



**373-375 Euston Road**  
**Affordable Housing Statement**

Prepared by DS2  
20 January 2014



# Contents

1	Introduction.....	1
2	The Site.....	2
3	Policy Context.....	4
4	Approach to Affordable Housing .....	7
5	Affordable Housing Payment .....	15
6	Summary.....	16



# 1 Introduction

- 1.1 This Affordable Housing Statement (AHS) has been prepared by DS2 in accordance with local and strategic planning policy, in support of the planning application for the proposed conversion and extension of 373 – 375 Euston Road (hereafter referred to as ‘the Site’) in the London Borough of Camden (LBC).
- 1.2 The planning application seeks planning permission for the change of use of the existing building from part office (B1a), part car showroom (sui generis), to provide flexible commercial space at basement and ground floors (A1/A2/A3/B1) and 16 residential units on upper floors.
- 1.3 The AHS is submitted on behalf of the applicant, S2 Estates Limited (hereafter referred to as ‘the Applicant’).
- 1.4 This Statement describes the affordable housing proposals, focusing on the following areas:
  - Explanation of the development proposals;
  - The national, regional and local planning policy considerations;
  - The approach to addressing policy priorities for affordable housing delivery.
- 1.5 In preparing this Statement, the Applicant has had a number of pre-application meetings and discussions with the London Borough of Camden - the determining local planning authority, and a number of local Registered Providers.
- 1.6 This Statement should be considered alongside a number of other documents, including but not limited to the Quod Planning Statement and the Assael Design and Access Statement. A full list of the application documents is set out in the introduction to the Planning Statement.

## 2 The Site

### Location and Existing Use

- 2.1 The proposal relates to an existing building located on the corner of Euston Road, Cleveland Street and Warren Street. The site comprises a four storey plus basement building. The ground and basement levels have been used as a car showroom (sui generis) and the upper floors are vacant offices (B1a).
- 2.2 The site is located within the Central Activity Zone (CAZ) and close to the boundary with Fitzroy Square Conservation Area and the borough boundary with Westminster.
- 2.3 An extract from the full red line boundary plan is included below for reference, with the full contextual plan provided in the Design and Access Statement (page 14).



### Development Proposals

- 2.4 The proposed development consists of a residential-led mixed use development, including 16 no. residential dwellings, and 319sqm of flexible commercial floorspace over ground and basement levels. The proposals seek to convert the existing car

showroom and office floorspace, within a re-clad external building envelope, and to incorporate additional floorspace at fourth to sixth floor levels.

2.5 The proposed residential mix is set out in Table 2 below:

Unit Type	1 bed	2 bed	3 bed	TOTAL
No. of Units	6	7	3	16
Size range per unit (sqm)	50 – 55	70 - 100	90 - 136	-
Percentage Mix	37%	44%	19%	100%

2.6 All unit sizes will comply with the minimum space standards set out in the London Housing Design Guide.

2.7 A replacement active frontage is proposed at ground floor, provided within a flexible use range of A1, A2, A3 and B1(a) to maximise the occupational potential of the unit and to contribute to the employment generating potential of the site by ensuring a range of occupiers can operate from the building.

2.8 Transport and parking has been discussed with the Council and in response to their request, the site will be a car free development and include 19 cycle parking spaces in the basement, in accordance with local policy requirements.

### 3 Policy Context

#### National

- 3.1 Following adoption of the National Planning Policy Framework (NPPF) in 2012, Governmental policy on affordable housing continues to be subject to review and consultation, particularly in relation to the Community Infrastructure Levy regulations. Currently local authorities are engaging in consultation to ensure that their Local Plans are consistent with the guidelines set out in the adopted NPPF and subsequent to that London Councils are newly considering the implications of regional policy in the form of the adopted Revised Early Minor Alterations to the London Plan (October 2013) and Draft Further Alterations to the London Plan (January 2014).
- 3.2 The NPPF encourages local authorities to approach affordable housing delivery pragmatically. In an environment of significant downward pressure on the availability of grant funding for the development of new affordable housing, local authorities are being challenged to deliver value for money of Government funding, their own funding and developer subsidy, whilst responding innovatively and effectively to local priority needs.
- 3.3 Paragraph 173 of the NPPF introduces site specific viability of development proposals as a material consideration in the determination of planning applications, stating, *“the costs of any requirements likely to be applied to development, such as requirements for affordable housing ..... should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable”*
- 3.4 With respect to the appropriate mechanisms available to address local need for the provision of affordable housing, Paragraph 50 of the NPPF requires boroughs to set policies to meet identified need for affordable housing on site, unless off site provision or a financial contribution of broadly equivalent value can be robustly justified.

#### Regional

- 3.5 Policy 3.11 of the adopted London Plan (2011) requires boroughs to set overall affordable housing targets which should take account of the London-wide target tenure



mix and the viability of development. Further to this, policy 3.12 sets out the approach to negotiating affordable housing in individual schemes and states that Councils should accommodate the following aspects in the context of making planning decisions and in the preparation of their LDFs:

*The maximum reasonable amount of affordable housing should be sought when negotiating on individual private residential and mixed use schemes, having regard to:*

- a current and future requirements for affordable housing at local and regional levels identified in line with Policies 3.8 and 3.10 and 3.11*
- b affordable housing targets adopted in line with Policy 3.11,*
- c the need to encourage rather than restrain residential development (Policy 3.3),*
- d the need to promote mixed and balanced communities (Policy 3.9)*
- e the size and type of affordable housing needed in particular locations*
- f the specific circumstances of individual sites.*

*Negotiations on sites should take account of their individual circumstances including development viability, the availability of public subsidy...”*

3.6 Where it is identified that a better outcome can be achieved by not delivering affordable housing onsite, paragraph 3.74 of the London Plan reflects the guidelines in the NPPF and states that *“In exceptional circumstances it may be provided off-site or through a cash in lieu contribution ring fenced, and if appropriate pooled, to secure efficient delivery of new affordable housing on identified sites elsewhere”*.

3.7 This approach is further reinforced through policy 3.12 and the London Plan Housing Supplementary Planning Guidance (SPG) states that an off-site solution or a payment in lieu would be considered acceptable in exceptional circumstances, particularly when greater quantum of affordable housing or more appropriate housing to address local priority needs can be provided.

#### Local

3.8 Policy CS6 of the adopted Core Strategy (2010) sets out the borough wide policy of seeking to secure 50% affordable housing across all additional residential development,

and the maximum reasonable contribution towards affordable housing from scheme specific proposals, subject to financial viability.

- 3.9 Policy DP3 from Camden Development Policies (2010) further explains that any affordable housing contribution should be made onsite, unless this cannot be practically achieved, and in that case the Council may accept offsite affordable housing or exceptionally, a payment in lieu.
- 3.10 This policy also sets out that the target for provision is on a sliding scale that increases from 10% for developments with the capacity to deliver 10 homes (1,000sqm), up to 50% for developments with the capacity to provide 50 homes (5,000sqm). In considering the practicality of onsite affordable housing delivery, the Council will have regard to, inter alia, the character of the development and local area, site size and constraints upon providing a mixed tenure development and the viability of the scheme.
- 3.11 From paragraph 3.13 of the CDP the policy justification explains that for small sites (up to 3,500sqm) it is not unusual for it to be difficult to accommodate mixed tenure development. Therefore issues such as future management for a Registered Provider, service charging, economics of onsite delivery and maximisation of the potential of the scheme to contribute towards affordable housing will be factors that the Council considers in assessing the appropriateness of offsite delivery or a payment in lieu.

## 4 Approach to Affordable Housing

- 4.1 The local policy approach to affordable housing delivery can be summarised as an expectation for affordable housing to be delivered onsite and where this is not practical, particularly for schemes delivering between 1,000sqm and 3,500sqm of development, for offsite affordable housing or a payment in lieu of affordable housing to be provided.

### Onsite Housing Delivery

- 4.2 As explained in Camden's planning policy, when it is not practical to provide genuinely affordable housing onsite, a justification of the contributing factors for not providing accommodation onsite should be provided. The remainder of the section provides an explanation of the constraints to successful delivery of affordable housing onsite, and an explanation of how the proposals, subject to viability, may be able to contribute towards subsidising the delivery of affordable housing by alternative methods.

### *Scheme Design*

- 4.3 The proposals seek to convert the existing building within a re-clad external building envelope, and to incorporate additional floorspace at fourth to sixth floor levels. The commercial space provided at basement and ground floor levels requires separate access from the residential element provided at upper floors so the uses can each be isolated and security maintained. Therefore both access to each element from the street, and access between internal floors has to be provided separately.
- 4.4 Effective integration of onsite affordable housing relies upon the housing provided being protected as affordable for residents into the future. The optimal way of ensuring this on a new build scheme would be to design separate cores for each tenure of housing so that the managing Registered Provider can control the service provision and resultant charges for residents, in isolation from the market housing.
- 4.5 As it would be significantly detrimental to the efficiency and viability of the overall scheme to include an additional residential core and access, the consideration of any onsite affordable housing would have to be on the basis of access from a single residential core.

- 4.6 In order to secure optimal residential values, a service level offer commensurate with the local residential market will need to be provided onsite. This will ensure that the maximum planning gain contributions can be supported by the site. The scheme will require a full concierge service, funded through payment of service charge, and in accordance with the Landlord and Tenant Act 1985, this will be split equitably between all residents.
- 4.7 As all residential units will be accessed from the same core, onsite affordable housing would have access to the same services as the market housing, therefore all homes would have to contribute equitably to the service charge. This does not allow residents to maximise use of their household income towards mortgage repayments or rent, instead being required to contribute towards an onerous service charge.
- 4.8 The Applicant has carried out an analysis of the local sales market to determine the potential purchaser profile for the proposed residential units. In doing so it has been established that in order to optimise the scheme, thereby being able to bring the building back into full active use, and provide the maximum reasonable contribution towards affordable housing and wider planning gain, the service provision as proposed is required.
- 4.9 Design constraints to affordable housing delivery onsite were discussed in detail at the pre-application stage with the Council. Following the initial meeting it was requested that the Applicant undertake a design study to investigate the feasibility of introducing a secondary residential access to the rear of the building in an attempt to provide affordable housing onsite which had a separate service charge from the market housing and allowed protection of future affordability for residents.
- 4.10 The outcome of the design study is detailed in the Design and Access Statement (section 4.3.2), and the summary of the outcome is as follows;

- No defensible space along street level

It is difficult to provide usable residential space at ground floor because there is no way of ensuring the privacy of a unit provided here. Security is also a potential issue

- Insufficient space for a unit

Only c.35sqm of residential space could be provided at ground level so it is not possible to accommodate a unit in line with the London Housing Design Guide recommended areas in this location. In considering a duplex unit in this location, the privacy issues outlined above would result in a very inefficient use of space and an inability to comply with design standards

- Out of context with the local area

To the east along Warren Street and to the south along Cleveland Street all of the ground floor units provide either commercial or retail use. The only ground floor residential use is provided within the housing block on the opposite side of Cleveland Street to the south which is set significantly back from the street and protected by a plant border. Residential accommodation at this level is not in keeping with the neighbouring properties

- Reduction in size of commercial floorspace
- Servicing difficulties

The bin store has to be located away from the external façade to be most efficient in an arrangement that includes residential space at ground floor, which means that there is no access for collection directly from the store. If it is located against the external wall, the commercial space reduces again, also the retail street frontage reduces even further. This would result in a less desirable and less viable commercial space. An affordable housing unit would need its own bin store and cycle store, for which it would need to fund the service charge of its own accord

- Saleability to a Registered Provider

A notional affordable rented unit that requires its own servicing solution would not be an attractive product for a Registered Provider (RP) to purchase, would have long term cost implications on management and maintenance for the RP, would be likely to have a low transfer value because of its position and compromised design and therefore would not achieve good value for subsidy provision for the Council (see sub-section *Registered Provider Response* for further detail).

4.11 As detailed above, it is clear that it has not been possible through the design study to incorporate viable and practical onsite affordable housing delivery for several reasons including efficiency of the building, acceptable and affordable servicing and access strategies and the ability of the scheme to provide suitable, high quality and affordable housing for potential affordable housing residents.

### *Location*

- 4.12 The site is situated on the corner of Euston Road, Cleveland Street and Warren Street. It is extremely accessible, with a PTAL score of 6b, and as such a desirable residential location. 12 of 16 units have their own private amenity space, with balconies for units to the rear of the building and winter gardens for units fronting Euston Road, to ensure that noise levels and air quality experienced in the amenity space are acceptable.
- 4.13 Additional shared amenity space is highly constrained, due to the footprint of the existing building on site, however it is London Plan compliant, and the 395 acre Regents Park is within 200 metres. Whilst offsite amenity space in close proximity to the site is an acceptable strategy for meeting amenity space requirements in a densely urban context, it is not an ideal solution for family sized affordable housing and as a result the location would be better suited to the provision of smaller units of intermediate housing than family sized rented accommodation.

### *Tenure*

- 4.14 As discussed in the previous sections, all residential accommodation needs to be accessed from a single point of entry and a single core. Affordable housing and market housing residents would have access to the same service provision, funded by the equitable payment of service charge.
- 4.15 Discussions with Registered Providers have highlighted that their preference for delivery is that certainly any affordable rented provision or preferably any intermediate accommodation should be accessed from separate cores from market housing so that future affordability and contributions to service charge can be controlled.
- 4.16 As this is not possible in design terms, there is not a practical and feasible design solution to including affordable rented homes on site. Sharing of cores between affordable rented homes and market homes would have a significant impact on the capital value of the market homes, thereby reducing the overall contribution that the scheme could make towards planning gain and producing affordable housing that would be difficult to secure as truly affordable into the future. For this reason, it would be less attractive to Registered Providers as a potential purchase option and therefore as a result require additional developer subsidy per unit to deliver. Objectively this would

achieve a lower quantum of units for the Council than could be achieved through an alternative approach to delivery.

- 4.17 When considering a shared ownership housing product, this could hypothetically be incorporated onsite in design terms, with lesser impacts on the value generated by the market housing than with affordable rented housing. In theory, a shared ownership or discounted market sale tenure type could be incorporated onsite within mixed cores with the market housing, subject to the impact that this has on the affordability of the shared ownership homes.
- 4.18 However the access strategy would need to remain the same and therefore the issue of shared service charges needs to be considered. Once the preliminary service charges for the scheme have been factored in to the household affordability calculations for notional shared ownership homes onsite, it renders even the smallest homes in the lowest value areas of the site unviable for purchasers at the top end of the affordability spectrum set by the GLA.
- 4.19 As a result, the provision of any tenure of onsite affordable housing would not meet the Council's priorities in terms of tenure, mix, affordability or achieving value for money.

#### *Ongoing Management and Maintenance*

- 4.20 As discussed in the previous sub-sections, all residential accommodation needs to be accessed from a single point of entry and a single core. Feedback from Registered Providers is that in any high value development their preference would be to have independent cores for the affordable housing, separating it from the market housing. In this way, the service provision (and cost thereof) can be regulated and the RP is able to express control over future affordability for residents. As this is not possible for this development, RPs would have fundamental concerns over the future affordability for residents.
- 4.21 When in discussion with RPs they have mentioned the difficulty of owning and managing stock that is mixed with market housing and managed by a single management company. The RP tends to experience a lack of control over the decision making process for the building, which can have impacts on the costs of maintenance and servicing. This is particularly relevant when affordable homes share access with

high value market homes, as the service level provided in high value development is of a standard that needs to be commensurate with other like-for-like developments available in the market. If not, the potential purchaser group for the market housing sale is constrained and the ramifications are that properties have to be sold at a discount from asking price, the sales timing could be significantly affected and the result is a lower total planning gain offer that can be supported.

- 4.22 It has also been mentioned in discussion that the potential issues on affordability for the RP are exacerbated in schemes delivering smaller unit numbers as the high cost impact is shared over fewer units and the cost per unit when considering purchase is often significantly higher than would be experienced on larger sites. This makes any provision less attractive as a sales prospect.

#### *Service Charging*

- 4.23 As set out in the prior sections of this AHS, the service level proposal for the market housing in this scheme supports the market values of the homes, and as the building cannot be separated to provide discreet access and cores for onsite affordable housing all units would have to contribute equitably towards the service charges for the building.
- 4.24 When the preliminary service charges are factored in to the affordability calculations for onsite affordable housing it demonstrates that the potential residents would be required to spend a disproportionate amount of their available household income on meeting service charges, fettering their ability to make rental or mortgage repayments.
- 4.25 When shared ownership notional affordability calculations are tested against the anticipated service costs the outcome is that even the smallest units in the lowest value locations are not affordable to households that are eligible for intermediate housing according to the GLA definition (households with incomes of up to £66,000), and certainly not to the reduced income threshold households that the borough promotes, to facilitate tenure switching.



*Registered Provider Response*

- 4.26 The local RP response to the scheme proposals was that the difficulties in achieving genuinely affordable housing for residents into the future was so constrained on this site that they would not be able to make a bid for any affordable housing provided onsite.
- 4.27 Specific reasons cited included that the scheme provided too few affordable housing units to be an attractive prospect given the complexities, that the inability to control service charge and maintenance costs on an independent basis from the market housing would not be suitable, that shared ownership units could not be made affordable within the local or regional income requirements and that the management difficulties anticipated for rented units and market units sharing a core were too great to be considered an attractive affordable housing prospect.

*Summary*

- 4.28 As set out in the interlinked sections above, there are key reasons why affordable housing onsite would not present the optimal outcome for the Council or for local residents. In order to secure;
- housing that can be maintained as affordable into the future,
  - the best value for subsidy for the Council, and
  - market housing that is optimised to enable the overall maximum reasonable contribution towards affordable housing
- the site should provide, subject to viability and in accordance with Camden policy, an alternative contribution towards affordable housing.

Offsite Housing Delivery or a Payment in Lieu of Delivery

- 4.29 National, regional and local policy encourage the delivery of offsite affordable housing or a payment in lieu of delivery, subject to viability testing, where it is neither practical nor reasonable to provide onsite affordable housing.
- 4.30 In accordance with the borough's pre-application request, the Applicant has confirmed that there are no other suitable sites to deliver affordable housing in his ownership, and therefore affordable housing could not come forward in the short or medium term. In view of the size of the contribution required by policy it is also unlikely to be a viable prospect to deliver a standalone site for affordable housing that allows the subsequent

owning RP to achieve any economies of scale in procurement of services at build or maintenance stages.

4.31 It is proposed that the Applicant makes a payment in lieu of affordable housing, which is set out in further detail in Section 5.

4.32 The objective for affordable housing provision as expressed in the NPPF is that it is acceptable to provide contributions towards affordable housing as offsite delivery or a financial contribution, provided it can be robustly justified in the specific circumstances of the subject site, as is set about above.

4.33 This approach is further endorsed through the Camden Core Strategy, Development Policies and Planning Guidance 2: Housing documents.

## 5 Affordable Housing Payment

- 5.1 This section of the report sets out the policy basis for determining the payment in lieu of onsite affordable housing delivery. In line with local and regional policy, if the payment able to be supported cannot comply with the policy target, this can be justified through reference to the scheme viability position.
- 5.2 Camden Development Management Policies (2010) sets out the circumstances where it may be acceptable for a payment in lieu of affordable housing to be made, and refers the Applicant to Camden Planning Guidance for further details.
- 5.3 The affordable housing requirement is discussed in the pre-application response as being a 12% requirement, based on the pre-application area of 1,228sqm. This area has been revised to 1,170sqm in the proposed submission, however the percentage requirement remains at 12%.
- 5.4 On the basis of the updated total area, the required affordable housing contribution is 140sqm, multiplied by £2,650 per square metre, producing a payment in lieu of £371,000.
- 5.5 On the basis of the process and evidence outlined above and following the feedback received in the pre-application response, the Applicant is minded to commit to the payment in lieu, secured through the Section 106 agreement.

## 6 Summary

6.1 In accordance with guidance from the pre-application response and Camden's local planning policy, this report details the constraints to the Site providing a viable, practical contribution to affordable housing delivery onsite.

6.2 In brief, the Site is unable to support onsite or offsite affordable housing delivery because;

- It would be significantly detrimental to the efficiency and viability of the overall scheme to include more than a single residential core and access, so onsite affordable housing could only be accessed from the same core as the market housing;
- The location is not ideal for family housing provision required under affordable housing mix guidelines, as individual and shared amenity spaces are limited, although the Site is in close proximity to Regents Park;
- Discussions with Registered Providers have highlighted that any affordable rented provision (and preferably also shared ownership provision) should be accessed from separate cores from market housing so that future affordability and contributions to service charge can be controlled;
- Once the preliminary service charges for the scheme have been factored in to the household affordability calculations for notional shared ownership homes onsite, it renders even the smallest homes in the lowest value areas of the site unviable for purchasers at the top end of the affordability spectrum set by the GLA;
- Potential issues on affordability of management and maintenance charges for the RP are exacerbated in schemes delivering smaller unit numbers as the high cost impact is shared over fewer units, cost per unit can be significantly higher than would be experienced on larger sites and therefore the attractiveness of potential affordable housing units for purchase decreases;
- Indicative household affordability calculations for onsite affordable housing suggest that potential residents would be required to spend a disproportionate

amount of their available household income on meeting service charges, fettering their ability to make rental or mortgage repayments;

- The initial response from RPs is that notional affordable housing delivered on this Site would not be of interest as the costs of constraints to delivery, divided across a very small number of units would be unlikely to meet their investment criteria and show a high cost per unit ratio; and
- The Applicant does not own any other appropriate sites for affordable housing delivery in the borough therefore the offsite option would not result in affordable housing being delivered in the short or medium term.

6.3 For these reasons the Applicant is minded to proceed with the application on the basis of providing a payment in lieu of affordable housing (£371,000 – see section 5), that would enable the Council to better direct the contribution arising from the scheme to address borough priority housing need.