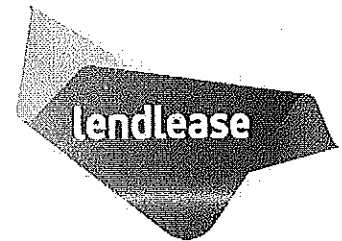


DVSPD008



16 February 2016

Mr Philip Waters
Senior Planning Policy Officer
5th Floor, Hub 4
Southwark Council
PO Box 64529,
London
SE1P 5LX

Sent via Email

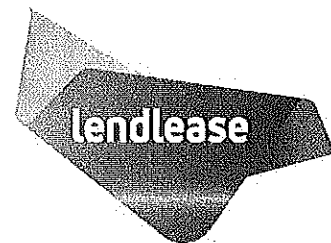
Dear Mr Waters,

Re: Response to Consultation on Southwark Council's Draft Development Viability Supplementary Planning Document (2015)

These comments are submitted to Southwark Council (the "Council") by Lend Lease (Elephant and Castle) Limited ("Lendlease") in response to the Council's consultation on the Draft Development Viability SPD 2015 (the "SPD").

As the Council's development partner, Lendlease is committed to the delivery of significant regeneration at Elephant and Castle, which is a key policy aspiration of the Council. To date Lendlease has obtained permission in outline for Elephant Park (the comprehensive regeneration of the former Heygate Estate), reserved matters consents for its first and second phases, South Gardens and West Grove, and detailed planning permission for Trafalgar Place and One the Elephant. The total quantum of development permitted on Lendlease's projects in Southwark is up to 383,361m², providing circa 3,000 residential units, retail, leisure, business, community and cultural floorspace, a new energy hub and a brand new park.

Lendlease has a unique integrated business model which involves the full development life cycle, from site acquisition, development management and construction through to estate and facilities management. The purpose of this model



is to achieve Lendlease's corporate vision "to create the best places", this is what Lendlease is working to create in Southwark. To fulfil this vision Lendlease takes a keen interest in emerging planning policy which may have effects on the area around its developments. Lendlease is therefore fully informed and well placed to comment on the SPD.

Lendlease welcomes the move towards greater transparency in the planning process understands the rationale behind this SPD.

Before this SPD is adopted, however, Lendlease would like further clarification around how the SPD will be delivered in practice, and has some reservations around these main points;

- Release of commercially sensitive information
- Limiting affordable housing provision to the level that is proven to be viable
- Suitability of viability review mechanisms for multi-phase regeneration schemes
- Unintended consequences of the change to the basis on which the quantum of affordable housing is calculated
- The proposed land valuation methodology

Release of commercially sensitive information

DVG4.3 explains that for all non-policy compliant applications the developer's Financial Viability Assessment (FVA) will be published in full in advance of determination. Lendlease remains of the view that the SPD needs to acknowledge that some information needs to remain commercially confidential, as this may prejudice future negotiations and result in commercial harm. Where information is released, the SPD should confirm at which point in the planning process this information would be released. Lendlease considers that this information should be released alongside, and to validate the conclusions of, the officer's committee report, and that this should be for information only and not subject to formal consultation. Lendlease consider this timing appropriate because at this point the development is fixed and the viability report finalised.

The SPD should clarify how and in what form the FVA will be released into the public domain. Whether available at the Council offices in paper form or scanned, for example?

Limiting affordable housing provision to the level proven viable

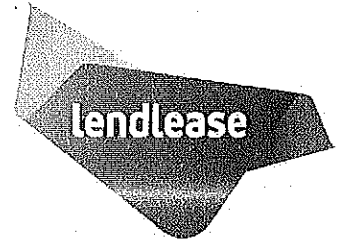
Limiting affordable housing provision to the level proven to be viable in the FVA (DVG4.4), may not achieve best value for the public. At Elephant Park Lendlease worked hard to agree affordable housing provision on site at a level greater than what was proven to be viable. Preventing such arrangements in the future would be detrimental to the overall quantum of affordable housing delivered, therefore mechanisms should be included to allow such arrangements.

Viability Review Mechanisms

The SPD sets out that viability review mechanisms would be used on all non-compliant schemes, referring to review prior to occupation of no more than 25% of the market element (DVG7.1). This would be unviable for multi-phased regeneration schemes due to the complex nature of their financial structuring.

Long term multi-phased regeneration schemes cannot be reviewed in the same way as a single plot development, and single phases of these projects must not be reviewed in isolation. The full development proposal needs to be assessed including public realm, infrastructure, community and other uses which activate the site, create identity, enhance social cohesion and which, when considered together, make the best places. The funding and returns from one phase are inextricably linked to financing and delivery of future phases as these developments may occur over many years and through different market cycles.

Viability reviews that are undertaken at a single point in time for multi-phase major regeneration schemes would be exposed to the nuances of the market at that time, which may bear no relationship to the end commercial position. This would create additional uncertainty in the development process, create difficulties securing funding, slow momentum, and detrimentally impact the overall viability. At worst this may cause schemes to stall or fail altogether.



Lendlease believes that further detailed analysis of the consequences of introducing a review mechanism must be undertaken to test and develop a more appropriate solution. Lendlease strongly believe that there cannot be a one-size-fits-all approach and that large regeneration projects must be treated differently due to their strategic nature and inherent market cycle risk. Our view is that viability review mechanisms should only be applied to these schemes if significant time elapses between approval and substantial commencement.

Unintended consequences of the change to the basis on which the quantum of affordable housing is calculated

Lendlease believes that there will be unintended consequences caused by changing the calculation basis of affordable housing provision from 'per habitable room' to by 'GIA' (DVG4.4). Whilst this would result in a greater number of affordable homes provided in developments where market homes are substantially larger than affordable homes, this could be detrimental to schemes where both market and affordable units are of similar size. A better approach to this may be to set a GIA calculation basis only for market homes that are specifically over a particular GIA threshold.

A point of clarification is required as to whether it is appropriate to make this change through an SPD in advance of the New Southwark Plan, which is seeking to introduce this into policy?

The proposed land valuation method

The SPD explains the land valuation methodology which the Council is proposing to adopt in assessing viability. The method proposed indicates that existing planning policy, alternative use values and existing consents will not be considered in valuing the land. This approach is not consistent with RICS and National Planning Policy Guidance. Lendlease considers the approach taken should be consistent with recognised valuation practice and policy guidance.

DVG5.11 sets out that Residual Land Value should be cross checked against sale values. The SPD should acknowledge that the land market is highly localised with infrastructure, and other abnormal characteristics resulting in wildly varying values. As such accepted valuation practices should be followed assessing other factors such as planning policy, existing consents and other considerations.

The proposed valuation method could have the consequence of suppressing the residential development market, through devaluing land and making alternate uses more attractive to developers, thus slowing the delivery of new homes. This runs contrary to the primary aims of national and local planning policy to achieve sustainable development and significantly increase housing supply, and the SPD's aim to maximise the provision of affordable housing in Southwark. In publishing the SPD, the Council should ensure that its approach is in accordance with the aims of all relevant planning policy and guidance.

Other recommendations and points for clarification:

For greater transparency in the planning process, the SPD should require the Council's independent viability report to be published alongside the developer's FVA (DVG3.3). This would ensure that access to both of the reports which inform the determination of the planning application are available at the point of public review.

It could be argued that the SPD sets new policy and, therefore, should be taken forward as a policy document subject to independent examination? The Council should be fully satisfied with the legal basis for their approach in this document.

In summary, the approach to viability should be clear and not overly burdensome upon the Council or the developer and should be thoroughly considered to ensure the Council's process is in accordance with best practice and government guidance before the SPD is adopted.

We hope this response is helpful and the points raised are given due consideration by the Council in the finalisation of the SPD. If you require any clarification on any of the points made please do not hesitate to contact Lendlease at the details below.

lendlease

Yours sincerely,

Lendlease