

KNIGHT'S WALK, COTTON GARDEN ESTATE CONSIDERATION OF OPTIONS

Introduction

- 1.1 This appendix provides more detail on the Knight's Walk, Cotton Garden Estate and explains the option analysis that has been undertaken to reach a recommended approach for the regeneration of the estate, considering the viability appraisal and respective benefits of the alternative scenarios.
- 1.2 The conclusion is for a recommendation for partial redevelopment of Knight's Walk. This solution gives all existing residents the guarantee of a high-quality home that meets their needs and which increases the overall number of homes for council rent.
- 1.3 This option analysis considers the massing studies (known to residents as Scenario 1 (infill), Scenarios 2a, 2b, 2c and 2d (partial redevelopment) and Scenario 3 (complete redevelopment)) that have been carried out during 2015 to explore with residents the options for regeneration of Knight's Walk. Through the next stage of detailed masterplanning, the Council will work with residents to develop a final model for the redevelopment, which enables the Council to achieve new homes for council rent and improves this residential neighbourhood.

Background

- 1.4 Knight's Walk, Cotton Garden Estate is situated in the northern part of Lambeth, off Kennington Lane. The estate was constructed in the 1960's. The area of Knight's Walk is around 0.6ha.
- 1.5 There are three tower blocks, Ebenezer, Fairford and Hurley House which are not included in the redevelopment proposals. Knight's Walk comprises 33 homes in total, split between 21 bungalows and 12 one bedroom flats.
- 1.6 At Knight's Walk there are 26 tenanted homes and 7 freehold.
- 1.7 Parking: There are some estate parking spaces within the estate boundary.
- 1.8 Adjacent land holdings. There is a Metropolitan Police Section House adjacent to Knight's Walk. The Police advise that no change of use or development is planned.

Estate Regeneration Programme

- 1.11 The estate was included in the Estates Regeneration Programme in December 2014. The principal reason for inclusion of the estate in the programme is that it represents an opportunity to build a significant number of additional homes, due to the relative low density of the estate, given its location and public transport accessibility levels. The site is highly accessible to public transport, with the PTAL rating of 6B across the site, supporting an increase in density.

- 1.12 This original estimation has been borne out through the feasibility work that has been done over the last nine months, which has shown that a significant up-lift in number of homes can be achieved through regeneration of this Estate.

Feasibility Work

- 1.13 In mid-November 2014 Lambeth Council appointed Mae Architects and Soundings, an engagement specialist, to help it carry out the residents' and public consultation and to prepare capacity studies for Knight's Walk. Consultation began in December 2014 and has been followed with design work since mid January 2015. Lambeth Council, Mae and Soundings are working closely with residents so that consultation feedback has and can inform the development of the capacity studies.
- 1.14 More detailed summaries of the progress of the design feasibility work and the engagement with residents are provided in Appendices C and D.
- 1.15 It should be noted that the following analyses have so far been undertaken to explore the regeneration of Knight's Walk estate:
- Stock condition survey, which has sought to identify the state of the housing at Knight's Walk;
 - Groundsure Floodview (pre-flood risk assessment);
 - Design Studies (otherwise known as massing studies), which have explored various scenarios of regeneration and which confirm that additional new homes could be accommodated at Knight's Walk;
 - Initial analysis of structural implications of tube line running under the estate;
 - Financial appraisals have been carried out of specified design scenarios (Options) to ascertain the viability of different approaches to regeneration;
 - Extensive consultation and engagement with residents and neighbours over nine months;
 - Proposed engagement of an Independent Residents Adviser to help residents of all tenures to understand the implications of the regeneration proposals and the Key Guarantees and supporting information that has been made by the Council; and
 - Household Needs Survey.

Analysis of the Existing Situation and Condition of Knight's Walk

- 1.16 The tenanted homes at Knight's Walk have had Lambeth Housing Standard works and the stock condition survey has not shown any particular issues beyond some condensation and isolated outstanding repairs. The survey identified some items of general maintenance and some areas where improvements to the quality of buildings should be considered.
- 1.17 It should be noted, however, that the primary reason for including Knight's Walk within the regeneration programme has been because of the opportunity to deliver additional new homes.

Analysis of Regeneration Options

- 1.18 The regeneration scenarios which Mae has developed through the engagement process are not masterplans; they are initial massing studies, exploring the potential capacity of Knight's Walk to accommodate new homes. These studies have enabled an approximate estimate of the number of new homes that could be delivered through regeneration.
- 1.19 In response to local consultation, a range of infill and partial development options have been thoroughly reviewed and analysed and the potential of each in terms of provision of additional homes is set out below. Proposal 4, received from the Knight's Walk Group Resident Association is discussed at 1.31 below.

Table 1

Design Option	No. of homes retained	No. of homes demolished	Net Additional New Homes	Total Homes in future	Comment
1. Infill	33	0	17	50	No demolition of homes required
2a. Partial development	30	3	23	56	
2b. Partial development	29	4	34	67	
2c. Partial redevelopment	10	23	82	115	
2d. Partial redevelopment	15	18	64	97	
3. Redevelopment	0	33	121	154	

- 1.20 The Financial Appraisal of Options is attached as Appendix F. As set out in the Viability Report, the Council has defined a series of delivery aspirations.
- 1.21 On any given capacity study that identifies a potential number of homes to be built, the two key determinants of the viability for new estate regeneration projects are the mix of tenures within the new development and number of additional homes that can be accommodated on an estate (in particular the proportion of additional homes versus replacement homes).
- 1.22 In carrying out the viability analysis, the following assumptions have been made for all scenarios:
- all secure tenanted properties are replaced and re-provided at council rent levels;
 - 80% of leasehold/freehold properties are replaced through an equity swap, the remainder of leasehold/freehold properties are bought back;

- 30% of capital cost of net gain affordable homes is funded by RTB receipt;
- a borrowing rate of 5.57%;

1.23 Viable and policy compliant baseline positions (see Table 2) have been identified for each design scenario.

Table 2

Option	Homes demolished	Additional new homes	Additional Council rent		Private rent		NPV
			40%		60%		
1. Infill only	0	17	40%	9	60%	8	£3.61m
2a. Partial	3	23	20%	10	80%	13	£0.00m
2b. Partial	4	34	40%	16	60%	20	£3.90m
2c. Partial	23	82	40%	36	60%	46	£6.87m
2d. Partial	18	64	40%	25	60%	39	£2.82m
3. Redevelop	33	121	40%	52	60%	69	£24.98m

1.24 As set out in paragraph 1.15 of the main Cabinet report, the Council has applied a series of tests to consider how the design options compare. These are considered below.

Table 3

Positive Net Present Value (NPV)* essential	All the tested design options can achieve positive NPV solutions, albeit the partial options 2a, 2b, 2c and 2d require longer to break even. Option 2a does not achieve 40% of homes at Council rent levels and in this respect performs significantly worse than other design options.
Deliverability	Deliverability of options is discussed in more detail below.
Delivers the re-provision of existing homes in accordance with the Key Guarantees	All options enable re-provision of existing homes in line with the Key Guarantees; although it should be noted that increased flood risk mitigations mean that residents requiring smaller homes may not be able to be housed on the ground floor. See discussion below on deliverability risk for further information.
Meets the Council planning policy and tenancy strategy on affordable housing for the net gain new homes	All design options except 2a enable 40% of the net additional new homes to be provided at council rent levels, thereby exceeding the minimum requirements of Council planning policy and tenancy strategy.
Quantum of new homes provided – which option provides more	The more comprehensive solutions deliver greater uplift in total number of additional homes.
Quantum of new homes for council rent – which option provides more	The more comprehensive solutions deliver greater uplift in number of homes for council rent.
Tenure split between market and affordable homes – which option is best able to provide a 60% affordable/40% market split	With the greater NPV that is generated, Option 3 is able to deliver a greater proportion of homes for council rent, over and above the 40% baseline.
Nature of market housing –	All scenarios, except Option 2a, are able to deliver

preference for private rent	solutions where all the market housing is private rent, while also meeting the other criteria.
Pay-back period – preference for shorter pay-back periods	For the baseline scenarios, design option 1 (infill) has the shortest payback period (2052) with Option 3 next at (2057). The partial options produce longer paybacks.
Subsidy – which option requires the least subsidy to meet the above objectives	All shown scenarios rely on a proportionate level of subsidy – being 30% of the construction costs of the net additional affordable homes.

**NPV - This represents the total income minus the total cost over the borrowing period. When working this out income and cost are discounted by inflation*

Assessment of Delivery Risk

1.25 As well as taking the Council's landlord and statutory duties into account, the potential benefits of each option, the disruption that housing development will cause and the impact on existing tenants and homeowners, the Council must consider the delivery risk of each option. From a delivery risk perspective, the following factors need to be considered:

- physical constraints;
- planning risk; and
- land acquisition risk.

These are each considered below.

- 1.26 Physical constraints. There is a tube line that runs beneath the estate. Some initial structural analysis has been undertaken; this confirms that it will be possible to build over this constraint, albeit this will incur additional cost, which has been factored into the viability analyses. The floodview analysis suggests a moderate flood risk; this may in due course limit the ability to design for bedrooms on the ground floor.
- 1.27 Planning risk. There are no major planning risks to comprehensive redevelopment of the estate. However, there has been strong opposition to place buildings of any height at the extreme north end of the estate at the junction of Renfrew Road and Kempford Road and along the northern boundary. There is also likely to be pressure to keep buildings along the edge of the park to be as low as possible. These factors limit the additional new homes that could be delivered along the northern and western edges of Knight's Walk.
- 1.28 Land acquisition risk. Of the existing 33 properties on the estate, 7 of these are held freehold. These freehold properties are primarily located on the northern boundary and directly next to the park. Only one freehold property sits within the group of buildings adjacent to Section House. The majority of these properties are situated on parts of the estate where there will be planning pressure (as noted above) to keep height of new buildings to a minimum. This manifests as two significant delivery risks: the cost of acquisition of these properties (which are each of high value given the location of Knight's Walk) and the level of public benefit that can be accrued in each case, if such properties cannot be acquired through negotiation and have to be acquired through compulsory purchase.

- 1.29 The issue of land acquisition risk is of particular concern for Knight's Walk because of the two factors that (1) land values is so high in this area, meaning that this potentially represents a very significant upfront project cost, and (2) the size of the project is smaller than other estate regeneration projects, so these upfront land acquisition costs have a greater impact on project cash flow. With the exception of Option 2a, whilst the various design options that have been considered all generate positive NPVs, Options 2c and 3 pose a significant risk from land acquisition.
- 1.30 In contrast, Option 2b does not require acquisition of any freehold properties and Option 2d requires acquisition of only one freehold property, whether by negotiation or compulsorily.
- 1.31 The Knight's Walk Group Residents Association (KWGRA), working with Architects for Social Housing (ASH), asked the Council to consider a no demolition option – Design Option 4. This option proposes new build homes on the garage site and at the bottom of the open space facing Kennington Lane, and building over existing bungalows to provide one or two 3 bedroom flats above each. ASH proposes two options to provide 70 to 80 new homes. In assessing Design Option 4, a number of significant delivery risks emerged.

New build proposal:

- Development on the open space on Kennington Lane is not acceptable under Planning Policy and has been removed from all options;
- Development on the garage site is restricted both by the height of the adjacent Section House and the impact on the conservation area opposite, which limits the number of homes possible in this location; and
- The proposals show two new blocks on the garage site, which are close together. Dealing with daylight and sunlight issues here would reduce the proposed scale of development

Building over existing bungalows:

- In order to be certain of delivery, the Council would need to acquire the existing freeholds and the significant CPO risk noted above would apply, as well as a disproportionate cost of CPO for the number of new homes that would be gained. Securing the relevant legal agreements with Freeholders that would be necessary in order to build an independent structure around and over each bungalow are also a risk to delivery.
- If the freeholds are not acquired, the build over option would be limited to tenanted homes only. The resulting pepper pot approach to heights across Knight's Walk would not be compliant with be unlikely to achieve planning support.
- To achieve high quality new homes through build over would be difficult to achieve. The new homes would be largely north facing with limited dual aspect possible. The offset new homes above existing would also reduce light and amenity for the existing bungalow. Window to window distances would not be policy compliant in a number of places and pinch points would be caused at ground level on the pedestrian routes through Knight's Walk.

- The new structure required for building over would mean that existing residents would have to move out of their home for significant periods while the bungalow roof is replaced with a new structural floor deck and the independent structure is built.
- The additional build cost of providing new homes over existing would be significant and disproportionate, particularly as the current layout of bungalows across Knight's Walk would mean a bespoke design is required for each build over.

Building over existing bungalows and retaining privacy and amenity to those homes is complex to secure, design and build and it is not possible to produce a high quality urban design layout or high quality existing and new homes in this way. The design, structural, legal, quality and cost issues that would need to be overcome make this option too great a risk for successful and economic delivery.

- 1.32 The council's equalities responsibility must also be considered when assessing options and this is discussed in the main report in Section 7. The Equalities Impact Assessment is at Appendix G.

Conclusion

- 1.33 As set out in the December 2014 Cabinet Paper, each of the scenarios are also assessed against a set of criteria (encompassing social, environmental and economic factors); these are:

1. Homes meet the Lambeth Housing Standard
2. Additional homes for Council rent are built
3. Quality of life for residents is improved
4. Residents influence over decision-making is increased
5. The scheme is financially viable for the Council

- 1.34 The table below considers the five scenarios (as defined in paragraph 1.23 with 40% of homes at council rent):

Table 4

Criteria	
Homes meet the Lambeth Housing Standard	Existing homes have had LHS works. New homes will exceed the LHS standard and have a 60 year life. All scenarios work in this respect.
Additional homes for council rent are built	More comprehensive scenarios deliver greater numbers of homes for council rent. However, as identified above, the most comprehensive solutions give rise to significant delivery risks.
Quality of life for residents is improved	The more comprehensive the solution, the more impact there will be in the short-term for existing residents, albeit with longer-term benefits to all. In partial solutions, given that the existing homes have had LHS works, there will be a relatively small improvement in the long-term for those residents who remain in their current properties.

	<p>Clearly more comprehensive solutions provide greater benefit for those moving into the area, or current residents moving into the new homes.</p> <p>Where existing residents need to move, then new homes can be bespoke to meet the particular needs of older and vulnerable residents with all homes capable of adaptation as people's needs change. Ground floor properties can be prioritised for existing vulnerable residents.</p> <p>Any retained tenanted homes will be maintained within HRA. No budget for further improvement to any retained homes has been allowed as they are already LHS compliant.</p>
Residents influence over decision-making is increased	<p>All residents would be able to influence the design for the new homes and place and be involved in the decision-making regarding the future of the estate.</p> <p>In more significant regeneration scenarios, residents will have the opportunity to identify their new homes and work with the Council to make sure that they are bespoke to their needs.</p>
Scheme is financially viable for the Council	<p>The more comprehensive solutions appear to be more viable. However partial redevelopment options 2b and 2d have a much lower delivery risk with much lower upfront costs.</p>

- 1.35 In considering all the influencing factors, it is recommended to proceed with Option 2d. Whilst it is recognised that Options 2c and 3 deliver a greater number of new homes, given the smaller scale of the Knight's Walk project, the level of land acquisition required to make these more comprehensive solutions possible is deemed to pose too high a delivery risk. Whilst Option 2d still involves some land acquisition, it enables more homes to be delivered, than those options involving no land acquisition, and is a more comprehensive solution that can benefit the local area and improve the quality of the local residential neighbourhood.