

Former Middlesex Hospital Annex, Cleveland Street

Planning Application
June 2010

Affordable Housing Viability Report
by Jones Lang LaSalle & Savills



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1 Executive Summary

This Affordable Housing Viability Report has been prepared by Jones Lang LaSalle Limited and Savills on behalf of University College London Hospitals NHS Foundation Trust (the Trust). The Report considers the key factors at play in determining the affordable housing that can be supported on the Middlesex Hospital Annex site, crucially located South of Euston Road, an area that has suffered from a lack of affordable residential development coming forward over many years.

Following discussions with LBC at formal pre-application meetings on 26th October 2009 and 11th March 2010, LBC Officers emphasised that any planning submission must address the affordable housing requirement in the context of the site's history and in particular, the need to meet the:

- a) Historic Section 106 legal agreement requirements (referred to in sections 2 and 4 of this report as 'the legacy') relating to the main Hospital site redevelopment on Euston Road, Camden and the Odeon site; and
- b) LBC's affordable housing requirement contained within Unitary Development Plan (UDP) Policy H2 as far as possible, in the light of appraisal evidence and viability.

This report sets out the Trust's assessment of the project's viability and notes that the Trust cannot proceed with the redevelopment of the site should the quantum of affordable housing provided make the scheme financially non viable.

The Case for Need for the re-development of Cleveland Street can be summarised simply in the need to reinvest capital generated from this development into enhancing and improving patient care at UCLH.

The redevelopment of Cleveland Street provides the Trust an opportunity to implement investment plans that will benefit patients, staff and the local community, contributing to meeting the strategic requirements set by the Department of Health and Monitor.

In terms of design, the density of the scheme has been driven by the complexities in delivering a number of objectives in a tight urban location, not least in supporting the viability of the scheme. However, in terms of S106 requirements the scheme delivers both the legacy affordable housing as well as a sizeable contribution to policy orientated affordable housing.

The residential units will provide 51.2% affordable accommodation and 48.8% private accommodation by GIA exceeding LBC's policy requirement for 50%. The affordable accommodation will be located within two cores and the private accommodation located within another two cores. The proposed affordable tenure split between social rented : intermediate for rent will be 59% : 41% overall in line with the GLA's Draft Replacement Plan policy and LBC's Core Strategy.

The average approximate quantum of affordable housing for residential schemes in Camden that have been granted planning permission between 1st January 2005 and 1st June 2010 is 39% affordable. The proposals for the subject site at circa 51% therefore provide over 30% more affordable housing than the average achieved across the Borough in the last five years.

Additionally the scheme will provide a number of benefits to the local Community in the form of planning gain secured via a legal agreement pursuant to Section 106 (S106) of the Town and Country Planning Act (1990).

In producing the design solution the Trust has undertaken a thorough and fully engaged consultation process which has instigated the following changes:

- The building has reduced in height and massing by some 10,000 sq ft or 1,000 sq m.
- The facade on Cleveland Street has been articulated and broken up. The Cleveland Street building line is now more consistent with the neighbouring properties (particularly Middlesex House) and the terraced properties opposite.
- The number of units has been reduced from former proposals at 154 units to 142 units.
- The building has been set further back from the neighbouring properties to improve amenity, overlooking, outlook and sense of privacy.
- A Mews link through to Charlotte Street has been facilitated.

The paper concludes by stating that the redevelopment of the Middlesex Hospital Annex site presents an excellent opportunity for a centrally located, vacant site to be brought back into use. The proposed scheme will deliver 70 much needed Affordable Housing units to a high standard, south of Euston Road, delivering different tenures in accordance with LBC's requirements and optimising the use of a previously under-used site.

The proposals provide

- An Exemplar and sustainable design that has been developed through extensive consultation with local groups and LBC Senior Conservation and Urban Design Officer
- An affordable solution at an acceptable value
- Affordable Housing in excess of LBC policy
- Compliance with and discharge of historic s106 requirements
- An enhancement to the local community through the redevelopment of a vacant and dilapidated site

In summary, in order to bring this vacant site forward for development we believe that the approach as set out in this paper to meet the legacy of affordable housing requirement in the context of viability, whilst also providing an exemplar and sustainable design that incorporates both the Trust's and the local Community's wishes is the best solution and one that has been endorsed at the highest level. Any further adjustments to the proposals will place redevelopment of the site at risk. In this case, the wider community and regeneration benefits will not be achieved.

2 Introduction

2.1 Purpose of this Report

This report has been prepared to consider the quantum of affordable housing which can be delivered on the former Middlesex Hospital Annex site. It examines the key factors at play in determining the affordable housing that can be supported on this site, crucially located South of Euston Road, an area that has suffered from a lack of affordable residential development coming forward over many years.

This report is a key document within the Planning Application for full planning permission for the redevelopment of the former Middlesex Hospital Annex site on Cleveland Street within the administrative boundary of the London Borough of Camden (LBC).

Following discussions with LBC at formal pre-application meetings on 26th October 2009 and 11th March 2010, LBC Officers emphasised that any planning submission must address the affordable housing requirement in the context of the site's history and in particular, the need to meet the:

- c) Historic Section 106 legal agreement requirements (referred to in sections 3 and 6 of this report as 'the legacy') relating to the main Hospital site redevelopment on Euston Road, Camden and the Odeon site; and
- d) LBC's affordable housing requirement contained within Unitary Development Plan (UDP) Policy H2 as far as possible, in the light of appraisal evidence and viability.

This report is structured as follows:

- Section 3 sets out the background and context of the historic Section 106 agreement
- Section 4 sets out the planning policy context at national, regional and local level;
- Section 5 outlines the development proposals;
- Section 6 provides the viability assessment; and
- Section 7 sets out the conclusions and demonstrates the substantial planning benefits the proposed development will deliver in terms of quantum of housing units, quality of residential accommodation, range of accommodation and the variety of other benefits associated with the redevelopment, recognising the viability constraints imposed.

This report sets out the Trust's assessment of the project's viability and notes that the Trust cannot proceed with the redevelopment of the site should the quantum of affordable housing provided make the scheme financially non viable.

2.2 Background to the Trust

This section of the paper outlines the strategic drivers that are the foundation to UCLH's healthcare provision.

UCLH is one of the largest and most complex NHS Foundation Trusts within the UK. Over the last decade it has embarked on a strategy of fundamental change, successfully becoming a Foundation Trust in July 2004 and maintaining its highly regarded status since. UCLH provide academically led acute and specialist services, locally and across the UK and abroad. They are one of the country's leading centres for excellence in research. The Trust has a clear and consistent vision:

“UCLH is committed to delivering top quality patient care, excellent education and world class research”

Delivering this vision requires the Trust to manage strategic risks and to make strategic investments to ensure the service and the estate is maintained to the highest level. With this in mind, the Trust have developed a strategic direction that encapsulates the ongoing and ever changing health economy requirements whilst at the same time maintaining its position as key provider of specialist care in London, valuing its ongoing partners within the health and research sector as well as remaining one of the top five players in research and future health needs.

The Current Economic Climate:

The recent ‘credit crunch’ and subsequent financial consequences on both the global and national economy has seen Central Government rethink its funding to health services for both the short and medium term. NHS organisations across the UK have had to plan, prepare and manage for a decrease in resources. This coupled with an increase in local unemployment, impacting on local families by way of higher incidence of mental and physical stress means that NHS organisations have had to be ever more prudent and effective in their governance. Whilst UCLH enjoys its status as a Foundation Trust, this brings about complications in these times; the Trust can no longer be reliant on central funds and improvements to estates and services need to be funded via capital receipts (generated by asset disposal), increased activity and charitable donations. The Trust continues to implement efficient planning that will manage reduced resources and increased demand.

To compound this financial situation, funding streams have changed with a noted decrease in charitable donations and philanthropy.

Investment

The Case for Need for the re-development of Cleveland Street can be summarised simply in the need to reinvest capital generated from this development into enhancing and improving patient care at UCLH.

The redevelopment of Cleveland Street provides the Trust an opportunity to implement investment plans that will benefit patients, staff and the local community, contributing to meeting the strategic requirements set by the Department of Health and Monitor. The following represents strategic investment opportunities for the Trust:

Patient Experience and Evolving Patterns of Healthcare

Patient experience is a key element to maintaining quality care and achieving positive clinical outcomes. UCLH continues to enhance and work with all partners to realise the changes required by Lord Darzi’s Framework for Action and Quality Care For All. UCLH are increasingly delivering pathways to patients that are inter-sectorial in their approach, crossing various organisational and sector boundaries. These pathways are continually evaluated and developed to ensure consistency in standards, flexibility of the workforce and a health plan developed with the individual patients needs at the heart of its care. The outcome is a patient who will experience seamless, integrated care, closer to home.

To successfully meet these strategic challenges UCLH are required to make significant investments using funds that are not always able to be generated by activity, and in areas that are unable to generate revenue. Through this investment UCLH can provide a safe pathway of care for patients and deliver care through the redesign of pathways across primary, acute and social care providers. An example of this is demonstrated through collaborative working with local PCTs to shift unscheduled care from A&E to primary care. Continued changes in work practices and improved pathways will help to deliver shorter waiting times in A&E and improve the patient experience of NHS care.

Additionally, working with partners to establish centralised care for specialised services, such as stroke and cancer is a further example of ongoing need for investment. Patients can experience care within a specialised environment of enhanced critical mass and specialised staff, equipment and expertise, providing better clinical outcomes and providing efficiencies in NHS resources.

Financial Environment

UCLH Annual Review outlines the Trust's financial position and Monitor risk rating to reflect the position for the next year. The review highlights that £625 million is spent on investment across the Trust with patient activity generating £441.9 million. Although substantial, the income that is to be generated by the re-development of the Cleveland Street site will be minimal in comparison to the investment and revenue generation totals. The Project is not driven by profit making, rather by securing the opportunity to enhance and continue work that will benefit both patients and staff.

The current economic climate has seen a change in funding streams across the Trust as charitable organisations seek to find efficiency gains across the sectors they support. Additionally since the Trust committed considerable funds required to the secure planning consent, there has been a change of Central Government. With this change has come greater pressure on all public sector bodies to become self sufficient and cut inefficient costs across their businesses.

Research and Development

The Department of Health's publication of Lord Darzi's 'The Next Stage Review' sets out the importance of the development of Academic Health Sciences Centre (AHSC) partnerships, focussing on world class research and education which will ultimately benefit patient care by progressing research into new treatment at a much faster rate. UCLH has formed a unique collaboration with University College London to form UCL Partners, working together to translate this research into bedside benefit for the patient. UCL Partners is recognised as one of 5 leading AHSC centres in London and now represents an outstanding place to practice biomedical research.

Additionally, UCL Partners has recently formed an alliance with Yale University and Yale-New University. This collaboration has enabled joint clinical programmes to treat and exchange expert clinical knowledge on a range of clinical specialty areas, such as, heart disease, obstetrics and gynaecology.

These unique partnerships and collaborative work requires ongoing investment, in terms of facilities and work force, to maintain its quality of work and standard of research, ensure better patient treatment, pathways and care.

Quality workforce

UCLH and Partners view a quality workforce as a fundamental priority for the Trust. Strategically this priority enables investment in promoting 'High Quality Care for All' recommendations and strengthening the standard of leadership development for all sectors of staff. Investment in the workforce also enables the Trust to achieve directives set out by NHS London in the Workforce for London – A Strategic Framework which emphasises the need for better trained staff based out of hospitals and increased investment in improved training and education, all supported by modern technology. UCLH initiatives have to date involved greater alignment between clinical excellence leadership and organisational priorities. Succession planning is in place and plans to identify key components of the Trust's talent management strategy have been implemented.

Innovation and excellence in research and training is a core theme to UCLH education strategy. This element of work is primarily reliant on capital receipts and charitable donations for funding as the revenue generation is

minimal. It is however fundamental for achieving revolutionary training procedures, state of the art facilities and retention of expert and committed staff. An example of such revolutionary training is highlighted by the four year programme to develop a realistic 3D model of a human heart which will revolutionise the teaching of cardiac anatomy. This work was fully funded by UCLH Charity and variant capital receipts.

To summarise, despite the economic down turn, the reduction in charitable funding and the recent change in Central Government, the Trust is determined to retain its strategic direction in:

- Conducting World class research
- Maintaining its place at the forefront of patient care and evolving healthcare practices,
- Recruiting, training and retaining the highest level of clinical staff
- Reducing waiting times for patients
- Improving the patient environment

In order to do this the viability of the planning application and subsequent sale of Cleveland Street becomes a top priority to UCLH in order that the capital receipt can be reinvested in programmes that deliver the strategic objectives detailed above. Examples of such patient focused schemes are detailed below.

- The Cancer Centre which is currently under construction - £100m
- 33 Queen Square at the National Hospital for Neurology and Neurosurgery – £12m
- The IMRI Project at the National Hospital for Neurology and Neurosurgery - £7m
- The Brain Suite - £3m
- Neurometabolic Pathology & Pharmacy refurbishments at the National Hospital for Neurology and Neurosurgery - £1m
- Reconfiguration of A&E - £1.5m
- Education Centre - £2m
- Numerous clinical schemes on annual capital programme, circa £40m pa

2.3 Site Description

The application site is located in the south west of LBC on the border with Westminster City Council (WCC). The borough boundary runs along Cleveland Street, the west side of the street lying within WCC and the east side within LBC.

The site comprises only the Middlesex Hospital Annex building which was the former Out Patients Department. The site extends to 0.305 hectares (0.75 acres). It is located within the Central London Area (part of the London Plan Central Activities Zone) and Charlotte Street Conservation Area. It is important to note that the Application site has no relationship with or reliance upon the redevelopment of the former Middlesex Hospital site on Mortimer Street.

The site is bounded to the immediate north by UCL buildings (for clarity UCL and UCLH are completely separate entities), to the south by Middlesex House and to the east by Astor College. On the opposite side of Cleveland Street lie the King and Queen public house and mixed uses at ground floor including an art gallery and restaurants with residential use above. Further to the South along Cleveland Street lies the cleared former Middlesex Hospital site which was proposed to be used for allotments until new development comes forward.

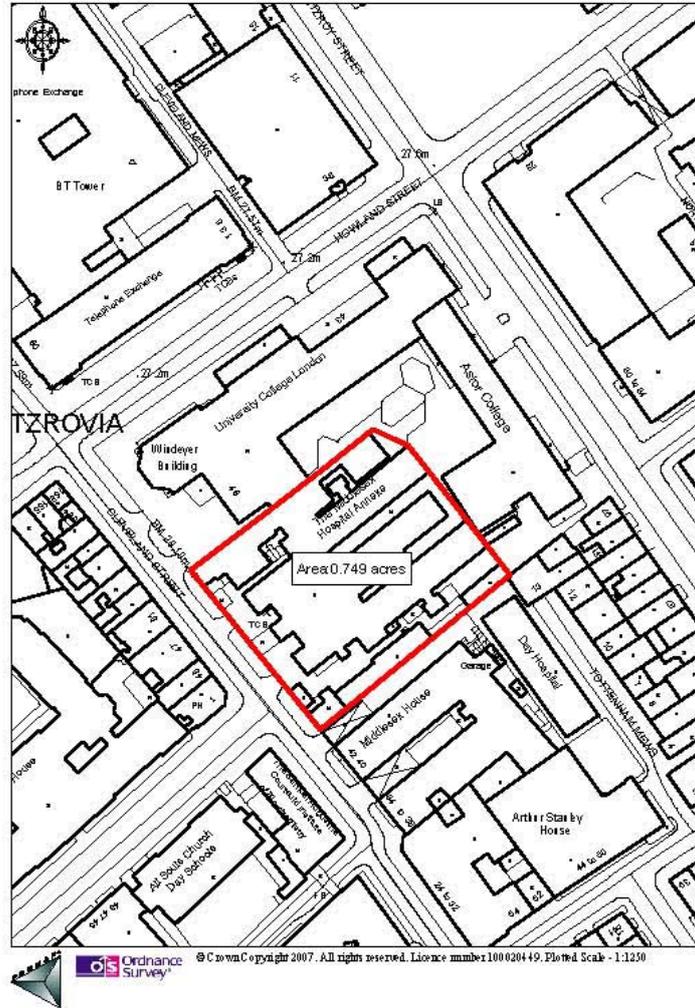
The BT tower lies approximately 150 metres to the north as the tallest landmark building within the vicinity. To the north of the UCL buildings is Howland Street, to the east behind Astor College lies Charlotte Street and to the south lies Tottenham Street. Tottenham Mews extends north of Tottenham Street ending close to the southern boundary of the site. There is no link to the site from Tottenham Mews or Charlotte Street at present.

The current Middlesex Hospital Annex building was last used for hospital purposes in 2006 and is temporarily occupied by Camelot security (protection by occupation) until redevelopment comes forward. The building comprises four storeys plus basement and is not listed. The entrance and front of the site are currently boarded up with access restricted to the temporary occupants.

The surrounding area includes a mix of uses with art galleries, offices, pubs and restaurants along Cleveland Street with the southern section of the street displaying less active frontage.

The site is readily accessible with a number of bus services in the local area and the nearest underground stations being Oxford Circus to the south, Goadge Street to the east, Warren Street and Great Portland Street further to the north. The site has an excellent PTAL rating of 6 due to the many, varied public transport opportunities.

Middlesex Hospital Annexe Cleveland Street W1



2.4 The Strategy

The site is owned Freehold by University College London Hospitals NHS Foundation Trust.

The proposals relate specifically to the Middlesex Hospital Annex building which formerly existed as the Out Patients Department. The wider Middlesex Hospital site was disposed of by the Trust in 2007, yet the Trust retained the Annex site.

The Annex site was marketed later in 2007 and the Trust received unconditional offers to purchase. The values of the offers received were considerably higher than the current site valuation; however, at the time the offers were made, attempts to list the buildings linked to historic status were made by the Georgian Society supported by English Heritage. Although these requests were ultimately rejected by the Department of Culture, Media and Sport (DCMS) the offers were withdrawn due to the uncertainty surrounding the listing and the substantial and

well documented downturn in the residential market. The consequent delay to the Trust's redevelopment plans and the provision of Affordable Housing on this unique site South of Euston Road runs to years.

The decision not to list the building has been ratified within the Charlotte Street Conservation Area Character Appraisal and Master Plan adopted in July 2008, wherein the building has not been identified as a Positive Contributor.

Following the loss of momentum, the Trust decided to take the site forward for residential redevelopment itself to provide the best offer possible for Camden, its Community and the Local Residents. Despite the malaise in the residential market, the Trust remains committed to fulfilling its Affordable Housing obligations and has proposed to maximise the offer made to Camden in times when others would seek to minimise their contribution, notably offering in excess of 51% of the accommodation on site as Affordable.

3 Background to Historic Affordable Housing Obligations

The Trust's Historic Affordable Housing Obligations are set out in the consolidated Section 106 Agreement dated 01 July 2004 and relate to two Planning Permissions granted by LBC:

1. The Planning Permission for the erection of a new University College Hospital (the 'Original Planning Permission' referenced in the Consolidated S106 Agreement); and
2. The Odeon Site redevelopment for Hospital Use (the 'Odeon Site Planning Permission' referenced in the Consolidated S106 Agreement).

Both of these Planning Permissions were consented for Healthcare Use and would not have attracted an Affordable Housing obligation under normal circumstances.

The Original Planning Permission affordable housing obligation was agreed as the context was that on the redevelopment of one or more of the Residential Sites (as defined within the Consolidated S106 Agreement) there would be a funding mechanism whereby the Trust could fix the value of the Residential Sites at the outset. It was the understanding of the Parties that the affordable housing on these sites was limited to 25% (as per LBC Policy at the time of the Original Planning Permission) in order to facilitate the disposal of Residential Sites to cross fund the new Hospital development. However, the development of the Residential Sites did not come forward and hence the Affordable Housing obligation remains.

As regards the Odeon site, this went to committee on 7 February 2002 and the Officer's Report states at paragraph 6.6 that "the applicants have given consideration to the fact the site is not to be developed for residential use, and, in recognition of the need for residential use in the area, the applicants have offered to provide an amount of off-site residential as affordable housing." The Officer goes on to say "This affordable housing would be provided by UCLH in addition to that to be provided as part of the main hospital agreement and would probably be provided on one of the two sites previously identified. This provision of affordable housing is not a policy requirement of the development but is an offer from the applicants which officers consider should be accepted." Is it clear that these affordable housing units were gifted by UCLH as there was no policy basis for them.

To recap, the Trust understands its Legacy obligations under the Consolidated S106 Agreement as providing the following Affordable Housing accommodation:

1. In respect of the Original Planning Permission, 25% of the total number of units derived from a number of projects, subject to a minimum of 30 units.
2. In respect of the Odeon Site Planning Permission 1,425sqm of affordable housing.

The interpretation of the wording of the Consolidated S106 Agreement has been the subject of continuing debate. The Trust sought Counsel's advice regarding the affordable requirement and whether the Legacy Affordable Housing should be the total affordable requirement for the Cleveland Street site or whether policy should be applied on top, what was termed "double counting".

Counsel advised that the s106 did not expressly deal with the double counting issue but advised that the legal issue is about the proper exercise of the local planning authority's powers on any new development. Whilst there

is nothing expressed in the Agreement that prevents the LPA from double counting Counsel advised that were the LPA to require what is in effect a double provision of affordable housing the LPA would most likely not succeed because:

1. It is an implied term in the s106 that the affordable requirement for the Middlesex Annex should only total 25% or 30 units plus Odeon requirement.
2. In terms of consideration the officer's reports makes it clear that it was not the intention of the Council to double count the affordable requirement.
3. The Odeon site requirement was ex-gratia and outside of policy.

The Trust therefore understands its obligations to provide Affordable Housing is capped at the Legacy provision. However, in order to maximise its offer to Camden, the Trust is offering to provide further Affordable Housing units on the site aligned to policy provision yet capped at a further 20 Units limited through Viability Testing.

There have been a number of pre-application discussions with LBC, during late 2009 and Spring 2010, and we believe a mutually acceptable position relating to the total number of affordable housing units can be agreed at 70.

Under the Consolidated S106 Agreement, a site was to be nominated to provide the legacy affordable housing requirement, which is the Application site. In this regard, the total number of residential units contained within the submitted scheme is 142 units, 25% of which equates to 36 affordable housing units, exceeding the minimum requirement of 30. The Agreement states that these units should all be of social rented tenure.

On implementation of the Odeon Site consent a further requirement of 1425 sq m (or 14 units – based on an average size of 100 sq m per unit) of affordable housing would be generated. Although works commenced on the Odeon site, LBC have advised that they do not believe the permission has been implemented as not all of the Conditions have been discharged. The Consolidated S106 Agreement does not define the Tenure of the Affordable Housing generated through the Odeon Site Planning Permission.

Notwithstanding this, the current proposal delivers the required 14 units as the Trust are of the opinion that the Odeon consent has been implemented as defined within the consolidated S106 Agreement. These 14 units plus the 36 social rented units above plus an additional 20 affordable units generated through Viability testing provide a total of 70 affordable housing units.

An alternative view on the Odeon obligation is that the planning conditions were not fully discharged and consequently that the consent has not been implemented. In that case, the obligation to provide the 1,425m2 of affordable housing would not exist and therefore the 14 units associated with that obligation and the 20 above (total of 34 units) would relate to policy; only the 36 social rented units would relate to the Legacy Section 106.

First Scenario: (Odeon Implemented)	50 legacy units (36 plus 14 Odeon) + 35% legacy	+	20 policy units = 70 units overall 14% policy = 49% overall (by unit)
Second Scenario: (Odeon not implemented)	36 legacy units 25% legacy	+	34 policy units = 70 units overall 24% policy = 49% overall (by unit)

Regardless of how each component is treated the current scheme provides in excess of 51% affordable housing by area (49% by unit). This is the best provision possible on this site.

The Middlesex Hospital Annex submission, detailed in Section 5 below, offers to provide the above mentioned 36 unit legacy requirement together with a further 34 units (including the 14 Odeon units) located over two full cores within the scheme to provide a total of 70 units of affordable housing equating to 51.2% of the scheme by Gross Internal Area.

From a viability perspective and through discussions with Origin Housing Group, our chosen RSL Partner, addressing practical concerns over social and management issues, 51.2% by floor area is the maximum possible affordable housing offer that can be generated on this site. Further provision of Affordable Housing would have a disproportionate and negative effect on the private sales values and therefore weaken the viability case further. In addition, it could also lead to a community out of balance and management issues within the development.

4 Planning Policy Context

This section sets out the planning policy context at national, regional and local level as it is within this context that any development proposals will be assessed.

As required by Section 38 (6) of the Planning and Compulsory Purchase Act 2004, applications for development must be determined in accordance with the development plan unless material considerations indicate otherwise. In this case, the relevant development plan documents are as follows:

- National : Planning Policy Statement 3 : Housing (2006) and SPG on Affordable Housing (2006);
- Regional : London Plan (2008); Mayor's SPG on Housing (2005); replacement London Plan (2009); and
- Local : Camden UDP (2006); Camden SPG (2006); Camden's Core Strategy (2009).

4.1 National Policy – PPS 3: Housing (November 2006)

Planning Policy Statement 3 (PPS 3) on housing is a material consideration in determining planning applications and provides guidance which Local Planning Authorities should take into account in preparing their local policies. PPS 3 underpins the delivery of the Government's strategic housing policy objectives to ensure that everyone has the opportunity to live in a decent home, which they can afford, in a community where they want to live.

It replaces the previous PPG 3 (Housing) and Circular 6/98, yet continues the themes introduced in these documents that deal specifically with affordable housing and the need for affordable housing to be provided.

PPS 3's broad objectives provide the context for planning for housing through development plans and planning decisions. The specific outcomes that it considers the planning system should deliver are:

- High quality housing that is well-designed and built to a high standard;
- A mix of housing, both market and affordable, particularly in terms of tenure and price, to support a wide variety of households in all areas, both urban and rural;
- A sufficient quantity of housing taking into account need and demand and seeking to improve choice;
- Housing developments in suitable locations, which offer a good range of community facilities and with good access to jobs, key services and infrastructure; and
- A flexible, responsive supply of land – managed in a way that makes efficient and effective use of land, including re-use of previously-developed land, where appropriate.

Good design is seen as fundamental to the development of high quality new housing, which contributes to the creation of sustainable, mixed communities. Key characteristics of a mixed community are a variety of housing, particularly in terms of tenure and price and a mix of different households such as families with children, single person households and older people.

Paragraph 17 states:

'Particularly where family housing is proposed, it will be important to ensure that the needs of children are taken into account and that there is good provision of recreational areas, including private gardens, play

areas and informal play space. These should be well designed, safe, secure and stimulating areas with safe pedestrian access.'

In assessing an appropriate level of provision of affordable housing, it is advised that the level of housing provision should be determined taking a strategic, evidence-based approach that takes into account relevant local, sub-regional, regional and national policies and strategies achieved through widespread collaboration with stakeholders. This includes the Government's latest published household projections and the needs of the regional economy, having regard to economic growth forecasts.

The preference is for on-site provision, subject to the suitability of the site for that use and the economics associated with this. Paragraph 29 of PPS3 states that Local Planning Authorities should:

'Set out the approach to seeking developer contributions to facilitate the provision of affordable housing. In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area.'

Government (Communities and Local Government) Policy Statement Delivering Affordable Housing (2006)

In addition to PPS 3, Government (Communities and Local Government) Policy Statement Delivering Affordable Housing (November 2006) acts as supplementary guidance. The aim of this document is to support local authorities and other key players in delivering more high quality affordable housing within mixed sustainable communities by using all tools available to them. It outlines the affordable housing challenge that needs to be met, and provides information on how existing delivery mechanisms operate to help in delivery.

Paragraph 19 states that Local Authorities should consider a number of issues when working on the delivery of affordable housing. One of these includes:

"The availability of both public and private investment in the delivery of affordable housing, and its impact on the viability of sites and the level of affordable housing targets (overall and site specific) and thresholds. The targets should reflect the new definition of affordable housing and an assessment of the likely economic viability (PPS3, paragraph 29)."

4.2 Regional Policy - The London Plan - consolidated with alterations since 2004 - (February 2008)

The London Plan seeks to increase the delivery of housing supply and encourages Boroughs to promote policies which achieve and exceed housing supply targets.

Policy 3A.3 aims to maximise the potential of sites. It states:

'The Mayor will, and boroughs should, ensure that development proposals achieve the maximum intensity of use compatible with local context, the design principles in Policy 4B.1 and with public transport capacity.'

One of the Mayor's strategic objectives is to increase substantially London's supply of affordable housing. Policy 3A.9 sets affordable housing targets and sets a strategic target that 50% should be affordable with a 70% : 30% split between social rented : intermediate housing.

Policy 3A.10 is specific to negotiating affordable housing in individual private residential and mixed-use schemes. It states that:

'Boroughs should seek the maximum reasonable amount of affordable housing when negotiating on individual private residential and mixed-use schemes, having regard to their affordable housing targets adopted in line with Policy 3A.9, the need to encourage rather than restrain residential development and the individual circumstances of the site. Targets should be applied flexibly, taking account of individual site costs, the availability of public subsidy and other scheme requirements.' [our emphasis]

The supporting text emphasises that in taking into account provision, economic viability should be considered. The Mayor wishes to encourage and not restrain development and Boroughs are encouraged to take a reasonable and flexible approach on a site by site basis.

The Mayor's Supplementary Planning Guidance (SPG) – Housing (November 2005)

This SPG considers that any site which is suitable to provide housing, should normally be considered suitable to provide some affordable housing. It recognises that site constraints may limit the provision of affordable housing, but should not preclude the provision for households without children.

In establishing the basis for determining affordable housing outcome paragraph 18.5 states:

'In negotiating the provision of affordable housing in individual schemes, boroughs should seek the maximum reasonable amount of affordable housing, having regard to the borough's overall affordable housing target in accordance with the guidance in section 6 above, the suitability of the site for different forms of provision, and the economics of site development, taking into account individual site costs, the availability of public subsidy, and where appropriate, other planning requirements.' [our emphasis]

In assessing economic viability (paragraph 18.11), Boroughs are encouraged to consider the economic viability of the preferred outcome, the potential of the value of the site to contribute to funding the cost of affordable housing provision and the availability of public subsidy to support affordable housing on the development.

Consultation draft replacement London Plan (October 2009)

This carries forward the previous Mayor's requirement for Boroughs to take into account economic viability of residential and mixed use developments and to ensure that new development is not restrained. Paragraph 3.66 advises that a reasonable and flexible approach to securing affordable housing should be taken on a site by site basis.

A new approach to the split between social rented and intermediate affordable housing provision however is put forward, encouraging a 60 : 40 as opposed to 70 : 30 tenure split.

4.3 Local Policy –Unitary Development Plan (UDP) (June 2006)

Policy H2 (affordable housing) of chapter 2 of the UDP states:

'The Council will expect all residential developments with capacity for 15 or more dwellings and residential development sites of 0.5 ha or more to make a contribution to the supply of affordable housing. The Council will seek to negotiate on the basis of a target of 50% affordable housing in each development, taking into account factors that it considers to affect the suitability of the site.'

LBC's planning guidance 2006 sets out that the target of 50% affordable housing is based on floorspace.

LBC will take into account:

- a) a guideline of 70% as the proportion of affordable housing sought as social housing for rent;
- b) a guideline of 30% as the proportion of affordable housing sought as intermediate housing for those on moderate incomes, including essential workers;
- c) proximity of local services and facilities, access to public transport and parking;
- d) site size, and the economics of provision;
- e) any particular costs associated with the development of the site; and
- f) any other planning objectives which it considers to be a priority in the development of the site, including comprehensive development of related sites and an appropriate mix of uses.

There is little fixed guidance on how to undertake viability assessments or the criteria that LBC will use to assess them.

In terms of the mix of housing, UDP policy advises in Policy H8 (mix of units) that:

'The Council will only grant planning permission for residential development that provides an appropriate mix of unit sizes, including large and small units. The Council will consider the mix and sizes of units best suited to site conditions and the locality, and the requirements of special needs housing.'

Supplementary Planning Guidance (SPG) on Housing (December 2006)

This acts as supplementary guidance to the UDP. In relation to mix of affordable dwellings, paragraph 3.43 advises the precise mix of dwellings will be negotiated with developers, housing managers and employers involved in each scheme, taking into account the character of the site and the nature of the scheme.

Minimum areas for residential dwellings are set out in section 40.15 and 40.16 as following:

New self-contained dwellings should normally satisfy the following minimum areas for overall floorspace (excluding communal lobbies and staircases):

Number of persons	1	2	3	4	5	6
Minimum floorspace (m2)	32	48	61	75	84	93

Bedrooms are expected to meet the following minimum sizes:

- First and double bedrooms 11.0 m2
- Single bedrooms 6.5 m2

All of these criteria are met within the submitted scheme.

Core Strategy submission document (2009)

LBC's core strategy outlines the requirement that 50% of new floorspace in developments, subject to affordable housing requirements, be provided as affordable housing.

The split of social rented : intermediate provision required has also been changed to reflect the emerging London Plan (at a level of 60 : 40 in Policy CS6). We note that LBC's policy is currently a split of 70 : 30.

5 Development Proposals

This section sets out a description of the development proposals and highlights the benefits of the scheme. It also outlines the extensive community consultation that has been undertaken in order to secure 'buy-in' to the proposals.

5.1 Description of proposals

The proposal is to redevelop the existing site with one of high architectural merit and sustainability credentials.

The scheme is to provide 142 new units across one building comprising basement, lower ground, ground and between 3 and 9 upper floors. The tallest point of the building, which extends to 9 storeys above ground floor, is to be located to the rear, south east section of the site. This is considered the most suitable location following discussions with the GLA, LBC Officers and the local community.

The provision of affordable housing through the historic s106 and in relation to current planning policy calls for a minimum quantum of overall accommodation that must be provided in order to generate a viable scheme.

Capacity studies have been undertaken in relation to the existing building and they demonstrate that the demolition of the existing building is required in order to deliver a scheme of 120 units in total, this being the number required on the site to provide the minimum of 30 Affordable Housing units at 25% as required under the Original Planning Permission noted within the consolidated S106 Agreement. The conversion of the existing buildings would generate a maximum of 70 residential units and as such would not be a viable option.

The density of the scheme has been driven by the complexities in delivering a number of objectives in a tight urban location, not least in supporting the viability of the scheme. However, in terms of S106 requirements the scheme delivers both the legacy affordable housing as well as a sizeable contribution to policy orientated affordable housing.

At ground floor, on the Cleveland Street frontage, it is proposed to incorporate three commercial units totalling approx 400 sq metres GIA.

Further detailed information in respect of the accommodation schedule is provided at **Appendix 1**.

The residential units will provide 51.2% affordable accommodation and 48.8% private accommodation by GIA exceeding LBC's policy requirement for 50%. The affordable accommodation will be located within two cores (cores A and B) and the private accommodation located within cores C and D. The proposed affordable tenure split between social rented : intermediate will be 59% : 41% overall in line with GLA Draft Replacement Plan policy and LBC's Core Strategy.

A central courtyard will provide the focal point around which the accommodation will be located with both public and private amenity space provided, including the potential for rooftop allotments. The scheme proposes to deliver approx 1,895 sq m of amenity space, not including balconies.

The main pedestrian access into the site will be provided at ground level from Cleveland Street where pedestrians will benefit from open views through to the courtyard. An additional pedestrian access will also be provided via a new pedestrian Mews enabled by this development, passing to the south of the building from Cleveland Street.

Vehicular access from Cleveland Street will also be provided to basement level with 2 car club parking spaces, 14 disabled residents' car parking spaces and 11 private car parking spaces for residents. In addition to this, cycle

parking is also proposed at this level with 230 bicycle storage points. Refuse will also be stored at basement level with a refuse vehicle reversing down the sloping slab on refuse collection days.

The site is subject to a number of development constraints as follows:

- Legacy affordable housing obligations
- The Conservation Area designation;
- The need to consider viewing corridors, existing and proposed;
- The proximity of adjoining buildings;
- The adjacency of the neighbouring Planning Authority – Westminster City Council;
- The number of local resident and business groups with an interest in the site's future; and
- Should abnormal ground conditions be discovered at a later stage, further costs will be incurred.

All of these require a sensitive scheme design of exemplary architecture, and have design, cost and time implications. In the context of the above the Trust and its Team are of the view that the proposed scheme is the best that can be achieved on the site.

5.2 Benefits

Land use

The site will make efficient use of an existing, vacant and under-used Brownfield site within a central location.

The provision of 142 new units will provide much needed housing in Camden scarcely available south of Euston Road, which is the priority land use for new development coming forward. Not only will the scheme deliver private housing, it will also deliver affordable housing at a level higher than that requested by policy, as well as addressing the legacy section 106 issue. The specific provision equates to 51.2% of the total floorspace as affordable housing which is higher than current policy overall.

The housing proposed will also provide a range of accommodation, meeting family needs in particular with the scheme currently showing 18 units with 3 beds or more, of which 12 are affordable. The mix put forward is subject to further discussions with LBC officers and specifically its Housing Officer (Mike Cox) based on projected need and discussions with the potential RSL partner, Origin Housing Group. The proposed unit mix is supported by Origin; a copy of their letter of support is at **Appendix 2**.

Following discussions with LBC and Origin it has been confirmed that shared ownership units in this location would be above LBC and GLA affordability thresholds. Accordingly these units are assumed to be intermediate for rent tenure; this has reduced the value of the units which is discussed further at section 6.2 below.

At ground floor level on the Cleveland Street frontage, commercial uses will also be introduced totalling approximately 400 sq m GIA in order to create an active ground floor use in line with LBC's planning policy requirements. This will accommodate a use appropriate within this location such as uses within the A1 (retail), A2 (financial and professional) or B1 (offices). This could possibly include local retail, an art gallery or a bespoke use.

Planning gain

The scheme will provide a number of benefits to the local community in the form of planning gain secured via a legal agreement pursuant to Section 106 (S106) of the Town and Country Planning Act (1990). For this scheme, these benefits can be divided between capital and non-capital contributions as follows:

Capital Contributions

- Funding to increase the capacity of local school places;
- Open space provision (should on site provision not meet Camden's requirement);
- Highways works immediately surrounding the site;
- Pedestrian, cycle and environmental improvements in wider area including 'Legible London'; and
- Community Facilities.

These could amount to a considerable sum, which would in turn have a significant impact on the viability of the project.

Non-capital contributions

- Provision of 70 affordable housing units for rent;
- Training and employment clauses;
- Pre-code for sustainable homes;
- Energy Statement commitments;
- Sustainability Statement commitments;
- Post construction review prior to occupation;
- Operation of open space;
- Green Travel Plan;
- Cycle parking;
- Disabled parking provision; and
- Construction and Service Management Plans.

Investment

The redevelopment of the site will lead to direct job creation for the construction industry and associated supply chain, and provide significant investment and a financial contribution to LBC.

Indirectly, once the scheme is occupied, there will be a significant boost to spending in the local economy by the residents within the scheme and the creation of jobs by the ground floor commercial uses. This will create a wider regenerative 'ripple' effect for the Camden economy.

Design

The scheme will deliver a high quality, exemplary design which sits well within the Conservation Area and meets the design tests within PPS5 on the Historic Environment. It is intended that the predominant material used will be brick as this is in keeping with the surrounding buildings. Varying heights will be seen across the scheme, with the tallest section found to the south eastern corner nearest to Astor College and Tottenham Mews. Early discussions focused on the tallest element being located on Cleveland Street at the junction with Foley Street, but it was considered that the visual impact at this location would not be acceptable.

To respect the rights of light of surrounding buildings and viewing corridors, we have reduced the scheme's height, bulk and massing. This has reduced the amount of floorspace that can be delivered, in turn impacting viability. Further detailed design analysis is provided within the documentation accompanying the Application, particularly the Design and Access Statement.

Transport

The scheme will provide in excess of 1.6 cycle spaces per unit, totalling 230 cycle spaces.

The scheme will provide 27 car parking spaces in total. Of the 27 car parking spaces proposed, 14 will be for disabled use which equates to 52% of total provision. In addition to the disabled spaces, two car club spaces will be provided. All of the car parking spaces will be fitted with electrical charging points in line with sustainability objectives.

The provision of parking will help to reduce on street pressures for car parking which is a noted concern by local residents within the site's vicinity. Whilst LBC encourages 'car-free' or 'car capped' residential schemes at this location it also provides parking standards as a guideline. The parking ratio in relation to number of units is 0.21:1 and this is well below LBC's parking standards set out within Appendix 6 of the 2006 UDP. These suggest a standard of 0.5 per unit for sites within low provision areas.

Therefore, the proposed scheme is car capped and compliant with GLA and LBC policy. This is further set out in the Transport Assessment.

Sustainability

The scheme will meet Code Level 4 for Sustainable Homes, which presents a much more sustainable building than that currently on site, with higher levels of energy efficiency. The scheme includes measures such as:

- On site renewable energy generation;
- Efficiently centralised gas boiler;
- Energy efficient lighting;
- All units designed to lifetime homes standards; and
- A green roof to harvest rainwater, prevent solar glare and create a bio-diverse habitat

5.3 Community Consultation

As a publicly accountable body, with a long-term presence in the area as both a landowner and employer, the future of this site is important to the Trust. Consequently, in drawing up the proposals for the site, extensive community consultation has taken place from the outset of the project. This is to ensure that the community are kept well-informed, can bring their influence to bear on the project and input into the design development.

This consultation has included the following:

- 3 Community Liaison Meetings (with ex-Councillor Penny Abrahams present at one of these);
- 1 public exhibition (held over three days, with morning, afternoon and evening sessions. 1600 invitations to the exhibition were distributed to residents and key stakeholders);
- Presentation to LBC Development Control Form (with ex-Councillor Penny Abrahams present);
- 3 pre-application meetings with LBC planning and design officers;

- 2 pre-application meetings with LBC housing officer;
- 1 formal pre-application meeting with the GLA;
- Offer of meetings to both West End and Bloomsbury Ward Members and relevant LB Camden Cabinet Councillors; and
- Meeting with Cllr Jonathan Glanz, West End Ward.

Wherever possible, the feedback received during the consultation process has been considered and informed changes to the scheme design. The following key changes have been made through consultation:

- The taller elements have been moved away from Cleveland Street, setting back the upper levels and moving the tallest element to the south-eastern corner of the site.
- The central portion of the Cleveland Street façade has been reduced in height by one storey and the taller element opposite Foley Street by 3 storeys, which will increase the sunlight reaching the courtyard in summer.
- The facade on Cleveland Street has been articulated and broken up. The Cleveland Street building line is now more consistent with the neighbouring properties (particularly Middlesex House) and the terraced properties opposite.
- In line with feedback from the community on density, the number of units has been reduced from former proposals at 154 units to 142 units.
- The building has been set further back from the neighbouring properties to improve amenity, overlooking, outlook and sense of privacy.
- A potential mews link through to Charlotte Street has been incorporated.

The consultation process is on – going and will also include a second public exhibition on the final scheme as submitted, and further meetings as considered appropriate.

6 Viability Assessment

6.1 Overview

This section sets out the assessment of the project's viability. It concludes that the Trust has restricted ability to proceed with the redevelopment of the site, should the quantum of affordable housing sought exceed that proposed at 51.2% of Gross Internal Area.

The scheme has been assessed on the basis of arriving at a practical solution to the on-site provision of affordable housing to address both the legacy requirement and the quantum that the scheme generates in its own right (containing as it does private units) at the minimum site value of £15.5m that would be acceptable to the Trust and the Strategic Health Authority (SHA).

The sale of the site has to be sanctioned by the Strategic Health Authority. The Body has to provide formal approval against the background of the asset's potential contribution to the Trust's Financial Recovery Plan which was prepared and subsequently ratified in 2006. The Capital Investment Report prepared for the Strategic Programme Board dated February 2010 noted an anticipated sales receipt of £15.5m. The Strategic Programme Board determines how the Trust allocates its high level funding and this is the benchmark against which the viability of this scheme is being assessed. The Trust's capital expenditure outline strategy is described within Section 2 of this Report.

Both the Trust and the SHA are aware that the open market value of residential led sites of this nature and of circa 0.75 acre to 1 acre in Central London are in the region of £25m to £30m, in line with bids received for this site during the last marketing exercise in 2007 when the Trust had the site under offer to a residential developer on an unconditional basis. The price was in excess of £30m from Great Marlborough Estates and was based on a scheme of 144 residential units with 50% affordable housing overall. In addition to this there are many specific examples of similar completed site sales over the period 2006 – 2010 that can be referenced including:

- National Temperance Hospital, Euston, 0.9 acre, £28m, 2006;
- Ham Yard, Soho, 0.75 acre, £27m, 2009; and
- With regards to the current market – we understand that the Camden Town Hall Annex (site area 0.57 acres) is currently under offer at a price in the region of £25m.

The Trust's objective is to deliver a scheme that discharges the Legacy Section 106 obligations by delivering a residential led scheme that meets market demand and local need, and one that is deliverable in the current economic climate. The scheme represents a practical solution to the delivery of a viable development that provides 70 affordable units in a prime central London location, which is in excess of LBC's Policy for a target of 50% Affordable Housing by area.

A review of previous cases in both Camden and City of Westminster demonstrates that a large proportion of schemes coming forward over the last 5 years have provided significantly less than 50% affordable housing. The results of this review are included as Appendix 5. Cases searched for included all schemes proposing between 50-500 units and which benefited from planning permission between 1st January 2005 and 1st June 2010. Affordable housing levels are set out by number of units as floorspace figures are not readily available.

We have assessed the site using the 3 Dragons toolkit albeit we do not have an 'existing use value' to benchmark the scheme against as the buildings currently on site simply served as an Annex to the Middlesex Hospital (now demolished) and are in a very poor condition.

Therefore, we have compared the preferred scheme to an alternative scheme of appropriate uses which could include residential institution/C2, B1 office or D1 uses including a private hospital, with the legacy affordable housing provided on an alternative site, and the remainder of the alternative site providing residential units in a 50 : 50 split between private and affordable tenure. We have assumed the alternative site to accommodate the affordable units is located in the north of Camden.

An alternative scheme which could include offices and medical type uses is viewed as a reasonable alternative from both a policy and value perspective. Within Camden's adopted UDP, the Annex site is allocated as a 'Proposal site' for mixed uses, predominantly residential. This allocation is being carried forward in Camden's emerging Site Allocations document, as part of its LDF. Given its location within the Central London Area and its high accessibility, it is noted as an area suitable for a range of uses, in a locality with a range of institutional uses. Other uses therefore such as a care home, student housing, D1 uses or a private hospital could also be appropriate for the site and these would have to compete in value terms to the surrounding office offer.

The potential for offices at this location is further substantiated through recent enquiries from developers targeting an office development on this site, in the context of a developer led masterplan for the area that has a bias towards office provision.

For reference purposes, we have also provided details of the District Valuer's assessment of the value of a residentially led scheme on this quantum of overall space with a 50% planning policy compliant affordable commitment.

6.2 Assessment of Affordable Provision in the Current Scheme

The proposed scheme for the site currently comprises 136,810 sq ft GIA, excluding ground floor commercial uses. 142 residential units are provided in total, split between 72 private units and 70 affordable units.

The 70 affordable unit number was arrived at based on the following calculations:

Legacy Commitment

25% of total units generated by nominated site (or a minimum of 30 units whichever is greater)	36
--	----

25% of the proposed 142 units for this site = 36 units

Units generated via the Odeon 1,425 sq m gross commitment (agreed with LBC that a 100 sq m gross unit size should be utilised)	14
--	----

1,425 sq.m. divided by 100 sq.m. = 14 units

As noted above, these 14 units were effectively gifted to LBC through the Odeon Site Planning Permission.

Policy Contribution

Maximum additional units that enable a viable, practical affordable housing solution located in an "affordable zone" over core A and core B across the northern half of the site.	20
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Total affordable housing units: 70

The breakdown of affordable units displayed above provides the 36 social rented units (25% of the total) in accordance with the legacy s106 agreement. The Trust take the view that as works have been undertaken on the Odeon site that this obligation has been triggered, and accordingly the 14 units (or 1425 sq m) are provided. In addition a further 20 units of affordable housing contribute to the scheme giving a total content of 70 affordable units.

Alternatively as some of the conditions relating to the Odeon planning permission have not been discharged, it has been debated that the consent has not been implemented on the Odeon Site and therefore the requirement for the 14 units (1425 sq m) has not been triggered. In this case the 14 units in the table above would relate to on site policy provision and in addition to the 20 units provide a total of 34 affordable units, as well as the 36 units which fulfil the historic obligation under the Original Planning Permission.

Therefore, overall affordable proposals:

- 51.2% by Gross Internal Floor area;
- 52.9% by Habitable rooms
- 49.3% by Unit numbers

LBC through Mike Cox have confirmed that shared ownership units in this location would be above LBC and GLA affordability thresholds. The scheme delivers the social rented units required by the Legacy Section 106 and additional intermediate for rent units which meet affordability criteria. The current tenure split equates to 59% affordable for rent and 41% Intermediate for rent based on the GLA's affordability criteria. We would highlight that if LBC's (lower) affordability criteria were to be applied, the number of affordable for rent units provided under this scenario would fall significantly.

An accommodation schedule is attached as **Appendix 1**.

The affordable units have been located in an affordable zone across 2 cores (A&B) located on the northern half of the site. Discussions have taken place between our affordable housing partner Origin Housing Group (Gareth Jones) and Mike Cox of LBC Housing Department and we believe this has been deemed acceptable in principle.

Discussions are continuing as to the exact mix and tenure of the units being provided in the affordable zone which may alter the exact number of units dependent on individual sizing, however, square footage and habitable rooms should remain broadly similar to that outlined above.

Notwithstanding our assessment of the site's value at the proposed level of affordable provision, we have been advised by our RSL Partner Origin that further intrusion into a 3rd private core would create management problems, be unaffordable in terms of potential service charges to affordable unit occupiers and would result in a significant fall in private unit values and therefore viability. This would jeopardise the Trust's ability to proceed with the overall project. This is referred to in the letter from Origin at **Appendix 2**.

We believe the 51.2% provision across an affordable zone occupying two complete cores without further "pepper potting" of affordable units into predominantly private cores represents the best possible solution to the provision of affordable housing units on the site.

6.3 Viability Assessment

The 3 Dragons toolkit appraisal summary sheet is attached as **Appendix 3** and demonstrates a **site value of £15.56 million**.

6.4 Alternative Scheme with Offsite Provision

Following the reasoning at 6.1 an Alternative Use scheme on this site has been assessed as being able to provide 165,000 sq ft gross and 136,950 net of accommodation. In light of the site's location within the Central London Area, where mixed uses are encouraged this may be suitable for a private hospital or we believe the development market would look to promote the site for mixed uses including office development, student housing or residential institution / C2 uses.

A "circle developer" format appraisal and massing diagram are attached as **Appendix 4** which demonstrate a gross **site value of £16.3 million**, including deduction of the "net loss" through providing the off-site affordable housing. The "net loss" is the difference by which development costs exceed sales revenue. An off-site solution would be considered the only reasonable solution when creating an alternative scheme due to the inability of the affordable housing to share amenity space with the adjacent development for alternative uses.

To demonstrate the "net loss" figure, outlined below is the breakdown of offsite affordable units provision utilising headline cost and value parameters on a less valuable site located in the north of Camden.

Legacy Commitment (as per section 6.2 above)		30 units
1,425 sq m generated by Odeon (as per section 6.2 above)		<u>14 units</u>
Gross alternative use scheme (see massing drawing)	165,000 sq ft	
Existing gross sq footage	70,000 sq ft	
Therefore additional space	95,000 sq ft	
50% =	47,500 sq ft	
Circa 47,500 sq ft ÷ 1,076 sq ft (100 sq m) Gross average =		<u>44 units</u>
Total		88 units
88 x average total construction cost of units (including fees and finance but excluding land)		
£150,000 per unit x 88 =		£13.2 million
Maximum land payment †		<u>£5 million</u>
	Development Cost	<u>£18.2 million</u>

Receipt from sale of built units to an RSL say: 88 units split 60% / 40%

Average Market Value of a non centrally located 70 sq m 2 bed unit = 753 sq ft x £400 psf = £300,000

Shared Ownership 75% x £300,000 = £225,000 x 35 (40%) £7,875,000

Affordable for Rent 50% x £300,000 = £150,000 x 53 (60%) £7,950,000

Sales Receipt **£15,825,000**

Net loss through provision of affordable housing commitments off site = £18.2m - £15.83m = £2.37m **£2.37 million**

This “net loss” figure of £2.37million has been deducted as a cost in the circle appraisal attached at Appendix 4 to arrive at the demonstrated site value of £ 16.3million for an alternative use on this site.

† The overall net loss figure is sensitive to the cost of land in a particular location. If the land cost exceeded £5m the overall loss would be greater.

The “net loss” to our current preferred scheme through provision of affordable units on the central London, Cleveland Street site greatly exceeds that outlined above.

6.5 District Valuer Assessment

The District Valuation Office has independently assessed the site value on the basis of providing a residential led scheme similar to our scheme, with affordable housing provided at 50% of floorspace.

The DV assessment of site value has been appraised at **£8.1 million**. A valuation at this level would not allow The Trust to progress this scheme as it is significantly below the level required by the Capital Investment Report / SHA and the alternative uses appraisal of £16.3 million. However, what it does demonstrate is that The Trust is making every effort in terms of headline values and cost control to ensure that a scheme with a substantial level of affordable housing can be delivered in this particular location.

We believe this further demonstrates that the preferred scheme would not be progressed if the levels of affordable housing provision on site were to increase beyond that currently presented.

6.6 Value Issues

There are a number of additional factors that have reduced the overall value of the current residential led scheme. It is not simply the provision of the affordable housing quantum that has resulted in substantial falls in the perceived value of this site to the Trust.

- The overall height of the proposed building has been restricted to ground plus 9 storeys, due to its location within the consultation zone of the proposed extension to the Parliament Hill to Westminster viewing corridor.

- Discussions between Origin and Mike Cox regarding the tenure type and split have so far dictated that shared ownership tenure is deemed to be unviable in this location due to the caps on affordability – for example, a shared ownership unit which is typically priced at circa 75% of market value would have a capital value of circa £650 per square foot which is unaffordable to individuals targeting shared ownership accommodation. This has resulted in the shared ownership tenure having to be replaced by intermediate rented units on 41% of the affordable total. A more viable solution was originally conceived dedicating one core to affordable for rent and one core to shared ownership on a straight 50 : 50 split in tenure.
- The switch from a shared ownership assumption to intermediate rented resulted in a drop of £2.5 million in affordable housing revenues
- We have been restricted, through policy discussions, in the amount of car parking that can be provided and have proposed only 11 private spaces. In addition the scheme provides 14 disabled spaces and 2 car club spaces. The value associated with the provision of 11 private car parking spaces is £825,000, which equates to £75,000 per space.
- Private values of several areas / levels are lower than might otherwise be expected due to the close proximity of a large amount of affordable housing.
- Similarly, insistence on high numbers of larger affordable units at a time when the structure of affordable housing grant provision has changed from per person to per unit has further eroded value.

7 Conclusion

- 7.1 The redevelopment of the Middlesex Hospital Annex site presents an excellent opportunity for a centrally located, vacant site to be brought back into use again. The proposed scheme will deliver 70 much needed Affordable Housing units to a high standard, south of Euston Road, delivering different tenures in accordance with LBC's requirements and optimising the use of a previously under-used site.
- 7.2 In the constraints of the current market, it ensures delivery of the affordable housing units required under the Legacy Section 106 Agreement linked to the site and also provides a level of affordable housing in accordance with LBC's planning policy requirements. This presents the minimum level of viability possible for the scheme to progress, but can be achieved.
- 7.3 As shown by the 3 Dragons viability assessment, the level of site value generated by the current scheme at £15.56 million marginally exceeds the threshold site value outlined by the Trust of £15.5 million. This is lower than the site value generated by the alternative uses appraisal of £16.3 million yet the Trust would proceed on this basis.
- 7.4 An alternative use scheme including a private hospital, office or C2 led scheme with off site affordable housing provision is clearly a more viable option that should not be discounted.
- 7.5 The affordable housing offer of 51.2% by floorspace on the tenure split and affordability criteria outlined represents the best possible offer on the site.
- 7.6 The Affordable Housing offer also complies with GLA and LBC policy requirements.
- 7.7 Further erosion in value to the Trust's current residential led scheme through provision of more affordable units over and above the levels currently proposed, will not be endorsed by the Trust and will prevent the scheme progressing.
- 7.8 The scheme will deliver a highly sustainable development of a design which fits well with the context of the surrounding area. It will assist in regeneration of the wider area delivering new jobs and investment and is compliant with planning policy.

Therefore, in order to bring this vacant site forward for development we believe that the approach as set out in this paper to meet the legacy of affordable housing requirement in the context of viability, whilst also providing an exemplar and sustainable design that incorporates both the Trust's and the local Community's wishes is the best solution and one that has been endorsed at the highest level. Any further adjustments to the proposals will place redevelopment of the site at risk. In this case, the wider community and regeneration benefits will not be achieved.

Appendix 1 – Accommodation schedule

Basement Area

Basement Area

Level	GA (m)	GA (ft)
Lower Ground	601.0	6,469
Ground	1,218.5	13,116
First	1,830.0	19,698
Second	1,921.0	20,678
Third	1,835.0	19,752
Fourth	1,791.0	19,278
Fifth	1,594.5	17,163
Sixth	1,276.0	13,735
Seventh	803.5	8,649
Eighth	332.5	3,579
Ninth	288.5	3,105
Total	13,115	15,223

Level	GA (m)	GA (ft)
Basement	50	0

The GA schedules exclude the basement area

Level	GA (m)	GA (ft)
C0.1	140.5	1,512
C0.2	150	1,615
C0.3	106	1,141
Total	365	4,268

Level	GA (m)	GA (ft)
Basement	1,535	16,550

Basement area includes car parking, plant, refuse and bicycle storage.

Level	GA (m)	GA (ft)
Core A	98	90
Core B	13	24
Core C	34	45
Core D	85	82
Total	230	241

Level	GA (m)	GA (ft)
Plant Core A	26	280
Plant Cores B-C	132	1,421
Electric Substation	37	398
Total	195	2,099

Level	GA (m)	GA (ft)
Adjacent Core A	18	4
Adjacent Core B	12	4
Total	30	8

Level	GA (m)	GA (ft)
Disabled	14	1 to 1
General	11	0.1 to 1
Car Clusters	2	
Total	27	1.1

disabled lifts to wheelchair units

Level	1	2	3	5	3	Total	GA (m)	GA (ft)
Lower Ground						0	70.5	
Ground			1			1	193.0	111.0
First	4		2			6	453.0	352.5
Second	3		3			6	483.5	382.5
Third	3		3			6	483.5	382.5
Fourth	2	3	1			6	462.0	365.0
Fifth	4		1			5	367.5	280.0
Sixth	2			1		3	281.5	205.0
Seventh				1		1	160.5	103.5
Eighth						0		
Ninth						0		
Total	1	3	10	3	0	37	2,550	2,120

Level	GA (m)	GA (ft)
Basement	36	0
Basement	30	15
Basement	0	0

Level	1	2	3	5	3	Total	GA (m)	GA (ft)
Lower Ground						0	264.0	195.0
Ground	1			1	3	5	423.0	308.5
First	1	1	3			5	427.5	353.5
Second	1	1	3			5	427.5	353.5
Third	1	1	3			5	427.5	353.5
Fourth	1	1	3			5	427.5	353.5
Fifth	1	1	3			5	427.5	353.5
Sixth				3		3	366.0	305.0
Seventh	1			2		3	314.0	256.5
Eighth						0	33.5	
Ninth						0		
Total	1	5	15	6	3	36	3,530	2,325

Level	GA (m)	GA (ft)
Basement	1	15
Basement	5	30
Basement	15	15
Basement	11	

Level	GA (m)	GA (ft)
Basement	111.0	
Basement		352.5
Basement		382.5
Basement		382.5
Basement		365.0
Basement		280.0
Basement	103.5	101.5
Basement	103.5	
Total	310	1,600

Level	GA (m)	GA (ft)
Basement	195.0	
Basement	308.5	
Basement	353.5	
Basement	305.0	
Basement	256.5	
Basement		
Total	2,325	0

	1	2	3	4	5	6	Total	G.A.	N.A.
Lower Ground			1	1			2	237.0	157.0
Ground	3			1			4	378.5	234.5
First	4	1		1			6	428.0	349.0
Second	4	1		1			6	430.0	351.0
Third	4	1		1			6	430.0	351.0
Fourth	4	1		1			6	430.0	351.0
Fifth	4	1		1			6	430.0	351.0
Sixth	1	2		1			4	331.5	262.5
Seventh					2		2	269.5	217.5
Eighth					2		2	269.5	217.5
Ninth					2		2	269.5	217.5
Total	2	4	2	4	4	0	26	3035	2055

Total	2	4	2	4	4	0	26	3035	2055
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	1	2	3	4	5	6	Total	G.A.	N.A.
Lower Ground							0	51.5	
Ground	1						1	139.5	54.0
First	2	1		2			5	405.5	325.5
Second	3			3			6	466.0	377.0
Third	3			2			5	385.0	306.0
Fourth	1			3			4	364.0	280.0
Fifth	1			2			3	263.0	199.0
Sixth				2			2	208.5	155.5
Seventh							0		
Eighth							0		
Ninth							0		
Total	11	1	1	10	0	0	26	2230	1600

Total	11	1	1	10	0	0	26	2230	1600
-------	----	---	---	----	---	---	----	------	------

	1	2	3	4	5	6	Total	G.A.	N.A.
TOTAL	12	5	3	14	0	0	34	1265	810

	Total	G.A.	N.A.
Lower Ground	2	237.0	157.0
Ground	4	378.5	234.5
First	6	428.0	349.0
Second	6	430.0	351.0
Third	6	430.0	351.0
Fourth	6	430.0	351.0
Fifth	6	430.0	351.0
Sixth	4	331.5	262.5
Seventh	2	269.5	217.5
Eighth	2	269.5	217.5
Ninth	2	269.5	217.5
Total	46	3035	2055

	Total	G.A.	N.A.
Lower Ground	0	51.5	
Ground	1	139.5	54.0
First	5	405.5	325.5
Second	6	466.0	377.0
Third	5	385.0	306.0
Fourth	4	364.0	280.0
Fifth	3	263.0	199.0
Sixth	2	208.5	155.5
Seventh	0		
Eighth	0		
Ninth	0		
Total	26	2230	1600

Affordability		1	2	3	4	5	6	Total
Social Rented	Number	7	5	15	9	3		38
	Percentage	18	13	38	23	8		100
	Affordable Social Rented Total G.A. is							3856.0
	Affordable Social Rented Total N.A. is							3150.5
Intermediate	Number	18	3	10	0	0		31
	Percentage	58	10	32	0	0		100
	Affordable Intermediate Total G.A. is							2637.0
	Affordable Intermediate Total N.A. is							1864.0
Private	Number	35	9	22	6	0		72
	Percentage	48.6	12.5	30.6	8.3	0.0		100
	Private Total G.A. is							6186.5
	Private Total N.A. is							4756.5

Affordability	Total	G.A.	N.A.
Social Rented	38	59.4	
Intermediate	31	40.6	
Private	72	48.8	

Appendix 2 – RSL Letter of Support from Origin

University College Hospital
235 Euston Road,
London,
Greater London,
NW1 2BU

06 May 2010

Dear Sir/ Madam,

Former Middlesex Hospital Annexe, Cleveland Street, London, WC1

I write as representative of the preferred Registered Social Landlord partner for the above project to confirm our support to the London Borough of Camden for the proposed planning application for 142 flats and commercial space.

Our observations and comments specifically relating to the provision and design of the affordable housing elements of the scheme are as follows:

1. The quantum of affordable housing provision extends to just over 51% of the overall residential area within the project, which fully complies with LB Camden's standard policy for affordable housing provision. Similarly, the provision for mix of tenures fully complies with the Borough's affordable housing policy, incorporating 59.4% social rent and 40.6% intermediate tenures measured by area compared to the target of 60:40 by policy. Affordable housing policy agreed on a scheme by scheme basis within the Borough is often agreed below this level, depending upon the features of specific sites, so this level of provision should be welcomed by the Borough, particularly in such a central location.
2. We welcome the fact that in complying with affordable housing targets, this has not been as a result of resorting to excessive pepper-potting of the various tenures within individual cores, which in our experience would create management problems. This occurs to an extent within the predominantly intermediate core (Core A), but is considered to be within acceptable parameters.
3. Three-bedroom apartments represent just over 40% of the social rent provision, including larger duplex units located at lower/ ground floor levels. We are content that this is the maximum level of provision of three bed apartments that can be provided both in terms of design limitations and social sustainability at this location. Specific

Origin Housing is the trading name for:

Origin Housing Group Ltd: registered in England under the Industrial and Provident Societies Act 1965 (No. 24898R), and with the Tenant Services Authority (No. SL3596).

St Pancras and Humanist Housing Association Ltd: registered in England as an exempt charity under the Industrial and Provident Societies Act 1965 (No. 10008R), and with the Tenant Services Authority (No. LO871).

Griffin Housing Association Ltd: registered in England as an exempt charity under the Industrial and Provident Societies Act 1965 (No. 21476R), and with the Tenant Services Authority (No. LH2066).

Registered address: St Richards House, 110 Eversholt Street, London NW1 1BS



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concern in attempting to further increase the ratio of larger family accommodation directly relate to the worrying levels of child density that would result. This needs to be considered in relation to the limitations in amenity space/play space that can be effectively supported within the scheme or available in the immediate surrounding area.

4. The use of rooftops as leisure/ amenity space is welcomed, as this option has been demonstrated to provide satisfactory amenity (although not play space) in similar high density schemes that Origin manages within the Borough.
5. The size of the individual apartments are considered to be generous and capable of meeting regulatory requirements for both planning (re: Mayor of London's draft design guide) and funding (Housing and Community Agency's Design Quality Standards Guidance).
6. In terms of the scope and location of the affordable housing, we consider it to be of paramount importance that the affordable housing is contained in separate cores, rather than being merged with the private sale units. The fundamental reasons behind this include:
 - a. Ability to effectively manage different tenures within the same cores/ staircases due to contrasting lifestyle expectations. This is likely to be exaggerated in this development due to the very high property values being attributed to the private cores.
 - b. Impact on affordability of service charges for affordable tenures. The private cores will be serviced by a concierge service and incorporate different standards of service and finishes, which will generate significantly higher service charge costs to those required by affordable tenures. Service charge levels are likely to exceed the actual rent levels being charged to affordable tenures, which is clearly untenable. Also, much of the service charge will not be eligible for Housing Benefit, potentially rendering many of the social rent properties difficult-to-let from the outset.
7. We are aware of the legacy s106 affecting the site and we are concerned that a sustainable mix is maintained between affordable rent and other tenures on the site to ensure that a balanced community will result.
8. Whilst fully supporting the proposed planning application for the site, we request that the following areas of the design are fully considered:
 - a. Provision of fully usable balconies/ terraces to all flats
 - b. Confirmation that refuse stores shown fully comply with LB Camden's refuse collection policies

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- c. Allocation of parking spaces to affordable units designated as wheelchair flats at affordable service charge levels.
- d. The intention to meet Level 4 of the Code for Sustainable Homes is welcomed. The timescale for disposal of the site will need to recognise the timetable for meeting higher levels of the Code (or equivalent) in order for the affordable units to be eligible for grant funding.

I trust that these comments in support of your planning application are helpful. I will be glad to discuss any of these comments in more detail or provide further representation on this project as required.

Yours Sincerely

Gareth Jones
Development Director

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Appendix 3 – ‘Three Dragons’ toolkit appraisal summary sheet

Scheme Results

Site	Middlesex Hospital Annexe
Address	Cleveland Street
Scheme Description	0

Site Reference Number	0
Application Number	0
NLUD Ref. Number	0
UPRN or Grid Ref.	0

RESIDUAL VALUE	£15,563,000
Per hectare	£51,877,000
Per dwelling	£110,000
Per market dwelling	£216,000
Per habitable room	No Info
Per bedspace	No Info

SCHEME UNITS	
No. of Dwellings	142
No. of Habitable rooms	385
No. of Bedrooms	243
% Wheelchair Units	45%

SCHEME DENSITIES	
Dwellings per ha.	473.3
Habitable rooms per ha.	1283.3

SCHEME REVENUE	£60,124,000
Contribution to revenue from:	
Market housing	£43,650,000
Affordable Housing	£13,500,000
- Social rent	£0
- New build HomeBuy	£0
- Intermediate Rent	£0
- Low Cost Sale	£0
- Equity Share	£0
Capital Contribution	£825,000
Commercial Elements	£2,149,000

AFFORDABLE UNITS						
	Social Rent	New build HomeBuy	Intermediate Rent	Low Cost Sale	Equity Share	Total Affordable
Units %	27%	0%	22%	0%	0%	49%
Hab rooms	32%	0%	20%	0%	0%	51%
Bedrooms	34%	0%	19%	0%	0%	53%
Persons	32%	0%	20%	0%	0%	51%
Floorspace	32%	0%	19%	0%	0%	51%

SCHEME COSTS	£44,561,000
Contribution to costs from:	
Market housing	£23,847,000
Affordable Housing	£17,868,000
- Social rent	£11,040,000
- New build HomeBuy	£0
- Intermediate Rent	£6,828,000
- Low Cost Sale	£0
- Equity Share	£0
Land Financing Costs	£0
Planning Obligations	£500,000
Exceptional Development Costs	£1,500,000
Commercial Elements	£846,000

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per social rental dwelling	£ -
Per Newbuild Homebuy dwelling	£ -
Per Intermediate Rent dwelling	£ -

Alternative Site Values		Against residual	
Existing Use Value	£ 16,300,000	-£	737,000
Acquisition Cost	£ -	£	-
Value for offices	£ -	£	-
Value for industrial	£ -	£	-
Value as hotel site	£ -	£	-
Value as other alternative use	£ -	£	-

Costs Analysis

Child Occupancy

Affordability Analysis

Discounted Cash Flow

View Results

3 Dragons Model

Summary of Inputs

- Site area of 0.3 hectares
- 142 unit scheme
- Areas as per CZWG area schedule
- 1 bed private sales of £500,000 - £550,000
- 2 bed private sales of £625,000 - £700,000
- 3 bed private sales of £925,000
- Intermediate rent – Benchmark values confirmed by Origin Housing Group
- Social rent – Benchmark values confirmed by Origin Housing Group
- Car parking sales revenue of £825,000 (11 spaces x £75,000 per space)
- CfSH level 4 additional cost of £1.5 million, provided by WT Partnership
- Construction costs – toolkit values, confirmed by WT Partnership
- Other Development Costs (e.g. fees, developer return, marketing) – toolkit values
- Social Rent and Intermediate Rent Costs and Capitalisation – toolkit values
- Planning obligation of £500,000
- Commercial accommodation capital value of £2.15 million (based off rent of £35 per sq ft and 7% yield)

Appendix 4 – Circle appraisal and Massing diagram

Savills

Development Appraisal

Cleveland Street

Alternative Use Scheme

With Planning

Report Date: 28 April 2010

**Cleveland Street
Alternative Use Scheme**

Timescale (Duration in months)

Project commences Apr 2010

Phase 1: Alternative Use

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Apr 2010				
Pre-Construction	3	Apr 2010	Jun 2010	Purchase	End	0
Construction	18	Jul 2010	Dec 2011	Pre-Construction	End	0
Letting	6	Jan 2012	Jun 2012	Post Development	End	0
Phase End		Jul 2012				
Phase Length	27					

Project Length 28 (Includes Exit Period)

Assumptions

Expenditure

- Professional Fees are based on Construction
- Purchaser's Costs are based on Gross Capitalisation
- Purchaser's Costs Deducted from Sale (Not added to Cost)
- Sales Fees are based on Net Capitalisation
- Sales Fees Added to Cost (Not deducted from Sale)

Receipts

- Show tenant's true income stream On
- Offset income against development costs Off
- Rent payment cycle Quarterly (Adv)
- Apply rent payment cycle to all tenants On
- Renewal Void and Rent Free apply to first renewal only Off

- Initial Yield Valuation Method Off
- Default Capitalisation Yield 0.0000%
- Apply Default Capitalisation to All Tenants Off
- Default stage for Sale Date Off
- Align end of income stream to Sale Date Off
- Apply align end of income stream to all tenants On
- When the Capital Value is modified in the cash flow Recalculate the Yield
- Valuation Tables are Annually in Arrears
- Rent Free method Defer start of Tenant's Rent

Finance

- Financing Method Basic (Interest Sets)
- Interest Compounding Period Quarterly
- Interest Charging Period Monthly
- Nominal rates of interest used
- Calculate interest on Payments/Receipts in final period Off
- Include interest and Finance Fees in IRR Calculations Off
- Automatic Inter-account transfers Off
- Manual Finance Rate for Profit Erosion Off

Calculation

- Site Payments In Arrears
- Other Payments In Arrears
- Negative Land In Arrears
- Receipts In Advance

- Initial IRR Guess Rate 8.00%

**Cleveland Street
Alternative Use Scheme**

Assumptions

Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000

Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (May 2010)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on Cost

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
1. Alternative Use	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date
6.000%	2.000%	Perpetuity	Apr 2010

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Apr 2010

Inflation and Growth

Growth Sets

Growth Set 1

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Apr 2010

**Cleveland Street
Alternative Use Scheme****Assumptions****Inflation Sets****Inflation Set 1**

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Apr 2010

**Cleveland Street
Alternative Use Scheme**
Summary Appraisal for Phase 1 Alternative Use
REVENUE

Rental Area Summary	ft²	Rate ft²	Gross MRV
Alternative Use	132,000	£43.50	5,742,000

Investment Valuation
Alternative Use

Market Rent	5,742,000	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	90,283,019

GROSS DEVELOPMENT VALUE

Purchaser's Costs	5.75%	(5,191,274)	90,283,019
-------------------	-------	-------------	------------

NET DEVELOPMENT VALUE
85,091,745
NET REALISATION
85,091,745
OUTLAY
ACQUISITION COSTS

Residualised Price			16,289,072
Stamp Duty		4.00%	651,563
Agent Fee		1.00%	162,891
Legal Fee		0.50%	81,445
			17,184,971

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost
Alternative Use	165,000	£210.00	34,650,000

Contingency	3.00%	1,039,500
Demolition		300,000
Crossrail contribution		2,000,000
		3,339,500

Other Construction

Off site affordable net loss	2,370,000	2,370,000
------------------------------	-----------	-----------

Section 106 Costs

Section 106	500,000	500,000
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PROFESSIONAL FEES

Professional Team	12.50%	4,627,500
		4,627,500

MARKETING & LETTING

Marketing	1.00%	902,830
Letting Agent Fee	10.00%	574,200
Letting Legal Fee	3.00%	172,260
		1,649,290

DISPOSAL FEES

Sales Agent Fee	1.00%	850,917
Sales Legal Fee	0.30%	255,275
		1,106,193

FINANCE

Multiple Finance Rates Used (See Assumptions)		
Land		1,793,728
Construction		1,712,055
Letting Void		1,976,541
Total Finance Cost		5,482,324

TOTAL COSTS
70,909,778

**Cleveland Street
Alternative Use Scheme****PROFIT****14,181,967****Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.10%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	19.78%
Rent Cover	2 yrs 6 mths
Profit Erosion (finance rate 6.000%)	3 yrs 1 mth

**Cleveland Street
Alternative Use Scheme****Condensed Summary Appraisal for Phase 1 Alternative Use****INCOME**

Annual Rental Income	5,742,000	
Net Capital Value		90,283,019
Less Purchaser's Costs		(5,191,274)

Net Realisation**85,091,745****OUTLAY****Acquisition**

Site Purchase Cost	16,289,072	
Site Purchase Fees	895,899	
Total Purchase Cost		17,184,971

Construction

Construction Costs	37,989,500	
Miscellaneous Costs	2,870,000	
Professional Fees	4,627,500	
Total Construction		45,487,000

Marketing/Letting

Marketing		902,830
Letting		746,460

Disposal

Sales Costs		1,106,193
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Finance

Project Length	28 months	
Multiple Finance Rates Used (See Assumptions)		
Site Finance	1,793,728	
Construction Finance	1,712,055	
Void Finance	1,976,541	
Total Finance		5,482,324

Total Expenditure**70,909,778****Profit****14,181,967****Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.10%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	19.78%
Rent Cover	2 yrs 6 mths
Profit Erosion (finance rate 6.000%)	3 yrs 1 mth

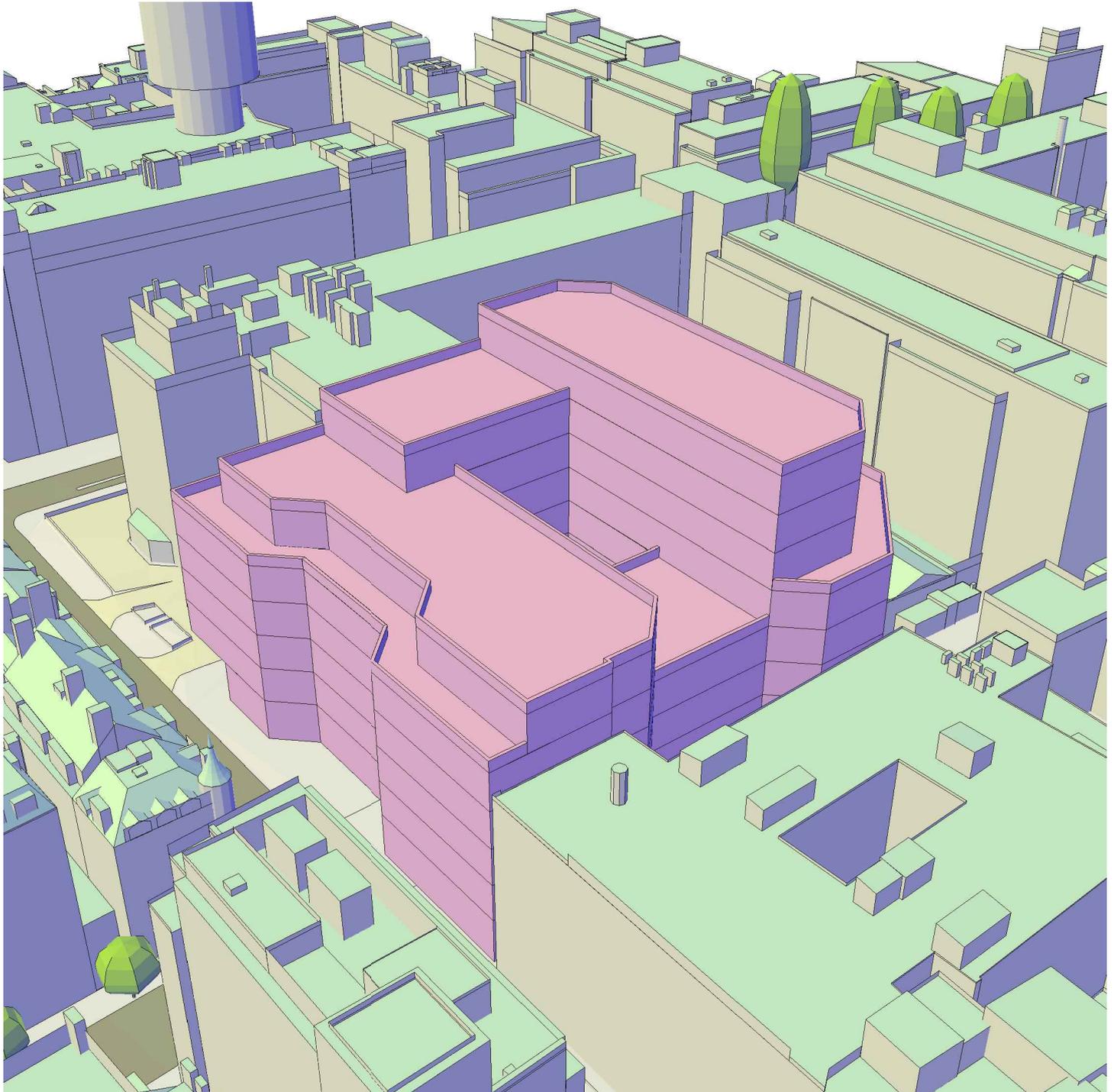
Cleveland Street Office Scheme - Area Schedule

Lower Ground	950m ²
Ground	2279m ²
1st Floor	2282m ²
2nd Floor	2282m ²
3rd Floor	2282m ²
4th Floor	2089m ²
5th Floor	1600m ²
6th Floor	989m ²
7th Floor	577m ²
TOTAL GEA	15330m² / 165012ft²

CZWG

CZWG Architects LLP
17 Bowling Green Lane
London EC1R 0QB

Telephone 020 7253 2523
Fax: 020 7250 0594
mail@czwgarchitects.co.uk
www.czwg.com



Cleveland Street Office Scheme - 3D Massing Diagram

Scale @ A4:	Date:
Not To Scale	18.02.10
Drawing No:	Rev:
1748-00-SK-0059	D01

Appendix 5 – Affordable housing levels in consented schemes in Camden and Westminster

London Borough of Camden

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

Site address	Planning Ref No	Planning Status	Description	Total Units	Total private units	Total affordable units (social rented)	Total affordable units (Intermediate)	Percentage of affordable housing (by units)
Alfred Court, 37-63 Fortune Green Road	2003/1858/P	Outline planning permission granted on appeal 17/02/05	Redevelopment of existing public house, shop units, showroom/garage & petrol station by the erection of a part 4, part 5 storey building plus basement & sub-basement to provide a gym (Class D2) at part basement & part ground floor, 5 ground floor commercial units (Class A1, A2 or A3 use), 22 affordable residential units at 1st-3rd floors & 50 private residential units at 1st-4th floor levels, plus 82 ancillary parking spaces.	72	50	22	0	30.5%
The Henson, 30 Oval Road	2009/0066/P	Full planning permission granted 09/04/09	The substantial redevelopment to create a part-4, part-5, part-6 storey building plus basement to provide office space (Class B1) at ground and basement levels and residential use (Class C3) providing a total of 70 self-contained flats (27 x 1-bedroom; 35 x 2-bedroom; 6 x 3-bedroom and 2 x 4 bedroom, including 24 affordable units) with ancillary landscaping, together with alterations to the retained elevations, including rebuilding of facades on the Gilbeys Yard elevation.	70	46	24	0	34.3%
One Osnaburgh Street, Regent's Place (360-376 Euston Rd)	2004/1700/P	Full planning permission granted 08/06/06	Demolition of existing buildings and erection of a part 8, part 9, part 20 storey residential building comprising 60 private residential units and 91	151	60	60	31	60.3%

N.B This includes schemes providing between 50-500 units

London Borough of Camden

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			affordable units. And 9 and 10 storey buildings (plus roof-top plant) comprising 49,500 sqm of office (Class B1) floorspace with 982 sqm of retail/professional services/food & drink/community non-residential institution (Class A1/A2/A3/D1) uses at ground floor level all plus basement and sub-basement levels, ground floor theatre / community facility (Class D1), associated access points including in/out roadway, parking, servicing, open areas and landscaping.					
341-359 Finchley Road	2005/0970/P	Full planning permission granted 08/06/05	Redevelopment to provide replacement car showroom or shops and 74 new flats comprising: basement parking, ground floor, five upper floors, part 6th and 7th floors: Second revision to current scheme including reduction of north rear wing at 1st floor level and amending boundary wall with Alvanley Gardens so that it is the same height as existing.	74	55	19	0	25.7%
Winchester Place (2-20 Winchester Road)	2005/5580/P	Full planning permission granted 21/06/06	Redevelopment to provide 3 new buildings of part 3/part 5 stories plus basement, 5 stories plus basement and 8 stories plus basement and sub basement containing 76 residential units (comprising 51 private and 25 affordable units), 416 sqm of commercial floorspace (comprising 312sqm Class A1 Retail, 104sqm Class A2 Financial and Professional Services), 41 car parking spaces with new vehicular access from Fellows	76	54	22	0	28.9%

N.B This includes schemes providing between 50-500 units

London Borough of Camden

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			Road plus associated hard and soft landscaping.					
146-162 Kilburn High Road	2007/4650/P	Full planning permission granted 11/01/08	Partial demolition, refurbishment and conversion of upper floor office space (Class B1) and construction of additional (4th) storey at 146-162 Kilburn High Road to provide 38 residential units (32 private, 6 shared ownership) within two blocks, plus courtyard, secondary residential entrances (Kilburn High Road), primary residential entrance and new refuse stores/cycle parking (Kingsgate Place). Erection of mainly 4, but partly 3-storey block with roof terrace & balconies fronting Kingsgate Road comprising 14 social rented residential units; plus new refuse stores/cycle parking on Kingsgate Road frontage; and enclosed mechanical equipment at first, second and third storey levels.	52	32	14	6	38.5%
Travellers Site, 52-52a Prince of Wales Road	2005/4187/P	Full planning permission granted 10/01/06	Demolition of 52 Prince of Wales Road and the redevelopment of the site by the erection of a 7 storey mixed use building to accommodate Class D1/A1/A2/A3 or B1 units at part ground and ground floor mezzanine levels, 55 residential flats comprising of 36 private and 19 affordable (1xstudio, 26x1 bed, 17x2 bed and 11x3 bed) on ground to sixth floor levels, basement parking for 18 cars and 34 cycles, formation of new two way vehicular access with turning circle, pedestrian access alongside the Talacre Open	55	36	14	5	34.5%

N.B This includes schemes providing between 50-500 units

London Borough of Camden

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			Space.					
Central St Giles	2009/4729/P	Full planning permission granted 14/12/09	Amendment to planning permission 2005/0259/P to include changes to mix of residential units on floor levels one to eleven (reduction in the number of one-bed units from 30 to 21, two-bed units from 26 to 12; and the creation of 16 studio units and 7 three-bed units).	109	56	29	24	48.6%
North East Quadrant (Hampstead Road)	2007/0823/P	Full planning permission granted 25/03/09	Redevelopment involving demolition of all existing buildings and the erection of 26 storey block comprising 101 private residential units plus an 8 storey block comprising 70 affordable units (Class C3) -both blocks positioned on top of a one storey plus mezzanine level podium-; a part 16, part 11, part 9 storey block comprising 47,168sqm Class B1 office floorspace, plus retail/financial & professional services/restaurant/pub or bar/community (Class A1 / A2 / A3 / A4 and D1) uses at ground floor, provision of basement and lower basement levels together with associated access, parking (comprising 182 parking spaces) , servicing, open areas and landscaping, alterations to and enlargement of Triton Square.	171	101	60	10	40.9%
Guinness Court, St Edmunds Terrace	2009/0135/P	Full planning permission granted 15/05/09	Erection of two buildings (4-storeys and 6-storeys) to provide 73 (36 private and 37 affordable) residential units (7 x 4-bedroom, 9 x 3-bedroom, 20 x 2-bedroom, and 37 x 1-bedroom) with 30 car parking spaces (20 underground and 10 surface level), 93 cycle parking	73	36	37	0	50.7%

N.B This includes schemes providing between 50-500 units

London Borough of Camden

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			spaces, and associated landscaping (following demolition of all existing buildings on site).					
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N.B This includes schemes providing between 50-500 units

City of Westminster

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

Site address	Planning Ref No	Planning Status	Description	Total Units	Total private units	Total affordable units (social rented)	Total affordable units (Intermediate)	Percentage of affordable housing (by units)
Merchant Square D- Waterline House, Harbet Rd	06/00944/FULL	Full planning permission granted 18/03/08	Redevelopment by the erection of a 16-storey residential building, comprising 196 residential units, with ground floor Class A1/A2/A3/A4/A5 units, ancillary basement parking, ground floor Class B1 small office suites, estate management office, Business Opportunities Centre highways works, new vehicular and pedestrian accesses, new bridge and associated works to Paddington Basin and associated hard and soft landscaping (Building D).	196	152	25	19	22.4%
Merchant Square A- The Blade, Harbet Rd	06/00929/FULL	Full planning permission granted 15/09/09	Redevelopment by the erection of a 43 storey residential tower, comprising 212 residential units, with ground floor Class A1/A2/A3/A4/A5 units, ancillary basement parking, public viewing gallery, highway works, new vehicular and pedestrian accesses, new bridge and associated works to Paddington Basin, closure of public highway, highway improvements and associated hard and soft landscaping (Building A).	212	159	41	12	25%
Ten Rochester Row	05/00566/COFUL	Full planning permission granted 28/12/05	Redevelopment of office block, multi-storey car park and petrol filling station to provide a nine storey building plus basement comprising retail and office uses (Class A1, A2 and B1) at ground	56	39	12	5	30.4%

N.B This includes schemes providing between 50-500 units

City of Westminster

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			floor level with 56 residential units on the upper floors and 40 car parking spaces at basement level. (Council's Own Development)					
Ham Yard (5-10 Denman Street)	08/03018/FULL	Full planning permission granted 14/11/2008	Redevelopment to provide four new buildings for use as offices (Class B1), 53 residential units including affordable housing, retail (Class A1), restaurant/ancillary bar (Class A3) and underground parking for residential and commercial uses, modifications to Ham Yard, creation of amenity space and landscaping and new pedestrian route from Denman Street to Great Windmill Street - variation of scheme approved 22 December 2003 (RN: 01/07266); namely, omission of underground public car park (but retained parking for proposed uses) with consequential alterations to the servicing and residential parking areas.	53	32	21	0	39.6%
Fitzrovia Apartments, 41-51 Bolsover Street	06/04986/FULL	Full planning permission granted 16/03/07	Demolition of all existing buildings on the site including the listed consulting rooms and operating theatre, retention of listed waiting hall and the erection of lower ground (basement), ground plus part four, part five, part six and part seven storey building. Mixed use scheme for residential accommodation (100 flats), orthopaedic clinic (Class D1) business (Class B1) use, plus basement parking and cycle parking.	110	77	5	28	30%
Grosvenor Waterside P2 – Buildings A+B –	06/07097/FULL	Full planning permission granted 23/07/07	Erection of two buildings: Building A - part five/part six/part seven/part ten storeys for use as 164 residential units,	323	260	63	0	19.5%

N.B This includes schemes providing between 50-500 units

City of Westminster

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Moore House and Caro Point, Gatliff Rd			two Class A1 retail/ Class A3 restaurant units and a street sweepers depot; Building B - rising in stages from six storeys to fourteen storeys with tower feature for use as a 159 residential units (including 71 affordable units) and a Class A1 retail/ Class A3 restaurant unit.					
Grosvenor Waterside P2 – Building C – Bramah, Grosvenor Rd	06/07098/FULL	Full planning permission granted 23/07/07	Erection of part ten/part twelve storey building comprising 299 residential units including 196 affordable units, restaurant, health and fitness centre and basement car parking (Building C, part of Grosvenor Waterside Development)	299	103	196	0	65.6%
The Lancasters, 75-89 Lancaster Gate	08/02348/FULL	Full planning permission granted 18/06/08	Alterations during the course of construction to scheme granted planning permission (RN: 07/01336), namely reduction of the number of flats in Nos. 80-83 Lancaster Gate by five units and external work to Bayswater Road and Lancaster Gate elevations of buildings between 80-89 Lancaster Gate including alterations to fenestration, installation of glazed roof to lightwell, amendments to external staircases in lightwells and replacement of chimney stacks and parapets at main roof level. All previous planning obligations and parking secured on earlier permission to remain the same.	85	74	11	0	12.9%
Marshall Street Leisure Centre, Dufours Place	07/03088/FULL	Full planning permission granted 26/10/07	Internal and external alterations to the Marshall Street Leisure Centre (including demolition of smaller pool	52	37	11	4	28.8%

N.B This includes schemes providing between 50-500 units

City of Westminster

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			and depot building with upper floors at rear) and extensions to provide: enhanced leisure centre facilities (Class D2), with enclosed plant area on pool roof; a new replacement Council street cleansing depot; use of part of the Soho public car park (retaining 222 spaces) as commercial offices (Class B1) and residential with extensions to provide 52 new residential units. Temporary permission for use of Broadwick Street Car Park as the Council street cleansing depot during construction.					
Former Middlesex Hospital (was Noho), Mortimer St	07/01120/FULL	Full planning permission granted 19/10/07	Partial demolition and redevelopment for ten storey buildings for mixed use purposes comprising 261 residential units (Class C3), office (Class B1), retail (Class A1), financial and professional services (Class A2), restaurant (Class A3) and community/health uses; creation of new public open space; new vehicular and pedestrian accesses; works to the public highway; basement car and cycle parking; associated works including landscaping, servicing areas and plant; retention and repair of existing chapel, No.10 Mortimer Street and Nassau Street facades.	261	182	66	13	30.3%
Wilton Plaza + 20 Gillingham St	05/06537/FULL	Full planning permission granted 15/03/06	Redevelopment involving demolition of existing buildings and erection of new buildings comprising ground and 10 upper floors fronting Wilton Road and ground and eight upper floors fronting	111	37	74	0	66.7%

N.B This includes schemes providing between 50-500 units

City of Westminster

Affordable housing provision level in schemes benefiting from planning permission 1st Jan 2005 -1st June 2010.

			Gillingham Street and projecting rearward into site, for use as retail (Class A1) and/or restaurant/cafe (Class A3) at ground floor level, 74 affordable residential units (25 x 1-bed, 21 x 2-bed, 21 x 3-bed and 7 x 4-bed) and 37 market residential units (8 x 1-bed, 20 x 2-bed, 9 x 3-bed) at first to tenth floor level, student accommodation comprising 157 student bed spaces and facilities at first to eighth floor level, 61 car parking spaces, cycle parking and servicing area at ground floor level, plant at roof level including solar thermal panels, public art, soft and hard landscaping including a children's play area and creation of new vehicular access from Gillingham Street.					
Merchant Square F, Harbet Rd	06/00952/FULL	Full planning permission granted 15/09/09	Redevelopment by the erection of a 16 storey residential building comprising 146 residential units with ground floor Class A1/A2/A3/A4/A5 uses, child day nursery, ancillary basement parking, highway works, new vehicular and pedestrian accesses, all necessary enabling works, new bridge and associated works to Paddington Basin, closure of public highway and highway improvements and associated hard and soft landscaping (Building F).	146	92	36	18	37%

N.B This includes schemes providing between 50-500 units