


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 4th November 2021	
Report Title	Marlowe Road: Opportunity for Additional Housing and Affordable Homes	
Cabinet Portfolio	Councillor Simon Miller, Portfolio Lead Member for Economic Prosperity	
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Wards affected	Wood Street	
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Appendices	Appendix A – Sustainability Matrix Appendix B – Equality & Diversity Matrix Appendix C – Financials (EXEMPT) Appendix D – Summary of Carter Jonas Report (EXEMPT) Appendix E – Plan of new proposal	

1. SUMMARY

- 1.1 This report proposes an opportunity to increase the number of homes in Phases 2B & 3 of the Marlowe Road regeneration to enable more social housing to be provided and ensure a viable scheme is delivered for the Council.
- 1.2 The Development Agreement with Countryside Properties (UK) Limited for the redevelopment of the estate was signed on the 20 September 2016 and planning consent was granted November 2016.
- 1.3 Any increase in the density in the final two phases of the consented scheme would require Cabinet approval and a new planning application.
- 1.4 This report sets out the proposed revisions to the scheme and amendments that would be required to the Development Agreement.

2. RECOMMENDATIONS

- 2.1 For the reasons given in this report, Cabinet is recommended to:
 - 2.1.1 approve a deed of variation to the Marlowe Road Regeneration Development Agreement to allow Countryside to submit a new planning application in respect of Phases 2B & 3 to reflect the increase in density, as set out in the report, and authorise any other ancillary legal documentation required to give effect to the deed of variation;
 - 2.1.2 delegate approval, on behalf of the Council as landowner, of the final terms of the planning application and the final terms of the deed of variation to the Development Agreement to the Commercial Director of Property & Delivery in consultation with the Deputy Strategic Director Resident Services; and
 - 2.1.3 subject to planning permission being granted, authorise the acquisition of an additional 13 social rent units, precise terms to be delegated to the Commercial Director of Property & Delivery, in consultation with the Strategic Director Finance & Governance and the Deputy Strategic Director Resident Services. The acquisition of any further affordable units financially viable to the Council will be subject to a further approval from Cabinet.

3. PROPOSALS

3.1 Background

- 3.1.1 The Development Agreement for Marlowe Road regeneration enables the development of the Consented Scheme, a residential-led mixed use scheme comprising 448 units in total. The re-provision of 150 units for social rent, 22 shared ownership and 276 private units, 1119 square metres of ground floor commercial space, a district heat network with an on-site energy centre and public realm works.
- 3.1.2 Subsequent to the Development Agreement being signed, the Council has acquired 66 private units from Countryside in Phase 1B. 29 of these have been designated as Shared Ownership. The remaining 37 have been sold outright by the Council.
- 3.1.3 The Development Agreement provides for the regeneration to be carried out in three phases. However, the first two phases have each been divided into sub-phases A and B creating five separate phases across the scheme.
- 3.1.4 To date Phase 1A & 1B are complete. Phase 2A is on site with an expected completion date of March 2022.
- 3.1.5 Any material changes to the Development Agreement, such as those proposed here, require Cabinet approval.

3.2 The opportunity for amendments to the consented scheme

- 3.2.1 Countryside have reviewed the latter phases of the scheme and approached the Council with a proposal to increase the density and provide additional housing.
- 3.2.2 The Council has worked closely with Countryside to redesign the scheme in a form that is financially viable and deliverable for both parties, ensuring more high-quality homes of all tenures and importantly, more affordable homes for the Council.
- 3.2.3 The proposal also allowed for a redesign of the latter phases to create a scheme that is more in line with current planning priorities and the aspirations of the Council.
- 3.2.4 In arriving at the proposed option the following has been fully considered by Council officers:
- The Council's Medium Term Financial Strategy (MTFS)
 - The impact on the HRA of purchasing additional new homes
 - The impact on the local community of an increase in density
 - The opportunity to provide an increased number of affordable homes
 - The opportunity to improve placemaking across the scheme
 - Planning priorities
 - Effective management of the new estate
 - Countryside's requirements for scheme viability as set out in the Development Agreement (DA)

3.3 **Proposal for the increase in density in Phases 2B & 3**

- 3.3.1 The consented scheme for Phases 2B/3 includes 52 units for social rent at an agreed cost set in the DA. The new proposals do not affect the price that the Council will pay for these units.
- 3.3.2 As a result of the re-design Countryside are offering the Council an improved unit mix within the 52 units as set out below.

	Consented	Revised
1 bed	17	11
2 bed	17	14
3 bed	12	22
4 bed	6	5

- 3.3.3 Overall, the revised scheme provides more family units and an additional 14 habitable rooms within the 52 consented units.
- 3.3.4 The increase in density that Countryside proposed, worked up in conjunction with the Council's Planning Authority, will provide in total an additional 141 units.
- 3.3.5 The Council's priority is to ensure that the maximum amount of social rented homes possible is included in the new tenure mix.
- 3.3.6 The calculation of how many additional social rent units the Council could acquire is predicated on spending commitments in the MTFS, the available funds in the HRA and a forecast of rental income against each unit over 50 years.
- 3.3.7 This calculation is detailed in the exempt Financial Appendix C.
- 3.3.8 Following negotiation with Countryside it has been agreed that the Council will acquire 13 additional social rent units within the revised 2B/3 scheme, resulting in the following mix for Phase 2B/3:

Consented Scheme - 117 Units			
	Private Sale	Social Rent	Shared Ownership
1b	6	17	
2b	11	17	4
3b	21	12	
4b	23	6	
TOTAL	61	52	4
		TOTAL	117

Redesign Scheme - 258 Units			
	Private Sale	Social Rent	Shared Ownership
1b	46	18	8
2b	70	19	25
3b	30	23	14
4b		5	
TOTAL	146	65	47
		TOTAL	258

- 3.3.9 The 13 additional social rent units provide 36 additional habitable rooms that will be available to households on the Council's Housing Register.
- 3.3.10 The new Shared Ownership units will be sold by Countryside directly to a Registered Provider (RP) as it is not viable for the Council to acquire these units within the Council's MTFS.
- 3.3.11 A plan of the new design is included at Appendix E. The Council's new social rent units are located in blocks 5, 6 & 7 at the western end of the development site. The 5, 4 bed houses are adjacent to Block 7.

3.4 Benefits of the proposal to the Council

3.4.1 Benefits of the new scheme include:

- An overall increase of 141 homes in addition to the consented scheme which contributes towards the Council meeting its housing delivery targets as set out in The London Plan.
- 14 additional habitable rooms within the consented scheme units
- 13 additional social rent units (Council homes) providing 36 additional habitable rooms
- A truly mixed tenure estate including an increase in Shared Ownership of 43 units and 134 habitable rooms
- All affordable homes to be in line with the Mayor's design guide and Secure by Design.
- Enhanced landscaping and placemaking across the latter phases of the scheme.
- The new scheme addresses Local Planning Authority concerns around parking and makes the development car free, in line with the Council's priorities.
- The parking is replaced with a significant increase in the amount of useable greenspace across the site including the generous private courtyard between Blocks 3, 4, 5 & 6. Blocks 5 & 6 are social rented blocks. Block 7 also has its own private amenity space for residents.
- The total amenity space across Phases 2B / 3 is as follows:
 - Total communal space within 2B and 3 (In courtyards) – 2,395 sqm
 - Total additional public amenity space (Spaces on street) – 658 sqm
 - Additional amenity space from original masterplan – 1,055 sqm
 - Additional if also including the public amenity spaces – 1,713 sqm
- The new scheme will provide an enhanced specification and further support the Council's aspirations to deliver net carbon zero homes.
- The new scheme will provide LBWF with Council tax benefit for an additional 141 homes.
- The delivery of Phases 2B/3 is guaranteed to the Council.

3.5 Delivery of the new scheme

- #### **3.5.1**
- The Council have appointed Carter Jonas to undertake a detailed review of the financial assumptions and accompanying evidence provided by Countryside, to assess whether the proposed variation to financial terms is justified and represents value for money. A summary is included at Appendix D (Exempt). The review verifies that Countryside are not making an enhanced profit compared to their original financial appraisal in the Development Agreement and that they have agreed to proceed with the revised scheme

despite projecting a financial return below the level on which their original bid was based. It also examines and verifies the viability of Countryside's price test. The analysis concludes that the revised scheme represents a positive opportunity for the development to be delivered by both parties.

- 3.5.2 Subject to approval by Cabinet, the Council will enter into a deed of variation to amend the Development Agreement.
- 3.5.3 Alongside this Countryside will submit a planning application in late 2021 with the intention of a start on site date of Spring 2022.
- 3.5.4 The Director of Property & Delivery has delegated authority to enter into any new s106 or planning agreements on behalf of the Council as landowner.
- 3.5.5 All current options for additional affordable housing have been explored by the Council. The Council will continue discussions with Countryside to identify if there is any future potential to acquire further units in the development.

4. OPTIONS AND ALTERNATIVES CONSIDERED

- 4.1 If the Council were not to consider the option to increase the density, there is a risk that the scheme could be delayed for an indefinite period.
 - 4.1.1 Countryside are required to submit a financial appraisal to the Council prior to each phase. If the financial appraisal has a positive return Countryside are obligated to proceed. However, at present the consented scheme is in deficit.
- 4.2 To not proceed any further with the regeneration.
 - 4.2.1 This is not considered to be an option. Both parties are committed to complete the Marlowe Road redevelopment and will continue to work in partnership to deliver the full regeneration.
- 4.3 To amend the Development Agreement and increase the density to the level set out above, but for the Council not to acquire any additional social rented units and instead proceed with the scheme on an equivalent % split between affordable and private homes as set in the consented scheme.
 - 4.3.1 This option would allow the scheme to progress but does not provide all of the benefits to the Council as set out for preferred option. Specifically, it does not provide any additional social housing as all additional affordable homes would be Shared Ownership.

5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES

- 5.1 This regeneration programme forms part of the Council's commitment to facilitate and enable the delivery of 18,000 new homes of all tenures over the next 10 years, with particular emphasis on providing affordable homes for local households.
- 5.2 The proposal will increase the number of Council owned affordable homes on Marlowe Road estate by 13 in addition to the 52 to be delivered as part of the Development Agreement. The improved mix for the Council in the 52 units also means that 14 additional habitable rooms are provided.

- 5.3 This project will contribute to not only improving the quality of accommodation for Council tenants but also to making a major improvement to the local environment. It will attract new economically active people and families into the area who will contribute to the sustainability of small local shops and businesses.
- 5.4 An updated Sustainability Matrix for Marlowe Road is included at Appendix A.

6. CONSULTATION

- 6.1 The Council has carried out detailed consultation with the residents, the wider community and commercial interests were consulted as part of the emerging Wood Street Area Action Plan (WSAAP) during 2013.
- 6.2 A Housing Needs Assessment undertaken in 2013 demonstrated that comprehensive redevelopment of the Estate was favoured by around 80% of the residents who responded to the survey.
- 6.3 Consultation in respect of the amendments to Phases 2B & 3 has been carried out by Countryside and the Council in partnership and has taken the form of information delivered to affected residents, a live webinar that detailed the proposals and allowed residents to ask any questions, and a drop-in session where residents could speak to Council officers, Countryside and architects about any issues that they wished to discuss on a one to one basis.
- 6.4 Feedback received from residents was positive and further engagement sessions will be carried out once the new scheme has been finalised.

7. RESET

- 7.1 The regeneration of Marlowe Road Estate is already contributing in various ways to the Reset programme. These include the creation of local jobs and training opportunities through the Council's Developer Partner Countryside, as well as addressing the climate emergency through the use of sustainable construction methods and an onsite energy centre and district heat network.
- 7.2 The proposals to redesign further support Reset by making Phases 2B & 3 of the scheme car free, in line with the Council's priorities. This provides the opportunity to replace parking with more green spaces and improve placemaking to enhance the public realm of the estate as safe and well-designed place for residents and the local community.
- 7.3 The new Marlowe Road Estate supports the development of a 15-minute neighbourhood in the Wood Street ward by promoting new connections across the site and wider public circulation routes for walking and cycling, while calming traffic within the estate. The reprovision of the Wood Street library and café at the Marlowe Road plaza as well as the reprovision of the post office and supermarket support the creation of a new community hub at the plaza.

8. IMPLICATIONS

8.1 Finance, Value for Money and Risk

- 8.1.1 When this scheme was agreed in March 2015 by Cabinet it was agreed that it would be subject to review at each phased stage. The current budget allocation within the HRA is not sufficient to accommodate the increase in density. A further capital budget allocation of £3.9m would be required for this phase to fund the additional 13 units. GLA grant has been secured for these units totalling £2.6m so the net impact to the HRA is £1.3m. There is sufficient capacity for this within the HRA MTFS but this will reduce the available HRA Capacity across the next ten years.
- 8.1.2 When assessing the viability of this proposal the following were considered: Interest cover in every year of operation; payback of capital investment within 40 years and at least 1% growth in the HRA per annum. The revised phase meets all these criteria and provides an increased return to the HRA of £593k against the original scheme.
- 8.1.3 Further financial details can be found in Appendix C (Exempt).

8.2 Legal

- 8.2.1 The Council must comply with s123 Local Government Act 1972 by ensuring that it continues to seek best value from any disposal of land under the varied terms.
- 8.2.2 The Council has the power under Part II of the Housing Act 1985 to provide housing accommodation. It has the power under section 17 of the 1985 Act to acquire land for housing purposes. The acquisition of the additional social rented units should fall within this power.
- 8.2.3 Any variation of the existing development agreement must be in accordance with Regulation 72 of the Public Contract Regulations 2015 as well as the Council's Contract Procedure Rules. Regulation 72(1)(c) of the Regulations states that modifications are permitted where the following conditions are satisfied:
- (i) the need for the modification has been brought about by circumstances which a diligent authority could not have foreseen;
 - (ii) the modification does not alter the overall nature of the contract;
 - (iii) any increase in price does not exceed 50% of the value of the original contract.
- 8.2.4 As the development agreement is being varied due to unforeseen circumstances that have caused increased construction costs affecting the viability of the remaining phases, these conditions would appear to be satisfied.
- 8.2.5 Under the terms of the development agreement, as it stands, Countryside are not obligated to proceed with the final phases of the development unless they are financially viable in accordance with the procedures set out in the development agreement.

8.3 Equalities and Diversity

- 8.3.1 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further take into account its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its' decisions. The public sector equality duty (s.149, Equality Act 2010) requires the Council, when exercising its functions, to have “due regard” to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act, advance equality of opportunity between those who share a “protected characteristic” and those who do not share that protected characteristic and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice, and (b) promote understanding).
- 8.3.2 An Equalities Assessment of the Marlowe Road Redevelopment was undertaken in November 2019 and is included at Appendix B. There would be no additional impacts on protected characteristics beyond those already identified.

8.4 Sustainability (including climate change, health, crime and disorder)

- 8.4.1 The new buildings will be a minimum of level 4 – Code for Sustainable Homes (CfSH) or its equivalent. New homes will have significantly improved water & energy efficiency and a more effective waste management and recycling system.
- 8.4.2 The new Phases 2B & 3 of the development will be a car free. Other than designated parking spaces provided with some accessible properties there will be no additional parking and no option for residents to purchase a permit for the surrounding CPZ. A car share scheme will also be introduced on the new estate as an alternative to vehicle ownership.
- 8.4.3 Marlowe Road Estate is part of the Council's Enjoy Waltham Forest programme and will encourage cycling to Walthamstow village and Epping Forest and provide a hub for commuters using the Wood Street station.
- 8.4.4 The Enjoy Waltham Forest scheme benefits all residents of Waltham Forest through improved public realm, pedestrianised areas and community spaces, such as those that will be provided at Marlowe Road. Traffic congestion, noise levels and pollution will be reduced and the scheme will help to boost the local economy.
- 8.4.5 The scheme has been discussed with the designated Design Out Crime Officer and the principles of Secure by Design have been incorporated within the design. The scheme has been designed to provide clear routes through the development and to ensure that management responsibility for public and private spaces is unambiguous. All public spaces and streets are overlooked by living rooms and benefit from passive surveillance. Access around the development has been well considered to provide for convenient movement without compromising security.
- 8.4.6 The matrix to assess climate change impacts in included at Appendix A.

8.5 Council Infrastructure

8.5.1 None

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None