29 New End
Hampstead
London NW3 1JD

Appeals against Refusals by Camden Council of Planning Permission
and
Conservation Area Consent

(Camden refs 2012/3089/P and 2012/3092/C)

Proof of Evidence
October 2014

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Appeal ref: APP/X5210/A/14/2218243

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1 Background and qualifications

1.1 I am a freelance housing specialist with over 30 years experience.

1.2 Most of my workload since 2001 has been in relation to the inclusion of affordable housing within private developments, almost entirely as a consequence of planning obligations introduced from 1998 onwards. I usually advise such clients on all aspects of affordable housing.

1.3 I have specialised in financial viability appraisals that assess the amount of affordable housing and/or other planning obligations that can reasonably be offered without rendering the proposed scheme undeliverable. I have produced over 250 such viability appraisals since 2003, for schemes ranging from small high value developments in central London to large scale, mixed use regeneration projects including 3,500 or more homes in the London Docklands and elsewhere. The projects have mainly been within Greater London.

2 Role in the current application / appeal

2.1 In May 2012 I produced a set of viability appraisals in support of the planning application submitted to Camden council in that month.

2.2 As a result of my previous involvement in this matter, the Appellant has instructed me to provide this statement and to attend the Appeal Inquiry as required.

2.3 My advice and evidence relates to the refusal of planning permission due to alleged failure to provide a sufficient quantum of affordable housing on site within the proposed development.

2.4 I have prepared updated appraisals consistent with national guidance. These take account of changes in market conditions and are based on revised inputs from on build costs and residential values.. The appraisals also reflect minor design changes made between May 2012 and November 2013.

3 The viability of the appeal scheme in 2012

3.1 In May 2012, the viability appraisals were prepared using the Economic Assessment Tool model issued by the HCA.

3.2 The residual land value for a proposed development is compared with the value of the site for any existing uses or with its 'Benchmark Land Value' (BLV) for an alternative use that has planning consent or that could reasonably be expected to obtain consent.

3.3 Appraisal **2012/A** showed a total of 32 units with 23 of these as affordable housing, giving approximately 50% of the floor area as affordable housing. Version **(Appraisal 2012/B)** showed the affordable housing as 13 units in a total of 26, equating to approximately 25% of the floor area.

3.4 These appraisals were compared with the value of the existing building if reinstated to Sui Generis hostel use with 75 bedrooms. **Appraisal 2012/D** showed a capital value of just under £5.8M for the building.

3.5 The result of the above appraisals is summarised as follows:

EAT appraisal	**RLV**	**BLV**	**Surplus over BLV**
2012/A: Proposed scheme	£0.840M	£5.8M	**Minus £4.5M**
2012/B: 50% affordable	minus £7.3M	£5.8M	**Minus £13.1M**
2012/C: 25% affordable	minus £4.8M	£5.8M	**Minus £10.6M**

3.6 BPS Surveyors Limited were commissioned by Camden Council to assess the viability appraisals. Their report broadly agreed with the content of the viability appraisals and supporting information. It confirmed that the inclusion of affordable housing on site would not be financially viable.

3.7 The advice from BPS was reflected in the report to the Council's Planning Committee meeting in November 2013, including BPS' own updating to reflect increases in residential sale values and build costs based on Land Registry and RICS data. The Committee report outlined the process undertaken to assess viability and concluded that "on financial viability reasons alone, the scheme cannot provide affordable housing either on or off site and that it would be unreasonable to require such a provision, given that the applicant's viability study has been rigorously tested and endorsed by the Council's own surveyors".

4. The updated appraisals

4.1 The appraisals for the Appeal scheme have also now been updated.

4.2 These are:

a) **2014/A**: scheme as proposed with 17 private apartments

b) **2014/B:** scheme with approx 50% affordable housing

b) **2014/C:** scheme with approx 25% affordable housing

4.3 The rented housing is assumed to be at the 'Affordable Rents' promoted by current Government and GLA policy. The intermediate units are assumed as being for shared ownership sale on terms affordable to purchasers with gross household income levels within current GLA criteria.

4.4 The appraisal **2014/D** for the existing building as a refurbished hostel also reflects increases in rent levels and operating costs as well as updated conversion costs. It now indicates a value for the building of approximately £7.3 million, or £6.9 million net of Stamp Duty and typical acquisition costs.

4.5 The results of the updated appraisals can be summarised as follows:

EAT appraisal	RLV	BLV	Surplus over BLV
2014/A: Proposed scheme	£4.9M	£6.9M	**Minus £2.0M**
2014/B: 50% affordable	Minus £4.16M	£6.9M	**Minus £11M**
2014/C: 25% affordable	Minus £0.75M	£6.9M	**Minus £7.6M**

4.6 As with the viability appraisal submitted in 2012, the updated appraisals reflect estimated values for the private apartments without any assumptions about the impact of including affordable housing within the builfing.

5 Additional appraisal

5.1 A further appraisal has been carried out to reflect the potential conversion of the existing building to apartments.

5.2 KSR have considered a notional scheme showing a potential for conversion to 13 private apartments. KSR note that the existing floor to ceiling height is only 2.42 metres, and that the remaining floor to ceiling height would not meet current requirements in Building Regulations and GLA standards.

5.3 The notional viability appraisal assumes that conversion could achieve the minimum necessary floor to ceiling height of 2.3 metres but to a lower standard of internal fit out. Off street parking would not be available.

5.4 Appraisal **2014/E** reflects Knight Frank’s advice that the apartments indicated would not meet expectations and would be difficult to sell.

5.5 Appraisal 2014/E for this notional option shows a negligible Residual Land Value of approximately **£0.1** million, with a much reduced amount of developer's profit in monetary terms compared with that shown in the appraisal 2014/A for the proposed scheme. This version thus shows a 'surplus' of approximately **minus £6.8 million** compared with the Benchmark Land Value.

5.6 This notional alternative is clearly not a viable commercial option. No developer would take the risk of undertaking a conversion that would not meet basic market expectations and potentially not meet building regulation standards.

6 Conclusion

6.1 The inclusion of affordable housing within the proposed redevelopment of 29 New End was shown not to be viable in 2012. This position was accepted by the Council's external consultants in 2012 and was reinforced in their advice to the Committee in November 2013.

6.2 Although the housing market in central London has since recovered significantly it has not improved to the extent necessary to change this fundamental conclusion. This is illustrated by the updated viability appraisals and the supporting information on sale values and build costs.

6.3 The possibility of converting the existing building to residential apartments has been considered and has been found to be neither financially viable nor commercially practical. It is these constraints that led to the decision to seek planning permission for redevelopment.

6.4 The clause sought by the Council in a legal agreement referring to a Deferred Affordable Housing Contribution is considered more contentious. Such a requirement is not supported by Government guidance in respect of a relatively small development that can only be implemented and carried out in a single phase. The arrangement understood to be proposed would potentially lead only to an additional payment by the developer, and not to any like reimbursement of an initial contribution if the scheme's financial results were worse than initially projected. Such a clause would therefore add to the commercial risk from the developer's point of view and potentially hinder the development of the new housing proposed rather than encourage it.