

Examination of the London Borough of Tower Hamlets Local Plan

Schedule of Matters and Issues for the Examination

Matter 3, Issue 3

Representor ID: 624580/Canary Wharf Group Plc

27 July 2018

Hearing Statement on behalf of Canary Wharf Group Plc ("CWG")

Matter 3: Deliverability, Infrastructure and Viability

Issue 3: Does the LP take a justified and suitably evidenced based approach to deliverability, infrastructure and viability? Is the LP consistent with national policy in this regard and will it be effective in terms of its implementation?

3.1 Does the evidence base support the site allocations proposed and demonstrate that they are viable and deliverable, having regard to all of the policies contained within the LP?

1. With regard to viability we would comment as follows.
2. Wood Wharf was consented in December 2014 (outline planning permission - PA/13/02966) with a number of site specific constraints that were considered as part of the planning application process. A detailed viability assessment was submitted at the time of the application which was reviewed and agreed by the Council's independent assessor (BNPPRE). No updated viability appraisal has been undertaken by BNPPRE to inform the local plan deliverability. We are acutely aware of the viability challenges facing sites of the nature proposed within this part of London and are concerned that if subject to requirements which are justified through reduced costs and inflated values this will result in a misleading representation of the feasibility of a scheme. In the case of Wood Wharf 25% affordable housing by habitable room was evidenced as the maximum reasonable amount that could be provided well below the policy target requirement for 50% affordable housing set out in the Local Plan.
3. North Quay is an allocated site within the draft Local Plan (4.9). CWG outlined as part of their submissions in respect of this examination detailed concerns regarding the evidence base as part of their response to the Regulation 19 consultation (Attachment 4 – Quod review of BNPPRE Viability Assessment). A number of queries have been raised in relation to the approach to Benchmark Land Value and build costs which remain outstanding. It is also apparent that the site/scheme that is being tested through the viability assessment does not align to the proposed site allocation within the Local Plan and therefore the two are not consistent.

3.2 Are the viability assessments contained within Tower Hamlets Local Plan Viability Assessment 2018 (SED5) sufficiently robust and are they based on reasonable assumptions? Is the housing set

out in Policy S.H1, and are the housing sites proposed as part of the Site Allocations financially viable? In particular:

- **Do the viability assessments adequately reflect the nature and circumstances of the proposed allocations?**
4. The viability assessments do not take in to account schemes with extant planning permissions for the purposes of the establishing the sites benchmark land value, this goes against national and regional planning policy requirements including the GLA Viability SPG and draft London Plan and newly adopted NPPF & NPPG. It is not realistic that a land owner will release a site for development for an Existing Use Value where the site has planning permission for a higher value alternative use under an extant planning permission.
 5. As set out in Attachment 4 of the CWG Regulation 19 Consultation Representation's CWG note that BNPPRE have applied a notional section 106 allowance for each scheme. Whilst we accept this is reasonable given the number of sites assessed we do not consider that the amount per unit is appropriate. For example the Wood Wharf s106 requirement is £55m for Crossrail (excluding MCIL) and £28m for general s106, this equates to c.£25,000per unit substantially higher than assumed within the LP viability assessment.
 6. CWG do not consider that the reliance on BCIS build costs is sufficient to support the construction costs within their site allocations. BCIS does not take into site specific costs associated with high rise towers and CWG consider that the costs included within the LP Viability Assessment is significantly below actual scheme costs. This implication is to overstate scheme viability and in turn overstate the viable amount of affordable housing that can be provided. The LP Viability Assessment does not include site specific costs for basement and substructure and public realm crucial elements for any large mixed use development in the borough.
 7. In July 2018 the Government adopted the updated National Planning Policy Framework and National Planning Policy Guidance; these are now therefore material considerations in the decision making process, noting the transitional arrangements for plans submitted for examination before 24 January 2019. The local plan should therefore consider the impacts of the new policies in particular in relation to the approach to viability.
 8. CWG have noted a number of inconsistencies between the NQ site allocation and the approach taken in the BNPP Local Plan Viability Assessment (December 2017) these are listed below:
 - Existing Use Value of land given as £19.264mn – this does not have any regard to the site's extant planning permission (or another alternative use deemed acceptable) which is against the accepted approach in the NPPF/NPPG and London Plan.
 - Appendix 13 – Strategic sites testing results:
 - For North Quay they assume 1,300 units. The 2017 North Quay application proposed 1,400. As such the unit mixes are different.
 - For North Quay a total residential floor area of 127,000m² is assumed. The 2017 North Quay planning application proposed 137,000m².
 - BNPPRE have assumed 187 car parking spaces, 89 were proposed in the 2017 North Quay planning application.

- **Has the cost of the full range of expected requirements on new housing been taken into account, including those arising through policy requirements identified by the LP (for example, in relation to affordable housing)?**
9. CWG do not consider that the full cost of the range of expected requirements have been taken into account. For example there are a number of requirements over and above policy that have not been taken into consideration. These include the overly prescriptive housing mix set out in policy DH2 (page 68), which includes a mix for market housing. As set out in paragraphs 71-74 of their Regulation 19 Consultation representations, CWG note that the draft London Plan policy H12 states that there should not be a prescriptive dwelling size mix for market and intermediate homes. As acknowledged by para 4.12.2 of the draft London Plan, prescriptive mixes are inflexible, are often not followed and also do not take into account market demand factors. CWG consider this hasn't been considered as part of the local plan submission.
10. Secondly CWG do not consider that the Local Plan Viability Assessment has considered the full range of affordability and review mechanism implications in line with current draft London Plan requirements i.e. the 30% requirement for Low Cost Rent, 30% for intermediate and 40% up for discussion with LBTH.
11. There are a number of draft policies that have not been considered as part of the viability assessment, these are listed below:
- Through draft policy D.H3: Housing Standards and Quality (page 71) LBTH are seeking for all floor to ceiling heights to be 2.5m. National standards are the minimum floor to ceiling height is 2.3m for at least 75% of the Gross Internal Area. They are also seeking that all affordable rented units are wheelchair accessible as opposed to wheelchair adaptable. These have not been considered.
 - LBTH are seeking to bring in the Home Quality Mark through policy S.H1 (p.65) again this cost has not been costed.
 - **Does the evidence base demonstrate that such costs would not threaten the delivery of the housing planned for?**
12. In view of the areas outlined above CWG consider that these additional costs would threaten the delivery of housing planning for and the current Local Plan evidence base does not take these into consideration. It is essential that there is flexibility in the targets required and in the application of policy.

3.3 Is there robust evidence to demonstrate that all of the necessary infrastructure to support the level of growth proposed can be provided in accordance with the timetable identified? This includes all infrastructure including health care, education, transport, open space. In particular:

- **What are the key infrastructure requirements for the successful delivery of the housing planned?**

- **What reassurances are there that these elements can and will be delivered when and where they are needed?**
- **Has the cost of these infrastructure elements been estimated, and funding sources identified?**
- **Where, when and how will the additional school places and early education provision required as a result of the housing set out in Policy S.H1 be delivered?**
- **In what way do the policies provide a clear and effective framework for securing the necessary infrastructure or other obligations to mitigate the effects of, or support development?**

13. The draft policies dealing with social infrastructure are set out in Part 3, Chapter 3 (draft Policy D.SG5 p.33) and Chapter 7 (draft Policy S.CF1 to S.CF4 p.110-116). The supporting evidence for these policies is the Infrastructure Delivery Plan (2017) (IDP)
14. The IDP sets out costs and funding options for the infrastructure required to support the growth proposed. A significant funding gap is identified and it states that “the scale of growth projected in Tower Hamlets means that the vast majority of funding for infrastructure will need to come from sources other than CIL”. (IDP Paragraph 4.4).
15. The draft policies in Chapter 7 do not reference how CIL will be used to fund the delivery of social infrastructure needed to support growth within the borough. The Council’s Regulation 123 List includes a whole range of social infrastructure such as health facilities, community facilities, leisure, idea stores, education facilities and open spaces etc.
16. Draft Policy S.CF1 ‘Supporting Community Facilities’ (p.110) focuses on how developments will be required to deliver social infrastructure.
17. Paragraph 7.9 refers to the use of CIL to fund improvements to community facilities and states that new facilities and will be achieved through planning contributions. The approach towards infrastructure delivery within the draft Local Plan should be revised to include detail on how CIL will be used to deliver social infrastructure to support growth.
18. Draft Policy D.SG5 ‘Developer Contributions’ (p.33) sets out the planning obligations that will be expected from developments. These includes the payment of CIL, S106 and detailed the approach towards the independent review of viability assessments.
19. This approach within the draft Local Plan places too high a burden on large strategic development sites to deliver infrastructure to support borough wide growth. This needs to be balanced. This could be achieved by allowing some flexibility within draft Policy D.SG5 that recognises where some strategic sites are required to deliver infrastructure this will be balanced and prioritised against other policy objectives.

20. Given the funding gap and the reliance of the draft Local Plan on developments to deliver infrastructure without flexibility, the draft Local Plan is unsound as it is not deliverable. Paragraph 34 of the newly adopted NPPF states that “Plans should set out the contributions expected from development. This should include setting out levels and types of affordable housing provision required along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan”. This is now a material consideration in the decision making process.

21. In order to make the plan sound, flexibility should be applied to draft Policy D.SG5 (p.33) to state that the Council will apply policy objectives set out in the Plan as a whole flexibly to ensure these sites can be brought positively brought forward viably. CWG are not convinced that the actual delivery of social infrastructure, particularly large areas of usable open space on the Ilse of Dogs, are being properly planned for.