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Head of Planning  
London Borough of Camden  
5 Pancras Square  
London  
N1C 4AG

Dear Sir/ Madam,

**FORMER MARIA FIDELIS SCHOOL PLANNING APPLICATION – FINANCIAL VIABILITY & AFFORDABLE WORKSPACE STATEMENT**

This Financial Viability and Affordable Workspace Statement ('Statement') has been provided in support of a planning application submitted to the London Borough of Camden ('the Application') in respect of the former Maria Fidelis School ('Application Site').

**a) Introduction**

The Application seeks full planning permission for the conversion and refurbishment of the Maria Fidelis School into a commercial office building and multi-use sports hall, the erection of a Construction Skills Centre (CSC) and the provision of new public open space. The proposed use will be temporary (for up to 10 years) to coincide with the construction of HS2 terminal at Euston Station.

The Application is submitted jointly by the land owners, Camden Council and London and Continental Railways (LCR).

This Statement outlines the approach taken in determining the amount of development subsidy (if any) available to support the delivery of affordable workspace after the development costs have been deducted from the scheme revenues. It provides a basis for officers to conclude that the amount and type of affordable workspace proposed is compliant with the development plan.

This Statement should be read in conjunction with a number of the other planning application documents, including but not limited to the Planning Statement, the Design and Access Statement and the Application Drawings.

**b) Application Context**

The Application site is located within the London Borough of Camden. The site comprises the former Maria Fidelis School. The School has been relocated to Drummond Crescent.

The Application site is jointly owned Camden Council and London and Continental Railways (LCR). Both parties are obliged to obtain best value from the Application proposals.



The Application seeks full planning permission for:

- I. The comprehensive refurbishment and conversion of the existing Maria Fidelis School building to provide a B1a commercial office building and multiuse community sports hall;
- II. The erection of a Construction Skills Centre (CSC) to provide office / educational space (at a nominal rent to HS2) for local workers to obtain advice on finding work in the construction industry local to Euston and for the provision of training and apprenticeships relevant to the HS2 project for people who are out of work or carrying out unskilled work; and
- III. The provision of large areas of new public open space, landscaping and enhanced public realm for the benefit of the local community.

The Application scheme therefore provides a significant package of positive socio-economic benefits for Camden Council and its local residents.

The proposed uses will be temporary (for up to 10 years) to coincide with the construction of the HS2 terminal at Euston Station.

### **c) Planning Context**

Planning law requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise (Section 38(6) of the Planning and Compulsory Purchase Act 2004 and section 70(2) of the Town and Country Planning Act 1990).

It also requires that planning obligations are: a) necessary to make the development acceptable in planning terms; b) directly related to the development; and c) fairly and reasonably related in scale and kind to the development (Regulation 122 of the CIL Regulations 2010 as amended).

In this respect, National Planning Policy & Guidance confirms that:-

- I. Plans should set out the contributions expected from development informed by a proportionate assessment of viability that takes into account all relevant policies and local and national standards (PPG Paragraph 001 Viability & Plan Making);
- II. Planning obligations must be fully justified and evidenced (PPG Paragraph 004 Planning Obligations); and
- III. On individual schemes, applicants should submit evidence on scheme viability where obligations are under consideration (PPG Paragraph 007 Planning Obligations).

Policy E3 (Affordable Workspace) of the Draft London Plan (2018) confirms planning obligations may be used to secure affordable workspace at rents maintained below the market rate.

Policy E2 (Employment Premises and Sites) of the Camden Local Plan (2017) provides guidance on the Council's approach to maintaining and securing a range of premises for businesses to support Camden's economy.

Policy E2 confirms the Council will consider higher intensity redevelopment of premises or sites that are suitable for continued business uses provided that (inter alia):

***“The proposed premises include floor space suitable for start-ups, small and medium-sized enterprises, such as managed affordable workspace where viable.”***

Supporting text at Paragraph 5.44 confirms the Council will seek to secure through a planning obligation an element of affordable SME workspace from large scale employment development with a floor space of 1,000 sqm or more.

It also states that where workspace has been specified as Affordable, the Council’s Economic Development Team will work with developers to agree appropriate terms of affordability on a case by case basis. The following are examples of ways in which affordability could be considered:

- an element of the space could be provided at less than 80% of comparable market values;
- a sponsorship programme through which a number of local businesses are able to access space at reduced rents for an agreed period; and
- an average of market rents paid by tenants in the area occupying an equivalent type and quality of space.

Paragraph 5.45 confirms the Council will also consider alternative suggestions made by applicants.

Camden Planning Guidance (Employment sites and business premises) (March 2018) provides further guidance on the application of Policy E2. In respect of implementation of the affordable workspace paragraph 42 states:

***“Where affordable workspace is to be delivered through a scheme, the Council will require applicants to submit a ‘statement’ as part of the planning application on how it proposes to implement affordable workspace also demonstrating that any service charges are reasonable and proportionate, to ensure that these do not undermine affordability. The statement would provide a brief summary of parameters, such as the model of affordable workspace (membership for free-floating ‘desk’ space or annual lease, etc.), sectors to be targeted, lengths of tenancy, possible management arrangements and how the space is ‘affordable’. This information would inform the case officer’s report and any relevant s106 agreement.”***

No supporting evidence is provided or referenced in either the Camden Local Plan or Camden Planning Guidance to support the need for Affordable Workspace and/or the impact of this planning obligation on financial viability. It is noted that the Camden Employment Study (2014) found that the recent growth in co-working indicates the market is finding a means of providing affordable space to occupiers.

#### **d) Precedent**

Table 1 below provides a summary of recent planning application decision precedent in Camden. It illustrates that Affordable Workspace has not previously been required due to financial viability considerations.

**Table 1. Application Precedent**

Application	Affordable Workspace Proposal
12-14 Greville Street	Part of the floor space proposed at a 20% discount.
2-6 St Pancreas Way	3.4% of floor space at a 50% discount.
Former Odeon Site	None proposed due to financial viability.
1 Hampshire Street	None proposed due to financial viability.
Camden Goods Yard	9% of the floor space proposed at a nominal rent.

**e) Financial Appraisal**

A financial appraisal of the proposed development has been prepared to demonstrate if the scheme can viably support any on-site Affordable Workspace or financial contribution to Affordable Workspace. The appraisal has been prepared using Argus Developer Software. This development appraisal package is widely used throughout the development industry and is considered to be appropriate for presenting the viability position on a development of the type proposed.

A summary of the floor areas and appraisal inputs and assumptions are provided in Tables 2 and 3 below. The areas and costs associated with the Construction Skills Centre (CSC) and public open space have been excluded from the assessment. These costs will be funded by HS2.

**Table 2. Floor Areas**

Use	Measurement (SQ FT GIA)
Multiuse Hall	4,273 SQ FT
Commercial Offices	28,393 SQ FT
<b>Total</b>	<b>32,670 SQ FT</b>

**Table 3. Appraisal Summary**

Input	Assumption	Value	Commentary
<b>Revenue</b>			
Commercial Investment Value	£47.50 PSF Rent 5.75% ARY 10 Year Lease 30 Months RF	£4,293,908	The commercial revenue is based on the investment value of the completed commercial floor space (assuming a 10-year lease period). The rent adopted is based on comparable market evidence and site specific factors. The yield adopted reflects all risks and purchasers costs and is based on comparable investment transactions. A rent-free incentive of 30 months has been adopted. Further supporting evidence is set out in the LSH Commercial Revenue Report at Annex 1.
Multiuse Hall	£1 PSF 4% ARY 10 Year Lease	£24,292	The Multiuse Hall will be let on a nominal rent (c.£1 PSF).
<b>Total Revenue</b>		<b>£4,318,200</b>	-
Land Acquisition Costs	Excluded	-	Land acquisition costs have been excluded from the assessment.

Office Conversion Costs	£130 PSF	£4,261,000	The build costs are based on a site specific cost plan prepared by Cost Consultants Beadsman's. The cost plan (Annex 2) is informed by detailed benchmarking data obtained from comparable construction projects.
CIL Costs	Borough & Mayoral CIL	£111,563	Estimate based on the Camden CIL Charging Schedule and MCIL2 Charging schedule.
Professional Fee's	10%	£426,100	This assumption is at the lower end of industry standard range (10-15%). It is considered reasonable in light of the site-specific constraints which will require professional input/ advice (e.g. building refurbishment). This also includes an allowance for Site Insurances.
Letting Agent & Legal Fees	15%	£124,802	Industry standard fees for the commercial letting agent and legal advisors.
Investment Agent & Legal Fees	1.5%	£64,773	This assumption falls within the industry standard range (1.5 – 2.5%) for fees incurred by investment agent and legal advisors.
Finance (Inc Fees)	6.5%	£356,068	This assumption falls within the industry standard range (6.5 – 7.5%) for overall construction finance costs. It includes allowances for arrangement, surveys, valuation and exit fees.
<b>Total Costs</b>		<b>£5,344,306</b>	-
<b>Surplus/ Deficit</b>		<b>(£1,026,105)</b>	-

The Appraisal generates a negative return of (£1,026,105). No other developers profit has been deducted from the appraisal. The Financial Viability Appraisal therefore demonstrates that the scheme cannot viably support any discounted workspace.

The financial viability of the planning application scheme is constrained by a range of site specific factors including:

- I. The nature/ form of the existing Maria Fidelis School building which has constrained the office floor space in terms of floorplate layouts, facilities and M&E services;
- II. The proximity of the site to the HS2 Euston Terminal construction site (which will have an adverse impact on the desirability/ achievable rental values for the commercial office building); and
- III. The temporary nature of the application scheme which limits the commercial office lease length to 10 years and the subsequent investment value of the building.

There is also a significant opportunity cost associated with provision of the Construction Skills Centre (CSC). For example, if the CSC had been provided as a private commercial office building the scheme would be significantly more viable with an estimated c.£4-5m of additional revenue.

Based on the above analysis the Application scheme is not required to provide any affordable workspace in accordance with Policy E2 of the Camden Local Plan which confirms affordable workspace is only required 'where viable'.

#### **f) Affordable Proposals**

Notwithstanding the above, the applicant has proposed three forms of Affordable workspace/ community space to be secured by the planning S106 legal agreement.

##### **1. *Construction Skills Centre***

The applicant proposes that for the duration of the temporary use (10 Years) the rents charged for the Construction Skills Centre (CSC) will be nominal. This will ensure that the Construction Skills Centre (CSC) provides affordable office / educational space where local workers can obtain advice on finding work in the construction industry local to Euston and for the provision of training and apprenticeships relevant to the HS2 project for people who are out of work or carrying out unskilled work.

It will also ensure that should, for unforeseeable reasons, the CSC no longer be required during the temporary period, it will be retained for the remainder of the period as Affordable workspace for the benefit of Camden and its residents.

##### **2. *Multi-Use Community Hall***

The applicant proposes that for the duration of the temporary use (10 Years) the rents charged for the Multi-Use Community Hall will be nominal. This will ensure that the Multi-Use Community Hall provides affordable community space for local residents and community groups.

##### **3. *Office Accommodation***

It is presently anticipated that the scheme will let for up to c.£47.50 PSF. This reflects a c.20% discount to the prevailing local office market rent (c.£60 PSF). The local office market area has been identified by LSH as the Bloomsbury office area (post codes WC1A 1–2, WC1H 8–9, WC1N 1–3, WC1B 3–5, WC1E 6–7).

The applicant therefore proposes that for the duration of the temporary use (10 Years) the rents charged for 20% of the workspace will be always capped at 80% of the prevailing local office market rent.

The affordable floor space will be let on an annual lease basis and will be fully fitted out to an enhanced specification, beyond basic shell and core, to ensure fit out costs are not a major barrier to occupation. Service charges will be kept proportionate and reasonable to ensure they do not undermine affordability.

This proposal, summarised in Table 4 below, will be secured as a legal planning obligation within the planning S106 agreement. It will therefore ensure that for the duration of its use the commercial office building always provides an element (c.20%) of workspace which is more affordable than the

prevailing local market rent, regardless of rental increases experienced by virtue of enhancement of the Euston Station area.

**Table 4. Affordable Workspace Summary**

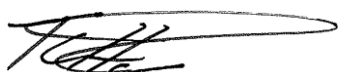
Parameter	Proposal
Workspace Model	Tenant Lease
Lease Length	Up to 10 Years
Targeted Sectors	Small and Medium Enterprises (SME's)
Fit Out	Enhanced Fit Out
Management	Building Management Company
Service Charges	Proportionate to area of the building/ facilities available for use by the occupant.
Affordability	20% of floor space at c.80% of Local Market Rent

**g) Summary**

The statement demonstrates that the Affordable Workspace proposals for the application scheme are fully compliant / exceed that required by the statutory Development Plan due to viability (as set out in section e above).

The workspace proposals should therefore be given positive decision making weight in the overall planning balance and the determination of this Application which will secure a range of socio-economic public benefits for Camden and its local residents.

Yours Faithfully,



Thomas Hatch MSc MRTPI MRICS  
Director

Enc.

- Annex 1** – LSH Commercial Revenue Report
- Annex 2** – Beadsman’s Build Cost Plan
- Annex 3** – Financial Appraisal