PLANNING COMMITTEE REPORT

ADDENDUM

ISLINGTON
Development Management Service
Planning and Development Division
Community Wealth Building
Town Hall
London, N1 2DU

PLANNING COMMITTEE		AGENDA ITEM	B4
Date:	4 April 2022	**NON-EXEMPT**	

Application Number	P2021/3273/FUL
Application Type	Full Planning Application, with Environmental Impact Assessment
Site Address	Site of the former HM Prison Holloway, Parkhurst Road, London N7 0NU
Proposal	Phased comprehensive redevelopment including demolition of existing structures; site preparation and enabling works; and the construction of 985 residential homes including 60 extra care homes (Use Class C3), a Women's Building (Use Class F.2) and flexible commercial floorspace (Use Class E) in buildings of up to 14 storeys in height; highways/access works; landscaping; pedestrian and cycle connection, publically accessible park; car (blue badge) and cycle parking; and other associated works.
Ward	St George's
Listed Building	No
Conservation Area	Within 50m of Tufnell Park Conservation Area Within 50m of Hillmarton Conservation Area
Development Plan Context	Designated Brownfield Site Holloway Prison Site (HPS) SPD Emerging Site Allocation NH7 (November 2018) Local view corridor from Archway Road (LV4) Local view form Archway Bridge (LV5) Not in a location identified as suitable for tall buildings (>30m) LL4 Local Landmark Camden Road New Church tower and Spire Within 100m of Strategic Road Network and Transport for London Road Network Major cycle route
Licensing Implications	None

Case Officer	Matthew Woodhead
Applicant	Peabody
Agent	Avison Young

1. RECOMMENDATION

1.1 This planning application was considered by the Planning Committee at its meeting on 8 March 2022.

1.2 Following consideration of the case officer's reports, the presentations to the Committee, the submitted representations, and the objections provided verbally at the meeting, the Planning Committee resolved that planning permission be granted for the reasons set out in Sections 22.1 to 22.26 of the Committee Report of 10 February 2022. This resolution was made:

- Subject to any direction by the Mayor of London to refuse the application or for it to be called in for the determination by the Mayor of London (Recommendation A as set out in Appendix 1 of the Addendum Report).
- Conditional upon the prior completion of a Deed of Planning Obligation made under section 106 of the Town and Country Planning Act 1990 securing the Heads of Terms as set out in Recommendation B in Appendix 1 of the Addendum Report with an additional obligation to secure a fundraiser included in the Section 106 agreement.
- Subject to the Conditions as set out in Recommendation C (as set out in Appendix 1 of the Addendum Report).
- Conditional upon a £2.9 million contribution to the fit out of the Women's Building being secured.
- Prior to Implementation of Phase 3 of the Development, the Developer will conduct a voluntary mid-stage viability review to be secured in accordance with the GLA standard formula. If the review shows a surplus, this will be used (in the following order of priority) to: (i) convert proposed shared ownership units to London Living Rent units; (ii) towards the fit-out and/or running costs of the Women's Building; and/or (iii) conversion of additional market housing units to social rent.
- Subject to the mid stage review mechanism to be set out in the Section 106 agreement being brought back to committee and approved.

1.3 The purpose of this report is to ask the Planning Committee to **approve:**

A. the wording of the Head of Term in relation to the mid-stage review mechanism as set out in paragraph 3.60 of this report; and

B. the associated details as set out in Appendices One and Two of this report.

2. SUMMARY

2.1 This planning application and the heads of terms of the associated legal agreement have been the subject of detailed consideration during the prior meetings of the Planning Committee with extensive representations made both by objectors and the applicants. The heads of terms of the legal agreement are set out in recommendation B, in Appendix 1 of the Addendum report of the 10 February 2022 Committee and again in the report submitted to the 8th March 2022 meeting of the Committee.

2.2 During the Committee meeting of the 8th March 2022, the applicants agreed an additional S106 obligation to employ a fund raiser who would work to secure funding for the fit-out of the Women's Building. Further, the applicants proposed a mid-stage financial review mechanism to be secured in the s106 agreement. The Committee resolved that the details of the mid- stage review mechanism should be brought back to a future meeting of the Planning Committee for its approval. Members were otherwise content with the terms of the S106 agreement.

3. S106 AGREEMENT

Affordable Housing provision within the development

3.1 This 985-home development will provide 60% affordable housing, which exceeds the 50% strategic affordable housing target set by Policy H4 of the London Plan and Policy CS12 Part G of the Core Strategy, and delivers the affordable housing provision at a policy compliant affordable housing tenure split of 70% social rent and 30% London Shared Ownership in accordance with Policy CS12 Part G.

3.2 As recorded in the previous Planning Committee reports, the development's 60% affordable housing provision is therefore compliant with the policies of the adopted Development Plan.

3.3 Paragraph 19.1.85 of the 10th February 2022 Committee Report states that the scheme is eligible to follow the Fast Track Route set out in Policy H5 of the London Plan, subject to the 60% affordable housing provision at a tenure split of 70% social rent and 30% intermediate housing (London Shared Ownership or shared ownership) and an early stage viability review mechanism being secured in the Section 106 Agreement.

3.4 The Committee has raised concerns about the affordability of shared ownership homes on this site to low and middle income groups. In line with the council's emerging policy H3, part H the Committee considered whether some of the shared ownership homes could be converted to London Living Rent homes. The emerging policy H3 states:

Where affordable housing is provided on-site, the Council will require an affordable housing tenure split of 70% social rented housing and 30% intermediate housing. The majority of intermediate units should be London Living Rent, and regard will be given to the priorities set out in the Council's Housing Strategy and other agreed evidence of housing need.

Following extensive consultation and the Examination in Public process, this policy will move forward for adoption later this year without amendments. In the Committee Report dated 10th February it was stated that:

19.1.36. Part H of Draft Policy H3 requires an affordable housing tenure split of 70% social rent and 30% intermediate housing. Part H of Draft Policy H3 sets out that the majority of intermediate units should be London Living Rent, and regard will be given to the priorities set out in the Council's Housing Strategy and other agreed evidence of housing need.

19.1.38. The affordable housing tenure split of the 60% affordable housing consists of 70% social rent and 30% London Shared Ownership housing. Whilst this complies with adopted policy in the Core Strategy and the London Plan, it is acknowledged that there is a conflict in relation to the emerging Local Plan in terms of Part H of Draft Policy H3 which is clear that the majority of intermediate units should be London Living Rent – this element of the policy is considered to have moderate weight at this time.

Para. 19.1.33 stated that the policies in the emerging local plan can be afforded limited to moderate weight.

3.5 Given the financial viability challenges outlined in section 19 of the of the Committee Report, and section 3.34 of the Addendum report both dated 10th February and sections 3 and 4 of the Committee report dated 8th March 2022, it is clear that the proposals cannot afford to fund any London Living Rent Homes at present. However, some weight may be given to draft policy H3 to secure a mid-stage review mechanism that could potentially convert shared ownership homes to London Living Rent homes if a surplus is identified.

Purpose of a viability review mechanism

3.6 Viability review mechanisms for planning purposes differ from commercial overage agreements. Viability review mechanisms for planning purposes are used in circumstances where full compliance with planning policies cannot be achieved at the planning application stage due to viability constraints.

3.7 In these circumstances it is necessary to impose viability review mechanisms, secured within a S106 Agreement, to re-appraise the viability of a scheme at a point in the future to ascertain whether greater policy compliance can be achieved. The purpose of viability review mechanisms is to effectively 'chase up' any shortfall in policy compliance that existed at the planning application stage.

3.8 Viability review mechanisms are not open ended and any achievable surplus generated by a review is subject to a cap. The Mayor's Affordable Housing and Viability SPG (2017) states in paragraph 3.65 point 5, that review mechanisms should set a cap on the additional provision that will be sought from the review which should be 50% affordable housing. Footnote 30 on page 45 of the Mayor of London's Affordable Housing and Viability SPG (2017) states that the cap can alternatively be set at the Local Plan strategic target. The Mayor's Guidance states that schemes should deliver a tenure split of at least 30% low-cost rent (i.e. social rent), 30% intermediate rents, and the remaining 40% to be determined by the LPA taking account of the relevant Local Plan Policy.

3.9 The cap for a review mechanism would therefore be based upon any shortfall in affordable housing provision taking account of the strategic affordable housing targets as set out in the Development Plan.

3.10 London Plan Policy H5 Part E sets out that schemes (such as this one) that are progressing down the Fast Track Route should be subject to an Early Stage Review which would be triggered if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough).

3.11 The Mayor of London's Affordable Housing and Viability SPG (2017) assists in the implementation of the London Plan's threshold approach to affordable housing and sets out suggested review formulas in Annex A.

Early Stage Review Mechanism

3.12 The Early Stage Review will be triggered in the event that an agreed level of progress on implementation is not made within two years of the permission being granted. The Early-Stage Review will measure changes in the Gross Development Value (GDV) and Build Costs between the date of the application stage financial viability assessment and the point of review to assess whether a surplus is generated. The Early Stage Review calculation includes a Developer Profit allowance which is deducted before a surplus is produced.

3.13 An Early Stage review has been secured within the Section 106 Agreement in line with London Plan Policy H5 Part E.

3.14 In the event that the Early Stage Review is triggered, any surplus will be used to improve the affordability of the intermediate homes by converting London Shared Ownership homes to London Living Rent. This approach was previously outlined at paragraph 19.1.91 in the 8th February 2022 Committee Report, and accords with the GLA's strategic planning application stage 1 referral report which at paragraph 52 stated that:

"*Given the scheme exceeds planning policy requirements and tenure mix, the purpose of the review would be to consider if the affordability of the proposed intermediate homes can be improved*."

3.15 The Early-Stage Review will be based upon 'Formula 1b' as set out in Annex 1 of the Mayor of London's Affordable Housing and Viability SPG (2017), and in Appendix 1 of this report.

3.16 In circumstances where a surplus is produced by the Early Stage Review formula, a second formula is then required to take the surplus and use it to convert London Shared Ownership homes to London Living Rent homes. This is achieved by assessing the cost of converting London Shared Ownership to London Living Rent – the cost being the value differential that exists between London Shared Ownership and London Living Rent homes. The formula to convert Shared Ownership floorspace to London Living Rent floorspace is set out in Appendix One of this report.

3.17 As set out in the Mayor of London's Affordable Housing and Viability SPG (2017), the Early Stage review will be subject to a cap. The Early Stage Review cap will be based upon the London Shared Ownership floorspace in phases 1 and 2 of the development, and the value differential for this floorspace between its value as London Shared Ownership and its value as London Living Rent. London Shared Ownership has a higher value than London Living Rent and the value differential would represent the cost of conversion from London Shared Ownership to London Living Rent. The Early Stage Review Cap is set out in appendix one.

3.18 The London Shared Ownership homes in phases 1 and 2 targeted for conversion to London Living Rent would be outlined within a schedule and appended to the S106 Agreement.

3.19 In the event that the Early Stage Review is triggered and a surplus is achieved which allows for the conversion of London Shared Ownership floorspace to London Living Rent, the amount of floorspace capable of being converted can be assessed against the floorspace figures outlined in the schedule to ascertain how many homes could be converted.

3.20 If a surplus is generated, but it is insufficient to enable the conversion of London Shared Ownership homes to London Living Rent homes, or a proportion of London Shared Ownership homes are converted to London Living Rent and a left-over surplus is insufficient to convert any further homes , the surplus would be paid to the Council and could be put towards off-site affordable housing including council homes.

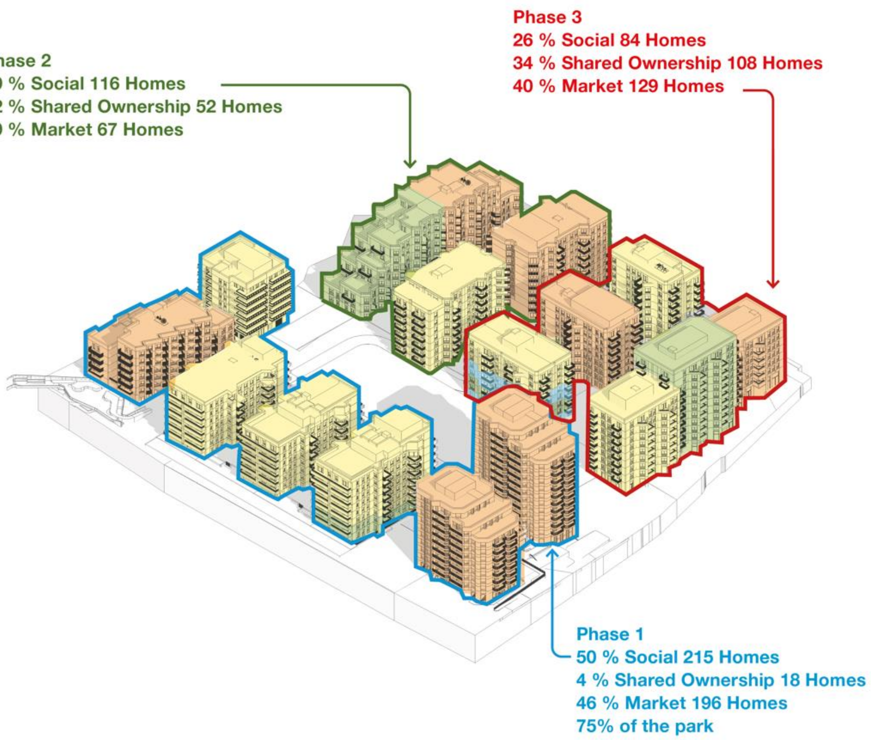
3.21 It is important to note that should the applicant implement the planning permission within the two year period, the Early Stage Review will not take place.

Proposed Mid-Stage review

3.22 At the meeting of the Planning Committee held on 8 March 2022, the applicant made reference to a letter from Lord Kerslake, the Chair of the Peabody Board, addressed to the Council. This offered to review the economics of the proposed scheme prior to the commencement of phase 3 of the development with a view to converting London Shared Ownership homes to London Living Rent homes should sufficient improvement in the economics of the scheme allow for this to occur. This letter however stated that Peabody would not enter into a legal agreement to secure this review.

3.23 The prospect of a re-appraisal of viability was considered by Members of the Planning Committee. During the meeting the applicants offered to enter into a legal agreement to secure a mid-stage review. This would be triggered upon commencement of phase 3 of the development.

3.24 Phase 3 of the development involves the construction of Plot B which comprises of 321 homes of which 129 homes will be for open market sale, 84 homes will be for social rent and 108 homes will be shared ownership homes, as illustrated below. Plot B also contains a total of 1,667 square metres (GIA) of Class E floorspace.



3.25 The Mid-Stage Review would represent an additional planning obligation which would be secured within the S106 Agreement.

3.26 Officers advised at the meeting that if a Mid Stage Review was to be included as a planning obligation within the s106 Agreement any obligation should reflect the GLA formula.

3.27 The Planning Committee resolved to grant planning permission conditional upon a S106 agreement which included (inter alia) the following obligation:

"*Prior to Implementation of Phase 3 of the Development, the Developer will conduct a voluntary mid-stage viability review to be secured in accordance with the GLA standard formula. If the review shows a surplus, this will be used (in the following order of priority) to: (i) convert proposed shared ownership units to London Living Rent units; (ii) towards the fit-out and/or running costs of the Women's Building; and/or (iii) conversion of additional market housing units to social rent*."

3.28 <u>Consideration of Mid-stage review mechanism against Regulation 122(2) of the Community Infrastructure Levy Regulations 2010</u>

3.29 The provision of the Mid-Stage Review, as an additional planning obligation, should be assessed against the three legal tests that a planning obligation must meet. The three legal tests are set out in Regulation 122(2) of the Community Infrastructure Levy Regulations 2010 and are also outlined at paragraph 57 of the NPPF (2021).

3.30 Regulation 122(2) of the Community Infrastructure Levy Regulations 2010 provides that:

"*A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is—*

(a) necessary to make the development acceptable in planning terms;

(b) directly related to the development; and

(c) fairly and reasonably related in scale and kind to the development."

3.31 It is considered that the Mid-Stage Review is necessary to make the development acceptable in planning terms as it provides a potential mechanism to improve the affordability of the intermediate homes by converting London Shared Ownership homes to London Living Rent in the event of a sufficient surplus.

3.32 Having regard to emerging planning policy in the form of Draft Policy H3 of the Council's Draft Local Plan which expresses a preference for the London Living Rent tenure as the intermediate affordable housing tenure, an obligation to assess the prospect of converting London Shared Ownership units to London Living Rent is considered to meet the Regulation 122 test of being necessary as set out above.

3.33 It is considered that the Mid-Stage Review as a planning obligation is directly related to the development because the review will assess the specific economic viability of the development and the tenure on the Affordable Housing provision is an issue which is directly related to the development.

3.34 It is considered that the Mid-Stage Review as a planning obligation is related in scale and kind to the development because any additional contribution to affordable housing will be based on the level that the scheme can viably support and will only be required in the event of a surplus which is further subject to an appropriately derived cap.

3.35 It is therefore considered that the Mid-Stage Review meets the three legal tests set out in Regulation 122(2) of the Community Infrastructure Levy Regulations 2010 and should not therefore be considered to be voluntary.

3.36 As noted above, at the meeting of the Planning Committee on 8 March 2022 the applicants agreed that they would employ a fund raiser to secure funding for the fit out of the Women's Building. This commitment will be secured to the council's satisfaction as an obligation in the s106 agreement. For this reason the mid-stage review mechanism will not be required to contribute towards the fit - out costs of the Women's Building if a surplus is identified.

3.37 As noted above the proposals are policy compliant in terms of the delivery of social rented homes. For this reason, the mid-stage review mechanism will not be required to deliver any additional homes for social rent if a surplus is identified. Furthermore, this position is consistent with the views expressed by the GLA in relation to the early - stage review mechanism. The GLA has advised that if the scheme generates a financial surplus at this stage any surplus should be used to fund the conversions of shared ownership homes to London Living Rent.

3.38 In summary, having considered the Committee's resolution against the tests set out in Regulation 122 (2) and draft Policy H3, the mid stage review mechanism is considered to be necessary and not therefore voluntary. In addition, if the mid stage review indicates a surplus the use of this surplus will be restricted to the conversion of shared ownership homes to London Living Rent.

Proposed Mid-Stage review mechanism formula

3.39 The Committee also resolved that the mid stage review mechanism should be in accordance with the relevant GLA policy. In subsequent discussions, senior GLA officers have advised that there is no precedent for a mid-stage review mechanism where a scheme is delivering a level of affordable housing that it is compliant with the adopted Development Plan. The reason for this being that the use of mid-stage review mechanisms is reserved for schemes that do not meet the adopted strategic housing targets.

3.40 However, as far as practical the proposed Mid-Stage Review mechanism has been aligned with the published guidance set out in the Mayor of London's Affordable Housing and Viability SPG (2017). The Mayor's 1b Early Stage review formula has been adapted to the specific circumstances of this scheme.

3.41 The Mid Stage Review would be triggered prior to the commencement of Phase 3 of the development.

3.42 The mid stage review formula is similar to the early stage review formula as it measures changes in Gross Development Value and Build Cost between the date of the application stage financial viability assessment and the point in time at which the review takes place. A developer profit allowance is also included in the formula.

3.43 If the Early Stage Review takes place, the Mid Stage Review would measure changes in Gross Development Value and Build Cost between the date of the Early Stage review and the point of the Mid Stage Review.

3.44 However, the Mid Stage Review differs from the Early Stage Review as it incorporates a deficit into the formula and includes a sharing of the surplus generated by the review.

3.45 Given the financial viability challenges outlined in Section 19 of the Committee Report of 10 February 2022 it was concluded that the proposals cannot afford to fund any London Living Rent Homes at present as required in emerging policy H3. The report further notes that the applicants contend that the scheme has a financial deficit of circa £44 million whereas the council's position (as set out in the Addenda Report) is that the financial deficit amounts to circa £3.375 million.

3.46 The GLA produced Practice Note 'Viability Review Mechanisms' published in April 2019 sets out how deficits can be included in the GLA's review mechanism formulas.

3.47 The applicants have proposed that a deficit of £38.5 million is included within the mid-stage review formula. The applicant has re-run their viability appraisal of the 985-unit development, but removed the developer profit on the sales value of affordable housing units which has increased their residual land value from circa £14 million to circa £19 million which compared to the applicant's benchmark land value of £58,380,000, shows a deficit of £38.5 million.

3.48 In respect to the deficit, it is considered that deficits should only be included in viability review mechanisms where it can be robustly demonstrated within a financial viability assessment that a deficit exists.

3.49 The principle concern with the inclusion of deficits within viability review mechanisms is that the inclusion of a deficit serves to restrict the full operation of the review mechanism by limiting the prospect of a surplus being achieved as a surplus can only be realised once the deficit is overcome.

3.50 Where a deficit is included in a viability review, and the potential to achieve a surplus is inhibited, it reduces the prospect of meeting outstanding planning policy requirements and this could ultimately serve to endanger the delivery of Development Plan objectives.

3.51 However, it is considered that the circumstances of this case are unique as the development's delivery of affordable housing exceeds the 50% strategic affordable housing target set by the adopted Development Plan. The development's 60% affordable housing provision is further provided at policy compliant tenure split of 70% social rent and 30% shared ownership units.

3.52 It is therefore considered that the principle of the inclusion of a deficit within the Mid-Stage Review is acceptable with reference to the unique circumstances of this case. The inclusion of a deficit within the Mid Stage Review, will serve to reduce the prospect of a surplus being generated by the review, but full compliance with the adopted affordable housing policies of the adopted Development Plan has already been achieved by the scheme. The risk of a deficit inhibiting the delivery of the adopted Development Plan objectives does not therefore manifest in this case.

3.53 In the circumstances of the Mid Stage Review, a surplus share has been included in the formula which apportions any achievable surplus 50% to the Council and 50% to the Developer. The surplus achieved following the 50/50 apportionment would be subject to a Mid Stage Cap.

3.54 The surplus share included in the formula apportioned to the developer would be to ensure that there remains an incentive to maximise values and minimise costs prior to the review taking place.

3.55 <u>Mid-Stage Review Cap</u>

3.56 In line with GLA policy, the Mid Stage Review will be subject to a cap. The Mid Stage Review cap will be based upon the cost of converting 50% of the London Shared Ownership floorspace in Phase 3 of the development to London Living Rent. The developer would be required to calculate the Mid-Stage Review cap one month before the commencement of Phase 3 which is the trigger point for the Mid-Stage Review.

3.57 In the event that further grant funding is obtained and used to convert 50% of the London Shared Ownership floorspace in Phase 3 to London Living Rent, then the Mid Stage Review would not take place, and the obligation to convert 50% of the shared ownership floorspace to London Living Rent would be discharged.

3.58 **Conclusion and recommendation**

3.59 In coming to its decision on this application, the Planning Committee must consider the information set out in this report, the Committee Report of the 8th March, the Committee and Addendum Report of 10th February. The Planning Committee must also consider the verbal representations made to the Committee by both the applicants and the objectors at its meeting on 10 February 2022 and 8 March 2022 and during the course of this meeting, as well as any written representations received.

3.60 For the reasons set out in this report, the Planning Committee is asked to approve the following Head of Terms:

Upon commencement of Phase 3 of the Development, the Developer will conduct a bespoke mid-stage viability review to be secured in accordance with Appendix Two of this report. If the review shows a surplus, this will be used to convert proposed shared ownership homes to London Living Rent homes. To incentivise the developer to produce a surplus, 50% of any uplift will be used to convert shared ownership homes to London Living Rent. In addition, the obligation to convert shared ownership homes to London Living Rent homes will be capped at 50% of the total floorspace. If this conversion can be achieved through grant funding the requirement for a mid - stage review mechanism will fall away.

The Planning Committee is asked to have regard to the unique and unprecedented circumstances in relation to this obligation both for the local planning authority and the applicants. The current affordable housing offer is considered to comply with the affordable housing policies set out in the adopted Development Plan. However, having had regard to the emerging policy H3 (that can be accorded moderate weight), a mid-stage review mechanism that would potentially convert shared ownership homes to London Living Rent homes can be considered to be necessary. Whilst reflecting the relevant GLA formulae as far as reasonably possible in a unique set of circumstances, the formula set out in Appendix Two reflects the specific circumstances of this scheme particularly the delivery of policy compliant 60% affordable housing and an emerging policy context. This is therefore a bespoke arrangement that is no considered to set a precedent for future planning applications either for the Local Planning Authority or the applicants.

Appendix 1 – Early Stage Viability Review

Early Stage Review Formula

X = Surplus to convert London Shared Ownership to London Living Rent X = (A – B) – (C – D) – P Where: A = Estimated GDV of development as determined at the time of review (£) B = Estimated GDV of development as determined at the grant of planning permission (£) C = Estimated build costs as determined at the time of review (£) D = Estimated build costs as determined at grant of planning permission (£) P = (A – B) * Y; Developer profit on change in GDV (£) Y = Developer profit as a percentage of GDV as determined at the application stage (%) Notes: (A - B) = Change in GDV from the date of planning permission to the date of review (£) (C - D) = Change in build costs from the date of planning permission to the date of review (£)

Notes

Whilst inputs 'A', 'C' and 'P' would be established at the time of the review. The application stage Gross Development of £399,795,219 has been agreed between the Council's viability consultants (BPS Chartered Surveyors) and the applicant's viability consultants (DS2) and would be included as 'B'.

In addition, the application stage total Build Cost (inclusive of a 5% contingency allowance) of £301,259,461 has been agreed between BPS Chartered Surveyors and DS2 and would be included as 'D'.

The Developer profit targets of 17.5% on private residential sales values, 6% on affordable housing sales values and 15% on commercial value have been agreed upon by agreed between BPS Chartered Surveyors and DS2. This gives rise to a blended profit on GDV of 14% which would be included as the 'Y' input within the wider calculation.

Conversion of shared ownership floorspace to London Living Rent floorspace formula

X ÷ (S – L) = amount of London Shared Ownership floorspace which can be converted to London Living Rent Where: X = The surplus identified in Early Stage Review. S = Average Shared Ownership sales values per square foot. L = Average London Living Rent sales values per square foot.

Early Stage Review Cap Formula

Early Stage Review Cap = (F * (S – L) Where: F = Total Shared Ownership floorspace (NSA) per square foot in the Phase 1 and 2 of the development. S = Average Shared Ownership sales values per square foot. L = Average London Living Rent sales values per square foot.

Appendix 2 – Mid Stage Viability Review

Mid Stage Review Formula ((((A – B) – (C – D)) – P) – E) x 0.5 Where: A = Estimated GDV of development as determined at the time of review B = Estimated GDV of development as determined at the grant of planning permission C = Estimated build costs as determined at the time of review (including any S278 costs) D = Estimated build costs as determined at grant of planning permission P = (A – B) * Y; Developer profit on change in GDV Y = Developer profit as a percentage of GDV as determined at the application stage (%) E = Deficit 0.5 = any surplus will be shared between the Council and the developer with 50% used toc convert proposed shared ownership units to London Living Rent units in phase 3 of the development

Notes

In the same manner as the Early Stage Review, inputs 'A', 'C' and 'P' would be established at the time of the review. The application stage Gross Development of £ £399,795,219 has been agreed between the Council's viability consultants (BPS Chartered Surveyors) and the applicant's viability consultants (DS2) and would be included as the 'B' input.

In addition, the application stage total Build Cost (inclusive of a 5% contingency allowance) of £ £301,259,461 has been agreed between BPS Chartered Surveyors and DS2 and would be included as the 'D' input.

In the event that the Early Stage Review does take place, the Mid-Stage Review would measure the change in GDV and Build Costs from that established as part of the Early Stage Review to the point of the triggering of the Mid-Stage Review upon commencement of phase 3 of the development.

As previously outlined, the Developer profit targets of 17.5% on private residential sales values, 6% on affordable housing sales values and 15% on commercial value have been agreed upon by agreed between BPS Chartered Surveyors and DS2. This gives rise to a blended profit on GDV of 14% which would be included as the 'Y' input within the wider calculation.

The deficit figure of £38.5 million is included as the 'E' input.

A 50/50 surplus share is included in the formula to apportion the surplus 50% to the Council and 50% to the Developer.

Mid-term review cap: Formula 1

Mid-term review cap = (F * (S – L)

Where:
F = 50% of the total shared ownership floorspace (NSA) in Phase 3 OR as amended following any previous conversion of London Shared Ownership floorspace to London Living Rent through use of further grant funding.
S = Average Shared Ownership sales values per square foot
L = Average London Living Rent sales values per square foot

Conversion of shared ownership floorspace to London Living Rent floorspace formula

X ÷ (S – L) = amount of London Shared Ownership floorspace which can be converted to London Living Rent

Where:
X = The surplus identified in Mid Stage Review.
S = Average Shared Ownership sales values per square foot.
L = Average London Living Rent sales values per square foot.