

### **Suitability of the Diorama to accommodate affordable housing on-site (June 2015)**

The Affordable Housing Statement (prepared by JLL; dated November 2014) sets out details of the extensive discussions the team has had with the Council in relation to the requirement for Diorama to make provision for affordable housing.

For ease, the key points setting out why we do not consider it appropriate to accommodate affordable housing on-site at the Diorama are summarised within the following paragraphs/sections:

- **Paragraph 1.2** – There has been extensive engagement with the Council regarding the requirement to make provision for affordable housing since early-mid 2013. The challenges associated with providing affordable housing on-site has been discussed with number of Officers, including the following:
  - Ed Watson (Assistant Director of Regeneration and Planning);
  - Christopher Heather (Case Officer);
  - Simon Mitchell (Housing Officer);
  - Robert Pert (Regeneration Officer); and
  - Neil Cleary (Enabling Officer).

The physical constraints associated with delivering affordable housing on-site has been acknowledged within pre-app responses from the Council (see Appendix 7 and 8 of the Statement); and the requirement to robustly demonstrate this is set out within Section 4 of the Statement. The Officers listed above have all acknowledged the principle that it is not appropriate for affordable housing to be accommodated on site in this instance.

- **Section 4** – This detailed section of the report specifically addresses a number of reasons why it is not compatible to maintain the historical integrity of this Grade 1 Listed building, as well as meet the specific needs and requirements of Registered Providers (RPs). Given the nature of this building, it is essential these two issues are considered in conjunction with one another – as opposed to in isolation.

Prior to considering the off-site affordable housing and payment-in-lieu of affordable housing, we had conversations with a number of RP and, as set out in the Statement, they have a number of concerns about on-site affordable housing provision at Diorama. Section 4 of the report explains why it is not possible to align the requirement to retain the openness of the building in accordance with its original use with RP requirements for affordable housing units. For example, the latter would prefer affordable units to be broadly in accordance with GLA London Plan minimum space standards; and to be separate from the private tenure units thus not presenting concerns in relation to service charges and affordability.

We also know from conversations with RPs in relation to other central London sites, that the issues highlighted are not unique when looking at the refurbishment of older/historical properties in value areas such as Regent Park West.

The Affordable Housing Statement responds to what Officers have said this report is required to demonstrate, as well as sets out a robust rationale for the proposed approach to how affordable housing is best dealt with in respect of the Diorama.

### Conversations with Registered Providers

Following Christopher Heather's departure from the Council, the new Case Officer has requested the applicant provide further information about why the Crown does not consider the provision of on-site affordable housing to be appropriate in this instance.

To inform our response, on behalf of the Crown, JLL has conducted further conversations with seven RPs who are operational in the borough. Their responses are summarised below:

Registered Provider	Comments
A2Dominion	They have said they are not currently acquiring affordable S106 units.
Peabody	Tend to only be interested in opportunities where there are a significant number of affordable S106 units.
Notting Hill Housing Trust	They are not interested in S106 opportunities comprising less than 30 units.
Islington and Shoreditch Housing Association	Have advised their business focus is currently in Islington, Shoreditch, Hackney and Waltham Forest.
Network Housing Association	<p>They generally don't acquire S106 opportunities less than 15 units and in only very exceptional circumstances, acquire less than 5 units.</p> <p>In locations such as this, the service charge would be key consideration in determining their potential interest in the units.</p> <p>Given the high value area in which the property is located, shared ownership would not work for the RP or shared ownership purchaser. Therefore, any potential units would need to be either Affordable Rent or intermediate rent tenure.</p> <p>The property's Listed status is not an issue for them as such, however the units are considerably bigger than GLA London Plan, and therefore not particularly efficient. Their preference would be for the affordable units to benefit from separate access cores.</p>
Origin Housing	<p>We understand the Council (Neil Cleary) has spoken with Origin directly in early March.</p> <p>Origin advised that given the high value location, any affordable units</p>

	<p>would need to be either Affordable Rent or intermediate rent tenure. Any Affordable Rent would need to benefit from a separate access core.</p> <p>We understand they stated this could work if the lower ground floor could be re-designed to accommodate 1 or 2 rented units.</p> <p>If this is not possible, they could potentially be interested in an intermediate rent tenure flat. They acknowledge that the oversized units would mean this would not be efficient in value terms, however the key influencing factor would be the level of service charge.</p>
One Housing	<p>Given the high value nature of this property, any on-site affordable units would need to be either Affordable Rent or intermediate rent. Shared ownership tenure would not be appropriate. If there were any rented units provided on-site, these would need to benefit from a separate access core.</p> <p>The key factor determining their potential interest in units is the level of service charge. They typically assume £15 - £25 per week service charge, which equates to circa £780 - £1,300 per annum. If the service charge is more than this, the net rent decreases to a level which means it is not in the RPs interest to acquire the units.</p>

## Summary

As set out within the Affordable Housing Statement and based on our more recent conversations with the RP's, there are two main conclusions:

- Assuming there was on-site affordable housing, the small number of units means a number of RPs would not be interested in this particular S106 opportunity.
- The main factor impacting those RPs for which the small number of units is not an issue, is the level of service charge.

The service charge for schemes in value area such as this where there is a lift, but no on-site facilities, typically ranges between £3 and £4psf. Taking the smallest proposed unit (2,560sqft / 238sqm) and the lower end of this service charge rate, this equates to a minimum of £7,680 per annum (or £147 per week). This is significantly in excess of what RPs would typically assume.