

# CENTRE POINT

FINANCIAL VIABILITY ASSESSMENT

PLANNING APPLICATION 1B



APRIL 2013

**COMMERCIALLY CONFIDENTIAL**

Centre Point  
Financial Viability Assessment

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On behalf of: Almacantar (Centre Point) Limited

Application 1B

**REDACT VERSION**

2 April 2013

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## EXECUTIVE SUMMARY (NON-TECHNICAL)

- 1 This report provides a financial viability assessment (FVA) of a mixed use development proposal for Centre Point on New Oxford Street, London. The revised application proposals brought forward by Almacantar and designed by Conran & Partners and Rick Mather Architects address the reasons for refusal of the previous application, submitted in May 2012, for the regeneration of the site. In particular, the revised proposals provide on-site affordable housing, enable St Giles High Street to remain open, and significantly reduce the level of car parking.
- 2 In addition to the FVA, an Economic Assessment has previously been undertaken, which demonstrates it is not economically viable to retain Centre Point in office use. This conclusion remains the position and we reconfirm it is not viable to maintain the building in office use.
- 3 In assessing the proposed scheme, the FVA has also examined alternative scenarios (counterfactuals), having regard to planning policy, in order to demonstrate the rationale and justification for application in terms of:
  - a) the proposed mix of uses;
  - b) the contribution to affordable housing;
  - c) level and timing of planning obligations;
  - d) Crossrail contribution; and
  - e) public realm benefits.
- 4 Centre Point, which is a Grade II listed building, comprises of Centre Point Tower (CPT), Centre Point Link (CPL), Centre Point House (CPH) and a public house ("the pub site") together with the land around the base of the complex. Key to the FVA (and the planning application) has been the consequences of retaining the Centre Point building (except the public house) due to its listed status.
- 5 The FVA has been undertaken in a planning policy context and having regard to best practice viability guidance including the RICS Guidance Note Financial Viability in Planning. In particular, the report notes the need for the proposed scheme to be viable and deliverable, with decision-taking by the Local Planning Authority having regard to "competitive returns" and "flexibility" in the application of policy and obligations (NPPF paragraphs 173 and 205). The FVA applies a residual based methodology in assessing viability which is standard practice.
- 6 The FVA has considered three counterfactual scenarios together with the proposed scheme, largely in connection with alterations to CPT which are summarised as follows:-

a) Counterfactual A	50% housing and 50% office use
b) Counterfactual B	Viewing gallery situated within CPT
c) Counterfactual C	Restaurant situated within CPT

- d) Proposed Scheme Residential-led mixed use proposal including on-site affordable housing
- 7 In addition to the above uses, retail is introduced in each of the proposals in CPL and at the base of CPH and the pub site being a combination of A1, A3 and A4 uses.
- 8 In each instance, a notional planning obligations package has been assumed within the viability existing appraisal.
- 9 The counterfactual and proposed scenarios have been financially modelled on both a present day and growth (forecasting / outturn) basis in order to understand the potential capability of each to be viable. A target return, having regard to the risk of delivering a scheme within a Listed and iconic building, has been determined, against which each scenario has been tested for comparison purposes.
- 10 The report provides a comprehensive evidence base in terms of sales and market data to justify rents and values for each scenario. Detailed cost reports have also been prepared which have fed into the FVA. The FVA has relied on a variety of consultant inputs in order to objectively and transparently assess the various scenarios.
- 11 The outturn results in respect of the scenarios are as follows:-

Scenario	Potential Capability to be Viable	
	Present Day	Growth
Counterfactual A	X	X
Counterfactual B	X	X
Counterfactual C	X	X
Proposed Scheme	X	✓

Notes: X = unviable  
✓ = potentially capable of being viable

- 12 It can be seen that the only scenario which is potentially capable of being viable is the proposed scheme assuming growth. The scenarios have been further tested through sensitivity, scenario and simulation analysis to test the inevitable uncertainties associated with development, with the outcome that the results remain as above.
- 13 The FVA has also demonstrated that the proposed level of on-site affordable housing, planning contributions and Mayoral CIL, when taken as a whole, is all that can be afforded.
- 14 The FVA has demonstrated that alternative scenarios of Counterfactuals A, B and C are not viable and therefore neither offices, a viewing gallery nor a restaurant could be delivered in CPT. The proposed scheme however provides the optimum mix of uses, having regard to a maximum reasonable level of affordable housing and planning contributions in order to be able to deliver and implement a viable scheme in accordance with NPPF, London Plan and Camden policies. This has subsequently been robustly tested, including the timing of proposed payments, and the results presented.

- 15 The proposals meet NPPF, London Plan and LB Camden's policy tests in respect of the proposed change of use and the provision of the maximum reasonable amount of affordable housing.

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## 1 Introduction & Instructions

- 1.1 Gerald Eve LLP are instructed by Almacantar (Centre Point) Limited ("the Applicant") to undertake a financial assessment of a mixed use development proposal at Centre Point, 101-103 New Oxford Street, London, WC1 ("the Site"), which is the subject of a detailed planning and listed building consent applications. The applications propose the comprehensive conversion and refurbishment of the Site to create a mixed use residential and retail scheme ("the Scheme").
- 1.2 This revised application addresses the reasons for refusal of the previous application for regeneration of the Site, submitted in May 2012 (decision notices were issued on 27<sup>th</sup> September 2012).
- 1.3 The purpose of this financial viability assessment is to justify an appropriate planning obligations package, including on-site affordable housing, to accompany the detailed planning application and listed building consent. This report has been prepared having regard to the National Planning Policy Framework (NPPF), London Plan, The London Borough of Camden ("LBC") Core Strategy, Development Policy DPD, the RICS guidance note 'Financial Viability in Planning' ("RICS GN") and generally accepted principles of undertaking financial viability assessments.
- 1.4 The report sets out the details of what is being proposed and provides a financial assessment, rationale and justification for the following:
  - the proposed mix of uses;
  - the level of affordable housing;
  - the level and timing of other Section 106 contributions;
  - Crossrail contribution; and
  - Public realm (both on-site and off-site) benefits
- 1.5 The applications are submitted by Gerald Eve LLP's planning team on behalf of the Applicant. This summary assessment is being provided to support the application and facilitate discussions with LBC's advisers in order to address and seek to reach agreement upon the viability of the Scheme, having regard to the level of planning obligations when taken collectively. A planning performance agreement is being agreed between the Applicant and LBC.

- 1.6 It should be noted that a separate application known as Application 1A has also been submitted for the site. Application 1A is identical to this application in all respects other than the design of the replacement affordable housing block on the pub site and the quantum of the homes delivered. Application 1A will deliver 13 affordable homes within a slightly smaller building whereas this application (Application 1B) will deliver 16 homes.
- 1.7 Certain information contained within this report and its appendices is commercially sensitive and therefore will only be provided to LBC's advisers on a confidential basis.
- 1.8 Bespoke financial appraisals have been built to assess the viability of the Scheme and Counterfactual Scenarios and results are provided via present day and outturn (growth) appraisals.
- 1.9 The benchmark return used in this report is the Internal Rate of Return (IRR). This allows a comparison between the present day and outturn (growth) appraisal as the IRR takes into account the time value of money given the development timeframe.
- 1.10 We have also provided a risk analysis in order to test the sensitivity and robustness of the returns having regard to changes in the inputs. This is in accordance with normal practice when undertaking financial viability assessments in respect of the nature of the Scheme.
- 1.11 The appraisals provide a benchmark return output and this has then been relied upon to establish the appropriate level of the pot for the Scheme. It therefore follows that the resultant pot has been determined by reference to the viability of the Scheme.
- 1.12 Agreement was reached on many of the financial inputs to the appraisals during the determination of the May 2012 application. A summary of the matters agreed between Gerald Eve and BPS, in addition to those requiring further discussion prior to the submission of this FVA, are set out in **Appendix 1**. This provides the basis upon which this revised FVA to support the revised application has been prepared.
- 1.13 In order to inform our report we have relied upon information provided by a number of other consultants, the principal members being:
- Conran & Partners (Architects)
  - Rick Mather (Architects)

- Gerald Eve LLP (Planning consultants)
- WT Partnership (Cost consultants)
- Savills (Private residential advisors)
- Bruce Gillingham Pollard (Retail accommodation advisors)
- Knight Frank (Office accommodation advisors)
- EC Harris (Affordable Housing consultants)
- Britton McGrath (Leisure accommodation advisors)
- Almacantar

1.14 The remainder of this report comprises a further 16 sections and is set out as follows:

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### **Background**

A general introduction and description of the Site and surrounding area and contextual matters relevant to the financial assessment.

### **Planning Context**

A short synopsis of the planning background to the Scheme with reference to: a brief planning history; the relevant national, regional and local guidance, including residential requirements (including affordable housing); planning obligations; and Crossrail contribution.

### **Proposed Scheme**

An outline of the Scheme and summary of areas, including a residential and retail unit breakdown.

### **Limitations on Mix of Uses within Centre Point**

A summary of the structural and technical reasons for which the provision of multiple uses within Centre Point Tower is inherently difficult.

### **Counterfactual Scenarios**

An outline of the three alternative schemes ("Counterfactual Scenarios") which comprise:

- a) office and private residential accommodation within Centre Point Tower and;
- b) viewing gallery within Centre Point Tower
- c) restaurant within Centre Point Tower

### **Sales and Market Data**

A summary of the market research that has been undertaken to justify the values, rents and yields applied for the residential sales and commercial space in respect of the Scheme and Counterfactual Scenarios.

### **Costing and Exceptional Costs**

A summary of the costs together with identifying exceptional cost items associated with the development of the Site including listed building repair works. In addition details of the assumed finance costs are provided in this Section.

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### **Programme & Phasing**

An overview of the development programme for the constituent elements of the Scheme comprising Centre Point Tower, Centre Point House, Centre Point Link and the pub site.

### **Inflation & Forecasts**

A review of the assumptions applied in the financial appraisal relating to cost inflation and forecast growth rates for the residential capital values and commercial rents.

### **Base Land Value (And Related Costs)**

An explanation of the underlying land value as applied within the appraisals and vacant possession costs.

### **Planning Obligations Package (Notional)**

An outline of the planning obligations and illustrative quantification of apportionment in respect of the Scheme (and those relating to the Counterfactual Scenarios).

### **Interpretation of Results**

An explanation of key assumptions within the financial appraisal, and guidance for interpreting the growth model approach and development return measures in relation to the proposed Scheme.

### **Proposed Scheme: Financial Appraisal**

Financial viability appraisals of the Scheme on a present day and growth basis having regard to the level of planning obligations (including a financial contribution in lieu of affordable housing) and Crossrail contribution.

### **Counterfactual Scenarios: Financial Appraisal**

Financial viability appraisals of the Counterfactual Scenarios on a present day and growth basis to assess the viability of delivering a part-office part-residential scheme and a viewing gallery / restaurant within Centre Point Tower.

### **Viability, Analysis, Sensitivity & Risk Assessment**

An analysis and risk assessment of the Scheme and Counterfactual Scenarios having regard to the level of affordable housing and the proposed planning obligations.

### **Concluding Financial Justification Statement**

As a result of our analysis, the rationale as to the level of affordable housing and financial planning obligations package including Crossrail contribution in the context of paragraph 1.3 above.

- 1.15 A number of appendices are introduced and referred to in the text of the report.
- 1.16 This report has been prepared as at April 2013 in the context of the prevailing poor economic climate (both UK and globally). The report assumes that notwithstanding the poor economic climate, normal funding and financing sources would be available for such a development, as proposed. The reader is therefore directed to the authors of this report, in the first instance, in order to confirm whether the numbers contained within it are still up to date and appropriate. It may therefore be necessary to refer to updated addenda.
- 1.17 In addition to this report, Gerald Eve LLP have provided an Economic Assessment to support the application submitted in May 2012. This was subject to a separate report from BPS which stated that the inputs, assumptions and forecasts used within the report (and subsequent amendments) were justified. Sensitivity analysis also tested the appraisals and level of acceptable return. BPS supported the conclusions of the EA that CPT was reaching the end of its useful life and that a change of use was both warranted and supportive on economic grounds. At **Appendix 2** we provide a further statement confirming that these conclusions remain the position notwithstanding certain movements within the inputs to the appraisals. In other words, we reconfirm that it is not viable to maintain Centre Point in office use.

- 1.18 In accordance with best practice and the RICS GN we confirm that this report has not been prepared on the basis of performance related or contingent fees or similar arrangements. We further acknowledge and confirm that in undertaking this assessment, we have acted reasonably, fairly and with transparency.
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## 2 Background

- 2.1 The Site is located within the London Borough of Camden in the west of the Borough and also falls within the Denmark Street Conservation Area. The boundary of the City of Westminster runs along Charing Cross Road immediately to the west of the Site. A location plan is attached at **Appendix 3**, identifying the Site's locational context.
- 2.2 The Site occupies a prominent position, on the eastern corner of St Giles Circus. The surrounding area is characterised by a mix of uses including retail, offices and residential accommodation. Nearby attractions including the British Museum, West End Theatres and Oxford Street shopping make the area a popular tourist destination. To the south east of the Site is the Grade I listed St Giles Church, which historically was the focus of the surrounding area.
- 2.3 The Site is well located for public transport with bus routes running along Oxford Street and Charing Cross Road, connecting the Site with other parts of central and outer London. The new Crossrail Station currently being developed on Oxford Street and Tottenham Court Road Underground Station (Central and Northern lines), which is currently being upgraded, are adjacent to the Site. Oxford Circus Underground Station (Bakerloo and Victoria lines) is approximately 800 metres to the west and Holborn Underground Station (Piccadilly and Central lines) is 600 metres to the east.

### Site Description

- 2.4 The Site extends to an area of 1.93 acres (0.78 ha) and is bounded by New Oxford Street to the north, Charing Cross Road to the west, Earnshaw Street to the east with St Giles High Street running through the site from south to north. A Site plan is attached at **Appendix 4**.
- 2.5 Constructed between 1961 and 1966 the Centre Point complex comprises four elements: Centre Point Tower (CPT); Centre Point House (CPH); the glazed Centre Point Link (CPL), which connects CPT with CPH at first and second floor levels; and the public house adjoining CPH. The building comprises a mix of office, residential, retail, restaurant and bar accommodation.
- 2.6 A schedule of the land uses and areas is provided below:

**Table 1: Existing Areas**

Use	GEA (sq m)
Residential	4,086
Retail	7,887
Office	27,516
<b>Total</b>	<b>39,489</b>

- 2.7 Centre Point is one of central London's most recognisable landmarks and its architectural interest was recognised in 1995 when the complex was Grade II listed. This cited Centre Point as an early example of high quality off-site pre-casting, whereby the panels are hung from the frame without the use of scaffolding. In addition, Centre Point won the Concrete Society's Mature Structures Award in 2009 which recognises excellence in the use of concrete in building and civil engineering structures more than 25 years old.
- 2.8 CPT comprises a concrete and glass high rise office building arranged over 36 floors. At 117 metres (385 ft) high it is also one of the tallest buildings in the West End. The building is easily identified by its distinctive hexagonal façade and the illuminated 'Centre Point' signage set within. CPT comprises a large ground floor entrance accessed at street level and an upper ground mezzanine level entered via an external staircase. The basic core arrangement provides a set of three lifts at each end of the floorplan.
- 2.9 CPH is connected to CPT via a two storey glazed link known as CPL which oversails St Giles High Street and runs parallel to New Oxford Street. CPL adjoins the eastern face of CPT and comprises a significant area of sheet glazing which uses glass ribs set at right angles, to create a light filled dual aspect panoramic space that looks down onto New Oxford Street. CPL currently provides conference facilities and office accommodation, and is occupied in conjunction with the 1st and 2nd floors of CPT and CPH.
- 2.10 CPH is the north-south linear block which sits adjacent to Earnshaw Street and forms the eastern edge of the Centre Point complex. It is a ten storey building including two mezzanine levels. The building comprises a glazed frontage to the retail units at ground

and mezzanine level with offices at first floor and mezzanine level which are accessed laterally from CPT and CPL. There are six storeys of residential accommodation, comprising 36 units above accessed by two staircases at the northern and southern ends of the building. The Applicant has control of ten of the units and these are let on ASTs. The façade has deteriorated over time and repair works are currently required to the upper floors.

- 2.11 The four storey public house currently occupied by the Intrepid Fox adjoins CPH. The southern elevation of this element is predominantly glazed. The lower floors are clad in a dark granite with the upper floors clad in concrete; the latter reading as an extension to the podium / brise soleil of CPH. There is a glazed conservatory situated at the entrance. Later decoration and conservatory structure is considered to have damaged the original appearance of the listed building and gives a poor relationship to the public realm.

### 3 Planning Context

- 3.1 This section provides a brief overview of the planning background to the Scheme, in particular to those policies which set the background and need for viability assessments, in order to justify the level of planning contributions. A full planning statement will also be submitted to the Council as part of the planning application.

#### Planning History

- 3.2 Planning permission and listed building consent were refused on 27 September 2012 (following Camden's Development Control Committee on 20 September 2012) under references 2012/2895/P and 2012/2897/L for:

##### **Planning permission 2012/2895/P**

**Change of use of Centre Point Tower from office (Class B1) and restaurant/bar (Sui Generis) use to residential use (Class C3) to provide 82 residential units and ancillary residential floorspace (spa, gym, pool and club). Change of use of Centre Point Link from office (Class B1) and bar (Class A4) use to flexible retail/restaurant/bar (Class A1/A3/A4) use and the erection of a ground floor extension partially infilling under the bridge link. Change of use of Centre Point House at first and second floor levels from office (Class B1) use to flexible retail/restaurant/bar (Class A1/A3/A4) use and alterations and extensions to the existing building at ground floor level to provide flexible retail/restaurant/bar (Class A1/A3/A4) use. Alterations to the exterior of Centre Point Tower, Centre Point Link and Centre Point House including the replacement and refurbishment of the facades including fenestration and shopfronts, new pedestrian link through Centre Point House and associated basement car parking, terraces, landscaping, public realm, highway works, servicing and access arrangements, and extract ducts.**

##### **Listed building consent application 2012/2897/L**

**Internal and external alterations including the relocation internally of the existing external ground and mezzanine eastern and western staircases, and the replacement and refurbishment of the facades including fenestration and shopfronts, all associated with the change of use of Centre Point Tower from**

**office (Class B1) and restaurant/bar (Sui Generis) use to residential use (Class C3) to provide 82 residential units and ancillary residential floorspace (spa, gym, pool and club). Change of use of Centre Point Link from office (Class B1) use and bar use (Class A4) to flexible retail/restaurant/bar (Class A1/A3/A4) use and the erection of a ground floor extension partially infilling under the bridge link. Change of use of Centre Point House at first and second floor level from office (Class B1) use to flexible retail/restaurant/bar (Class A1/A3/A4) use. Alterations and extensions to the existing building at ground floor level to provide flexible retail/restaurant/bar (Class A1/A3/A4) use and associated basement car parking, terraces, landscaping, public realm, a new pedestrian link through Centre Point House, highway works, servicing and access arrangements, and extract ducts.**

3.3 The planning decision notice contains 20 reasons for refusal (however, 15 of them relate to the absence of a signed legal agreement which would have been signed had the application been approved). Members considered that there were five substantive reasons for refusal which relate to:-

- Insufficient information to demonstrate that the proposed closure or diversion of St Giles High Street would not have a detrimental impact on local roads and the Strategic Road Network.
- In the absence of sufficient justification for the shortfall in the provision of on-site affordable housing and why it is not currently possible to deliver affordable housing off-site, the development fails to contribute the maximum reasonable amount of affordable housing.
- The proposed conversion of the restaurant/bar on the 31<sup>st</sup>, 32<sup>nd</sup> and 33<sup>rd</sup> floors of Centre Point Tower to residential uses would result in a tall building without any publically accessible areas on the upper floors.
- The provision of car parking spaces fails to promote more sustainable and efficient forms of transport.
- The inclusion of a drop off/pick up area on New Oxford Street would be likely to impact on pedestrian amenity and highway safety.

3.4 The decision notice for the listed building consent application contained two reasons for refusal which relate to:-

- The proposed glazing under the link bridge would alter its appearance as a bridge and alter the composition of Centre Point as a whole.
- The proposed alterations to the building's façade, results in the loss of original fabric and alters the appearance of the building.

3.5 In terms of more historic permissions, outline planning permission was granted on 13 November 1959 for the development of 93-111 New Oxford Street, 1-14 Earnshaw Street, 14-51 St Giles High Street, 150-178 Charing Cross Road and 1-31 Lawrence Place for use as offices, residential, restaurants and shops.

3.6 Planning permission for the change of use from office (Class B1) to mixed restaurant and bar use (sui generis) at 31st and 32nd floor levels was granted on the 22 February 2006. In addition, an application to change the use of the level 33 viewing gallery, ancillary business (Class B1) use to a mixed use as a restaurant, and bar and offices (sui generis) was granted on the 5 January 2007.

3.7 A number of minor permissions for various alterations, advertisement consents have been granted but none are considered of particular relevance to this application.

### **Site Specific Allocations and Designations**

3.8 Within the London Plan, the Site is located in the Central Activities Zone (CAZ) and the Tottenham Court Road Opportunity Area. The building is Grade II listed.

3.9 The London Borough of Camden designates the site as being within:

- The Central London Area and A Central London Frontage
- Denmark Street Conservation Area – Sub Area 3
- The Tottenham Court Road Growth Area
- Tottenham Court Road Stations & St Giles High Street Area Planning Framework

## **Relevant Planning Policy**

### Strategic Principles

- 3.10 The NPPF contains a very clear and strong presumption in favour of sustainable development. Paragraph 173 highlights deliverability and the provision of competitive returns to willing land owners and developers to enable sustainable development to take place so as to meet an area's needs
- 3.11 At a regional level, the Site is located within an Opportunity Area in the London Plan. The plan prioritises sustainable development and the provision of housing, seeking to encourage efficient use of land by ensuring that development proposals achieve the maximum intensity of use compatible with the local context.
- 3.12 At an area specific level, the Tottenham Court Road Growth Area is identified as containing a number of development sites which give an opportunity to improve and enhance the local environment. Growth in the area is anticipated to be supported by transport enhancements as part of the development of Crossrail.

### Employment

- 3.13 Paragraph 51 of the NPPF states local planning authorities should normally approve planning applications for change to residential use and any associated development from commercial buildings (in the B use classes) where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate.
- 3.14 Policy CS8 of the Core Strategy concerns the Camden Economy. The reasoned justification for the policy states at paragraph 8.8 that "the future supply of offices in the borough can meet projected demand. Consequently, the Council will consider proposals for other uses of older office premises if they involve the provision of permanent housing".

### Housing

- 3.15 At a local level, Core Strategy policy CS6 considers that there is a need to provide high quality housing through maximising the supply of additional housing to meet or exceed Camden's ten year target of 5,950 new homes from 2007-2017.

- 3.16 In respect of affordable housing, paragraph 50 of the NPPF states that where local planning authorities have identified that affordable housing is needed, they should set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified. Such policies should be sufficiently flexible to take account of changing market conditions over time.
- 3.17 Policy 3.12 contained within the London Plan states that the maximum reasonable amount of affordable housing should be sought when negotiating on individual private residential and mixed used schemes. In assessing proposals, regard should be had to the specific circumstances of individual sites including financial viability.
- 
- 3.18 At a local level, LBC will seek to negotiate the development of individual sites on the basis of an affordable housing target of 50% of the total addition to housing floorspace. Affordable housing tenure should be split into 60% social rented and 40% intermediate housing. Part (d) of policy DP3 advises that the Council will take into account the economics and financial viability of the development associated with a proposal.
- 3.19 The Camden Planning Guidance on Housing, which supports the policies in the LDF states the Council may seek up to 100% social rented housing where the affordable housing in the scheme is 30% or less.

### Retail

- 3.20 At a national planning policy level, paragraph 23 of the NPPF states that planning policies should be positive, promote competitive town centre environments and set out policies for the management and growth of centres over the plan period. Paragraph 23 goes on to state that it is important that needs for retail and other town centre uses are met in full and are not compromised by limited site availability.
- 3.21 Tottenham Court Road is identified as a CAZ Frontage within the hierarchy of London town centres in the London Plan meaning a mixed use area usually with a predominant retail function. The Core Strategy (policies CS1, CS3 and CS7) confirm that Tottenham Court Road is a suitable location for accommodating growth in retail floorspace.



### Design

- 3.22 The Government attaches great importance to the design of the built environment in the NPPF. Paragraph 56 states that good design is a key aspect of sustainable development and should contribute positively to making places better for people.
- 3.23 The planning framework for Tottenham Court Road Stations & St Giles High Street Area states that new development and public spaces will be designed to the highest standards, befitting their location in an historic area at the heart of the capital city.

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### Listed Buildings and Conservation Areas

- 3.24 Paragraph 131 of the NPPF states that in determining planning applications, local planning authorities should take account of:
- the desirability of sustaining and enhancing the significance of heritage assets and putting them to viable uses consistent with their conservation;
  - the positive contribution that conservation of heritage assets can make to sustainable communities including their economic vitality; and
  - the desirability of new development making a positive contribution to local character and distinctiveness.
- 3.25 London Plan policy 7.9 states that regeneration schemes should identify and make use of heritage assets and reinforce the qualities that make them significant.
- 3.26 Policy CS14 contained within LBC's Core Strategy, aims to sustainably manage growth in Camden in a way that conserves and enhances the heritage and valued places that give the borough its unique character.

### Planning Obligations and Crossrail Contribution

- 3.27 At paragraph 173 the NPPF stipulates that pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

- 3.28 Where planning obligations are being sought paragraph 205 states that local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.
- 3.29 London Plan Policy '8.2 – Planning Obligations' highlights that when considering planning applications of strategic importance, the Mayor will take into account, among other issues, including economic viability of each development concerned, the existence and context of planning obligations.
- 3.30 The Site is located within the Central London Crossrail contribution area, a contribution towards Crossrail will be sought by the Mayor in connection with the development in accordance with Policy 6.5 of the London Plan, the Mayor's Supplementary Planning Guidance (SPG) the Use of Planning Obligations in the Funding of Crossrail (July 2010).

### **Summary**

- 3.31 The NPPF has a clear presumption in favour of sustainable development and in determining planning applications local planning authorities should take account of the desirability of sustaining and enhancing the significance of heritage assets and putting them to viable uses.
- 3.32 The NPPF recognises that development should not be subject to such a scale of obligation and policy burdens that its viability is threatened; and in addition, obligations should be flexible to market changes in order to ensure planned developments are not stalled. This reinforces the need for viability testing in order to allow willing landowners and developers to receive competitive returns which in turn enable the delivery of development.
- 3.33 In assessing the level of planning obligations, including affordable housing provision, in accordance with the London Plan and LBC's Development Policies, regard must be had to the economics of development and financial viability considerations associated with the scheme proposals and other planning objectives and requirements.

## 4 The Scheme

### Introduction

- 4.1 The application proposes the redevelopment of Centre Point to comprise a residential-led mixed use scheme. The proposal aims to maximise the use of the Grade II listed existing building, secure its long-term future and rejuvenate the surrounding area.
- 4.2 Following refusal of the previous applications, the proposals have been amended to accommodate the following changes:-
- i) separation of all works which relate to the Strategic Road Network into a separate application (Application 2) to be submitted once the relevant transport modelling has taken place by Transport for London and all necessary consultation has taken place by LBC.
  - ii) inclusion of 16 affordable housing units within a new building on the site of the adjoining pub immediately to the south.
  - iii) a further reduction in the number of car parking spaces so that only 17 car parking spaces of the 69 spaces that currently exist will be retained. All spaces will be able to access an electric charging point.
  - iv) detailed analysis undertaken into the potential to include public access within Centre Point Tower.
  - v) removal of the drop off/pick up area on New Oxford Street.
  - vi) removal of the glazed element under Centre Point Link. This will be brought forward as part of Application 2.
  - vii) further justification and information is provided regarding the proposed alterations to the building's façade.
- 4.3 The Applicant is seeking planning permission for in excess of 40,000 sq m of development floor space (GEA) within Centre Point Tower, Centre Point House, Centre Point Link and on the pub site. The development will provide A1/A3/A4 retail and C3 residential uses (private and affordable housing) including associated amenity space as outlined overleaf:

**Table 2: Proposed Scheme – Floor Areas**

Land Use	GEA (sq m)	GEA (sq ft)
A1/A3/A4 Retail	8,156	87,790
C3 Residential	33,968	365,628
<b>Total</b>	<b>42,016</b>	<b>452,257</b>

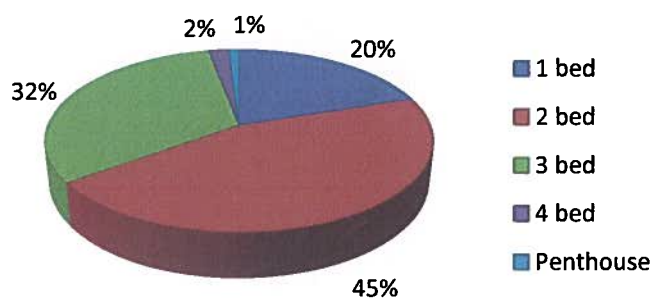
### Private Residential Proposal

- 4.4 The application proposes the change of use of CPT from office (Class B1) and restaurant/bar (sui generis) use to provide residential accommodation (Class C3) throughout.
- 4.5 The design of the CPT lends itself well to residential conversion, as units can work within the listed structure and layout of the building. Approximately 132,666 sq ft (NSA) of private residential floorspace is proposed, which will comprise 82 units ranging from one to four bedrooms including a duplex penthouse apartment as outlined below:

**Table 3: Private Residential Unit Mix**

Beds	Mix %	No. of Units
1	20%	16
2	45%	37
3	32%	26
4	2%	2
PH	1%	1

**Chart 1: Private Residential Unit Mix**



- 4.6 The first floor, by virtue of having a greater storey height and its relationship to the brise-soleil, along with the second floor is proposed as residential amenity space. This will comprise facilities including a swimming pool, gym and club room. These two floors have a close relationship with CPL and the public realm, and thus are more appropriate as amenity space than as residential floors.
- 4.7 The residential units will be accessed via two original lift cores at the north and south ends of the building, and there will be a residential concierge at mezzanine level.
- 4.8 The residential provision within CPT will be entirely private housing. This is in part due to inherent constraints within the building which means it is not appropriate and also very difficult to provide affordable housing on-site within this element of the Scheme. The maximum reasonable provision of affordable housing could not be provided in CPT.

#### **Affordable Residential Proposal**

- 4.9 On-site affordable homes will be delivered in a new high-quality, 11 storey (including basement) self-contained block, which can be effectively managed by a Registered Provider.
- 4.10 The proposals involve demolition and redevelopment of the pub site to provide 16 affordable units.
- 4.11 All units will be delivered as affordable rent which is a categorised form of social housing and intended to meet the same housing needs as social rent. Therefore, the affordable element will be deemed as helping the social housing component of the affordable homes target in accordance with the Mayor's Housing SPG, November 2012 (para 4.3.2b).

#### **Retail Proposal**

- 4.12 The Scheme proposes the change of use of CPL from office and conference facilities to mixed retail use and the change of use of CPH at first and second floor level from office use to mixed retail use, including alterations to provide retail floorspace at ground floor level.

- 4.13 The Scheme looks to provide eight retail units. Seven of the units are located within the existing configuration of CPL and CPH. The units will be located over ground to second floor and include mezzanine levels at ground and first floor. In addition the existing space above CPL will be converted to provide terrace restaurant space.
- 4.14 A flexible retail unit (Class A1/A3/A4) will also be provided on the ground floor of the proposed affordable housing block.
- 4.15 The Scheme will also incorporate a new pedestrian route, running from east to west, from the proposed public square to Earnshaw Street, through the base of CPH. This would be a double height passageway, 4 metres wide and 20 metres long which would be open during the day and secured late at night for safety. The route will link Soho, through Sutton Row, St Giles and on to the British Museum, via Bucknall Street.
- 4.16 The table below gives a floor by floor breakdown of the retail unit areas:

**Table 4: Retail Areas (NIA)**

Unit	Floor	Sq Ft
R2	-1, G, Mezz	4,864
R3	G, 2	7,287
R4	G, 1, 1 Mezz	15,907
R5	G, 1, 1 Mezz	9,008
R6	G	2,658
R7	G	290
R8	G	118
R9 (pub site)	G	2,207
<b>Total</b>		<b>42,402</b>

- 4.17 It is proposed Unit R1, situated under CPL, will be delivered by a second application. The delivery of this unit necessitates the closure of St Giles High Street.

#### **Centre Point House – Upper Floors**

- 4.18 A comprehensive internal refurbishment will be undertaken within the existing residential element of CPH. This will include new kitchen fit outs, balcony repairs and the decoration of common areas.

- 4.19 The appearance of CPH would be improved by the proposals and brought closer to its original aspect. This is recognised as a benefit in the Townscape Visual Impact and Heritage Assessment.
- 4.20 The existing façade of CPH has deteriorated and is currently in need of repair:-
- (a) The paint on the opaque spandrel panel has faded and in several locations has peeled off.
  - (b) There is real potential that the CPH facades contain asbestos based on positive results in CPT and the CHP staircases in asbestos surveys.
  - (c) The existing façade leaks heat and resultant condensation issues and does not significantly dampen the surrounding road noise.
  - (d) The ad hoc insulation of secondary glazing by residents to combat heat loss and acoustic issues has resulted in a cluttered appearance.
  - (e) Crude patch repairs have been undertaken to the mosaic tiling using white render.
- 4.21 The proposals will restore the original 1960s qualities with the new façade matching the original glazing rhythm and appearing flush, which has been shown was Seifet's design intent. The fenestration will be sensitively replaced to ensure the long term future of the building with viable running costs and reduced environmental impact.
- 4.22 Repairs will be undertaken to the mosaic tiling. The glazing to the two stair towers will be upgraded to match the existing profiles and fenestration pattern. Furthermore, non-original elements on the balconies will be replaced in the style of the original. Further detail is provided in the relevant section of the Design & Access Statement and provided at Appendix 5.
- 4.23 The London Borough of Camden consider the proposed works to Centre Point House to be a public benefit. These works are also key to ensuring the continuity of the overall composition as well as preserving the heritage asset from further degradation

- 4.24 The proposed works to CPT and CPL along with the construction of a new building adjacent to CPH reinforce the importance of the façade works to CPH in ensuring the positive visual amenity of the whole complex. Should the works not be undertaken, there would be a deteriorating middle element, which would not enable the achievement of the proposed regenerative and townscape benefits.



## 5 Limitations on Mix of Uses within Centre Point

### Introduction

- 5.1 The Scheme proposes the change of use and conversion of CPT to provide private residential units. In order to illustrate this as the optimal use the limitations associated with providing two uses within the confines of CPT are examined below.
- 5.2 In addition, at the request of LBC we have explored the provision of more than one use within CPT through three Counterfactual Scenarios as set out in Section 6. The consequential viability of these is examined in Section 15. Also reference should be made to Gerald Eve's Economic Assessment as referred to in paragraph 1.16.
- 

### Office Use

- 5.3 A design option which provides circa 50% private residential and circa 50% office space has been outlined by Conran & Partners in Appendix 6. The combination of office and residential uses within CPT would require the provision of both entrances in order to maintain a clear separation between the uses.
- 5.4 Knight Frank has expressed their concern over the above arrangement, which is illustrated in Appendix 5, and the resultant impact it would have on office rental values. Modern day office occupiers require impressive and often double height reception areas, however CPT only has the ability to provide a single height entrance of 2.3 metres. In addition office deliveries would be made to this reception area and showers and bike racks would need to be provided at lower ground floor.
- 5.5 The building's listed status acts to constrain the modernisation of CPT and the provision of raised floors and suspended ceilings throughout would reduce the ceiling heights to 2.3 metres. This is considered unsatisfactory. The British Council of Offices recommend that offices of this configuration, classed as 'deep plan', typically require a headroom of 2.75 metres. CPT falls notably short of this.

- 5.6 The provision of office use over the lower floors of CPT would limit the number of premium office floors which benefit from uninterrupted views of Central London. This is one of the main draws of CPT and would impact on the rental levels which could be achieved as set out in Section 7 and Appendix 14. Further comment on this is provided by Knight Frank..

### **Public Access**

- 5.7 A reason for refusal of the 2012 application was that the proposed conversion of the restaurant/bar on the 31<sup>st</sup>, 32<sup>nd</sup> and 33<sup>rd</sup> floors of Centre Point Tower to residential uses would result in a tall building without any publically accessible areas on the upper floors.
- 5.8 There is no planning policy which protects either the existing restaurant use or requires the provision of public access within existing buildings. Notwithstanding this, extensive research have been undertaken to consider whether public access can be reasonably and practically incorporated within CPT when the building is changed to residential use.
- 5.9 This has included a detailed consideration of design and layout requirements including servicing and operational sustainability of incorporating a viewing gallery or restaurant within an existing listed building and these findings are summarised below:

### **Viewing Gallery within CPT**

- 5.10 The existing structure, configuration and layout of the building along with the limitations associated with the building being statutorily listed severely limit the potential to provide a high quality viewing gallery, which could function successfully as a visitor attraction. The building was not designed with public access in mind. It therefore has no dedicated access and lifting arrangements. It follows, any solution for providing access to a viewing gallery in the case of CPT, would be compromised and sub-optimal for both visitors and residents.
- 5.11 There would be a significant impact on residential amenity related to shared use of passenger lifts; effect on residential entrance sequence (residents would access from the south of the building, those occupying units situated off the northern core would have to transfer to the northern lift core at mezzanine level); loss of privacy; loss of residential floorspace resulting in re-configuration of affected private residential units.

- 5.12 Conran & Partners and Britton McGrath have been instructed by the Applicant to undertake a feasibility study to assess the potential for incorporating a viewing gallery within CPT as part of the application proposals. A copy of the design options prepared by Conran & Partners is provided at **Appendix 7**. The options are explored in further detail in the Britton McGrath report, provided at **Appendix 8**. The Britton McGrath report concludes that all options are unsustainable from a commercial perspective and accordingly would not appeal to a rational operator.
- 5.13 Whilst the options involving provision of a viewing gallery on the whole of either the 33<sup>rd</sup> or 34<sup>th</sup> are not commercially sustainable, they do produce a surplus in the context of a best case scenario, this is on the basis that the upper end of the ticket pricing schedule can be achieved and does not allow for set-up costs.
- 5.14 The use of the 34<sup>th</sup> floor as a viewing gallery raises significant structural and heritage issues and therefore within this report we have focussed on testing the financial viability of providing a viewing gallery on the 33<sup>rd</sup> floor (Option 1 in the Britton McGrath report). The viewing gallery would have to be operated by the Applicant given that it would not be of interest to a commercial operator.

#### **Restaurant within CPT**

- 5.15 Conran & Partners have undertaken a further study to determine whether a restaurant could be located in CPT (see **Appendix 8**). It has been identified in design terms the most appropriate level would be the 13<sup>th</sup> floor. A high level restaurant in this location would most likely operate as event space. Such space relies heavily on pre-booking rather than passing trade and typically requires more than 4,000 sq ft GIA. With venues of this type, the amount of space allocated to back-of-house, kitchen and customer toilets is a significant proportion of the total GIA. Often, it can be in the region of 50%. This space restricts diners' views which are obviously a key selling point. Capacity and thus, net lettable area would be further limited by fire escape constraints.
- 5.16 A restaurant/bar of this type also encourages concentrations of arrivals, particularly at the beginning and end of service. This will impact on the ground floor entrance arrangements and create the need for a dedicated lift service for the restaurant/bar which would impact on residential waiting times and therefore values.
- 5.17 A dedicated service lift would also be essential as it would not be practical for staff, food and waste to frequent the residential lifts. This would reduce the current number of

residential lifts from six to four / five.

- 5.18 Noise disturbance is particularly severe within events venues due to the low frequency bass music passing down the existing structure. In the case of new build structures, the level of noise can be alleviated by building a box within a box; however this would not be practical in a listed building such as Centre Point.
- 5.19 Apartments immediately above and below the restaurant would be worst affected. As such, there is a strong possibility that another floor of residential would be lost to incorporate an acoustic break between uses. Noise disturbance at closing time would have a negative effect on residential amenity in respect of all dwellings. Kitchen plant will be required at roof level which will cause further disruption, resulting in kitchen extract needing to pass through the residential units between the restaurant and roof.
- 5.20 A dedicated restaurant entrance will be required at ground floor, thus splitting the floor plate. This clearly impacts on residential amenity, privacy and security. Under this scenario, residents will enter via the south core and would then have to transfer to the north core at mezzanine level to access apartments on the north side via the passenger lift. Security and name check associated with the restaurant will also take up a significant amount of the ground floor space.

### **Basement Parking Area**

- 5.21 One of the reasons for refusal of the May 2012 Centre Point planning application was the inclusion of 36 car parking spaces. Following refusal of the application, a detailed study has been undertaken by Rick Mather Architects to examine whether there are any alternative uses that can be incorporated within the proposed parking area. A copy of the report is provided at **Appendix 10** and we summarise the key findings below.
- 5.22 The basement parking area also doubles for a number of essential purposes including fire escape access, ventilation, servicing and refuse access. These routes would have to be maintained limiting the location and amount of space for alternative uses. Furthermore, the structure of the building at basement level supports the upper floors and the scope for change to the existing structure is therefore very limited.
- 5.23 The study assesses the potential of a range of alternative uses including a gym, nightclub and retail space, all are deemed not to be feasible for a wide variety of reasons including: low floor to ceiling height, no disabled access, difficulties in providing

ventilation, structural complications, loss of ancillary retail floorspace, displacement of existing plant, very high back of house to front of house ratio.

- 5.24 The current proposal has reduced the number of car parking spaces in the basement by 50% to 17 (compared to the 2012 application). This is a significant reduction to the existing basement car parking arrangement which comprises 69 spaces and the development was originally built with 153 spaces. All proposed car parking spaces will be served by electric charging points and 202 cycle spaces will also be provided at basement level.
-

## 6 Counterfactual Scenarios

### Introduction

- 6.1 In order to justify the proposed Scheme, as outlined in Section 4, we have also appraised three Counterfactual Scenarios in order to test the ability of Centre Point to achieve an alternative mix. So far as office use is concerned again we make reference to Gerald Eve's Economic Assessment as referred to in paragraph 1.16.
- 6.2 The Counterfactual Scenarios alter the proposed use and tenure of Centre Point Tower to provide:
- i. **Scenario A** - 50% private housing and 50% office use
  - ii. **Scenario B** – Viewing gallery in Centre Point Tower
  - iii. **Scenario C** – Restaurant in Centre Point Tower

### Counterfactual Scenario A

- 6.3 This scenario will refurbish the existing offices within the lower section of CPT over the 2nd to 16th floors and convert the 17<sup>th</sup> to 34<sup>th</sup> floors to provide private residential accommodation including a duplex penthouse over floors 33 and 34. The 1st floor will provide amenity space for use by the private residents only.
- 6.4 The refurbished office space would provide Grade B accommodation. As outlined in the Economic Assessment (prepared by Gerald Eve LLP and submitted as part of the previous application process) the listed status, slab to slab height and floorplate of CPT limit the building's ability to provide Grade A accommodation. Knight Frank provide further comment on this at **Appendix 14**.

- 6.5 The scenario assumes no change to Centre Point Link and Centre Point House in respect of the Scheme, which proposes mixed retail uses and the incorporation of a new east-west link through CPH. Further detail is provided in Conran & Partners design document attached at **Appendix 6**.

**Table 5: Counterfactual Scenario A – Floor Areas**

Land Use	NIA/NSA (sqft)
A1/A3/A4 Retail	42,402
B1 Office	62,647
C3 Residential	87,404
<b>Total</b>	<b>192,453</b>

**Counterfactual Scenario B**

- 6.6 Scenario B involves the change of use and conversion of CPT from office to residential use, however by variance to the proposed Scheme, a viewing gallery will be provided on the 33<sup>rd</sup> floor.
- 6.7 Providing private residential accommodation and a publically accessible viewing gallery within CPT necessitates the need for two separate entrances and therefore results in a sub-division of the ground floor. Further detail is provided in Conran & Partners design document attached at **Appendix 7**.

**Table 6: Counterfactual Scenario B – Floor Areas**

Land Use	NIA/NSA (sqft)
A1/A3/A4 Retail	42,402
Viewing Gallery	3,703
C3 Residential	141,601

<b>Total</b>	<b>187,706</b>
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### Counterfactual Scenario C

- 6.8 Scenario C involves the change of use and conversion of CPT from office to residential use; however by variance to the proposed Scheme, a restaurant will be provided on the 30<sup>th</sup> floor.
- 6.9 Providing private residential accommodation and a restaurant within CPT necessitates the need for two separate entrances and therefore results in a sub-division of the ground floor. Further detail is provided in Conran & Partners design document attached at **Appendix 9**.

**Table 7: Counterfactual Scenario C – Floor Areas**

<b>Land Use</b>	<b>NIA/NSA (sqft)</b>
A1/A3/A4 Retail	42,402
Restaurant in CPT	4,306
C3 Residential	129,545
<b>Total</b>	<b>187,351</b>



## 7 Sales and Market Data

### Introduction

- 7.1 An analysis of both the retail and residential elements of the Scheme has been undertaken by independent agents on behalf of the Applicant. Market analysis has also been provided in respect of the office accommodation for Counterfactual Scenario A. The key points of their analysis are summarised in this Section and are supplemented by our own internal research in order to provide an overview of the four key elements of which the Scheme comprises, these being:

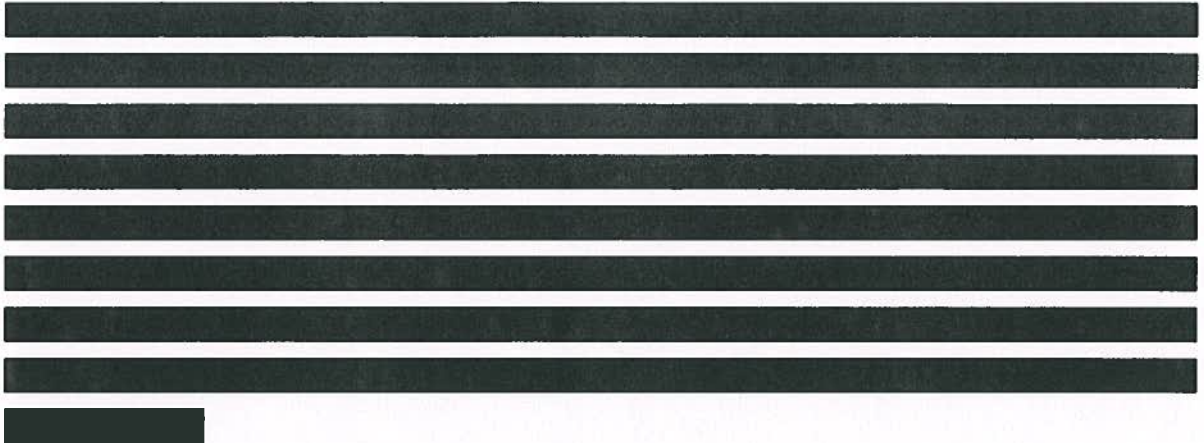
- Private Residential
- Retail
- Offices (Counterfactual Scenario A)

### Private Residential

- 7.2 The residential component of the Scheme consists of one, two, three and four bedroom apartments which range in size from 850 sq ft for a one bed unit up to 6,469 sq ft in respect of the penthouse. Given the central location of the Scheme, the apartments are likely to draw interest from both owner occupiers and investors.
- 7.3 Savills have provided a market commentary and specification of the proposed residential units, which is attached at **Appendix 11**. A full list of comparable evidence for prime London residential schemes, which has informed Savills pricing of the private residential element at Centre Point, is also provided.


- 7.4 [REDACTED]
- [REDACTED]
- [REDACTED]

7.5




**Chart 2: Comparable Evidence: Average Capital Values**

*To be provided to LBC's advisors only*

7.6 There is a significant downside risk on residential values as this is not a traditional residential address. Savills identify in their market report (p.3) it is going to be “a challenge to persuade purchasers to see beyond the current perception of the busy, hostile, ground floor environment”, particularly. 


7.7 The capital values assume adequate car parking, i.e. spaces are provided for all 2½ bed, 3 bed and 4 bed units – a total of 36 car parking spaces. However, the revised scheme provides 17 car parking spaces. 


7.8

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Affordable Residential

7.9 The 16 affordable units provided on-site will be delivered as affordable rent.

7.10

[REDACTED]

[REDACTED]

[REDACTED]

7.11

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7.12

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Retail

7.13 The Scheme will provide 43,011 sq ft (NIA) of retail floorspace, situated predominantly at ground, first and second floor level with some accommodation over the two mezzanines and basement levels as illustrated in Section 4.

7.14 Bruce Gillingham Pollard has provided a retail market overview and values for the individual

units, which is attached at **Appendix 13**. This identifies that whilst prime Central London shopping streets (e.g. Oxford Street, Regent Street) have performed well during the market downturn, Centre Point is an untested location and will need to be competitively priced to attract occupiers.

- 7.15 Bruce Gillingham Pollard identify that the nature of the location will necessitate the need for a more destination specific retail and restaurant offer that will complement the proposed residential scheme. They consider that the units will be of interest to a variety of occupiers and that pre-lets will be secured on all units.

- 7.16 Rental levels are anticipated to be in the region of [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

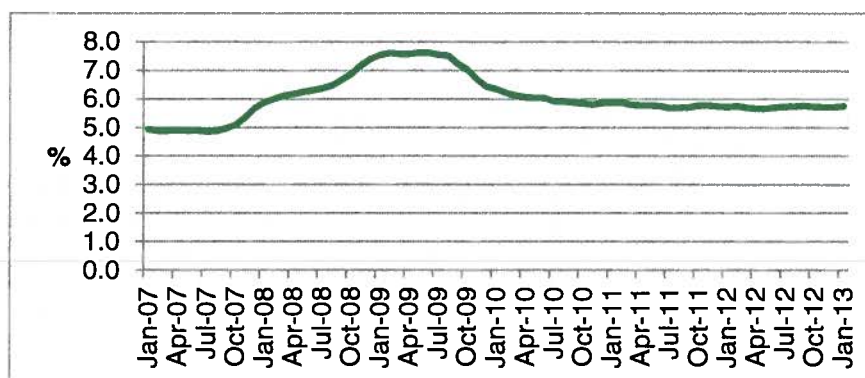
- 7.17 In determining the appropriate yield the retail element of the Scheme, we have had reference to the IPD Annual Digest (year end 2012) equivalent yield for City and Midtown retail [REDACTED]  
[REDACTED]  
[REDACTED]

#### **Offices (Counterfactual Scenario A)**

- 7.18 The Site is situated at the corner of four of the West End's office submarkets, namely Soho to the south west, Noho to the north west, Covent Garden to the south east and Bloomsbury to the north east. The area is mixed use in character with a large element of retail and residential buildings positioned amongst some significant office schemes including Central St Giles. The building does not sit in the prime part of any of the previously mentioned submarkets and Knight Frank has advised that it has limited appeal to the office sector.
- 7.19 Knight Frank considers that it will be difficult to provide both office space and private residential units within CPT and have produced a note highlighting the key issues, which is provided at **Appendix 14**.
- 7.20 The projected rents incorporated into the financial model have been provided by Knight Frank and are attached at **Appendix 14**. The rental values are based upon [REDACTED]  
[REDACTED]

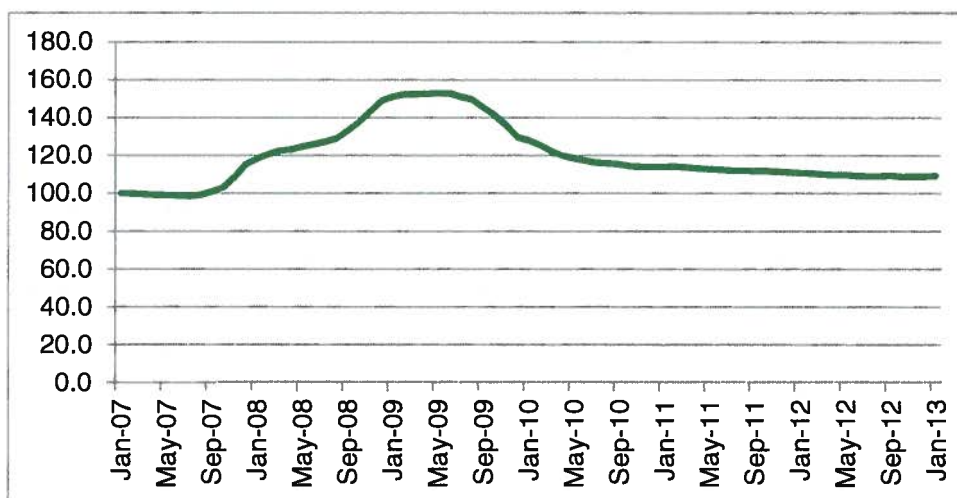
- 7.21 The graph below shows the movement in equivalent yields of West End & Midtown offices since January 2007.

**Chart 3: Equivalent Yields – West End & Midtown offices**



Source: IPD UK Monthly Digest

**Chart 4: Equivalent Yield Movement Index - West End & Midtown offices**



Source: IPD UK Monthly Digest

- 7.22 The chart above indicates that the index peaked in mid-2009 at which point the average equivalent yield for West End and Midtown offices stood at 7.61%. The recovery in capital values since the trough of July 2009 was largely due to yield compression. This is evident in the above graph which clearly shows a marked fall in equivalent yields in the second half of 2009 which served to add 18% to values. Yield compression continued throughout 2010 although the rate of compression moderated significantly over the course of the year. The rate of yield compression slowed further during 2011 and 2012 with falling yields adding 3% and 2% to values in each year respectively. As at December 2012, the equivalent yield on

West End and Midtown offices was 5.71%.

7.23 In our financial model for Counterfactual Scenario A we have applied [REDACTED] which reflects the investment performance of the local office market and also takes into account the finished product, which will provide Grade B office space due to the constrained nature of the listed building. This is in accordance with the assumptions of our Economic Assessment.

7.24 Savills have advised that as a result of the reduction in amenity space and incorporation of offices within CPT, which do not meet modern office occupiers standards, they would expect [REDACTED]  
[REDACTED]

#### **Viewing Gallery within CPT (Counterfactual Scenario B)**

7.25 Counterfactual Scenario B will provide 3,703 sq ft viewing gallery within CPT. This would have to be operated by the Application as Britton McGrath have confirmed a viewing gallery within CPT is not commercially sustainable (see **Appendix 8**). We have therefore assumed [REDACTED]

7.26 Savills have advised that the incorporation of a viewing gallery within CPT will have a significant impact on the private residential sales values and make these units much less appealing to prospective purchasers. Savills are of the opinion that the inclusion of a viewing gallery within CPT [REDACTED]  
[REDACTED]

#### **Restaurant within CPT**

7.27 Counterfactual Scenario B will provide 4,306 sq ft of restaurant space within CPT. This includes back of house space, e.g. kitchen and food preparation areas. Bruce Gillingham Pollard have advised [REDACTED]  
[REDACTED]  
[REDACTED]

7.28 For the reasons set out in Section 5, the inclusion of a gallery / restaurant will have a significant impact on achievable residential values throughout CPT. Savills are therefore of the opinion that [REDACTED]



## 8 Costings and Exceptional Costs

### Introduction

- 8.1 In this section we set out the headline costs associated with the Scheme and the Counterfactual Scenarios.
- 8.2 Planning obligations and development returns are addressed in later sections of this report.

### Construction Costs

- 8.3 We have relied on the cost plans provided by WT Partnership for both the Scheme and Counterfactual Scenarios, which estimates costs as at Q1 2013. These are provided at **Appendices 18 to 21**. The total figures exclude professional fees, VAT and other items as listed in the cost plans; however the costs are inclusive of a contingency allowance.
- 8.4 By way of comparison we set out the construction costs (excluding inflation) of the Scheme and three Counterfactual Scenarios in the table below:-

**Table 8: Summary of Construction Costs**

	£	Refer to Appendix
Proposed Scheme		18
Counterfactual Scenario 1		19
Counterfactual Scenario 2		20
Counterfactual Scenario 3		21

### Professional Fees

- 8.5 We have assumed the developer will bear an [REDACTED] for professional fees as a percentage of construction costs. However it is considered that the likely professional fees for a scheme such as this, comprising a Grade II listed building, is likely to be higher and this is therefore a minimum estimate.

### Finance Costs

- 8.6 The interest rate applied in the appraisals represents a total cost of capital in financing the Scheme. This reflects both debt and equity financing with the banks requiring a



larger element of the latter relative to the former having regard to the economic crisis. The debt element reflects both a margin and risk premium above 5 year swap rates. The equity element should in theory reflect an equity return which may be calculated by reference to the weighted average cost of capital (WACC). However, this would also need to have regard to the level of development return, which is reflected in the amount of profit a scheme is producing. It follows that to avoid double counting, the equity element should broadly follow the level of debt interest plus a margin to reflect the more costly equity.

- 8.7 The total cost also takes into account arrangement, monitoring and related fees.
- 
- 8.8 The RICS GN suggests that in assessing such matters as the rate of finance, that this should not be specific to the developer in question but be the benchmark rate that any developer capable of undertaking the Scheme would be able to access finance at.
- 8.9 As far as financing is concerned, we have therefore adopted a total cost of capital for financing [REDACTED]. In practice, the financing of the Scheme would be split into debt and equity.

### Repairs to the Building

- 8.10 As part of the Scheme CPT will be cleaned externally and repairs will be made to the iconic facade. CPL will undergo repairs to the external cladding and CPH will undergo external cleaning and concrete repair works.
- 8.11 Tenders received by the Applicant confirm that the works required to clean and repair the building, including the cost of scaffolding, [REDACTED]. This cost is included within the cost plan provided by WT Partnership and attached at **Appendix 18.**,  
[REDACTED]  
[REDACTED]  
[REDACTED]

### Other Costs

- 8.12 It is also correct to allow fees associated with the sale of the residential units and the letting of the retail space. We have therefore included [REDACTED] on residential agents and legal fees respectively, which have been provided by the

Applicant. For the retail and office accommodation we have allowed for [REDACTED]  
[REDACTED]

- 8.13 We have included a total expenditure of [REDACTED] on marketing costs which covers all elements of the proposed Scheme and includes a full marketing suite which is an addition to the marketing costs included in the 2012 application. The iconic nature of CPT is such that it will appeal to both the domestic owner occupier and investor and also the international owner occupier and investor markets. It is therefore anticipated that the Scheme will also undergo an international launch and marketing campaign.
- 8.14 The high quality nature of the accommodation should be reflected through an appropriate marketing campaign including an onsite show flat and this is also reflected in the marketing expenditure.
- 8.15 In respect of Counterfactual Scenario A the significant reduction in private residential units will reduce the marketing costs to [REDACTED]

## 9 Programme and Phasing

### Introduction

- 9.1 In this section we provide a summary of the development phasing and programme associated with the proposed Scheme.
- 9.2 A development programme has been prepared by Sir Robert McAlpine for Centre Point Tower, the Centre Point Link and Centre Point House. Our financial appraisals have been prepared in accordance with these and the corresponding Gantt chart attached at **Appendix 22**.
- 

- 9.3 In terms of the letting of the retail units and the sale of the residential apartments we have relied on advice provided by Bruce Gillingham Pollard and Savills respectively.

### Construction Programme

#### Centre Point Tower

- 9.4 Start on site is scheduled for [REDACTED]  
[REDACTED] The works undertaken over the period include: scaffolding, hoarding, the removal of existing services, columns and ceilings and asbestos removal.
- 9.5 Works to the building envelope comprise cleaning the façade, repairing cracks and fractures, replacing the windows and the installation of roof plant.
- 9.6 The internal refurbishment of CPT includes the residential fit out (including the residential amenity space over levels 1 and 2) along with works to the lifts, stairs, substation room and basement.

#### Centre Point House and Centre Point Link

- 9.7 The start on site date for CPH is concurrent to that of CPT, [REDACTED]  
[REDACTED]  
[REDACTED]

- 9.8 During this period works will be undertaken to the building envelope, comprising replacement façade panels, glazed cladding and works to the roof of CPL. The internal refurbishment of CPL and the commercial element of CPH will include internal structural works to the ground, mezzanine, 1st and 2nd floors, and associated asbestos removal, in addition to the installation of car lifts, lift shafts and steel support work.

#### Pub Site

- 9.9 Works will commence on site [REDACTED]  
[REDACTED]

- 9.10 The programme includes demolition of the existing public house and redevelopment to provide a ten storey building incorporating a flexible retail unit at ground level and affordable housing above. A new single level basement will be constructed in a similar location to the existing pub site basement. This will connect to the basement below Centre Point House.

#### **Letting and Disposal**

##### The Scheme

##### *Private Residential*

- 9.11 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

##### *Retail*

- 9.12 Bruce Gillingham Pollard have advised that they [REDACTED]  
[REDACTED] It is assumed that this element of the  
Scheme will be [REDACTED]  
[REDACTED]

### Counterfactual Scenario A

#### *Offices*

- 9.13 Knight Frank anticipate that on Practical Completion of CPT, [REDACTED]  
[REDACTED]  
[REDACTED] We have reflected these assumptions in our appraisal and provide a floor by floor breakdown at **Appendix 14**.

### Counterfactual Scenario B

#### *Viewing Gallery*

- 9.14 It has been assumed [REDACTED]  
[REDACTED]  
[REDACTED]

### Counterfactual Scenario C

#### *Restaurant (Estates)*

- 9.15 It has been assumed [REDACTED]  
[REDACTED]  
[REDACTED]

## 10 Inflation and Forecasts

### Introduction

10.1 The Scheme would be a major development with a commensurate programme of construction works. We therefore consider that it is necessary to have regard to anticipated future movements in both costs and values in order to consider the effect of an outturn approach to viability. This can then be compared with a present-day approach.

10.2 In this section we set out the underlying assumptions associated with the forecasting of cost and value inflation over the course of the proposed indicative development. We begin with a brief overview of cost inflation and then set the background to the forecast key contributions to changes in the value of the following uses:

- Private Residential (the Scheme)
- Retail, including restaurants (the Scheme and Counterfactual Scenario C)
- Offices (Counterfactual Scenario A)
- Viewing Gallery (Counterfactual Scenario B)

10.3 It should be noted that although we include the land value (see Section 11) as a present day cost, we have not sought to grow or index this up to a start on site for either the whole or the constituent parts.

### Cost Inflation

10.4 London experienced a slowdown in construction orders throughout 2011 and 2012. Workload is expected to pick up in the latter part of 2013 and 2014 which is expected to be reflected in a rise in tender prices.

10.5 WT Partnership have provided a detailed estimate of costs on a fixed price basis and have allowed for [REDACTED]

[REDACTED]

## Forecasts

### Residential

- 10.6 Forecast growth rates for the private residential sector between 2012 and 2015 are provided by Savills in their market report, attached at **Appendix 12.** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Retail

- 10.7 The UK retail market as a whole has been under stress as a result of constrained consumer spending and a significant number of major retailers falling into administration. However, the Central London Retail Market has held up well with strong demand expected to continue for high quality units in the best locations.
- 10.8 Centre Point is positioned at the less desirable eastern end of Oxford Street and the Scheme will represent a new, largely untested location; however, Bruce Gillingham Pollard have highlighted it may be possible to achieve higher target rents nearer to the delivery of the development as a result of expected improvement in the retail mix in the surrounding area and the proximity to the new Crossrail station. [REDACTED]

[REDACTED]

### Offices (Counterfactual Scenario A)

- 10.9 Central London office market conditions are currently finely balanced with below trend take-up and forecasted rising supply. Knight Frank have advised that the development pipeline over the next four years in the Noho, Soho and Bloomsbury office market suggests that there could be significant over-supply over the next few years when measured against historic take-up levels. In localised areas such as this with potential over-supply, the growth in demand may be off-set by competitive proposals from landlords.

10.10 As a result of the structural constraints of working within the existing listed building refurbished office accommodation at Centre Point would represent compromised space and not meet modern office occupiers' standards. We would therefore not expect the office element to benefit from the same level of rental growth as prime offices; additionally secondary space and this sub-market will not be so affected by peaks and troughs experienced in the prime West End Market. Given these factors we have assumed [REDACTED]

## Summary

10.11 We provide in the table below the annual growth rates applied to each of the sectors described above.

**Table 9: Forecast growth rates**

Year	Private Resi	Offices	Retail
2013	[REDACTED]	[REDACTED]	[REDACTED]
2014	[REDACTED]	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]

Source: Savills, Knight Frank, Experian



## 11 Base Land Value (And Related Costs)

### Introduction

11.1 This section sets out the underlying basis of the adopted Site Value. Our views are formed having regard to the Royal Institution of Chartered Surveyors “Financial Viability in Planning” of August 2012 (RICS GN). Notwithstanding the RICS GN this section reflects best practice for undertaking such assessment including those previously submitted to LBC by Gerald Eve.

11.2 The island site comprises four distinct elements:

- CPT - 36 storey iconic tower comprising predominantly offices accommodation with a restaurant/bar occupying the top three levels;
- CPT - a glazed link over St Giles High Street connecting CPT and CPH conference/office facilities at first and second floor levels;
- CPT - eight storey building with retail and offices occupying the lower levels and 36 residential units over the upper floors.
- Pub Site – four storey public house adjoining Centre Point House.

11.3 The whole Centre Point complex is Grade II listed and comprises a total floor area of circa 400,000 sq ft (GIA). A more detailed description of the Site is provided in Section 2.

### Base Land Value

11.4 As set out in **Appendix 1**, the Base Land Value for CPT, CPH and CPL has been agreed [REDACTED]. Notwithstanding the scarcity of opportunities, such as CPT, CPL and CPH, for bringing forward development in central London and therefore impacting on underlying property values, we have maintained this level of value in our appraisals.

11.5 This site boundary of this application has now been widened to include the public house adjoining CPH. A base land value is required in order to reflect this fourth element so to be added to the above level of Site Value.

11.6 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

11.7 [REDACTED]  
[REDACTED]  
[REDACTED]

11.8 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

11.9 [REDACTED]  
[REDACTED]  
[REDACTED]

11.10 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

11.11 [REDACTED]  
[REDACTED]

11.12 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

### Vacant Possession and Compensation

11.13 The office accommodation within CPT, which also extends through CPL and into CPH is predominately let. In addition, CPH also comprises a number of occupied retail units. In order to obtain vacant possession of the required elements to enable works to commence [REDACTED]  
[REDACTED]  
[REDACTED]

**Table 10: Vacant Possession and Compensation Budget**

Building	Budget
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

## 12 Planning Obligations Package (Notional)

### Introduction

- 12.1 One of the requirements of the financial appraisal of the Scheme is to determine the level of planning obligations including a public realm contribution and Crossrail contribution as an aggregated total sum. In other words, to assess what the Scheme can afford taking into account the financial impact of these items as a whole. In addition there are works in kind provided within the overall Scheme, for example the new public square.
- 
- 12.2 This section sets out a resultant output with regard to the level of planning obligations (including affordable housing and Crossrail) in respect of the Scheme i.e. the notional package outlined is as a result of the Scheme viability. We however present this prior to the following sections showing the Scheme returns for the sake of clarity. In addition, a notional package has been suggested which will be subject to discussions between the Applicant and LBC in terms of the appropriate division. The resultant overall level of the total planning obligations is the output that the appraisals seek to test as being financially viable on both present day values and costs and on an outturn basis through the growth model having regard to the target rate of return.

### Section 106 Contributions (including affordable housing and Crossrail)

- 12.3 In determining the potential planning obligation contributions in respect of the Scheme, we have been advised by Gerald Eve LLP's planning team who have referenced the Camden Planning Guidance SPG. A Crossrail contribution has also been determined using the Mayor's guidance. No explicit allowance for transport / highways contributions has been included at this stage and this will be subject to further discussions with LBC and a Section 278 Agreement.
- 12.4 A summary of the planning obligations for the Scheme and Counterfactual Scenarios are set out in the table overleaf:

**Table 11: Summary of Planning Contributions**

	<b>Proposed Scheme</b>	<b>Counterfactual A</b>	<b>Counterfactual B</b>	<b>Counterfactual C</b>
	<b>£</b>	<b>Private &amp; Office</b>	<b>Inclusion of Viewing Gallery</b>	<b>Inclusion of Restaurant</b>
Site Specific Public Realm	2,260,000	2,260,000	2,260,000	2,260,000
Open Space	146,003	70,810	146,003	141,369
Loss of employment	4,898,572	2,449,286	4,809,025	4,828,964
Education	343,294	250,348	343,294	330,650
Community Facilities	202,860	96,040	202,860	196,980
Healthcare	Not known	Not known	Not known	Not known
Mayoral CIL	119,985	119,985	119,985	119,985
<b>Total</b>	<b>7,970,714</b>	<b>5,246,469</b>	<b>7,881,167</b>	<b>7,887,948</b>

\* Assumes proposed retail is not considered by LBC as 'employment space' and Mayoral CIL is paid in relation to the affordable residential uplift.

- 12.5 In the financial appraisals we have assumed that the Section 106 payments will be paid either at the beginning of implementation of the Scheme or on occupation. It follows that the timings will be incorporated within an appropriate Section 106 Agreement attached to the planning permission.

### **Resultant Planning Obligations (Scheme)**

- 12.6 As will be seen in the following sections the Scheme has been tested against a level of planning obligations which could be considered viable. These are then tested through a sensitivity and simulation having regard to a target rate of return. Therefore the resultant planning obligations that the Scheme is being tested against in order to assess viability is £4 million.
- 12.7 The above includes a contribution to the proposed public realm works, which will cost [REDACTED] to deliver. These works will form part of the wider public realm proposals for this area and will rejuvenate the locality and create a new and attractive public space around the revitalised Centre Point.

## 13 Interpretation of Results

### Introduction

- 13.1 The financial appraisals for both the Scheme and the Counterfactual Scenarios have been undertaken in accordance with generally accepted guidance and policy in undertaking viability assessments and, in particular, the Royal Institution of Chartered Surveyors “Financial Viability in Planning” of August 2012 (RICS GN). Further explanation outlining the basis upon which the appraisals has been carried out, including in relation to the growth model approach and development return measures is contained within **Appendix 23**.
- 

### Target Rate of Return

- 13.2 **Appendix 23** highlights a significant factor in undertaking viability assessments is the level of profit which a developer might reasonably require from undertaking the development. Given the complexity of the Scheme in this case, length of programme and inclusion of growth forecasts we have used the Internal Rate of Return (‘IRR’) as the measure of return in this case.
- 13.3 Prior to 2008, it would be normal to target an IRR within the range of [REDACTED] to reflect a reasonable developer’s return to compensate for time management and risk associated with a scheme of this nature. However, following the financial crises of 2008/2009 and general economic conditions, returns in excess of this range are being required for financing purposes. It is therefore unlikely that a scheme producing a return at the lower end of this range would be implemented.
- 13.4 As a listed building there is inherently more risk associated with the redevelopment of Centre Point. There is limited scope to modify the buildings or increase the floorplate, and as a result the Scheme is predominantly restricted within the existing structures.
- 13.5 There is the added complication of introducing new mechanical and electrical services required for the residential conversion and the risk of encountering unidentified faults and costs associated with the existing buildings. This is in addition to the expenditure required to repair and maintain the iconic façade.

- 13.6 The above risks are somewhat tempered by the fact that CPT is an iconic building, which we anticipate will capture the prime central London market and generate significant overseas interest by offering high quality residential units benefitting from spectacular views across London and located adjacent to the new Crossrail station.
- 13.7 We therefore consider that a minimum target rate should be [REDACTED] but that a return in excess of this, given the risks of the Scheme would need to be demonstrated as being potentially capable as the Scheme moved forward. This accords with the target rate agreed for the 2012 application, as outlined in **Appendix 1**.

---

### General Interpretation of Results

- 13.8 The outturn values and costs shown in the growth model are inflated figures and not at present day levels. As this report is concerned with absolute viability and the ability to meet planning obligations, it is not considered necessary to bring the values and costs back to present day levels by applying a discount factor.
- 13.9 The following should be noted when reviewing the growth model:-
- the current day residential values are multiplied by the appropriate growth factor relating to the period elapsed between commencement of the Scheme and the earlier of the reservation or sale date;
  - similarly the current day achievable commercial rental levels are grown on the basis of the time elapsed up to the actual letting (this is notwithstanding rent free periods after the letting has taken place);
  - the commercial space created as an investment has an assumed notional disposal date, i.e. when fully let and income producing. This is valued on a simple term and reversion approach; and
  - forecast tender price and inflation is incorporated into the financial appraisal as set out in Section 10.

- 13.10 It should be noted that a small difference in the IRR is significant. In other words, even a 1% or 2% change in the return represents a considerable change in the return and this has to be set off against the risk of undertaking the project.
- 13.11 The IRR has been applied to both the present day and growth models where as an annualised percentage, it provides a measure of the rate at which the Scheme generates a return.
- 13.12 The following section presents the financial viability appraisal results for the Scheme on both a present day and a growth (outturn) basis. The appraisal outputs for Counterfactual Scenarios A, B and C are subsequently set out in Section 15.
- 

### **Interpretation of Results given the context of Centre Point**

- 13.13 Centre Point is an iconic and substantial complex and its redevelopment to provide residential and retail accommodation, in conjunction with a new public square (to be brought forward as Application 2), is anticipated to revitalise the surrounding area.
- 13.14 The listed nature of the buildings means that the Applicant is significantly constrained by the existing structures and that the Scheme must be developed within these. In addition, the listed buildings require cleaning and repair works to ensure the longevity and safety of the complex. This represents a significant cost and risk to the Applicant.
- 13.15 The design and structure of CPT is particularly suited to residential accommodation and the provision of 82 units, equating to 132,666 sq ft (NSA), means that the majority of development value is attributed to the residential units. As a result the Scheme is somewhat reliant on the performance of the prime residential market.
- 13.16 Counterfactual Scenario A, outlined in Section 6, considers the viability of providing office accommodation within the lower section of CPT. Inherent constraints associated with the building mean that the office accommodation will fail to meet modern occupier requirements and struggle to adapt to technological advances. Further comment is provided on this by Knight Frank at **Appendix 14** and this indicates that the provision of office floorspace will result in an increased downside risk.



- 13.17 Similarly Counterfactual Scenarios B and C, which consider the provision of a viewing gallery or restaurant within CPT, have a higher downside risk attributed to it. This is because introducing a different use in the same block as private housing will cause access, privacy and security issues that will affect the desirability of both the space to an operator and of the private units within CPT.
- 13.18 Practical Completion of CPT is anticipated in [REDACTED], prior to the completion of the Crossrail works and delivery of the new public square along with the associated retail units. There is a risk to the Applicant that during this period there will be on-going disruption which could dampen sales vales and rates. However, the prospect of Crossrail may also be seen as a benefit by future occupiers even if not fully completed at the point of purchase/letting.

### **Sensitivity, Scenario and Simulation Analysis**

- 13.19 Sensitivity, scenario and simulation analysis allow the robustness of the financial model and the resultant rate of return to be tested from a quantitative perspective. The overall viability of the Scheme can then be assessed having regard to the potential for any upside or downside and the likelihood of these. This is outlined in further detail in Section 16.

## 14 Proposed Scheme Financial Appraisal


### Introduction

- 14.1 This section provides the appraisal outputs for the Scheme having regard to inputs outlined in the previous sections of this report along with the notional planning obligation package. These results are subsequently tested using sensitivity, scenario and simulation analysis in Section 16 of this report and conclusions are drawn in Section 17.
- 14.2 The previous Section of this report provides guidelines for interpreting the results set out in this section and the following two sections of the report (namely Section 15 Counterfactual Scenarios: Financial Appraisal and Section 16 Viability, Analysis, Sensitivity & Risk Assessment).
- 14.3 We present out results as follows:-
- Present day appraisal
  - Outturn (growth) model

### Present Day Appraisal

- 14.4 We attach as **Appendix 24** full details of the appraisal results based on the Scheme set out in Section 4. We summarise the outcome together with a chart showing the cumulative cashflow as follows:-

**Table 12 : Present day appraisal summary – The Scheme**

Developers return	
Project IRR	

## Chart 5 : Cashflow - Present day appraisal – The Scheme

*To be provided to LBC's advisors only*


14.5



### Outturn (Growth) Model

- 14.6 We attach as **Appendix 25** full details of the appraisal results based on the Scheme set out in Section 4 with the application of forecast growth rates on costs and values as set out in Section 10. We summarise the outcome in the table below together with a chart showing the cumulative cashflow as follows:-

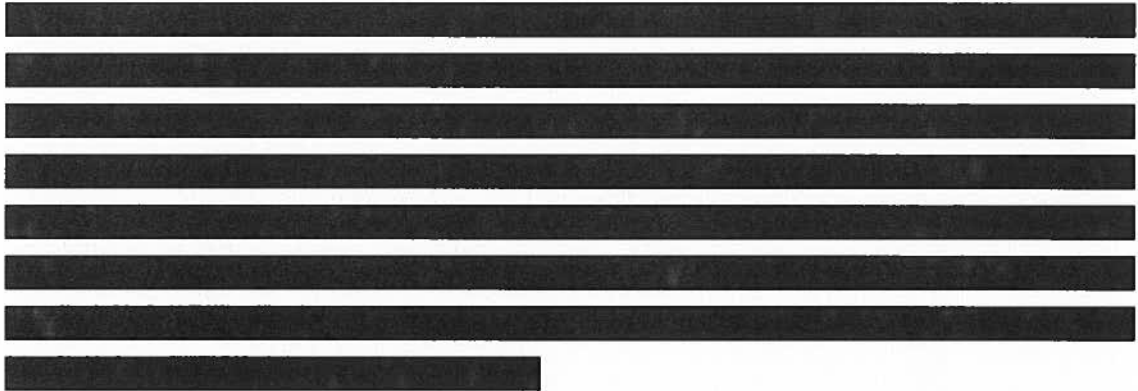
**Table 13 : Growth model appraisal summary - The Scheme**

Developers return	
Project IRR	

## Chart 6: Cashflow – Growth model appraisal – The Scheme

*To be provided to LBC's advisors only*

14.7



## 15 Counterfactual Scenario Financial Appraisal

### Introduction


- 15.1 In the previous section, the financial model has assessed the viability of the proposed Scheme. This section assesses the viability of the Counterfactual Scenarios using a present day approach and a growth based (outturn) approach.
- 15.2 Section 6 of this report provides a description of the three Counterfactual Scenarios, which vary the proposed use and tenure of Centre Point to provide:
- 
- i. **Scenario A** - 50% private housing and 50% office use
  - ii. **Scenario B** – Viewing gallery in Centre Point Tower
  - iii. **Scenario C** – Restaurant in Centre Point Tower
- 15.3 The values included in the financial appraisals are set out in Section 7 of the report, where Knight Frank and Savills have advised on office rents and residential capital values respectively. In all cases, the residential values are based on the aspirational pricing and can therefore be considered a “best case scenario”. Cost estimates have been prepared by WT Partnership for the Counterfactual Scenarios and are set out in Section 8 of this report. The notional planning obligations (Section 106 costs) for Scenario A, Scenario B and Scenario C are set out in Section 12.
- 15.4 The development programme is in accordance with the programme for the proposed Scheme.
- 15.5 We deal with financial assessment for each Counterfactual Scenario separately, setting out the results from the present day appraisal and outturn (growth) model in turn before summarising our findings.

## Counterfactual Scenario A

### Present Day

- 15.6 We attach as **Appendix 26** full details of the appraisal results based on Counterfactual Scenario A, as set out in Section 6. We summarise the outcome together with a chart showing the cumulative cashflow as follows:-

**Table 14 : Present day appraisal summary : Counterfactual Scenario A**

Developers return	
Project IRR	

**Chart 7 : Cashflow - Present day appraisal – Counterfactual Scenario A**

*To be provided to LBC's advisors only*

15.7

[REDACTED]

[REDACTED]

[REDACTED]

Growth (Outturn) Model

- 15.8 We attach as **Appendix 26** full details of the appraisal results based on the scenario A as set out in Section 6 with the application of forecast growth rates on costs and values as set out in Section 10. We summarise the outcome in the table below together with a chart showing the cumulative cashflow as follows:-

**Table 15 : Growth model appraisal summary - Counterfactual Scenario A**

Developers return	
Project IRR	

**Chart 8 : Cashflow - Growth model appraisal - Counterfactual Scenario A**

*To be provided to LBC's advisors only*

15.9

[REDACTED]

15.10



### Counterfactual Scenario B

#### Present Day

15.11 We attach as **Appendix 27** full details of the appraisal results based on Counterfactual Scenario B, as set out in Section 6. We summarise the outcome together with a chart showing the cumulative cashflow as follows:-

**Table 16 : Present day appraisal summary - Counterfactual Scenario B**

Developers return	
Project IRR	

**Chart 9 : Cashflow - Present day appraisal - Counterfactual Scenario B**

*To be provided to LBC's advisors only*



15.12 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Growth (Outturn) Model

15.13 We attach as **Appendix 27** full details of the appraisal results based on Counterfactual Scenario B as set out in Section 6 with the application of forecast growth rates on costs and values as set out in Section 10. We summarise the outcome in the table below together with a chart showing the cumulative cashflow as follows:-

**Table 17 : Growth model appraisal summary - Counterfactual Scenario B**

Developers return	
Project IRR	[REDACTED]

**Chart 10 : Cashflow - Growth model appraisal - Counterfactual Scenario B**

*To be provided to LBC's advisors only*

15.14 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

### Counterfactual Scenario C

15.15 We attach as **Appendix 28** full details of the appraisal results based on Counterfactual Scenario C, as set out in Section 6. We summarise the outcome together with a chart showing the cumulative cashflow as follows:-

**Table 18 : Present day appraisal summary - Counterfactual Scenario C**

Developers return	
Project IRR	[REDACTED]

**Chart 11 : Cashflow - Present day appraisal - Counterfactual Scenario C**

*To be provided to LBC's advisors only*


15.16



Growth (Outturn) Model

15.17 We attach as **Appendix 28** full details of the appraisal results based on Counterfactual Scenario C as set out in Section 6 with the application of forecast growth rates on costs and values as set out in Section 10. We summarise the outcome in the table below together with a chart showing the cumulative cashflow as follows:-

**Table 19 : Growth model appraisal summary - Counterfactual Scenario C**

Developers return	
Project IRR	

**Chart 12 : Cashflow - Growth model appraisal - Counterfactual Scenario C**

*To be provided to LBC's advisors only*

15.18 [REDACTED]  
[REDACTED]  
[REDACTED]

15.19 [REDACTED]

### Summary

15.20 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## 16 Viability, Analysis, Sensitivity & Risk Assessment

### Introduction

- 16.1 The purpose of this section is to test the robustness of the Scheme and Counterfactual Scenarios from a quantitative perspective via a sensitivity and simulation risk assessment. As a result of the assessment in respect of the Scheme, the level of planning obligations (including Crossrail and a financial contribution in lieu of affordable housing) when aggregated are also tested having regard to the target rate of return.
- 16.2 In order to assess the robustness of the viability of the proposals, it is necessary to consider the pricing and cost inputs to the financial model. For the purposes of this exercise, we have employed three forms of analysis:
- Sensitivity (Scheme and Counterfactual Scenarios)
  - Scenario (Scheme)
  - Monte Carlo Simulation (Scheme and Counterfactual Scenarios)
- 16.3 The first of the above is a fairly simplistic approach (but widely used) for testing the viability and the robustness of the Scheme and Counterfactual Scenarios. In essence, uncertainties can be identified in respect of the inputs and their effect can then be looked at in terms of the development return. In short, this is a straightforward deterministic approach from which a judgement needs to be made as to the appropriateness of the outcome. Benchmarks can be used as performance measures. A prudent developer will also consider the sensitivities of a development and assess the risks of the particular project.
- 16.4 A more sophisticated approach, and one which is used in practice with the more complex development schemes, is to run a Monte Carlo simulation analysis on the financial model which quantifies the robustness of a development in terms of risks and return.
- 16.5 A Monte Carlo simulation exercise considers the probability of outcomes given certain variances applied to key inputs within the financial model through a stochastic process. The resultant forecast provides the most likely returns or the ability to achieve an

acceptable IRR. The key inputs identified in the financial model for both the Scheme and Counterfactual Scenario are:

- residential sales rates;
- retail / office rental levels and yields; and,
- build costs for the commercial and residential.

16.6 We have not included interest rate variability due to the complexities in real terms in financing a large project. We have also not simulated the growth rates and these remain as per Section 10.

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16.7 In-between a simple sensitivity analysis and the more sophisticated Monte Carlo simulation, is a scenario analysis. This again uses a series of inputs, analyses them under different scenarios and then probability weights the outcome (i.e. the IRR).

16.8 We set out the result of our analysis using the three approaches of sensitivity, scenario and simulation below. In practice each inform the other to the extent that the key value and cost drivers of the proposals can be identified and therefore the uncertainties around each, can be arrived at in order to test the overall robustness of the Scheme and Counterfactual Scenarios. This therefore in turn informs the likelihood or resulting returns varying from the deterministic outputs outlined in Sections 14 and 15.

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## 17 Concluding Financial Justification Statement

- 17.1 Centre Point is the subject of a detailed planning application and listed building consent, which proposes the comprehensive conversion and refurbishment of the Site to create a mixed use retail and residential scheme.
- 17.2 Gerald Eve LLP were instructed by the Applicant to undertake a financial assessment of the above proposal in order to advise on appropriate level of planning obligations, including the provision of on-site affordable housing.
- 
- 17.3 In order to provide a robust assessment, three Counterfactual Scenarios have also been appraised to determine whether it would be financially possible to (A) retain offices within the lower section of Centre Point Tower; (B) provide a viewing gallery in Centre Point Tower; and (C) provide a restaurant at the top of Centre Point Tower. This is notwithstanding the numerous structural, technical and access difficulties that would render the provision of either use very difficult.
- 17.4 Present day sales and market data have been used to establish the overall value of both the Scheme and the Counterfactual Scenarios. Cost reports have been provided in respect of all options and full appraisals undertaken. Given that the Scheme is not due to reach practical completion [REDACTED], an outturn (growth) model was considered most appropriate. It follows that cost inflation and value forecasts have been applied so as to reflect future movement and uncertainty in the market.
- 17.5 Given the use of a growth model the benchmark return used for the viability appraisals is the Internal Rate of Return (IRR). The resultant appraisals have been run on both a present day and growth basis, allowing comparison between the Scheme and the Counterfactual Scenarios.

### Counterfactual Scenarios

- 17.6 All Counterfactual Scenarios produce a significantly poorer return in comparison to the Scheme and below that which would be an acceptable basis on which to implement. The results overleaf confirm that these scenarios are neither feasible nor deliverable options.

**Table 27: Counterfactual Scenario Returns**

Return Basis	Counterfactual Scenario A	Counterfactual Scenario B	Counterfactual Scenario C
Project IRR – Present Day	■■■■	■■■■	■■■■
Project IRR – Growth	■■■■	■■■■	■■■■

17.7 In addition to the unacceptable level of return produced by Counterfactual Scenario A we remain conscious of CPT's inability to meet the requirements of modern office occupiers, even after refurbishment. The listed status of the building and the slab to slab height presents inherent constraints to improvement. Furthermore, it has already been demonstrated that as an office building CPT is reaching the end of its economic life and becoming functionally obsolete.

17.8 Similarly, the configuration of CPT hinders the building's ability to incorporate either a viewing gallery or a restaurant. This is set out in detail in Section 5 of this report.

### The Scheme

17.9 The outturns of the appraisals in respect of the Scheme are summarised in the table below:

**Table 28: Scheme Returns**

Return Basis	Present Day	Growth
Project IRR	■■■■	■■■■

17.10 From the above table it can be concluded that the present day model shows an unacceptable level of return. Therefore the Scheme can only potentially achieve an appropriate target rate of return with the inclusion of growth.

17.11 The growth model produces a return of ■■■■ which is still below the required rate of return, however via sensitivity, scenario and simulation risk assessment it has been shown that the Scheme is potentially capable of being financially viable. Any further planning obligation contributions would clearly erode the return and therefore the viability of the Scheme

- 17.12 It follows that the level of on-site affordable housing and a proposed planning obligations package of £4,000,000 is the maximum reasonable level that the Scheme can afford in order for the Applicant to be able to deliver and implement a viable scheme.
- 17.13 To substantiate our assessment sensitivity, scenario and simulation analysis has been undertaken in order to test both the Scheme and Counterfactual Scenarios. The results concur with above conclusions and determine that it is only the Scheme that is potentially capable of achieving an appropriate target rate of return. Any increase in planning obligations would diminish the return of the Scheme and threaten its overall viability.

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## Summary

- 17.14 The regeneration proposals for Centre Point represent the most beneficial use of the building and will rejuvenate and transform the surrounding area. Along with the provision of a substantial planning obligations package, including high quality on-site affordable housing and a financial contribution towards a new public square, the Scheme will deliver the following benefits:
- a) the retention and comprehensive restoration of an existing Grade II listed building to ensure its viable use in the long term;
  - b) the provision of an additional 98 new homes in the Borough including 16 affordable units upholding the strategic principles of mixed and balanced communities and supporting Camden's housing need;
  - c) the provision of new and improved high quality retail floorspace;
  - d) new employment opportunities and a range of jobs across the site;
  - e) an excellent and contextual design approach which complements the special interest of the listed building and conservation area; and
  - f) creation of a safe and secure environment for existing and future residents, occupiers and employees.

17.15 The Counterfactual Scenarios have shown the inclusion of office space within the lower section or CPT and the provision of a viewing gallery or restaurant within CPT to be impractical and unviable. This confirms that the conversion of CPT to provide residential units is the optimum use. Furthermore, the proposed level of on-site affordable housing on the pub site along with a planning obligations package of £4,000,000 is the maximum reasonable amount the Scheme can afford while remaining viable. This is outlined in the matrix below:-

**Table 29: Financial Viability Matrix**

<b>Variant</b>	<b>Level of on-site affordable housing</b>	<b>Level of planning obligations (£)</b>
<b>Proposed Scheme</b>	<b>13 units</b>	<b>£4 million</b>
<b>Inclusion of Offices</b> (Counterfactual Scenario A)	<b>Zero</b>	<b>Zero</b>
<b>Inclusion of Viewing Gallery</b> (Counterfactual Scenario B)	<b>Zero</b>	<b>Zero</b>
<b>Inclusion of CPT Restaurant</b> (Counterfactual Scenario C)	<b>Zero</b>	<b>Zero</b>

17.16 The difference between the two affordable housing options in Application 1A and this Application 1B in terms of financial viability is such that both schemes are considered to provide the maximum reasonable amount of on-site affordable housing in accordance with Camden's policies.

17.17 In conclusion, the financial viability report has demonstrated that the Scheme has provided the optimal mix of uses, having regard to the level of affordable housing, financial planning obligations, Crossrail contribution and works in kind in order to be able to deliver and implement a viable scheme. This has subsequently been robustly tested and the results presented.

## **Appendix 1**

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## **Appendix 2**

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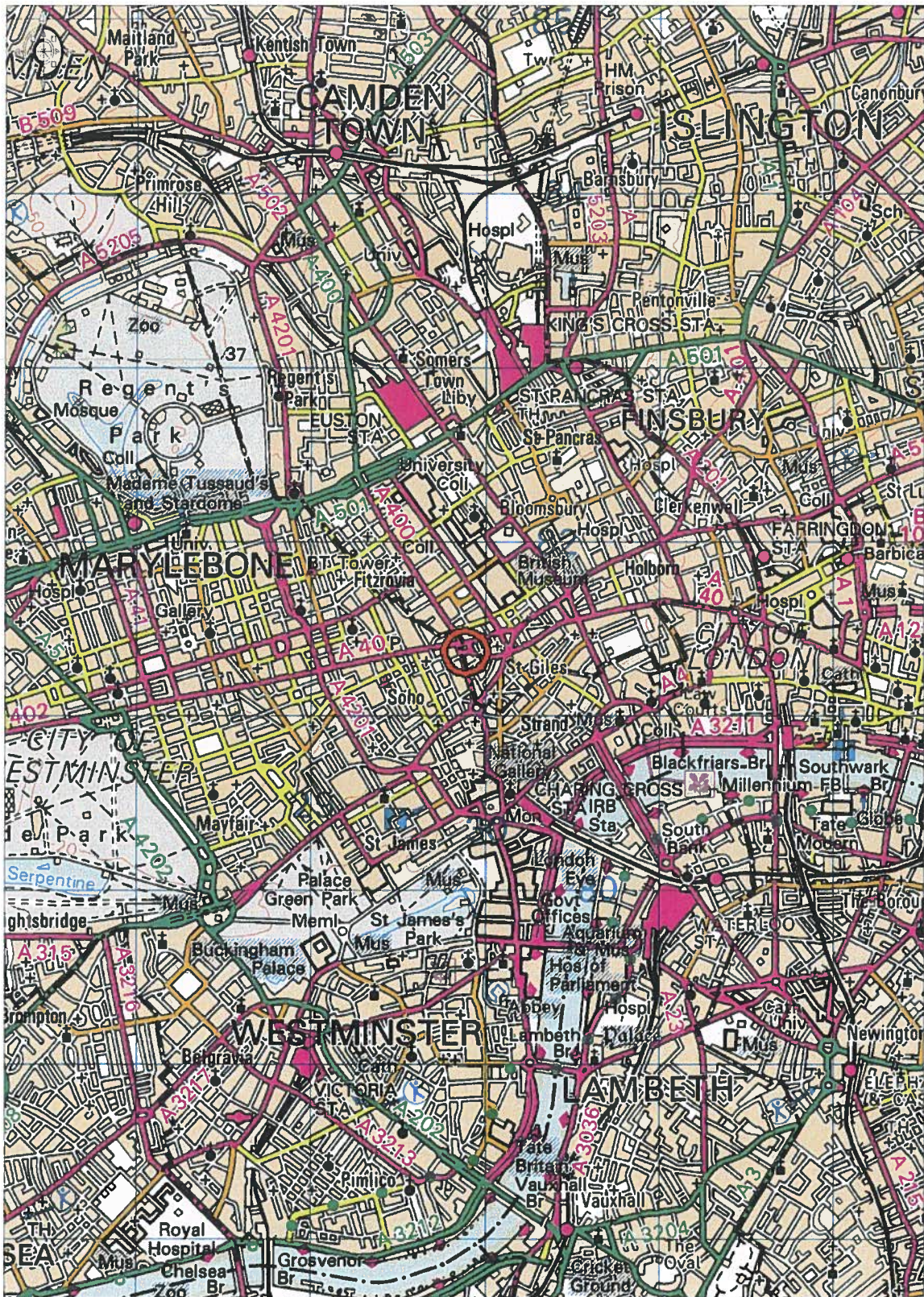
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## Appendix 3

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## Location Plan





## Appendix 4

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NOTES  
DO NOT SCALE FROM THIS DRAWING.  
CONTRACTOR TO CHECK ALL DIMENSIONS ON SITE.  
ANY DISCREPANCIES TO BE REPORTED TO THE ARCHITECT IMMEDIATELY.

THE SURVEY INFORMATION CONTAINED IN THIS DRAWING WAS PROVIDED BY PLOWMAN CRAVEN SURVEY DRAWINGS DEC 2011 - OCT 2012.

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BOUNDARY KEY	RED LINE APPLICATION BOUNDARY	—
	OWNERSHIP TITLE BOUNDARY	—
	LUL APPLICATION BOUNDARY	—
	DESIGNATED PUBLIC HIGHWAY	—
	SDG / SRM HOARDING LINE	—
	PREVIOUS RED LINE BOUNDARY	- - -

NOTE - LUL SCHEDULE 7  
BOUNDARY IS TRACED FROM A  
SCANNED PDF AND NOT  
ACCURATE INFO

NOTE - HATCHED AREAS INDICATES RIGHT  
TO OVERHANG PUBLIC OWNED PAVEMENT

NOTE - HATCHED AREA INDICATES  
RIGHT TO OVERHANG PUBLIC  
OWNED PAVEMENT

NOTE -  
HATCHED  
AREA  
INDICATES  
EXTENDED  
TITLE AT  
BASEMENT  
LEVELS

## **Appendix 5**

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## Appendix 6

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## **Appendix 7**

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## **Appendix 8**

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## **Appendix 27**

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## **Appendix 28**

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