Haverstock Hill Hotel Economic Benefits Statement

A Report by Hatch
November 2020

OD Camden Hotel Ltd

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5-17 Haverstock Hill, Camden

Regeneration Drivers

Local Area Drivers

- Area of decline and poor visual quality
- Vacant retail units in need of investment and reactivation
- Potential to capitalize on excellent transport links and proximity to visitor attractions

Economic Drivers

- Local challenges: high unemployment, deprivation and low incomes in the local area
- Increasing working age population and aspirations to create more job opportunities for local residents

Hotel Drivers

- Very limited supply of serviced accommodation near some of Camden's main visitor attraction
- 1,595 additional serviced accommodation rooms required in Camden to meet net demand.

Economic Benefits

Construction Impact

£27m

Investment in construction

155

Construction jobs on average per annum supported to over a 2.6 year build period

Operational Benefits

92 FTE On-Site Jobs

Managerial, front of house and service-based roles

£3.5m GVA

Generated by on-site jobs

Indirect and Induced Benefits

45 FTE Off-Site Jobs

Across London as a result of the supply chain and induced employee spending

£2.1m GVA

Generated by the off-site jobs

Fiscal Benefits

£7.3m generated by visitor and household spending

Over £300,000 in business rates per annum could be raised through the proposed development resulting in a significant income for LB Camden.

Wider Regeneration Benefits

- **Repurposing of a vacant building** and reactivation of the street frontage
- Opportunity for **local residents to access employment** across a range of occupations
- **Maximizing the potential to capture benefits** from the local visitor economy
- Potential to drive an **increase in footfall** and stimulate **additional investment**
- Provision of **informal networking space** for local businesses and entrepreneurs

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1. Introduction

Background context

1.1 OD Camden Hotel Ltd has commissioned Hatch to prepare an economic benefits statement to support their planning application to London Borough of Camden (LB Camden) for a new hotel, residential and commercial development on a site at 5-17 Haverstock Hill.

1.2 The site is located in LB Camden and fronts onto Haverstock Hill and Adelaide Road and adjoins Chalk Farm underground station. It is currently home to a six-storey purpose-built carpark formerly used by the British Transport Police but has been vacant since 2014. It has planning permission for residential development (77 units, including 17 affordable units) and retail.

1.3 OD Camden Hotel Ltd are proposing a hotel-led development (c118-keys) with residential and commercial space whilst maintaining the overall consented envelope.

Scope of Statement

1.4 Hatch has been appointed to provide an independent assessment of the socio-economic and regeneration benefits of the proposed development. The remainder of this statement includes the following:

- An overview of the scheme including its specification and location
- The drivers for economic regeneration in both the local area and wider context (LB Camden)
- An analysis of the visitor and tourism market in LB Camden
- An assessment of the economic benefits of the scheme during both the construction and operational phases
- An overview of the wider potential benefits of the scheme.

2. Scheme Overview

Proposed development

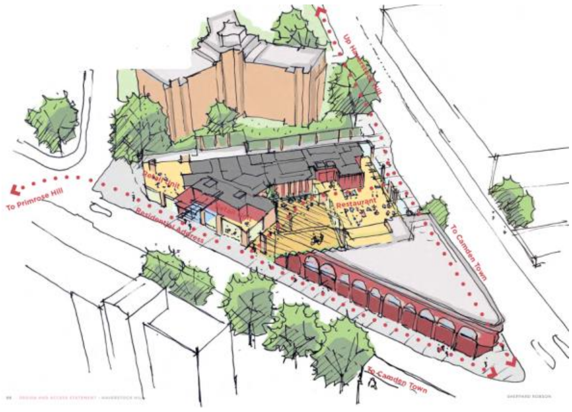
2.1 The proposed development will consist of a 118-key life-style hotel incorporating F&B provision at ground floor and a courtyard area open to the public as well as 35 residential units, including 18 social affordable units.

2.2 The proposals will result in the construction of a new six to seven storey building (including lower ground and ground), helping to reactivate a currently dis-used site and bring it back into commercial use helping to complement the existing retail, residential, leisure and amenity space in the local area.

Figure 2.1 Proposed View from Adelaide Rd

Source: Sheppard Robson

Figure 2.2 Ground Floor Activation

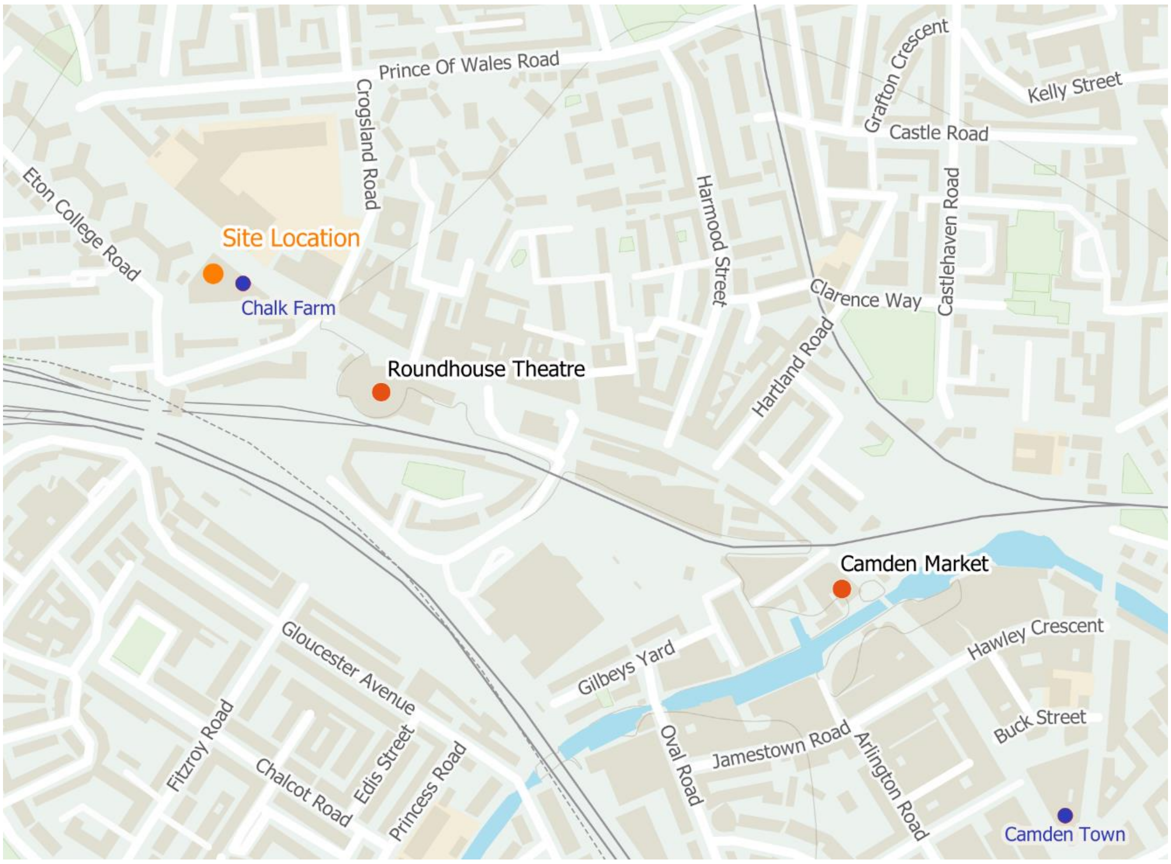


Source: Sheppard Robson

Location

2.3 The Site is bounded by Haverstock Hill to the north, Adelaide Road to the south and is adjacent to Chalk Farm London Underground station to the east and residential properties to the west. Haverstock Hill connects to Chalk Farm Road to the South, which in turn leads to Camden High Street providing access to Camden's vibrant tourist hub and town centre and the famous Camden Market just 0.6km from the Site (5-10 minute walk).

Figure 2.3 Site Location



Source: Hatch

2.4 Less than 300m from the Site to the South is the Roundhouse Theatre, a performing arts and concert venue with capacity for 3,300 standing (1,700 seated). The Theatre is a renowned performance venue and regularly hosts critically acclaimed stage plays, music performances as well as awards ceremonies. Chalk Farm underground station (Northern Line) is immediately adjacent and Kentish Town a short walk to the east. In addition, there are bus routes running directly past the theatre and Site providing further public transport access.

2.5 In its current form, the Site presents a negative perception of the area, particularly when considered alongside a series of nearby vacant retail units on the south side of the development. The proximity of the Roundhouse Theatre and Chalk Farm Underground station together with the Site's location at the northern end of Camden High Street mean that it is an important Site in terms of shaping people's perception of the area as they either arrive, depart or pass by, and presents a major opportunity to help reactivate and enliven this area of Camden.

3. Economic Context

COVID-19

3.1 Since early 2020, the outbreak of the global COVID-19 ('coronavirus') pandemic has had significant and adverse effects on society and the UK economy as a whole. In relation to socio-economics, the most noticeable impacts include employment levels and spending. However, the most recent publicly available data largely reflects economic and social conditions prior to the outbreak of coronavirus due to the timing of annual surveys and a lag in reporting. Notwithstanding this, the Office for Budget Responsibility (OBR) project that despite the severe immediate economic effects of the pandemic, a longer-term period of economic recovery to pre-pandemic levels will occur by 2026. Subject to planning it is considered that the development would be built out by 2025 and on this basis, this statement has assessed the impacts of the proposed development against pre-pandemic baseline levels.

Local economic and regeneration context

3.2 At a **local level**, the Site is situated in the ward of Haverstock, with a population of 14,500 accounting for around 5% of Camden's overall population. The population of the ward has increased by around 17% since the 2011 census, compared to 19% for Camden as a whole. Growth has largely been driven by an increase in those of working age (16-64 years old). Whilst population growth can help in part to generate positive impacts on the local labour market and economy including raising economic activity and local spending, the local area experiences a number of other challenges including pockets of deprivation, low incomes and high unemployment rates. These can be summarised as follows:

- the ward is Camden's 3rd most deprived ward according to the Index of Multiple Deprivation (IMD) 2019.
- Average household incomes for the ward ranked 15th in the borough[1] (out of 18 in total) and there is a relatively high proportion of households with incomes of less than £20,000 per annum.
- Claimant Count rates for residents of the ward aged 16-64 have persistently been above those of the borough as a whole and are the 4th highest amongst other wards in the borough, In the last year or so, rates have increased.

3.3 The employment base of Haverstock ward consists of around 2,750 jobs (0.7% of Camden's total) with dominant sectors being health (16%), education (15%) and retail (15%). The accommodation and food services sector accounts for around 13.6% of employment which is higher than its share in Camden as a whole (8.4%).

3.4 At a **wider level**, the borough as a whole (Camden), has a successful and diverse economy with concentrations of businesses in retail and tourism as well as knowledge sectors and creative industries. Camden's Local Plan (2017) notes that employment is the 'biggest factor affecting income inequality' and there is a need to ensure more people can access work opportunities. The Plan has several Strategic Objectives, including:

[1] Camden Ward Profiles 2017

- 'to strengthen Camden's nationally important economy, in terms of business and employment, the knowledge economy, shopping and entertainment, culture, entertainment and tourism, and to secure benefits for local people to reduce inequalities in the borough through increased access to jobs, skills, training and education opportunities; and
- To promote and protect the high levels of amenity and quality of life that makes Camden such an attractive, successful and vibrant place for residents, workers and visitors'

3.5 The majority of jobs in Camden are situated in the south of the borough including Camden Town centre. Data from the 2011 Census suggests that thousands of people travel to work from outside of the borough to access these opportunities, however LB Camden is keen to ensure that more opportunities are created for local residents in order to reduce inequality.

3.6 Policy E1 Economic Development of the Local Plan states '*we will:*

- *Recognise the importance of other employment generating uses, including retail, education, health, markets, leisure and tourism'*.

3.7 The Local Plan notes that cultural and leisure facilities contribute significantly to Camden's attractiveness as a place to live, work or study and there is a wide variety of culturally diverse visitor attractions. The importance of the visitor economy in Camden is supported by Local Plan Policy E3 Tourism, which suggests the borough will support tourism development and visitor accommodation. Policy E3 states that all visitor accommodation must be easily reached by public transport and '*not harm the balance and mix of uses in the area, the local character, residential amenity, services for the local community, the environment or transport systems*'.

3.8 On key measures of **gross value added** (GVA), **employment** and **population growth**, the headline messages are summarised below.

Gross Value Added

- Camden's GVA accounts for around 7.6% of London's GVA as a whole, and grew by 4% between 2018 and 2017, compared to growth of 3% experienced by London. Camden's GVA per head of population was £131,284 in 2018, compared to £50,547 for London and £29,356 for England. The relative scale of Camden's GVA per head is reflective of the large number of people commuting into the borough to work versus the relatively small resident population.
- Key sectors driving GVA performance in Camden are ICT, finance and insurance services, professional, scientific and technical services and education. The Accommodation and food services sector accounts for around 2.9% of Camden's overall GVA, although this contribution has declined in recent years from a peak of 5.1% in 2013.

Employment

- The total number of jobs in Camden stood at around 382,000 in 2019 with the largest sectors being professional, scientific and technical, ICT, health, education, business admin, and accommodation and food services.
- Camden accounts for just over 7% of all jobs in London and since 2009 91,500 new jobs have been created in the borough equating to an increase of 31.5%. This is higher than the increase experienced by London as a whole (25.7%) over the same period. In short,

the economy of Camden is growing at a faster rate than London overall, which itself has seen strong growth in the last 10 years.

- Key sectors driving growth in Camden have been health (+19,000), ICT (+19,000), business (+12,500) and accommodation & food (+10,000), education (9,500) followed by professional services (+9,000) and arts, entertainment, recreation and other services (7,000).

Population

- Camden's population was estimated at 270,000 in 2019 and accounts for around 3% of London's overall population. Since 2011 Camden's population has grown rapidly with an increase of 22.7% (49,900 persons) far surpassing the growth rate experienced by London as a whole (9.2%).
- Compared to London, Camden has a slightly above average proportion of working age population (16-64), which is to be expected for an inner London borough. In absolute terms, the working age population has driven overall growth in the borough. However the younger population and older population have experienced a higher percentage increase since 2011 suggesting that their share in the population is increasing.
- Subnational population projections suggest that Camden's population will increase to 315,000 by 2043, surpassing the growth rate projected for London as a whole.

Camden's Tourism Economy

3.9 In 2017-19 there was a total of 12.05 million trips to London from domestic tourists and 28.1 million nights with a total spend of £2,902 million. In 2019, there were 21.83 million trips from international visitors and 118.8 million nights with a total spend of £15.725 million. According to research produced by the Greater London Authority (GLA)[2], visitors to London have been increasing over the last decade whilst the supply of serviced accommodation is 'tight' with average occupancy rates higher than other major European cities.

3.10 Demand for London accommodation is projected to reach 196.4 million nights by 2041, largely driven by increases in international visitor nights. It is estimated that London will need to add an additional 58,140 rooms to the serviced accommodation supply by 2041, averaging 2,236 rooms per annum. Whilst it is expected that this level of supply will be met overall through pipeline activity, there are variations in supply and demand across London's boroughs.

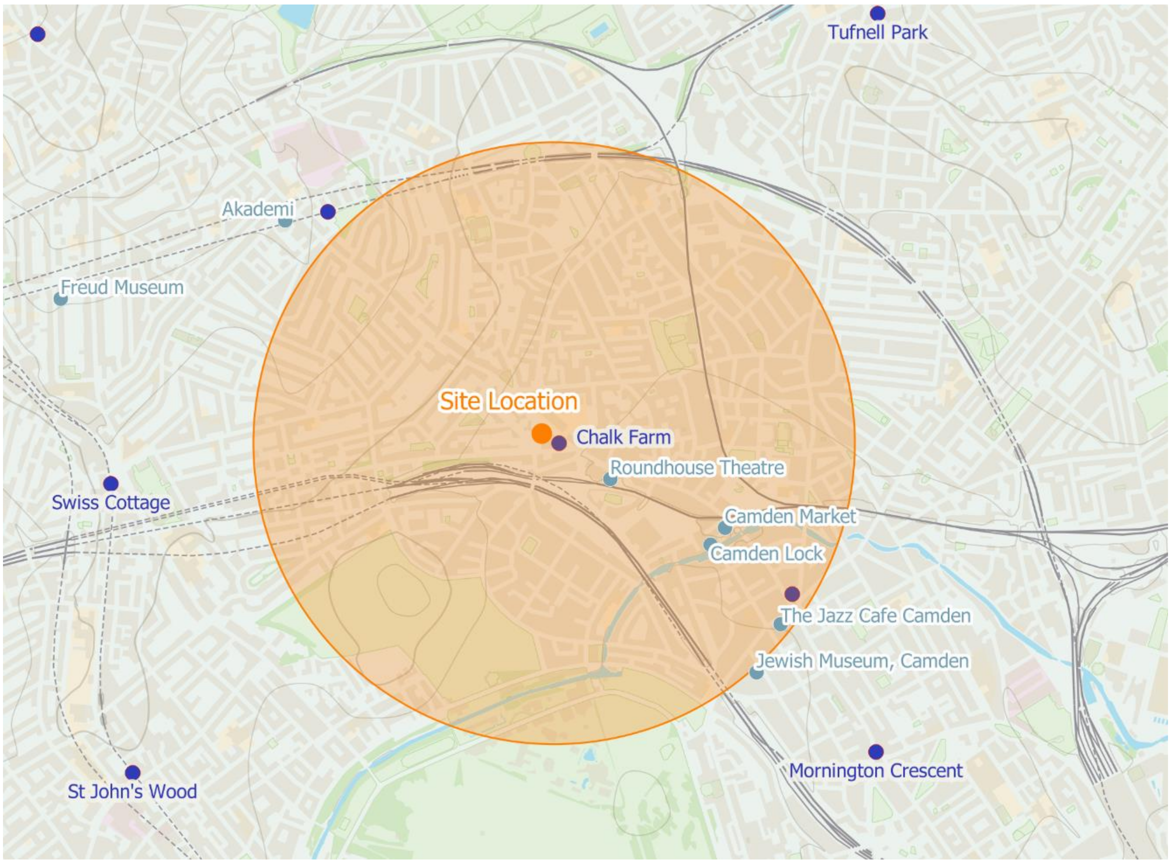
3.11 Camden's tourism economy[3] (which is a broader sector than accommodation and food services) accounts for around 52,000 jobs in the borough and around 8% of all tourism related jobs in London according to the latest available 2019 data on employment.

3.12 The borough has a wide range of visitor attractions and facilities, many of which are in close proximity to the Site (see Figure 3.1 below) and include the Roundhouse Theatre, Camden Market and Camden Lock, Freud Museum, the British Museum, Cockpit Arts, Camden People's Theatre, Akademi, The Place, Camden Arts Centre, and the Diroama Theatre.

[2] GLA Working Paper 88: Projections of demand and supply for visitor accommodation in London to 2050, 2017

[3] Based on Standard Industrial Classification SIC (codes) defined by the UNWTO for tourism industries.

Figure 3.1 Local Visitor Attractions



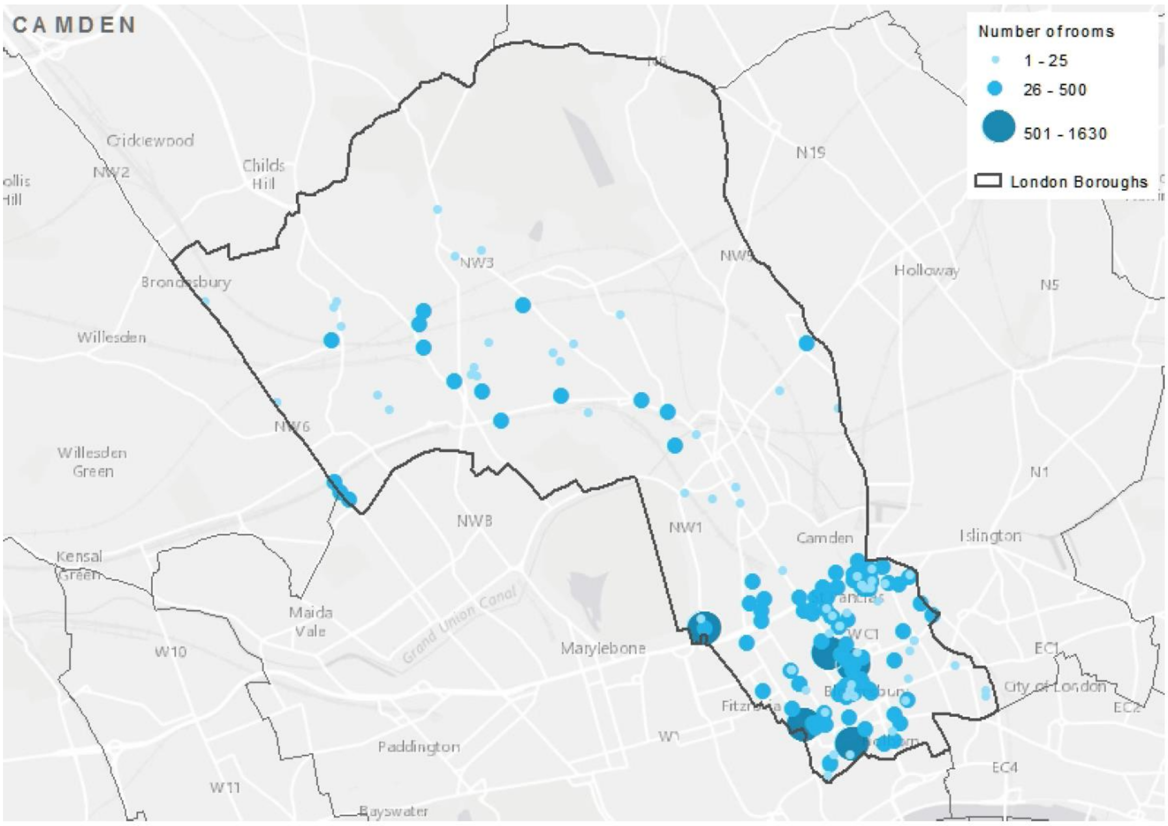
Source: Hatch

3.13 According to Visit Britain, Camden received the 3rd highest number of domestic visitors of all London Boroughs, with an average of 0.558 million trips per annum over the period 2017-2019 and an average of 1.077 million nights per annum, resulting in an average spend per annum of £176 million. Data on trips to from international visitors is not available by London Borough.

3.14 Camden has the second highest supply of serviced accommodation rooms in the London with 18,038, accounting for 12.4% of London's total supply. According to the GLA's research by 2041, it is anticipated an additional 1,595 serviced accommodation rooms will be required in Camden to meet net projected demand.

3.15 The existing supply of serviced accommodation in Camden is heavily concentrated towards the South of the Borough (see Figure 3.2 below) with very limited supply north of Camden and around Haverstock Hill, despite the presence of some of the borough's major visitor attractions.

Figure 3.2 Supply of Existing Serviced Accommodation Rooms in Camden

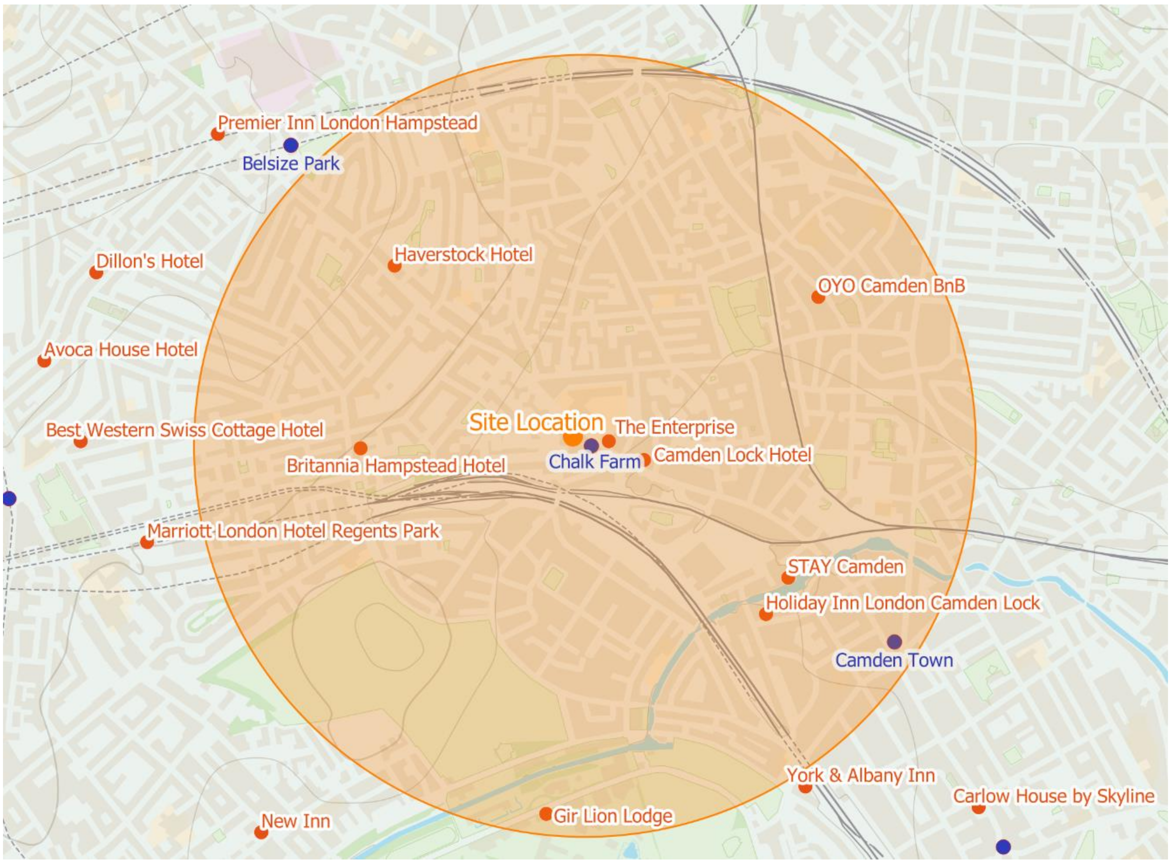


Source: GLA Economics, 2017

3.16 Looking specifically at the local area, there are eight hotels within 1km of the Site with a total room supply of 588 rooms. A number of these are very small scale (less than 30 rooms), independent or hostels/B&B's. (see Figure 3.3 below).

3.17 The proposed development will clearly be filling a gap in provision in area and is ideally positioned to cater to the needs of those visiting and using some of Camden's key visitor attractions and live music venues.

Figure 3.3 Local Hotel Accommodation



Source: Hatch

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4. Economic Benefits Assessment

4.1 This section of the Statement sets out the economic benefits assessment of the proposed development. It focuses on:

- The construction phase, focussing on temporary employment effects
- The operational phase, focusing on direct and indirect jobs and Gross Value Added (GVA) and visitor spending
- Wider benefits, focusing on business rates and wider regeneration benefits.

Construction Phase

4.2 The investment by OD Camden Hotel Ltd into the redevelopment of the Site and construction of the proposed development will create demand for constructions related workers during the build period. The total number of temporary construction related workers has been estimated on the basis of a total estimated construction investment of approximately £27m.

4.3 Homes and Communities Agency (HCA) Labour Coefficients[i] (workers per £1m spend per annum) were applied to the estimated costs associated with the Works. The total number of worker is then divided by the expected timescale of the Works (2.6 years) to provide the average annual number of workers per annum, a good indication of the number of jobs that would be generated. On this basis, it is estimated to that the proposed development could generate demand for around **155 temporary construction workers per annum.**

4.4 These jobs will be a mixture of both on-site and off-site pre-fabrication and supply chain employment through the various tiers of the supply chain. This estimate is also an average level of construction employment over the duration of the build period – the level of workers required could be higher at peak periods of construction activity.

4.5 There is likely to be a requirement for some specialist construction companies to be used as part of the construction process. It is anticipated that these contractors may well be from outside of the borough and wider London area, given the specification of the contract. However, there are also likely to be a wide range of sub-contracting packages that would potentially be available to local contractors (e.g. groundworks, civil engineering, brick/block work, plastering, electrical, plumbing) that could help to maximise the local employment impact from the scheme.

Operational Phase

On-Site Employment and GVA

4.6 Estimates of direct on-site employment have been produced based on the Homes and Community Agency (HCA) Employment Density Guidance Note[4] using the assumption of 1 Full Time Equivalent (FTE) employee per 2 beds for an up-scale hotel and 15 sq m per FTE for commercial/retail space.

[4] HCA (2015) Employment Density Guidance Note (3rd Edition)

4.7 On this basis, it is estimated that the proposed development will support **around 92 on-site FTEs** once operational. These jobs will range in occupation from managers to front-of house and service-based roles.

4.8 Hotels typically draw their labour from a local catchment area. The latest Census data shows that around 24%[5] of hotel and restaurant workers in Camden come from within less than 5km of their workplace, compared to an average of 20% across the wider economy. This suggests there will be an opportunity for local residents within Haverstock and the wider Camden area to access employment generated from the proposed development thereby supporting Camden's aspirations to create more jobs for local residents. Moreover, through the legal agreement, the applicant is willing to support and have secured specific requirements for local employment through construction and operational stage.

4.9 Using London-based Gross Value Added (GVA) per FTE job data for workers in the accommodation sector and applying this to the on-site FTE jobs created as a result of the proposed development, it is estimated that the annual direct GVA impact of the proposed development, once fully operational, would be approximately **£3.5m.**

Off-Site Employment and GVA

4.10 The proposed development will also deliver a range of positive off-site employment multiplier effects in Camden and London. This refers to supply chain purchases made by the hotel and retailers which can support further local employment such as for housekeeping, maintenance, and laundry (i.e. the indirect multiplier). It also refers to the expenditure from wages injected into the local economy by both direct and indirect workers (i.e. the induced multiplier) which can also support further local employment.

4.11 The extent to which these off-site benefits are captured by London would depend upon the supply chain patterns of OD Hotel Group. OD Hotel Group are committed to establishing a supply chain in the UK with the aim to use as many local suppliers as possible. Given that this is unknown at this stage, a local composite (indirect and induced) multiplier of 1.1 has been applied for Camden and 1.5 for London.[6]

4.12 Using this multiplier, it is estimated that in Camden the proposed development could support a further **10 FTE indirect and induced off-site Jobs and £0.4m annual GVA and a further 46 FTE indirect and induced off-site jobs across London as a whole (including in Camden) and £2.1m in annual GVA.**

Housing and Population

4.13 The Proposed Development will deliver 35 new residential units ranging in size and including social affordable provision. The mix and tenure of housing will help contribute LB Camden's housing target and requirements for a range of sized properties to accommodate families and smaller households at differing price points.

4.14 Based on an average household size of between 2.3 (Camden) and 2.7 (local area around the Site) the population of the proposed new development could be between 80-95. This is also consistent with the population yield derived when using the GLA population calculator version 3.2.

[5] Census 2011: distance travelled to work by industry

[6] HCA Additionality guide (2015) for Medium category projects.

4.15 The new population will contribute to the strengthening of the local labour market, since it is likely to be particularly attractive to younger, working-age people. A recent study by the London School of Economics found that the majority of residents in new residential buildings were under the age of 40 and were one or two person households[7].

4.16 Using average benchmarks for Camden, it is estimated that the working age population housed in the proposed scheme will participate as the following roles in the economy:

- **73% economically active**
- **68% in employment** (including full time and part time work)

Spending

Visitor Spending

4.17 Overnight visitors to the hotel will generate additional spending in the London and wider area. According to data from the ONS International Passenger Survey and Visit Britain, the average spend per night per visitor (domestic and international) to London is £118.50 including spend on accommodation.

4.18 Based on a London average occupancy rating of 84%, visitor spending generated from the proposed Hotel could amount to £6.4m per annum. Whilst a proportion of this will be spent on the hotel accommodation itself, there will also be spending on food, beverage and retail outlets and services in the local area resulting in positive impacts on local businesses.

4.19 It should be noted that given the quality of the proposed hotel provision, the spend per night per visitor may indeed be higher than the London average, particularly given the high numbers of staying business visitors that are expected. Furthermore, additional spending in the local area may derive from those using the hotel facilities but not necessarily staying, including those visiting the roof top bar, ground floor F&B provision and business facilities. It is likely therefore that the estimate of spending is conservative.

Household Expenditure

4.20 Residents of the new households will spend their incomes on local goods and services in Camden and elsewhere. Based on the total number of households and ONS household expenditure data (2019), the development will generate gross household expenditure of around **£0.7 million per annum** on retail goods and services, a proportion of which will be spent locally within Camden.

Fiscal Benefits

Business Rates

4.21 There will be fiscal benefits associated with the proposed development via the payment of business rates. Based on business rates for mid to upper scale type hotels within the local area of the proposed development, it is estimated that the LB Camden will receive around £300,000 per annum through business rate contributions as a result of the proposed development

[7] LSE Cities, Living in a denser London, March 2020: http://www.lse.ac.uk/cities/Assets/Documents/2020-LSE-Density-Report-digital.pdf?mc_cid=2afaab842d&mc_eid=035a7a27e9

Council Tax

4.22 The proposed residential units will also provide additional income for the council. It is estimated the scheme will generate gross additional annual council tax revenue of around **£54,700 per annum, around £43,500 of which will go to LB Camden and the remainder to the GLA.**

4.23 Through the delivery of new homes, the scheme will also help to boost New Homes Payments to Camden and the GLA.

Wider Regeneration Benefits

- The proposed development will bring back into use a vacant building replacing it with high quality design in an area that is currently of poor visual quality. The proposed development will help to reactivate the street frontage and with the potential to catalyse additional investment in neighbouring sites.
- The provision of housing will help to contribute towards LB Camden's housing and affordable housing targets and will increase footfall and activity in the local area.
- The hotel will be multi-purpose catering for a wide range of guests including business visitors, domestic and overseas tourists. Facilities will include a ground floor courtyard and F&B and lobby areas accessible to both staying visitors as well as local people and businesses wishing to use the facilities. This will help to generate additional footfall and activity on the street in an area that has been in decline.
- The provision of F&B and lobby space at ground level will help to support the provision of informal and accessible networking space, creating opportunities for both visiting and local businesses and entrepreneurs to access facilities.
- The hotel has the potential to address some of the challenges discussed earlier in this report in relation to the local area. The direct jobs generated by the proposed development will provide opportunities for local residents to secure employment across a range of different occupations, in an area that suffers from low incomes, high unemployment and deprivation.
- The lack of existing hotel provision, particularly of this quality and nature, north of Camden town centre and in the area immediately surrounding the Round House Theatre points to a gap in provision. Meeting this need will help to ensure that the economic benefits associated with staying visitors are captured within the local area rather than elsewhere.

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