

## NOTE

### CANADA WATER – SUMMARY OF AFFORDABLE HOUSING REVIEW

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#### 1 Context

- 1.1 Quod has provided various notes setting out the proposed approach to affordable housing and review mechanisms. In response to a request from the Council this note summarises the previous information.
- 1.2 Whilst useful progress on the viability position has been made in discussions with BNPP from May to November 2018, an agreed position has not been reached. The primary outstanding issue is the extent to which value growth should be included in the appraisals. British Land's assumptions represent a significant uplift in values, having regard to the quality of the scheme. BNPP's figures add substantial further growth, exceeding British Land by c.£600m. A future growth forecast of this scale is not a basis on which British Land can commit initial funds of over £500m - the risk profile is simply too high.
- 1.3 Given the above, the scenarios presented are on the basis of a "mid-point" model, the details of which are set out within this note.

#### 2 Overview of the Proposal

##### 2.1 British Land is proposing:

- Phase 1 delivers 35% affordable home by habitable room adopting Southwark Council's measure (39% using the GLA measure), split 70/30 social rent / intermediate.
- Future affordable housing is determined as each residential reserved matters application is submitted. There is a target of 50% affordable homes. A review mechanism is proposed which directs more value to affordable homes than a traditional approach.
- Council members have full oversight of future reserved matters applications, with each brought back to planning committee for approval (in the same way as if the individual RMAs were submitted as separate schemes).

##### 2.2 The benefits of British Land's proposal are:

- More future value is made available for affordable housing than under a traditional review mechanism (100% rather than 60% of any initial viability improvement).
- Target levels of affordable homes are more likely to be met than under a traditional review mechanism:
  - With a 20% increase in residential values a policy-compliant 36% affordable homes are delivered (compared to 27% under a traditional review with the same level of growth).
  - With a 40% increase in residential values 50% affordable homes are delivered (compared to 39% under a traditional review with the same level of growth).
  - With grant returning to historic levels (perhaps £80,000 per dwelling), 50% affordable homes is reached with more modest value growth.
- There is no requirement to set an initial "fixed minimum" affordable proportion at the outset, when considerable uncertainty exists and such a level will be well below the long term target. For reference, when using the mid-point between BNPP and BL assumptions, the affordable proportion is 15%.

## NOTE continued

2.3 The reasons British Land is proposing this approach are:

- The nature of the Canada Water scheme means initial viability is more challenging than other smaller schemes in the borough. Canada Water delivers 2-5 times more public realm per dwelling than these schemes and also spends 68% more per ft<sup>2</sup> of saleable space on infrastructure.
- As a Real Estate Investment Trust (REIT), British Land adopts a lower risk / lower return model than other developers. As such, the proposed approach, which reduces the risk profile of the residential element but also reduces the opportunity for enhanced profit, is more attractive than a traditional higher risk / higher return approach.

2.4 It is important to note that the British Land proposals are made with regard to the costs / benefits to British Land and the Council in the round. Elements of the proposal cannot therefore be selected and combined with a traditional review mechanism (i.e. the choice is British Land's proposal or a traditional one).

### 3 Contents of this Note

3.1 The remainder of this note sets out more detail in relation to the proposals:

- Section 4 – Sets out the review mechanism approach.
- Section 5 – Provides the outcome of a range of growth / grant scenarios, adopting the proposed approach vs a traditional one.
- Appendix 1 – Sets out the basis of the “mid point” appraisals.
- Appendix 2 – Provides a draft approach to apportionment of infrastructure.
- Appendix 3 – Compares Canada Water to other smaller schemes recently considered by the Planning Committee and highlights the differences.

3.2 Appendices 1-3 are notes which have previously been circulated.

### 4 Review Mechanism Approach

#### *Review Mechanism Share*

#### ***What is British Land proposing?***

4.1 Phase 1 delivers policy-compliant affordable housing.

4.2 A full review of each future phase is undertaken to identify the viable affordable housing level, with 100% of any improvement in viability directed to affordable housing delivery until 35% affordable homes is reached. After this point, a more traditional 60/40% review will apply until 50% affordable homes is reached.

4.3 An additional late-stage viability appraisal will also be undertaken for any future phase which does not deliver a minimum of 35% affordable homes. This will ensure that any further gains during the delivery of the phase are captured and can be directed towards additional affordable housing in a subsequent phase.

#### ***What are the benefits of the proposed approach?***

4.4 The proposals enable 100% of any initial future viability improvements to be used for affordable housing delivery, this compares to 50-60% in a typical review.

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- 4.5 As an example, if residential values grew as indicated below, the British Land approach would deliver the following affordable housing levels, exceeding those from a traditional review:

Scenario	Traditional Review Affordable	British Land Review Affordable
Proposed Inputs (mid-point)	15%	15%
Values +10%	21%	25%
Values +20%	27%	36%
Values +40%	39%	50%

- 4.6 The modelling by BNPP over the life of the scheme indicates that 50% affordable homes would be viable under the British Land approach based on BNPP's growth assumptions. At the point where growth had enabled 50% affordable homes, any future surpluses would be retained by British Land.
- 4.7 British Land's proposed approach would only deliver a lower affordable housing outcome than a traditional approach if residential values were to fall over the life of the scheme.
- 4.8 The proposed approach is beneficial to British Land as it reduces the risk profile of the residential element. This also reduces potential returns for British Land, however this lower risk / lower return model is more suited to the company's REIT structure.
- 4.9 The proposals also avoid the need to agree a fixed minimum affordable level / tenure mix at the outset. Such an agreement may be time consuming and politically challenging and it is therefore considered sensible to consider alternative approaches.

### *Affordable Housing Tenure Mix*

#### ***What is British Land proposing?***

- 4.10 A broad range of affordable housing tenures is defined at the outset but the precise proportion of each is determined at the time of each reserved matters application.
- 4.11 Some overall proportions of types of affordable tenure could be fixed at the outset, for example:
- 1/3 as general needs social rent
  - 1/3 as intermediate sale or rent
  - 1/3 as specialist products including older persons, step-down, keyworker, CLT etc

#### ***What are the benefits of the proposed approach?***

- 4.12 The proposals allow the Council and British Land to work together to shape affordable housing delivery as the development proceeds. This ensures the ability to respond to changing needs, grant availability and plot viability.

## NOTE continued

- 4.13 Including a wider range of affordable housing products ensures that a genuinely mixed community can be created, allowing a wide range of local people the chance to move to the site and giving options as people move into their first home, have a family or need care as they get older.

### *Approach to Commercial Uses*

#### ***What is British Land proposing?***

- 4.14 Viability reviews will be undertaken for each future residential or mixed use reserved matters application. A review will not be undertaken for commercial plots.

#### ***What are the benefits of the proposed approach?***

- 4.15 The Canada Water Masterplan intends to create a new residential and commercial centre, with employment uses of similar floor area to More London and a total area similar to Kings Cross Central. Whilst this represents a significant opportunity for Southwark, and could offer 22,000 new jobs, it inherently carries risk.
- 4.16 Attracting major firms to occupy over two million square feet of commercial space in an area which is not a traditional employment destination will be challenging and very few investors have the capability to do this. British Land has a unique set of skills, combined with the ability to raise the c.£3bn of funds required to deliver the scheme. However, the delivery structure of the scheme must be sufficiently flexible and offer the appropriate risk / return terms to secure this funding.
- 4.17 Application of the review mechanism to commercial phases risks the ability to secure the investment to deliver the scheme. The key reasons for this are:
- **Risk / return balance** – on a current basis (excluding growth) the commercial element indicates a return of c.7% based on the BNPP appraisal. This level of return is significantly below that which would usually be required for a scheme to proceed and as such the investment represents a greater risk. The ability to realise a return, which for some elements of the scheme may exceed normal benchmarks, is therefore required to ensure an incentive to commit initial funds.
  - **Funders' sector exposure** – funding committed to the commercial element of the scheme will be from funders seeking exposure to this sector and having regard to British Land's track record in commercial delivery. Given the scale of commercial, such funders will be specific to this sector and linking of returns to residential (via transfer of value if residential under-performs) will be of concern.
  - **Long term income realisation** – British Land is a long term investor, owning estates and buildings, often in perpetuity. As such, the value from the Canada Water scheme will be realised via rents over many years. This long term approach is part of what enables the scheme to be delivered. Capitalisation of commercial values at completion based on a theoretical yield may result in a requirement for payment of funds which have not actually been realised. In addition these funds would need to be paid at a time when the overall investment position may remain challenging and significant spend is still required on ongoing infrastructure / development.
  - **Flexibility** – Funding and letting the scale of buildings at Canada Water in a new location will require an agile and flexible approach. British Land may adopt a variety of lease structures, vary returns to achieve the best blend of tenants to maximise overall value and enter into partnerships with occupiers or investors. Inclusion of the commercial element in the review may inhibit the ability to form such

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partnerships or capture surpluses which are required to fund planned underperformance in other phases.

- 4.18 There is also a practical issue, linked to the last point above, in that British Land’s flexible leases are likely to include options such as turnover based rents, sharing risk / return with occupiers as the place is established. This type of approach is challenging to convert to an initial capital value, particularly given the uncertain extent of future placemaking growth.
- 4.19 Excluding commercial phases from the review process has the potential to benefit affordable housing delivery, particularly if commercial values are flat or fall short of current forecasts. As an example, a reduction of 10% in commercial values would result in a fall in affordable homes from 35% to 20%.
- 4.20 A similar review of risks / benefits was undertaken for the Croydon Whitgift Scheme which also comprises substantial office, retail and residential uses. On balance, it was agreed that the risks to affordable housing delivery and impacts on the scheme funding model meant that future reviews should be applied only to residential phases. This approach was approved by Croydon Council and the GLA.

## 5 Scenarios

### Residential value growth

- 5.1 Future growth in residential sales values represents a key opportunity for the scheme and one which could enable substantially greater affordable housing delivery. The table below indicates the affordable outcome for a range of scenarios under the British Land and traditional approaches:

Scenario	Traditional Review Affordable	British Land Review Affordable
Proposed Inputs (mid-point)	15%	15%
Values +10%	21%	25%
Values +20%	27%	36%
Values +40%	39%	50%

- 5.2 As indicated above, the British Land approach exceeds the Council’s minimum 35% affordable housing target at a relatively modest 20% growth whilst the traditional approach requires around double this level of growth.
- 5.3 It is also noted that, given the scheme size, the absolute numbers of additional affordable homes possible via the British Land approach are significant. The GLA AMR indicates Southwark delivered an average of 260 affordable homes per year over the last three years. Even at the +20% value scenario, the British Land approach is delivering over 200 more affordable homes than the mid-point baseline – a benefit comparable to an entire year’s supply by all developers in the borough.

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### Build cost changes

- 5.4 The table overleaf indicates the affordable outcome from the two review approaches with a range of cost and value movements.

Scenario	Traditional Review Affordable	British Land Review Affordable
Proposed Inputs (mid-point)	15%	15%
<b>Values improve over costs</b> Build costs fall 20%, sales values increase 20%	32%	39%
<b>Values improve, costs are unchanged</b> Build costs are unchanged, sales values increase 20%	27%	36%
<b>Cost savings are achieved</b> Build costs fall 10%, sales values are unchanged	17%	17%
<b>Costs increase with no value growth</b> Build costs increase 10%, sales values are unchanged	15%	13%
<b>Costs significantly increase with no value growth</b> Build costs increase 20%, sales values are unchanged	15%	11%

### Non-residential uses impact

- 5.5 Applying the review only to future phases containing residential accommodation is considered to be the best way to achieve deliverability of the scheme (having regard to the challenges in establishing a major new retail / commercial market). The following table indicates the outcome of this approach compared to a traditional approach which includes commercial space.

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Scenario	Traditional Review Affordable	British Land Review Affordable
Proposed Inputs (mid-point)	15%	15%
Residential values increase 20%, commercial values are unchanged	27%	36%
Residential and commercial values increase 20%	38%	36%
Residential values increase 10%, commercial values fall 10%	16%	25%
Residential values increase 20%, commercial values fall 20%	17%	36%

### Grant funding

- 5.6 Given the scheme duration, there is the potential that government priorities will shift toward affordable housing delivery and grant funding will be made available to support this. Current grant rates are £28,000 for intermediate homes and £60,000 for social rent. This compares to rates of £50,000 and £110,000 respectively under the previous Labour government.
- 5.7 The points below indicate how 35% and 50% affordable homes could be achieved under the proposed review approach. A grant rate of £80,000 per affordable home has been selected as this is in line with recent government comment and similar to historic levels.
- 35% affordable homes would be viable with £80,000 / dwelling grant and 16% residential growth
  - 50% affordable homes would be viable with £80,000 / dwelling grant and 39% residential growth

### Scheme parameters

- 5.8 All scenarios above have been prepared based on the illustrative masterplan. The points below indicate the baseline outcomes for the minimum / maximum residential schemes:
- Illustrative scheme – 15% affordable homes
  - Maximum residential scheme – 22% affordable homes
  - Maximum office scheme – 13% affordable homes

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### APPENDIX 1 – Basis of the “mid-point” appraisals

## NOTE

### CANADA WATER – REVIEW OUTCOMES

#### 1 Basis of Scenarios

- 1.1 As agreed at the meeting of the 19<sup>th</sup> October, a “mid point” appraisal has been used for scenario testing whilst discussions regarding an agreed appraisal continue. The table below confirms the “mid point” appraisal inputs. For the avoidance of doubt, it is noted that the adopted inputs are not considered reasonable or supported by evidence; it is therefore expected that the final agreed inputs will be more similar to the current Quod figures.

Model Input / Assumption	Quod Baseline Model	Proposed Inputs (mid-point)	Comments
Private Sales Values - Towers (£/sq.ft)	£1,050.00	£1,150.00	The BNPP report does not specify a precise mid-point, a reasonable assumption has therefore been adopted.
Private Sales Values - Blocks (£/sq.ft)	£950.00	£1,025.00	
Retail Rental Values (£/sq.ft)	£32.50	£39.00	
Blended Affordable Housing Value (£/sq.ft)	£416.00	£301.00	The BNPP affordable value has been adopted, representing a policy 70/30 tenure mix
Residential Ground Rents (£/dwelling)	£0.00	£10.00	Updated to £10 In-line with October 2018 government paper
Retail Yield (%)	5.00%	5.25%	Mid-Point between the BNPP / Quod figures
Sales Agent Fee (% on private residential income)	2.00%	1.75%	
Lettings Agent Fees (% on commercial income)	20.00%	17.50%	
Professional Fees (% on construction costs)	13.00%	11.50%	
Finance Costs	6.50%	6.25%	
Land Costs (£ lump sum)	£236,242,134	£222,682,763	Mid-Point between the Quod / BNPP figures + £5m for Roberts Close / Police Station (TBC)

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### APPENDIX 2 – Draft approach to apportionment of infrastructure.

## NOTE

### CANADA WATER – INFRASTRUCTURE & OTHER COST APPORTIONMENT

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#### 1 Introduction

- 1.1 Operation of the review mechanism will require that certain site-wide costs are apportioned between residential and commercial / retail uses. This note indicates a draft methodology for apportioning costs, with an example outcome based on the most recently issued “mid point” viability model. It is suggested that the key principles be agreed, following which an updated example outcome can be prepared when BNPP / Quod have agreed a based viability model.

#### 2 Apportionment Principles

- 2.1 It is proposed that costs be apportioned based on the following principles:

- i. The expenditure headings within the viability appraisal are split into two categories – (1) Directly Attributable Costs and (2) Site-wide Costs
- ii. Within category (1) Directly Attributable Costs, the actual residential costs are reconciled for each reserved matters application (RMA) and used within the viability appraisal. The commercial costs within this category are not relevant to the review mechanism so need no further reconciliation.
- iii. Within category (2) Site-wide Costs, the cost headings will include a range of items:
  - o Fixed cost items – for example land
  - o Site-wide infrastructure for which costs have been expended or build contracts let – these costs will be firm
  - o Site-wide infrastructure where costs are forecast

The total of all items above will be calculated and divided by the gross internal area of all residential and commercial / retail uses. This figure will represent the cost/ft<sup>2</sup> to be applied to the residential area within the RMA to generate the site-wide costs for the residential viability appraisal.

- iv. It is recognised that the category (2) costs will be refined over the life of the scheme. The £/ft<sup>2</sup> figure used for each RMA will therefore be refined to account for actual expenditure and updated future expenditure forecasts.
- v. All of the above will apply to post-phase 1 RMAs only.

#### 3 Example

- 3.1 The table overleaf indicates the apportionment of area between residential and commercial / retail uses. The resultant figure of 52% residential is used to apportion infrastructure, land etc to residential uses.

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<b>Total GIA (sq.ft)</b>	<b>4,875,997</b>	
Total Residential GIA (sq.ft)	2,556,480	52%
Total Commercial	2,319,517	48%
<i>Commercial mix:</i>		
Retail (sq.ft)	559,238	
Office (sq.ft)	1,688,115	
Hotel (sq.ft)	40,389	
Leisure (sq.ft)	31,775	

3.2 The table overleaf indicates the outcome of the apportionment:

- i. Directly attributable costs are those which can be apportioned specifically to residential or commercial / retail uses. Items such as CIL and void costs have specific supporting calculations that result in the stated percentages.
- ii. Site-wide costs indicates all other costs which are to be apportioned by GIA.
- iii. The outcome of the attached is that, based on the currently available site-wide costs estimates, a cost of £118/ft<sup>2</sup> would be applied to residential uses in future RMA review mechanisms to allow for land, infrastructure, external works etc.

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Cost Sub-Heading	Cost Line	Total Cost	Residential Apportionment	Commercial Apportionment	
Directly Attributable Costs	Residential Build Costs	£731,038,400	£731,038,400	£0	
	Commercial Build Costs	£705,566,415	£0	£705,566,415	
	Basement	£197,129,214	£103,354,636	£93,774,578	
	3m Landscaped Border	£41,980,730	£22,010,452	£19,970,278	
	Contractor Fees	£67,010,775	£35,133,677	£31,877,098	
	Professional Fees	£235,310,912	£123,373,259	£111,937,653	
	Marketing	£20,843,258	£10,928,098	£9,915,160	
	Letting Agent Fee	£15,821,593	£0	£15,821,593	
	Letting Legal Fee	£4,513,740	£0	£4,513,740	
	Sales Agent / Letting Fee	£24,317,135	£24,317,135	£0	
	Sales Legal Fee	£1,715,000	£1,715,000	£0	
	Insurance	£24,467,610	£12,828,342	£11,639,268	
	Mayoral and Southwark CIL	£87,758,129	£52,654,877	£35,103,252	
	Voids Rates and Charges	£26,232,140	£3,672,500	£22,559,640	
	Development Contingency	£6,922,894	£969,205	£5,953,689	
	Finance	£94,323,815	£49,453,875	£44,869,940	
<b>Total</b>		<b>£2,190,627,945</b>	<b>£1,121,995,580</b>	<b>£1,068,632,365</b>	
Site-Wide Costs	Community Use	£15,552,767	£8,154,299	£7,398,468	
	Plot G.01 Enabling Works	£32,043,151	£16,800,189.72	£15,242,961	
	Enabling Works	£62,547,336	£32,793,501	£29,753,835	
	Drainage and Utilities	£64,940,136	£34,048,044	£30,892,092	
	Off Plot Infrastructure	£95,033,044	£49,825,723	£45,207,321	
	S106/278	£16,983,031	£8,904,185	£8,078,846	
	S106 Contributions	£48,400,000	£25,376,068	£23,023,932	
	Pre Development Costs	£8,413,727	£4,411,308	£4,002,419	
	SQLP VP Apportionment	£5,792,443	£3,036,972	£2,755,471	
	Other Contingency	£2,148,000	£1,126,194	£1,021,806	
	Development Contingency	£3,237,709	£1,697,527	£1,540,181	
	Land	£222,682,763	£116,752,334	£105,930,429	
	<b>Total</b>		<b>£577,774,107</b>	<b>£302,926,345</b>	<b>£274,847,762</b>
	<b>Total £/sq.ft Apportionment</b>		<b>£118</b>	<b>£118</b>	<b>£118</b>
<b>Total Costs as per "Mid-Point" Appraisal:</b>		<b>£2,768,402,051</b>	<b>£1,424,921,925</b>	<b>£1,343,480,126</b>	

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### APPENDIX 3 – Comparison of Canada Water to other smaller schemes recently considered by the Planning Committee

## NOTE

### CANADA WATER - COMPARISON TO OTHER SCHEMES

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#### 1 Introduction

1.1 It has been noted that other schemes in Southwark are being submitted with 35% affordable housing, raising the question of why Canada Water cannot commit to the same level at submission. This note sets out why Canada Water is a fundamentally different type of scheme to others, delivering substantially greater community benefits but also incurring greater costs for infrastructure, public space and public facilities. This note sets out how:

- The recent schemes in the borough delivering 35% affordable homes have infrastructure / abnormal costs which on average are 68% lower than Canada Water, reflecting the fact that these schemes do not deliver substantial area upgrades / new amenity space.
- Canada Water delivers 2-5 times more public realm per dwelling than smaller schemes.
- Recent schemes delivering 35% affordable homes offer few if any community buildings / amenities whereas Canada Water includes at least 9 discrete facilities.
- The Canada Water masterplan incurs abnormal costs of £250m. Whilst these costs are necessary to enable the whole of the Opportunity Area to fulfil its economic potential, they do impact on affordable housing delivery.
- Other comparable major masterplan sites across London have either fallen below 35% affordable homes or received substantial grants to support affordable housing delivery.

1.2 As previously noted, the proposed approach to review mechanisms at Canada Water represents the best way to ensure deliverability of the scheme, whilst supporting delivery of up to 50% affordable homes via future grant support or value growth.

#### 2 Financial Challenges Faced by Larger Schemes

##### *Infrastructure*

2.1 Smaller schemes require significantly lower levels of infrastructure than strategic projects, often connecting to existing road and utilities networks, rather than requiring significant new infrastructure. Below is a table comparing the level of infrastructure, external, public realm and abnormal costs that Canada Water will incur, to those from smaller projects recently submitted in Southwark. It is clear that Canada Water faces significantly higher infrastructure costs than the other schemes. The list comprises all schemes submitted this year for which viability information could be located on the planning portal.

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### Comparison of Infrastructure Costs

Scheme	Application	Affordable	GIA (sqft)	Infrastructure / abnormal	£/sqft GIA	% change from CW
<b>Canada Water</b>	<b>18/AP/1604</b>		<b>6,390,426</b>	<b>£342,729,493</b>	<b>£54</b>	
Kennington and Walworth Delivery Centre	18/AP/0737	35%	51,538	£1,864,970	£36	-33%
Nyes Wharf	17/AP/4596	35%	172,590	£1,142,031	£7	-88%
136-142 New Kent Road	17/AP/3910	35%	89,610	£657,030	£7	-86%
180 Ilderton Road	17/AP/4546	35%	105,541	£986,316	£9	-83%
Lavington House	16/AP/2668	20%	349,324	£10,891,094	£31	-42%
Solomons Passage	17/AP/2330	35%	48,578	£831,040	£17	-68%
Ruby Triangle	18/AP/0897	40%	1,271,074	£13,750,000	£11	-80%
<b>Average of others</b>					<b>£17</b>	<b>-68%</b>

*Note – Basements are excluded from the infrastructure / abnormal costs and from the scheme GIAs.*

#### Site Amenities

- 2.2 Smaller schemes deliver less amenity space than larger schemes, with associated lower costs. The following table sets out the levels of amenity space on a per unit basis. For the purpose of this study, public realm includes privately managed public space and pavement. It is clear that Canada Water is delivering significantly more public space than the other schemes.

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### Comparison of Public Space

Scheme	Public Realm	Public Space / Unit
Canada Water	49,500 sqm (excluding areas within development zones) 13,000 sqm park 4,500 sqm town square	23 sqm
Kennington and Walworth Delivery Centre	c. 650 sqm	13 sqm
Nyes Wharf	c. 2,000 sqm	13 sqm
136-142 New Kent Road	c. 270 sqm	4 sqm
180 Ilderton Road	c. 440 sqm	5 sqm
Lavington House	c. 2,000 sqm	12 sqm
Solomons Passage	-	0 sqm
Ruby Triangle	c. 4,800 sqm park / public realm	4 sqm

### *Public Benefits*

2.3 Canada Water provides several significant public benefits which, whilst being important in supporting the ambitions of the scheme and wider Opportunity Area, have a direct delivery cost and in some cases a cost in loss of developable space. As can be seen below, other recent schemes deliver much more limited benefits.

### Comparison of Public Benefits

Scheme	Benefits
Canada Water	<ul style="list-style-type: none"> <li>• Delivering a new major Town Centre</li> <li>• Leisure Centre (part Council funded, part funded by the development)</li> <li>• Public toilets</li> <li>• A new public park with pavilion</li> <li>• A new public square</li> <li>• Dock walkway and restoration of dock wetland habitat</li> <li>• Public realm around Dock Offices</li> <li>• Social regeneration charter items</li> <li>• Cycle parking and multi-storey car park</li> </ul>

## NOTE continued

Kennington and Walworth Delivery Centre	<ul style="list-style-type: none"> <li>Trees and planting boxes on pavement set back from street</li> </ul>
Nyes Wharf	<ul style="list-style-type: none"> <li>New landscape and public realm</li> </ul>
136-142 New Kent Road	<ul style="list-style-type: none"> <li>New pedestrian route</li> </ul>
180 Ilderton Road	<ul style="list-style-type: none"> <li>Planting and widened pavements</li> </ul>
Lavington House	<ul style="list-style-type: none"> <li>Hard and soft landscaping with colonnade</li> </ul>
Solomons Passage	<ul style="list-style-type: none"> <li>n/a</li> </ul>
Ruby Triangle	<ul style="list-style-type: none"> <li>Community leisure facility</li> <li>Public open space</li> </ul>

### 3 Abnormal Costs on Canada Water

3.1 The Canada Water scheme incurs significant abnormal costs, including but not limited to:

- Service diversions, rooftop park and podium landscaping – c. £60m
- Roads and landscaping – c. £55m
- Drainage and utilities – c. £55m
- Site Clearance and Remediation – c. £37m
- Multi storey carpark – c. £26m
- Dock improvements – c. £15m

3.2 The above amounts to c.£250m. For comparison, a £100m change in build costs amounts to c.10% affordable homes within the illustrative masterplan scheme. It is therefore clear that, whilst essential, abnormal costs do increase the challenge in delivering affordable homes.

### 4 Strategic Sites Across London

4.1 Comparing Canada Water to similar strategic sites across London it can be seen that it is not unusual for it to be challenging to deliver 35% affordable homes at the outset. Where some schemes have delivered greater levels of affordable homes, this has been facilitated by large grant allocations.

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### Comparison of London Strategic Sites Affordable at Consent

Scheme	Affordable Proportion	Comments
Battersea Power Station	9%	The Battersea scheme currently adopts an approach of a relatively low minimum affordable level with a later review.
Whitgift Croydon	20%	Whitgift Croydon adopts an approach of a relatively low minimum affordable level with a later review sharing surpluses.
Barking Riverside	35%	The Barking Riverside scheme achieves 35% affordable homes via the provision of free land from the public sector and a substantial grant for transport infrastructure.
Earls Court	22%	The Earls Court masterplan delivers 22% affordable homes, of which 11% are new affordable homes rather than re-provision homes.
Kings Cross Regeneration	32%	The Kings Cross scheme secured grant levels which are substantially in excess of those available today. To be comparable to Kings Cross, the grant at Canada Water would need to be over £120m. Whilst British Land will work with future grant programmes to secure more grant, there is no long term grant certainty at present.
Greenwich Peninsula	22%	The 2015 update to the Greenwich Peninsula masterplan provides for 22% affordable homes, with viability to be reviewed as each plot is delivered.