

# O2 Masterplan Site, Finchley Road

## Affordable Housing Statement Addendum

September 2022



Prepared for Landsec (Finchley Road) by Quod



**Landsec**

**The O2 Masterplan Site, Finchley Road, NW3 6LU (2022/0528/P)**  
**Affordable Housing Statement Addendum (14.09.22)**

---

**Purpose**

This note provides an addendum to the Affordable Housing Statement (AHS) submitted in relation to the above planning application. It also sets out how the applicant has positively responded to comments made by the LBC housing team in respect of the affordable housing proposals.

**Revised Affordable Housing Proposals**

**Overall Amount**

The overall amount of affordable housing floorspace in the detailed element of the planning consent (Phase 1) has been increased from 19,426 SQM GIA to 20,134 SQM GIA. This increases the proportion of total GIA floor area from 35% to 36% and equates to an additional 4x new affordable homes.

Original Application Proposal		Revised Application Proposal	
<u>Detailed Consent</u>		<u>Detailed Consent</u>	
<b>Units</b>	<b>% Floor Area GIA</b>	<b>Units</b>	<b>% Floor Area GIA</b>
188	35%	192	36%
<u>Outline Consent</u>		<u>Outline Consent</u>	
<b>Units (Indictative)</b>	<b>% Floor Area GIA</b>	<b>Units (Indicative)</b>	<b>% Floor Area GIA</b>
378	35%	378	35%

The overall amount of affordable housing proposed in the detailed and outline elements of the application is considered appropriate taking account of the following:

- **Local Plan:** The proposals fully accords with Policy H4 of the Camden Local Plan due to financial viability considerations as evidenced in the FVA submitted with the application.
- **London Plan:** The proposals satisfy the requirements of the 35% Fast Track Threshold Approach set out in Policy H5 of the London Plan (2021).
- **Review Mechanisms:** The inclusion of an early-stage viability review will, if it is triggered, provide an opportunity for the quantum of affordable housing to increase up to 50% (subject to delivery timescales and future viability).
- **Housing Need:** The provision of 570 new affordable homes (illustrative) equates to over c.40% of LBC annual affordable housing target (4%+ of the 10-year target). It will therefore make a very important contribution to

meeting both local and strategic housing need of which only 22% and 34% of need has been met in the last 2 years respectively.

- **Grant Subsidy:** Whilst the applicant may seek grant funding to enhance the deliverability of the scheme, the provision of 35% in the planning consent is not contingent on the receipt of funding.

### Tenure Split

The provision of 60% low cost rent and 40% intermediate has been maintained in both the detailed (Phase 1) and outline elements of the revised proposals.

Original Application Proposal			Revised Application Proposal		
<u>Detailed Consent</u>			<u>Detailed Consent</u>		
Tenure	Units	% Floor Area GIA	Tenure	Units	% Floor Area GIA
Low Cost Rent	104	60%	Low Cost Rent	107	60%
Intermediate	84	40%	Intermediate	85	40%
<u>Outline Consent</u>			<u>Outline Consent</u>		
Tenure	Units (Indictaive)	% Floor Area GIA	Tenure	Units (Indictaive)	% Floor Area GIA
Low Cost Rent	211	60%	Low Cost Rent	211	60%
Intermediate	167	40%	Intermediate	167	40%

The tenure mix of affordable housing is considered appropriate in the round taking account of the following:

- **Local Plan:** The proposed tenure mix complies with Camden Local Plan Policy which requires 60% Social or Affordable Rented Housing and 40% Intermediate by floor area (GIA).
- **London Plan:** The proposed tenure mix complies with the Policy H7 (Affordable Housing Tenure) of the London Plan (2021) which requires a minimum of 30% London Affordable Rent.
- **Housing Need:** The provision of 60% Low-Cost Rent will make a significant contribution to meeting the priority needs of low-income households including vulnerable households (there are over 7,000 households on the council's waiting list, ONS 2021). It is a significant benefit noting Build-to-Rent schemes are not required to provide any social rented homes by national or regional policy. The intermediate homes will meet the growing needs of 'squeezed middle' households who cannot afford to buy or rent a good quality suitable home but would be very unlikely to be allocated an existing low-cost rent home (e.g key frontline workers).
- **Balanced Community:** The proposed tenure mix will support a more mixed and balanced community, in an area which presently has less than 1% intermediate housing, build community cohesion and enhance individuals' life chances in accordance with the objectives of the Council's intermediate housing strategy.

## Low Cost Rent – Unit Size Mix

The unit mix ranges in the outline consent proposals have been amended to remove the studios and increase the 2 beds. Given the long term nature of the scheme, it is proposed that the S106 agreement includes a clause allowing the outline mix to be amended in the future if agreed in writing with the council.

New LCR town house style homes have also been introduced at ground with front doors onto the public realm and views onto the community park.

Original Application Proposal					Revised Application Proposal				
<u>Detailed Consent</u>					<u>Detailed Consent</u>				
Studio	1 Bed	2 Bed	3 Bed	Total	Studio	1 Bed	2 Bed	3 Bed	Total
0	14	36	54	104	0	14	39	54	107
0%	13%	35%	52%	100%	0%	13%	36%	50%	100%
<u>Outline Consent</u>					<u>Outline Consent</u>				
Studio	1 Bed	2 Bed	3 Bed	Total	Studio	1 Bed	2 Bed	3 Bed	Total
0-5%	0-25%	20-25%	45-50%	100%	0%	0-25%	20-30%	45-50%	100%

The mix of low cost rented housing in the detailed and outline elements of the application is considered appropriate in the round taking account of the following:

- **Local Policy:** The mix proposed will secure a range of low cost rented homes of different sizes and will contribute to meeting the priorities set out in the Dwelling Size Priorities Table (extract below) in accordance with Policy H7.

**Table 1: Dwelling Size Priorities**

	1-bedroom (or studio)	2-bedroom	3-bedroom	4-bedroom (or more)
Social-affordable rented	lower	high	high	medium
Intermediate affordable	high	medium	lower	lower
Market	lower	high	high	lower

- Notwithstanding this, Policy H7 does confirm that the council *'will take a flexible approach to assessing the mix of dwelling sizes'* taking account of a range of other factors including local housing need, the character of the development and impact on child density and financial viability. This flexibility is reiterated in the supporting text.
- **Local Guidance:** The provision of c.45-50% family sized low-cost rent housing is closely aligned with the preferences set out in CPG2 and the *'aim for 50% to be large family homes with 3-bedrooms or more'*.

Notwithstanding this, CPG2 states that: ‘when considering the proportion of large homes in a development, we will seek to manage child density in accordance with Local Plan paragraph 3.199’. This is dealt with below.

- **Character/ RP Management:** The proposed mix has been determined in consultation with several of the Council’s Registered Provider (RP) partners. The RP’s consulted urged caution in respect of increasing the number of family sized homes beyond that proposed in light of management considerations. The proposed approach is supported by the applicant’s preferred RP partner Origin Housing.
- **Financial Viability:** The approach taken has sought to maximise the amount of affordable housing, low cost rented housing and, in particular, the number of low cost rented family sized homes that can be viably provided on-site. The inclusion of additional homes of 3B5P or larger would have a negative impact on scheme viability and prejudice the ability to achieve the maximum amount of affordable, low cost rented housing.
- **Deliverability:** The approach also seeks to ensure the planning consent is sufficiently flexible to respond to design constraints and changing needs due to the long term nature of the masterplan. The exact mix within the proposed outline ranges will be determined at the RMA stage having regard to these factors. It also important to provide sufficient flexibility to ensure individual RMA’s are practically feasible and deliverable.
- **RMA Approval:** The mix of homes proposed in each outline RMA will be determined by the Owner in consultation with the selected RP and the Council at the time of the RMA. This will enable up to date local needs and management requirements to be met.

### Intermediate - Unit Size Mix

The outline element of the scheme has been amended to substantially increase the upper ranges for the number of 1 bedroom homes. The detailed element of the scheme has been amended for detailed design reasons. It has not been possible to increase the number of 1 beds within the detailed element.

Original Application Proposal					Revised Application Proposal				
<u>Detailed Consent</u>					<u>Detailed Consent</u>				
Studio	1 Bed	2 Bed	3 Bed	Total	Studio	1 Bed	2 Bed	3 Bed	Total
0	48	25	11	84	0	37	36	12	85
0%	57%	30%	13%	100%	0%	44%	42%	14%	100%
<u>Outline Consent</u>					<u>Outline Consent</u>				
Studio	1 Bed	2 Bed	3 Bed	Total	Studio	1 Bed	2 Bed	3 Bed	Total
0-20%	0-30%	20-40%	0-15%	100%	0-30%	0-50%	20-50%	0-20%	100%

The mix of intermediate rented housing in the detailed and outline elements of the application is considered appropriate in the round taking account of the following:

- **Local Policy:** The mix proposed will secure a range of intermediate homes of different sizes and will contribute to meeting the priorities set out in the Dwelling Size Priorities Table (extract below) in Policy H7.

**Table 1: Dwelling Size Priorities**

	1-bedroom (or studio)	2-bedroom	3-bedroom	4-bedroom (or more)
Social-affordable rented	lower	high	high	medium
Intermediate affordable	high	medium	lower	lower
Market	lower	high	high	lower

Policy H7 however confirms that the council ‘will take a flexible approach to assessing the mix of dwelling sizes’ taking account of a range of other factors including local housing need, the character of the development and impact on child density and financial viability. This flexibility is reiterated in the supporting text. The supporting text also states that ‘The Council acknowledges that there is a need and/ or demand for dwellings of every size shown in Table 1. **We expect most developments to include some homes that have been given a medium or lower priority level.**’

- **Local Guidance:** The provision of a substantial proportion of ‘studio/ 1 bedroom homes’ is closely aligned with the preference set out in CPG2 which does not distinguish between studios and 1 beds.
- **Housing Need:** The approach taken has sought to ensure a range of intermediate households are catered for by the scheme including individuals and couples but also families. Due to the location of the site in an area where private housing is less affordable than other parts of London and the borough, there is a clear unmet local need for intermediate rented homes of all sizes. There are 2,130 households in the Ward and 30,120 in the borough who have single or combined incomes (c.50k+) which mean they are unable to afford to buy or rent a good quality suitable home but would be unlikely to be allocated social housing which is prioritised for those households with lower incomes (CACI 2021). Many of these will include dual income families earning c.£50-60k, which could for example comprise two key workers. Further details are set out in Section 2 of the Affordable Housing Statement.
- **Character/ RP Management:** The proposed mix has been determined in consultation with several of the Council’s Registered Provider (RP) partners. The RP’s consulted urged caution in respect of increasing the number of family sized homes in the low cost rented tenure beyond that proposed in light of management considerations. The approach taken to the intermediate homes therefore seeks to maximise the overall number of families supported by the scheme without resulting in an over concentration in the low cost rented tenure and buildings, helping to create a long term balanced and family led community. The proposed approach is supported by the applicant’s preferred RP Origin Housing.
- **Financial Viability:** The inclusion of 3 bed intermediate rental homes does not negatively impact on the delivery of social-affordable rented homes.

- **Deliverability:** The approach also seeks to ensure the planning consent is sufficiently flexible to respond to the most up needs of Camden’s residents noting the long term nature of the masterplan. The exact mix within the proposed outline ranges will be determined at the RMA stage having regard to these factors. It also important to provide sufficient flexibility to ensure individual RMA’s are practically feasible and deliverable.
- **RMA Approval:** The number of 3 bed homes in the outline element of the scheme is proposed to be capped at 15% with no minimum applied. The number of 3 bed intermediate rented homes could therefore be NIL. The mix of homes proposed in each RMA will be determined by the Owner in consultation with the selected RP and the Council at the time of the relevant RMA. This will enable up to date local needs and management requirements to be met. There is presently an unmet local need for all unit sizes including homes for families who cannot afford a private home but would also not be eligible for low cost rented homes. This includes key workers comprising dual income families with entry level wages or single income households earning median incomes evidenced in Tables 2.3 and 2.4 of the Affordable Housing Statement. Further justification for the inclusion of 3 bedroom intermediate homes is provided at annex 1,
- **Design:** The approach to the allocation of WC units within the affordable housing buildings has been led by the need to ensure they are appropriately located and in view of a range of other design constrains.

### Tenures & Products

The proposes products in the outline consent have been amended to remove reference to Shared Ownership. Any other intermediate product proposed will need to be agreed with the council.

Original Application Proposal	Revised Application Proposal				
<p><u>Detailed Consent</u></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <th style="background-color: #003366; color: white;">Products</th> </tr> <tr> <td>Intermediate Rent</td> </tr> </table>	Products	Intermediate Rent	<p><u>Detailed Consent</u></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <th style="background-color: #003366; color: white;">Products</th> </tr> <tr> <td>Intermediate Rent</td> </tr> </table>	Products	Intermediate Rent
Products					
Intermediate Rent					
Products					
Intermediate Rent					
<p><u>Outline Consent</u></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <th style="background-color: #003366; color: white;">Products</th> </tr> <tr> <td>Intermediate Rent, Shared Ownership or any other approved product</td> </tr> </table>	Products	Intermediate Rent, Shared Ownership or any other approved product	<p><u>Outline Consent</u></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <th style="background-color: #003366; color: white;">Outline Products</th> </tr> <tr> <td style="background-color: #D9E1F2;">Intermediate Rent <del>Shared Ownership</del> or any other intermediate product agreed with the council</td> </tr> </table>	Outline Products	Intermediate Rent <del>Shared Ownership</del> or any other intermediate product agreed with the council
Products					
Intermediate Rent, Shared Ownership or any other approved product					
Outline Products					
Intermediate Rent <del>Shared Ownership</del> or any other intermediate product agreed with the council					

- **Local Plan:** The Policy H4 of the Camden Local Plan requires 40% ‘intermediate housing’. Paragraph 3.88 confirms intermediate housing includes shared ownership, other low cost ownership. The provision of Intermediate Shared Ownership is therefore fully consistent with the development plan. While the supporting text ‘encourages’ intermediate rent over shared ownership it also confirms these guidelines will be applied flexibly and that the council will take account of a range of consideration in determining the nature of affordable housing provision including development viability and the priority to maximise affordable housing output.

- **Local Guidance:** CPG2 confirms the council will ‘generally seek’ intermediate rented housing. It does not however rule out other products in all circumstances. While Camden’s guidance sets out a ‘preference’ for Intermediate Rent there is a clear un-met need for all types and tenures of affordable housing (see below).
- **Housing Need:** It noted that since preparation of the 2016 SHMA, national planning policy has been updated to confirm affordable housing need must include the number of households from other [non affordable] tenures in need (i.e those living in unsuitable private rented homes) and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration. In this particular location the need for affordable ownership products which targets incomes between £60-£90k is heightened by reduced affordability of private sale homes which means those not eligible for intermediate rent have limited options to buy where that is their aspiration. This is illustrated at Annex 1.
- **Deliverability:** The approach also seeks to ensure the planning consent is sufficiently flexible to respond to the most up needs of Camden’s residents noting the long term nature of the masterplan. The exact mix within the proposed outline ranges will be determined at the RMA stage having regard to these factors. It is also important to provide sufficient flexibility to ensure individual RMA’s are practically feasible and deliverable.
- **Character/ RP Management:** The proposed products have been discussed with the Council’s Strategic Registered Providers of Affordable Housing. All of the RP’s welcomed the inclusion of Shared Ownership. This will ensure a range of household’s needs can be met. The proposed approach is supported by the applicant’s preferred RP Origin Housing.
- **Financial Viability:** The proposed flexibility in products support the financial viability of the scheme.

### Intermediate Affordability

The intermediate affordability has not been changed. This supports the viability of the scheme and the ability to provide 35% affordable housing including 60% low cost rent.

Original & Revised Application Proposals			
Detailed & Outline Consent			
Measure	1 Bed	2 Bed	3 Bed
Rent	£270 PW	£300 PW	£320 PW
Min Income	£50,000	£55,500	£59,500

The proposed affordability is considered appropriate in the round taking account of the following:

- **Local Policy:** There are no specific affordability requirements set out in the LBC Local Plan. The intermediate rents are considerably below 80% of Market Rent and will be affordable to households with



incomes below £60,000. They therefore meet the definition of genuinely affordable set out in the London Plan and the Mayor's Housing Strategy. The supporting text for Policy H4 also confirms that in determining the 'nature' of affordable housing provision the council will take account of a range of factors including the character of the development and financial viability.

- **Local Guidance:** While the proposed rents differ to those generally preferred, CPG2 confirms that the council will consider the '*rents appropriate to the particular homes in each scheme*'. There is therefore flexibility for alternative rents to be agreed.
- **Financial Viability:** The proposed rents support the financial viability of the scheme. Any reduction in rental income would require the quantum and or tenure mix to be adjusted.

The approach taken has sought to maximise the amount of affordable housing and, in particular, the proportion of low cost rented homes that can be viably provided on-site. Any reduction to the proposed intermediate rents would have a negative impact on scheme viability and prejudice the ability to achieve this. The provision of 60% Low-Cost Rent (315 homes illustratively) will make a significant contribution to meeting the priority needs of low-income households including vulnerable households (there are over 7,000 households on the council's waiting list, ONS 2021). The illustrative number of low cost tent homes (315) from this site alone would exceed the council's annual target for low cost rented housing delivery (311 homes per annum assuming 30% of the London Plan target). The approach taken has sought to maximise the amount of affordable housing and, in particular, the proportion of low cost rented family homes that can be viably provided on-site. Any reduction to the proposed intermediate rents would have a negative impact on scheme viability and prejudice the ability to achieve this.

It is also noted that it is intended that the scheme will be delivered as Build-to-Rent. These types of scheme are not usually required to provide any low cost rented homes by national or regional policy. Policy H11 (Build to Rent) of the London Plan (2021) confirms at Part C that where the scheme is proposed as Build to Rent the affordable housing offer can be solely (100%) Intermediate Discounted Market Rent (DMR). The Proposals go above this and provide 60% of the affordable housing as low cost rented housing.

- **Housing Need:** The approach taken ensures the intermediate homes will meet the needs of local households who can't afford to buy and/ or rent a good quality suitable home locally buy are unlikely to be allocated existing low-cost rent housing or intermediate rent prioritised to lower income households.

These households may include key workers and/or families with two relatively low individual incomes of c.£25-£30k each. Due to the location of the site in an area where private housing is less affordable than other parts of the borough, there is a clear unmet need for intermediate rental homes for those earning £50-60k. It is unlikely these households would be allocated any of the borough's stock of existing intermediate rental homes targeting incomes of c.£30-40k. There are an estimated 2,130 households within the £50-60k income range within the Ward and 30,120 within the borough (CACI 2021). Many of these households are in need of intermediate rented homes.

The approach ensures the 3 bed homes would be affordable to households with two relatively low individual incomes with an average of less than c.£30k each. This could include full and or part time key workers. For example, an entry level Health professional earning £27k and an entry level police officer earning c.£28k who may have a child. The approach taken also ensures all of the intermediate rental homes are affordable to households with gross annual household incomes of no more than £60,000 per year in accordance with CPG2 and the London Plan. (subject to indexation). Reducing the 1 bed rents any further would preclude almost all couples from being able to access these homes (due to the maximum average individual wage being below £25k).

- **Character/ RP Management:** The proposed rents have been discussed with the Council's Strategic Registered Providers of Affordable Housing. All of the RP's welcomed the approach to provide a product which will meet the needs of households not presently catered for by the market and/or the borough's existing stock of intermediate housing. This will ensure a range of household's needs can be met including key workers. None of the RP's consulted raised any concern in respect of there being insufficient need/ demand for the rental levels proposed. The proposed approach is supported by the applicant's preferred RP Origin Housing.
- **Review Mechanism:** If there is a delay in the commencement of development there is the opportunity for the discounts in the outline element to increase subject to future market conditions and delivery timescales

## Annex 1 - Intermediate Housing Justification

1. House prices and private rents have increased substantially in Camden in recent years. The **combined household** income required to access a good quality suitable private home is in excess of £60k for private rent and £90k for private sale in many parts of the borough including the West Hampstead Ward.
2. As a consequence, there are now very large number of ‘squeezed middle’ couples and **families** who have incomes which mean they are unable to afford to buy or rent a good quality suitable home but would be unlikely to be allocated social housing which is prioritised for those households with lower incomes (up to c.£30k) (CACI 2020).
3. This has resulted in increased demand and pressure on the private rented sector (PRS) housing evidence by the high levels of private rented homes compared to London as a whole (32% compared to 25% respectively). This is reflected at the local level with 42% of homes privately rented. The existing rental offer is however insufficient in scale, availability, quality and affordability to meet local need.
4. Whilst these households would be eligible for intermediate housing less than c.1% of existing housing in both the borough and ward is presently intermediate (few of which are understood to be intermediate rental properties). The majority of existing intermediate rented housing (‘Existing IR’) delivered to date have also typically targeted lower incomes of c.£30-£50k households as confirmed in the Council’s recently published Draft Statement on Intermediate & First Homes (2021).
5. Lack of good quality private rental housing and intermediate housing options for couples and **families**, including those which target dual income households with incomes from c.£50k-£90k (c.£25-45k per person on average) is contributing to a range of local housing issues including:
  - Loss of families from the area and break up of existing communities;
  - Difficulty attracting workers (inc key frontline workers such as doctors) having a negative impact on local business and delivery of front line services;
  - Increased reliance on lower quality/ insecure buy-to-let rental housing for families which is typically unsuitable;
6. This is particularly prevalent for households in the West Hampstead Ward (where house prices are very high) as illustrated in Figure 1 below. There are 2,130 households in this group in the Ward and 30,120 in the borough (CACI 2021).

**Figure 1 – West Hampstead Ward Household Incomes & Products (CACI 2021)**



7. Many of these households are likely to be key worker families comprising dual income households with entry level wages (Table 2.3) or single income households (potentially with Children) earning median incomes (Table 2.4).

**Table 2.3 – Key Worker Incomes (Dual Income)**

Occupation	Entry Level Single Income (ASHE 2020)	Dual Household Income Illustration
Police Officer	£27,731	£55,462
Health Professional	£26,485	£52,970
Teacher	£25,690	£51,380

**Table 2.4 – Key Worker Incomes (Single Income)**

Occupation	Median Single Income (ASHE 2021)
Train/ Tram Driver	£59,339
Higher Education Teacher	£57,797
Police Officer	£55,514
Rail Transport Operative	£53,564
Health & Social Service Manages	£50,941

8. There is therefore a clear need for 3 bed homes that would be affordable to households with two relatively low individual incomes with an average of less than c.£30k each. This could include full and or part time key workers. For example, an entry level Health professional earning £27k and an entry level police officer earning c.£28k who may have a child.
9. In conclusions, due to the location of the site in an area where private housing is less affordable than other parts of the borough, there is a clear unmet need for intermediate rental homes for those earning £50-60k. It is unlikely these households would be allocated any of the borough's stock of existing intermediate rental homes targeting incomes of c.£30-40k. There are an estimated 2,130 households within the £50-60k income range within the Ward and 30,120 within the borough (CACI 2021). Many of these households are in need of intermediate rented homes. Many of these will include dual income families earning c.£50-60k, which could for example comprise two key workers.