

# 330 Grays Inn Economic Benefit Statement

A Report by Hatch  
May 2021

# 330 Grays Inn Road Ltd

## 330 Grays Inn: Economic Benefit Statement

May 2021

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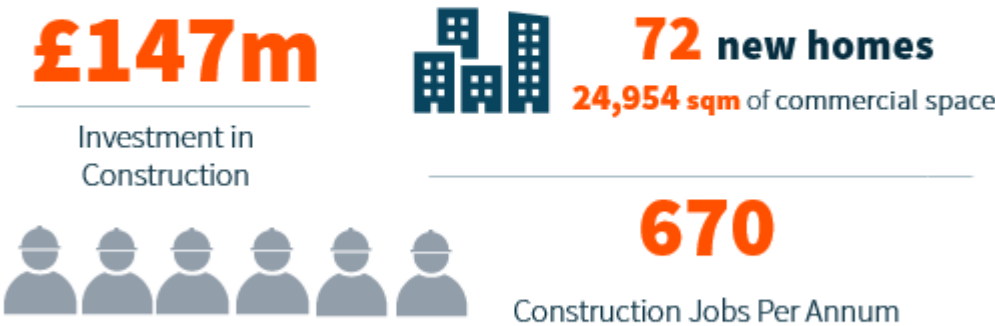
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# Executive Summary

## 330 Grays Inn

### Socio-Economic Benefits - Headlines

#### CONSTRUCTION IMPACTS



#### OPERATIONAL BENEFITS

##### New Housing



##### New Commercial Space

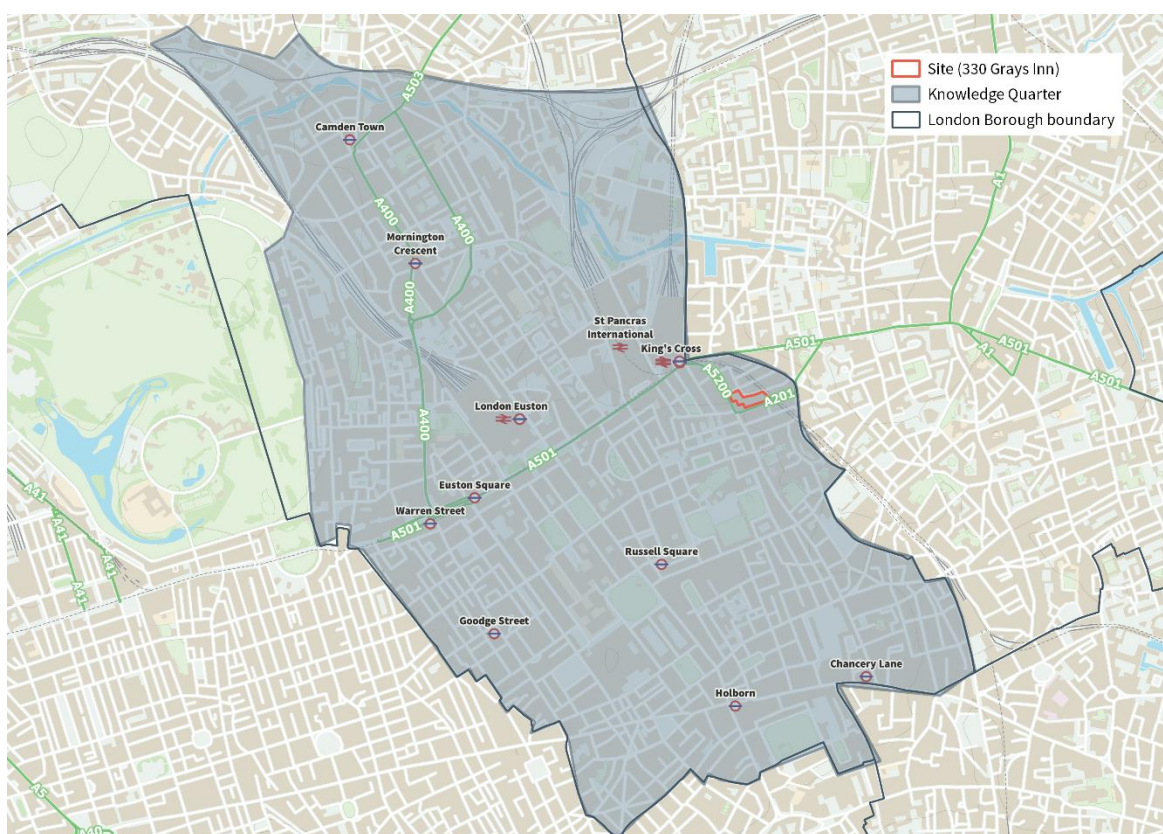


# 1. Introduction

## Scheme and Context

- 1.1 The proposed redevelopment of 330 Grays Inn (hereafter referred to as ‘the Site’) is a commercial-led mixed-use development by 330 Grays Inn Road Ltd of the former Royal National Throat, Nose and Ear Hospital (RNTNE), (See Figure 1.1 below).
- 1.2 The Site is 1.3 acres and currently comprises the vacant buildings of the former RNTNE, which has relocated to Huntley Street in close proximity to the University College of London Campus. The Site falls within the King’s Cross Conservation Area Sub Area 4 and sits at the heart of the Knowledge Quarter (KQ) which extends from Camden town to Holborn and Convent Garden and accommodates an internationally renowned cluster of scientific and knowledge-based research institutions and businesses.

Figure 1.1 Site Context



Source: Hatch

- 1.3 The Site is bounded by Gray’s Inn Road to the west, Swinton Street to the south east and Wicklow Street to the north. It is approximately a 5 minute walk to Kings Cross Station and St Pancras International and a 10-15 minute walk to Euston Station. The immediate surrounding area is predominantly commercial comprising a mix of office buildings, institutional buildings, retail and hotels. The Site itself comprises an ad-hoc collection of buildings and structures of varying scales and materials.

1.4 The proposed Development by 330 Grays Inn Road Ltd aims to deliver a mixed-use, high density development that will contribute to the creation of high quality space within the Knowledge Quarter and create a critical mass of new activity that will add to the vibrancy of the local area, both day and night time. The proposed development comprises a diverse mix of uses:

- 14,021 sq m Gross Internal Area (GIA) of flexible office accommodation, including lab-enabled space and flexible space for start-ups;
- 9,425 sq m GIA of 4\* hotel floorspace, including 182 keys, active ground floor, public café and restaurant;
- 1,476 sq m GIA of gym space;
- 72 residential units of mixed size and tenure; and
- 705 sq m of high quality public realm including a new public courtyard

Figure 1.2 Proposed Public Courtyard



Source: Groveworld

Figure 1.3 Building Layouts



Source: Groveworld

1.5 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 local socio-economic and regeneration context;
- an assessment of the socio-economic benefits including:
  - Construction benefits – temporary employment
  - Operational benefits – employment, spending, GVA and fiscal benefits; and
- an overview of the wider regeneration benefits.

## 2. Socio-economic Context

### COVID-19

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- 2.1 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. On this basis, this statement has assessed the impacts of the proposed development against pre-pandemic baseline levels.

### Local Economic and Regeneration Context

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- 2.2 At a **local level**, the Site is situated in the heart of the **Knowledge Quarter**, LB Camden which consists of world class academic, cultural, research, scientific and media institutions. The KQ has been formed due to the clustering of these institutions surrounding King's Cross, St Pancras and Euston stations and falls partly within Central London. The area is also home to clustering's of mid and small-scale creative organisations who seek collaborative space. In recognising the importance of the role of the Knowledge Quarter within central London, the Council aims to support the area as a focus for Camden's future growth in homes, office, shops, hotels and other uses and support the concentration of medical, educational, cultural and research institutions that form an integral part of the KQ.
- 2.3 The Council's draft Site Allocations Local Plan document sets out under **Policy KQ1** the Council's intention to support the sustainable growth and success of the KQ. The Policy highlights a number of challenges and pressures that will impact on the success of the KQ including the need to contribute towards the provision of new homes in the area, supporting infrastructure, lab-enabled space, flexible floor plates and space for start-up and move-on companies.
- 2.4 At a **wider level**, the borough as a whole (Camden), has a successful and diverse economy with concentrations of businesses in knowledge sectors and creative industries as well as retail and tourism. 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:
- '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;
  - 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; and
  - to provide homes that meet the housing needs of existing and future residents in terms of number, affordability, quality, type of property and mix of dwelling sizes'.



- 2.5 **Policy E2** of the Local Plan supports development which will help to increase the number and diversity of employment opportunities within the borough. The borough's Employment Land Review forecast that demand for office space would increase by just under 700,000 sq m between 2014 and 2031. In order to meet this demand, the Council aims to direct new office development to growth areas and Central London, including the KQ.
- 2.6 The Local Plan also 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 which can be easily reached by public transport and not harm the balance and mix of uses in an area.
- 2.7 **Policy H1 of the Local Plan** sets out the borough's housing target of exceeding 16,800 additional homes between 2016/17 and 2030/31 and policy H4 identifies a borough-wide strategic target of delivery 5,300 affordable homes over the same period.
- 2.8 On key measures of **gross value added** (GVA), **employment** and **population growth**, the headline messages are summarised below.

## GVA

- Camden's GVA accounts for around 7.6% of London's GVA as a whole, and grew by 4.1% between 2017 and 2018, compared to growth of 0.9% experienced by London. Camden's GVA per head of population was £131,283 in 2018, compared to £50,547 for London. The relative scale of Camden's GVA per head is reflective of the large number of people commuting in to the borough to work as well as the concentration of higher productive activity within the central area of London that falls within the borough.
- Key sectors driving GVA performance in Camden in 2018 were professional, scientific and technical services (£8,242m), ICT (£5,806m), finance and insurance services (£4,350m), and real estate activities (£2,630m). 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 3.8% in 2014.

## Employment

- The total number of jobs in Camden stood at around 375,000 in 2018 with the largest sectors being professional, scientific and research reflecting the concentration of knowledge-based activities within the borough, followed by ICT, health, education, business admin and accommodation and food services.
- Camden accounts for just over 7% of all jobs in London and since 2015 just under 21,000 new jobs have been created in the borough equating to an increase of 6%, which is beyond the increase experienced by London as a whole (4%) over the same period.
- Key drivers of growth in Camden have been amongst the ICT (+8,000), accommodation and food services (+5,000), education (+4,000) followed by wholesale and health (both +3,000).



## Population

- Camden's population was estimated at 270,029 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, 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 suggesting that their proportional share in population is increasing.
- Subnational population projections suggest that Camden's population will increase to 306,000 by 2041, surpassing the growth rate projected for London as a whole.

### 3. Economic Benefits

3.1 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 housing provision, new commercial floorspace, direct and indirect jobs and Gross Value Added (GVA), visitor spending and fiscal benefits
- Wider benefits, focusing on business rates and wider regeneration benefits.

#### Construction Benefits

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3.2 The investment by 330 Grays Inn Road Ltd into the redevelopment of the Site and construction of the proposed development will create demand for constructions related workers during the demolition and build period. The assessment of temporary construction workers has been informed by a cost assessment undertaken by Turner and Townsend for the demolitions and construction of the Proposed Development.

3.3 The total number of temporary construction workers has been estimated on the basis of a total estimated construction investment of approximately £147 m (excluding professional fees).

3.4 Homes and Communities Agency (HCA) Labour Coefficients<sup>1</sup> (workers per £1m spend per annum) were applied to the forecast costs associated with the Works. Workers are divided by the expected timescale of the Works (3.5 years) to provide the average annual number of jobs. On this basis, it is estimated to that the proposed development could generate demand for around **670 temporary construction workers per annum.**

3.5 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.

3.6 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. 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.

#### Construction worker spend

3.7 Construction workers are likely to spend money in the local area for breakfast, lunch and other amenities. Whilst there is limited guidance on calculating spend per construction worker, a high level estimate can be calculated to demonstrate the potential value for illustrative purposes only.

3.8 Estimates from a recent survey commissioned by New York Bagel Company<sup>1</sup> estimates that workers spend around £6 per day on lunch and hot drinks. Assuming construction workers are

<sup>1</sup> Research commissioned by New York Bagel Company and summarised by the Independent, available here: <https://inews.co.uk/inews-lifestyle/food-and-drink/brits-eating-same-lunch-every-day-507362>

on site between 3 to 5 days a week throughout a given year, and all spend is contained in the local area, this could generate around **£567,000 to £944,000 in local spend per year**. Over the course of the construction period this could generate **£2 million to £3.3 million of spend in local shops and amenities**.

## Operational Benefits

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- 3.9 The operational benefits of the Proposed Development will be generated as a result of the new residential and commercial floorspace provided on-site. These are considered below.

### New Housing

- 3.10 The Proposed Development will deliver up to 72 new residential units ranging in size from studio to three-bedroom units and including 50% affordable housing (by habitable room). 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.

### Population

- 3.11 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 160-200.
- 3.12 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<sup>2</sup>.
- 3.13 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)

### Household Expenditure

- 3.14 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 **£1.2 million per annum** on retail goods and services, a proportion of which will be spent locally within Camden.

### Fiscal Benefits

- 3.15 The proposed residential units will also provide additional income for the council.
- 3.16 It is estimated the scheme will generate gross additional annual council tax revenue of around **£116,900 per annum, around £93,000 of which will go to LB Camden and the remainder to the GLA**.

<sup>2</sup> 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](http://www.lse.ac.uk/cities/Assets/Documents/2020-LSE-Density-Report-digital.pdf?mc_cid=2afaab842d&mc_eid=035a7a27e9)

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

## New Commercial

- 3.18 The commercial elements of the Proposed Development comprise the following:

Table 3.1 330 Gray's Inn Proposed Commercial Floorspace

Use	Floorspace GIA	Floorspace NIA
Flexible Office	11,380 sq m	7,935 sq m
Lab-enabled Space	2,640 sq m	1,993 sq m
Hotel (4*)	9,425 sq m	4,982 sq m
Gym	1,446 sq m	1,213 sq m

Source: Groveworld Ltd

- 3.19 In total, **24,954 sq m** GIA of high-quality commercial floorspace will be delivered on-site across a range of uses.

## On-Site Jobs and GVA

- 3.20 Estimates of direct on-site employment have been produced based on the Homes and Community Agency (HCA) Employment Density Guidance Note<sup>3</sup> using the following assumptions:

- 1 Full Time Equivalent (FTE) employees per 2 beds for an up-scale (four Star) hotel;
- 1 FTE employee per 8 sq m NIA of office-based and co-working floorspace<sup>4</sup>;
- 1 FTE employee per 30 sq m NIA of lab-enabled floorspace; and
- 1 FTE employee per 65 sq m GIA of Gym floorspace.

- 3.21 On this basis, it is estimated that the proposed development will support **around 1,350 gross direct on-site jobs** once operational. These jobs will range in occupation from managerial and professional roles, research and scientific to administrative and front-of house and service-based roles.

- 3.22 Using London-based **Gross Value Added (GVA)** per FTE job data for workers in office, accommodation and recreation sectors and applying this to the on-site FTE jobs created as a result of the proposed development, it is estimated that the annual gross direct annual GVA impact of the proposed development, once fully operational, would be approximately **£165.8m**.

- 3.23 In order to estimate the net additional jobs generated by the Proposed Development, the effects of deadweight, leakage and displacement are taken into consideration. These can be summarised as follows:

- **Deadweight/Reference Case** – Deadweight, or the reference case, refers to the jobs that are currently generated on-site. In this instance deadweight is zero given that the Site has been vacant since March 2020 and is not currently generating any employment;

<sup>3</sup> HCA (2015) Employment Density Guidance Note (3<sup>rd</sup> Edition)

<sup>4</sup> This employment density takes account of the Site's central London location and therefore an uplift in density

- **Displacement** – refers to the proportion of outputs (such as jobs) accounted for by reduced outputs elsewhere within the borough. In this instance, displacement has been estimated at 25% in line with the HCA Additionality Guide; and
- **Leakage** – refers to the proportion of outputs (jobs) that are lost to outside of the impact area(s) as a result of the Proposed Development. Leakage is assumed to be 0% as the estimated direct jobs are generated by on-site elements of the Proposed Development and would therefore be contained within the Borough.

3.24 On the basis of the above assumptions, it is estimated the proposed development will **generate around 1,040 net direct on-site jobs and £125m in annual GVA.**

3.25 Hotels in particular typically draw their labour from a local catchment area. The latest Census data shows that around 24%<sup>5</sup> 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 the local and wider Camden area to access employment generated from the proposed development.

### Off-site Jobs and GVA

3.26 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 office occupiers and hotel which can support further local employment (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.

3.27 The extent to which these off-site benefits are captured by London would depend upon the supply chain patterns of office occupiers and the Hotel Group. Given that this is unknown at this stage, a local composite (indirect and induced) multiplier of 1.5 has been applied for London.<sup>6</sup>

3.28 Using this multiplier, it is estimated that the proposed development could support a further **520 FTE indirect and induced off-site Jobs and £55.6m annual GVA across London as a whole (including in Camden).**

### Visitor Spending

3.29 Overnight visitors to the hotel will generate additional spending in the London and wider area. According to 2019 data from the ONS International Passenger Survey and Visit Britain, the average spend per night per visitor (domestic and international) to London is £118, including spend on accommodation.

3.30 Based on a London average occupancy rating of 84% (2019, pre-Covid-19 conditions), **visitor spending** generated from the proposed Hotel could amount to **£9.8m 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.

3.31 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

<sup>5</sup> Census 2011: distance travelled to work by industry

<sup>6</sup> HCA Additionality guide (2015) for Medium category projects.

visiting the ground floor Food and Beverage provision. It is likely therefore that the estimate of spending is conservative.

### **Fiscal Benefits**

- 3.32 There will be fiscal benefits associated with the commercial elements of the Proposed Development via the payment of business rates. It is estimated the Proposed Development will generate an annual business rates revenue income in the region of **£3.1 million per annum**.

## 4. Wider Benefits

4.1 In addition to the quantifiable economic benefits of the Proposed Development which are described above, there will be a number of wider benefits generated by the scheme which will support economic, social and environmental development within the local area. These include:

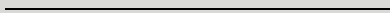
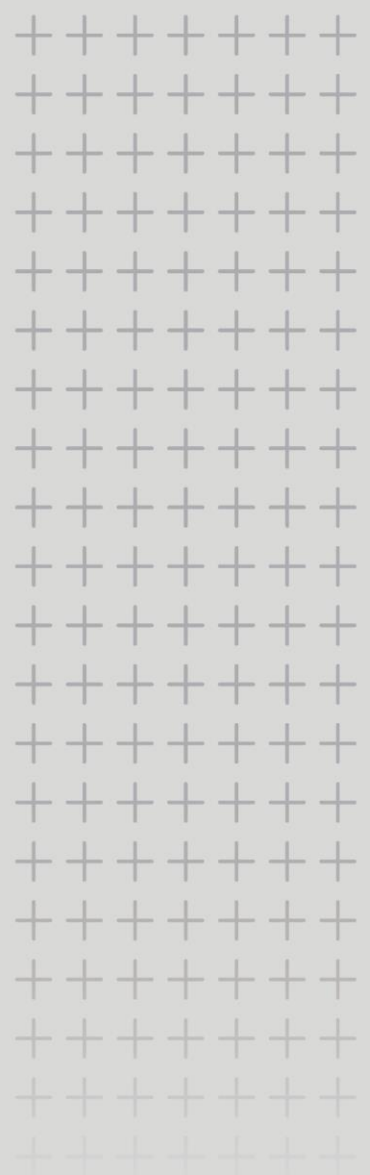
- **Affordable housing** – up to 50% by habitable room of the proposed residential units will be affordable housing including social rented (60%). This contributes to meeting the borough's affordable homes target and provides local residents with more opportunities to purchase or rent a home which in turn has a wider positive impact on health, inequality (social cohesion) and educational attainment.
- **Apprenticeship and training opportunities** - during the construction of the proposed site, there will be a number of opportunities for local people to get involved through apprenticeship and training programmes. These opportunities provide skills and experience for local people, providing a route into employment and help to reduce local inequalities and improve life-chances. The Kings Cross Construction Training Centre is in close proximity to the Site and provides a key point of contact which 330 Grays Inn Road Ltd are open to engaging with.
- During the operational phase, the new commercial space would also deliver a range of office and retail/service-based employment and training opportunities for local people. In addition, and as required by LB Camden, an Employment and Training Strategy will be developed and secured by S106 agreement to demonstrate how employment and training requirements will be addressed.
- **Maintaining a competitive supply of office floorspace:** the provision of around 14,045 sq m of additional office floorspace compared to the current site will help to meet local and regional policy objectives and targets to increase the provision of employment floorspace and jobs within the borough.
- **Supporting the knowledge sector:** The provision of high-quality office space, flexible floorplates, lab-enabled space and a range of sized units will help to meet demand for modern and high quality space within the KQ enabling it to remain a competitive location for businesses within the scientific, media, cultural and research based sectors.
- **Supporting local businesses:** The construction phase of the Proposed Development presents the opportunity to maximise the impact of the investment within the local economy and ensure that companies based with LB Camden have the opportunity to compete for and win contracts arising from the Proposed Development, which in turn will bring jobs and growth to the local area. Initiatives could include working with the Council and local partners to identify pre-qualified 'local' businesses to put forward for tender. Engaging with the local supply chain can have a long-lasting impact, beyond the construction phase, helping to build capacity and productivity of local businesses.
- **Supporting start-up businesses** – a proportion of the office space will be small, flexible workspace targeted at start-up firms seeking access to affordable space within a high quality, high density environment. This will help to support local and independent businesses and entrepreneurs to access workspace at a cost that is not prohibitive to the growth and development of their business.
- **Improving health and well-being** – the Proposed Development will include new amenity space including public courtyard, improved local routes and shared amenity



space allowing local residents and visitors to socialise and interact. These measures will help to improve access to outdoor space, and encourage physical activity and social cohesion which will be beneficial to the health and well-being of those using the space.

- **Creating public realm and improved pedestrian linkages** – the proposed development will provide additional public realm through the provision of a public courtyard and increased and improved pedestrian links through the Site. Research undertaken by Just Economics on behalf of Living Streets states there is a growing body of evidence which shows that public realm investments deliver significant and cost-effective benefits to a wide range of users. This includes impacts on existing business' performance (in terms of footfall and retail turnover), regeneration (in terms of new business, land value uplift, employment and the tackling of social exclusions) as well as improved customer and business perceptions.

# HATCH



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