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|---|--|-----------------------------------|----------|
| Address: | 35 - 41 New Oxford Street, 10-12 Museum Street, 16A-18 West Central Street London WC1A 1AP | | 3 |
| Application Number: | 2016/0477/P | Officer: Zenab Haji-Ismail | |
| Ward: | Holborn & Covent Garden | | |
| Date Received: | 26/01/2016 | | |
| Proposal: Refurbishment and extension of the existing buildings to provide a mixed use scheme which includes 19 self-contained units (6 x 1 bed and 11 x 2 bed and 2 x 3 bed), flexible A1, A2, A3 and A4 uses at ground floor level and/or B1 and/or D1 at basement and ground floor levels and associated works. | | | |
| Background Papers, Supporting Documents and Drawing Numbers | | | |
| <p>A10862 - F - 0001 P1, A10862 - F - 0002 P1, A10862 - F - 0099 P1, A10862 - F - 0100 P1, A10862 - F - 0110 P1, A10862 - F - 0101 P1, A10862 - F - 0102 P1, A10862 - F - 0103 P1, A10862 - F - 0104 P1, A10862 - F - 0201 P1, A10862 - F - 0202 P1, A10862 - F - 0203 P1, A10862 - F - 0204 P1, A10862 - Z - 0099 P2, A10862 - Z - 0100 P2, A10862 - Z - 0110 P1, A10862 - Z - 0101 P2, A10862 - Z - 0102 P2, A10862 - Z - 0103 P2, A10862 - Z - 0104 P2, A10862 - Z - 0202 P2, A10862 - Z - 0203 P3, A10862 - Z - 0204 P2.</p> <p>A10862 - D - 0099 P3, A10862 - D - 0100 P3, A10862 - D - 0110 P3, A10862 - D - 0101 P1, A10862 - D - 0102 P1, A10862 - D - 0103 P2, A10862 - D - 0104 P2, A10862 - D - 0105 P3, A10862 - D - 0200 P1, A10862 - D - 0201 P2, A10862 - D - 0202 P2, A10862 - D - 0203 P2, A10862 - D - 0300 P3, A10862 - D - 0301 P4, A10862 - D - 0501 P1, A10862 - D - 0502 P1, A10862 - D - 0503 P2, A10862 - D - 0504 P1, A10862 - D - 0505 P1, A10862 - D - 0600 P1, A10862 - D - 0601 P1</p> <p>Supporting documents: Basement impact assessment (dated Nov 2015), Montagu Evans Heritage and Townscape Assessment (dated December 2015), Planning Statement (dated December 2015), Mason Navarro Pledge Flood Risk Assessment (dated December 2015), McLaren CMP (dated July 2016), Hurley Palmer Flatt Energy Statement (dated December 2015), Historic Environment Assessment (dated November 2015), Delva Patman Redler Daylight and Sunlight Assessment (dated January 2016), Peter Brett Associate Air Quality Assessment (dated December 2015), Phlorum Ecology Appraisal (dated December 2015), Applied Acoustic Design Noise and Vibration Report (dated November 2015).</p> | | | |
| RECOMMENDATION SUMMARY: Grant conditional planning permission subject to a Section 106 legal agreement | | | |
| Applicant: | Agent: | | |
| Triangle c/o Agent | Montagu Evans LLP 5 Bolton Street London W1J 8BA | | |

ANALYSIS INFORMATION

| Land Use Details: | | | |
|-------------------|--|---|----------------------------|
| | Use Class | Use Description | Floorspace |
| Existing | | <i>B1a Business - Office</i> | <i>624 m²</i> |
| | | <i>Sui Generis- Nightclub</i> | <i>994 m²</i> |
| | | <i>C4 - Housing in Multiple Occupation</i> | <i>97 m²</i> |
| | | <i>A1- A3 Shop</i> | <i>1,004 m²</i> |
| | | <i>C3- Residential</i> | <i>495 m²</i> |
| | Total | | 2,712 m² |
| Proposed | | <i>A3 Restaurants and Cafes</i> | <i>502 m²</i> |
| | | <i>A1/A2/D1/D2 Shop/Financial Services/ Assembly and Leisure/ Non-Residential Institution</i> | <i>1,080 m²</i> |
| | | <i>C3 Dwelling House</i> | <i>2,323 m²</i> |
| | | <i>B1a Business – Office</i> | <i>719 m²</i> |
| | | Total | |
| Uplift | | <i>Sui Generis- Nightclub</i> | <i>-994 m²</i> |
| | | <i>A1/A2/A3/B1</i> | <i>994 m²</i> |
| | | <i>B1a Business - Office</i> | <i>95 m²</i> |
| | | <i>A1 – A3 Shop/food and drink</i> | <i>76 m²</i> |
| | | <i>Total commercial uplift</i> | <i>171 m²</i> |
| | <i>C4 - Housing in Multiple Occupation</i> | <i>-97 m²</i> | |
| | <i>C3- Residential</i> | <i>1828 m²</i> | |
| | Total | | 2,392 |

| Residential Use Details: | | | | | | | | | | |
|--------------------------|------------------------|--------------------------|----|---|---|---|---|---|---|----|
| | Residential Type | No. of Bedrooms per Unit | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9+ |
| Existing | <i>Flat/Maisonette</i> | 26 | | | | | | | | |
| Proposed | <i>Flat/Maisonette</i> | 6 | 11 | 2 | | | | | | |

| Parking Details: | | |
|------------------|--------------------------|---------------------------|
| | Parking Spaces (General) | Parking Spaces (Disabled) |
| Existing | 0 | 0 |
| Proposed | 0 | 0 |

OFFICERS' REPORT

Reason for Referral to Committee: The proposal constitutes a 'major development' which involves the construction of more than 10 residential dwellings and more than 1000sqm of non-residential floorspace [Clause 3 (i)];

This application is the subject of a Planning Performance Agreement (PPA).

1. SITE

- 1.1 The application site is contained within a block bounded by New Oxford Street to the north, Museum Street to the east and West Central Street to the south and west. The site lies within Bloomsbury Conservation Area, having been included in 1973 (the initial designation was in 1968 and the conservation area has been enlarged over time). Adjacent buildings at 43 and 45 New Oxford Street are Grade II listed - these are not included as part of the application. Adjacent buildings in the block at 43 and 45 New Oxford Street (also including 16 West Central Street) are Grade II listed - these are not part of the application site. Also excluded is 33 New Oxford Street at the north-east corner of the block, which is not listed.
- 1.2 The block features a fine urban grain dating from the nineteenth century and is characterised largely by narrow, three/four storey properties. Facing onto New Oxford Street are a number of stuccoed properties dating from circa 1845 when this street was laid out (numbers 39-41 have been re-fronted in the early 20th century) and this pattern of development was continued into Museum Street. West Central Street is narrower and has the feel of a back street with the buildings within the application block, being lower in scale and less ornate. This fine grained development is generally continued to the north of New Oxford Street within the Bloomsbury Conservation Area. To the south of the application site the character and scale of development considerably increases with much taller 20th century developments covering much greater footprints. The boundary of Bloomsbury Conservation Area runs along West Central Street and Museum Street and specifically excludes these larger properties to the south.
- 1.3 Nos 16a-18 West Central Street are noted as positive contributors due to their group value in conservation area terms.
- 1.4 The existing site consists of 473 sqm ground floor retail units on New Oxford Street (three units) and Museum Street (two units), a basement and ground floor nightclub (sui generis use) on West Central Street (858 sqm) and 831 sqm B1 office use to the upper floors of 16a/18 West Central Street and 39-41 New Oxford Street. Also included within the site are 26 studios/bedsits which are considered substandard by the Council's Private Sector Housing Team.
- 1.5 The existing lawful uses of the site include a nightclub (Class sui generis) at 16A-18 West Central Street, which is currently vacant and predominantly residential accommodation on the upper floors of 35-41 New Oxford Street and 10-12 Museum

Street, some of which appear to be homes in multiple occupation (HMOs). The ground floor of these New Oxford Street and Museum Street properties are in various business uses (A1/A2/A3/B1 and a minicab office).

- 1.6 The site is within central London's Clear Zone region. There is no vehicular access into the site but a small service archway within the ground floor frontage of 10-12 Museum Street coincides with an existing crossover and would appear to have once connected to an open yard behind these properties. The site has a Public Transport Accessibility Level (PTAL) of 6b (excellent).

2. THE PROPOSAL

Original

- 2.1 The application proposes the extensive refurbishment to provide a mixed use scheme of office and residential accommodation above ground floor retail and restaurant uses. The buildings at 10-12 Museum Street would undergo extensive refurbishment to enable improved residential accommodation and formation of an entrance courtyard accessed from the existing archway opening on Museum Street.
- 2.2 The proposal includes an additional storey at nos 25 and 27 New Oxford Street and a setback extension at no 39-41 New Oxford Street. West Central Street would feature a two storey extension with the top floor being set back. The proposal also includes the change of use from a former nightclub (class sui generis) to flexible commercial use (class A1/A2/A3/b1/D1/D2). The Museum Street buildings are proposed to undergo external alterations including refurbished shopfronts.
- 2.3 There is an overall uplift of 2,392sqm including 1,731 sqm residential accommodation. Nineteen new residential flats (6 x 1 bed, 11 x 2 beds and 2 x 3 bed) would be created in place of the mainly non-self-contained bedsits existing at present.
- 2.4 It is to be noted that the application represents an increase in floorspace from the previously refused scheme by approximately 1,000sqm but retains the positive contributor building at 16A/B. Nevertheless the scheme is still a considerably scaled-down proposal for the site in comparison with the earlier refused scheme (2009/5460/P) –see relevant history below.

Revision

- 2.5 The proposal was revised during the course of the application to provide 19 residential units instead of 21 units following the advice of officers. This was to protect the quantum of existing office floorspace in accordance with the Local Development Framework.

3. RELEVANT HISTORY

- 3.1 2013/4275/P (29/07/2014) REFUSAL for demolition and redevelopment of 16A/B & 18 West Central Street and part demolition, change of use and works of conversion of remaining buildings to replace existing nightclub (Class D2), retail/food and drink (Classes A1-A5) and residential (26 x Class C3 residential studio units) with a new mix of uses comprising retail/food and drink (A1-A3), office (B1) and 19 x residential flats (7 x retained studios, 4 x 1-bed, 7 x 2-bed and 1 x 3-bed) (Class C3) resulting in a net addition of 716sqm gross external floorspace.
- 3.2 2009/5460/P & 2009/5463/C – REFUSAL of erection of a part 4 and part 8-storey mixed use building to provide offices (2370 sq.m.) (Class B1), replacement nightclub at basement and part ground floor level (West Central Street frontage), retail use (Class A1) at basement and ground floor and 11 x 2 bed residential units (Class C3) on the upper floors (including 4 affordable units) and extensions to 35-37 New Oxford St including a mansard roof, following demolition of 39-41 New Oxford St, and demolition of single storey rear addition at 16B West Central Street. Refusal issued on 25/03/2010.
- 3.3 35-37 New Oxford Street: Granted -Various applications for office use of upper floors of in 1950's and 60's
- 3.4 39-41 New Oxford Street: Granted (2008/2219) - Change of use of ground floor of 45 New Oxford Street from retail (A1) to licensed betting office (A2) in association with the change of use of ground floor of No. 39-41 New Oxford Street from licensed betting office (A2) to retail (A1).
- 3.5 10 Museum Street Refused (9301337) - Change of use of basement and ground floor from retail use within Class A1 to office use within Class B1 together with change of use of the 3rd floor from residential use to office use within Class B1.

Neighbouring site at 21-31 New Oxford Street

- 3.6 2014/5946/P: Granted 30/03/2015 - Remodelling, refurbishment and extension of existing former postal sorting office (Sui-generis use), including formation of a new public roof terrace, private terraces, wintergardens, roof top plant and new entrances in connection with the change of use of the building to offices (Class B1), retail/restaurant/doctors' surgery uses (Classes A1/A3/D1) and 21 affordable housing units (Class C3), along with associated highway, landscaping, and public realm improvement works.

4. CONSULTATIONS

Statutory Consultees

- 4.1 Transport for London

TfL requested a servicing and delivery plan; that the development be car free; and that cycle parking be provided in accordance with the London Plan. TfL also sought a CMP to ensure pedestrian movement or bus operation is not impeded.

- 4.2 Crossrail Safeguarding Team were consulted on this application and provided no comment.

Conservation Area Advisory Committee

- 4.3 No objections raised – comments raised by the Bloomsbury CAAC have been incorporated into the proposal

Local Groups

Covent Garden Community Association

- 4.4 In general, the CGCA supports the proposed redevelopment of this site, as the buildings have fallen into a state of disrepair that creates a void in a high-profile location on the border of two conservation areas. The CGCA is relieved that the applicant has submitted proposals that do not call for increased bulk and massing that is out of keeping with the conservation area and the local character.
- 4.5 Concerns were raised about the demolition behind the facades, and also that the applicant be more specific about the types of commercial use proposed. The noise report should be resubmitted to take into account nearby residential units. Servicing needs to be managed. Disappointed that affordable housing was not incorporated into the proposal. The applicant should sign up to a considerate construction scheme.

Adjoining Occupiers

| | |
|---|----|
| <i>Number of letters sent</i> | 59 |
| <i>Total number of responses received</i> | 7 |
| <i>Number in support</i> | 1 |
| <i>Number of objections</i> | 3 |

- 4.6 Three objections were received from neighbouring occupiers at Packshot Factory (39-41 New Oxford Street), 35 New Oxford Street, Flat 1- 35 New Oxford Street, 6 Denmark Street (residential) and 16 West Central Street (commercial) in relation to the following:

- The proposal includes the demolition of a roof and extensions including internal alterations that are unsympathetic to the existing building
- The proposal does not enhance the character of the local area
- The proposal does not have regard to the impact of the proposal on neighbouring businesses

- Any vibrations during construction will have a significant impact on the existing business
- Loss of daylight and sunlight to 39-41 New Oxford Street due to the proposal on West Central Street
- Loss of passive heating from natural sunlight to the windows of 39-41
- Loss of low-cost bedsit accommodation in Holborn and Covent Garden
- Lack of affordable housing
- Loss of entertainment venue
- Construction impact will be detrimental to local businesses

Support

- 4.7 One letter of support was received from the owners of neighbouring site at 21-31 New Oxford Street, the letter set out that the proposal will revitalise the area and the applicant has proactively worked with the neighbouring site to cause the lowest disruption and disturbance to the surrounding area.

5. **POLICIES**

5.1 **LDF Core Strategy and Development Policies adopted 8th November 2010**

CS1 - Distribution of growth

CS2 - Growth areas

CS5 - Managing the impact of growth and development

CS6 - Providing quality homes

CS7 – Promoting Camden’s Centres and shops

CS8 - Promoting a successful and inclusive Camden economy

CS9 - Achieving a successful Central London

CS10 - Supporting community facilities and services

CS11 - Promoting sustainable and efficient travel

CS13 - Tackling climate change through promoting higher environmental standards

CS14 - Promoting high quality places and conserving our heritage

CS15 - Protecting and improving our parks and open spaces and encouraging biodiversity

CS16 - Improving Camden’s health and well-being

CS17 - Making Camden a safer place

CS18 - Dealing with waste and encouraging recycling

CS19 - Delivering and monitoring the Core Strategy

DP1 - Mixed use development

DP2 - Making full use of Camden's capacity for housing

DP3 - Contributions to the supply of affordable housing

DP5 - Homes of different sizes

DP6 - Lifetime homes and wheelchair housing

DP10 – Helping small and independent shops

DP12 - Managing impact of food and drink uses

DP13 - Employment premises and sites

DP14 – Tourism development and visitor accommodation

DP15 - Community and leisure uses

DP16 - Transport implications of development

DP17 - Walking, cycling and public transport

DP18 - Parking standards and limiting the availability of car parking
DP19 - Managing the impact of parking
DP20 - Movement of goods and materials
DP21 - Development connecting to the highway network
DP22 - Promoting sustainable design and construction
DP23 - Water
DP24 - Securing high quality design
DP25 - Conserving Camden's heritage
DP26 - Managing the impact of development on occupiers and neighbours
DP28 - Noise and vibration
DP29 - Improving access
DP30 - Shopfronts
DP31 - Provision of, and improvements to, public open space and outdoor sport and recreation facilities.
DP32 - Air quality and Camden's clear zone

5.2 **Camden Site Allocations Local Development Document adopted September 2013: Site 17 (New Oxford Street, Royal Mail Sorting Office)**

5.3 **Supplementary Planning Policies**

Camden Planning Guidance (CPG) 2011

- CPG 1 Design 2015
- CPG2 Housing 2015
- CPG3 Sustainability 2015
- CPG5 Town centres, retail and employment 2013
- CPG 6 Amenity 2011
- CPG 7 Transport 2011
- CPG 8 Planning obligations 2015

Bloomsbury Conservation Area Appraisal and Management Strategy – April 2011

Tottenham Court Road Station and St Giles High Street Area Planning Framework - adopted 2004

21-31 New Oxford Street Planning Brief adopted 2004

St Giles to Holborn Place Plan –adopted October 2012

5.4 London Plan July 2016

5.5 National Planning Policy Framework 2012

6. **ASSESSMENT**

6.1 The principal consideration material to the determination of this application are summarised as follows:

- Land use – mixed use development

- Residential development
- Affordable housing
- Standard of accommodation
- Demolition in conservation area
- Design
- Residential amenity
- Basement construction
- Sustainability
- Transport
- Community Infrastructure Levy

Land Use – mixed use development

- 6.2 The application site is allocated in the Camden LDF Site Allocations (Site 18). The allocations document indicates that the development of the site should comprise a mix of uses provided by conversion, extension or partial redevelopment including retail, offices and permanent self-contained (Class C3) residential accommodation at upper levels.
- 6.3 The site is also located within the Central Activities Zone and within the Growth Area of Tottenham Court Road (Policies CS1 and CS2). The Tottenham Court Road Growth Area is expected to provide a minimum of 1,000 new homes and 5,000 new jobs in the area between 2001 and 2016. The proposal comprising of mixed use residential, office and retail is considered to provide an appropriate mix with regards to Policies CS1 and CS2.
- 6.4 Policy DP1 requires a mix of uses in development including a contribution towards the supply of housing. In the Central London Area where more than 200sqm of additional floorspace is provided, up to 50% of all additional floorspace should be housing. The proposed development includes the provision of a total of 1,731 sqm additional floorspace and will provide 2, 323 sqm of residential floorspace including by change of use therefore complying with Policy DP1.
- 6.5 Policies CS8 and DP13 encourage provision of additional office space and the protection of existing provision. Policy DP13 states that where sites are suitable for continued business use the Council will consider redevelopment proposals for mixed use schemes provided that the level of employment floorspace is maintained or increased, they include other priority uses such as housing and that premises for new, small or medium enterprises are provided.
- 6.6 The proposal includes 719 sqm of office accommodation comprising a single office at 16a/18 West Central Street and small offices located within 35 and 37 New Oxford Street. The proposed level of office accommodation together with the small office space within 35 and 37 New Oxford Street is considered acceptable with regards to Policies CS8 and DP13.
- 6.7 Policy CS1 supports mixed use development with the inclusion of retail floorspace while Policy CS7 states that the Council will promote additional retail provision as part of redevelopment schemes in the growth area of Tottenham Court Road. Policy DP12 indicates that the Council will ensure the development of retail will not

cause harm to the character, function, vitality and viability of a centre, the local area or the amenity of neighbours.

- 6.8 The proposed development also includes a total of 1,582 sqm of flexible commercial uses (retail/food and drink, community and leisure uses) which will be located at 39-41 New Oxford Street, 16b West Central Street and 10-12 Museum Street. This represents an uplift of 76 sqm of these uses across the whole site and given the location within the Tottenham Court Road Growth Area and Central Activities Zone is considered an acceptable level of provision with regards to Policies CS1, CS7 and DP12.

Affordable Housing

- 6.9 Policy DP3 states that the Council will negotiate the development of individual sites and related sites to seek the maximum reasonable amount of affordable housing on the basis of an affordable housing target of 50% of the total addition to housing floorspace, but will apply the target with regard to a sliding scale from 10% for developments with capacity for 10 dwellings to 50% for developments with capacity for 50 dwellings. The uplift in commercial floorspace is less than 1,000 sqm and therefore the policy DP1 requirement for 50% of affordable housing would not apply. Where 1,731sqm is being provided, the affordable housing target would be 17% or 3 units.
- 6.10 Development Policies Document Policy DP3 also states that the council will consider a number of factors when determining whether an affordable housing contribution should be sought and nature of the contribution that would be appropriate. These factors include:
- access to public transport, workplaces, shops, services and community facilities;
 - the character of the development, the site and the area;
 - site size, and constraints on including a mix of market and affordable tenures;
 - the economics and financial viability of the development including any particular costs associated with it;
 - the impact on creation of mixed and inclusive communities; and,
 - any other planning objectives considered to be a priority for the site
- 6.11 In accordance with Policy DP3 a financial viability appraisal (hereafter 'the appraisal') accompanied the application to justify the applicant's approach regarding affordable housing. The appraisal has been prepared in line with the Royal Institute of Chartered Surveyors (RICS) valuation guidance and has been independently reviewed by BPS, an independent viability consultant appointed by the Council. The appraisal has concluded that there will be no affordable units included within the scheme. The applicant has noted that the average market sales value for a unit at this site is likely to be £1,400,000. According to the policy requirement the applicant would be required to provide 3 units onsite, the market value of the three units is likely to be £4,200,000. The applicant has indicated that the scheme would result in a circa £4,000,000 scheme deficit if affordable housing were provided.

- 6.12 BPS have agreed to the price paid for the site as the benchmark figure as it represents a 12% land owner's premium to the existing use value as opposed to the 20% industry benchmark. The existing use value for this site is already high given its location and the types of uses, particularly the high existing use value nightclub use. BPS requested a number of changes to the applicant's viability appraisal including reducing the profit margin to 14% as opposed to the 25% that was proposed as this was seen to be a more reasonable level of profit for a refurbishment scheme as opposed to a new development and the CIL figure was corrected. Once these adjustments were made the scheme was found to generate a surplus of £505,450.
- 6.13 Officers have discussed the possibility of this surplus enabling one on site affordable intermediate rented unit. It was suggested that Octavia- a Registered Provider who is likely to be handling the affordable units at 21-31 New Oxford Street (see planning history above) should be approached. The applicant has discussed the provision of one intermediate unit onsite and this was found to be undesirable by the registered provider as it was felt that without significant subsidy only a shared ownership unit would be viable on this site.
- 6.14 With regards to providing affordable housing off-site, the applicant has demonstrated that the average unit value in the borough according to the land registry is £747K. Furthermore, whilst the applicant owns other sites, namely Travel Lodge and NCP car park, within the vicinity of the development; these are currently let on a long term basis as retail/commercial uses.
- 6.15 In the light of the above, officers and BPS concur with the overall assertion that affordable housing cannot viably be delivered onsite or offsite. In line with the 3rd and final step in the cascade the applicant would be expected to make a payment in lieu of affordable housing equivalent to the calculated surplus of £505,450. The applicant would also be expected to carry out a revised appraisal based on the same reasonable assumptions adopted by BPS for the current assessment once eight units have been sold and prior to occupation of the units or in the event an extension to the scheme is proposed. This approach is considered to be reasonable in accordance with Policy DP3.

Residential Development

- 6.16 The existing site includes 26 residential units comprising bedsits and studios. It is noted that a number of the existing units are small bedsits while 10 Museum Street is in HMO use. The site does not appear to be a registered HMO and the units do not comply with modern HMO standards or national housing standards. There is no record of any planning permission being given for these units or how long the upper floors have been in residential use. The Council's Private Sector Housing team have indicated that 10 Museum Street is a HMO comprising of five bedsit units and one self-contained flat. The property is currently below the minimum size requirements for a HMO. 12 Museum Street consists of self-contained studios all of which are significantly below standard. The average floorspace of the units are no more than 11sqm.

- 6.17 Policy DP9 states that the Council will resist development that involves the net loss or self-containment of bedsit rooms or of other housing with shared facilities unless it can be demonstrated that the accommodation is incapable of meeting the relevant standards for houses in multiple occupation. The Council's Private Sector Housing Team has been consulted on the application. They have stated that the accommodation at 10-12 Museum Street is below current HMO standards. The Team have suggested that amalgamation of the units is likely to be the best option of providing accommodation of sufficient quality.
- 6.18 The proposal involves a loss in terms of seven actual residential units however represents an increase of 1,731sqm of residential floorspace. The new units provided are significantly larger in floorspace terms than those on the site at present and include secure bike storage, appropriate plant and some amenity space. Given the uplift in residential floorspace together with the improved standards of accommodation being provided, the proposal is considered in accordance with Policy CS6 of the Core Strategy, Policy DP2 of the and Policy 3.5 of the London Plan.
- 6.19 Policy DP5 states that the Council will expect a mix of large and small homes in all residential developments and will seek to ensure that all residential development contributes to meeting the priorities set out in the Dwelling Size Priorities Table (DSPT).

| Dwelling Size Priorities Table | | | | | |
|---------------------------------------|-----------------------|------------------|-------------|--------------------|-----------|
| | 1-bedroom (or studio) | 2-bedrooms | 3-bedrooms | 4-bedrooms or more | Aim |
| Social rented | lower | medium | high | very high | 50% large |
| Intermediate affordable | medium | high | high | high | 10% large |
| Market | lower | very high | medium | medium | 40% 2-bed |

- 6.20 The DSPT indicates that market housing with 2- bedrooms are the highest priority and most sought after unit size. The proposed development comprises 6 x 1-bed, 11 x 2 bed and 2 x 3-bed. The proposed mix is considered to comply with the requirements set in Policy DP5.

Standard of accommodation for future occupiers and Lifetime Homes

- 6.21 The proposed new residential units within 16A/B and 18 West Central Street and 10-12 Museum Street will exceed the minimum space standards as set out in the CPG and the London Housing SPG. These units will also meet the Lifetime Homes standard as required by Policies CS6 and DP6.
- 6.22 11 proposed flats are dual aspect whilst 7 of the proposed flats are single aspect. The single aspect flats in this case are two bedroom units in order to accommodate adequate circulation space. The habitable areas benefit from openable windows

and two of the flats benefit from private amenity space and the units are south facing and therefore adequate natural light is not considered to be of concern.

Design and Conservation

- 6.23 The relevant policies with regards to design are CS14, DP24 and DP25. The Bloomsbury conservation area appraisal and management strategy also provides guidance with regards to design.
- 6.24 The proposal includes the extensions and refurbishment of the existing buildings to facilitate a mixed use scheme. The site almost entirely consists of late Victorian terrace blocks with only one 1920's art deco building on New Oxford Street. To the north and east of the site the height and typologies of the surrounding buildings are more in keeping with the scale of the site. The majority of these are Victorian, however the neighbouring site to the west is a distinct Edwardian brick and terracotta residential block with a pub and retail units at ground level. The late Victorian buildings are constructed of stucco covered masonry walls with classical period features. There has been little meaningful work to maintain the external parts of the buildings over recent years leaving the buildings in urgent need of attention. Internally, the occupied areas have been kept in a reasonable state of repair however the buildings on Museum Street and West Central Street are mostly unoccupied except for a few short term lets. These vacated parts of the buildings are particularly in a very poor state of repair.
- 6.25 The site is located on the southern fringe of the Bloomsbury Conservation Area which has been identified as having a consistency in street pattern, spatial character and predominate building forms. The area's evolution is representative by the predominance of large and intact urban blocks of fine examples of Georgian and Victorian architecture. The application site contributes to the character of the Bloomsbury area, but is somewhat removed from the urban pattern and fabric to the north by the busy New Oxford Street. The majority of the classically influenced buildings dates to the mid-Victorian period with the exception of Nos 39-41 New Oxford Street with its re-fronted Art Deco style façade built in 1927.
- 6.26 The buildings fronting New Oxford Street and Museum Street all contribute to the grandeur of the Bloomsbury area, however the appraisal notes the 'somewhat utilitarian' smaller buildings along West Central Street are overwhelmed by the scale of the taller buildings to the south that lie immediately outside the wider conservation area. None of the buildings subject to this application are listed, however adjacent to the site to the north west corner of the block, are two Grade II listed buildings at 43 and 45 New Oxford Street. The other grade II listed building is No 16 West Central Street.
- 6.27 The scale of the proposed extensions would not overwhelm the existing buildings. The proposal follows the Victorian styling of the original buildings and would sit comfortably with the context and character of this part of Bloomsbury Conservation Area. The proposal includes new façade treatments that would integrate with the existing buildings by repeating period features where these are most appropriate to do so such as the façade along West Central Street. The new development will retain and restore the shop fronts and signage on New Oxford Street and Museum

Street with period features appropriate to the original designs which would enhance the streetscene and this part of the Bloomsbury Conservation Area.

- 6.28 The residential units will be accessed via an existing passageway off Museum Street that leads into an inner courtyard. This will allow appreciation of this space from the street. This would become a single and secure point of entry to the residential units.
- 6.29 The proposals would reverse features which currently have a negative impact on the area. The West Central Street frontages are in a particularly poor condition and the proposals will significantly enhance the aesthetic appearance of these buildings and this façade. The restoration of historic shopfronts and reinstatement of fenestration details provides further enhancements.
- 6.30 The conservation officer has reviewed the proposal and noted that the proposed changes to the buildings improve the contribution they make to the character and appearance of the Conservation Area and setting of the listed buildings in the vicinity. The Scheme has been designed to follow the Victorian style of the original buildings and ensure that the new features are sympathetic to the retained facades, as well as the context, style and scale of the surrounding Bloomsbury area. Consequently, the proposed development is considered to meet the requirements of Policies CS14, DP24 and DP25.
- 6.31 Special attention has been paid to the desirability of preserving or enhancing the character or appearance of the conservation area, under and s.72 of the Listed Buildings and Conservation Areas Act 1990 as amended by the Enterprise and Regulatory Reform Act (ERR) 2013.

Amenity of neighbouring residents

Daylight and sunlight

- 6.32 A daylight and sunlight assessment has been submitted by the applicant. An analysis of the existing daylight and sunlight levels enjoyed by the neighbouring properties has been undertaken in order to provide a baseline against the impact of the proposed development. The methods of assessment used were the Vertical Sky Component (VSC), No Sky Line (NSL) and Average Daylight Factor (ADF) for daylight and Annual Probable Sunlight Hours (APSH) for sunlight.
- 6.33 The assessment demonstrates that there are infringements of the VSC and NSL to the first and second floor rooms within 43 New Oxford Street (a commercial property) affecting small kitchens serving a restaurant. This is not considered harmful in any way to the functioning of these commercial properties.
- 6.34 The assessment concludes that the scheme proposals demonstrate that the quality, quantity and distribution of light within the neighbouring properties will generally remain BRE compliant with only highly localised infringements of the BRE Guidance and these being to commercial properties. Where there are infringements it is considered that the daylight and sunlight effects measured are

not sufficiently adverse so as to make the light in rooms within the neighbouring properties unacceptable for their purpose given the dense urban nature of the site.

Privacy

- 6.35 Given the positioning of the windows, the distance between the properties, and the orientation the proposal is unlikely to result in any loss of privacy or overlooking in comparison to the existing building.

Noise

- 6.36 The proposed uses of residential, office and retail (Classes A1, A2 and A3) are considered to be far more compatible with the area than the previous nightclub use which had generated a catalogue of complaints and had its licence revoked by Camden's environmental health (noise) team.
- 6.37 The proposed retail uses will be restricted to classes A1, A2, A3, D1 or D2 uses. While most uses within these classes are unlikely to result in disturbances to occupiers of neighbouring residential properties and the guests of the adjacent hotel, some uses within Use Class A3 can cause disturbance. The retail opening hours will therefore be limited by condition as suggested by CPG5 (08:00 to 23:30 Mondays to Thursdays, 08:00 to 00:00 on Fridays and Saturdays and 09:00 to 22:30 on Sundays and public Holidays) and no more than 40% of the overall floorspace will be used as A3. a condition is recommended to secure this.
- 6.38 Objections were received raising concern that the development will cause noise and disruption during construction. Construction impact is largely covered by the Control of Pollution Act 1974, however in order to mitigate the impacts of construction on residential amenities, a construction management plan will be secured through section 106.
- 6.39 An objection was received from a neighbouring office occupant at 39-41 New Oxford Street regarding overlooking. The distance between the facing windows of the new development and the rear office will only be approximately 13m; however CPG6 requires developments to be designed to protect the privacy of both new and existing dwellings and therefore no requirement to protect privacy of occupiers of office accommodation. Furthermore, having adjacent uses of offices and residential is considered to be generally compatible with the occupants of the office and residential properties likely to be present at different times of the day.
- 6.40 Due to the constraints of the site, it is not possible for each individual flat to benefit from individual private amenity space. The Scheme proposes a roof terrace of 80 sqm for communal use by residents. The inner courtyard is also to be retained. The proposed terrace will overlook the existing car park and is therefore unlikely to result in overlooking as a result of the proposal.

Basement

- 6.41 There is an existing basement however the applicant proposed to excavate part of the basement by 1.4m to ensure it is level. The overall footprint of the basement

would be as existing. The applicant has submitted a basement impact assessment to assess the potential impact on land stability and groundwater flow.

- 6.42 Policy DP27 and Guidance CPG4 set out how panning applications that include proposals for new or extensions to basements will be assessed. The BIA has been prepared following the Guidance of CPG4 and the Arup Guidance for Subterranean Development.
- 6.43 The Basement Impact Assessment and related documentation submitted by the applicant has been subject to independent verification. This is owing to the location of the application site within a hydrogeological constraint area. In this instance, the independent reviewer is fully satisfied with the level and nature of information provided by the applicant.

The independent review

- 6.44 In responding to policy DP27 and CPG4, the applicant submitted a range of documentation at the outset of the application. This included a Basement Impact Assessment (BIA) Report by Geotechnical & Environmental Associates (dated November 2015). An independent review of all the relevant documentation was undertaken by Campbell Reith, on behalf of the Council. The scope of this study was, in short, to ascertain whether the submission of the application was sufficiently robust and accurate to enable planning permission to be granted in accordance with the requirements of LDF policy DP27.
- 6.45 Campbell Reith concluded that the information provided by the applicant is sufficient to comply with policies DP27A, B and C. Therefore the structural stability of the host and neighbouring properties, the water environment and the cumulative impacts of both has been independently verified as being maintained. The applicant has comprehensively demonstrated that the proposed development would be unlikely to cause harm to the built and natural environment and local amenity and would not result in flooding or ground instability.

Sustainable urban drainage

- 6.46 In order to mitigate the impact of the proposed, the development will seek to incorporate SUDs techniques following the guidance in London Plan policy 5.13. This is to be secured by condition

Sustainability and Energy

- 6.47 The applicant has submitted an Energy Statement which demonstrates the commitment to environmental improvements, given the application is a refurbishment, the proposal is considered to achieve satisfactory energy conservation.
- 6.48 The proposed development also incorporates a Green roof (102sqm). These design features are welcomed and further details including a maintenance strategy will be secured by condition.

- 6.49 The council's sub-targets in Energy, Water and Materials categories as stated in CPG3 will all be exceeded. The development is likely to deliver a 21.4% reduction in carbon emissions over the benchmark. The current target for reduction in carbon emissions set out in CPG3 is 40%. The development's commitments to environmental improvements are therefore acceptable and will be secured by s106 legal agreement. The carbon reduction savings include the use of on-site renewable energy generation through an air source heat pump, details and implementation of which would be secured as part of the s106 legal agreement.

Transport

- 6.50 The application site has a Public Transport Accessibility Level (PTAL) of 6b (excellent); and car-free development will be secured for all uses. The site is within walking distance from both the Underground and rail stations and is served by several bus routes. The proposal will provide a total of 19 self-contained flats, the office space and retail provision. The applicant would provide 28 cycle storage spaces for the residential element and 20 cycle spaces for the commercial element of the scheme storage is shown for the residential and office elements of the scheme which are considered acceptable.
- 6.51 The proposal would be car free- a car free agreement is recommended to secure a car free clause within a Section 106 legal agreement. Two additional cycle parking spaces will be provided in accordance with Camden Planning Guidance 7 design standards for cycle parking, raising the total number of cycle spaces serving the hotel to 32. The proposal is considered to accord with Policy CS11, and Policies DP16, DP17, DP18, DP19 and DP21.
- 6.52 The transport engineers and planners have been in lengthily discussions with the applicant to manage the impact of the proposed development. The area is currently experiencing growth with 21-31 New Oxford Street and West End Project coming forward within the vicinity of the development coming forward at similar times. The applicant has submitted a CMP and a revised CMP. The applicant proposes to use West Central Street to carry out the proposed works. This proposal is considered to be an acceptable solution subject to further details on how pedestrian safety will be managed. Full details would be required through a Construction Management Plan (CMP) to manage the developments impact on the highway network. The applicant will be required to consult nearby occupiers of the proposal and manage concerns raised by neighbouring occupiers in terms of noise and vibrations. The CMS will be secured through S106.
- 6.53 A financial contribution is considered both reasonable and necessary to repave the footways and to provide pedestrian and environmental improvements adjacent to the site. This is recommended to be secured through a Section 106 Agreement with the Council. This S106 obligation would also require plans demonstrating interface levels between development thresholds and the Public Highway to be submitted to and approved by the Highway Authority prior to implementation.

Section 106

- 6.54 The following clauses will be included in a Section 106 Agreement

- Affordable housing payment in lieu- £505,450
- Affordable housing deferred contribution- £318,064
- Car free
- Construction Management Plan
- Level Plans
- Highways contribution - TBC
- Energy plan – prior and post occupation
- Sustainability plan - prior and post occupation
- Service management plan- prior to occupation
- Monitoring fee
- Pedestrian, cycling and environmental contribution - TBC

Community Infrastructure Levy (CIL)

6.55 This proposal will be liable for the Mayor of London's and Camden's Community Infrastructure Levy (CIL) as it includes the addition of one unit of residential accommodation. Once the existing occupied floorspace is discounted, based on the Mayor's and Camden CIL charging schedule and the information given on the plans, the charge for this scheme, should it be approved would likely be £119,500 (£50 x 2390 sqm) of Mayoral CIL and £254,130 of Camden CIL. This will be collected by Camden after the scheme is implemented and could be subject to surcharges for failure to assume liability, submit a commencement notice and late payment, and subject to indexation in line with the construction costs index.

6 CONCLUSION

7.1 The proposed redevelopment of the site to provide a mix of uses comprising of retail/food and drink (A1-A3), office (B1) and 19 residential units is considered acceptable in principle. Affordable housing units are not being provided on or off site, however the maximum reasonable amount has been agreed and a deferred affordable housing review is recommended within the Section 106 legal agreement.

7.2 The proposed extensions have been sympathetically incorporated into the site. The style of architecture emulates that which exists and the proposal would preserve and enhance this part of the Bloomsbury Conservation Area.

7.3 The proposal includes a detailed CMP to ensure the impact of construction works is minimised in this part of the borough which will be subject to ongoing review. Overall, the scheme provides a sympathetic and appropriate mixed use scheme for this site.

7.4 Planning Permission is recommended subject to a S.106 Legal Agreement

8. LEGAL COMMENTS

8.1 Members are referred to the note from the Legal Division at the start of the Agenda

Conditions and reason(s)

- 1 Application for approval of the reserved matters shall be made to the local planning authority not later than three years from the date of this permission.

Reason: In order to comply with the provisions of Section 92 of the Town and Country Planning Act 1990 (as amended).

- 2 All new external work shall be carried out in materials that resemble, as closely as possible, in colour and texture those of the existing building, unless otherwise specified in the approved application.

Reason: To safeguard the appearance of the premises and the character of the immediate area in accordance with the requirements of policy CS14 of the London Borough of Camden Local Development Framework Core Strategy and policy DP24 and DP25 of the London Borough of Camden Local Development Framework Development Policies.

- 3 No lights, meter boxes, flues, vents or pipes, and no telecommunications equipment, alarm boxes, television aerials, satellite dishes or rooftop 'mansafe' rails shall be fixed or installed on the external face of the buildings, without the prior approval in writing of the local planning authority.

Reason: To safeguard the appearance of the premises and the character of the immediate area in accordance with the requirements of policy CS14 of the London Borough of Camden Local Development Framework Core Strategy and policy DP24 and DP25 of the London Borough of Camden Local Development Framework Development Policies.

- 4 Noise levels at a point 1 metre external to sensitive facades shall be at least 5dB(A) less than the existing background measurement (LA90), expressed in dB(A) when all plant/equipment (or any part of it) is in operation unless the plant/equipment hereby permitted will have a noise that has a distinguishable, discrete continuous note (whine, hiss, screech, hum) and/or if there are distinct impulses (bangs, clicks, clatters, thumps), then the noise levels from that piece of plant/equipment at any sensitive façade shall be at least 10dB(A) below the LA90, expressed in dB(A).

Reason: To safeguard the amenities of the [adjoining] premises [and the area generally] in accordance with the requirements of policy CS5 of the London Borough of Camden Local Development Framework Core Strategy and policies DP26 and DP28 of the London Borough of Camden Local Development Framework Development Policies.

- 5 Full details in respect of the green roof in the area indicated on the approved roof plan shall be submitted to and approved by the local planning authority before the relevant part of the development commences. The buildings shall not be occupied until the approved details have been implemented and these works shall be permanently retained and maintained thereafter.

Reason: In order to ensure the development undertakes reasonable measures to take

account of biodiversity and the water environment in accordance with policies CS13, CS15 and CS16 of the London Borough of Camden Local Development Framework Core Strategy and policies DP22, DP23 and DP32 of the London Borough of Camden Local Development Framework Development Policies.

- 6 The development hereby permitted shall be carried out in accordance with the following approved plans:

A10862 - F - 0001 P1, A10862 - F - 0002 P1, A10862 - F - 0099 P1, A10862 - F - 0100 P1, A10862 - F - 0110 P1, A10862 - F - 0101 P1, A10862 - F - 0102 P1, A10862 - F - 0103 P1, A10862 - F - 0104 P1, A10862 - F - 0201 P1, A10862 - F - 0202 P1, A10862 - F - 0203 P1, A10862 - F - 0204 P1, A10862 - Z - 0099 P2, A10862 - Z - 0100 P2, A10862 - Z - 0110 P1, A10862 - Z - 0101 P2, A10862 - Z - 0102 P2, A10862 - Z - 0103 P2, A10862 - Z - 0104 P2, A10862 - Z - 0202 P2, A10862 - Z - 0203 P3, A10862 - Z - 0204 P2.

A10862 - D - 0099 P3, A10862 - D - 0100 P3, A10862 - D - 0110 P3, A10862 - D - 0101 P1, A10862 - D - 0102 P1, A10862 - D - 0103 P2, A10862 - D - 0104 P2, A10862 - D - 0105 P3, A10862 - D - 0200 P1, A10862 - D - 0201 P2, A10862 - D - 0202 P2, A10862 - D - 0203 P2, A10862 - D - 0300 P3, A10862 - D - 0301 P4, A10862 - D - 0501 P1, A10862 - D - 0502 P1, A10862 - D - 0503 P2, A10862 - D - 0504 P1, A10862 - D - 0505 P1, A10862 - D - 0600 P1, A10862 - D - 0601 P1

Supporting documents: Basement impact assessment (dated Nov 2015), Montagu Evans Heritage and Townscape Assessment (dated December 2015), Planning Statement (dated December 2015), Mason Navarro Pledge Flood Risk Assessment (dated December 2015), McLaren CMP (dated July 2016), Hurley Palmer Flatt Energy Statement (dated December 2015), Historic Environment Assessment (dated November 2015), Delva Patman Redler Daylight and Sunlight Assessment (dated January 2016), Peter Brett Associate Air Quality Assessment (dated December 2015), Phlorum Ecology Appraisal (dated December 2015), Applied Acoustic Design Noise and Vibration Report (dated November 2015).

Reason: For the avoidance of doubt and in the interest of proper planning.

- 7 Prior to the first use of the premises for any A3 use hereby permitted, full details of a scheme for ventilation, including manufacturers specifications, noise levels and attenuation, shall be submitted to and approved by the Local Planning Authority in writing. The use shall not proceed other than in complete accordance with such scheme as has been approved. All such measures shall be retained and maintained in accordance with the manufacturers' recommendations.

Reason: To safeguard the amenities of the adjoining premises and the area generally in accordance with the requirements of policies CS5 and CS7 of the London Borough of Camden Local Development Framework Core Strategy and policies DP12, DP26 and DP28 of the London Borough of Camden Local Development Framework Development Policies.

- 8 The new dwelling hereby approved shall be designed and constructed in accordance with Building Regulations Part M 4 (2).

Reason: To ensure that the internal layout of the building provides flexibility for the accessibility of future occupiers and their changing needs over time, in accordance with the requirements of policy CS6 of the London Borough of Camden Local Development Framework Core Strategy and policy DP6 of the London Borough of Camden Local Development Framework Development Policies.

- 9 Full details in respect of the green and brown roofs and green wall in the area indicated on the approved plans shall be submitted to and approved by the local planning authority before the relevant part of the development commences. The details shall include species, planting density, substrate, section scale @ 1:20, maintenance strategy and biodiversity enhancements. The buildings shall not be occupied until the approved details have been implemented and these works shall be permanently retained and maintained thereafter.

Reason: In order to ensure the development undertakes reasonable measures to take account of biodiversity and the water environment in accordance with policies CS13, CS15 and CS16 of the London Borough of Camden Local Development Framework Core Strategy and policies DP22, DP23 and DP32 of the London Borough of Camden Local Development Framework Development Policies.

- 10 The development hereby approved shall not commence until such time as a suitably qualified chartered engineer with membership of the appropriate professional body has been appointed to inspect, approve and monitor the critical elements of both permanent and temporary basement construction works throughout their duration to ensure compliance with the design which has been checked and approved by a building control body.

Reason: To safeguard the appearance and structural stability of neighbouring buildings and the character of the immediate area in accordance with the requirements of policy CS14 of the London Borough of Camden Local Development Framework Development Policies and policy DP27 (Basements and Lightwells) of the London Borough of Camden Local Development Framework Development Policies.

- 11 No more than 40% of the proposed commercial floorspace may be used as a restaurant (use class A3).

Reason: To safeguard the amenities of the adjoining premises and the area generally in accordance with the requirements of policies CS5 and CS7 of the London Borough of Camden Local Development Framework Core Strategy and policy DP26, DP28 and DP12 of the London Borough of Camden Local Development Framework Development Policies.

- 12 The use of the ground and basement level retail (Use Classes A1/A2/A3) hereby permitted shall not be carried out outside the following times 08:00 to 23:30 Mondays to Thursdays, 08:00 to 00:00 on Fridays and Saturdays and 09:00 to 22:30 on Sundays and public Holidays.

Reason: To safeguard the amenities of the adjoining premises and the area generally in accordance with the requirements of policies CS5 and CS7 of the London Borough of Camden Local Development Framework Core Strategy and policy DP26, DP28 and DP12 of the London Borough of Camden Local Development Framework Development Policies.

- 13 Details of a sustainable urban drainage system hereby approved shall be implemented as part of the development and thereafter retained and maintained.

Reason: To reduce the rate of surface water run-off from the buildings and limit the impact on the storm-water drainage system in accordance with policies CS13 and CS16 of the London Borough of Camden Local Development Framework Core Strategy and policies DP22, DP23 and DP32 of the London Borough of Camden Local Development Framework Development Policies.

- 14 Notwithstanding the provisions of Class D2 of the Schedule of the Town and Country Planning (Use Classes) Order, 1987, or any provision equivalent to that Class statutory instrument revoking and re-enacting that Order, the premises shall be used as a nightclub.

Reason: To ensure that the future occupation of the building does not adversely affect the adjoining premises/immediate area by reason of noise and disturbance in accordance with policy CS5 of the London Borough of Camden Local Development Framework Core Strategy and policies DP26 and DP28 of the London Borough of Camden Local Development Framework Development Policies.

- 15 Details of enhanced sound proofing between the commercial and residential units shall be submitted and agreed in writing by the local planning authority before the start of the commercial and residential units.

Reason: To safeguard the amenities of the future occupiers in accordance with the requirements of policies CS5 and CS7 of the London Borough of Camden Local Development Framework Core Strategy and policy DP26, DP28 and DP12 of the London Borough of Camden Local Development Framework Development Policies.

Informatives

- 1 Your proposals may be subject to control under the Building Regulations and/or the London Buildings Acts which cover aspects including fire and emergency escape, access and facilities for people with disabilities and sound insulation between dwellings. You are advised to consult the Council's Building Control Service, Camden Town Hall, Argyle Street WC1H 8EQ, (tel: 020-7974 6941).
- 2 Noise from demolition and construction works is subject to control under the Control of Pollution Act 1974. You must carry out any building works that can be heard at the boundary of the site only between 08.00 and 18.00 hours Monday to Friday and 08.00 to 13.00 on Saturday and not at all on Sundays and Public Holidays. You are advised to consult the Council's Environmental Health Service, Camden Town Hall, Argyle Street, WC1H 8EQ (Tel. No. 020 7974 2090 or by email env.health@camden.gov.uk or on the website www.camden.gov.uk/pollution) or seek prior approval under Section 61 of the Act if you anticipate any difficulty in carrying out construction other than within the hours stated above.
- 3 Your proposals may be subject to control under the Party Wall etc Act 1996 which covers party wall matters, boundary walls and excavations near neighbouring buildings. You are advised to consult a suitably qualified and experienced Building Engineer.
- 4 Your attention is drawn to the fact that there is a separate legal agreement with the Council which relates to the development for which this permission is granted. Information/drawings relating to the discharge of matters covered by the Heads of Terms of the legal agreement should be marked for the attention of the Planning Obligations Officer, planningobligations@camden.gov.uk.

35-41 New Oxford Street, 10-12 Museum Street, and 16A-18 West Central Street, London



Independent Viability Review

Application Reference: 2016/0477/P

16 May 2016

1.0 INTRODUCTION

- 1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Savills on behalf of Triangle Investments and Development Ltd ('the Applicant') in connection with a planning application for the redevelopment of 35-41 Oxford Street, 10-12 Museum Street, and 16A-18 West Central Street, London.
- 1.2 The proposed scheme comprises the *refurbishment and extension of the site to provide a mixed use scheme which includes 21 self contained units (7 x 1 bed and 12 x 2 bed and 2 x 3 bed), flexible A1, A2, A3 and A4 uses at ground floor level and/or B1 and/or D1 at basement and ground floor levels and associated works.*
- 1.3 The site measures 0.21 acres (0.087 hectares) and currently comprises four blocks. Block 1 (35-37 New Oxford Street) has ground and basement level retail units with 11 flats, which we assume are let on shorthold tenancies, above; Block 2 (39-41 New Oxford Street) has a double fronted retail unit and office accommodation; Block 3 (16A-B and 18 West Central Street) includes vacant bar/nightclub accommodation and ancillary office with residential units above. Block 4 (10-12 Museum Street) provides retail accommodation, ancillary accommodation, and 15 vacant residential flats.
- 1.4 Savills conclude that the proposed scheme cannot provide any contribution towards affordable housing as the residual land value of the development proposals when compared to the proposed benchmark land value some an apparent deficit of [REDACTED]
- 1.5 We have had reference to the viability report prepared by Savills, dated March 2016. Further to requests, we have also received:
 - A further explanation regarding the proposed floor areas from Rider Levett Bucknall and from Savills, dated 7 April
 - Savills valuation of the existing use value dated 19 March 2016.
- 1.6 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can make further affordable housing contributions while remaining economically viable.

2.0 CONCLUSIONS AND RECOMMENDATIONS

- 2.1 We have reviewed the benchmark land value prepared by Savills which is based on the existing use value of the subject site. The key differences between the Savills

and BPS valuations stems from the retail unit valuations which we consider should produce a lower rental rate when compared to the proposed retail space. We also adopt differing assumptions in the valuation of the disused night club. We have created a residual valuation based on our market analysis which shows a land value of £14 million. We consider this to be a market valuation and do not in conscience consider it reasonable to add land owner premium to this figure. In arriving at this estimate we highlight that we have no information concerning the condition of the existing residential units and the proposed landowner's costs to bring the units into habitable condition seem to be very low.

- 2.2 We have reviewed the proposed valuation for the residential units provided by CBRE. On the basis of our market evidence we accept the proposed values appear broadly reasonable.
- 2.3 We have analysed the proposed retail valuations and note that we have seen higher rental evidence from restaurant occupiers in the local area.
- 2.4 Savills provide comparable evidence to support the applied retail yield. Six of the provided comparable transactions occurred in 2014 and three in 2012. Ultimately Savills select a yield which is reflective of the market in 2012 as the comparable units are in closer proximity to the subject site. We are of the view that yields have hardened in recent years therefore most recent evidence must be considered most reliable. This is evidenced by research undertaken by Knight Frank which shows prime yields have reduced by 0.85% between April 2013 and 2016.
- 2.5 We have reviewed the market evidence provided by Savills for the office space. We consider that the rental rate for the ground floor office space is reasonable however it is evident that lower ground office space can achieve higher rental rates. We have adjusted the valuation to this effect but agree that a capitalisation yield of [REDACTED] appears reasonable.
- 2.6 Our Cost Consultant has reviewed the build cost plan prepared by Rider Levett Bucknall and considers the Applicants costs before inflation of [REDACTED] to benchmark well and are therefore accepted.
- 2.7 Savills adopt a profit on cost target of 25%. Given that the proposed scheme is not a new build but a mixed refurbishment and extension of existing premises we consider this requirement to be excessive. More particularly the property as it currently stands is an income producing asset whose market yield or risk/return rate is established at yields of [REDACTED] on the income producing elements. Through simply classing the entirety of the current property value as development expenditure Savills are seeking to generate a further return of 25% on this figure. It can be seen from the floor area analysis below that a substantial element of the proposed new scheme already exists and therefore in our view should not attract development risk returns as suggested.

Respective floor areas

| | Sq Ft GIA | Sq M GIA |
|--------------|-----------|----------|
| Current | 29,181 | 2,712 |
| Proposed | 44,222 | 4,108 |
| Net increase | 15,041 | 1,396 |

- 2.8 The comparison of floor areas current and proposed shows an increase of 51.7% in overall GIA. In effect 2/3rds of the building already exists. Usually development comprises 100% of the floor area as new build. Consequently the proportion of expenditure which is subject to significant development risk is comparatively low for this scheme compared to an all new build scheme. Consequently we are of the view that the value of the property should be excluded from the total development costs for the purposes of estimating development expenditure as this element of the property continues to be capable of generating a market yield of circa [REDACTED] on the income producing element. We have then applied 25% to the remaining scheme costs.
- 2.9 This remains a generous view of profit given the very limited risk of securing market interest in the completed scheme and the blend of residential and commercial uses of which the latter would be expected to require a much lower profit margin than the residential element.
- 2.10 On the basis of our analysis we calculate a residual value of [REDACTED] million compared to the applicant's consultant's value of [REDACTED] million. Therefore, we calculate a scheme surplus of around [REDACTED]. This suggests that the scheme can make a contribution towards affordable housing.

3.0 BENCHMARK LAND VALUE

Viability Benchmarking

- 3.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:
- $$\text{Gross Development Value} - \text{Development Costs (including Developer's Profit)} = \text{Residual Value}$$
- 3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.
- 3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.
- 3.4 We note the Mayor's Housing SPG published March 2016 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

".....either 'Market Value', 'alternative use value', 'existing use value plus' based approaches can address this requirement where correctly applied (see below); their appropriate application depends on specific circumstances. On balance, the Mayor has found that the 'Existing use Value plus' approach is generally most appropriate for planning purposes, not least because of the way it can be used to address the need to ensure that development is sustainable in terms of the NPPF and Local Plan requirements, he therefore supports this approach. The

'plus' element will vary on a case by case basis based on the circumstances of the site and owner and policy requirements." [Emphasis original]

3.5 We find the Market Value approach as defined by RICS Guidance Viability in Planning 2012 if misapplied is potentially open to an essentially circular reasoning. The RICS Guidance promotes use of a modified standard definition of "market Value" by reference to an assumption that the market values should reflect planning policy and should disregard that which is not within planning policy. In practice we find that consideration of compliance with policy is generally relegated to compliance somewhere on a scale of 0% to the policy target placing land owner requirements ahead of the need to meet planning policy.

3.6 Furthermore the RICS guidance is in conflict with PPG in that PPG adopts a different level of emphasis in respect of the importance of planning policy. This is evident from the PPG extract set out below:

reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;

3.7 The requirement to reflect policy is unambiguous. PPG is statutory guidance whereas RICS guidance is a simply a material consideration.

3.8 There is also a high risk that the RICS Guidance in placing a very high level of reliance on market transactions is potentially exposed to reliance on bids which might

a) Represent expectations which do not mirror current costs and values as required by PPG.

b) May themselves be overbids and most importantly

c) Need to be analysed to reflect a policy compliant position.

To explain this point further, it is inevitable that if site sales are analysed on a headline rate per acre or per unit without adjustment for the level of affordable housing delivered then if these rates are applied to the subject site they will effectively cap delivery at the rates of delivery achieved of the comparable sites. This is an essentially circular approach which would effectively mitigate against delivery of affordable housing if applied.

3.9 The NPPF recognises at paragraph 173 identifies the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This has translated to the widely accepted practice when using EUV as a benchmark of including a premium. Typically in a range from 5-30%. Guidance indicates that the scale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending the liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable.

The Proposed Benchmark

- 3.10 The proposed benchmark for testing viability is represented as being based on the existing use value. Savills report proposes a benchmark of £15.4 million. To this Savills have included a further 20% as a landowner's premium, with the total benchmark figure equating to £18.5 million. Savills note that the subject site was purchased in April 2015 for £15.75 million.
- 3.11 We find there is an essential error in the approach adopted, in part through the terminology used. The concept of existing use value is referred to in the RICS Valuation -Professional Standards UK January 2014 (revised April 2015) more commonly known as the Red Book, solely in relation to asset valuations for local authorities.
- 3.12 It is generally understood that the critical difference between EUV and market value is that EUV reflect only current use and not alternative use potential. Both approaches should however be informed by appropriate market evidence and be considered to be market valuations.
- 3.13 In terms of planning viability EUV is seen as being the value of the property or site without the benefit of hope value arising from the prospects of securing a higher value use through the planning process. Consequently for a landowner to "surrender" the existing use, development proposals must equal or exceed current use value. The NPPF in this context assumes the landowner would require a competitive return in addition to EUV to bring the site forward for development. This is commonly expressed as a land owner premium.
- 3.14 We are of the view that Savills benchmark would be more appropriately classed as market value for two reasons.
- 3.15 Firstly In the current context Savills argue the proposed development generates a deficit even on an all private basis. Therefore it is arguable that if alternative use does not generate a higher value than the existing use, then current use must represent the optimum site value and therefore EUV = Market value in this instance.
- 3.16 The alternative use proposed is also dependent on securing planning consent. In as much as these proposals fail to reflect planning policy to deliver affordable housing, through in part an inflated land value, they do not accord with PPG which requires land value to reflect planning policy.
- 3.17 Market value is defined as:
- The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*
- 3.18 It is apparent that on this basis there is no higher value ascribable to a property and that consequently no premium should be added.
- 3.19 Secondly Land Registry records indicate the property was recently acquired by the applicant on 22 April 2015 for the sum of £15,750,000. No indication has been given that this purchase was the product of anything other than a market transaction. Consequently it is difficult to see how over the period of a year the property has apparently appreciated in value by 17.5% as proposed by Savills.

3.20 We have analysed the provided valuations for each site element in order to establish the reasonableness of the assumptions.

35 - 37 New Oxford Street

3.21 There are 11 residential units within this building which have been valued in their current condition at a rate of £1,100 per sq.ft. An assumption of ground rental income has been applied based on £100 pa per unit with a capitalisation yield of 3%. Five residential units are located on the upper floors at number 35 which are valued at an average figure of £223,300 per unit. The six units at number 37 are valued at an average figure of £246,950 per unit.

3.22 We have very little information regarding the condition of the existing units. The units at 35 New Oxford Street are very small with an average area of 203 sq.ft / 18.9 sq.m. This compares to the Mayor's space standards of 538 sq ft / 50 sq m. Given the obvious shortfall on this space requirement we are of the view there would be significant implications on the value of these units.

3.23 We have had reference to currently advertised unit information and note:

- A studio unit in Russell Court, WC1H is currently for sale for £314,950 which converts to a rate of £1,394 sq.ft / £14,998 sq.m. This is a first floor unit in satisfactory condition located in close proximity of Russell Square Tube Station
- A further studio in Russell Court is currently for sale for £350,000 (£1,211 sq.ft / £12,963 sq.m). This is a second floor unit in satisfactory condition.

3.24 We have also had reference to recent sales of studio units in close proximity of the subject site and note the following transactions.

| Address | Sale Price (+HPI) | Sq.m | Sq.ft | £sq.m | £sq.ft | Details |
|----------------------------------|-------------------|------|-------|---------|--------|----------------------------|
| Flat 262 Russell Court, WC1H ONF | £232,027 | 21 | 226 | £11,049 | £1,027 | Close proximity of station |
| Flat 419 Russell Court, WC1H ONJ | £309,854 | 19 | 204 | £16,308 | £1,519 | Modern unit |
| Flat 50 Witley Court, WC1N 1HD | £479,908 | 42 | 455 | £11,353 | £1,055 | 5th floor unit |

3.25 On the basis of our research, we are of the view that a sales rate of £1,100 sq.ft is not unreasonable for studio units in satisfactory condition. However, we have seen lower sales rates and without information regarding the condition of existing residential units we cannot comment further.

3.26 It should also be noted that whilst the units could be sold on long leases this would have the effect of frustrating the proposed redevelopment as the occupiers would have security of tenure. Savills highlight that their valuation is based on an assumption of a freehold sale, rather than lettings under standard assured shorthold tenancies. A valuation based on the units let on AST's would reduce the apparent unit value by approximately 25-35% to reflect management costs, potential voids etc.

3.27 There is an evident inconsistency in Savills adopting a valuation basis which seeks to maximise value of this element through assuming a freehold sale whilst seeking to maximise its potential as a development opportunity.

- 3.28 Given the units sizes they are more reminiscent of hostel accommodation than convention studio apartments and we consider this element to have been overvalued.
- 3.29 Retail space at 35 New Oxford Street has been valued at £125 ITZA which has been rounded to £35,000. Without rounding, the annual rent is currently £33,875. The blended rental rate equates to £47.44 sq.ft. overall.
- 3.30 We note that Savills value the proposed retail units in terms of an overall rate whereas the EUV has been zoned. Whilst there is legitimacy in both methods we would generally expect a zoned approach to be adopted in respect of relatively small retail units such as exist and are proposed. It is also highly relevant to adopt a consistent approach across both the benchmark valuation and proposed scheme valuation in order to be able to make comparative judgements.
- 3.31 The proposed new flexible unit has much greater depth and consequently we recognise the logic in applying an overall rate, however this does not obviate the need for a consistent approach. It is evident from the plans that some of the ground floor units are proposed to be modified to include space to the rear as such the higher quantum of space at the rear would be likely to justify a reduce overall rate, however it important to ensure relative consistency and analysis on an ITZA basis is the established method to achieve this.
- 3.32 We are aware of A1 retail space at 188-189 Drury Lane currently advertised to let for £65,000 pa / £34.39 sq.ft. The property comprises a double fronted shop arranged on the ground floor and a storage basement with its own separate access. The unit is in good condition. Furthermore, 62-64 Southampton Row is currently advertised to let for £67,000 pa / £40.10 sq.ft. This is an A2 unit in close proximity of Holborn underground station. We understand that a premium of £25,000 is required. 37 New Oxford Street is currently let for [REDACTED] sq.ft.
- 3.33 We have applied a rental rate of £44.00 sq.ft and the proposed yield of 4.50% on the basis of the market evidence we have noted at section 5.0.
- 3.34 A six month letting void period and three month void period have been assumed. Empty rates are payable on 35 New Oxford Street at a sum of £10,353 pa. On the basis of our valuation, we calculate a valuation of circa £700,000 for the retail space at 35 New Oxford Street.
- 3.35 The retail space at 37 New Oxford Street is currently occupied at an annual rent of [REDACTED]. Savills assume market rent will be achieved at March 2019. A re-letting void has been assumed at March 2024 as this marks the end of the current tenants 10 year lease. We have approached the valuation in terms of retail rents in the same way as 35 New Oxford Street.

39-41 Oxford Street

- 3.36 There is office and retail space within this building. Office space has been valued at £35 sq.ft on upper floors and £20 sq.ft on the lower ground level. The capitalisation yield applied is 4.50%. For the proposed office units, the applied rate is £50 sq.ft for the ground floor accommodation and £25 sq.ft for the lower ground space. Savills have therefore valued the new office space at a higher rate when compared to the existing office space.
- 3.37 We understand that the existing office space is currently occupied:

- Packshot Factory currently occupies 2,615 sq.ft for [REDACTED] (blended rate of [REDACTED] sq.ft)
 - HCB Publishing currently occupies 666 sq.ft for [REDACTED] (blended rate of [REDACTED] sq.ft).
- 3.38 On the basis of the information provided by Savills we consider the EUV office rental rates to be reasonable given the space is un-refurbished, though we note there is increasing competition for “cheap” offices.
- 3.39 Retail space is valued using identical assumptions as those for 35 & 37 New Oxford Street. We have also mirrored our valuation assumptions for these properties.

16A/B & 18 West Central Street

- 3.40 This site comprises a former night club. We understand the former operator had their licence revoked. Savills value the unit on the assumption that a new operator would be able to obtain a licence.
- 3.41 The estimated rental value is £304,800 pa which reflects a blended rate of £27.52 sq.ft. The capitalisation yield applied is 5.5%.
- 3.42 The District Court Judgement in 2012 noted evidence of continual disturbance to local residents. The Environment Health Department at Camden Council does not support a continuing use as a night club which raises serious questions about the relevance of the approach adopted in valuing this element. Consequently, we have considered alternative uses considered acceptable by Officers for this space to derive a realistic value.
- 3.43 We are advised that any development of the ground and basement levels can comprise no more than 40% of A3/A4 use. Part of the ground floor forms part of the nightclub accommodation. The total floor area measures 11,074 sq.ft.
- 3.44 We have sought to identify a reasonable valuation rate for the space assuming the existing space is converted into office use. We are of the view that the basement areas, due to lack of natural light would be mainly used as storage and as such will have a limited value.
- 3.45 Our Cost Consultant has provided an estimate for the conversion of this space. We have calculated an approximate gross area allowing for a 90% efficiency which gives a GIA of 1,140m². The default cost rate for offices is £1,189/m². Our Cost Consultant estimates the cost would be £1,355,000 for a full refurbishment alternatively £1,020,000 for lower level refurbishment. We have also included a 10% contingency. It is likely that the basement areas if limited to storage use would be refurbished and so we have excluded this area from our calculation.
- 3.46 Savills adopt a rental rate of £50 sq.ft for the proposed ground floor accommodation and £25 sq.ft for the lower ground space. The proposed reversionary rental rates on the existing office units as provided by Savills for 39-41 New Oxford Street are £27 sq.ft (basement-1st floors) and £34.98 sq.ft (3rd floor). We would anticipate the rental rate for the fully refurbished office accommodation to lie between the existing and proposed office valuations. We have adopted a value of £38 sq.ft for the ground, 1st and 2nd floors and £20 sq.ft for the mezzanine space. The basement will likely be used as storage and as such we have ascribed a rate of £5 sq.ft to this area. We have capitalised the annual rent using a yield of 5%. We have allowed for finance costs at 7% of £33,072.

- 3.47 We have allowed for a 6 month conversion period and a rent free/void period of 9 months.
- 3.48 On the basis outlined above we calculate a value of £4 million before application of stamp duty, legal and agent's fees. This compares to Savills estimate of £5,289,957 a difference of £1.7m.

10-12 Museum Street

- 3.49 This site comprises both residential and retail space. The residential space at 10 Museum Street measures 734 sq.ft and has been valued at a rate of £1,000 sq.ft. Based on our analysis of residential sales evidence we consider this rate to be reasonable. A capital sum of £46,101 has been deducted to allow for the costs of empty rates liabilities and refurbishment. We have no further information on the works needed and as such cannot comment further.
- 3.50 Retail space at 10 Museum Street comprises 317 sq.ft and has been ascribed a rental estimate based on £70 sq.ft ITZA (reflecting an overall rate of £63 sq.ft). Again, this valuation is higher than that provided for the proposed retail units. On the basis of our research of retail units in satisfactory condition, we have selected a blended rental rate of £40 sq.ft.
- 3.51 The residential space at 11-12 Museum Street has an area of 1,976 sq.ft and has been valued at a rate of £1,000 sq.ft. Capital costs have been calculated to be £122,522. These reflect the same assumptions as adopted in respect of 10 Museum Street.
- 3.52 Retail space at 11-12 Museum Street has an area of 744 sq.ft and has been ascribed a rental value of £70.82 sq.ft ITZA. This provides a blended rental rate of £33.60 sq.ft which we accept as reasonable. Capital costs of £20,150 have also been deducted.

Summary

- 3.53 Our estimated valuation shows a final figure of £14,000,000. For reasons discussed above we do not consider a premium to be applicable given this is a market valuation.
- 3.54 We are also of the view that the retail elements have been marginally over valued in comparison to the available evidence. Based on the Council's view that a future operating licence would not be permitted we have formed an alternative view as to the value of the former nightclub based on an assumption of office use.

Market Value

- 3.55 Savills offer comparisons to two transactions or other properties as a means of deriving a market value. Both sales reflect properties sold with the benefit of planning permission for which no adjustments have been made to account for the planning risk attached to subject site.

| Scheme | Purchase Date | Indexed/ Adjusted Price | Size (ft² GEA) | Indexed Price/ Existing ft² GEA | £/unit Applied to Subject and Rounded |
|---------------------------|----------------------|--------------------------------|----------------------------------|---|--|
| 9-13 Grape Street | Aug-15 | £6.93m | 13,347 | £519 | £18.365m |
| 112-116 New Oxford Street | Jun-15 | £10.15m | 12,723 | £798 | £28.218m |

- 3.56 We are of the view that analysis of land transactions in an urban context is very challenging and highly reliant on an understanding of a considerable number of factors which potentially differ between sites. This is highlighted by the following extract from RICS *Valuation Information Paper 12 - Valuation of development land 2008*.

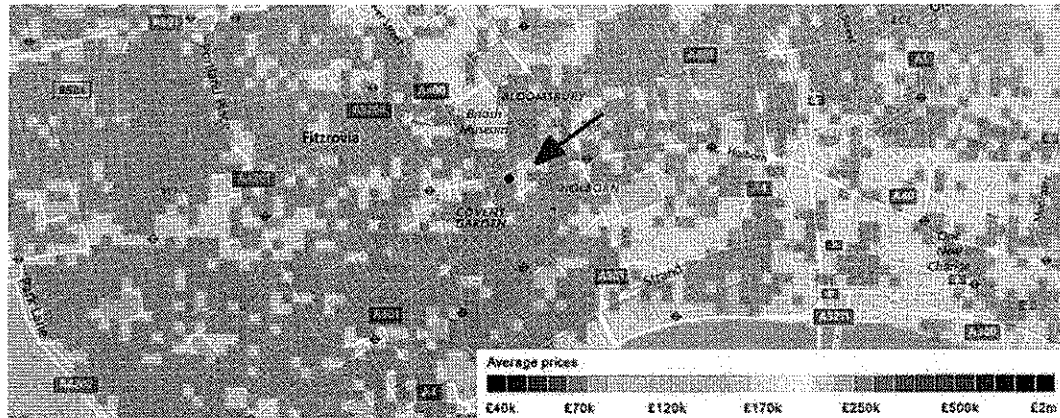
4.4 Generally, high density or complex developments, urban sites and existing buildings with development potential, do not easily lend themselves to valuation by comparison. The differences from site to site (for example in terms of development potential or construction cost) may be sufficient to make the analysis of transactions problematical. The higher the number of variables and adjustments for assumptions the less useful the comparison. Comparison is rarely appropriate where construction has begun.

4.5 Where the comparative method is used it is assumed that the valuer adopts standard valuation techniques. However, some of the elements of a residual valuation may also be relevant to a valuation on this method.

- 3.57 We view it as essential to ensure that any translation of land price from one site to another reflects planning policy. This is underlined within the Planning Practice Guidance which states *in all cases, estimated land or site value should reflect emerging policy requirements and planning obligations*.
- 3.58 In compliance with this guidance, we generally seek to adjust land sales to reflect policy compliance to accord with the requirements of PPG. In this instance there are a significant number of variables which are not adequately accounted for between the properties to make for a reliable basis of valuation. However it should be noted that we do have very recent transactional evidence available in relation to the property itself which is only four months older than either of the transactions highlighted.
- 3.59 Land Registry title shows the property to have been acquired by the applicant in the sum of £15.75m in April 2015. This was a market transaction and consequently and for the reasons outlined above we fail to see how a valuation significantly in excess of this figure can be justified for the purposes of benchmarking these proposals.

4.0 PROPOSED RESIDENTIAL VALUES

- 4.1 CBRE provide a pricing schedule for the proposed residential units. This element of the scheme generates a total value of [REDACTED] equating to a rate of [REDACTED]. We have reviewed the proposed sales values provided by the applicant's consultants.
- 4.2 The Heatmap below shows the differing average house prices by location. The subject site is identified by the blue arrow and is located within a high value area in close proximity of desirable locality of Covent Garden.



- 4.3 Ground rental income has been assumed at the rate of [REDACTED] per unit, per annum, capitalised at a yield of [REDACTED]. The yield compares to [REDACTED] used in the EUV calculations.
- 4.4 The proposed valuations can be summarised as follows:
- 7 x one bed units averaging [REDACTED]
 - 12 x two bed units averaging [REDACTED]
 - 2 x three bed units averaging [REDACTED]
- 4.5 We have researched local sales evidence and compiled the table below. Adjustments have been made to allow for changes since the date of sale based on changes to the Land Registry House Price Index (HPI) for Camden.

| Address | Beds | Sale Price (+HPI) | Sq.ft | Sq.m | £sq.ft | £sq.m | Details |
|-------------------------------------|------|-------------------|-------|------|--------|---------|---|
| 8 Warwick Court, WC1R 5DJ | 1 | £694,014 | 419 | 39 | £1,656 | £17,841 | 2nd floor |
| 17 Charter House, WC2B 5EX | 1 | £1,001,719 | 590 | 55 | £1,698 | £18,213 | 4th floor modern unit in Covent Garden |
| 3, 81 Guilford Street, WC1N 1DF | 1 | £868,825 | 517 | 48 | £1,681 | £18,101 | Listed townhouse conversion |
| 4, 80 Guilford Street, WC1N 1DF | 2 | £930,704 | 592 | 55 | £1,572 | £16,922 | Refurbished Georgian conversion |
| Flat 2, 34 Museum Street, WC1A 1LH | 2 | £1,689,848 | 1,184 | 110 | £1,427 | £15,362 | Large conversion in very good condition |
| 9 The Grays, WC1X 8HR | 2 | £1,379,898 | 785 | 73 | £1,758 | £18,929 | 4th floor |
| 1 Warwick Court, WC1R 5DJ | 2 | £1,199,771 | 985 | 92 | £1,218 | £13,112 | LG floor |
| C, 20 Scala Street, W1T 2HW | 2 | £1,356,263 | 920 | 85 | £1,474 | £15,868 | Period Duplex (2nd & 3rd floor) |
| 4 12 Bouchier Street W1D 4HZ | 2 | £1,857,580 | 1,034 | 96 | £1,796 | £19,338 | 1st floor unit with balcony |
| 5 Warwick Court, WC1R 5DJ | 3 | £1,894,143 | 1,129 | 105 | £1,678 | £18,058 | 3rd floor |
| 52 Dudley Court, WC2H 9RG | 3 | £1,175,469 | 950 | 88 | £1,237 | £13,320 | Maisonette with balcony |
| 73 Bedford Court Mansions, WC1B 3AD | 3 | £1,954,786 | 1,405 | 131 | £1,391 | £14,922 | 5th floor |

- 4.6 We have also had reference to current unit asking prices. We acknowledge that asking prices do not necessarily reflect actual sale prices however they provide a useful guide of current expectations. We note:

- A one bed unit is for sale at Russell Chambers on Bury Place for £795,000 (£1,086 sq.ft / £11,691 sq.m). The unit is in excellent condition and has the benefit of a patio area
 - A two bed unit is for sale on Stukeley Street for £1,325,000 (£1,803 sq.ft / £19,485 sq.m). This is a modern warehouse conversion in very good condition located on the first floor
 - A three bed apartment at Shaftesbury Avenue is currently for sale for £1,850,000 (£1,630 sq.ft / £17,536 sq.m). This is a second floor unit in good condition. We are of the view that the proposed three bed units should achieve superior sales values due to differences in specification
 - A three bed apartment at Central St Giles, Covent Garden is currently for sale for £2,820,000 (£1,699 sq.ft / £18,312 sq.m). This unit is situated on the 8th floor and is in excellent condition with the benefit of a private balcony and winter garden
 - A three bed apartment in Bedford Court Mansions is currently for sale for £2,850,000 (£1,823 sq.ft / £19,628 sq.m). The unit is situated in Bloomsbury within a period mansion block. This is a raised ground floor unit.
- 4.7 On the basis of our market research, we are of the view that the proposed residential market values appear justified.

5.0 COMMERCIAL VALUES

Retail Values

- 5.1 We understand that flexible commercial accommodation is proposed at basement, ground floor and mezzanine levels which are assumed to have retail (A1/A3) uses within the viability assessment.
- 5.2 Savills assume an overall rental rate of [REDACTED] sq.ft across the ground floor and [REDACTED] sq.ft across the mezzanine and basement areas. This provides a total annual rent of [REDACTED]. The relative areas have not been provided but assume based on the rates indicated an approximate area of 4,963 sq.ft on the ground floor and 5,764 sq.ft on the LG and mezzanine levels.
- 5.3 37 New Oxford Street is currently let at a blended rental rate of [REDACTED] sq.ft. We do not anticipate that the proposed units will achieve a lower rental rate due to benefitting from superior specification.
- 5.4 We have carried out our own research in order to establish whether the proposed rents are in line with market evidence. We note the following relevant transactions:
- 18-20 Bury Place was let in September 2015 for £35,000 which converts to an overall rate of £46 sq.ft / £500 sq.m. The agreement is for a 10 year lease with a rent free period of 3 months.
 - 49 New Oxford Street was let in January 2015 for £52,500 (£38 sq.ft / £413 sq.m overall). We understand that the unit was refurbished prior to being let
 - 2-4 Noel Street was let in June 2016 for £175,000 (£50 sq.ft / £538 sq.m overall). We understand the units were refurbished prior to the transaction. The lease was for a 10 year term.
- 5.5 We have also had regard to restaurant rental values and note:

- 103 Charing Cross Road let in July 2015 for £150,000 (£77 sq.ft / £833 sq.m overall). This unit was let on a 25 year lease
- 5.6 2-4 Noel Street let in June 2015 for £175,000 (£50 sq.ft / £528 sq.m overall). This unit was on a 10 year lease.
- 5.7 We have noted that restaurant space in this locality can achieve rental values superior to A1 retail space. The exact allocation in this regard is not finalised, however, we understand that in policy terms no more than 40% of the commercial space may be allocated to A3 use.
- 5.8 The proposed rental rate appears to be at the lower end of achievable values. The retail unit at 37 New Oxford Street is currently achieving higher rental rates when compared to the proposed valuation. We have selected a blended rate of [REDACTED] sq.ft for the purposes of our analysis. This location will also be significantly enhanced following the planned refurbishment of the former post office building which will also include substantial A3 uses, greatly increasing the draw to this location.
- 5.9 Savills provide evidence to support the proposed yield of [REDACTED]. Savills provide six comparable transactions from 2014 and three from 2012. The transactions from 2014 show an average yield of 3.62% whereas the transactions from 2012 show an average yield of 5.2%. We are aware that investments yields have continued to harden and therefore we question the use of more dated evidence in this context.
- 5.10 For example, the Knight Frank yield guide for April 2013 shows a value of 4.85% for prime shops and a value of 4% for the same category in April 2016. Therefore, we have selected a yield of [REDACTED] within our financial appraisal. The lower yield provides additional revenue of around [REDACTED]
- 5.11 Savills assume a 3 month letting period and 6 month rent free period. These assumptions do not appear to be unreasonable. On the basis of our analysis, we calculate a total value of [REDACTED] allowing for the 9 month period where the space is non-income producing.

Office

- 5.12 The existing office units on lower ground, first and second floors are proposed to be retained and refurbished.
- 5.13 Savills adopt a rental rate of [REDACTED] sq.ft for the ground floor accommodation and [REDACTED] sq.ft for the lower ground space. This equates to an overall rent of [REDACTED] per annum. We calculate from the proposed blended rental value of [REDACTED] sq.ft that the ground floor accommodation measures approximately 1,298 sq.ft and the lower ground space measures approximately 1,595 sq.ft.
- 5.14 We note that three of the eight office transactions provided by Savills are of lower ground office space. We generally see lower ground floor offices achieve lower rental values when compared to ground levels and above but much is dependent upon access arrangements and the amount of natural light that can be introduced into these spaces. By the same token, we generally see higher values for floors above ground level when compared to ground floor levels.
- 5.15 We have had reference to the following evidence:
 - A 3rd floor unit in Dragon Court, 27-29 Macklin Street was let in May 2015 for £55.90 sq.ft / £602 sq.m. This office space was newly refurbished at the time of the transaction and had the benefit of a large private roof terrace

- A 8th floor unit in Berkshire House, 168-173 High Holborn was let in May 2015 on a 10 year lease with a rent free period of 6 month. The rental agreement equates to £58 sq.ft / £624 sq.m
 - A 4th floor unit at Holden House, 57 Rathbone Place was let in June 2015 for £57 sq.ft / £614 sq.m. We understand that the unit was refurbished prior to being let. The unit has the benefit of raised floors and refurbished air conditioning
 - 198 High Holborn was let in July 2015 for £54 sq.ft / £581 sq.m on a five year lease with a 7 month rent free period. This unit is situated on the 3rd floor. The unit has raised floors and the building reception was remodelled prior to the transaction.
- 5.16 On the basis of the evidence provided by Savills and our own research we are of the view that the applied rental rate for the ground floor office space is not unreasonable although we have seen evidence that higher values may potentially be achieved. For the lower ground floor space, Savills provide evidence of rental values ranging from [REDACTED] sq.ft - [REDACTED] sq.ft. We are of the view that a value of [REDACTED] sq.ft is appropriate. This provides a rental income of [REDACTED] pa.
- 5.17 Savills adopt a yield of [REDACTED] on the basis of market evidence. 21 Bloomsbury Street, WC1B 3HF sold in October 2014 for £73 million at a net yield of 4.28%. This office measures approximately 6,909 sq.m / 74,367 sq.ft and is situated 250 metres from the subject site. On the basis of the evidence provided by the applicant's consultants, we accept that the applied yield is adequately justified.
- 5.18 Savills assume a 3 month letting period, and a 6 month rent free period. These assumptions appear broadly reasonable.

6.0 DEVELOPMENT COSTS

- 6.1 Our Cost Consultant Neil Powling has analysed the build cost plan prepared by Rider Levett Bucknall, dated 12 January 2016 and concludes that:

Our adjusted benchmarking yields a benchmark rate of [REDACTED] that compares to the Applicant's [REDACTED] (before addition for inflation). We have not undertaken a benchmark calculation of the retail mezzanine space [REDACTED] but have reviewed the detail of the estimate and consider the estimated costs to be reasonable. We therefore consider the Applicants costs before inflation of [REDACTED] to be reasonable.

Neil's full cost report can be found at appendix 1.

- 6.2 The applicant's consultants have applied the following build fees:

- Professional fees of 12%
- Marketing fees of 2%
- Letting agent and legal fees of 15%
- Disposal fees of 1.75%.

We accept the percentages are realistic.

- 6.3 The applicant's consultants assume a [REDACTED] allowance for compensation to current tenants. We assume this has been calculated by reference to standard multipliers or by reference to agreements. Further evidence on this element would be welcomed.

- 6.4 The profit target adopted is 25% of total costs. Our concern with this approach to what is in large part refurbished space is that it assume a risk/return approach more commonly associated with entirely new build schemes. Given that 2/3rds of the proposed development already exists we see the proposed profit target as excessive as a return for the risks associated with development. By applying the 25% profit target to just the development expenditure this results in a more realistic profit. On GDV basis Savills approach reflects 20% whereas our modified approach reflects 14%.
- 6.5 Purchase, planning and pre-construction has been given a timescale of 7 months. Construction will then be 20 months, followed by a 6 month sales period, although 40% of the apartments have been assumed as selling off-plan.

Appendix 1: Build Cost Report

Project: 35-41 New Oxford St, 10-12 Museum St & 16A-18 West Central St

1 SUMMARY

- 1.1 The base date of the cost plan is current ie 1Q2016 and includes additional allowances for inflation to commencement on site and to the midpoint of the contract. These inflation allowances should be excluded from this viability calculation resulting in a current cost/ current value exercise.
- 1.2 Our adjusted benchmarking yields a benchmark rate of [REDACTED] that compares to the Applicant's [REDACTED] (before addition for inflation). We have not undertaken a benchmark calculation of the retail mezzanine space [REDACTED] [REDACTED], but have reviewed the detail of the estimate and consider the estimated costs to be reasonable. We therefore consider the Applicants costs before inflation of [REDACTED] to be reasonable.

2 METHODOLOGY

- 2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the applicant costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS.
- 2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or upper quartile for benchmarking depending on the quality of the scheme. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.
- 2.3 BCIS average prices are also available on an overall £ per sqm and for new build work (but not for rehabilitation/ conversion) on an elemental £ per sqm basis. We generally consider both. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher than normal cost of external wall and window elements.
- 2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the

new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

- 2.5 BCIS costs are available on a quarterly basis - the most recent quarters use forecast figures, the older quarters are firm. If any estimates require adjustment on a time basis we use the BCIS all-in Tender Price Index (TPI).
- 2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should keep the estimates for different categories separate to assist more accurate benchmarking.
- 2.7 To undertake the benchmarking we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal benchmark allowance.
- 2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available on the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs do not include these. Nor do elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Viability Assessment Report issued by Savills UK Ltd dated March 2016 together with its appendices. Appendix 5 is the Cost Plan - Planning Issue dated 12th January 016 issued by Rider Levett Bucknall.
- 3.2 We have also downloaded a number of files from the planning web site including the Design & Access Statement, the Structural Methodology Statement and the Construction Management Plan.
- 3.3 The base date of the cost plan is current ie 1Q2016 and includes additional allowances for inflation to commencement on site and to the midpoint of the contract. These inflation allowances should be excluded from this viability calculation resulting in a current cost/ current value exercise.

3.4 Preliminaries have been calculated at 21%; this is at the upper end of the range we would expect but reasonable for a project of this nature and location. Overheads and profit have been calculated at 5% which we consider reasonable. Contingences have been allowed at 7.5%; we consider up to 10% reasonable for works in existing buildings.

3.5 The cost plan is in the total amount excluding inflation of [REDACTED] for the residential, retail and leisure areas (total GIA 3,581m²) with a further [REDACTED] (GIA 205m²) for the retail mezzanine. There are no estimated costs included in the cost plan for the existing offices at basement, 1st and 2nd floors totalling 324m².

3.6 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 135 that has been applied in our benchmarking calculations.

3.7 We have calculated a blended rate for benchmarking as the calculation below.

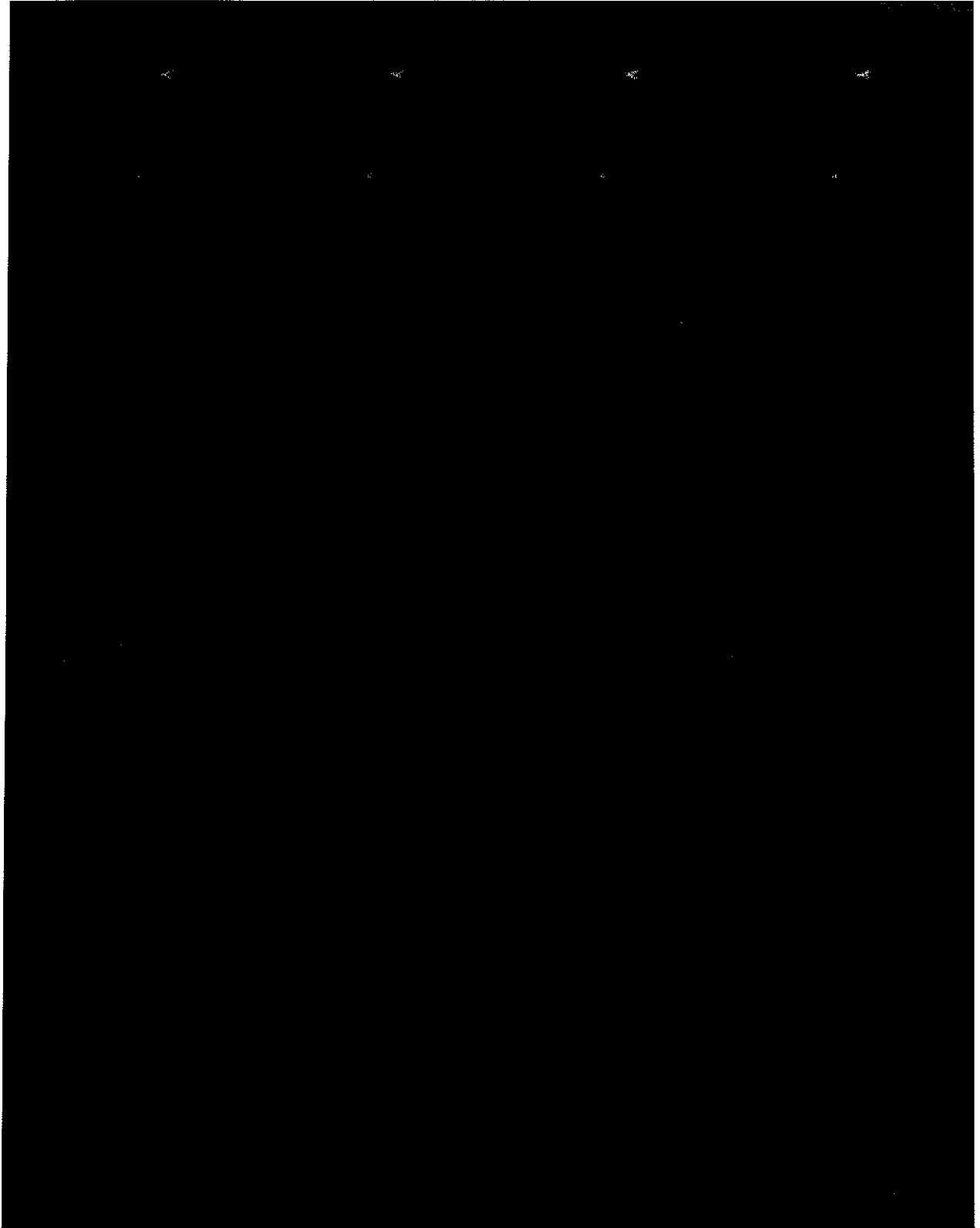
| Blended rate | | | BCIS | Blended |
|----------------------------------|----------------|---------------|------------------|------------------|
| | m ² | % | £/m ² | £/m ² |
| Residential | 2,609 | 72.9% | 2,406 | 1,753 |
| Leisure shell only | 461 | 12.9% | 1,669 | 215 |
| Retail shell only inc shopfronts | 511 | 14.3% | 1,669 | 238 |
| | <u>3,581</u> | <u>100.0%</u> | | <u>2,206</u> |

3.9 Refer to our attached file "Elemental analysis and BCIS benchmarking".

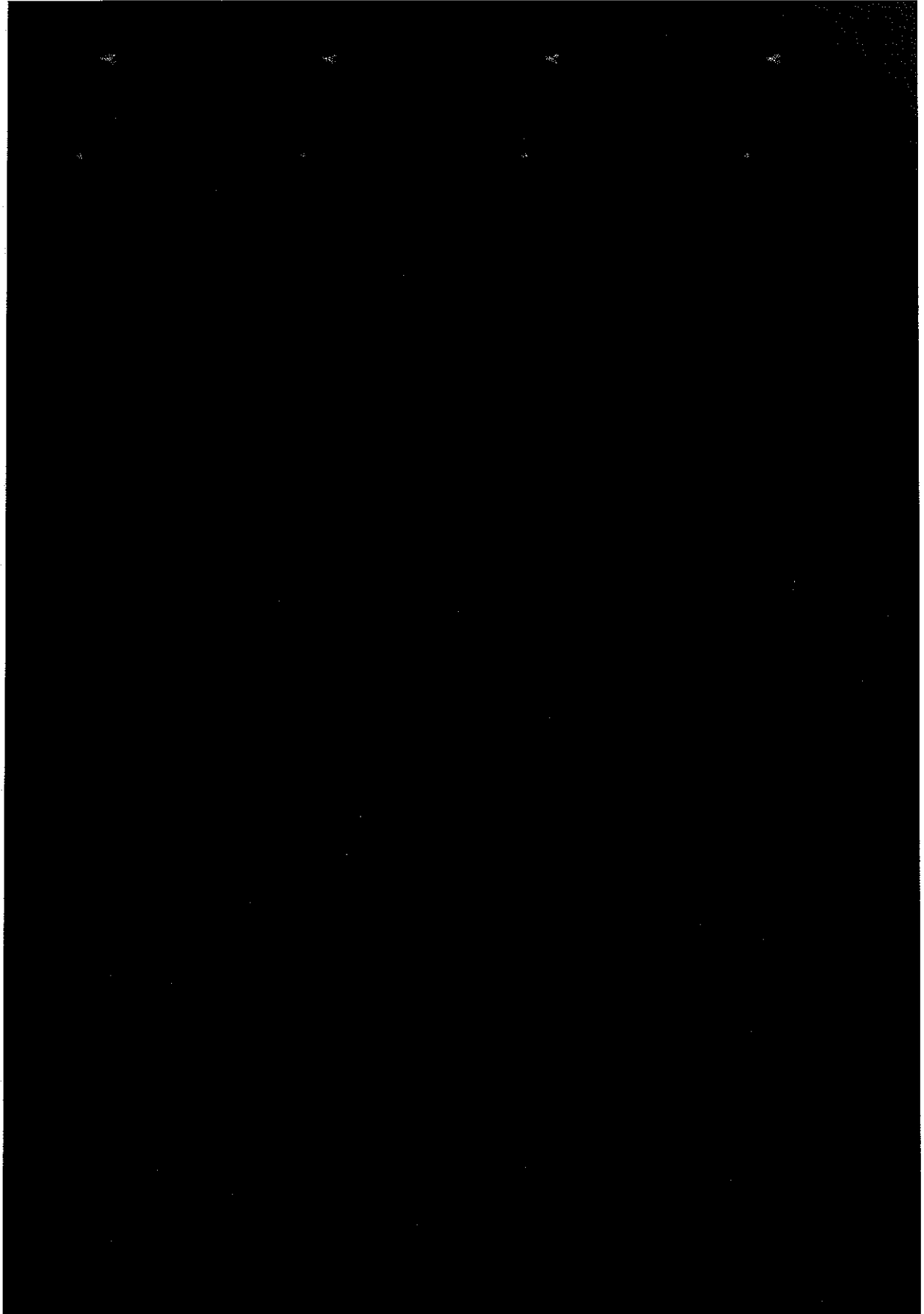
3.10 Our adjusted benchmarking yields a benchmark rate of [REDACTED] that compares to the Applicant's [REDACTED] (before addition for inflation). We have not undertaken a benchmark calculation of the retail mezzanine space [REDACTED] but have reviewed the detail of the estimate and consider the estimated costs to be reasonable. We therefore consider the Applicants costs before inflation of [REDACTED] to be reasonable.

BPS Chartered Surveyors
Date: 7th April 2016

35-41 New Oxford St, 10-12 Museum St & 16A-18 West Central St



35-41 New Oxford St, 10-12 Museum St & 16A-18 West Central St
Elemental analysis & BCIS benchmarking



35-41 New Oxford Street, 10-12 Museum Street, and 16A-18 West Central Street, London



Update Report

Application Reference: 2016/0477/P

08 July 2016

1.0 INTRODUCTION

1.1 BPS Chartered Surveyors were instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Savills on behalf of Triangle Investments and Development Ltd ('the Applicant') in connection with a planning application for the redevelopment of 35-41 Oxford Street, 10-12 Museum Street, and 16A-18 West Central Street, London.

1.2 Based on our assessment of the proposed scheme we calculate a residual value of [REDACTED] compared to the applicant's estimated residual value of [REDACTED]. When compared to our estimated benchmark land value, we calculated a scheme surplus of around [REDACTED].

1.3 In arriving at our initial conclusions concerning viability we pointed out numerous concerns with the applicant's viability submission, which are summarised below:

- We adopted differing assumptions with regards to the valuation of the existing site. We did not agree with the assumption that the basement should be valued as if night club use at 16A/B & 18 West Central Street would be capable of being continued. Our position was confirmed by Council Officers who had regard to the impact on the amenity of local residents when the night club had previously operated and confirmed that resumption of this use would not be permitted. Our valuation assumed this space would revert to office or storage uses whose value would be impacted by limited light and access arrangements. Our benchmark land value on this basis was £14 million but excluded a land owners premium.
- It is widely accepted in the NPPF, PPG, the London Plan and relevant regional and local SPG that in valuing land there is a need to allow for a competitive return to be provided to landowners. When using EUV as a basis for benchmarking viability this return is referred to as a land owner premium. Our initial assessment of land value excluded this premium. Where there is no higher value than EUV then it is reasonable to assume EUV is also market value. There is no higher value than market value therefore it would be unreasonable to seek to apply a further premium as this would raise site value above market value. In the context of the applicant's proposals the scheme was represented as loss-making even allowing for a nil contribution to affordable housing. On this basis we saw no reason to assume the property had a higher than current value as a development site.
- The proposed retail and office valuations appeared low in line with market evidence.

- Savills adopted a profit target of 25% on costs, including site acquisition. Given that the proposed scheme was not a new build but a mixed refurbishment and extension of existing premises we considered this requirement to be excessive as it sought to derive a full developer's margin on already developed space where there were no risks associated with its planning, demolition and construction.
- 1.4 Following our initial review, we have been informed that a number of changes have been made to the proposed scheme. The purpose of the current update is to analyse the implications of these changes in terms of potential affordable housing contributions. The applicant's consultants have now provided updated plans dated 23 May 2016, a revised cost plan dated 19 May 2016 and two financial appraisals based on both valuation assumptions adopted by Savills and BPS dated 16 June 2016.
- 1.5 We understand the proposed changes to the scheme have resulted in the two proposed duplex units over the ground and mezzanine levels being replaced with office floor space. Savills have prepared two appraisals of the amended scheme; based on Savills' assumptions and BPS' assumptions showing respective residual values of [REDACTED] and [REDACTED] respectively.

2.0 CONCLUSIONS AND RECOMMENDATIONS

- 2.1 Allowing that our analysis indicates the scheme, although non-compliant in terms of delivering affordable housing, does show a surplus position we regard it as appropriate to adjust our proposed benchmark to include a land owner premium in accordance with guidance. As with all premiums the scale of incentive required to bring the site forward for development must be considered on site specific basis. In this instance we are mindful of the marginality of the current proposals and unlike most schemes the developer is not forgoing the existing use value merely adding to it, therefore we are of the view the premium should be at the lower end of the acknowledged spectrum.
- 2.2 We have also considered the relatively recent market sale of this property. Relevant guidance strongly urges the valuer to be cautious in considering purchase price as a basis for establishing benchmark land value as it might represent an overbid. We generally give limited credence to purchase prices for that reason other than where it can be demonstrated that the purchase price reflects PPG and can demonstrate that the price reflects the need to comply with planning policy. However, in this instance we can compare the purchase price to our estimate of EUV to assess the level of premium this represents. The purchase took place in April 2015 for the sum of £15.75m and compared to our assessment of EUV represents a 12% premium. In the context of viable development proposals, the scale of this premium appears reasonable as it falls towards the lower end of the premium spectrum.
- 2.3 Construction costs have been updated to reflect current day pricing and we have also assessed the potential for a corresponding movement in residential values. We have not identified any additional relevant new build sales information since our last assessment and have referenced the Land Registry HPI in this context. In accordance with Council policy we consider that a review mechanism would represent the most realistic means for assessing any variation in unit pricing, particularly in light of the current market volatility occasioned by Brexit.
- 2.4 We have had reference to the adjusted office floor area and updated our scheme appraisal to reflect these changes.

- 2.5 We have not sought to change our earlier views as outlined within our initial review with regards to the appropriate retail yield and rental rate. However, it should be noted that general market volatility means that forming a clear view of the direction property values is difficult but current signs are that yields appear to be moving outwards as such this position could change in the relative short term.
- 2.6 We have analysed the updated cost plan provided by RLB and accept that the total revised costs appear reasonable although we maintain our objection to the inclusion of an inflation allowance. PPG makes it clear that viability assessments for planning purposes should be based on current day costs and values.
- 2.7 We have also considered Savills' arguments with regards to the proposed profit target. We maintain our view that as the proposed scheme is not an entirely new development, the risk profile does not justify a profit target of 25% on cost and having regard to the high prospects of securing sales and occupiers for the property. We have maintained the profit target adopted within our initial review.
- 2.8 On the basis of our assumptions we calculate a residual value for the amended scheme of [REDACTED]. Adopting a benchmark land value of £15.75 million, we calculate a development surplus of say [REDACTED]. Whilst Savills have not accepted our arguments the applicant has agreed to provide a payment in lieu at this level.
- 2.9 The CIL payments within the financial appraisals are £445,845 (Borough CIL) and £204,800 (Mayoral CIL). The Council has subsequently confirmed that these payments should be reduced to £209,400 and £69,800 respectively. This is a total CIL contribution of £279,200. On this basis, there is an additional surplus of £371,445 which should be used to increase the affordable housing contribution. On this basis, the total surplus is circa [REDACTED].
- 2.10 Our conclusion is predicated on the assumption that a review mechanism is employed in order to capture any future value growth and to allow for the uncertainty in the current market.

3.0 BENCHMARK LAND VALUE

- 3.1 Savills proposed a benchmark land value based on their calculation of the existing use value of £15.4 million without the addition of a premium. We calculated a benchmark of £14.0 million and considered this to be a market valuation in light of the fact that no identified development potential generated a value above our proposed benchmark therefore no premium was added.
- 3.2 We noted within our initial review that the valuation provided by Savills represented a market value because the proposed development appeared to generate a deficit even on an all private basis. Therefore, it is arguable that if alternative use does not generate a higher value than the existing use, then current use must represent the optimum site value and therefore EUV = Market value in this instance.
- 3.3 The revised scheme appears to now produce a residual value in excess of EUV therefore it is appropriate to consider that market value is likely to be above EUV therefore inclusion of a landowner premium is appropriate to accord with the NPPF and other relevant policy and guidance when using EUV's as a basis for benchmarking viability. We note the margin between our assessment of EUV and the April 2015 purchase price equates to 12%. This represents a premium at the lower end of the established spectrum and one which we regard as appropriate given the relatively marginal nature of the proposed development and that

unusually the developer would not forgo the value of the existing property but simply add to this through the development proposals. This approach in our view complies with the Councils policy on EUV premiums as noted within CPG2.

3.4 Therefore, we have accepted the purchase price £15.75 million for the purpose of our current analysis as this also accords with our assessment if the EUV plus a suitable land owner premium.

4.0 RESIDENTIAL VALUES

4.1 The total number of residential units has been reduced from 21 to 19 (18,663 sq.ft / 1,734 sq.m to 17,073 sq.ft / 1,586 sq.m). We have confirmed this altered floor area with reference to the unit schedule within the initial Savills submission. The ground rent income has not been reduced in line with the reduction in units however this serves to enhance viability so we have not sought to correct this in our appraisal.

4.2 The sales rate applied within the appraisals is [REDACTED] sq.ft which reflects the original agreed sales value schedule provided by the applicant excluding the first two units i.e. [REDACTED] sq.ft. We accept that this approach is correct.

4.3 Build costs have been updated to reflect current information. Our original report was concluded in May therefore two months have elapsed which may have had an impact on sales values. We consider that the interim period was characterised by uncertainty in the wider marketplace due to the referendum on continued membership of the European Union.

4.4 We have had reference to unit sales prices within the last 3 months. In this context, we have not identified any additional or updated relevant new build sales information that would indicate a substantial change in unit values. We consider that a review mechanism is the optimal method of assessing any positive sales movements.

5.0 COMMERCIAL VALUES

OFFICE VALUATION

5.1 Savills have provided the table below to summarise the alterations to the proposed floor areas which is an increase in office space in place of previously proposed residential space.

| | GEA (m ²) | GIA (m ²) | NIA (m ²) |
|-------------|-----------------------|-----------------------|-----------------------|
| Basement | 116 | 98 | 86 |
| Ground | 96 | 82 | 63 |
| Ground Mezz | 116 | 93 | 83 |
| Total | 328 | 273 | 232 |

5.2 Within Savills' initial viability report a rental rate of [REDACTED] sq.ft / [REDACTED] sq.m was adopted for the ground floor space as well as a rate of [REDACTED] sq.ft / [REDACTED] sq.m for the lower ground space. We considered the ground floor valuation to be reasonable however the lower ground floor valuation appeared low. All of the evidence for lower ground office space provided by Savills showed rental rates in excess of the proposed value. We remain of the view that our application of a [REDACTED] sq.ft / [REDACTED] sq.m rent on this space is reasonable.

- 5.3 For the purposes of the current review we have adopted a rate of [REDACTED] sq.ft / [REDACTED] sq.m for the ground floor space, [REDACTED] sq.ft / [REDACTED] sq.m for the basement space and [REDACTED] sq.ft for the ground floor mezzanine space. We have maintained the capitalisation yield of the office element at [REDACTED]

RETAIL VALUATION

- 5.4 We adopted a blended retail rental valuation of [REDACTED] sq.ft / [REDACTED] sq.m within our initial review. We have maintained this assumption for the purpose of our current review.
- 5.5 Savills considered a capitalisation yield of [REDACTED] to be the appropriate whereas we viewed the available evidence as indicating a yield of [REDACTED]. The evidence provided by Savills indicated a yield range of 3.59% - 5.65% which we agree represents the locally achieved yield spectrum, however Savills relied on transactional evidence from 2012 because of its close proximity to the subject site. We made reference to the Knight Frank yield guide within our initial report in order to illustrate yield compression between 2012 and 2016 which could be used to establish a reasonable reduction on the comparable yield evidence from 2012. The index is only available for 3 years but indicates compression of 0.85%, which is significant at the levels considered.
- 5.6 Given the relatively ambiguous nature of the yield evidence and the general nature of the index we believed we had agreed a midpoint yield with Savills between 4-4.5% although does not appear to be reflected in subsequent appraisals.

6.0 SCHEME COSTS

- 6.1 Our Cost Consultant Neil Powling has reviewed the new cost plan for the revised scheme provided by RLB, dated 19 May 2016. Build costs have also been updated to reflect current BCIS information. Our Cost Consultant has prepared a new blended rate based on the current LF of 127 for benchmarking as follows: -

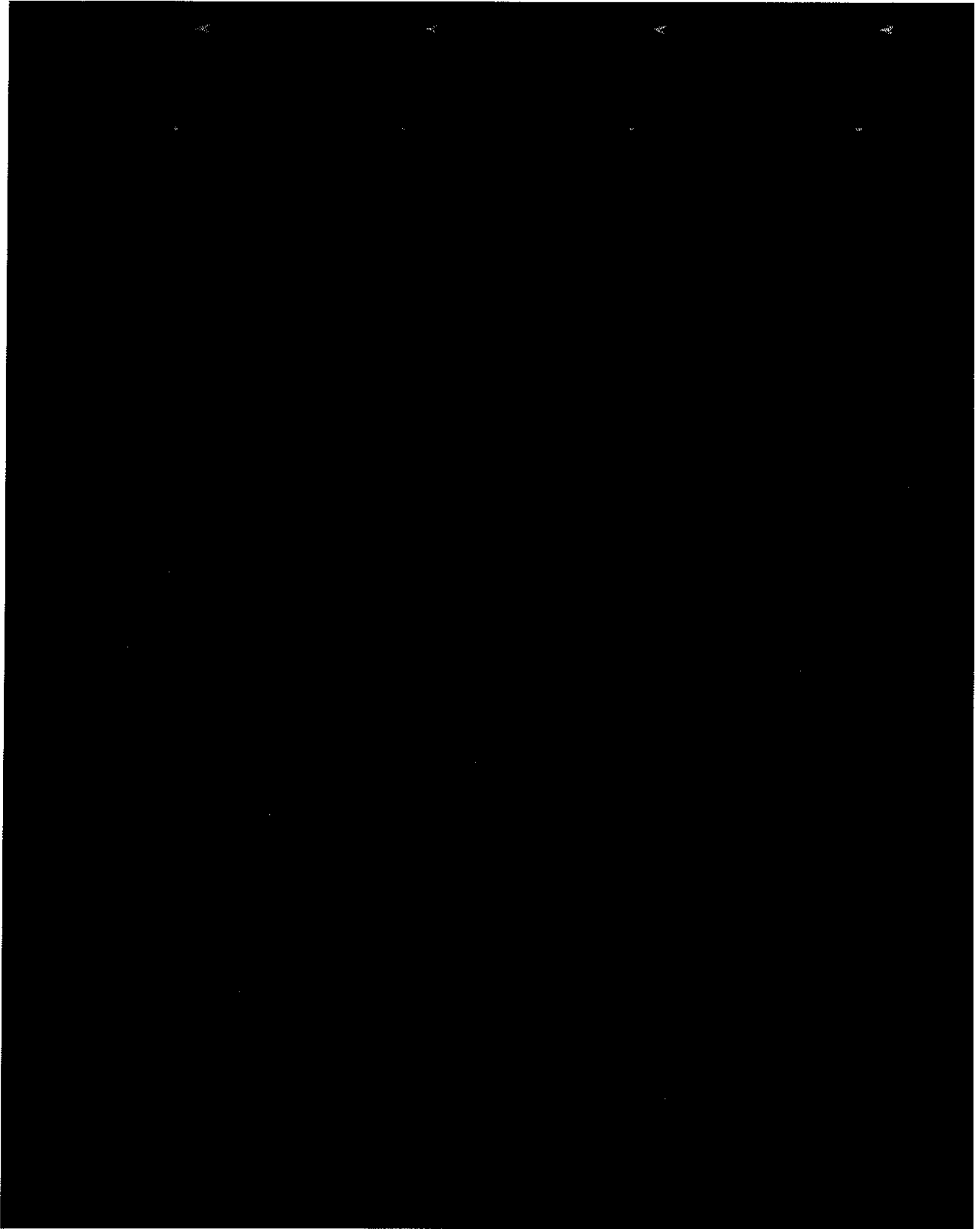
| Blended rate | m ² | % | BCIS £/m ² | Blended £/m ² |
|----------------------------------|----------------|---------------|--------------------------|-----------------------------|
| Residential | 2,335 | 67.1% | 2,134 | 1,431 |
| Office | 273 | 7.8% | 1,369 | 107 |
| Leisure shell only | 363 | 10.4% | 1,575 | 164 |
| Retail shell only inc shopfronts | 511 | 14.7% | 1,575 | 231 |
| | <u>3,482</u> | <u>100.0%</u> | | <u>1,933</u> |

- 6.2 Separate allowances have been made for inflation for an assumed start date on site September 2016 plus a further allowance to the mid-point of a 20-month contract.
- 6.3 The total of the main cost plan that includes residential + fit out but shell and core only to the office plus the separate calculation of the Cat A fit out to offices is [REDACTED]. Our adjusted benchmarking yields a benchmark figure of [REDACTED]. We are therefore satisfied that the Applicants costs (excluding the allowances for inflation) are reasonable.
- 6.4 We reiterate that Planning Practice Guidance states *Viability assessment in decision-taking should be based on current costs and values. Planning applications should be considered in today's circumstances* (ID:10, para 17).

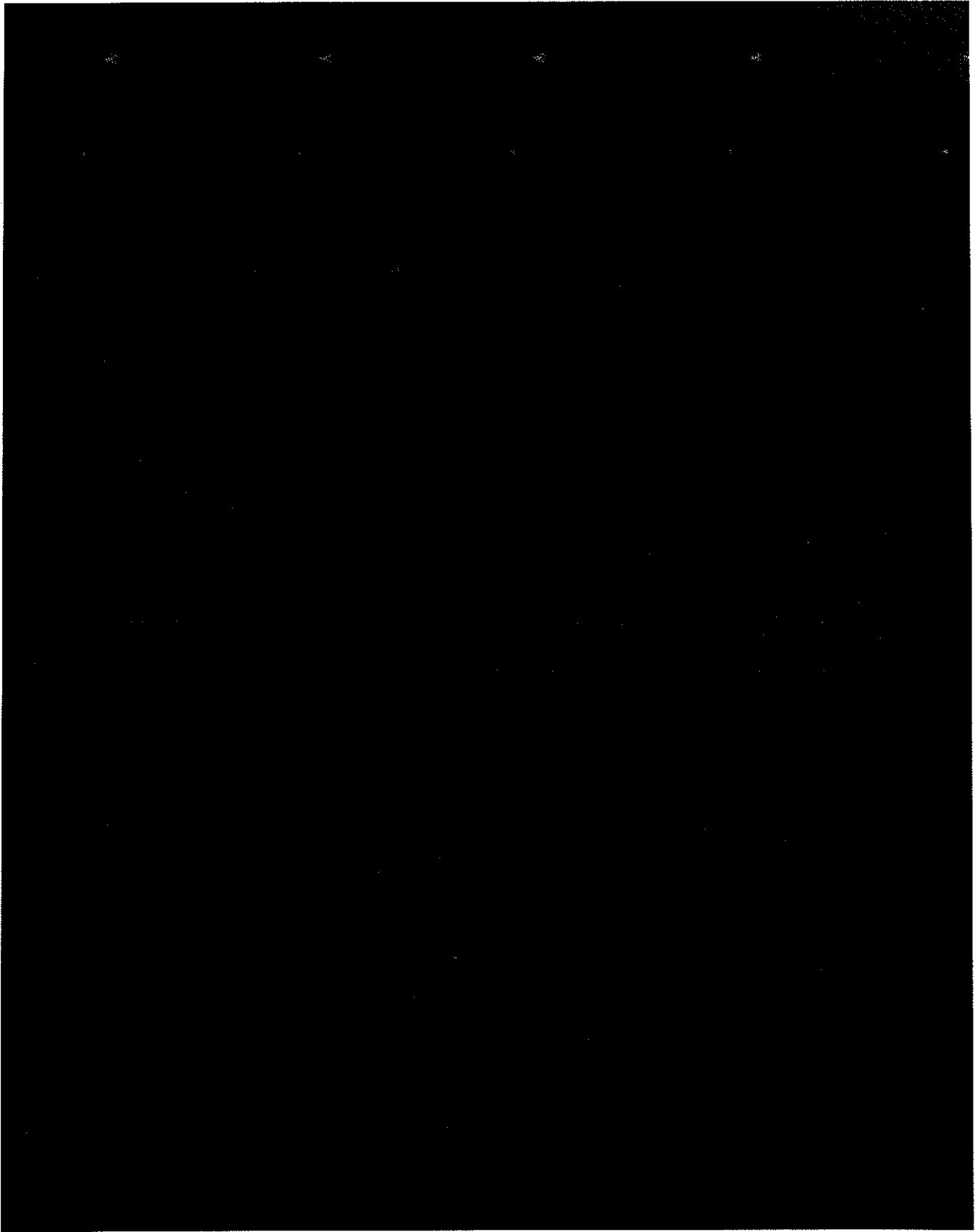
- 6.5 The mezzanine retail estimate of [REDACTED] is additional to the foregoing. It is unchanged from our report of 7th April 2016. We have not benchmarked this separately, but remain satisfied that the costs are reasonable. The construction cost total to include in the Appraisal based on the above we consider to be: [REDACTED]. We have adopted this figure within our scheme appraisal.
- 6.6 The CIL contribution within the viability appraisals total £650,645. We have sought guidance from the Council for verification in this regard. We understand that the correct CIL contribution is £279,200. On this basis, there is an additional surplus of £371,445 which we understand will be used to provide a higher affordable housing contribution.
- 6.7 Following our review of the update note provided by Savills, we see no reason to move from our view regarding profit. Savills adopt a risk/return approach commonly associated with entirely new build schemes which we do not consider to be reasonable in this context.

Appendix 1: Build Cost Analysis

35-41 New Oxford St, 10-12 Museum St & 16A-18 West Central St



35-41 New Oxford St, 10-12 Museum St & 16A-18 West Central St





Application No: 2016/0477/P
35 - 41 New Oxford Street, 10-12 Museum Street, 16A-18 West Central Street London WC1A 1AP

Scale:
1:1250
Date:
15-Jul-16



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1. DC Committee

28th July 2016

2016/0477/P

**35 - 41 New Oxford Street, 10-12 Museum
Street, 16A-18 West Central Street**

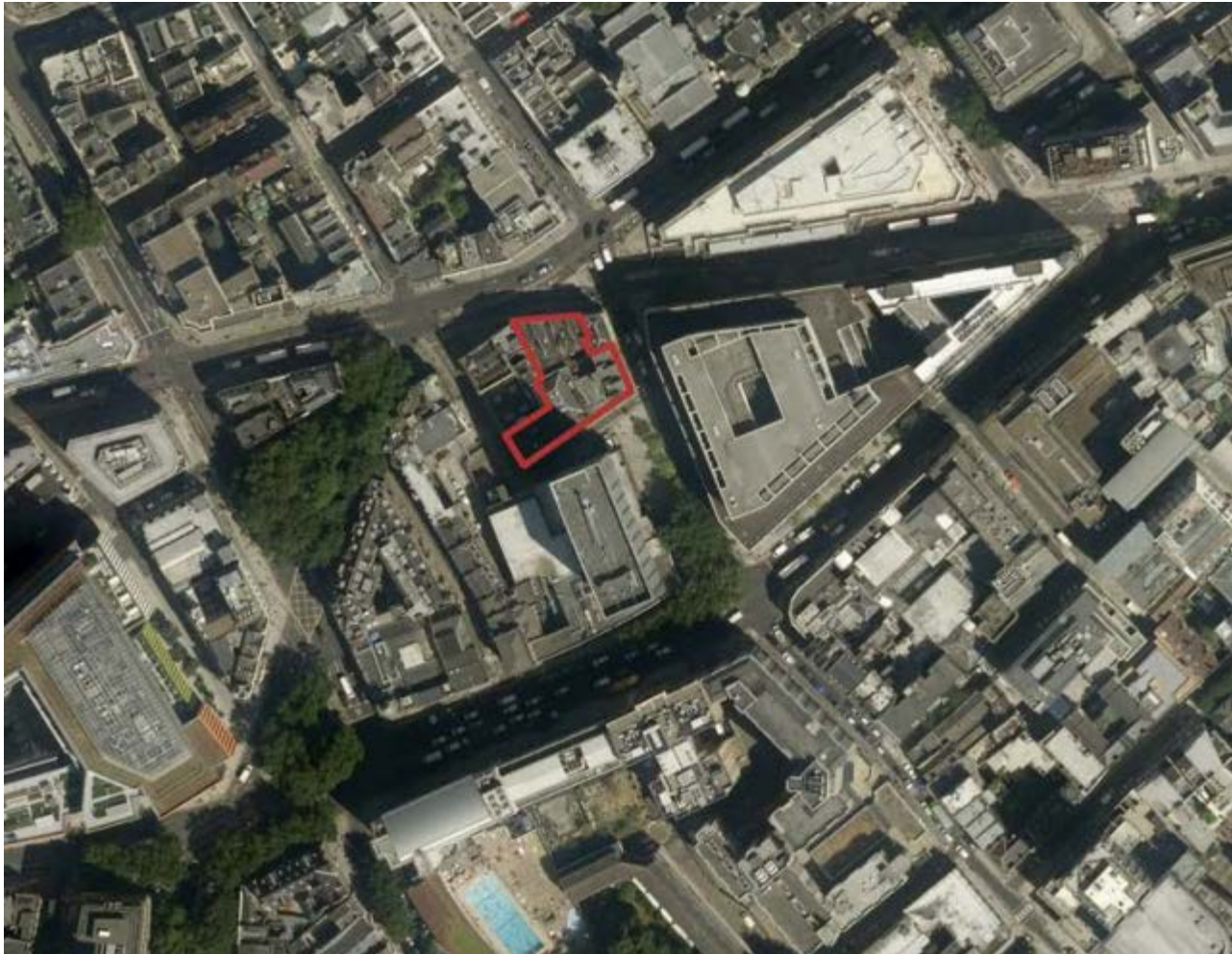
London

WC1A 1AP

Site location



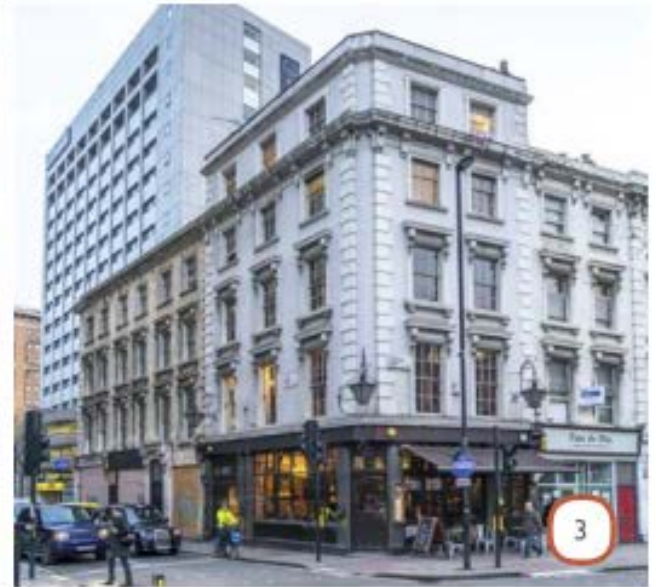
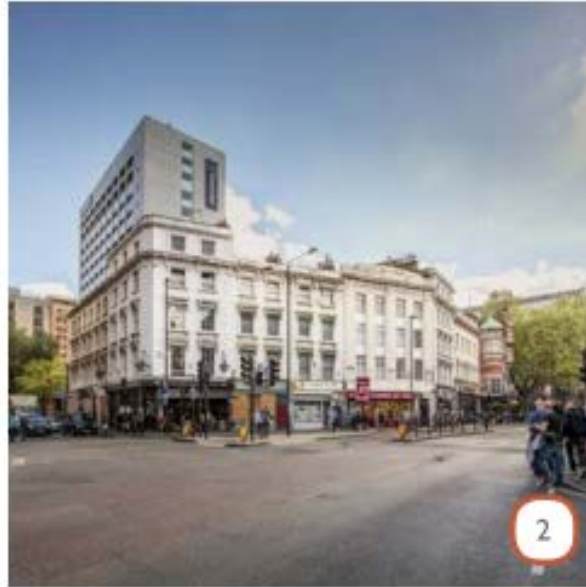
Aerial View



Bird's eye view



Existing Site



Existing Rear



Existing and Proposed View



Existing and Proposed View



Existing and Proposed View



Existing and Proposed View- View- West Central Street



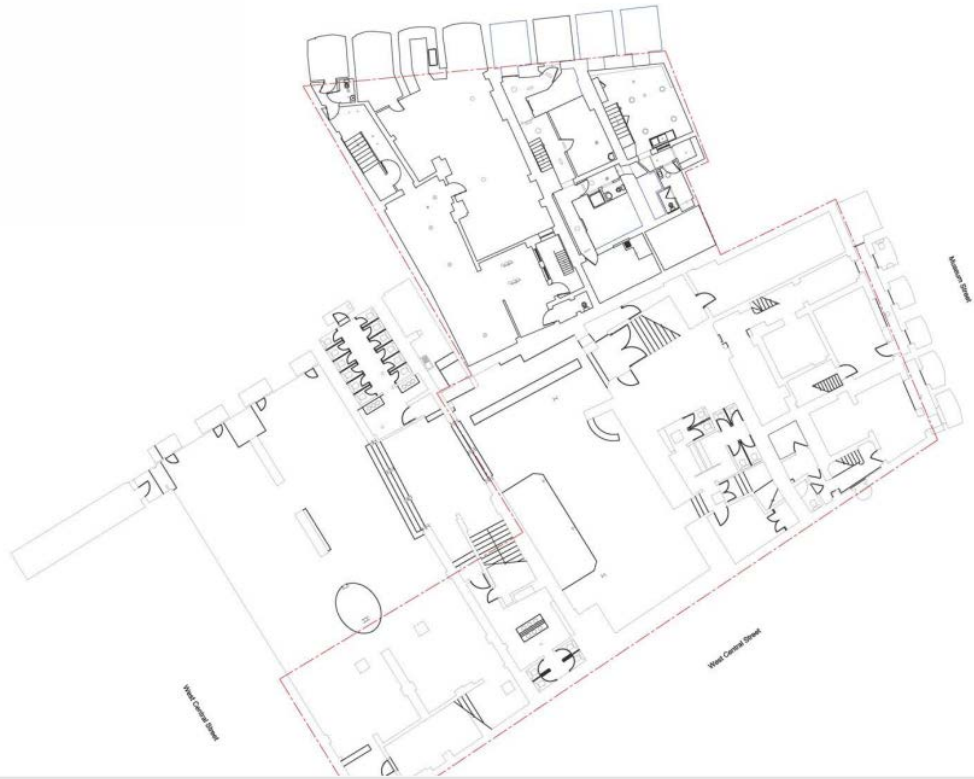
Existing and Proposed – Museum Street



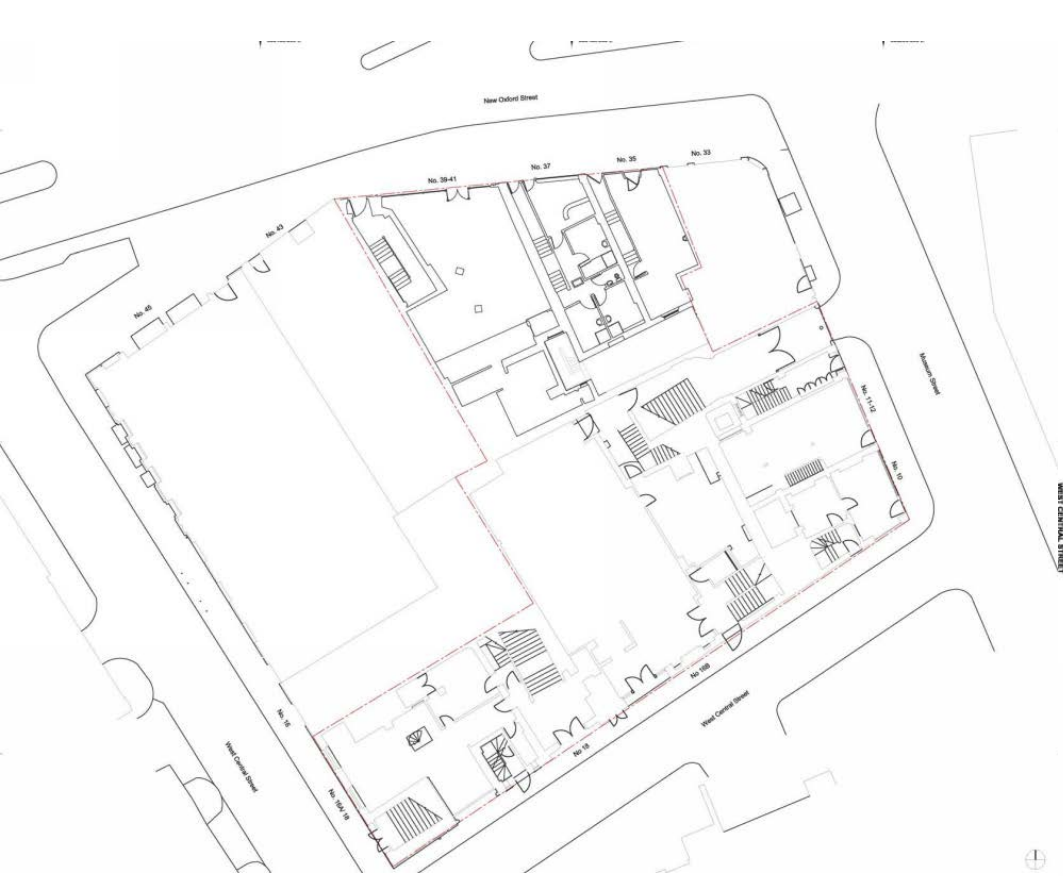
Existing and Proposed – Museum Street



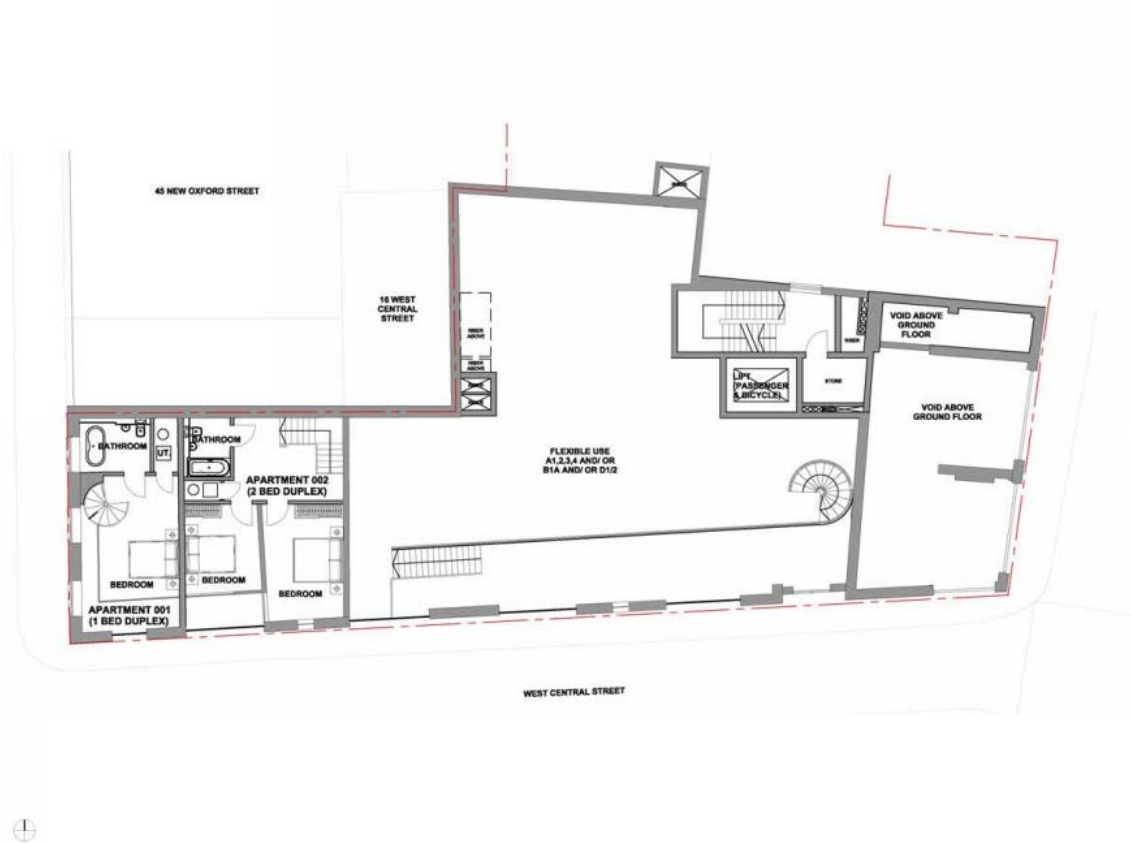
Existing and Proposed Lower Ground Floor



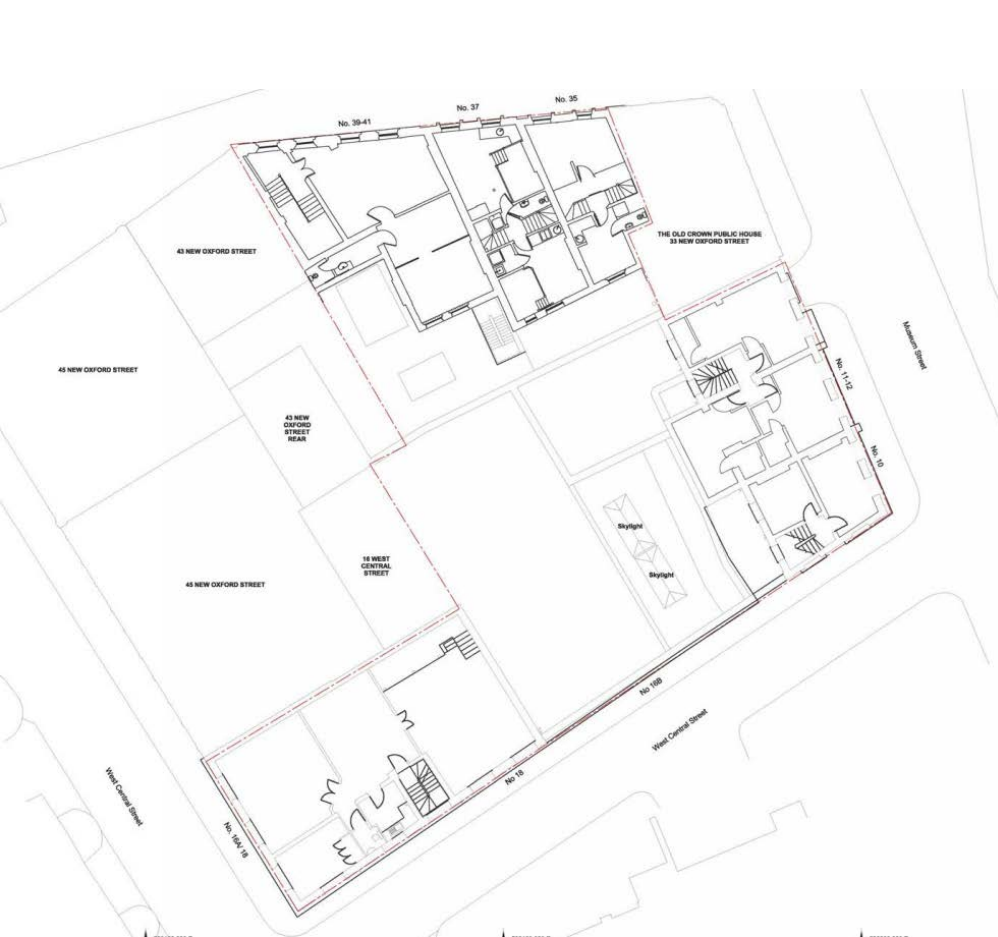
Existing and Proposed Ground Floor Plan



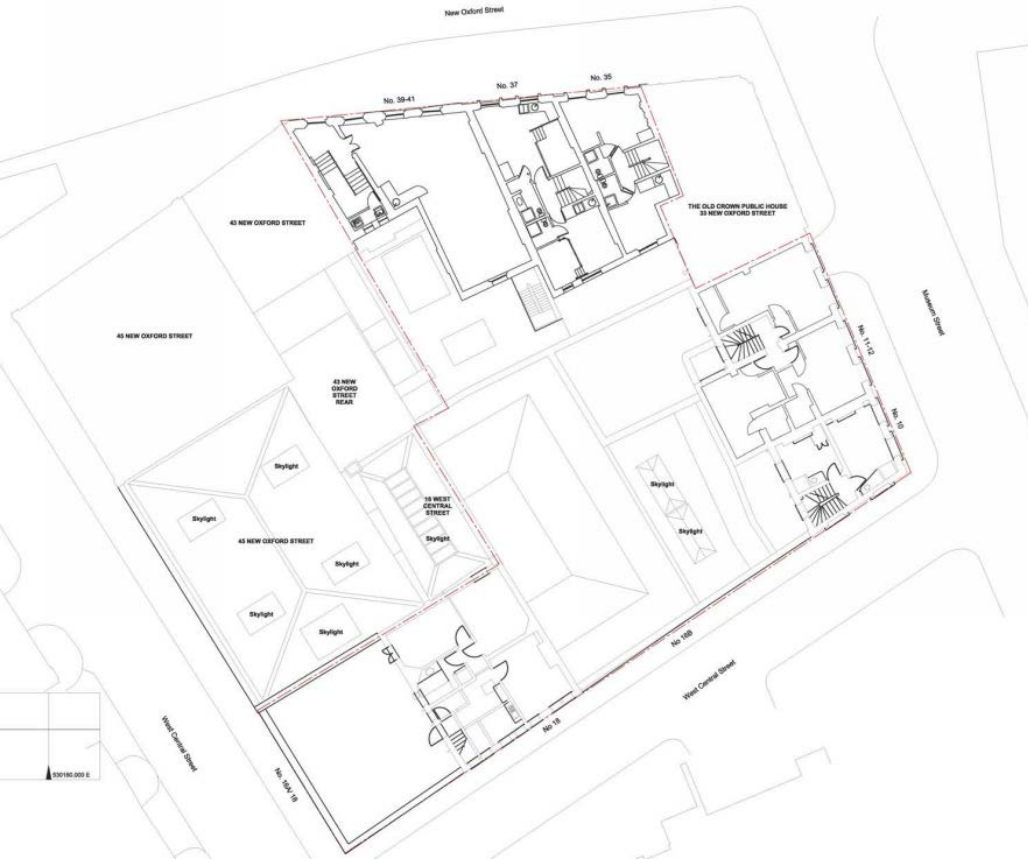
Existing and Proposed Mezzanine Ground Floor Plan



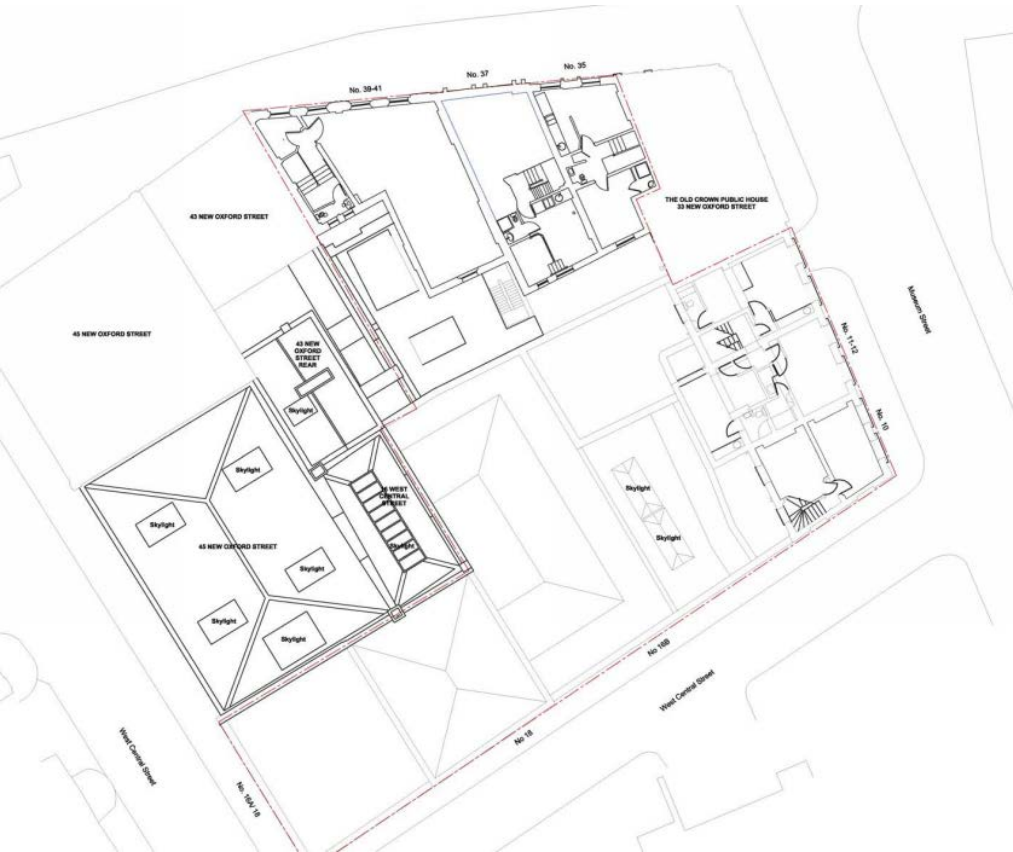
Existing and Proposed First Floor Plan



Existing and Proposed Second Floor Plan



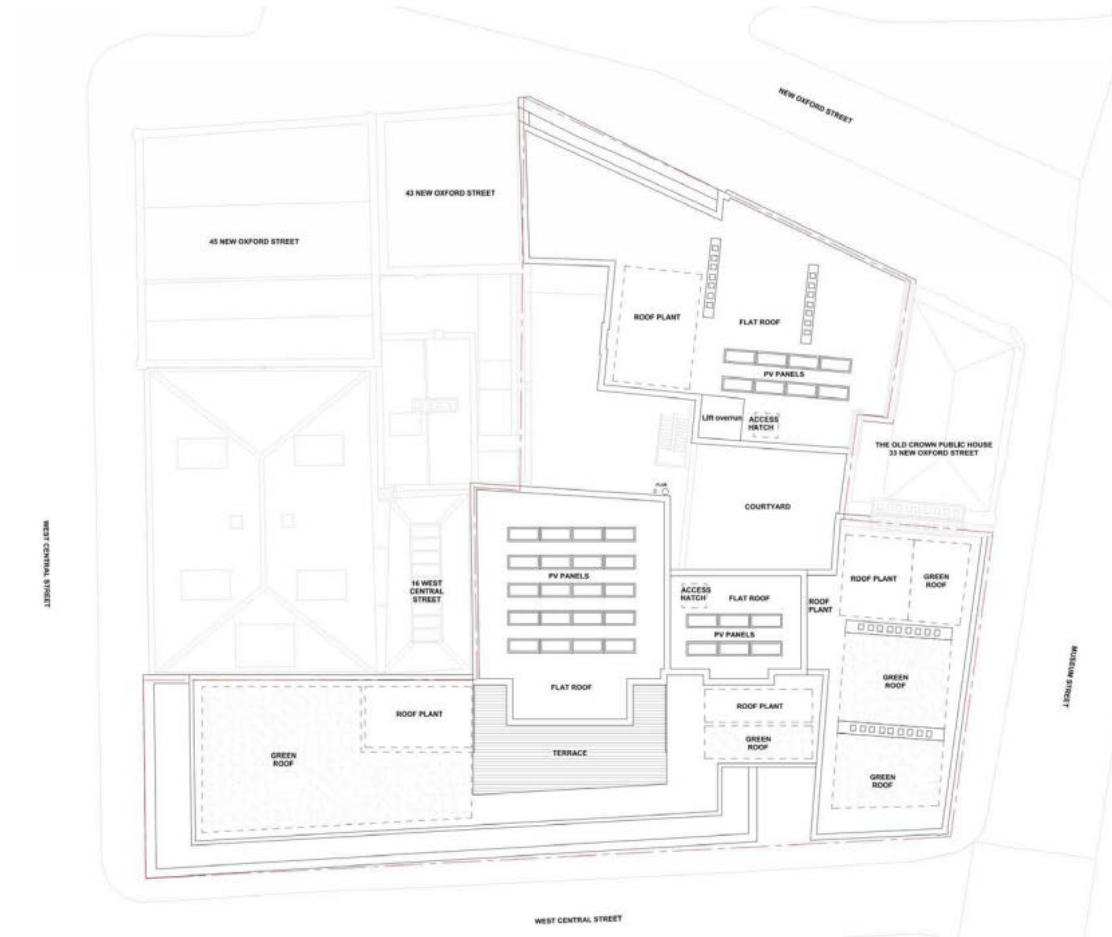
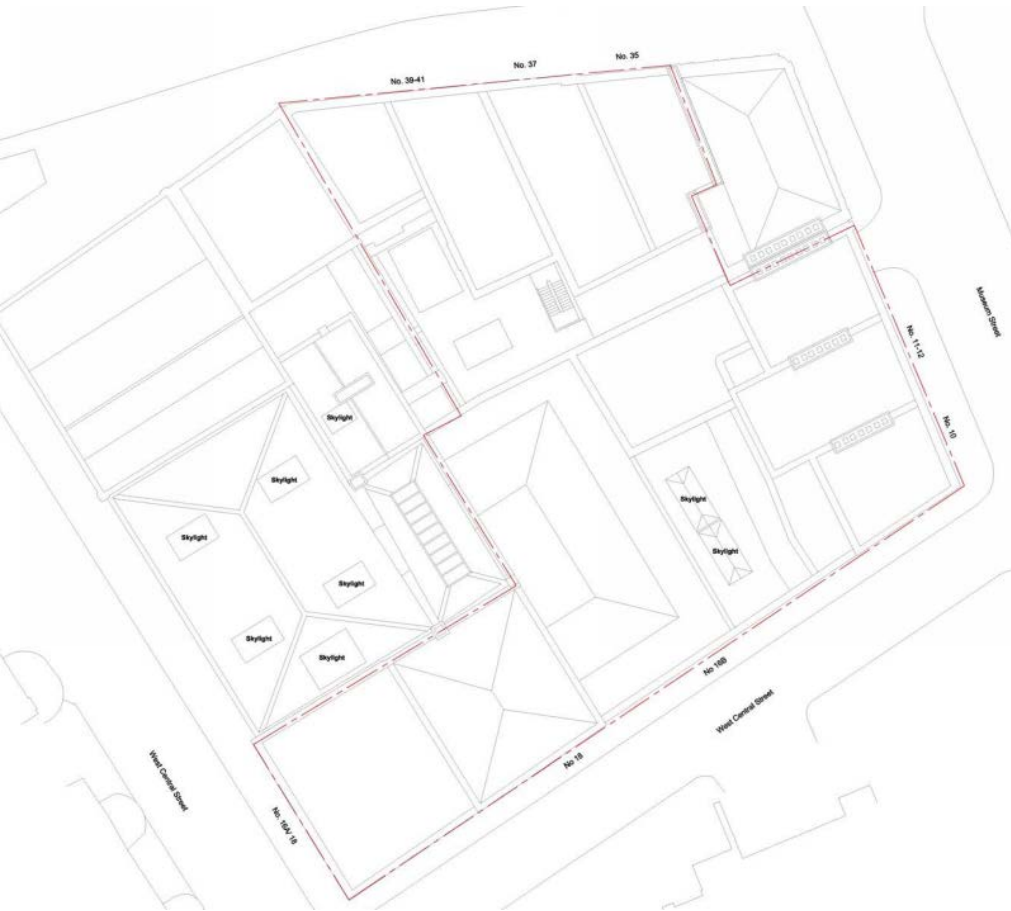
Existing and Proposed Third Floor Plan



Proposed Fourth Floor Plan



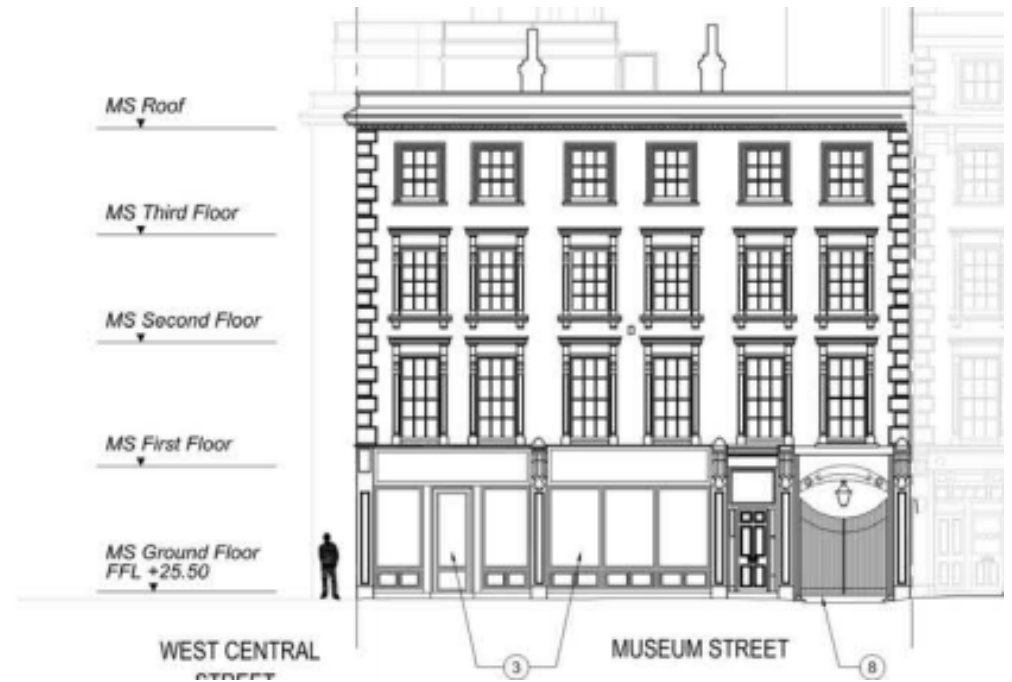
Existing and proposed Roof Plan



New Oxford Street: Existing and proposed elevation



Museum Street- existing and proposed elevation

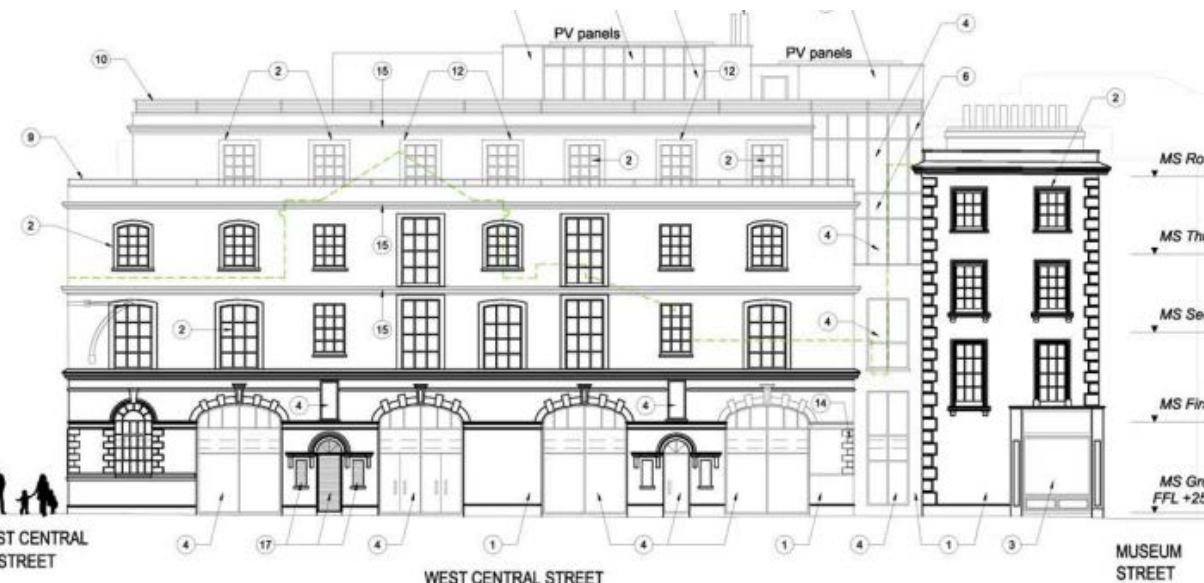


West Central Street: Existing and proposed



WEST CENTRAL STREET

- WCS Upper Roof
- WCS Roof
- WCS Third Floor
- WCS Second Floor
- WCS First Floor
- WCS Mezzanine
- WCS Ground Floor
FFL +25.50



16a West Central Street existing and proposed



