider economic conditions.</p> <p>Our benchmarking exercise has identified that we consider that the viability of the scheme will be impacted by the inclusion of additional costs such as car parking, external works etc, but based upon the high level assessment that we have undertaken the scheme is viable, producing a land value of £23 million.</p> <p>With regard to the bridge specifically (Intervention 1), there is risk associated with delivery. This relates to securing the required additional funding for the bridge from the Housing Infrastructure Fund bid and also to land acquisition. We understand that land on the other side of the river is required for the bridge, and this is currently in third party ownership. There is therefore risk associated with land assembly and delivery.</p>
<b>What is the impact if no Housing Zone funding is provided:</b>	<p>The most likely impact is that LBTH will be required to source funding from other sources. It is uncertain as to whether this will have an impact on the current negotiations with the developer.</p> <p>In the event that it does, there is the potential for the deal between LBTH and the developer to be delayed thereby slowing down the delivery of the units, particularly with regard to Phase 2.</p>
<b>Output to the public</b>	<p>Regeneration of the wider Poplar Riverside Housing Zone will begin</p>

## HOUSING ZONES EXECUTIVE SUMMARY

<b>sector:</b>	with the Ailsa Wharf development, creating the place and demonstrating public sector intervention. Ailsa Wharf Phases 1 and 2 will deliver 785 residential units and 35% affordable housing, with 2,600 sq m of commercial accommodation.
<b>Overall recommendation (and risks):</b>	We consider that providing grant funding towards Intervention 1 will assist with accelerating housing delivery at Ailsa Wharf. However, the risk associated with delivery is securing planning consent and wider economic conditions. There is risk associated with delivery of the bridge as additional funding is required as is land from a third party.
<b>Funding conditions required to ensure HZ objectives are met:</b>	We recommend that the contract includes repayment of the grant if the bridge is not delivered.



## GLA Housing Zone

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### Benchmarking Analysis

- Ailsa Wharf Enabling Interventions:**
- A1 - A12 Green Mile Project Recoverable and Grant**
  - A2 - Ailsa Wharf Footbridge Grant**

### Summary of application

**Intervention 1: Amount & Type:** £2.4m of non-recoverable grant funding and £1,473,378 recoverable grant to be payable towards the inclusion of a footbridge

**Intervention 2: Amount & Type:** £500,000 – non-recoverable grant payable towards the inclusion of the 'A12 Green Mile Project' which is acoustic barriers along the A12.

### Summary of Key Issues Identified

Key Issues	Comment	RAG
Residential sales @ £700 per sq ft	Higher than market evidence.	●
Car parking costs	No costs stated/included –181 car space at underground level will have an impact on costs. Low car parking ratio for low PTAL area.	●
Contamination	Lack of transparency around contamination cost use. GE appraisal has a difference of £6m to that provided by cost consultant.	●
Profit levels	Higher than market average as calculated on GDV.	●
CIL	Potentially incorrect CIL rate applied.	●
Phasing	Phase 1 is based on a optimistic sales programme for an untested residential location in current market.	●
Exclusion of development costs	<p>We cannot identify a sum for demolition, external landscaping, roads etc within the S.123 Valuation. The build cost explicitly excludes external works and contingencies.</p> <p>There are no stated inclusions for any ground obstructions or, substations or mains utilities diversion/connections in the figure stated above.</p> <p>Given the scale of the proposal we would expect these costs to be included.</p>	●

## Summary of due diligence

Item	Applicants Assumption	LSH Commentary
Information provided	<p>We have based this assessment on the S.123 Valuation report prepared by Gerald Eve dated 10<sup>th</sup> November 2017 and with reference to the 2017.11.01 - HZ Information request template (v4)(KEY) where information is missing from the S.123 valuation report.</p> <p>We have in the first instance based this assessment on the information provided in the S.123 Valuation report</p>	<p>We have not been provided with an appraisal of Phases 1 and 2 of the Ailsa Wharf development.</p> <p>In lieu of a submitted development appraisal we have recreated an appraisal based on the assumptions within the S.123 Valuation report.</p> <p>However not all assumptions have been stated and we have made the following assumptions in order to complete the appraisal:</p> <ul style="list-style-type: none"> <li>• Net to Gross of 80% for residential units;</li> <li>• £40,000 per underground car parking space cost;</li> <li>• £10,000 per surface car parking space cost;</li> <li>• we have assumed that Phase 2 commences upon completion of the construction of Phase 1;</li> <li>• we have not been provided with a breakdown of units – therefore have been unable to test the proposal on a habitable room basis in our appraisal. We therefore have varying unit numbers as we have estimated the affordable housing % based on units in order to complete this exercise;</li> <li>• we consider there to be a typo in the Total Affordable column in the table of areas on page 10. This currently states GIA but we think it should read NIA. We have based our assessment on the assumption it is NIA.</li> </ul> <p>We reserve the right to amend our report should these assumptions need to change.</p>
Assumed phase start date	November 2017	We have assumed the start of the development appraisal is at the current month.
Gross to Net Ratio	<p>We have not been provided with a Net to Gross ratio.</p> <p><b><u>Commercial</u></b> 92%</p>	<p>The submitted documents do not include a Net to Gross ratio assumption for residential units. The S.123 Valuation report includes Net Internal Areas to which we have applied an industry standard Net to Gross ratio of 80%. However, we note that with some designs the maximum achievable Net to Gross ratio may be lower at 75%, impacting value.</p> <p>The commercial Net to Gross ratio is acceptable at this stage in the design process. We have</p>

		assumed the commercial and retail units will be built to a shell and core standard.
Private Unit Size	<p>We have not been provided with a breakdown of unit sizes however understand that the total NIA of the residential units is 372,910.7 sq ft</p> <p>Based on 511 residential units this equates to circa 730 sq ft NIA.</p>	730 sq ft NIA represents an acceptable blended sq ft for an apartment led scheme.
Affordable Unit Size	<p><b>Affordable rent units:</b> We have not been provided with a breakdown of unit sizes however understand that the total NIA of the residential units is 127,911.8 sq ft</p> <p>Based on 192 residential units this equates to circa 666 sq ft NIA.</p> <p><b>Shared Ownership units:</b> We have not been provided with a breakdown of unit sizes however understand that the total NIA of the residential units is 56,405.3 sq ft</p> <p>Based on 82 residential units this equates to circa 688 sq ft NIA.</p>	<p>Based on this blended unit size we would anticipate this proposal would deliver an apartment led scheme of smaller units (1 – 2 bedrooms).</p> <p>We understand that affordable policy (SP02) requires that 45% of new social rented homes to be for families (three bed plus). Therefore it is unlikely that this blended rate would be in line with this. However without a detailed breakdown of units we are unable to provide further comment beyond this.</p> <p>Based on this blended unit size – we would consider this would deliver an apartment led scheme of smaller units. We understand that affordable policy (SP02) requires that 30% of new homes to be for families (three bed plus). Therefore it is unlikely that this blended rate would be in line with this.</p> <p>However without a detailed breakdown of units we are unable to provide further comment beyond this.</p>
Other costs	<p><b>External Landscaping:</b> Not included</p> <p><b>Demolition:</b> Not included</p> <p><b>Land Acquisition:</b></p>	<p>We would expect a regeneration project of this size to include an allowance for external landscaping/street furniture etc.</p> <p>The site currently consists of a number of small buildings which we would expect to require demolition.</p> <p>This is to cover the purchase of LBHT land</p>

	£14,300,000	which is circa 30% of Phase 1 and Phase 2 development site. Based on our inception meeting we understand that LBTH believe the scheme is unlikely to come forwards without the inclusion of this land.
Build cost per sq ft	<p>Based on the S.123 Valuation report we understand a high level rate of £2,145 / sq m (£200 / sq ft) was adopted which includes preliminaries but does not take account of external works or contingency.</p> <p>This rate reflects a blended rate across private and affordable tenures.</p> <p>The S123 Valuation assumes a cost of £1,883 / sq m (£175 / sq ft) for the commercial accommodation</p>	<p>We understand there was not a formal build cost plan undertaken and these costs are primarily based around BCIS and the valuer's experience of similar schemes of 6 + storey apartment blocks.</p> <p>We would consider this is an acceptable build costs for a development of this height in this location, but note that in other schemes which have high design quality this build cost is around £230 psf to £260 psf.</p> <p>Contingency is dealt with elsewhere in the figures and there is an additional £8.5m for contamination included.</p> <p>There are no stated inclusions for any ground obstructions or, substations or mains utilities diversion/connections in the figure stated above. We would anticipate a scheme of this size to incur these costs.</p> <p>We would normally expect a lower £ per sq ft for affordable housing to be applicable as these tend to be build to a lower internal specification.</p> <p>This seems an acceptable assumption – we assume the units would be fitted to a shell and core finish.</p>
Residential sales price	£700 per sq ft / £7,534.8 per sq m	<p>We have assessed comparable evidence of new build residential schemes in the surrounding area. It should be noted there is limited evidence of recently sold new build residential units in the immediate area surrounding the site. The site is within an undeveloped residential area; with poor transport links and therefore a number of the local schemes which have been delivered are considered to be superior to the site. However the wider area including Bromely by Bow, Poplar and Blackwall has seen regeneration over recent years.</p>

		<p>To the north of the site is Bromely by Bow which has a number of residential tower blocks, for example St Andrews Plaza/Nexus/Fusion/Union however the most recent sales are historic from 2014. Similarly, Lock Keeper and Lime Quay to the north of the site are equally historic.</p> <p>The most comparable evidence is from Leven Wharf which is located 0.3 miles to the south of the property, and is the closest new residential development to the site. It is located on the river and consists of 118 residential units. The first phases have now sold out (50 apartments in total primarily sold overseas) and Phase 2 is now available to purchase.</p> <p>At the end of Q2 2017 there are 45 units left unsold .The current price list shows 2-beds from £490,000 - £545,000 (measuring between 807 – 834 per sq ft) and 3-beds from £560,000 - £785,000, measuring between 926 – 1313 sq ft which reflects an average of £630 psf. Construction is progressing and is due to complete in Q1 2018. Each apartment has private balcony or terrace</p> <p>1 mile to the south of the site is Blackwall Reach (Phase 1 and Phase 2) which is in a considerably superior location, within close proximity to transport links and in an established residential location. Current asking prices for Phase 2 units are in the region of £760 per sq ft.</p> <p>Within close proximity to Poplar, is Manhattan Plaza by Telford Homes. We understand from the marketing agents they are currently achieving high £700 per sq ft, despite marketing at circa £800/£850 per sq ft. This is a superior location with better transport links – however demonstrates the softening of the market in this area.</p> <p>We understand from local agents that overall the market is slowing down and incentives are being given. This is demonstrated by Telford Homes developer of Manhattan Plaza where they are generally offering a 10% discount on flats.</p> <p>We would consider that £700 per sq ft is higher than demonstrated by the local market. Upon discussions with local agents, we understand</p>
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		however we would expect it to be in the region of 5-6%.
Affordable housing inclusion	<p>Submission is based on 35% affordable housing broken down as follows;</p> <p><b>Affordable Rent:</b> 24.4%  <b>Intermediate Shared Ownership:</b> 10.50%</p>	<p>The LBTH Core Strategy (2010) requires 35%-50% affordable homes on sites providing 10 new residential units or more (subject to viability). Therefore the proposal to include 35% affordable is in accordance with the planning policy.</p> <p>The tenure split for affordable homes from new development is 70% social rented and 30% intermediate.</p> <p>Therefore the proposed tenure breakdown is in accordance with the requirements of the planning policy. Overall these affordable housing thresholds are acceptable.</p>
Community Infrastructure Levy [CIL] / S106	<p><b>Borough CIL:</b> £3.39 per sq ft  <b>Mayoral CIL:</b> £4.40 per sq ft  <b>S106:</b> None included</p>	<p>Based on the LBTH CIL Charging Schedule April 2015 we estimate the site falls within Zone 3 of the policy map. This would mean that Borough CIL is payable at £35 per sq m/ £3.25 per sq ft on residential uses. There is no CIL on commercial uses (apart from Supermarket and Hotels) in this Zone.</p> <p>Mayoral CIL is also able at £35 per sq m/ £3.25 per sq ft.</p> <p>We therefore consider the CIL included in the S.123 Valuation report to be incorrect.</p> <p>An allowance for S106 has not been included. We would consider given the scale of the regeneration that S106 of some level will be payable.</p>
Car parking	<p>Submissions includes 204 car parking spaces of which 23 are for disabled use and 181 are private for sale and located underground .</p> <ul style="list-style-type: none"> <li>• Cost – not included</li> <li>• Value - £15,000 for private spaces and no value for disabled.</li> </ul>	<p>The development site has a PTAL rating of 1a and 1b therefore is poorly connected to transport networks. The current car parking provision reflects a ratio of 0.25 which is low given this PTAL level.</p> <p>There has been no stated costs associated with the car parking in the S.123 Valuation or Toolkit which we highlight as 181 of the spaces are stated to be underground spaces (in the Toolkit) and this will have a significant cost to deliver. .</p>
Ground rents	£400 5% yield	This is an acceptable assumption.
Finance	6.5%	This is an acceptable finance rate.

Developers Profit	<b>Private residential</b> 20% (GDV)	20% profit on GDV equates to circa 27% profit on cost which is higher than we would expect.
	<b>Affordable Residential</b> 7% (GDV)	7% profit on GDV equates to circa 8% - normally we would expect circa 6% profit on cost for affordable housing.
Contingency	5%	This is acceptable.
Contamination	The S.123 Valuation report states an allowance has been made for contamination of between £4,600,000-£8,500,000.	<p>We are not able to fully assess this cost as we are not aware of what it specifically relates to. Given the former use of the site for industrial purposes it is likely decontamination will be required.</p> <p>The S.123 Valuation states that AWDL has indicated that the likely remediation costs across the wider site and to facilitate the scheme is circa £6,000,000 although the report states this has not been verified. This cost was not adopted in the report and a higher cost of £4.6m/£8.5m has been adopted and we are unable to ascertain the rationale behind this.</p>
Main contractors preliminaries, overheads and profits	Main Contractors: N/A Overheads and profits: N/A	This is acceptable
Construction Inflation and Value Growth	Excluded.	This is acceptable
Marketing costs	1.5% of GDV	This is acceptable, and in line with market assumptions.
Letting and disposal	<p>Sales fees – 1% of private residential and commercial GDV including ground rent.</p> <p>Sales legal fees £500 per private plot</p> <p>Affordable housing sales legal fee – 0.25% of value</p>	<p>Generally, sales agent's fees are in the region of 1-2% depending on a number of factors including salability. Therefore 1% is acceptable.</p> <p>This is an acceptable assumption.</p> <p>This is an acceptable assumption.</p>
Purchaser's costs	<p>The S123 Valuation report assumes SDLT would be payable on the land and an allowance for this is included within the appraisal based on current HMRC thresholds.</p> <p>Agents fee of 1% and legal fees of 0.5% of the gross</p>	These assumptions are reasonable.

	residual land value are stated as being included.	
Professional fees Other Development/Project Costs	10%	Generally professional fees are in the region of 10 – 12 % for development schemes of this size located in central London.
Planning application fees Planning Consultant	<p>The S.123 Valuation states that it has not accounted for any additional planning liabilities, over and above affordable housing and CIL. There may be site specific externalities that require mitigation.</p> <p>There is a sum of £150,000 for the payment for, organisation and submission of a planning application to provide a bridge over the River Lea included in the S.123 Valuation.</p>	<p>The appraisal does not make a timing allowance for gaining planning permission and there is no inclusion of a specific sum for the gaining an overall planning consent. We cannot see from the S.123 report that a Special Assumption has been made that planning consent has been secure. We would expect to see a discount applied to reflect the risk around securing planning consent.</p> <p>Given that the site does not have planning permission we would expect to see this reflected in terms of phasing and costs.</p>
Total development period	<p><b>Residential Development Programming Phase 1</b></p> <ul style="list-style-type: none"> <li>• Pre-construction 12 months</li> <li>• Construction 24 months</li> <li>• Sales 30 months</li> <li>• 50% Off Plan</li> </ul>	<p>Phase 1 of the proposal would possibly require decontamination and planning permission, therefore we would consider 12 months is not a suitable amount of time to address this and longer may be required.</p> <p>Phase 1 includes 481 residential units – a construction period of 24 months reflects circa 20 units constructed per month which we consider is high.</p> <p>In order for all the private units to be sold within 30 months this would require circa 10.5 units to be sold per month. Given the current economic conditions and that this is undeveloped/untested residential market we would consider this to be optimistic. We have made the assumption that the affordable units would be sold on practical completion – however this has not been stated in the submitted document. The assumption of 50% off plan sales appears optimistic in this location.</p>

	<p><b>Residential Development Programming Phase 2</b></p> <ul style="list-style-type: none"> <li>• Pre-construction 36 months</li> <li>• Construction 24 months</li> <li>• Sales 26 months</li> <li>• 50% Off Plan</li> </ul>	<p>We have not been provided with the proposed overlap between Phase 1 and Phase 2. We would consider a scheme of this scale will require phasing in order not to saturate the market.</p> <p>The pre construction period in the second phase is longer than Phase 1, we are unsure as to the reason for this.</p> <p>Phase 2 includes 304 residential units – a construction period of 24 months reflects circa 12.4 units built per month.</p> <p>In order for all the private units to be sold within 26 months this would require circa 7.6 units to be sold per month. This is a reasonable assumption.</p>
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Intervention Description and Number:	Ailsa Wharf Enabling Interventions: A1 - A12 Green Mile Project / A2 - Ailsa Wharf Footbridge / A3 - Early Acquisition
Date and Version Number:	08/09/17 V1
Project Sponsor:	0
Site Name:	Ailsa Wharf
Housing Zone / Local Authority:	London Borough of Tower Hamlets
<b>DELIVERY ASSESSMENT SUMMARY</b>	
Criterion	RAG Rating
Proposition	✓
Proposition	!
Location	!
Stakeholders	!
Ownership and Land Assembly	!
Appraisal	!
Dependencies	!
Project Milestones	✓
Funding	!
Security	!
Planning	!
Risks and Issues	!
Governance	!
<b>OVERALL</b>	!
<b>DELIVERY ASSESSMENT COMMENTARY AND RISK MITIGATION</b>	<p>Overall, we consider that Intervention 1 is likely to accelerate the housing delivery of the Ailsa Wharf development (Phase 1 and 2) as a) it will improve accessibility and b) the deal with the developer for Phase 2 is predicated upon securing land for the bridge and seeking consent. Therefore if funding for the bridge was not available, the deal with the developer may require revision or not progress, thereby impact speed of delivery. However, in order to mitigate risk, we consider that "clawback" provisions should be included within the contract in the event that additional other sources of funding are not secured, or the land required in LB Newham is not acquired.</p> <p>With regard to Intervention 2, we consider that this project will not unlock or accelerate development at Ailsa Wharf and therefore do not recommend progressing with this intervention.</p>
<b>FINANCIAL ASSESSMENT SUMMARY</b>	
Criterion	RAG Rating
Benchmarking of Inputs	!
Potential Success and Impact of Intervention	!
Overall Viability of Project	!
Security of Funding	✗
Timing of Repayment	✗
<b>OVERALL</b>	!
<b>FINANCIAL ASSESSMENT COMMENTARY AND RISK MITIGATION</b>	<p>We understand that LBTH have agreed to repay the recoverable grant and therefore the risk to the GLA relates to non-delivery. We understand that the contract will cover this and funding will be repaid if outputs are not delivered.</p>
<b>OVERALL RAG RATING</b>	!
<b>OVERALL ASSESSMENT COMMENTARY AND RISK MITIGATION</b>	<p>Overall, grant funding towards Intervention 1 - the bridge is likely to have the impact of accelerating development at Ailsa Wharf, but the key risks associated with this are sourcing additional funds and securing land in LB Newham. The GLA should therefore have recourse to repayment of funds if the bridge is not delivered. We understand that LBTH have agreed to repay the recoverable grant. We do not recommend providing funding for Intervention 2.</p>

GLA HOUSING ZONES - DELIVERY ASSESSMENT REPORT

Intervention Description and Number:		A1sa Wharf Enabling Interventions: A1 - A12 Green Mile Project / A2 - A1sa Wharf Footbridge / A3 - Early Acquisition of Workspace		SCORE (1 - 3 WHERE 3 IS THE HIGHEST)	RAG RATING PER INFORMATION REQUEST	OVERALL RAG RATING										
Date and Version Number:		06/09/17 V1														
Project Sponsor:																
Site Name:		A1sa Wharf														
Housing Zone / Local Authority:		London Borough of Tower Hamlets														
Proposition																
Summary of structure of contracting party(ies) who will receive funding, responsibility for delivery and repayment		The London Borough of Tower Hamlets (LBTH) will receive the GLA funding. LBTH is entering into Heads of Terms with a developer, A1sa Wharf Developments Ltd, in order to dispose of its freehold sites within the proposed A1sa Wharf development scheme.		3												
Details of Parent Company Guarantees		Not applicable.		3												
Credit rating		Not applicable.		3												
Proposition																
Summary of project and intervention, including identification of benefit of receiving funding (i.e. How much housing / development is unlocked and over what time period)		A1sa Wharf is a proposed development in the Poplar Riverside Housing Zone. The scale and likely early delivery of the scheme is important in establishing the Poplar Riverside as an emerging area where it is affordable to both live and work. The development proposals are to deliver 785 homes in two phases (delivering 35% affordable housing) over the next 5 years, in addition to 2,600 sq m of commercial workspace. These two interventions are based on Phases 1 and 2. A1sa Wharf is likely to be the first major development to come forward in Leaside Areas of Poplar Riverside. In total approximately 8,000 new homes are anticipated in immediate Leaside Areas over the next 5-10 years, and approximately 15,000 homes in the wider neighbourhood. A1sa Wharf will be on of the first schemes to come forward in this area and therefore LBTH wish to ensure that the development aids with place creation and value enhancement.  The two interventions proposed consist of the construction of a pedestrian and cycle bridge over the River Lea from Lochnagar Street and the A12 Green Mile project which will deliver a series of environmental improvements to enhance pedestrian journeys along the A12 between the A1sa Street and Gillender Street developments and Bromley-by-Bow tube station. Intervention 1 (A1sa Wharf Footbridge) is a request for £2.4 million of non recoverable grant funding and £1,473,378 recoverable grant funding. Intervention 2 (A12 Green Mile project) is a request for £500,000 of non recoverable grant.		2												
Table of key outputs, deliverables and timing		<table><tr><th>Key Milestones (please insert new cells if you required additional milestones)</th><th>Date (DD/MM/YYYY)</th></tr><tr><td>Receipt of Planning</td><td>01/03/2018</td></tr><tr><td>Vacant possession of the site</td><td>01/03/2018</td></tr><tr><td>First Housing Unit Delivery</td><td>2020</td></tr><tr><td>Final Housing Unit Delivery</td><td>2025</td></tr></table>		Key Milestones (please insert new cells if you required additional milestones)	Date (DD/MM/YYYY)	Receipt of Planning	01/03/2018	Vacant possession of the site	01/03/2018	First Housing Unit Delivery	2020	Final Housing Unit Delivery	2025	3		
Key Milestones (please insert new cells if you required additional milestones)	Date (DD/MM/YYYY)															
Receipt of Planning	01/03/2018															
Vacant possession of the site	01/03/2018															
First Housing Unit Delivery	2020															
Final Housing Unit Delivery	2025															
Description of what the intervention is doing, why it is unlocking or accelerating housing and the evidence base that it is relying on to make this assertion.		<b>Intervention 1:</b> A1sa Wharf Footbridge: the A1sa Wharf development is located in an area which is impermeable. The proposed footbridge will open access to transport and community infrastructure, helping to de-risk the scheme as greater permeability across the area will be possible. Securing delivery of a River Lea pedestrian and cycle footbridge would improve access to local transport including buses and Star Lane DLR Station and embed the development within the Lea River Park. This would improve the desirability of the development to potential residential buyers, renters and commercial tenants. Opening the area to the River Lea, as well as ensuring a mix of active land uses will be important to the regeneration of the whole area. The intervention contributes towards unlocking the area for residential redevelopment as it enables access to public transport and facilitates movement across the River Lea.  <b>Intervention 2:</b> A12 Green Mile project: the project will deliver a series of environmentally enhanced spaces and pedestrian routes between the new development proposed at A1sa Wharf and nearby public transport, notably Bromley-by-Bow tube station on the District and Hammersmith and City lines. The project will pilot a new, innovative acoustic barrier developed from noise absorbent, self-coloured metal 'fabric' not previously used in the UK for this purpose. This barrier would aim to mitigate the impact of the A12 on the A1sa Wharf and Gillender Street developments and improve the attractiveness of both schemes. In our opinion this intervention does not unlock or accelerate residential development as we consider that developments would come forward without this intervention, but agree that it does create a more pleasant environment which will contribute to enhancing interest and improving values in time.		2												
Applicants to include a 'With Intervention' and 'Without Intervention' graph		LBTH's view is that without the Housing Zone intervention, the best case scenario is that only the first phase of 481 homes will be delivered. However, we consider that A1sa Wharf development would come forward without the A12/Green Mile project (albeit we understand the messaging that the provision of this intervention by LBTH sends to developers). The A12/Green Mile project does not only impact A1sa Wharf development but also the Gillender Street development, which should contribute towards its delivery. We do consider that the provision of the A1sa Wharf Footbridge will aid and enhance connectivity and accessibility to public transport nodes which will contribute towards unlocking and accelerating development.		1												
Location																
Site address		A1sa St, Poplar, London E14 0LE		3												
Site plan indicating ownership and where relevant proposed land acquisition		Provided.		3												
Stakeholders																
Stakeholder mapping identifying key stakeholders – plot 'Potential Impact of HZ Intervention on Stakeholder' (High, Medium, Low) and 'Stakeholder Influence on Delivery of HZ Intervention' (High, Medium, Low)		Not provided.		1												
Which individuals, groups, bodies and organisations with an involvement or interest which is affected by the Housing Zone interventions?		Existing residents and businesses. A1sa Wharf Developments Limited. London Borough of Tower Hamlets. Poplar HARCAs (a significant owner of Phase 3 land). Greater London Authority. Other Poplar Riverside development partners. London Borough of Newham Transport for London London Legacy Development Corporation Canal and River Trust Lee Valley Regional Park  The London Borough of Tower Hamlets provides leadership for the Poplar Riverside Housing Zone via established governance arrangements under the Poplar Riverside Housing Zone delivery board, involving a range of public and private sector partners. The London Boroughs of Newham and Tower Hamlets jointly provide leadership for strategy and delivery of the Lea River Park having taken on responsibility from LLDC in early 2017.		3												

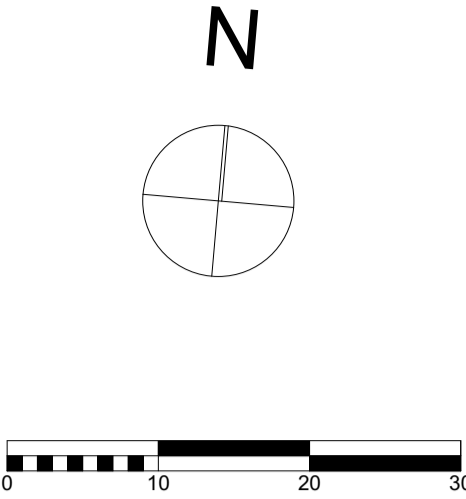
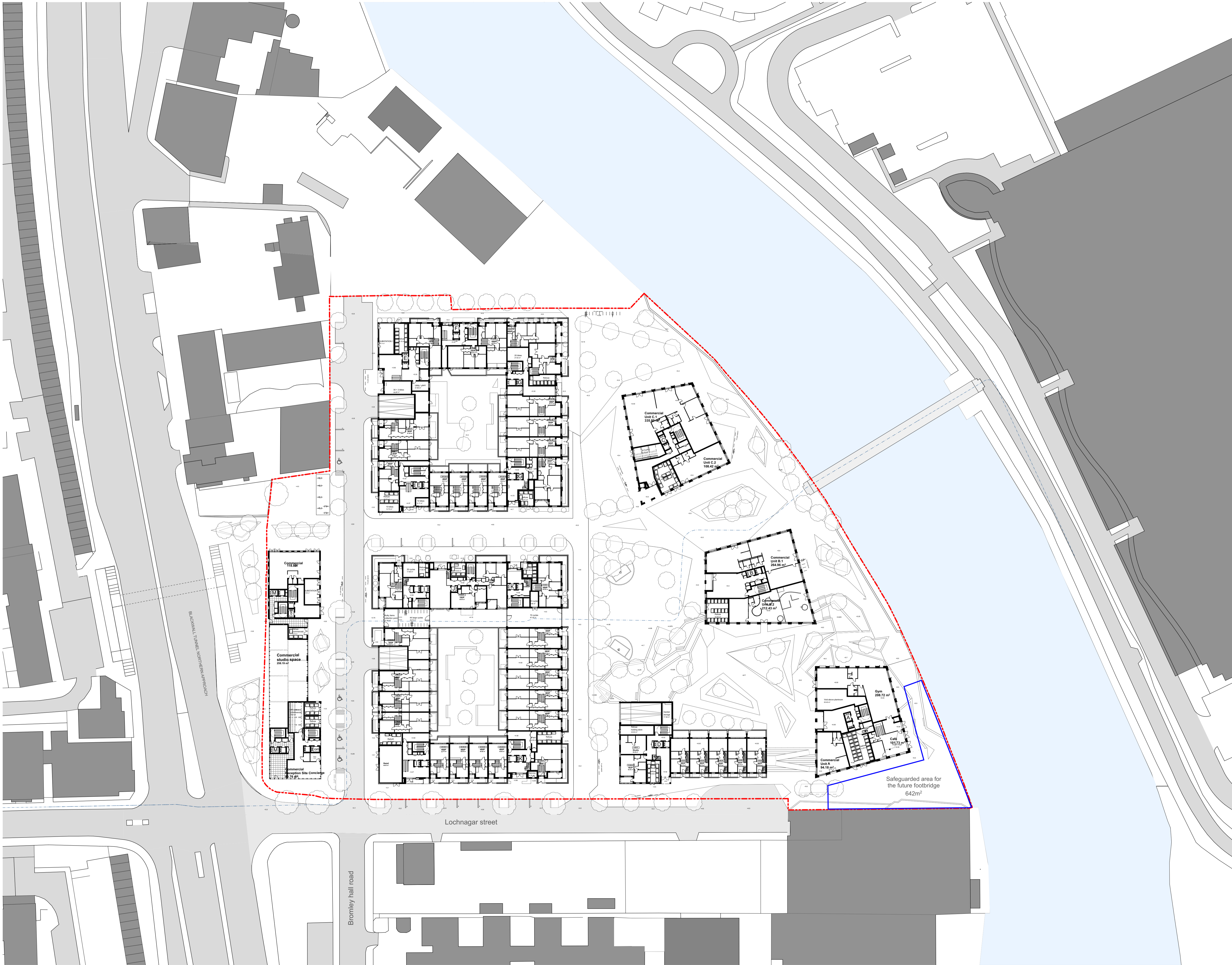
Ownership and Land Assembly				
File report / summary (relating to phasing)	Not provided	1		
Proposals for land acquisition/Evidence of purchase price/Plan of ownership, identifying key/critical sites for delivery/Willingness of Local Authority to use S237 - appropriation	<p>We understand that the land required for Phases 1 and 2 is within the control of Alisa Wharf Developments except for land owned by LBTH (which comprises around 25%). LBTH have entered into HOT with the developer to dispose of their land to them, with conditions that secure the early delivery of the site (such as a substantial start on site within 30 months of sale of land). A condition of the deal is that the design and securing planning consent for the Footbridge are secured by the developer. In this way, LBTH has used its land holding to take a number of steps to ensure the delivery and quality of this scheme.</p> <p>However, we consider that a key issue relating to Intervention 1 (the Footbridge) is the potential to acquire the land required for the footbridge to land over the River Lea in LB Newham. We understand that as part of the sale of LBTH land to the developer, the developer will provide land on the LBTH side of the bridge for its delivery. On the other side of the river, we understand that this land is in private ownership, as part of the Twelve Trees Industrial Estate. The developer will be required to secure planning consent for the bridge and then negotiate with the landowner on the other side of the river. We understand that there is the potential for LB Newham to CPO this land, but this has not yet been confirmed.</p>	2		
Summary of triggers for repayment	<p><b>Intervention 1:</b> It is proposed that the recoverable grant of £1,473,378 will be repaid via overage provisions that LBTH is negotiating on the disposal of its land to Alisa Wharf Developments Limited. The commercial terms of this agreement is entering the final stages of negotiation with LBTH willing to accept a premium towards the low end of the acceptable range in order to enable the development to proceed. We understand that there are both a sales overage and planning overage provision within the agreement with the developer. Overage will be payable to LBTH of 15% of sales values achieved in excess of £800 psf and planning overage payable of £25,000 per additional private unit (if the private number exceeds 589 units). We understand that LBTH have agreed to repay the repayable grant by March 2022.</p> <p><b>Intervention 2:</b> The funding for the Green Mile project is grant funding and therefore repayment is not applicable.</p>	2		
Interdependencies between investment and other intervention / wider project. Summary of phasing interdependencies	We understand that HIF funding is also required in order to deliver Intervention 1, and that other sources of funding is required for Intervention 2. Another interdependency is that of the requirement for the developer to acquire the land required for Intervention 1 in LB Newham.	2		
Proposal for exit strategy	The exit strategy in relation to Intervention 1 is the disposal of private for sale units.	3		
CPO proposals / timescales / public benefit	The possibility exists that CPO intervention may be required via the London Borough of Newham to secure a bridge landing point on the east side of the river.	2		
Appraisal				
Cost plan estimates broken down by master planning headlines (clearly identifying abnormal costs)	Not provided, BNP appraisal provides high level information, high level cost breakdown for Intervention 1 provided (but not by a cost consultant).	2		
Stage 2 architect plans and floor area schedules	Not provided.	2		
Market report (independent assessment with reasoned and evidenced assumptions and narrative to include: residential values supported by comparable evidence; market sales absorption rates; affordable housing assumptions (mix, tenure and sales revenue); pre-sales; market forecast. Commercial assumptions where appropriate)	Not provided, we have based our benchmarking assessment on the HZ Toolkit Development Appraisal Inputs information and market commentary is provided as part of Gerald Eve's S123 Valuation.	2		
Access arrangement for development /preliminary layout in case of public realm and infrastructure requirements	Not provided.	2		
Topographical survey if available	N/A	2		
Utilities searches if undertaken	N/A	2		
Dependencies				
Project dependencies to be expressed as: Dependency/Impact/Mitigation.	<p>Acquiring land for Intervention 1 in LB Newham. We understand that the land on the LBTH side will be provided by the developer as a condition of contract with LBTH. However, the proposal in relation to the land in Newham is less certain. Acquiring additional funding. We are aware that other sources of funding are required in order to bring the interventions forward and are unclear as to the certainty in relation to securing this funding.</p> <p>Securing tenants. Although the commercial space is no longer funded through the HZ funding programme, we consider that there is potential that there is a delay in securing tenants for the commercial accommodation at the appropriate rental level.</p>	2		
Project Milestones				

Key activity table with remarks	<p><b>Ailsa Wharf Footbridge : Intervention 1</b>  Infrastructure planning permission granted - October 2018  All outstanding statutory consents received - March 2019  Infrastructure contractor appointed – June 2019  Infrastructure commence – Nov 2019  Infrastructure complete – July 2020</p> <p><b>A12 Green Mile : Intervention 2</b>  Delivery of Acoustic Barrier - March 18  Procure design team for remaining Green Mile initiatives - December 2018  Complete design - March 2019  Procure contractor - May 2019  Installation works - September 2019  Commence landscaping works - October 2019  Complete site works - November 2019</p>	3		
<b>Funding</b>				
Breakdown of works and how these will be funded	<p><b>Ailsa Wharf Footbridge: Intervention 1.</b> Funded by recoverable and non-recoverable grant of £3,873,378 towards total estimated project costs of £7,822,451, the balance being made up from a bid to the CLG of Housing Infrastructure Funding. No full breakdown of costs provided.</p> <p><b>A12 Green Mile: Intervention 2.</b> The total proposed cost of the project is £597,500, of which £500,000 is required from the GLA grant. No breakdown of works provided.</p>	2		
Peak funding requirement	Unknown.	1		
Level of commitment provided	Commitment to repay grant if overage is achievable in relation to part of the funding relating to Intervention 1.	2		
Draw-down requirement, interest rates, fees.	We assume that the grant will be drawn down as required, but this has not been confirmed. There will be no interest rate related to the repayment of the grant.	2		
Debt / equity split	Unknown.	2		
<b>Security</b>				
Valuations of book value of site	A valuation by Gerald Eve in relation to securing best consideration has been provided which identifies the value of the LBTH site has having a value of £14,300,000. However, we have not been provided with an appraisal of the entire Ailsa Wharf development.	2		
Details of existing charges	Unknown.	1		
What form of security is offered?	None required, as funding is grant / recoverable grant.	3		
<b>Planning</b>				
Commentary and evidence of compliance with LPA Policy.	Planning application has been lodged (application number PA/16/02692/A1) and is due to go to committee in November 2017.	2		
Site planning status and stages to implementation of consent	No planning consent, application submitted.	2		
An Issue is a known constraint/event that has occurred and needs to be resolved to avoid impacting the successful delivery of the project. A Risk is constraint/event that has not occurred but if did so has the potential to impact the successful delivery of the project.	<p>we understand the issues and risks relating to the interventions.</p> <p>1) Developer land banks the site or slows delivery. There will be provisions in the LBTH land sale agreement with Ailsa Wharf Developments to mitigate against disaggregation of the development site, to incentivise early delivery (with penalties for non-delivery), these conditions are linked to the title and will remain should the current developer seek to sell on following planning consent.</p> <p>2) Change in economic climate/ housing market conditions. There are provisions for the Council to acquire both housing and commercial assets in the scheme help lower risk. The Council has accepted a land receipt premium at the lower end of the acceptable range (with appropriate overage provisions as protection) to facilitate delivery. Provisions are in place to mitigate against disaggregation of land ownership should the developer come under pressure to sell land due to a market downturn or through commercial necessity.</p> <p>3) Land acquisition not completed and required for landing point for bridge in LB Newham required. We understand that negotiations have opened with the land owner and there are effective partnership arrangements with LB Newham for delivery of Le River Park projects (of which this is one) meaning Newham is ready to provide support and intervene as necessary.</p> <p>4) Cost inflation. Design work for the bridge and the Green Mile are in place, with Green Mile interventions scalable if necessary. For the bridge the onus is on the developer to deliver an affordable design, and contingencies have been built into the budget for matters such as CRT rights.</p> <p>5) Planning consent. Planning permission has not been granted for the scheme, and this may have an impact on viability which may mean that the delivery of the site is slowed or halted.</p>	2		
<b>Governance</b>				
Applicants to provide a delivery structure with key responsibilities	There are a range of delivery and governance structures - strategic, cross borough. Ailsa Wharf scheme wide (private sector led, but with provisions in land agreement with LBTH), specific project interventions.	2		
Delivery assessment form to include a statement from the project sponsor:	Not provided	0	0	
*all information has been provided in good faith and has been approved for submission by an appropriate Accounting Officer e.g. Finance Director	Not provided	0	0	
*the financial model has been prepared by the applicant or its advisers with sufficient probity and diligence	Not provided	0	0	
<b>OVERALL</b>		2		
<b>RAG RATING KEY</b>	Significant weaknesses, the supporting evidence or approach does not meet the requirement, or prospect of delivery is significantly challenged			
	The supporting evidence or approach is broadly acceptable but some improvements/validation is required to meet the requirements, or the prospects of delivery are subject to a higher than usual proportion of risk			
	The supporting evidence demonstrates that the requirement is met and prospect for delivery is robust			

# GLA HOUSING ZONES - FINANCIAL ASSESSMENT REPORT

Intervention Description and Number:	Ailsa Wharf Enabling Interventions: A1 - A12 Green Mile Project / A2 - Ailsa Wharf Footbridge / A3 - Early Acquisition of Workspace	SCORE (1 - 3 WHERE 3 IS THE HIGHEST)	RAG RATING
Date and Version Number:	06/09/17 V1		
Project Sponsor:	0		
Site Name:	Ailsa Wharf		
Housing Zone / Local Authority:	London Borough of Tower Hamlets		
Site Area (ha)	2.38		
Residual Land Value (£)			
Total Grant required (Recoverable and Non recoverable) (£)	£3,873,378		
Total Recoverable Grant required (£)	£1,473,378		
Total Non Recoverable Grant required (£)	£2,400,000		
Number of Housing Units Delivered	785		
Funding Cost per Housing Unit	£4,934		
Total Development Cost:	Unknown		
Peak Funding Requirement:	Unknown		
Other funding sources (equity / debt, source, amount and priority of payback):	We understand that in relation to Intervention 1, further funding is sought from the Housing Infrastructure Funding bid, which has not yet been allocated. In relation to Intervention 2, we understand that TfL funding is required. We are unclear as to the pay back provisions of the alternate sources of funding (if any) and therefore there is a risk that in the waterfall of funding repayment, the GLA may not take priority. We assume the contract between the GLA and LBTH will cover this risk.	2	
Benchmarking of Inputs	We have not been provided with a development appraisal of Phases 1 and 2 of the Ailsa Wharf development. We have therefore based our benchmarking assessment on the S123 Valuation report provided by Gerald Eve and the toolkit information. We consider that the costs associated with delivery may be understated as costs for underground car parking and external works etc do not appear to be included. We also are of the view that exceeding £700 psf based upon current comparable evidence is optimistic.	2	
Potential Success and Impact of Intervention	It is difficult to assess the potential success of the intervention as we have not been provided with an appraisal of the entire scheme, with the exception of appraisals used in the viability assessment which do not necessarily reflect a robust and reasoned position. However, we have undertaken a high level appraisal based on the information that we have been provided with indicates that the project is viable. We understand that the disposal of the LBTH site to effect the development of Phase 2 is conditional upon the developer designing and securing planning consent for the bridge. We therefore consider that notwithstanding the impact that the bridge will have on the area, improving connectivity, that funding towards the bridge will ensure the delivery of Phases 1 and 2 are secured. If funding for the bridge is not secured, this could have a delay in relation to bringing forward the site. However, we note that in addition to funding risk, there is also land assembly risk associated with the delivery of the bridge. In relation to the Green Mile project, we are of the view that this intervention will not unlock or accelerate the delivery of the Ailsa Wharf development.	2	
Overall Viability of Project	We are unclear as to the overall viability of the project, as we have not been provided with an appraisal. However, the Gerald Eve S123 valuation states that their appraisal provides a residual land value of £46,494,598. We have not been provided with a development appraisal of the entire scheme however and therefore have undertaken a high level appraisal based on the information that we have been provided with, and this indicates a residual land value of £23.4 million. The key variance between this appraisal and the Gerald Eve figure is that we have assessed the land value from the perspective of the developer and therefore have included the acquisition of the LBTH site, in addition to basement car parking costs. Without the appraisal from Gerald Eve it is however difficult to pinpoint the differences. We note that our appraisal provides a high level indication as we are not privy to all the salient information. Notwithstanding this, based on either the Gerald Eve assessment or our appraisal, the scheme's viability is such that we consider that the developer will proceed with the development and the project should succeed.	2	
Security of Funding	We understand that £1,473,378 of grant funding towards Intervention 1 will be recoverable by March 2022.	1	
Timing of Repayment	We understand that LBTH have agreed to repay the £1,473,378 recoverable grant by March 2022.	1	
OVERALL	We consider that the provision of funding for Intervention 1 is likely to accelerate the delivery of the Ailsa Wharf development as without this, the proposed scheme / deal may stall, require revision. The footbridge will open up connectivity and improve accessibility, in addition to being a conditional aspect of the sale for the LBTH site to the developer. We are of the view that the Green Mile project (Intervention 2) will not directly accelerate or unlock housing delivery on the Ailsa Wharf project.	2	
RAG RATING KEY	<p><b>Significant weaknesses, the supporting evidence or approach does not meet the requirement, or prospect of delivery is significantly challenged</b></p> <p>The supporting evidence or approach is broadly acceptable but some improvements/validation is required to meet the requirements, or the prospects of delivery are subject to a higher than usual proportion of risk</p>		

The supporting evidence demonstrates that the requirement is met and prospect for delivery is robust



**KEY**  
Safeguarded area for the future footbridge - 642 m²

rev	date	description
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**stock wool**

The Pump House 19 Hooper Street  
London E1 8BU 020 7264 8600  
info@stockwool.co.uk

Client  
**AILS A WHARF LTD**

Project  
**AILS A WHARF**

Drawing  
**Safeguarded area for the future footbridge**

Status  
**PLANNING (RESUBMISSION)**

Scale 1:500@A1  
CAD File 3334-A-Main Model-spring 2017  
Date 07/11/2017  
Drawn PB, AB, RH, MS  
Checked JSn

Project no\_ Drawing no\_ Revision  
3334\_SK\_16\_