

Some Opportunity – Lessons From VNEB

Presentation by

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to

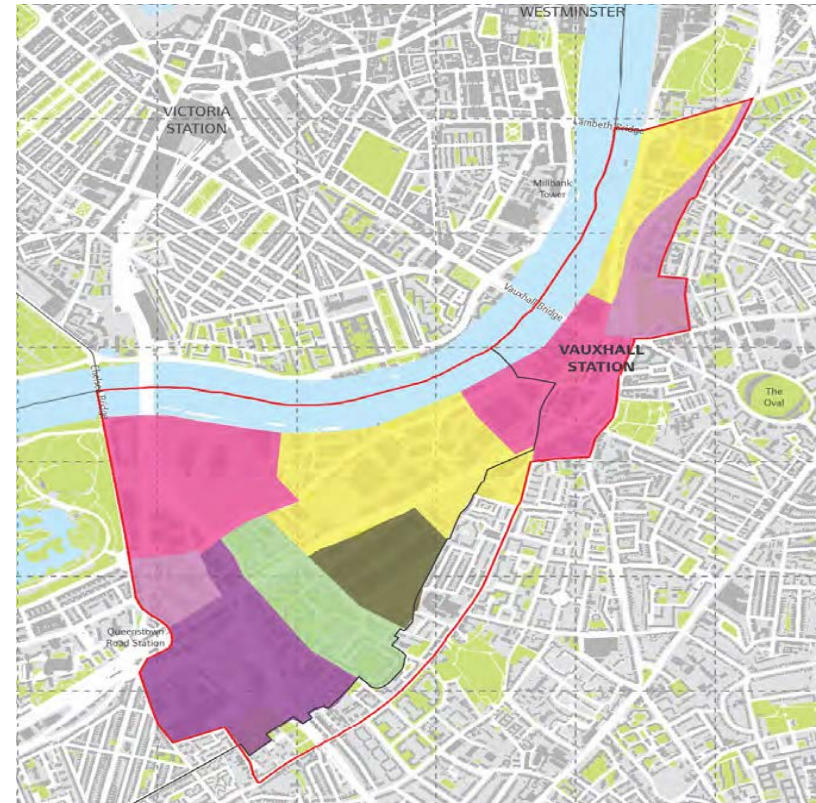
Grand Union Alliance

Consultation on Draft OPDC Plan

24 June 2017

The VNEB (Vauxhall, Nine Elms and Battersea) Area

- The VNEB area is 177/195 hectares of underdeveloped mostly semiderelict land in the heart of London (they haven't yet decided if the strip of Lambeth next to the Wandsworth Rd is in or out – the original Consultation drafts said first no **then** yes, the Infrastructure study says no, but Lambeth's Core Strategy says yes!)
- The Mayor of London consulted in 2009 on **options** for its development, with the densest **option** giving 16,000 new dwellings and 25,000 new jobs
- Yellow would be for mixed use, **housing** lead intensification; pink for mixed use office & retail, **including** housing; light purple **limited** intensification; green **existing** housing retained; dark purple consolidation and intensification of **industrial** uses; grey-brown consolidation and integration of **New Covent Garden Market**.
- **Subsequently – actually measured as 227 ha - LESSON 1 Don't trust official numbers unconditionally**



OPDC and VNEB Compared

- VNEB 227 ha, with 6,000 residents and 26,000 jobs at start
- Aspiration to add 16,000 new dwellings (subsequently upped to 20,000) and 25,000 new jobs
- Split about 60% Wandsworth, 40% Lambeth, Mayor's OAPF but planning authorities left in place
- OPDC 868 ha, with 7,000 residents and upwards of 2.3m sqm of employment floor space
- Aspiration to add 25,500 new dwellings and 65,000 new jobs
- OAPF then Mayoral Development Corporation the single planning authority from 2015

What Infrastructure did DIFS suggest for VNEB?

- The Development Infrastructure Study, (DIFS), which was paid for by Wandsworth and the developers, suggests we need £1059m worth of capital expenditure for the densest option. Wandsworth is desperate to redevelop Battersea Powerstation, derelict for decades, and chronically short of transport connections, (like most of the Wandsworth part of VNEB, but unlike Vauxhall and the Albert Embankment). So it is not surprising that, with them in the driving seat, and with the high demand for transport infrastructure that dense development drives, a Northern Line Extension takes more than half the pot.

Total	£1059m
Northern Line Extn (NLE)	£564m
Other Transport Improvements	£206m
Open Space	£79m
Education	£77m
Utilities	£68m
Police & Fire	£30m
Health	£19m
Community	£12m
Employment	£2m
Admin	£2m

£58m – a “Manageable” Gap?

- Lumping all sources of finance together, DIFS thought we were within touching distance of covering the £1059m of required infrastructure
- It estimated £1001m of funding over a 20 year period, most of it from the VNEB levy, (with its yield enhanced by reducing the affordable housing assumption to 15%) leaving an apparent gap of £58m, which it reckoned was “manageable” over that time scale.
- Did we agree?

No – More like £500m +

- There were significant flaws in this argument
- £62m of this infrastructure was “funded” by denying responsibility for it, including 90% of police and fire costs, and £30m of public transport improvements, half at Vauxhall.
- A further £63m was “funded” by hoping someone would lend it to us, even though the NLE revenue stream was negative for 60 years (operating costs always exceeding revenues), and Wandsworth had ruled out prudential borrowing as burdensome to its council tax payers.
- This meant that the realistic funding available was no more than £876m, and **the gap became £183m.**
- The levy yield was boosted by the 15% affordable assumption, contrary to Lambeth’s policy for its area, and even with the developer tariff at record heights, they expected to raise a **further** £128m from developers over and above the tariff, in S106/masterplan contributions
- We also argued that there was significant **underprovision** of necessary infrastructure, and that the NLE costs were seriously **underpriced**. Adding in only the NLE element (£130m), an omitted secondary school (£74m) and a contribution for public open space (£200m), we had extra costs of £404m , and **the gap became £588m.** (Even being “economical” with land prices, the gap was still more than £500m)

WHAT DOESN'T TELL YOU...
BUT...

COMPOSITION OF NECESSARY INFRASTRUCTURE
£1059m

'NOT FAR NOW,
ONE
LAST PUSH'

THE APPARENT
FUNDING
GAP.
£58m

SOURCES
OF
FUNDING
THE
NECESSARY
INFRASTRUCTURE
OF £1059m

THE
REALISTIC
FUNDING
GAP
£588m

VNES DECLINES FUNDING £62m
'INNOVATIVE FUNDING' £63m

THE
DEVELOPER
TARIFF
£659m

DEVELOPMENT MASTERPLANS £94m
SITE BY SITE S106 £34m
UTILITIES OWN EXP' £65m
'MAINSTREAM' CONTRS £23m

DECLINES 70% OF POLICE/FIRE
COSTS,
DECLINES £30m OF PUBLIC
TRANSPORT IMPROVEMENTS, HALF AT
VAUXHALL.

'SOMEONE WILL LEND IT TO US'
: BUT THE REVENUE STREAM IS
NEGATIVE FOR 60 YEARS
AND WANDSWORTH DECLINES PROBABLY
BORROWING AS BURDENSOME TO ITS
COUNCIL TAX PAYERS.

TARIFF YIELD IS
ABATED IF LAMBETH INSISTS
ON 40% AFFORDABLE HOUSING.

£128m ← WILL DEVELOPERS SERIOUSLY
PAY THIS MUCH OVER AND ABOVE
THE DEVELOPER TARIFF?

£588m.

OMITS
ANY
OPTIMISM
BIAS,
CONTRARY
TO
DTP
WEBTAG
GUIDANCE

LINEAR PARK
SHRUNK TO
3.5ha
OMITS
A
SECONDARY
SCHOOL..

SUBSTANTIAL
PROVISION.
"FEWER EXPENSIVE
OLD PEOPLE AND
CHILDREN"

UNDER
PRICED.

UNDER
PROVIDED.
UNDER
PROVIDED.

8ha OF EXTRA
OPEN SPACE TO
BANG OFF UP
TO LEVEL OF
LAMBETH'S WORST
WARD - £200m.
A NEW SECONDARY
SCHOOL - £74m.

MINIMUM LEVEL
OF OPTIMISM
BING ADDED BACK
£130m

NORTHERN
LINE
EXTENSION
(NLE)
£564m

OTHER
TRANSPORT
IMPROVEMENTS.
£206m

OPEN
SPACE
£79m

EDUCATION.
£17m

UTILITIES
£68m

£20m POLICE/FIRE.
£19m HEALTH.

£12m COMMUNITY
£2m EMPLOYMENT
£2m ADTIN.

DJ BOARD MAN
KAPP

15 MARCH 2011.

The VNEB Consultation itself :

Our Verdict

- Our conclusion was that the densest options for VNEB development (16,000 dwellings and 25,000 jobs) were overdevelopment, creating a harsh and demographically unsustainable environment. And it is that density that then demanded highly expensive transport infrastructure to service it – the NLE
- The overall infrastructure these dense options needed, on the proposed plans, was underprovided, and where not underprovided, underpriced - in the latest study there was a heavy thumb on the scales, directing professionals to underestimate, in some cases contrary to mainstream professional norms of estimation
- So there was a gap in the suggested funding (mostly via a levy on all development in the VNEB area) - not a "managable" gap of £58m out of £1059m, as suggested, but in excess of £500m
- So we thought this densest option, as regards the 16,000 dwellings target, should be withdrawn. To make room for the minimum extra land we saw as necessary for green space and educational infrastructure (about 11.5 ha) we estimated there should be about 4,600 fewer dwellings, which would allow cheaper transport infrastructures.

What next I?

- No one paid a blind bit of notice, and the Mayoral Juggernaut rolled on
- The VNEB OAPF was adopted without any testing of its assumptions at an EIP
- A TWAO Inquiry found that the NLE was going to cost about £1bn, as we had forecast, and that its transport benefits no longer justified the investment.
- Instead, an expert foretold immense “wider economic benefits” instead, from synergistically jamming 13,000 jobs together into Battersea Powerstation
- Lower expectations of tube trip generation meant the NLE was no longer the only solution, but its “magic” was seen as necessary, to attract buyers for premium dwellings

What next II?

- When they wanted, the OAPF was treated as gospel by each borough, even though it was technically only a “material consideration”. But when they didn’t, it wasn’t.
- It endorsed the idea of a cluster of tall buildings at Vauxhall, following in the wake of the questionable decision of John Prescott in 2005 to allow the 180m St George Tower, on the basis he could see a pre-existing cluster of tall buildings that the Council and planning inspector could not.
- It seemed to give clear guidance on tall building heights at Vauxhall and along the Albert Embankment – then we found that “in the region of 150m” meant anything up to 200m, while “generally be no more than 80 – 90m in height “ meant 99m (because it looked better)
- And this is what “avoid appearing as a solid wall of development” looks like:

The below architectural model highlights the proposed future development pipeline within the immediate vicinity of the subject.



12-2- Wyvil road is situated within the middle of this image and as demonstrated there are over 9 tower schemes within a 0.2 mile radius of the Subject. The number of tower schemes will significantly restrict the potential views towards the river and central London from the Subject. We must also consider the impact on local supply and demand, such a large quantity of residential apartments will have on the potential values of the units at the point of which the scheme is completed in Q2 2019.

What next III?

- Affordable housing provision has been a matter of controversy, with Lambeth's 40% "subject to viability" being invariably argued down to 20% or below, on sites not owned by Lambeth, by viability studies never routinely exposed to public view.
- When exposed, eg by inadvertent publication, horror stories come to light, and KOVF strongly supports the Mayor's current draft SPG which favours such publication.
- But it gives a loophole "exceptionally" for them to be kept confidential
- We think from experience the exception will swallow the rule, and argue for never accepting such studies on confidential terms in the first place
- Extra greening was promised in the form of a "Linear Park" – but it is proving elusive, and looks likely to be no more than a drove road, and a way leave for district heating pipes.

What next IV?

- But the general pressure on Lambeth infrastructure that we had envisaged is slow in coming, because the generally high rise built form is so expensive that it does not accommodate average numbers of residents
- So eg, while the average number of residents per household is around 2.5 in London, it is around 1.5 on St George Wharf, and only 0.3 in the St George Tower itself. TfL estimated 1.8 per dwelling in their forecasts of NLE traffic. This emphasises that tall buildings, with their “iconic” and “commanding” prices are inefficient providers of accommodation for ordinary Londoners (SHLAA and SHMAA operators think on!)
- This might mitigate concerns about excessive densities – at 2.5 residents per dwelling, the Old Oak element of the draft plan would put 60,000 new residents into 155 ha, a density of 387 people per ha, uncomfortably above Kolkota at 242, and Mumbai at 285, but below Manilla at 415
- You will have opportunities at the OPDC EIP (which we never had) to try to tie down height guidance, and Viability study transparency – Good Luck.