From: John Saynor
Sent: 09 March 2023 16:07
To: Daniel Pope
Cc: Danny Beales (Cllr); Planning
Subject: O2 Scheme - Financial Viability Assessment

FAO Mr Daniel Pope
CC   Cllr Danny Beales

Dear Mr Pope

This is a formal comment on the O2 Planning Application (2022/0528/P), with particular reference to the Financial Viability Report Addendum November 2022 (the FVA). It is in the form of some questions to which I would be most grateful for a response.   I have submitted this via the Camden website as well as in this email, for 'belt and braces'.

Q1 : My understanding is that it is normal practice for an FVA to be negotiated between an authority and the developer in order for the authority to secure maximum community benefits, especially social and affordable housing. Appendices 4 and 5 of the document provide the developer's calculations. I attach a summary of the total figures in the FVA for your convenience (E&OE).

Have negotiations of the FVA taken place and, if so, what was the outcome?   Has Camden engaged its own consultants to review the FVA? If so, can their report be published?   There seems to be little material difference in the number of affordable housing units or other community benefits between the two iterations of the document, which suggests that there have not.

Q2: Are Camden's officers satisfied with the developer's calculations, and, if not, is a further iteration of the FVA expected?

Q3: Some 43% of the social rented housing units are in Phase 3 of the project (see attached document), which is not due to appear for another 10 years. Does this correspond with Camden's delivery expectations and needs?

Q4: Landsec has announced that all of the flats in Phase 1 will be rented, with Landsec as the ground landlord. However the FVA's calculations are all based on the likely sale price of the flats rather than rental value. Since, in the current housing market, housing sales and rentals are following different patterns, are the assumptions in the FVA valid?

Q5: The FVA (at Appendices 4 and 5) makes calculations based on the sales values of market price units. These are typically in the range £700K to £800K. These prices seem very low, even after agent's commission etc and in view of the currently weak property values. For example, the new flats at 156 West End Lane ('West Hampstead Central') are currently being marketed at prices of up to £1m. Does Camden agree with the figures quoted in these Appendices?

Q6: The FVA (at Appendix 3) relies on a letter from Knight Frank which states: "Further to our market and pricing report for the above development dated January 2022, we write to advise you that having
reviewed the latest submission materials we can confirm that the advice and estimated values contained within our previous report are still current and applicable in today's market."

The Knight Frank document is in the January 2022 version of the FVA (Appendix 8). Since it is likely that Knight Frank's research was conducted during 2021, does Camden consider that their report is still a valid basis for valuing the likely sales values of the properties two years later?

That's it.

I very much appreciate the enormous amount of work by Camden planners that this application has entailed.

Best regards

John Saynor
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London, NW6 2PS

Chair, West Hampstead Amenity & Transport (WHAT) – celebrating 50 years of local campaigning in 2023.

O2 Scheme Affordable Housing by Phase

	Building no	Social rent flats	Intermediate rent flats	Total both types
Phase 1	N3E	0	0	
	N4	**107**	**85**	**192**
	N5	0	0	
Phase 2	N6 (Audi/VW)	0	0	
	N7 (Audi/VW)	54	42	
	S8 (Builder Depot)	18	9	
	Total Phase 2	**72**	**51**	**123**
Phase 3 (O2 building)	N3	3	24	
	N2	30	92	
	S1	106		
	Total Phase 3	**139**	**116**	**255**
Totals for Scheme		**318**	**252**	**570**

Source: Financial Viability Assessment Addendum November 2022, Appendix 4, page 59 (pdf)
http://camdocs.camden.gov.uk/HPRMWebDrawer/Record/9830988/file/document?inline

Note: No other documents supplied in the application appear to provide this breakdown between Phases 2 and 3

The above figures correspond with Development Specification Document, 13/02/2023, pages 18-21, which does not provide a breakdown between Phases 2 and 3.

The January 2022 FVA (Appendices 15 and 16) shows the same number of units, save that the November 2022 FVA provides an extra 3 social rent and one intermediate rent units.

Site layout

John Saynor, WHAT, 9 March 2023

Landsec O2 Scheme – High Level P&L

http://camdocs.camden.gov.uk/HPRMWebDrawer/Record/9830988/file/document?inline

The bottom line for the whole scheme is on p63-4 of the FVA (November 2022 Addendum):

EXPENDITURE	**Basic**	**Growth model**
Acquisition Costs (assume Audi/VW/Builder D)	**£179m**	**£179m**
Construction Costs	**£760m**	**£896m**
Section 106 contributions (entire scheme):	***£49m***	***£52m***
Professional fees 10.0%	£72m	£85m
Residential Marketing	£18m	£28m
Sales legal and agent fees	£13.5m	£21m
Commercial Agent & Legal (shops etc)	£1.4m	£1.7m
NHBC Warranty	£1.5m	£1.5m
TOTAL COSTS BEFORE FINANCE	**£1.1bn**	**£1.27bn**
Total Finance Cost (7% assumed)	**£264m**	**£154m**
Total costs	**£1.136bn**	**£1.42bn**

INCOME

Net Development Value (ie total sales/rental value realised by the sale/letting of the development):

	£1.10bn	**£1.66 bn**
Rental Income - Existing Centre	£52m	£52m
Net Realisation (total income)	**£1.15bn**	**£1.71bn**
PROFIT	**£209m**	**£291m**

Calculations not supplied for all of the figures, eg borrowing costs

Landsec bought the site in 2010 for £126m. The site was formerly state owned as it was railway land.

John Saynor, WHAT, 9 March 2023