
CANADA WATER MASTERPLAN



Housing Statement
Executive Summary

May 2018

QUOD

1 Executive Summary

The Canada Water Development

- 1.1.1 Housing is a vital part of the Canada Water Development and the proposals will provide new homes for thousands of people. The types of homes provided have been carefully considered to support a sustainable new community, as well as responding to feedback from local people and organisations. The Development will offer a great new place to live, adding to the things people already like about the area by providing new green spaces, more shops and employment opportunities. It will also help to address some of the housing challenges the area currently faces by:
- Delivering around 3,000 new homes, helping address the current shortage of housing.
 - Proposing a Local Lettings Plan, ensuring that local people have priority for a proportion of all new affordable homes, enabling people to move to a home which meets their needs.
 - Offering types of homes which are in short supply locally, for example specialist accommodation for older people, “keyworker” housing for workers in health and education services, as well as smaller apartments for those moving out of their family home for the first time.
 - Including homes for people on a wide variety of incomes, from new social rent homes, to intermediate rents, discount sale and homes to buy or rent at market levels.
- 1.1.2 The details for each phase of the Development will be worked up as the project progresses. The submitted hybrid planning application includes the details for Phase 1 which will deliver 270 homes. Based on Southwark’s emerging measure, 35% of these homes are provided as a policy compliant mix of 70% social rent 30% intermediate, with an additional 4% provided as discount market sale/rent. This level of affordable provision assumes the level of grant detailed in paragraph 1.1.9. The affordable percentage can be calculated in other ways, a full range of measures is set out in Figure 1.1.

Figure 1.1 – Level of Affordable Based on Different Measures

| Units | Floorspace | Habitable Rooms (Southwark Adopted Measure) | Habitable Rooms (Southwark Emerging Measure) | Habitable Rooms (GLA Adopted Measure) |
|-------|------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------------|
| 34% | 33% | 35% | 39% | 40% |

- 1.1.3 Overall, the proposals will deliver approximately 3,000 new homes and circa 2m ft² of commercial space, which will support 20,000 new jobs, significant improvements to the public realm and a new leisure centre.

Community Feedback and Aims for the Development

- 1.1.4 The scale of the Canada Water Development means that it can offer a much broader range of housing than a typical scheme, while also addressing specific local problems. The proposals have been developed based on extensive feedback from the local community and a detailed review of local housing issues. Examples of the points arising from this process which have been incorporated into the proposals include:

Figure 1.2 – Key Housing Considerations

| | |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Older persons | People wanted options for older people to down-size. It was also noted that some people have care needs and are concerned that they may need to move out of the area to find suitable accommodation, specialist housing at Canada Water would therefore be beneficial. |
| Affordable homes to buy | Whilst social and intermediate rent are attractive to many people, others, particularly families wanted affordable ways to buy a home. Options such as shared ownership and Living Rent (where a home is rented for a period then bought) will help meet this need. |
| Hospitals and schools | Kings College hospital noted that there are currently very high vacancy rates for nurses, which could affect their ability to deliver health services for local people effectively. A significant part of the problem is that staff cannot afford to live nearby. Similar issues were identified by schools within the local wards. Homes let at intermediate rents, aligned to keyworkers' incomes would address this need and help protect local services. |
| Young adults | The area has a greater than average proportion of young adults living with their parents. It was identified through the public engagement that these people find it hard to locate a home, particularly if reliant on housing benefit. Good quality, purpose-designed apartments for 2-3 sharers would be suitable and affordable. |
| Overcrowded / under-occupied | Many local people in affordable housing are not in the right size home but have limited choice to move within the immediate area. The proposals include a range of homes which people could up-size or down-size to and the local lettings provisions would ensure access to a proportion of these for local people. |

- 1.1.5 Based on local feedback and the priorities of Southwark Council and the Greater London Authority (GLA) a number of housing objectives have been developed for the scheme. These objectives are set out in section 3.1 of this report and include maximising the total number of affordable homes across a broad range of tenures to support a mixed and balanced community, giving priority to local residents and ensuring high quality management of the whole Development in the long term.

Alignment to Policy

- 1.1.6 The proposals for the Development have been developed with reference to the relevant planning and housing policies, meeting and exceeding standards to support a sustainable new community. Section 4 of this report sets out the full national, GLA and Southwark Council policies. Key housing quality themes which the Development responds to include:
- **Space** – All homes will meet the space standards set out by the GLA. This will ensure there is enough space to live comfortably and that there is plenty of storage.
 - **Accessibility** – All homes will meet requirement M4 (2) of the Building Regulations accessibility standards, being category 2. This is an enhanced standard that ensures easier access for those with mobility problems and also has features to allow easy adaptations if peoples' needs change over time. 10% of homes will also meet requirement M4(3), being category 3, which means that they are fully adapted for wheelchair users or others with more severe mobility needs.
 - **Sustainability** – Features such as very high insulation standards, solar panels, green roofs and heat recovery systems will ensure that homes meet sustainability standards. These sustainability features will also benefit residents directly as less energy will be needed to heat and light homes, resulting in reduced bills.
 - **Design** – The design will be of a high quality and factors such as arriving at the building and the home as a place of retreat will be taken into account. This will ensure the homes are places that resident can be proud of.

1.1.7 The approach to affordable homes is also in line with relevant policy including:

- Quantity of affordable homes – Phase 1 of the Development will deliver 39% affordable homes (by Southwark’s emerging measure), exceeding Southwark Council’s minimum requirement of 35%.
- Mix of tenures – Phase 1 of the Development meets Southwark Council’s 70/30% tenure mix of social rent / intermediate homes for the first 35% of affordable housing. An additional 4% affordable homes are also provided as discount market sale or intermediate rent, making 39% affordable in total.
- Rent levels – Social rent homes will be let at the rents specified by the Council, currently £107/week for a 1 bed, £126 for a 2 bed and £146 for a 3 bed. Intermediate homes for rent or sale will also be at levels which ensure they are affordable within the income caps set by the GLA.
- Review mechanisms – Each future phase including housing will be reviewed at the time details are prepared to ensure the maximum affordable housing is delivered and that this is accommodated on-site. This approach will ensure that 100% of any improvements in viability prior to reserved matters applications are used to support the delivery of affordable homes until 35% is achieved (in contrast to the more usual 60%). Additionally, any phases which do not deliver 35% affordable homes will have the benefit of a traditional “late stage” viability review.
- Transparency – All financial information (as detailed within this report) is publicly available, in line with GLA and Southwark Council requirements.

Financial Viability

1.1.8 The Development is one of the largest in London, creating a significant new place and thousands of new homes and jobs. A project of this size requires large scale infrastructure upgrades and early investment in public spaces to help create an attractive place. Due to these upgrades and investment, the scheme has a challenging cash flow profile, requiring an organisation of the scale and capability of British Land, which can take a long-term investment view. The project team has worked to ensure that the Development is viable, whilst ensuring sufficient investment in infrastructure and placemaking together with the delivery of affordable homes.

1.1.9 Figure 1.2 below provides a summary of the viability position for Phase 1 and the scheme as a whole. The following key points are noted:

- As would be expected for a scheme of this scale and affordable housing delivery quantum, the viability of Phase 1 is challenging. The appraisal indicates a marginal viability position based on current values, with an enhanced (but still below typical market) level of return including optimistic potential values if enhancement due to placemaking occurs. British Land is however committed to delivering the phase as designed and with 40% affordable homes (by GLA measure), taking a long term commercial view and recognising the need to kick-start the Development delivery.
- In order to maximise affordable housing delivery, discussions have taken place with Southwark Council and the GLA. These talks have resulted in the indication of £17.5m of grant related to the income from future business rates from the new commercial space. In addition, £16.5m of grant has been indicated to support the delivery of affordable housing within the early phases.
- The scheme as a whole also indicates a marginal viability position, but as for Phase 1 an enhanced level of return closer to market levels is achieved when modelling optimistic potential values if enhancement due to placemaking occurs.

Figure 1.2 – Financial Appraisal Summary

| Assumption | Phase 1 – Baseline 40% Affordable | Phase 1 – Placemaking Addition 40% Affordable | Rest of Scheme – Placemaking Addition 35% Affordable |
|----------------------------|--------------------------------------|-----------------------------------------------------|------------------------------------------------------------|
| Income | | | |
| Private Residential | £129,890,000 | £142,879,000 | £1,362,784,000 |
| Affordable Residential | £22,629,000 | £22,629,000 | £284,722,000 |
| Office | £216,660,000 | £257,284,000 | £1,459,420,000 |
| Retail | £10,965,000 | £18,557,000 | £520,836,000 |
| Leisure | £0 | - | £10,889,000 |
| Hotel | £0 | - | £34,953,000 |
| Car Parking | £1,395,000 | £1,395,000 | £12,855,000 |
| Total GDV | £381,539,000 | £442,744,000 | £3,686,459,000 |
| Grant Income* | £34,000,000 | £34,000,000 | £0 |
| Additional Income | £50,000,000 | £50,000,000 | £35,478,000 |
| Purchasers Costs | -£15,479,000 | -£18,757,000 | -£137,775,000 |
| Total Income | £450,060,000 | £507,987,000 | £3,584,162,000 |
| Expenditure | | | |
| Basebuild Construction | £230,720,000 | £230,720,000 | £1,452,158,000 |
| Infrastructure / Externals | £69,611,000 | £69,611,000 | £594,024,000 |
| Development Costs | £81,976,000 | £81,976,000 | £488,726,000 |
| Sales Associated Costs | £9,765,000 | £11,273,000 | £93,896,000 |
| Land Costs | £32,093,000 | £32,093,000 | £236,242,000 |
| Finance | £52,315,000 | £52,185,000 | £107,448,000 |
| Total Expenditure | £476,480,000 | £477,049,000 | £2,972,494,000 |
| Key Metrics | | | |
| Total Profit | -£26,420,000 | £30,938,000 | £611,668,000 |
| Profit on GDV% | -6.92% | 6.99% | 16.59% |
| IRR | 3.85% | 11.69% | 16.05% |
| Target Profit on GDV% | 16.29% | 16.26% | 16.17% |

* The £34m total grant includes £16.5m of affordable homes grant which relates partly to phase 1 and partly to later phases, this is included in phase 1 in cashflow terms only.

1.1.10 In summary, the Development details and approach to viability have been developed to ensure substantial up-front investment is possible, whilst delivering an exemplar in quality standards and maximising affordable housing delivery.

2 Overview

2.1 OVERVIEW OF PROPOSALS

- 2.1.1 Canada Water is one of the largest regeneration opportunities in London, comprising approximately 53 acres of land. BL CW Holdings Ltd (a subsidiary of British Land Company Plc, herein referred to as 'British Land') and the Council wish to create a truly mixed-use town centre that includes a range of activities, including housing, retail, employment, community facilities and public realm. This development will significantly regenerate the local area, with British Land aiming to maximise benefits for existing residents through social infrastructure and affordable housing.
- 2.1.2 The proposals will deliver circa 3,000 new homes, office and retail space which would support 20,000 new jobs, significant improvements to the public realm and a new council leisure centre.

Figure 2.1 – Illustrative Scheme and Phase 1

| Use | Overall Illustrative Scheme (M ² GEA) | Phase 1 (M ² GEA) |
|-----------------------------------------------------|--------------------------------------------------|------------------------------|
| Residential (C3) | 285,241 | 29,303 |
| Office (B1) | 250,229 | 38,088 |
| Retail (A1-A5) | 70,415 | 1,918 |
| Leisure (D2) | 12,473 | 5,979 |
| Community (D1) | 6,940 | - |
| Hotel (C1) | 4,100 | - |
| Parking and Plant | 25,535 | 6,282 |
| Basement** | 77,160 | - |
| Other Uses | 5,385 | - |
| Total (excluding public toilets, parking and plant) | 711,836 | 75,288 |

GEA = Gross External Area

**The planning areas for Phase One measure basement differently to the illustrative scheme areas.

- 2.1.3 With the incorporation of grant, the Development will be capable of delivering 40% affordable housing by habitable room in the first phase (by GLA measure). Table 2.2 sets out the unit mix for Phase 1. Due to the long development timeline of 15 years, the tenure mix for the remainder of the scheme will be determined at the time of the reserved matters applications for future phases. This approach will ensure that future regulatory changes, housing need and grant can be taken into account and has been endorsed by Southwark Council's Cabinet on 15th November 2018 as the optimum way to proceed.

Figure 2.2 – Proposed Phase 1 Homes

| Total | Private | Discount Market Rent / Sale | Social Rent | Shared Ownership |
|-------|---------|-----------------------------|-------------|------------------|
| 270 | 178 | 8 | 60 | 24 |

- 2.1.4 The housing mix for Phase 1 has been developed and for the Development will continue to be developed to ensure a mixed and balanced community is encouraged, avoiding an oversupply of tenures that could change the balance of the area and make it out of step with London as a whole. More broadly, the Development proposes a mixed-use community, which will encourage a vibrant local area and support an active community in the long term.

For further information please contact

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