

PLANNING COMMITTEE REPORT

Development Management Service
Planning and Development Division
Environment and Regeneration Department
PO Box 333
Town Hall
LONDON N1 1YA

PLANNING COMMITTEE		AGENDA ITEM: B1
Date:	18 th July 2017	NON-EXEMPT

Application number	P2016/3157/FUL
Application type	Full Planning Application
Ward	St George's Ward
Listed building	Locally Listed Building
Conservation area	Mercers Road/Tavistock Terrace Conservation Area
Development Plan Context	Employment Growth Area Nags Head and Upper Holloway Road Core Strategy Area Within 100 metres of a TLRN Road Local Cycle Route Strategic Cycle Route
Licensing Implications	None
Site Address	457-463 Holloway Road, London, N7 6LJ
Proposal	Change of use of Nos. 457-463 Holloway Road from office (Use Class B1) to residential (Use Class C3) to provide 14 residential units, part excavation of basement and light wells, demolition of the single storey rear extension, erection of a mews comprising 2 residential units (Use Class C3) and associated cycle and refuse storage and landscaping.

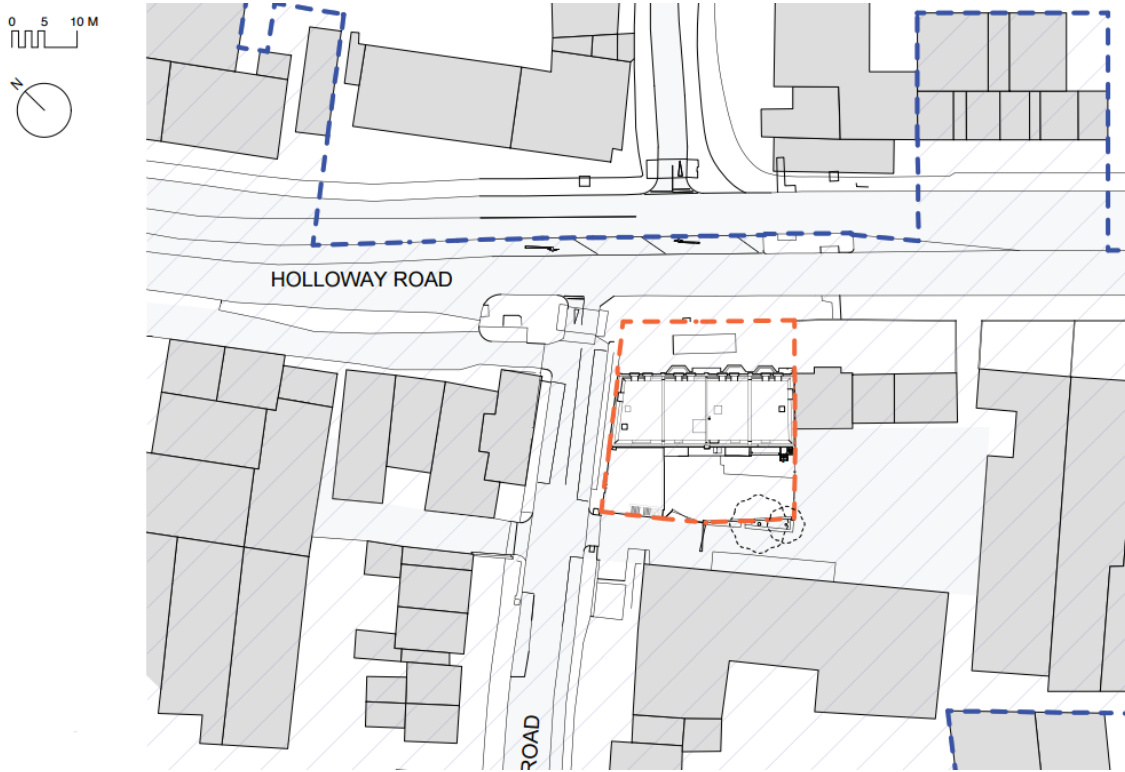
Case Officer	Simon Greenwood
Applicant	Care of Agent
Agent	Luke Davies - Gerald Eve

1. RECOMMENDATION

The Committee is asked to resolve to **GRANT** planning permission subject to:

1. the conditions set out in Appendix 1 (Recommendation B); and
2. conditional upon the prior completion of a Deed of Planning Obligation made under section 106 of the Town and Country Planning Act 1990 securing the heads of terms as set out in Appendix 1 (Recommendation A).

2. SITE PLAN (site outlined in red)



3. PHOTOS OF SITE/STREET



Image 1: View of site frontage from Holloway Road



Image 2: View of rear of the site from Mercer's Road

4. SUMMARY

- 4.1 The application seeks permission for the part change of use of Nos. 457-463 Holloway Road from office (B1 use) and retail (A1 use) to 14 residential (C3 use) units and 119m² (GIA) business (Use Class B1) floorspace. The proposal involves the refurbishment of the existing building, demolition of a single storey rear addition and the erection a mews comprising 2 residential (C3 use) dwellings, and associated cycle and refuse storage. The proposal would provide 9 x 1 bed units, 4 x 2 bed units and 3 x 3 bed units, and 119 square metres of office floor space within 461 and 463 Holloway Road.
- 4.2 The proposed involves the loss of employment floorspace within an employment growth area whilst providing a standard of residential accommodation which falls short of the Council's requirements in a number of respects. In particular, the proposed development is compromised in terms of the following:
- Lack of wheelchair housing and poor accessibility
 - Provision of a ground floor studio unit contrary to Policy DM3.4
 - Inadequate provision of communal and private amenity space
 - Unsatisfactory dwelling mix
 - Cramped layout resulting in poor outlook from some rooms
 - Potential for mutual overlooking from Collingwood Business Centre
 - Incongruous refuse and cycle stores to the front of the site on Holloway Road.
- 4.3 The site and the existing building are subject to significant constraints. The existing terraced, locally listed building is an attractive building and the applicant was advised that its demolition would not be supported. The terraced building is also in a very poor condition internally and the extent of the required renovation works results in significant costs.
- 4.4 The applicant has provided marketing and viability evidence that the scheme cannot viably provide any additional employment floorspace, and it is therefore considered that there is sufficient justification for the loss of the employment floorspace.

- 4.5 The mix of the accommodation within the terraced building is determined by its layout which has constrained the opportunity to provide a policy compliant mix of units and has also informed the decision to provide a studio flat at ground floor level. The shortcomings against policy requirements can therefore be attributed to the constraints of the existing building.
- 4.6 The quantity and quality of private and communal amenity space is considered to be poor. The applicant has satisfactorily demonstrated that, in viability terms, any reduction in the amount of development proposed in order to provide additional amenity space would likely be unviable.
- 4.7 The provision of the mews building to the rear of the site gives rise to some concerns from a design point of view due to the cramped layout and poor outlook from some of the ground and first floor windows. However, it has been demonstrated that the mews building is necessary in viability terms and is therefore required if the renovation of the existing terraced building is to be realised.
- 4.8 In view of the constraints of the existing building and the site it is considered that a compromise in terms of policy and in terms of the quality of new development is necessary if the existing building is to be refurbished and brought back into use. It may therefore be considered that, on balance, the proposal is acceptable.

5. SITE AND SURROUNDING

The site is located on the west side of Holloway Road and abuts the junction with Mercers Road to the north. The site comprises four vacant three storey red brick Victorian terraces with accommodation within a part lower ground floor and mansard roof, a single storey rear addition and a rear yard area. The building has a shopfront on the corner unit. The site is currently vacant but the previous lawful use of the site was as an office (B1 use) with a ground floor retail unit (A1 use) within 463 Holloway Road. The existing building comprises 1,748m² (GIA) floorspace. The building is in a poor condition internally.

Internal condition of building



5.1 Adjoining the site to the south is a red brick mansion block with a front garden incorporating a number of mature trees. To the rear of the site is a service road with a four storey building beyond this that has a gym at ground floor level fronting Mercers Road and office above and to the rear.

5.2 The site is located within an Employment Growth Area, the Mercers Road / Tavistock Terrace Conservation Area and the building is locally listed (Grade B).

6. PROPOSAL (IN DETAIL)

6.1 The proposed development would comprise the part change of use of 457-463 Holloway Road from office (B1 use) and retail (A1 use) to 14 residential (C3 use) units and 119m² (GIA) business (Use Class B1) floorspace, refurbishment of the building, demolition of a single storey rear addition and the erection of a mews comprising 2 residential (C3 use) dwellings, and associated cycle and refuse storage. The proposal would provide 9 x 1 bed units, 4 x 2 bed units and 3 x 3 bed units, and 119 square metres of office floor space within 461 and 463 Holloway Road.

6.2 The proposed refurbishment works would comprise the replacement of the mansard roof cladding, reinstatement of stone balustrades to the ground floor bays, a replacement shopfront to 463 Holloway Road, replacement doors and windows, ground floor frontage to be repainted, insertion of window openings to the rear elevation, blocking up of rear window and doors openings, removal of tiling to the Mercers Road elevation and replacement with render to match the property, replacement and rationalisation of downpipes, insertion of air bricks and installation of vents to the roof and rear elevation.

6.3 The proposed mews would comprise a two storey brick block to the rear of the site with a pitched steel roof, retractable timber window shutters and inset balconies on the gable ends.

6.4 The other works at the site comprise the introduction of railings to the front of the site to create gardens and a boundary wall to the north, west and south sides of the rear of the site with landscaping within this.

Artists impression of proposed development (design of mews building since amended)



Revision 1

- 6.5 The plans were amended on 28th March 2017 to remove three residential units, increase the extent of B1 provision and address officer concerns regarding overlooking through a reconfiguration of the fenestration arrangements.

Revision 2

- 6.6 The rear elevation drawing was amended on 11th April 2017 to amend the design of the rear sash windows (to the retained locally listed building).

Revision 3

- 6.7 The ground floor plan was amended to indicate a studio flat in place of a previously proposed one-bedroom flat. The amendment was in order to comply with the London Plan and Islington space standards.

7. RELEVANT HISTORY:

Planning Applications:

- 7.1 **TP/19981/NE** – Alterations and additions at No.s 459-463 (odd) Holloway Road to form a shop on the ground floor, offices on the first and second floors and residential accommodation on the third floor – **Granted Permission** (24/07/1958).

- 7.2 **P2013/4477/PRA** – Application for prior approval from the Local Planning Authority for the change of use at 457 - 463 Holloway Road (Exc Ground Floor at 463) of office floorspace (B1a use class) to residential use (C3 use class) comprising of 25 residential units – **Prior Approval Required and Approved** (07/02/2014). An informative was included on the decision notice which included the following advice:

‘An informal assessment on the basis of the information currently before the Local Planning Authority indicates that the change of use of the building to residential is unlikely to be lawful. This is due to the building potentially failing to have been in lawful use for B1(a) (offices) immediately before the 30th May 2013 or, if the building was not in use immediately before that date, when it was last in use as required by exception J.2 (b) of the identified class of the Order.’

- 7.3 **830052** – Implementation of planning permission dated 30th September 1982 granting change of use to offices without complying with condition 2 of that permission – **Refused Permission** (26/04/1983). Condition 2 this related to stated:

CONDITION: This permission shall operate for the benefit of the National Union of Students only and shall not ensure for the benefit of the land not of any other person for the time being having an interest therein.

REASON: The proposed development is contrary to the policy of the Local Planning Authority but the circumstances of the particular case warrant an exception being made for the benefit of the applicant.

- 7.4 **820996** – Change of use of 457 Holloway Road from warehouse to offices; 461 Holloway Road ground floor from warehouse and offices to offices; and 459-463 Holloway Road third floor from residential to offices and associated changes to front elevations – **Granted Conditional Permission** (08/10/1982).

Collingwood Business Centre, Mercers Road

- 7.5 P2013/4782/PRA - Prior Approval application in relation to the following considerations arising from the change of use of the 3rd floor and part of the 2nd floor of the building to residential use (C3) use class creating 12 (6x 1-bedroom, 4x 2-bedroom, 2x 3-bedroom) residential units – **Prior Approval Required and Approved** (09/01/2014).
- 7.6 P2015/1402/PRA – Application for prior approval from the Local Planning Authority in relation to the change of use of the 3rd floor and part of the 2nd floor of the building to residential use (C3) class creating 13 (7x 1-bedroom, 6x 2-bedroom) residential units – **Prior Approval Required and Approved** (01/06/2015).

ENFORCEMENT:

- 7.7 **E/2014/0411** – Unauthorised change of use to student accommodation – Case Closed as on-going investigation under ref: E11/05942.
- 7.8 **E11/05942** – Change of use to flats – Advised that lawful use of the property was B1 and that Prior Approval application could not be implemented. Letter sent to cease use.
- 7.9 **E10/05023** – Unauthorised use as business academy – Use has ceased and case closed.

PRE-APPLICATION ADVICE:

- 7.10 **Q2015/2455/MJR** – Retention of the existing building's façade, extensions at roof level and the erection of two-storey buildings to the rear of the site to provide a total of 28 new residential dwellings – **Response Issued** 27/07/2015). **Officer Comments:** *The scheme has been altered considerably from this proposal.*

8. CONSULTATION

Public Consultation

- 8.1 Letters were sent to occupants of 363 adjoining and nearby properties at Empire Square, Mercers Road, Manor Gardens, Highwood Road, Windsor Road and Holloway Road on the 12th September 2016. A site notice and press advert were displayed on the 15th September 2016. The public consultation on the application therefore expired on 6th October 2016. However it is the Council's practice to continue to consider representations made up until the date of a decision.
- 8.2 A further consultation was not undertaken following receipt of revised details of the proposed development. It was not considered necessary on the basis of the responses received following the initial consultation and the fact that the revisions were considered to result in a reduction in any impacts of the proposed development.
- 8.3 At the time of the writing of this report 3 responses had been received from the public with regard to the planning applications, one registering support and one raising objections to elements of the proposal. The points raised are summarised below:
- Support the provision of housing at the site;
 - The sympathetic renovation is welcomed;
 - Overall the project appears to be well considered;
 - The proposed retail unit would be likely to remain empty and this space should be residential *Officer note: the scheme has since been revised and a B1 unit is now proposed in place of the retail unit;*

- The mews building is over development and should include a green buffer zone (paras 11.6 & 11.9);
- The refuse and cycle stores location to the front of the site would block views of the renovated front elevation of the locally listed building and is not in keeping with the character of the conservation area (para 10.41);
- The shop front is at present out of character with the property and should be replaced with an original style bay window (para 10.42);
- Concern raised regarding existing parking pressures and use of the service road to the rear of the site (para 10.137); and
- The trees should be retained and as much additional planting provided as possible (paras 10.57-10.58).

Internal Consultees

8.4 **Planning Policy:** The proposal does not satisfactorily address policy DM5.2 Part B. However, it is acknowledged that this particular EGA has been affected by office to residential permitted development. Furthermore, whilst the site's lawful use could contribute to the EGA function, the fact that it has been vacant for a while means that it hasn't been contributing to the economic function. Given the site specific issues the information provided by the applicant could be a reliable proxy for assessing the proposal against Policy DM5.2 Part B.

Access and Inclusive Design: Objection raised. The units would not meet Category 2 and the two mews dwellings would not be wheelchair accessible due to being over two floors. Recommend that platform lifts are explored for the terrace building.

Design and Conservation: The refurbishment works and removal of the rear addition are welcomed. The proposed railings to the front of the site should be traditional in design. Concern is raised to the height and proximity of the mews building to the main building. This should have a minimal area of two storey height fronting Mercers Road before dropping down to single storey height.

Energy and Energy Efficiency: Generally acceptable subject to conditions and a legal agreement.

Sustainability Officer: No objections raised subject to a condition to secure appropriate Sustainable Urban Drainage Systems (SUDS) measures.

Highways: No response received.

Public Protection: No objections raised.

Tree Preservation Officer: Concerns are raised that the construction process will result in harm to the wild cherry tree adjacent to the site and that there will be post development pressure to lop or fell the tree.

Refuse and Recycling: No response received.

External Consultees

8.5 **Transport for London (Road Network):** No objection subject to a condition requiring the submission of a construction logistics plan (Condition 21).

Thames Water: No objection subject to informatives

Crime Prevention Officer: Overall the design and layout of the proposal are sensible from a security perspective.

London Fire and Emergency Planning: The Brigade is satisfied with the proposal.

9. RELEVANT POLICIES

9.1 Details of all relevant policies and guidance notes are attached in Appendix 2. This report considers the proposal against the following Development Plan documents.

National Guidance

9.2 The National Planning Policy Framework 2012 seeks to secure positive growth in a way that effectively balances economic, environmental and social progress for this and future generations. The NPPF is a material consideration and has been taken into account as part of the assessment of these proposals.

9.3 Since March 2014 Planning Practice Guidance for England has been published online.

Development Plan

9.4 The Development Plan relevant to this site is comprised of the London Plan 2016, Islington Core Strategy 2011, Development Management Policies 2013. The policies of the Development Plan that are considered relevant to this application are listed at Appendix 2 to this report.

Designations

9.5 The site has the following designations under the London Plan 2016, Islington Core Strategy 2011 and Development Management Policies 2013:

- Locally Listed Building
- Mercers Road / Tavistock Terrace Conservation Area
- Employment Growth Area
- Nags Head and Upper Holloway Road Core Strategy Area
- Within 100 metres of TLRN Road
- Local Cycle Route
- Strategic Cycle Route

Supplementary Planning Guidance (SPG) / Document (SPD)

9.6 The SPGs and/or SPDs which are considered relevant are listed in Appendix 2.

10. ASSESSMENT

10.1 The main issues arising from this proposal relate to:

- Land use
- Design and Heritage
- Density
- Accessibility
- Landscaping, Trees and Biodiversity
- Neighbouring Amenity
- Quality of Residential Accommodation
- Dwelling Mix
- Affordable Housing and Financial Viability

- Sustainability, Energy Efficiency and Renewable Energy
- Highway and Transportation
- Planning Obligations/Mitigation/CIL

Land-use

- 10.2 The site is currently vacant and although there have been a number of unauthorised uses, inclusive of an HMO, student accommodation and professional services, with the exception of a ground floor retail unit at 463 Holloway Road, the lawful use of the site is as office (B1) use. The ground floor retail unit has permission dating back to 1958 and while there have been a number of alternative uses of this part of the site over a number of years, there is no evidence to suggest that these have been in place for 10 years or longer and therefore resulted in a lawful change of use. As such, the lawful use of the ground floor corner unit is considered to be as retail (A1 use).
- 10.3 It should be noted that as the site was in use as student accommodation in May 2013, albeit unlawfully, the prior approval for residential use (ref: P2013/4477/PRA) granted on the site could not be lawfully implemented, and as such it does not form a material consideration in the assessment of this application.
- 10.4 The proposal would result in the loss of a retail unit, the reduction of office floorspace from 1570 square metres to 119 square metres and the introduction of 16 new residential units.

Office Use

- 10.5 Paragraph 22 of the NPPF states that:
- ‘Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose. Land allocations should be regularly reviewed. Where there is no reasonable prospect of a site being used for the allocated employment use, applications for alternative uses of land or buildings should be treated on their merits having regard to market signals and the relative need for different land uses to support sustainable local communities.’
- 10.6 The site is located within an Employment Growth Area and the proposal would result in the loss of 1451 square metres of office floor space with 119 square metres of business floorspace retained and refurbished. Within Employment Growth Areas policies DM5.1 and DM5.2 of the Development Management Policies 2013 seek to protect existing business floorspace.
- 10.7 Policy DM5.2 details that where proposals result in a reduction in business floorspace, applications will be refused unless the applicant can demonstrate exceptional circumstances, including through the submission of clear and robust evidence that shows there is no demand for the floorspace, in accordance with Appendix 11 of the Development Management Policies 2013. Furthermore, within Employment Growth Areas the loss of business floorspace should not have a detrimental individual or cumulative impact upon the area’s primary economic function.
- 10.8 Although the site has been vacant for an extended period, the applicant has not submitted details of two years marketing information as detailed within Policy DM5.1 and Appendix 11 of the Development Management Policies 2013. However, this policy states that *‘in exceptional cases related to site-specific circumstances, where the vacancy period has been less than two years, a robust market demand analysis which supplements any marketing and vacancy evidence may be considered acceptable.’*

- 10.9 The applicant has stated that due to the lack of employment use on the site for a long period of time, the disrepair of the building and the site circumstances, they consider that a market demand analysis and viability approach to the loss of the employment floor space is reasonable.
- 10.10 The application is accompanied by an Economic Assessment, inclusive of a Market Demand Analysis. The assessment of the site's potential use as offices is based on the current level of business floorspace with an assumption of investment to refurbish the building to a modern standard. The report concludes that due to the site's location, the availability of other office space at similar rates within more desirable/central locations, the likely lack of demand for this type of office space and the physical constraints of the building, the site could not command sufficient rent/yield levels to make refurbishment desirable to a potential site occupier. As such, the re-use of the site as offices is unviable in the long term.
- 10.11 The Council appointed BPS Chartered Surveyors (BPS) to undertake a review of the Economic Assessment in order to properly and thoroughly assess the property's continued suitability for office use.
- 10.12 The Economic Assessment suggests that the continued office use of the building would require substantial investment which would not generate a commercially acceptable return. Accordingly, continued use of the building as offices would be unviable and it has therefore reached the end of its economic life in commercial terms.
- 10.13 The Assessment identifies that the building would not meet the demands of modern occupiers due to its layout and other characteristics. The inadequacy of the building for office accommodation would give rise to leasing issues including multiple occupation, high tenant turnover and tenants with weak covenant strength. It is concluded that the building has become functionally obsolete and that going forward the property does not meet the requirements of modern office space.
- 10.14 BPS advised that they were substantially in agreement with the conclusions of the Economic Assessment regarding the future economic viability of retaining the property in office use given its current condition and the costs associated with refurbishment for continued, longer term use. It is also noted that the building is not located in an established office location.
- 10.15 BPS' analysis was supported by a marketing report prepared by Crossland Otter Hunt (Crossland), who are property consultants with direct expertise in the London office market. Crossland carried out a site inspection and came to a view that broadly agrees with the conclusions of the Economic Assessment regarding the ongoing viability of office use. Crossland note that the existing building is in a poor state of repair and is incapable of any form of occupation in its current condition. Significant investment in a comprehensive refurbishment of the building would be required for its continued use. Crossland's key conclusions are detailed as follows:
- Despite strong current demand in the office market the distance to the nearest tube station is a potential issue;
 - The accommodation is fragmented and would not provide desirable space for an occupier – the most likely scenario would involve multiple lettings of small units;
 - The accommodation could at best secure tenants with poor covenant strength, reflecting their sensitivity to costs;
 - Future lettings are likely to be based on shorter leases of typically 5 years with tenant breaks at the 3rd year giving limited income security;
 - Due to the lease length and tenant covenant strength there is a significantly enhanced risk of voids.

- 10.16 The applicant's financial appraisal based upon a refurbished office scheme indicates a negative residual site value of -£2,248,650. BPS undertook a residual valuation using the figures provided within the Crossland report, and whilst showing an improved viability position, still indicated a negative residual value of -£1,690,065. Both assessments suggest a substantively negative residual value, therefore confirming that a refurbishment option is far from economically viable.
- 10.17 The information provided does not meet the criteria detailed in Appendix 11 of the Development Management Policies 2013. However, in view of the conclusions reached by Crossland and BPS regarding the viability of refurbishing the building for office use it is considered that it has been satisfactorily demonstrated that redevelopment of the site for business use is not financially viable. Furthermore, it is considered to represent a reasonable assessment of the likely re-use of the building.
- 10.18 The Economic Assessment considers the re-use of the whole site as office space and does not test a reduced area. In light of this, the potential for use of a reduced area of the building for office use needs to be considered. Policy DM5.1 of the Development Management Policies 2013 requires proposals for change of use to incorporate the maximum amount of business floorspace reasonably possible on the site.
- 10.19 The applicant's financial viability assessment indicates that the use of whole of the site for purely office use is not viable. It also suggests that any increase in the commercial element of the proposal over that currently proposed reduces the viability of the scheme, which is proposing to make an off-site affordable housing contribution of £250,000. On the basis of the conclusions reached by BPS it can be accepted that any increase in commercial area would decrease the viability of the scheme, as well as the affordable housing contribution. It is considered that the level of business floorspace has been maximised and should be accepted. It should also be noted that the initial application proposal included nil business floorspace and the scheme has been revised to provide 119m².
- 10.20 Part B of policy DM5.2 seeks to ensure that the reduction of business floor space does not have a detrimental individual or cumulative impact on the area's primary economic function. The site has not been in an authorised use for over 10 years, with hoarding surrounding the site and the building being vacant for the last few years meaning that it has not been contributing to the vitality or viability of the locality. It is considered that the refurbishment and re-use of the site, for office and residential use would reintroduce activity to this part of Holloway Road and provide further footfall for local businesses. Furthermore, this part of Holloway Road is in part characterised by mixed uses and there is no clear primary economic function such that the loss of some lawful but not functional office space would not detrimentally impact upon this.
- 10.21 The Islington Employment Land Study 2016 sets out that outside of the Central Activities Zone (CAZ) there is unlikely to be significant developer interest in re-provision of employment space and that the marketability of B-use stock is being denuded. The Economic Land Study recommends for sites outside of the CAZ that the priorities for Employment Growth Areas should be reviewed to reflect the SME economy and the diverse demand for premises ranging from secondary offices, to studios, to business centres and co-working spaces.
- 10.22 The proposed business floorspace at the site measures 119m², set across two floors with 78m² at ground floor level and 41m² at lower ground floor level. This area would be suitable for occupation by up to 10 employees (based upon a general average of one employee per 12m²) and is therefore suitable for SME occupation. As such, while the proposal would represent a loss of business floorspace within an Employment Growth Area, it would provide a good quality mixed use scheme that would address an identified need to provide SME business floorspace.

- 10.23 In addition to the Economic Statement, Market Demand Analysis and Viability Assessment, the proposal would refurbish a locally listed building in need of significant works and would largely re-use the building for its original intended purpose as residential accommodation. As set out in the 'Design' section below this would maintain the setting of this part of the conservation area and would bring activity back to this prominent corner site.
- 10.24 As such, it is considered that there are site specific circumstances that together with the submitted information justify the reduction in business floorspace at the site as an exceptional case.

Loss of Retail

- 10.25 The proposal would result in the loss of a ground floor retail unit at 463 Holloway Road measuring 178 square metres. Policy DM4.7 of the Development Management Policies seeks to protect shops located outside of Town Centres and Local Shopping Areas unless the premises have been vacant for a continuous period of at least 2 years and continuous marketing evidence for this vacancy is provided that demonstrates there is no realistic prospect of the unit being used.
- 10.26 The applicant has not provided any marketing or vacancy evidence to justify the loss of the retail unit at the site. However, from the Council's application and enforcement records it is clear that there have been a number of different uses of this specific part of the site as well as extended periods of vacancy. This evidence shows the unauthorised use of this part of the site as the entrance and reception area to a college/business academy in 2010, use as a student accommodation and private lettings office in 2013 and as an 'Easy Flat Lounge' in 2013. From 2014 onwards the site has been set behind hoarding with no known operational use of this corner unit. In addition to this the Business Rates history for the premises detail that since April 2010 this part of the site has been registered as 'Warehouse and Premises', while the applicant has also detailed that the site has not been used for an authorised use since 2005.
- 10.27 The supporting text to policy DM4.7 details that dispersed shops provide a valuable service to the local community by providing for essential day-to-day needs. It is clear from the Council's records that since at least 2010 the ground floor unit has not been in use for retail purposes and has been vacant for a significant period (in excess of two years) prior to the submission of the application. The unit has therefore not provided a valuable service to the local community for a considerable period of time and its loss would not result in a detrimental impact upon the local area.
- 10.28 Part B of the policy DM4.7 states that where dispersed shops are proposed to be lost it should also be demonstrated that there is accessible provision of essential daily goods within a short walking distance (300m) of the site. Immediately to the north of the site (within 15 metres) on the opposite side of Mercers Road is a supermarket (Sainsbury's) where essential daily goods can be purchased within an accessible location
- 10.29 It is therefore considered that due to the vacancy of the A1 unit and the provision of essential daily goods within such close proximity to the site, the loss of the A1 unit is acceptable in this case.

Residential Use

- 10.30 Paragraph 49 of the NPPF states that housing applications should be considered in the context of the presumption in favour of sustainable development. Local planning authorities should normally approve applications for residential development, provided that there are not strong economic reasons why such development would be inappropriate.

- 10.31 Core Strategy Policy CS12 'Meeting the housing challenge' seeks to ensure that the Borough has a continuous supply of housing to meet London Plan targets. London Plan Policy 3.4 (and table 3.2) seek to maximise the supply of additional homes in line with the London Plan's guidelines on density, having regard to the site's characteristics in terms of urban design, local services and public transport, and neighbour amenity.
- 10.32 It is therefore the case that there is a policy presumption in favour of the delivery of new housing, and the scheme would deliver 16 units which would contribute towards the Borough's targets.

Design and Heritage

- 10.33 Planning policies relevant to design are set out in chapter 7 of the London Plan, Policy CS9 and policies in chapter 2 of Islington's Development Management Policies.
- 10.34 The application site is located within the Mercers Road / Tavistock Terrace Conservation Area and the building is locally listed for its façade quality. However, the building is currently in a state of disrepair, with the ground floor elevations and upper floor side elevations having been painted, doors and windows having been inappropriately blocked up, original features removed, downpipes added across the rear elevation, roof treatments neglected, tiling added to the side elevation, an unsympathetic single storey extension added, an overly large fascia panel added to the shopfront and a modern shopfront added.
- 10.35 These previous additions detract from the quality and overall appearance of the building within the conservation area. The proposed refurbishment works would include repainting and re-rendering of the ground floor and upper floors of the side elevation in a more traditional grey colour, reinstatement of historic windows, doors and stone features, re-cladding of the roof and the rationalisation of the downpipes. Although there would be some new elements added to the building, such as air bricks, vents to the rear and roof, and the blocking up of some windows to avoid overlooking, these would be limited, located in areas where they would not be prominent and would be in keeping with the design of the building. The refurbishment works would reinstate a number of traditional features, provide a coherent appearance and design quality to the terrace row and would ensure that the building would represent an enhancement to this part of the conservation area.
- 10.36 The existing single storey rear projection at the site would be demolished as part of the proposal. This addition is of a utilitarian design that is not sympathetic to the design of the main building and detracts from its traditional design quality. As such, its demolition and replacement is considered to be acceptable in principle.
- 10.37 The proposal would introduce a two storey mews building to the rear of the site that would have a simple gable ended form and pitched metal roof. Its use of London stock brick would reference the traditional materials of the locality, while the metal roof would provide a traditional material within a modern form. The timber detailing to the windows, windows which break the eaves line, inset first floor balconies to the gable ends and projecting porch canopies would help to articulate this simple form and break up the mass of bricks.
- 10.38 The Design and Conservation Officer has raised concerns regarding the scale and proximity of the mews building to the locally listed building. However, by reason of the small scale of the building, its simple form would ensure that it would appear subordinate to this building and would not be highly prominent in the locality. Furthermore, although in close proximity to the main building, the mews would have a clear visual separation from this building, further reinforced by the differentiation in design and height. The proposed mews building would therefore not result in harm to the character and appearance of this part of the conservation area.

- 10.39 The overall quality of materials and finishes is considered to be key to the success of the proposal. Conditions are attached with regard to materials and painted areas to ensure that a development of an appropriate high quality would be delivered.
- 10.40 Previously the front of the site onto Holloway Road was partially defined with a low level brick wall and bollards, with a paved area to the rear of this. It is proposed to introduce a consistent railing treatment and gates to the front of the site with landscaping to the rear of this. The introduction of a consistent frontage treatment and landscaping would enhance the setting of the building and would be more in keeping with the landscaped gardens of the adjoining properties to the south. However, a condition is recommended to ensure that the proposed railings are of a traditional design in keeping with the character of the building. On the Mercer's Road elevation and surrounding the rear yard would be a brick wall and railings, which together would provide consistency with the other materials at the site.
- 10.41 The proposal includes the installation of powder coated bin and cycle stores within the front garden area onto Holloway Road. These would appear incongruous and overly prominent in the front garden areas thereby harmful to the character and appearance of the Mercer's Road Conservation Area. It can be accepted that there are limited opportunities to accommodate bin and cycle storage elsewhere on the site without undermining the viability of the scheme. It is considered that there is potential for an improved arrangement of the bin and cycle storage to the front of the building. As such, a condition is recommended requiring revised details of bin and cycle stores to be submitted to and approved by the Local Planning Authority prior to first occupation. However, it is considered unlikely that concerns around the appearance of the enclosures could be fully overcome. Accordingly, it is considered that the bin and cycle stores would be likely to result in less than substantial harm to the character and appearance of the conservation area. In accordance with paragraph 134 of the NPPF, the harm should be weighed against the public benefits of the proposal, which include the refurbishment of the existing building and the delivery of new housing.
- 10.42 An objection has been received on the basis that the existing shop front to the retail unit is out of character with the remainder of the building and it should be replaced with a bay window to match the building. The existing retail unit will accommodate the proposed business (Use Class B1) unit and bay window arrangement may not be appropriate to the proposed use of the unit. An appropriate appearance for the unit will be secured through the proposed materials condition (condition 3).
- 10.43 Overall, it is considered that the proposal will maintain the character and appearance of the Mercers Road / Tavistock Terrace Conservation Area, in particular through the retention and enhancement of an attractive building which has been in a state of disrepair for a considerable period of time. The proposed mews building would replace an unsightly rear extension to the existing building and would not result in harm to the character and appearance of the Conservation Area.

Density

- 10.44 The London Plan encourages developments to achieve the highest possible intensity of use compatible with the local context. The development proposes a total of 16 new residential dwellings comprised of 44 habitable rooms (hr).
- 10.45 In assessing density, it is necessary to consider that the London Plan policy notes that it would not be appropriate to apply these limits mechanistically with local context and other considerations to be taken into account when considering the acceptability of a specific proposal.

- 10.46 The site has a public transport accessibility level (PTAL) of 5, which is 'Very Good'. In terms of the characteristics of the area, this would be defined as Urban by the London Plan. The London Plan for areas of this PTAL rating identifies the suggested residential density range of 200-700 hr/ha or 70-260 u/ha.
- 10.47 The proposed development has a residential density of 489 hr/ha and 178 u/ha, both of which are within the density range of the London Plan policy.

Accessibility

- 10.48 As a result of the changes introduced in the Deregulation Bill (Royal Assent 26th March 2015), Islington is no longer able to insist that developers meet its own SPD standards for accessible housing, therefore we can no longer apply our flexible housing standards nor local wheelchair housing standards.

A new National Standard

- 10.49 The new National Standard is broken down into 3 categories; Category 2 is similar but not the same as the Lifetime Homes standard and Category 3 is similar to our present wheelchair accessible housing standard. Planning must check compliance and condition the requirements. If they are not conditioned, Building Control will only enforce Category 1 standards which are far inferior to anything applied in Islington for 25 years.
- 10.50 Planners are only permitted to require (by condition) that housing be built to Category 2 and or 3 if they can evidence a local need for such housing i.e. housing that is accessible and adaptable. London Plan 2016 Policy 3.8 (Housing Choice) to require that 90% of new housing be built to Category 2 and 10% to Category 3.

Accessibility Assessment:

- 10.51 The main part of the site is currently accessed via steps up to the main entrances at upper ground floor level. The proposal would therefore not have level access to the residential units within the terraced block. It is noted that the Council's Access and Inclusive Design Officer has advised that open aspect platform lifts could be installed to provide level access to the upper and lower ground floor units. However, the installation of lifts within the front lightwells would reduce the daylight/sunlight received to the lower ground floor flats, whilst also potentially requiring an increase in the light wells. Of more significance is the internal access, whereby should level access be provided to the upper ground floor there would not be any access to the upper floor units.
- 10.52 Although the applicant details that the two mews dwellings would be wheelchair accessible, the two-bedroom unit would not have living space at ground floor level and the bathroom would not be accessible. The proposed 3 bed unit would have level access, living space and an accessible W.C at entrance level and a platform lift to the upper floor. As such, whilst the provision of a wheelchair unit over two floors is not desirable it would meet with the requirement of Category 3 of the Building Regulations.
- 10.53 Although the failure of the majority of the proposed residential units to meet Category 2 standards is regrettable, due to the site constraints, inclusive of the historic layout of the locally listed building and the limited space available for the provision of the mews units, in this case the provision of Category 1 is sufficient.
- 10.54 The proposed office space would have level access from Holloway Road, however there would be stairs between 461 and 463 Holloway Road and the lower ground floor level. To ensure the

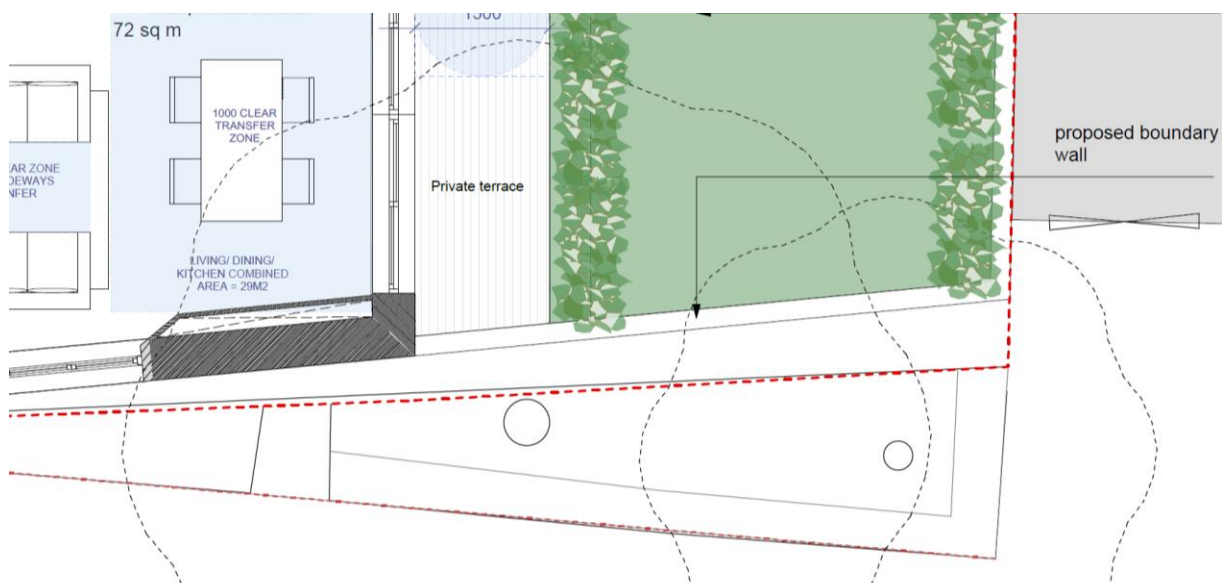
office space is accessible and inclusive a condition is recommended requiring details of accessible WCs to the office and means of access to the different floor levels (condition 11).

- 10.55 Although the proposal does not include any wheelchair accessible housing the proposal generates a requirement for an additional wheelchair accessible parking bay to be provided. The legal agreement requires the applicant to provide a contribution towards the provision of accessible parking bays within the locality where this may be possible or to provide a contribution towards other accessible transport initiatives.

Landscaping and Trees

- 10.56 Policy DM6.5 states that development should protect, contribute to and enhance the landscape, biodiversity and growing conditions of the development site and surrounding areas, which expands on the aims of Core Strategy Policy CS15. Developments are required to maximise provision of soft landscaping, including trees, shrubs and other vegetation.
- 10.57 The proposal includes landscaping across two communal areas at the site, comprising hardstanding areas, planters, a soft landscaped communal garden and three trees. The successful use of landscaping would enhance the setting of the building and provide planting and trees visible from Holloway Road. A condition is recommended requiring details of the landscaping and tree planting to be submitted to and approved in writing by the Local Planning Authority.
- 10.58 There are no trees within the site. However, there are two trees immediately to the rear of the site. The submitted Arboricultural Impact Assessment details the protection of these trees during construction and the pruning of these trees in discussions with the Council. The Council's Tree Preservation Officer has raised concerns that construction impacts may make retention of a wild cherry tree immediately adjacent to the proposed mews building unfeasible. Furthermore, if the tree survives development there will be post development pressure to prune or remove the tree due to its proximity to the development. At the time of writing additional information is awaited from the applicant's arboricultural consultant and an update will be provided at the committee meeting.

Location of tree adjacent to mews building and external amenity areas



Neighbour Amenity

- 10.59 The Development Plan contains policies which seek to appropriately safeguard the amenities of residential occupiers when considering new development. Policy DM2.1 of the Development Management Policies Document 2013 states that satisfactory consideration must be given to noise and the impact of disturbance, vibration, as well as overshadowing, overlooking, privacy, direct sunlight and daylight receipt, over-dominance, sense of enclosure and outlook.
- 10.60 Overlooking/Privacy: policy identifies that *'to protect privacy for residential developments and existing residential properties, there should be a minimum distance of 18 metres between windows of habitable rooms. This does not apply across the public highway, overlooking across a public highway does not constitute an unacceptable loss of privacy'*. In the application of this policy, consideration has to be given also to the nature of views between habitable rooms. For instance, where the views between habitable rooms are oblique as a result of angles or height difference between windows, there may be no harm.
- 10.61 The proposed units within the existing terraced building would utilise the existing window openings in the property. The windows which face over Holloway Road would not result in any harmful overlooking. A roof level window is proposed in the northern elevation of the building which would face towards the residential properties within 465 Holloway Road. However, these views would be across a highway and would therefore not constitute a loss of privacy.
- 10.62 The windows in the mews element of the development would be set closer to the Collingwood Business Centre to the south of the site. On the basis that the windows within the mews units would face a commercial premises it is considered that they would not result in unacceptable overlooking. It is noted that the prior approval for conversion of the 2nd and 3rd floors of the Collingwood Business Centre from office to residential use was granted in 2015. However, the conversion does not appear to have been undertaken. In the event that it is converted there will be some increased mutual overlooking. However, the windows within the mews unit would be located at ground and first floor level whilst the windows within Collingwood House would be located at 2nd and third floor level. In view of the location of the windows on the buildings any direct overlooking would be limited and it would predominantly be at an oblique angle. There would be an 18m separation between Collingwood House and the existing terraced building and in the event that the 2nd and 3rd floor of Collingwood House was converted to residential there would not be any harmful overlooking.
- 10.63 An inset balcony and window at first floor level of the mews building would face towards the residential property at 1 Mercers Road, this view would be across a highway and therefore it would not constitute a loss of privacy. The inset balcony and first floor window in the south end of the mews would face over the proposed shared amenity space at the site and towards a parking area to the rear of Manor Mansions and would not result in any unacceptable overlooking.
- 10.64 Noise and Disturbance: The proposed development would be unlikely to cause any specific nuisance with regard to noise and disturbance to neighbouring occupiers as the proposed use as offices and residential are compatible the surrounding predominantly residential and commercial uses. Furthermore, the main entrance to the site is from Holloway Road, which is a busy route through the borough. As such, it is considered that the level of pedestrian activity generated by the development would not give rise to any discernible increase in the level of noise, disturbance, litter or antisocial behaviour for local residents.
- 10.65 With regard to servicing, the limited scale of the proposed office development would ensure that servicing requirements are limited and could be accommodated on Mercers Road without detrimentally impacting upon the amenity of neighbouring occupiers.

10.66 Daylight and Sunlight: The application has been submitted with a sunlight and daylight assessment. The assessment is carried out with reference to the 2011 Building Research Establishment (BRE) guidelines which are accepted as the relevant guidance. The supporting text to policy DM2.1 identifies that the BRE 'provides guidance on sunlight layout planning to achieve good sun lighting and day lighting'.

10.67 Daylight: the BRE Guidelines stipulate that there should be no real noticeable loss of daylight provided that either:

The Vertical Sky Component (VSC) as measured at the centre point of a window is greater than 27%; or the VSC is not reduced by greater than 20% of its original value. (Skylight);

And

The daylight distribution, as measured by the No Sky Line (NSL) test where the percentage of floor area receiving light is measured, is not reduced by greater than 20% of its original value.

10.68 Sunlight: the BRE Guidelines confirm that windows that do not enjoy an orientation within 90 degrees of due south do not warrant assessment for sunlight losses. For those windows that do warrant assessment, it is considered that there would be no real noticeable loss of sunlight where:

In 1 year the centre point of the assessed window receives more than 1 quarter (25%) of annual probable sunlight hours (APSH), including at least 5% of Annual Winter Probable Sunlight Hours (WSPH) between 21 Sept and 21 March – being winter; and less than 0.8 of its former hours during either period.

In cases where these requirements are breached there will still be no real noticeable loss of sunlight where the reduction in sunlight received over the whole year is no greater than 4% of annual probable sunlight hours.

10.69 Where these guidelines are exceeded then sunlighting and/or daylighting may be adversely affected. The BRE Guidelines provide numerical guidelines, the document though emphasizes that advice given is not mandatory and the guide should not be seen as an instrument of planning policy, these (numerical guidelines) are to be interpreted flexibly since natural lighting is only one of many factors in site layout design.

Sunlight and Daylight Losses for Affected Properties Analysis

10.70 Residential dwellings at the following properties listed and detailed on the map below have been considered for the purposes of sunlight and daylight impacts as a result of the proposed development:

- 1 Mercers Road; and
- 465 Holloway Road.

10.71 1 Mercers Road: The Daylight Sunlight Report demonstrates that while there would be some reductions in VSC and NSL to the living room bay window at this site, the level of reduction would be minimal and would be in accordance with the BRE Guidelines. There would be no reduction in sunlight to this property.

10.72 465 Holloway Road: The Daylight Sunlight Report details that five windows in this property would have reductions in both VSC and NSL. However, the reductions are minimal and would be in accordance with the BRE Guidelines. There would be no reduction in sunlight to this property.

Quality of Residential Accommodation

- 10.73 Islington Core Strategy policy CS12 identifies that to help achieve a good quality of life, the residential space and design standards will be significantly increased from their current levels. The Islington Development Management Policies DM3.4 sets out the detail of these housing standards.
- 10.74 Unit Sizes: All of the proposed residential units comply with the minimum unit sizes of policy DM3.4 of the Development Management Policies 2013.
- 10.75 A 43m² studio flat is proposed on the ground floor at 457 Holloway Road. Policy DM3.4 resists studios where these could be amalgamated to form larger units. However, were this unit to be amalgamated either vertically or laterally; this would result in either an overly large unit in one case or an undersized unit in another case, which is not desirable. As such, in this case it is considered that the provision of a studio flat is acceptable in this case.
- 10.76 Aspect and outlook: There would be a separation of approximately 4.5m between the mews block and the refurbished block resulting in poor outlook from some ground and first floor windows, as illustrated below. However, on the basis that of the proposed units would have a dual outlook it may be considered that, overall, the outlook from the proposed residential units would be satisfactory.
- 10.77 The mews building immediately adjoins an access road which is not within the applicant's ownership. The owner of the land could, in theory, erect a means of enclosure as a permitted development in front of windows which would block outlook and cause a loss of light. The applicant has been asked to provide an assurance, for example details of an easement over the land, to satisfy Officers that such a scenario could not occur. A verbal update will be provided at the committee meeting.

Partial ground floor plan



Partial first floor plan



- 10.78 **Overlooking/Privacy:** The proposed mews building would incorporate ground floor windows facing back towards the rear windows of the terrace building, which would result in some mutual overlooking. Within the mews, these windows are secondary and therefore a condition is recommended requiring these windows to be obscurely glazed.
- 10.79 Although, the proposal includes a number of lower ground and ground floor windows that face onto communal open space these all include suitable defensible space. Although the ground floor windows in the west side of the mews dwelling would be located directly on the rear boundary of the site and would not have any defensible space, these windows would face onto a service road and would be set back from the neighbouring properties. Due to this and the inclusion of wooden screens, this is considered to be acceptable in this case.
- 10.80 **Daylight/Sunlight:** Policy DM3.4 requires all residential development to maximise natural light enabling direct sunlight to enter the main habitable rooms for a reasonable period of the day. The BRE Guidelines detail the level of light rooms should receive through the assessment of daylight and sunlight.
- 10.81 With regard to the units within the existing terraced building, the submitted Daylight Sunlight Assessment makes an assessment of the lower ground, ground and first floor windows/rooms at the site. This shows that a number of lower ground and ground floor windows would have insufficient VSC. However, all of the units would have good levels of ADF, which is a more reliable test for actual light levels within rooms. While the windows/rooms at second and third floor level have not been tested, all of the first floor windows have daylight figures far in excess of minimum requirements.
- 10.82 The proposed mews dwellings would comfortably exceed the BRE Guidelines for daylight. The assessment does not assume that the proposed timber privacy fins will be in place in front of the north-west facing windows. However, suggested condition 13 provides for obscure glazing to be used as a means of maintaining adequate privacy and this would ensure adequate daylight to the rooms served by these windows.

- 10.83 As such, it is considered that the proposed residential units would have sufficient levels of daylight and sunlight.
- 10.84 Amenity Space: Policy DM3.5 of the Development Management Policies identifies that ‘all new residential development will be required to provide good quality private outdoor space in the form of gardens, balconies, roof terraces and/or glazed ventilated winter gardens’. The minimum requirement for private outdoor space is 5 square metres on upper floors and 15 square metres on ground floor for 1-2 person dwellings. For each additional occupant, an extra 1 square metre is required on upper floors and 5 square metres on ground floor level with a minimum of 30 square metres for family housing (defined as 3 bed units and above).
- 10.85 Although the scheme includes two family units at third floor level, due to the site constraints it is not possible to provide private amenity space in the form of balconies or terraces to the existing locally listed building at the property. As such, the proposal relies predominantly upon two communal external areas for the provision of amenity space; one to the front of the site and one within a rear courtyard. The communal area to the front of the site would face onto Holloway Road, however it would be set back from the road by a wide pavement, and would provide some usable space. The area within the rear of the site is more restricted in size but due to its location and the provision of soft landscaping it would be likely to get more use.
- 10.86 Notwithstanding the communal areas, the two bed unit within the mews building would have a private balcony area measuring 7 square metres, which is in accordance with minimum requirements. Furthermore, while the family unit within the mews would have 17 square metres of amenity space, which is below minimum standards, this would contribute towards the amenity of this larger unit. Two lower ground floor units would also have limited private amenity space within rear lightwells.
- 10.87 It is considered that the overall provision of private and communal amenity space is poor. However, it can be accepted that any increase in the provision of amenity space would require a reduction in the amount of development which would be likely to undermine the financial viability of the scheme. In view of the constraints of the site and the existing building it is considered that the provision of communal space is acceptable in this case and would provide some usable space for the residential occupiers.
- 10.88 Noise: A condition is recommended requiring all residential units to include sufficient sound insulation to meet British Standards.
- 10.89 Refuse: Separate commercial and residential refuse stores would be provided within the front area of the site.
- 10.90 Play Space: The proposal would result in a child yield of 2, which requires 10 square metres of play space to be provided based on Islington’s requirement of 5 square metres per child (including semi-private outdoor space, private outdoor space and gardens suitable for play). It is considered that there is limited opportunity to meet the requirements in view of the constraints of the site.

Dwelling Mix

- 10.91 The scheme proposes a total of 16 residential units with an overall mix comprised of:

Dwelling Type	Private (No. units / %)	Policy DM3.1 Target Mix
One Bedroom	9 / 56%	10%
Two Bedroom	4 / 25%	75%
Three Bedroom	3 / 19 %	15%
Four Bedroom or more	0 / 0%	0%
TOTAL	16	100%

10.92 Part E of policy CS12 of the Islington Core Strategy requires a range of unit sizes to meet the needs in the borough, including maximising the proportion of family accommodation. In the consideration of housing mix, regard has to be given to the constraints and locality of the site and the characteristics of the development as identified in policy DM3.1 of the Development Management Policies.

10.93 The dwelling mix has an over provision of 1 bedroom and 3 bedroom units and an under provision of 2 bedroom units. However, the layout of the existing building is considered to be a significant constraint to providing a policy compliant unit mix and it is considered that the proposed layout and unit mix is determined by the existing layout of the building.

10.94 For the reasons set out above it is considered that on balance the proposed dwelling mix is acceptable in this case.

Affordable Housing and Financial Viability

10.95 London Plan policies 3.9 (mixed and balanced communities), 3.12 (negotiating affordable housing) and 3.13 (affordable housing thresholds) seek to provide a more balanced mix of tenures in all parts of London and that the maximum reasonable amount of affordable housing should be sought for all planning applications. Policy CS12 (G) states that Islington will meet its housing challenge to provide more affordable homes by:

- requiring that 50% of additional housing to be built in the borough over the plan period should be affordable.
- requiring all sites capable of delivering 10 or more units gross to provide affordable homes on-site. Schemes below this threshold will be required to provide financial contribution towards affordable housing provision elsewhere in the borough.
- seeking the maximum reasonable amount of affordable housing, especially social rented housing, from private residential and mixed-use schemes over the threshold set above, taking account of the overall borough wide strategic target. It is expected that many sites will deliver at least 50% of units as affordable, subject to a financial viability assessment, the availability of public subsidy and individual circumstances on the site.
- delivering an affordable housing tenure split of 70% social housing and 30% intermediate housing'
- ensuring affordable housing units are designed to a high quality and be fully integrated within the overall scheme.

10.96 Islington Core Strategy policy CS12 is clear that sites capable of delivering 10 or more units gross are required to provide the maximum viable level of on-site affordable housing, especially social rented housing, subject to a financial viability assessment.

Financial Viability Assessment

- 10.97 At application stage a FVA was submitted which sought to demonstrate that the scheme cannot viably make any affordable housing contributions, either on-site or as a payment in lieu of on-site provision. The applicant's FVA adopts a 'market' value approach to the benchmark land value which is defined by RICS Guidance. This approach is contrary to the Mayor's Housing SPG and the Council's Development Viability SPD which promote an existing use value (EUV) 'plus' approach basis for benchmarking viability. The proposed 'market' value is informed by what the applicants advisors considered to be three comparable land sales and two new build transactions.
- 10.98 The applicant's FVA was reviewed by BPS who considered that the benchmark land value of £3 million (using the applicant's interpretation of the 'market value' approach) was significantly overstated. The application site has a very low or negligible EUV and in this respect is relatively unique compared to most urban sites where higher existing use values are the norm rather than the exception. BPS took into account that the existing use value of the site is potentially negligible and considered a number of valuation methodologies including an alternative use value (AUV) based upon an independent development of the proposed mews house to the rear and resumption of ground floor retail activity in the existing property. At this stage BPS suggested that there was no inherent value arising from the upper parts of the existing building without substantial conversion works and then only to residential use which would trigger the council affordable housing policies. BPS suggested that the scheme would generate an AUV of £950,000.
- 10.99 BPS note that it is not clear how the applicant has taken planning policy into account when arriving at the proposed benchmark figure. Actual land transactions reflect site specific factors and the individual circumstances of developers whereas planning viability assessments are based on standardised market assumptions. The applicant's FVA indicates that the site's market value is informed by comparison sites where prior approval has been granted for conversion from offices to residential with no affordable housing requirement. BPS note that the absence of affordable housing requirements will have inflated the values of these sites.
- 10.100 It should be noted that an appeal was recently dismissed in relation to a proposed development at the Former Territorial Army Centre, Parkhurst Road, Islington N7 0LP. The appeal Inspector considered whether a market based approach to establishing benchmark land value was appropriate. The Inspector's report noted at paragraph 39 that:

'It seems to me that a purely market based approach to site valuation where there are no demonstrably comparable schemes available for benchmarking seeks to prioritise the third limb of paragraph 023 of the PPG dealing with viability. Such an approach simply allows for a comparison against other transacted bids which may or may not have had comparable attributes such as EUV, AUV or abnormal costs for example. Such an approach diminishes the importance of the first limb of the PPG guidance, which requires land value to be informed by policy. This position aligns with Paragraph 4.1.5 of the Mayor's Housing SPG which states that a market value approach should only be accepted where it can be demonstrated to properly reflect policy requirements and take account of site specific circumstances.'

- 10.101 This decision lends strong support to the view that a market value approach to determining a benchmark land value is inappropriate.

Revised Financial Viability Assessment

- 10.102 The application was subsequently amended following discussions with officers which resulted in the introduction of business floorspace on the ground floor and a reduction in the number of

residential units. The applicant submitted an updated FVA to reflect the revisions to the scheme and BPS issued an updated report in March 2017. There remained disagreement in relation to the approach to benchmark land value and consequently to the overall financial viability. BPS noted that it is unlikely that a shared opinion on the approach to benchmarking site value will be reached.

10.103 BPS previously calculated the scheme could deliver a financial contribution in lieu of on-site affordable housing of £500,000, whilst the applicant has made an offer of £250,000 which is based upon an anticipated growth in values of the residential units. In view of the updated assessments and limited difference between the affordable housing contributions, BPS have reviewed the other areas of disagreement between the parties.

10.104 In BPS' initial assessment of AUV no value allowance was made against the existing office premises on the basis that office use was no longer viable. Although the former offices were previously considered to have a nil current use value BPS subsequently reconsidered whether it would be realistic to ascribe a value to the built form to allow a contrast between a cleared site. This recognises that were consent to be granted for the proposed scheme the developer would benefit from the presence of an existing structure for conversion rather than be faced with the cost equivalent of new build. BPS note that the cost advice indicates a high reuse cost rate and as such there may not be a material cost advantage to reuse rather than rebuild, but it is also logical to assume that a rational developer would adopt the route which generated highest sales values relative to cost. In this sense conversion of the existing structure must be viewed as potentially conferring an advantage over new build. Moreover, BPS noted that the previous nil valuation may not adequately reflect a land owners realistic hope value.

10.105 Taking into account the above, BPS included an allowance for the office space at £400,000 (£40 per sq ft) into the previous AUV would result in an updated AUV of £1,350,000. This adjusts the residual value surplus to £250,000 for the affordable housing contribution.

10.106 BPS advise that ascribing a value to the former offices is not incompatible with an EUV/AUV approach. Equally the earlier nil valuation of this space could be argued to not adequately reflect a land owner's realistic hope value, acknowledging that consent for a change of use is implicit having established the current use as offices is no longer viable. BPS state that there is scope to apply a more flexible approach to defining AUV as part of our benchmark which as accounted for above would indicate the applicant's affordable housing offer is the maximum reasonable sum.

10.107 Given uncertainty over future costs and values BPS suggest that that a review of viability is undertaken on an outturn basis in order to capture a fair proportion of any potential uplift in scheme value in accordance with the Council Development Viability SPD, which the applicant has agreed to. The Council's Development Viability SPD indicates that advanced stage reviews should be undertaken upon the sale of 75% of the units and any surplus generated over and above the returns detailed within the FVA could be secured towards off-site affordable housing or carbon offset.

Conclusion

10.108 It is considered that the revised approach to the AUV proposed by BPS in which some value is attached to the existing structure stands to reason and is therefore appropriate. It is noted that a £250,000 payment in lieu of on-site affordable housing represents a relatively low contribution given the scale of the proposed development. However, it is acknowledged that the costs associated with the renovation of the existing building are high whilst the retention and enhancement of an attractive locally listed building within the Mercers Road Conservation Area is desirable. Officers are therefore satisfied that the proposed contribution is the maximum that could be reasonably supported and the proposal is considered acceptable in terms of financial

viability and affordable housing. A review mechanism has also been agreed with the applicant, which will have the potential to capture a fair proportion of any uplift should values and costs change.

Sustainability, Energy Efficiency and Renewable Energy

- 10.109 The London Plan (2015) Policy 5.1 stipulates a London-wide reduction of carbon emissions of 60 per cent by 2025. Policy 5.2 of the plan requires all development proposals to contribute towards climate change mitigation by minimising carbon dioxide emissions through energy efficient design, the use of less energy and the incorporation of renewable energy. London Plan Policy 5.5 sets strategic targets for new developments to connect to localised and decentralised energy systems while Policy 5.6 requires developments to evaluate the feasibility of Combined Heat and Power (CHP) systems.
- 10.110 All development is required to demonstrate that it has minimised onsite carbon dioxide emissions by maximising energy efficiency, supplying energy efficiently and using onsite renewable energy generation (CS10). Developments should achieve a total (regulated and unregulated) CO₂ emissions reduction of at least 27% relative to total emissions from a building which complies with Building Regulations 2013, unless it can be demonstrated that such provision is not feasible. A higher saving (50% in comparison with total emissions from a building which complies with the Building Regulations 2006, which translates into a 39% saving compared with the 2013 Building Regulations) is required of major development in areas where connection to a decentralised energy network (DEN) is possible. Typically all remaining CO₂ emissions should be offset through a financial contribution towards measures which reduce CO₂ emissions from the existing building stock (CS10).
- 10.111 The Core Strategy also requires developments to address a number of other sustainability criteria such as climate change adaptation, sustainable transport, sustainable construction and the enhancement of biodiversity. Development Management Policy DM7.1 requires development proposals to integrate best practice sustainable design standards and states that the council will support the development of renewable energy technologies, subject to meeting wider policy requirements. Details are provided within Islington's Environmental Design SPD, which is underpinned by the Mayor's Sustainable Design and Construction Statement SPG. Major developments are also required to comply with Islington's Code of Practice for Construction Sites and to achieve relevant water efficiency targets as set out in the BREEAM standards.
- 10.112 Carbon Emissions: Policy CS10A states that the promote zero carbon development by minimising on-site carbon dioxide emissions, promoting decentralised energy networks and by requiring development to offset all remaining CO₂ emissions associated with the building through a financial contribution towards measures which reduce CO₂ emissions from the existing building stock.
- 10.113 Paragraph 2.0.7 of the Council's Environmental Design states that the Council's 'CO₂ reduction targets apply to all major developments, including refurbishments. It is accepted that some schemes, particularly refurbishment schemes, may struggle to reach the relevant target. In such instances the onus will be on the applicant to demonstrate that CO₂ emissions have been minimised as far as reasonably possible.'
- 10.114 Paragraphs 2.0.8 – 2.0.10 detail the Council's energy hierarchy which should be followed in meeting the Council's CO₂ emissions reduction target. The final stage of the hierarchy requires developers to:
- '...offset all remaining CO₂ emissions (Policy CS10) through a financial contribution, secured via a Section 106 agreement, towards measures which reduce CO₂ emissions

from the existing building stock (e.g. through solid wall insulation of social housing). For all major developments the financial contribution shall be calculated based on an established price per tonne of CO₂ for Islington. The price per annual tonne of carbon is currently set at £920, based on analysis of the costs and carbon savings of retrofit measures suitable for properties in Islington.

- 10.115 There has been disagreement between the applicant and the Council's Energy Conservation Officers regarding the appropriate baseline for calculating carbon emissions reductions. The Council's Energy Conservation Officer advises that the baseline for calculating carbon emissions reductions should be derived from Building Regulations Part L1A. The applicant notes that Part L of the building regulations is split into two categories with Part L1B covering refurbishments and Parts L1A and L2A covering new builds. The Council's Energy Conservation Officer advises that Parts L1A/L2A of the building regulations go into calculation of Target Emissions Rates (TER) in detail. However, Part L2A/L2B, focusing on existing buildings, do not really address or require TERs. Therefore, by implication, the SPD requires calculation of a baseline using Parts L1A/L2A.
- 10.116 The applicant has calculated that, based upon a L1B baseline, the refurbished building would achieve a 49.3% carbon reduction against a 2013 baseline target, which would give rise to a requirement for a £44,231 carbon offset contribution. Furthermore, the new build building would achieve a 10.2% carbon reduction against a 2013 baseline target giving rise to a requirement for a £7,439 carbon offset contribution. The total carbon offset contribution on this basis would therefore be £51,670.
- 10.117 The required contribution based upon an L1A baseline for the entire scheme is not known as an L1A baseline calculation has not been undertaken. However, the contribution would be a greater than that based upon a L1B baseline. The Environmental Design SPD acknowledges that refurbishment schemes may struggle to meet relevant CO₂ reduction targets and provides for applicants to demonstrate that carbon emissions have been minimised. However, the SPD is clear that the requirement for a financial contribution relates to all major developments and does not differentiate between new build and refurbishment schemes. A L1A calculation has been sought and an update will be provided at the committee meeting. Recommended condition 14 will be updated based upon this calculation.
- 10.118 The proposed development will re-use the structure of the existing terraced building and it can be accepted that this would be likely to result in less carbon emissions from construction than a complete new build scheme and therefore results in a benefit in terms of sustainable development.
- 10.119 A carbon offset payment of £21,840 is indicated within the BPS viability model. This sum was based upon carbon reduction calculations carried out at an earlier stage of the application process and is no longer of any relevance in terms of carbon offset. However, on the basis that it has been accepted in financial viability terms that the proposed development could not viably support an increased carbon offset contribution, a contribution of £21,840 is considered acceptable.
- 10.120 Efficiency: The proposal, in the most part, is a refurbishment a historic terrace building and the application proposes significant improvements over the existing building. While some of these elements fall below expected standards, they would represent an improvement to the U-values, air tightness and 100% low energy efficient lighting. This would represent a significant improvement in efficiency over the existing building. The proposed mews units would meet expected standards.
- 10.121 Heating and shared heating networks: Policy DM7.3 of the Development Management Policies document identifies that major development should connect to a Shared Heating Network

linking neighbouring development and existing buildings, unless it can be demonstrated that this is not reasonably possible. There is no network within 500 metres of the site, the site does not fall into an opportunity area as identified in the London Plan and there are no opportunities for a shared network in the vicinity. In such cases, policy 5.6 of the London Plan and Islington's Environmental Design SPD set out that a site wide CHP should be provided, or where not feasible then a communal heating (and cooling where relevant) system should be installed.

10.122 A site wide communal heating system would require the construction of a central boiler/energy centre, which for a development of this scale and within an existing locally listed building being refurbished rather than re-built, it is not considered to be economically or practically feasible in this case. In order to ensure that the inclusion of individual boilers does not preclude any future connection the system should be designed to be future proofed for connection to a district heating network and this will be secured with a S106 legal agreement.

10.123 Renewables: The proposal precludes the use of photovoltaic panels due to the roof of the mews dwellings being largely overshadowed and the design and heritage implications of adding these to the roof of the main building. This has been accepted by the Council's Energy Services Team.

10.124 Overheating and Cooling: The overheating modelling and cooling hierarchy is acceptable.

10.125 Sustainability: The proposed dwellings within the refurbished building are detailed to achieve a rating of 'Excellent' under BREEAM Domestic Refurbishment 2014 scheme and the proposed mews houses include sustainable measures that are equivalent to the former Code for Sustainable Homes Level 4 (to be confirmed by applicant), which is in accordance with policy. The office element of the proposal is conditioned to achieve a BREEAM Office Refurbishment and fit-out rating of 'Excellent'.

10.126 Green Performance Plan: This is secured in the legal agreement.

10.127 Sustainable Urban Drainage: The SUDS strategy has been reviewed and accepted by the Council's Sustainability Officer. The details are secured by condition (Condition 15).

10.128 Water Usage: The water usage of the proposal is secured by condition.

10.129 The energy and sustainability measures proposed are, on balance, considered to be acceptable, and accord with London Plan and Islington Policies.

Fire Safety

10.130 Policy 7.13 of the London Plan is concerned with Safety, Security and Resilience to Emergency and states, inter alia, that:

'Development proposals should contribute to the minimisation of potential physical risks, including those arising as a result of fire, flood and related hazards.'

10.131 The London Fire and Emergency Planning Authority and the council's Building Control team have commented on the proposed development. Neither consultee has raised an objection to the proposed development in principle,

10.132 Queries have been raised regarding means of escape from the ground floor accommodation within the mews building. Timber privacy fins are indicated on the north west elevation of the mews block which would prevent the use of these windows as a means of escape. Furthermore, the mews building immediately adjoins an access road which is not within the applicant's ownership. The owner of the land could, in theory, erect a means of enclosure as a

permitted development in front of windows which would provide a means of escape in the event of a fire. The applicant has been asked to provide an assurance, for example details of an easement over the land, to satisfy officers that the proposal is acceptable in fire safety terms. A verbal update will be provided at the committee meeting.

10.133 An informative (7), advising the applicant to contact the council's Building Control team in relation to fire safety, and to refer to the comments of the London Fire and Emergency Planning Authority dated 19/09/2016 (in which advice regarding the use of sprinklers was provided), is recommended.

Highways and Transportation

10.134 The site has a Public Transport Accessibility Level (PTAL) of 5, which is 'Very Good'. The site is located in close vicinity to a number of major bus routes along Holloway Road, Upper Holloway Overground Station and Tufnell Park Underground Station in close proximity to the site.

10.135 Public Transport Implications: The site is located within a highly accessible location, it includes 24 residential and 1 commercial cycle parking spaces, and the introduction of residential would not significantly increase the level of site use from the lawful use as offices. As such, the proposal would not detrimentally impact upon the surrounding transport infrastructure.

10.136 Vehicle Parking: The site currently has a parking area to the rear within a courtyard accessed off a service road. The proposal would remove all onsite parking, which is supported.

10.137 Residential occupiers of the new units would not be eligible to attain on-street car parking permits for the surrounding Controlled Parking Zone (CPZ) in the interests of promoting the use of more sustainable forms of transport and tackling congestion and overburdened parking infrastructure, this is secured in the legal agreement. The exceptions to this would be where, in accordance with Council parking policy, future persons occupying the residential development are currently living in residential properties within Islington prior to moving into the development and they have previously held a permit for a period of 12 months consecutive to the date of occupation of the new unit. These residents are able to transfer their existing permits to their new homes. Residents who are 'blue badge' (disabled parking permit) will also be able to park in the CPZ. It is noted that the service road to the rear of the site is private land and should not be used for servicing or parking in relation to the proposed development.

10.138 Delivery and Servicing Arrangements: With regard to servicing, Holloway Road is a TFL red Route and stopping is not permitted at any time. Servicing would take place on Mercers Road and it is considered that the servicing requirements are limited and could be accommodated on Mercers Road without detrimentally impacting upon the amenity of neighbouring occupiers.

10.139 Refuse collection would continue to take place on-street on Holloway Road and Mercers Road, as is currently the case.

10.140 Cycle Parking: In accordance with Appendix 6 of the Development Management Policies 2013 the proposal should provide 24 cycle parking spaces for the residential element of the proposal and 1 cycle parking space for the office use.

10.141 The proposal includes cycle stores to the front of the site for the residential and commercial units within the refurbished terrace building, while to the rear two cycle spaces would be provided within porch storage areas for the two mews dwellings. The level of provision of cycle storage has not been detailed on the plans and as such a condition is recommended requiring details to be submitted.

10.142 Construction: The legal agreement secures the repair and re-instatement of the footways and highways adjoining the development; and that the development would be constructed in compliance with the Code of Construction Practice and secures a monitoring fee. A condition is recommended requiring the submission of a Construction Environmental Management Plan to minimise disruption to surrounding streets and residential amenity (condition 4).

10.143 TfL have requested that a construction logistics plan is secured by condition (condition 21).

10.144 Conclusion: The proposal is not considered to give rise to any particular concerns from a highways point of view. Comments have been sought from the Council's highways officer and an update will be provided at the committee meeting.

Planning Obligations/Mitigations/CIL

10.145 Islington's CIL Regulation 123 infrastructure list specifically excludes measures that are required in order to mitigate the direct impacts of a particular development. This means that the measures required to mitigate the negative impacts of this development in terms of carbon emissions, lack of accessible parking spaces and local accessibility cannot be funded through Islington's CIL. Separate contributions are therefore needed to pay for the necessary carbon offset, accessible transport, highway reinstatement and local accessibility investment required to ensure that the development does not cause unacceptable impacts on the local area.

10.146 None of the financial contributions included in the heads of terms represent general infrastructure, so the pooling limit does not apply. Furthermore, none of the contributions represent items for which five or more previous contributions have been secured.

10.147 The carbon offset and accessible transport contributions are site-specific obligations, both with the purpose of mitigating the negative impacts of this specific development. The carbon offset contribution figure is directly related to the projected performance (in terms of operation emissions) of the building as designed, therefore being commensurate to the specifics of a particular development. This contribution does not therefore form a tariff-style payment. Furthermore, in the event that policy compliant onsite accessible car parking spaces had been provided by the development (or other accessibility measure) a financial contribution would not have been sought. Therefore, this is also a site-specific contribution required in order to address a weakness of the development proposal, thus also not forming a tariff-style payment.

10.148 The highway and footway reinstatement requirement is also very clearly site-specific. The total cost will depend on the damage caused by construction of this development, and these works cannot be funded through CIL receipts as the impacts are directly related to this specific development.

10.149 None of these contributions were included in Islington's proposed CIL during viability testing, and all of the contributions were considered during public examination on the CIL as separate charges that would be required in cases where relevant impacts would result from proposed developments. The CIL Examiner did not consider that these types of separate charges in addition to Islington's proposed CIL rates would result in unacceptable impacts on development in Islington due to cumulative viability implications or any other issue.

10.150 The agreement will include the following agreed heads of terms:

- Viability review in line with the Islington Development Viability Supplementary Planning Document (2016). Submission of residential sales values and build cost information at an advanced stage of the development process on sale of 75% of private residential units. Reasonable fees of consultant appointed by the council to be paid for by the applicant. In the event of an improvement in viability, a financial contribution towards the provision of

affordable housing to be paid to the council, to be determined in accordance with the SPD and capped at the equivalent of the council's affordable housing target;

- The repair and re-instatement of the footways and highways adjoining the development. The cost is to be confirmed by LBI Highways, paid for by the applicant and the work carried out by LBI Highways. Conditions surveys may be required;
- Compliance with Code of Employment and Training including delivery of 1 work placement during the construction phase of the development, lasting a minimum of 26 weeks. London Borough of Islington Construction Works Team to recruit for and monitor placements. Developer/ contractor to pay going rate for an operative, and industry research indicates that this is invariably above or well above the national minimum wage and even the London Living Wage (£9.75 as at 10/07/2017). If these placements are not provided, LBI will request a fee of £5000;
- Compliance with the Code of Local Procurement;
- Compliance with the Code of Construction Practice, including a monitoring fee of £1600, and submission of site-specific response document to the Code of Construction Practice for approval of LBI Public Protection, which shall be submitted prior to any works commencing on site;
- Car free residential units – removal of future resident's rights to obtain an on street parking permit;
- The provision of one additional accessible parking bay or a contribution towards bays or other accessible transport initiatives of £2000;
- The wheelchair accessible unit shall be required to be marketed as such for a minimum period of 6 months. Developers should include prominent information on the design standards met by the unit and the specific qualities and capacity of the wheelchair accessible unit in their marketing brochures and show rooms, on their websites and any billboards used to advertise the development;
- CO2 offset contribution of £21,840;
- Green Performance Plan;
- Future proof on site heating and power solution so that the development can be connected to a local energy network if a viable opportunity arises in the future;
- Council's legal fees in preparing the S106 and officer's fees for the preparation, monitoring and implementation of the S106.

10.151 Under the terms of the Planning Act 2008 (as amended) and Community Infrastructure Levy Regulations 2010 (as amended), the Mayor of London's and Islington's Community Infrastructure Levy (CIL) will be chargeable on this application on grant of planning permission. This will be calculated in accordance with the Mayor's adopted CIL Charging Schedule 2012 and the Islington adopted CIL Charging Schedule 2014 and is likely to be £87,701.81 for the Mayoral CIL and £143,189.62 for the Islington CIL. This will be payable to the London Borough of Islington after the planning consent has been implemented. The affordable housing is exempt from CIL payments and the payments would be chargeable on implementation of the private housing.

11. OVERALL ASSESSMENT, SUMMARY AND CONCLUSION

Overall Planning Assessment

- 11.1 It is noted that the proposed development falls short of policy requirements in a number of respects whilst providing a standard of residential accommodation which may be considered less than satisfactory. In particular, it is noted that the proposed development is compromised in terms of the following:
- Loss of employment floorspace within an Employment Growth Area
 - Loss of retail use
 - Lack of wheelchair housing and poor accessibility
 - Provision of a ground floor studio unit contrary to Policy DM3.4
 - Inadequate provision of communal and private amenity space
 - Unsatisfactory dwelling mix
 - Cramped layout resulting in poor outlook from some rooms
 - Potential from mutual overlooking from Collingwood Business Centre
 - Less than substantial harm to the character and appearance of the Mercer's Road Conservation Area by reason of the bin and cycle stores located to the front of the terraced building.
- 11.2 It is therefore considered that, overall, the scheme is significantly compromised in policy terms and in terms of the quality of the proposed development. It is noted that the site and the existing building are subject to significant constraints. The existing terraced, locally listed building is an attractive building and the applicant was advised at pre-application stage that its demolition would not be supported. The terraced building is also in a very poor condition internally and the extent of the required renovation works results in a significant costs associated with redevelopment of the site. The existing building is also in a state of disrepair externally and the site has been boarded up for several years resulting in harm to the street scene
- 11.3 The applicant has demonstrated that the scheme cannot viably provide any additional employment floorspace and it is therefore considered that there is sufficient justification for the loss of the employment floorspace. Accordingly, the loss of the employment floorspace may be considered a necessary cost of bringing the building back into use. In view of the scale and siting of neighbouring development it is considered that, even if demolition were an option, there is limited opportunity to increase the scale of development on the site and therefore to deliver additional planning benefits such as an increased employment floorspace and/or affordable housing.
- 11.4 The mix of the accommodation within the terraced building is determined by its layout which has constrained the opportunity to provide a policy compliant mix of units and has also informed the decision to provide a studio flat at ground floor level. The shortcomings against policy requirements can therefore be attributed to the constraints of the existing building. It is noted that all of the units will be dual aspect and will exceed minimum space standards and in this respect will provide a good quality of residential accommodation.
- 11.5 The quantity and quality of private and communal amenity space is considered to be poor. The scheme was revised during the application process to increase the provision of private and communal amenity space. It is noted that any increase in the provision of amenity space would require a reduction in the amount of development proposed. The applicant has satisfactorily demonstrated that, in viability terms, any reduction in the amount of development proposed in order to provide additional amenity space would likely be unviable.

- 11.6 The provision of the mews building to the rear of the site gives rise to some concerns from a design point of view due to the cramped layout and poor outlook from some of the ground and first floor windows. However, it has been demonstrated that the mews building is necessary in viability terms and is therefore required if the renovation of the existing terraced building is to be realised.
- 11.7 The bin and cycle stores are considered likely to result in less than substantial harm to the character and appearance of the Conservation Area. In accordance with paragraph 134 of the NPPF this harm can be balanced against the public benefits of the proposal which include the delivery of new housing and the refurbishment of the locally listed building.
- 11.8 The scheme is considered to be less than satisfactory in terms of accessibility. This can again be attributed to the constraints imposed by the site and the existing building and can be justified. The loss of the retail unit can be justified as set out earlier in this report.
- 11.9 In conclusion it is considered that the proposed development is significantly compromised both in policy terms and in terms of the overall quality of the scheme for the reasons identified above. However, it is considered that, in view of the constraints of the existing building and the site, the shortcomings of the scheme can be justified. It is therefore considered that the applicant has adequately demonstrated that a compromise in policy terms and in terms of the quality of new development is necessary if the existing building is to be refurbished and brought back into use. It is considered that the existing, locally listed building is attractive and its refurbishment and re-use is a desirable outcome. The delivery of 16 new residential units which will provide a reasonable standard of internal accommodation along with the provision of 119m² business floorspace suitable for occupation by an SME and a £250,000 payment in lieu of on-site affordable housing are amongst the benefits that can be weighed in favour of the proposal. It may therefore be considered that, on balance, the proposal is acceptable.

Summary

- 11.10 A summary of the proposal and its acceptability is provided at paragraphs 4.1 – 4.5 of this report.

Conclusion

- 11.11 It is recommended that planning permission be granted subject to conditions and a s106 agreement securing the heads of terms as set out in Appendix 1 - RECOMMENDATIONS.

APPENDIX 1 – RECOMMENDATIONS

RECOMMENDATION A

That planning permission and listed building consent be granted subject to the prior completion of a Deed of Planning Obligation made under section 106 of the Town and Country Planning Act 1990 between the Council and all persons with an interest in the land (including mortgagees) in order to secure the following planning obligations to the satisfaction of the Head of Law and Public Services and the Service Director, Planning and Development / Head of Service – Development Management or, in their absence, the Deputy Head of Service:

- Viability review in line with the Islington Development Viability Supplementary Planning Document (2016). Submission of residential sales values and build cost information at an advanced stage of the development process on sale of 75% of private residential units. Reasonable fees of consultant appointed by the council to be paid for by the applicant. In the event of an improvement in viability, a financial contribution towards the provision of affordable housing to be paid to the council, to be determined in accordance with the SPD and capped at the equivalent of the council's affordable housing target;
- The repair and re-instatement of the footways and highways adjoining the development. The cost is to be confirmed by LBI Highways, paid for by the applicant and the work carried out by LBI Highways. Conditions surveys may be required;
- Compliance with Code of Employment and Training including delivery of 1 work placement during the construction phase of the development, lasting a minimum of 26 weeks. London Borough of Islington Construction Works Team to recruit for and monitor placements. Developer/ contractor to pay going rate for an operative, and industry research indicates that this is invariably above or well above the national minimum wage and even the London Living Wage (£9.75 as at 10/07/2017). If these placements are not provided, LBI will request a fee of £5000;
- Compliance with the Code of Local Procurement;
- Compliance with the Code of Construction Practice, including a monitoring fee of £1600, and submission of site-specific response document to the Code of Construction Practice for approval of LBI Public Protection, which shall be submitted prior to any works commencing on site;
- Car free residential units – removal of future residents rights to obtain an on street parking permit;
- The provision of one additional accessible parking bay or a contribution towards bays or other accessible transport initiatives of £2000;
- The wheelchair accessible unit shall be required to be marketed as such for a minimum period of 6 months. Developers should include prominent information on the design standards met by the unit and the specific qualities and capacity of the wheelchair accessible unit in their marketing brochures and show rooms, on their websites and any billboards used to advertise the development;
- CO2 offset contribution of £21,840;
- Green Performance Plan;
- Future proof on site heating and power solution so that the development can be connected to a local energy network if a viable opportunity arises in the future.

- Council's legal fees in preparing the S106 and officer's fees for the preparation, monitoring and implementation of the S106.

That, should the Section 106 Deed of Planning Obligation not be completed within the timescale agreed within the Planning Performance Agreement, the Service Director, Planning and Development / Head of Service – Development Management or, in their absence, the Deputy Head of Service may refuse the application on the grounds that the proposed development, in the absence of a Deed of Planning Obligation is not acceptable in planning terms.

ALTERNATIVELY should this application be refused (including refusals on the direction of The Secretary of State or The Mayor) and appealed to the Secretary of State, the Service Director, Planning and Development / Head of Service – Development Management or, in their absence, the Deputy Head of Service be authorised to enter into a Deed of Planning Obligation under section 106 of the Town and Country Planning Act 1990 to secure to the heads of terms as set out in this report to Committee.

RECOMMENDATION B

That the grant of planning permission be subject to **conditions** to secure the following:

List of Conditions:

1	Commencement
	<p>CONDITION: The development hereby permitted shall be begun not later than the expiration of three years from the date of this permission.</p> <p>REASON: To comply with the provisions of Section 91(1)(a) of the Town and Country Planning Act 1990 as amended by the Planning and Compulsory Purchase Act 2004 (Chapter 5).</p>
2	Approved plans list
	<p>CONDITION: The development hereby permitted shall be carried out in accordance with the following approved plans:</p> <p>1803 (02)000 Rev P1; 0803 (02)001 Rev. P3; 1803 (02)002 Rev. P2; 1803 (02)003 Rev. P3; 1803 (02)004 Rev. P3; 1803 (02)005 Rev. P3; 1803 (02)006 Rev. P3; 1803 (02)007 Rev. P3; 1803 (02)008 Rev. P3; 1803 (02)009 Rev. P2; 1803 (02)010 Rev. P3; 1803 (02)011 Rev. P3; 1803 (02)012 Rev. P3; 1803 (02)013 Rev. P3; 1803 (02)100 Rev. P2; 1803 (02)101 Rev. P2; 1803 (02)102 Rev. P3; 1803 (02)103 Rev. P2; 1803 (02)104 Rev. P3; 1803 (02)105 Rev. P3; 1803 (02)106 Rev. P3; 1803 (02)107 Rev. P3; 1803 (02)108 Rev. P1; 1803 (02)200 Rev. P3; 1803 (02)201 Rev. P3; 1803 (02)202 Rev. P3; 1803 (02)013 Rev. P3; Design and Access Statement (06.08.2016); Addendum to Design and Access Statement (17.02.2017); Arboricultural Report (22.07.2016); Construction and Demolition Management Plan (Rev. A); Daylight and Sunlight Study (July 2016); Energy Strategy (Rev. 05); Sustainable Design and Construction Statement (Rev. 05); Environmental Noise Survey (19.05.2016); Planning Statement (August 2016); Health Impact Assessment; Structural Condition Survey Report (May 2016); Structural Engineering Report (June 2016); TM52 Overheating Study; Transport Assessment (27.07.2016); Underground Drainage Statement (July 2016);</p> <p>REASON: To comply with Section 70(1)(a) of the Town and Country Planning Act 1990 as amended and also for the avoidance of doubt and in the interest of proper planning.</p>
3	Materials (Compliance)

	<p>CONDITION: Details including drawings at scale 1:20 and samples of all facing materials used in the development shall be submitted to and approved in writing by the Local Planning Authority prior to any superstructure work commencing on the development. The details and samples shall include but not be limited to the following:</p> <ul style="list-style-type: none"> a) Facing brickwork(s); sample panels of proposed brickwork to be used showing the colour, texture, bond, and pointing; b) Paint colour; c) Windows, including materials, profile, reveal depth and detailing; d) Entrance doors; e) Any other materials used; g) A green procurement plan for sourcing the proposed materials. <p>The Green Procurement Plan shall demonstrate how the procurement of materials for the development will promote sustainability, including through the use of low impact, sustainably-sourced, reused and recycled materials and the reuse of demolition waste. The development shall be carried out strictly in accordance with the details and samples so approved, shall be maintained as such thereafter and no change therefrom shall take place without the prior written consent of the Local Planning Authority.</p> <p>REASON: In order to ensure that the resulting appearance and construction of the development is of an acceptably high standard, so as to preserve and enhance the character and appearance of the surrounding townscape.</p>
4	Construction Environmental Management Plan (Details)
	<p>CONDITION: A Construction Environmental Management Plan assessing the environmental impacts (including (but not limited to) noise, air quality including dust, smoke and odour, vibration and TV reception) of the development shall be submitted to and approved in writing by the Local Planning Authority prior to any works commencing on site. The report shall assess impacts during the construction phase of the development on nearby residents and other occupiers together with means of mitigating any identified impacts. The development shall be carried out strictly in accordance with the details so approved and no change therefrom shall take place without the prior written consent of the Local Planning Authority.</p> <p>REASON: In the interests of residential and local amenity, and air quality,</p>
5	External pipes, cables and CCTV (Details)
	<p>CONDITION: No cables, plumbing, down pipes, rainwater pipes, foul pipes or CCTV cameras or related equipment and installations shall be located/fixed to any elevation(s) of the buildings hereby approved.</p> <p>Should additional cables, pipes be considered necessary the details of these shall be submitted to and approved in writing by the Local Planning Authority prior to their installation.</p> <p>REASON: To ensure that the resulting appearance and construction of the development is to a high standard.</p>
6	Landscaping (Details)
	<p>CONDITION: A landscaping scheme shall be submitted to and approved in writing by the Local Planning Authority prior to any superstructure work commencing on site. The landscaping scheme shall include the following details:</p>

	<p>a) soft plantings: including grass and turf areas, 5 medium sized trees, shrub and herbaceous areas;</p> <p>b) enclosures: including types, dimensions and treatments of walls, fences, screen walls, barriers, rails, retaining walls and hedges;</p> <p>c) hard landscaping;</p> <p>d) lighting: including specification of all lamps and light levels/spill; and</p> <p>e) any other landscaping feature(s) forming part of the scheme.</p> <p>All landscaping in accordance with the approved scheme shall be completed / planted during the first planting season following practical completion of the development hereby approved. The landscaping and tree planting shall have a two year maintenance / watering provision following planting and any existing tree shown to be retained or trees or shrubs to be planted as part of the approved landscaping scheme which are removed, die, become severely damaged or diseased within five years of completion of the development shall be replaced with the same species or an approved alternative to the satisfaction of the Local Planning Authority within the next planting season.</p> <p>REASON: In the interests of residential amenity and ecological and biodiversity value.</p>
7	Fixed Plant (Compliance)
	<p>The design and installation of new items of fixed plant shall be such that when operating the cumulative noise level LAeq Tr arising from the proposed plant, measured or predicted at 1m from the facade of the nearest noise sensitive premises, shall be a rating level of at least 5dB(A) below the background noise level LAF90 Tbg.</p> <p>The measurement and/or prediction of the noise should be carried out in accordance with the methodology contained within BS 4142: 1997.</p> <p>REASON: To ensure that an appropriate standard of residential accommodation is provided.</p>
8	Sound Insulation between uses (Details)
	<p>CONDITION: Full particulars and details of a scheme for sound insulation between the proposed office use (B1a use class) and the residential use (C3) of the buildings shall be submitted to and approved in writing by the Local Planning Authority prior to commencement of any works on the relevant part of the development.</p> <p>The sound insulation and noise control measures shall be carried out strictly in accordance with the details so approved, shall be implemented prior to the first occupation of the development hereby approved, shall be maintained as such thereafter and no change therefrom shall take place without the prior written consent of the Local Planning Authority.</p> <p>REASON: To ensure that the development does not have an adverse impact on amenity.</p>
9	Sound Insulation from External Sources (Details)
	<p>CONDITION: Prior to superstructure works commencing on site a scheme for sound insulation and noise control measures shall be submitted to and approved in writing by the Local Planning Authority. The sound insulation and noise control measures shall achieve the following internal noise targets (in line with BS 8233:2014):</p> <p>Bedrooms (23.00-07.00 hrs) 30 dB LAeq,8 hour and 45 dB Lmax (fast)</p> <p>Living Rooms (07.00-23.00 hrs) 35 dB LAeq, 16 hour</p>

	<p>Dining rooms (07.00 –23.00 hrs) 40 dB LAeq, 16 hour</p> <p>The sound insulation and noise control measures shall be carried out strictly in accordance with the details so approved, shall be implemented prior to the first occupation of the development hereby approved, shall be maintained as such thereafter and no change therefrom shall take place without the prior written consent of the Local Planning Authority.</p> <p>REASON: To ensure the future residents of the development do not experience unacceptable levels of noise from the adjacent road network.</p>
10	Accessibility (Compliance)
	<p>CONDITION: Notwithstanding the Design and Access Statement and plans hereby approved, 1 (one) of the residential units shall be constructed to meet the requirements of Category 3 of the National Standard for Housing Design as set out in the Approved Document M 2015 'Accessible and adaptable dwellings' M4 (3).</p> <p>A total of 1 x 3-bed unit shall be provided to Category 3 standards and shall be fully fitted out and ready for a wheelchair user at handover.</p> <p>Building Regulations Approved Plans and Decision Advice Notice, confirming that these requirements will be achieved, shall be submitted to and approved in writing by Local Planning Authority prior to any superstructure works beginning on site.</p> <p>The development shall be constructed strictly in accordance with the details so approved.</p> <p>REASON: To secure the provision of visitable and adaptable homes appropriate to meet diverse and changing needs.</p>
11	Office Accessibility (Details)
	<p>CONDITION: Notwithstanding the plans hereby approved, prior to the first occupation details of accessible W.Cs and a lift within the office (B1) floor space shall be submitted to and approved in writing by the Local Planning Authority.</p> <p>REASON: To secure the provision of accessible office space appropriate to meet diverse and changing needs.</p>
12	Cycle and Refuse Stores (Details)
	<p>CONDITION: Notwithstanding the details hereby approved, details of the location, layout, design and appearance of the refuse and cycle store(s) (which shall provide for no less than 24 cycle parking spaces for residential use and 1 for office use), shall be submitted to and approved in writing by the Local Planning Authority.</p> <p>The cycle storage spaces and refuse stores shall be provided prior to the first occupation of the development hereby approved and maintained as such thereafter.</p> <p>REASON: To ensure adequate cycle parking space and physical waste enclosure space is available and easily accessible on site, to promote sustainable modes of transport and to secure the high quality design of the structures proposed.</p>
13	Obscure Glazing (Details)
	<p>CONDITION: Details of obscure glazing or timber screens to windows on the north-east elevation of the mews block shall be submitted to and approved in writing by the Local</p>

	<p>Planning Authority.</p> <p>All obscurely glazed windows shall be fixed shut, unless revised plans are submitted to and approved in writing by the Local Planning Authority which confirm that those windows could open to a degree, which would not result in undue overlooking of neighbouring habitable room windows.</p> <p>The development shall be carried out strictly in accordance with the details so approved and maintained as such thereafter.</p> <p>REASON: To prevent the undue overlooking of neighbouring habitable room windows.</p>
14	Energy Efficiency (Details)
	<p>CONDITION: The energy measures as outlined within the approved Energy Strategy shall together provide for no less than a tbc% on-site total C02 emissions reduction in comparison with total emissions from a building which complies with Building Regulations 2013.</p> <p>Should, following further assessment, the approved energy measures be found to be no longer suitable, a revised Energy Strategy shall be submitted to and approved in writing by the Local Planning Authority prior to any superstructure works commencing on site.</p> <p>The revised energy strategy shall provide for no less than a tbc% on-site total C02 reduction in comparison with total emissions from a building which complies with Building Regulations 2013.</p> <p>The final agreed scheme shall be installed and operational prior to the first occupation of the development.</p> <p>The development shall be carried out strictly in accordance with the details so approved and shall be maintained as such thereafter.</p> <p>REASON: In the interest of sustainable development and to ensure that the Local Planning Authority may be satisfied that the C02 emission reduction targets are met.</p>
15	Sustainable Urban Drainage (Details)
	<p>CONDITION: Notwithstanding the plans submitted, details of a drainage strategy for a sustainable urban drainage system and its ongoing maintenance shall be submitted to and approved in writing by the Local Planning Authority prior to any superstructure works commencing on site. The details shall be based on an assessment of the potential for disposing of surface water by means of appropriate sustainable drainage systems in accordance with the drainage hierarchy and be designed to maximise water quality, amenity and biodiversity benefits.</p> <p>The submitted details shall include the scheme's peak runoff rate and storage volume for the 1 in 100year storm plus 33% climate change allowance and demonstrate how the scheme will aim to achieve a greenfield run off rate (8L/sec/ha)and at minimum achieve a post development run off rate of 50L/ha/sec. The drainage system shall be installed/operational prior to the first occupation of the development. The details shall demonstrate how the site will manage surface water in excess of the design event, and shall set out a clear maintenance plan for the system.</p> <p>The development shall be carried out strictly in accordance with the details so approved and shall be maintained as such thereafter.</p>

	<p>REASON: To ensure that sustainable management of water and minimise the potential for surface level flooding.</p>
16	<p>Ventilation (Details)</p> <p>CONDITION: Prior to occupation of the residential units, full details of ventilation for the residential accommodation shall be submitted to and approved in writing by the Local Planning Authority. The development shall be carried out strictly in accordance with the details so approved and shall be maintained as such thereafter.</p> <p>REASON: To ensure the future residents of the development do not experience overheating or poor quality air.</p>
17	<p>Water Usage (Compliance)</p> <p>CONDITION: The development shall be designed to achieve a water use target of no more than 95 litres per person per day, including by incorporating water efficient fixtures and fittings.</p> <p>REASON: To ensure the sustainable use of water.</p>
18	<p>Tree Protection (Details)</p> <p>CONDITION: No site clearance, preparatory work or development shall take place until a scheme for the appropriate working methods (the arboricultural method statement, AMS) in accordance with British Standard BS 5837 2012 –Trees in Relation to Demolition, Design and Construction has been submitted to and approved in writing by the local planning authority.</p> <p>Development shall be carried out in accordance with the approved details.</p> <p>REASON: In the interest of biodiversity, sustainability, and to ensure that a satisfactory standard of visual amenity is provided and maintained prior to the any works being carried out which could impact the trees.</p>
19	<p>BREEAM (Compliance)</p> <p>CONDITION: The development shall achieve a BREEAM Office refurbishment and fit-out rating (2014) of no less than 'Excellent' for the office accommodation.</p> <p>REASON: In the interest of addressing climate change and to secure sustainable development.</p>
20	<p>Permitted Development (Compliance)</p> <p>CONDITION: Notwithstanding the provision of the Town and Country Planning (General Permitted Development) Order 2015 (or any amended/updated subsequent Order) no works under Schedule 2, Part 1 of the above Order shall be carried out to the dwellinghouses hereby approved without express planning permission.</p> <p>REASON: To ensure that the Local Planning Authority has control over future extensions and alterations to the resulting dwellinghouses in view of the limited space within the site available for such changes and the impact such changes may have on residential amenity and the overall good design of the scheme.</p>
21	<p>Construction Management Plan and Construction Logistics Plan (Details)</p> <p>CONDITION: No construction works shall take place unless and until a Construction Management Plan (CMP) and a Construction Logistics Plan (CLP) have been submitted</p>

	<p>to and approved in writing by the Local Planning Authority.</p> <p>The reports shall assess the impacts during the construction phase of the development on surrounding streets, along with nearby residential amenity and other occupiers together with means of mitigating any identified impacts.</p> <p>The reports should demonstrate that vehicular activity associated with construction will be co-ordinated with activity associated with the redevelopment of neighbouring sites in order to manage the cumulative impact on the local highway network.</p> <p>The CMP shall include details of a telephone contact for neighbouring residents in relation to queries or concerns regarding construction management.</p> <p>The development shall be carried out strictly in accordance with the approved CMP and CLP throughout the construction period.</p> <p>REASON: In the interests of residential amenity, highway safety, and the free flow of traffic on streets, and to mitigate the impacts of the development.</p>
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List of Informatives:

1	<p>Positive Statement</p> <p>INFORMATIVE: To assist applicants in a positive manner, the Local Planning Authority has produced policies and written guidance, all of which is available on the Council's website.</p> <p>A pre-application advice service is also offered and encouraged. Whilst this wasn't taken up by the applicant, and although the scheme did not comply with guidance on receipt, the LPA acted in a proactive manner offering suggested improvements to the scheme (during application processing) to secure compliance with policies and written guidance. These were incorporated into the scheme by the applicant.</p> <p>This resulted in a scheme that accords with policy and guidance as a result of positive, proactive and collaborative working between the applicant, and the LPA during the application stages, with the decision issued in a timely manner in accordance with the NPPF.</p>
2	<p>S106</p> <p>INFORMATIVE: You are advised that this permission has been granted subject to the completion of a S106 legal agreement to secure agreed planning obligations.</p>
3	<p>Community Infrastructure Levy (CIL) (Granting Consent)</p> <p>INFORMATIVE: Under the terms of the Planning Act 2008 (as amended) and Community Infrastructure Levy Regulations 2010 (as amended), this development is liable to pay the London Borough of Islington Community Infrastructure Levy (CIL) and the Mayor of London's Community Infrastructure Levy (CIL). These charges will be calculated in accordance with the London Borough of Islington CIL Charging Schedule 2014 and the Mayor of London's CIL Charging Schedule 2012. One of the development parties must now assume liability to pay CIL by submitting an Assumption of Liability Notice to the Council at cil@islington.gov.uk. The Council will then issue a Liability Notice setting out the amount of CIL payable on commencement of the development.</p> <p>Failure to submit a valid Assumption of Liability Notice and Commencement Notice prior to commencement of the development may result in surcharges being imposed and the</p>

	<p>development will not benefit from the 60 day payment window.</p> <p>Further information and all CIL forms are available on the Planning Portal at www.planningportal.gov.uk/planning/applications/howtoapply/whattosubmit/cil and the Islington Council website at www.islington.gov.uk/cilinfo. Guidance on the Community Infrastructure Levy can be found on the National Planning Practice Guidance website at http://planningguidance.planningportal.gov.uk/blog/guidance/community-infrastructure-levy/.</p>
4	Superstructure
	<p>INFORMATIVE: DEFINITION OF 'SUPERSTRUCTURE' AND 'PRACTICAL COMPLETION' A number of conditions attached to this permission have the time restrictions 'prior to superstructure works commencing on site' and/or 'following practical completion'. The council considers the definition of 'superstructure' as having its normal or dictionary meaning, which is: the part of a building above its foundations. The council considers the definition of 'practical completion' to be: when the work reaches a state of readiness for use or occupation even though there may be outstanding works/matters to be carried out.</p>
6	Thames Water
	<p>INFORMATIVE: The applicants are reminded that Thames Water does not allow connections for the removal of groundwater. Where the developer proposes to discharge to a public sewer, prior approval from Thames Water Developer Services will be required. They can be contacted on 0800 009 3921. Reason - to ensure that the surface water discharge from the site shall not be detrimental to the existing sewerage system.</p> <p>Should your proposed building work fall within 3 metres of pipes connecting to a public sewer it is recommended that you email Thames Water a scaled ground floor plan of the property showing the proposed work and the complete sewer layout to developer.services@thameswater.co.uk to determine if a building over/near to agreement is required.</p> <p>Thames Water will aim to provide customers with a minimum pressure of 10m head (approx 1 bar) and a flow rate of 9 litres/minute at the point where it leaves Thames Waters pipes. The developer should take account of this minimum pressure in the design of the proposed development.</p>
7	Fire Safety
	<p>It is recommended that you obtain technical advice regarding compliance with the Building Regulations (and/including matters relating to fire safety and evacuation) prior to any further design work commencing and prior to the selection of materials. Islington's Building Control team has extensive experience in working with clients on a wide range of projects. Should you wish to discuss your project and how Islington Building Control may best advise you regarding compliance with relevant (building control) regulations, please contact Andrew Marx on 020 7527 2045 or by email on andrew.marx@islington.gov.uk You are also advised to refer to the comments of the London Fire and Emergency Planning Authority dated 19/09/2016.</p>

APPENDIX 2: RELEVANT POLICIES

This appendix lists all relevant development plan policies and guidance notes pertinent to the determination of this planning application.

1. National Guidance

The National Planning Policy Framework 2012 seeks to secure positive growth in a way that effectively balances economic, environmental and social progress for this and future generations. The NPPF is a material consideration and has been taken into account as part of the assessment of these proposals.

Since March 2014 Planning Practice Guidance for England has been published online.

2. Development Plan

The Development Plan is comprised of the London Plan 2015, Islington Core Strategy 2011, Development Management Policies 2013, Finsbury Local Plan 2013 and Site Allocations 2013. The following policies of the Development Plan are considered relevant to this application:

A) The London Plan 2016 - Spatial Development Strategy for Greater London

1 Context and strategy

Policy 1.1 Delivering the strategic vision and objectives for London

2 London's places

Policy 2.9 Inner London

3 London's people

Policy 3.1 Ensuring equal life chances for all

Policy 3.2 Improving health and addressing health inequalities

Policy 3.3 Increasing housing supply

Policy 3.4 Optimising housing potential

Policy 3.5 Quality and design of housing developments

Policy 3.6 Children and young people's play and informal recreation facilities

Policy 3.8 Housing choice

Policy 3.9 Mixed and balanced communities

Policy 3.10 Definition of affordable housing

Policy 3.11 Affordable housing targets

Policy 3.12 Negotiating affordable housing on individual private residential and mixed use schemes

Policy 3.13 Affordable housing thresholds

Policy 3.16 Protection and enhancement of social infrastructure

4 London's economy

Policy 5.5 Decentralised energy networks

Policy 5.6 Decentralised energy in development proposals

Policy 5.7 Renewable energy

Policy 5.9 Overheating and cooling

Policy 5.10 Urban greening

Policy 5.11 Green roofs and development site environs

Policy 5.12 Flood risk management

Policy 5.13 Sustainable drainage

Policy 5.14 Water quality and wastewater infrastructure

Policy 5.15 Water use and supplies

Policy 5.16 Waste self-sufficiency

Policy 5.17 Waste capacity

Policy 5.18 Construction, excavation and demolition waste

6 London's transport

Policy 6.3 Assessing effects of development on transport capacity

Policy 6.5 Funding Crossrail and other strategically important transport infrastructure

Policy 6.9 Cycling

Policy 6.10 Walking

Policy 6.12 Road network capacity

Policy 6.13 Parking

7 London's living places and spaces

Policy 7.1 Building London's neighbourhoods and communities

Policy 7.2 An inclusive environment

Policy 4.1 Developing London's economy
Policy 4.2 Offices
Policy 4.3 Mixed use development and offices
Policy 4.7 Retail and town centre development
Policy 4.8 Supporting a successful and diverse retail sector
Policy 4.12 Improving opportunities for all

5 London's response to climate change

Policy 5.1 Climate change mitigation
Policy 5.2 Minimising carbon dioxide emissions
Policy 5.3 Sustainable design and construction

Policy 7.3 Designing out crime
Policy 7.4 Local character
Policy 7.5 Public realm
Policy 7.8 Heritage assets and archaeology
Policy 7.13 Safety, security and resilience to emergency
Policy 7.14 Improving air quality
Policy 7.15 Reducing noise and enhancing soundscapes
Policy 7.19 Biodiversity and access to nature
Policy 7.21 Trees and woodlands

8 Implementation, monitoring and review

Policy 8.1 Implementation
Policy 8.2 Planning obligations
Policy 8.3 Community infrastructure levy

B) Islington Core Strategy 2011

Strategic Policies

Policy CS3 Nag's Head and Upper Holloway Road
Policy CS8 (Enhancing Islington's Character)
Policy CS9 (Protecting and Enhancing Islington's Built and Historic Environment)
Policy CS10 (Sustainable Design)
Policy CS11 (Waste)
Policy CS12 (Meeting the Housing Challenge)
Policy CS13 (Employment Spaces)
Policy CS14 (Retail and Services)

Infrastructure and Implementation

Policy CS18 (Delivery and Infrastructure)
Policy CS19 (Health Impact Assessments)

C) Development Management Policies June 2013

Design and Heritage

- DM2.1** Design
- DM2.2** Inclusive Design
- DM2.3** Heritage

Housing

- DM3.1** Mix of housing sizes
- DM3.4** Housing standards
- DM3.5** Private outdoor space
- DM3.6** Play space
- DM3.7** Noise and vibration (residential uses)

Shops, cultures and services

- DM4.4** Promoting Islington's Town Centres
- DM4.7** Dispersed Shops

Employment

- DM5.1** New Business Floor space
- DM5.4** Size and affordability of workspace

Health and open space

- DM6.1** Healthy development
- DM6.5** Landscaping, trees and biodiversity
- DM6.6** Flood prevention

Employment

- DM5.1** New Business Floor space
- DM5.2** Loss of Existing Business Floorspace
- DM5.4** Size and affordability of workspace

Energy and Environmental Standards

- DM7.1** Sustainable design and construction statements
- DM7.3** Decentralised energy networks
- DM7.4** Sustainable design standards
- DM7.5** Heating and cooling

Transport

- DM8.1** Movement hierarchy
- DM8.2** Managing transport impacts
- DM8.3** Public transport
- DM8.4** Walking and cycling
- DM8.5** Vehicle parking
- DM8.6** Delivery and servicing for new developments

Infrastructure

- DM9.1** Infrastructure
- DM9.2** Planning obligations
- DM9.3** Implementation

3. Designations

The site has the following designations under the London Plan 2015, Islington Core Strategy 2011, Development Management Policies 2013:

- Employment Growth Area

4. Supplementary Planning Guidance (SPG) / Document (SPD)

The following SPGs and/or SPDs are relevant:

Islington Local Plan

- Environmental Design
- Inclusive Landscape Design
- Planning Obligations and S106
- Urban Design Guide
- Conservation Area Design Guidelines

London Plan

- Accessible London: Achieving an Inclusive Environment SPG
- Central Activities Zone SPG
- The Control of Dust and Emissions During Construction and Demolition SPG
- Crossrail Funding SPG
- London Planning Statement SPG
- London View Management

Framework SPG

- Planning for Equality and Diversity in London SPG

- Shaping Neighbourhoods – Character and Context SPG

- Social Infrastructure SPG

- Sustainable Design and Construction SPG

- - Use of Planning Obligations in the Funding of Crossrail, and the Mayoral Community Infrastructure Levy SPG

APPENDIX 3: Independent Viability Appraisal

457 - 463 Holloway Road, London, N7 6LJ

Independent Review of Assessment of Economic Viability

27 July 2016



1.0 Introduction

- 1.1. BPS Chartered Surveyors has been instructed by The London Borough of Islington ('the Council') to review an Economic Assessment prepared by Gerald Eve on behalf of Metdist Enterprises Ltd ('the applicant') in respect of the property at 457-463 Holloway Road.
- 1.2. The property has B1 office use and consists of 4 Victorian terraced buildings over lower ground, ground and three upper floors. The site itself is approximately 0.09 hectares (0.22 acres) in area. It should be noted that the properties are locally listed.
- 1.3. The property is currently vacant and in a poor state throughout. The current owners are currently in the process of preparing a submission for a change of use to C3 residential.
- 1.4. The proposed change of use would result in the loss of 805 m² (8,665 ft²) of B1 office space which would be replaced by C3 residential space. Gerald Eve's (GE) economic assessment report dated May 2016 concludes that continued office use of the building is no longer viable. For this reason GE argue that the loss of employment space is justified under the Council's relevant policies on loss of employment space.
- 1.5. We have considered the property's suitability for continued office use in the context of national and local planning policy in respect of loss of employment space, taking into account the specialist advice that we have received from our independent Cost Consultant and from a specialist office agency, Crossland Otter Hunt ('Crossland'). We have also undertaken an internal and external inspection of the property.
- 1.6. We instructed Crossland to undertake an assessment of the building. This assessment focussed upon addressing the following questions:
 - What quality of space would the proposed level of refurbishment works deliver? This refers to a scenario which envisages refurbishment of the existing office space
 - What office rents can be expected for the office once refurbished?
 - What lettings are most likely to be secured?
 - What yields could be achieved for a refurbished and re-let office?
- 1.7. Crossland undertook an internal inspection of the building along with in-depth market research and analysis. Their final report can be found at Appendix B. We have been guided by Crossland's key conclusions when reviewing GE's feasibility study.

- 1.8. Our review has sought to examine the proposed assessment methodology as well as costs and value assumptions that have been applied in the GE assessment in order to determine whether this building has a future in office use.

2.0 Conclusion and Recommendations

- 2.1. Following our review of Gerald Eve's assessment and reflecting upon the advice provided by Crossland we are substantially in agreement with Gerald Eve as regards the future economic viability of retaining this property in office use given its current condition and the costs associated with bringing it to a condition which provides for its continued use into the longer term.
- 2.2. The marketing report prepared by Crossland also broadly agrees with Gerald Eve's conclusions in respect of the ongoing viability of office use.
- 2.3. Crossland makes the following observation concerning current ability of the property to attract tenants:

We understand that [the offices] were recently occupied by the National Union of Students as office accommodation. The property was in a poor state of repair when inspected and is incapable of any form of occupation in its current condition.

- 2.4. Given Crossland's unambiguous advice the only potential for continuation of office use is reliant on significant investment in a comprehensive refurbishment of the current accommodation. It is our considered view that the costs associated with bringing this building up to a modern lettable standard far outweigh the potential increases in income generated by this investment. In this context the enhanced rental value reflects the relative lack of an established market and demand for offices in this location and the constraints imposed by the internal layout of the available accommodation.
- 2.5. We have undertaken a residual valuation using the figures outlined in the Crossland report and this appraisal generates a negative residual value of -£1,690,065. This figure reflects a more positive assessment when compared to Gerald Eve's residual site value of -£2,248,650, however the point remains that both assessments show a substantively negative residual value confirming that a refurbishment option is far from economically viable.
- 2.6. Ultimately viability is constrained by the relatively low rental levels which could be anticipated for the refurbished space.

3.0 Crossland Report Findings

- 3.1. The Crossland report is set out in full in Appendix B. Their key conclusions concerning the building are set out below:
 - Although demand in the office market is currently quite strong the location of this property in relation to the nearest Tube station is a potential issue.
 - The accommodation is fragmented and would not provide desirable space for an occupier.
 - Accommodation of this type will at best secure tenants with poor covenant strength, reflecting their sensitivity to costs
 - Future lettings are likely to be based on shorter leases of typically 5 years with tenant breaks at the 3rd year giving limited income security.

- Reflecting on the lease length and tenant covenant strength there is a significantly enhanced risk of voids.
- 3.2. Crossland are of the opinion that the most likely letting scenario for a refurbished property would be through multiple lettings of small units and discount the possibility of a single letting due to the fragmented nature of the space available. This raises issues of covenant strength due to the relative weakness of smaller entities.
 - 3.3. It has also been suggested by Crossland that the likely lease terms for letting the property would reflect short terms of five years in duration with a strong likelihood of tenants requiring a midterm break option. Moreover Crossland state that there would need to be a significant allowance for letting space when vacant given the apparent limitations of the accommodation, even when refurbished and the distance from the nearest tube station.
 - 3.4. Crossland anticipate the optimum letting rate of £317.54 per m² (£29.50 per ft²) would be achieved on the ground and first floors with £296, £242 and £161.46 per m² (£27.50, £22.50 and £15 per ft²) on the 2nd, 3rd and lower ground levels respectively.
 - 3.5. Reflecting the difficulties of letting the property, the likelihood of voids and the limited lease terms and relative lack of income security Crossland anticipate a net initial yield of 6% would be appropriate for a refurbished and let property.

4.0 Discussion of Gerald Eve Methodology

- 4.1. GE has considered a single option for the continuation of office use which discounts re-letting the property in its current condition and assumes an office refurbishment to the best achievable specification, given the constraints of the existing building.
- 4.2. GE has produced financial models based upon a 'hybrid' development and investment appraisal. They have aimed to produce appraisals showing the current day Internal Rate of Return (IRR) and an IRR which takes into account rental growth and cost inflation.
- 4.3. The cash flow model is a 12 year model that initially starts with a refurbishment void and rent free period. We discuss the separate assumptions applied to the different options in further detail below.
- 4.4. The works required have been predicated on the assumption that the building is in the condition it was when it was purchased and would require only minor refurbishment works. The costs of these works are anticipated to be £4,163,995 inclusive of Preliminaries at 12%, Overheads and Profit at 7.5% and Contingency at 5%. This total costs represents a rate of £3,046 per m² (£283 per ft²).
- 4.5. The rent assumed on this space equates to £291 per m² (£27 per ft²) for the 1st floor space down to £183 per m² (£17 per ft²) on the basement space. The space is assumed to be occupied on short term tenancies with a varying degree of rent free periods assumed as letting incentives depending upon the length of the lease.
- 4.6. An exit yield of 6.5% has been applied to the cash flow based upon advice supplied by Currell Chartered Surveyors and Gerald Eves' in house investment team. An

entry yield of 6.75% has been applied in order to reflect the existing condition prior to the refurbishment.

- 4.7. The scenario has been run on both a present-day and a forecast-growth basis with the following results;

	Present Day	Growth
Target IRR	12%	14%
Actual IRR	(-3.33%)	(-0.96%)

- 4.8. These results are below the target IRR as indicated by GE and as such they are of the opinion that the existing building has reached the end of its economic life in commercial terms, requiring substantial investment that would not generate a commercially acceptable return and therefore the property is not considered viable for continued office use.
- 4.9. GE believes that the property is coming to the end of its useful economic life as an office building and state that this is demonstrated by a number of characteristics of the building including issues surrounding multiple occupation, tenant turnover and covenant strength as well as building specific issues such as the layout and non-compliance with the needs of modern occupiers.
- 4.10. Although we accept the thrust of GE's findings we do not regard the methodology used by GE as suitable for this type of investment, in particular the application of a 10 year cash flow as a basis from which to compute the IRR. In our view this period only succeeds in negatively impacting IRR and as such we are of the opinion that a reversionary valuation post refurbishment should be applied. Reflecting the comparatively much short period that this implies and which would reflect a more typical investor timescale for seeking a return on such an investment.
- 4.11. GE state that the building has become functionally obsolete and that going forward the property does not meet the requirements of modern office space.
- 4.12. The cash flows presented by GE also includes a mid-point refurbishment. In the case of option 2 whereby significant expenditure has already been assumed to have occurred we question whether additional works would be required after just four years of tenant occupation.

5.0 Planning Policy

- 5.1. We have been guided primarily by the Council's planning policy in our assessment of the properties suitability for continued office use.
- 5.2. With respect to the National Planning Policy Framework (NPPF), the relevant policy in respect of loss of employment space is Paragraph 22:

“Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose. Land allocations should be regularly reviewed. Where there is no reasonable prospect of a site being used for the allocated employment use, applications for alternative uses of land or buildings should be treated on their merits having regard to market signals and the relative need for different land uses to support sustainable local communities.” (emphasis added)

- 5.3. Another relevant planning policy is Core Strategy Policy CS13 (B) which seeks to safeguard existing business accommodation by protecting against change of use to non-business uses:

The council will provide employment space for businesses in the borough by:

B. For existing employment space:

- *safeguarding existing business spaces throughout the borough by protecting against change of use to non-business uses, particularly in the CAZ. Development which improves the quality and quantity of existing provision will be encouraged.*
- *in exceptional circumstances loss of employment floorspace might be acceptable in line with considerations which will be set out in the Development Management Policies.....*
- *Protecting units which are suitable for SMEs in terms of their type and size.*

- 5.4. Development Management Policy DM5.2 echoes the above Core Strategy policy requirements:

“A. Proposals that would result in a loss or reduction of business floorspace will be refused unless the applicant can demonstrate exceptional circumstances, including through the submission of clear and robust evidence which shows there is no demand for the floorspace. This evidence must demonstrate that the floorspace has been vacant and continuously marketed for a period of at least two years. In exceptional cases related to site-specific circumstances, where the vacancy period has been less than two years, a robust market demand analysis which supplements any marketing and vacancy evidence may be considered acceptable.”

- 5.5. And para 5.13 in the Development Management Policies document states:

“In relation to any loss of business floorspace planning application must demonstrate clear and robust evidence that there is no demand for use of the building, unit, floorspace and/or site for these purposes.”

- 5.6. We note also that the property was granted prior approval for conversion to C3 residential in February 2014 ref: P2013/4477/PRA. This permission does provide a sound basis for the conversion from office to residential and in itself would provide the current owner with the opportunity to implement a change of use. Full permission would likely have numerous benefits over a prior approval scheme.

6.0 Principles of Obsolescence

- 6.1. Obsolescence manifests itself as a progressive decline of its investment value. In essence, obsolescence arises when an asset (in this case an office building) can no longer satisfy the requirements of would-be occupiers. It is influenced by and results from a mix of factors including condition, location and functionality. In the case of offices, it is affected in particular by changes to occupier demands resulting, for example, from advances in technology.
- 6.2. As office buildings move through their asset lifecycle, and become less attractive in comparison with modern alternatives, they typically suffer from an increase in tenant turnover, often caused by the weakness of tenant covenant strength. The investment yield achievable in a sale increases, and reduced rental income is

matched by increases in expenditure on repairs and capital expenditure to the point where retention in the existing use is no longer economically advantageous.

7.0 Costs

7.1. Our Cost Consultant, Neil Powling, has reviewed the cost plan prepared by Gardiner & Theobald and he is of the opinion that the costs appear reasonable. His full report can be found at Appendix A.

7.2. Neil states that

'the Cost Estimate includes an allowance of 15% for preliminaries. Given the current tender market, the location, site constraints and the design details we consider this addition reasonable. The allowance for overheads and profit (OHP) is 6%. The allowance for contingencies is 10%. We consider both these allowances reasonable for works of alteration and refurbishment of an existing building'.

7.3. The residual valuation provided by Gerald Eve contains a number of cost assumptions which we have reviewed. Overall we are satisfied that the costs applied for professional fees, marketing and letting fees and finance are in line with the current market.

7.4. The profit target for the residual valuation is 15% profit on costs which is a realistic return for commercial property of this type.

Appendix A: Cost Consultant Report

Project: 457-463 Holloway Rd, Islington N7 6LJ

Independent Review of Assessment of Economic Viability

1 SUMMARY

- 1.1 The Estimate of Cost includes an allowance of 15% for preliminaries. Given the current tender market, the location, site constraints and the design details we consider this addition reasonable. We calculate the 10 year BCIS average preliminaries addition to be 13.5% and have adjusted our benchmarking accordingly. The allowance for overheads and profit (OHP) is 6%. The allowance for contingencies is 10%. We consider both these allowances reasonable for works of alteration and refurbishment of an existing building.
- 1.2 We have calculated an adjusted benchmark of £3,046/m² that compares to the Applicants £3,046/m². We are satisfied that the Applicant's costs are 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's 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 occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. 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 available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services - but is not available on an elemental basis. 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 ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.
- 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 BCIS 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 been used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or 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.
- 2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of

the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Economic Assessment (A Lifecycle Cost Benefit Analysis) dated May 2016 issued by Gerald Eve together with its appendices including appendix 6 the Indicative Estimate of Cost dated 29th April 2016 issued by Gardiner & Theobald.
- 3.2 The cost plan is on a current day basis 2Q2016 in the total sum of £4,163,995. Further allowances are given in the estimate summary to allow for inflation to a start on site and further to the mid-point of the contract. These allowances have not been included in the appraisal nor in our own analysis and benchmarking. Our benchmarking uses current BCIS data which is similarly on a current tender firm price basis.
- 3.3 The estimate is in reasonable elemental detail with a build-up of the services costs provided in Appendix B that has enabled us to abstract data into a full elemental estimate. Further specification detail is provided in Appendix 5 of the Economic assessment (Appendix C) to supplement the detail in the estimate.
- 3.4 The retail unit is finished to shell only - we have prepared a blended rate calculation as the table below:-

Blended rate calculation	GIA m ²	%	Blended	
			£/m ²	£/m ²
Office - rehab/conversion	1,246	91.1%	1,218	1,110
Retail - shell only	121	8.9%	960	85
	<u>1,367</u>	<u>100.0%</u>		<u>1,195</u>

- 3.5 The Estimate of Cost includes an allowance of 15% for preliminaries. Given the current tender market, the location, site constraints and the design details we consider this addition reasonable. We calculate the 10 year BCIS average preliminaries addition to be 13.5% and have adjusted our benchmarking accordingly. The allowance for overheads and profit (OHP) is 6%. The allowance for contingencies is 10%. We consider both these allowances reasonable for works of alteration and refurbishment of an existing building.
- 3.6 The appraisal includes a construction cost of £4,163,935 - consistent with the estimate.
- 3.7 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Islington of 125 that has been applied in our benchmarking calculations.
- 3.8 These hypothetical works are of alteration and refurbishment to the existing buildings. These type of works tend to be specific to the project; BCIS data is available in group elements but not in elemental form. We have shown new build elemental costs in our analysis to inform our benchmarking and also derived an

elemental split of the superstructure and services group elements to assist benchmarking.

- 3.9 Refer to our attached file "Elemental analysis and BCIS benchmarking".
- 3.10 We have calculated an adjusted benchmark of £3,046/m² that compares to the Applicants £3,046/m². We are satisfied that the Applicant's costs are reasonable.

BPS Chartered Surveyors
Date: 16th June 2016

Appendix B: Crossland Otter Hunt Report

457-463 HOLLOWAY ROAD
LONDON N7

REPORT PREPARED BY

CROSSLAND OTTER HUNT

ON BEHALF OF
BPS SURVEYORS

23RD JUNE 2016



INTRODUCTION

Crossland Offer Hunt are instructed by BPS Surveyors on behalf of Islington Council to report on the viability of 457-463 Holloway Road as an office scheme.

The property was inspected by Nick Sinclair, a partner of Crossland Offer Hunt on 15th June 2016.

www.coh.eu

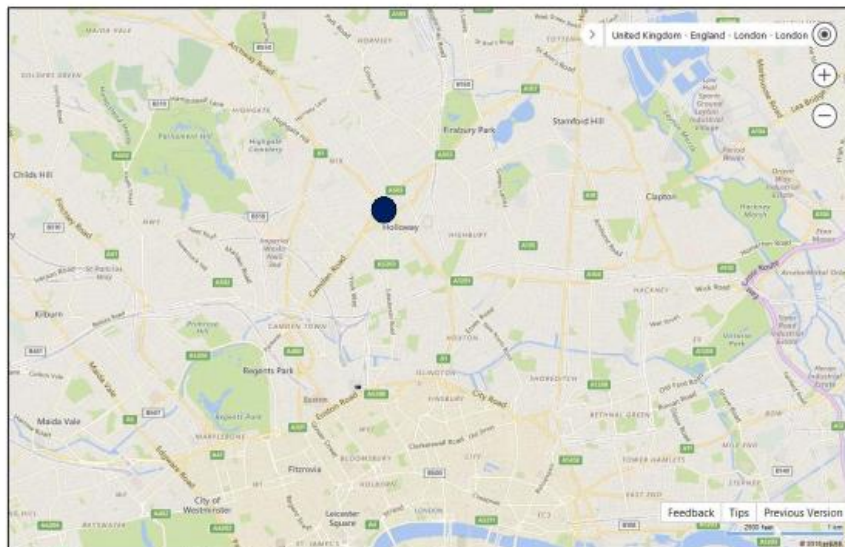
This report is provided for guidance purposes, and is not a valuation, and cannot be relied upon for borrowing or any other collateral. All rents are assuming the building is available on 23rd June 2016, and assumes a "Remain" vote in the EU Referendum.

LOCATION

The property is located on the junction of Holloway road and Mercers Road. Holloway Road Station (Piccadilly Line) circa 1km from the subject property and Archway Station (Northern Line) is circa 1.6 km from the property. A number of bus routes follow Holloway Road.

The subject property is not located in a recognised office location as it is not well served by the Tube network.

LOCATION PLAN



SITE PLAN



DESCRIPTION

The property was originally developed as a terrace of four residential buildings. We understand that they were recently occupied by the National Union of Students as office accommodation. The property was in a poor state of repair when inspected and is incapable of any form of occupation in its current condition.

The buildings are very much residential in character and do not provide modern office accommodation of the type that is demanded by a modern occupier. The structural walls mean it will not be capable of providing clean open plan floors.

The office net internal floor areas provided are:

Floor	NIA/Sq ft	NIA/Sq m
3 rd	1,669	155
2 nd	2,002	186
1 st	1,959	182
G-retail	1,109	103
G	1,453	135
LG	1,582	147

TENANT DEMAND

Tenant demand in Central London has been very strong with a distinct lack of supply of good quality office accommodation. We have witnessed significant rental growth in Central London submarkets such as Clerkenwell and Shoreditch. These locations are well connected by the Tube network as occupiers will typically employ staff from all over London and the South East and ease of commute is a key driver in the decision making process for occupiers. Given the nearest Tube station is 1km away, we would deem this a potential issue with this as an office location.

This is not to say there will be no demand but we would perceive it to be tenants priced out of areas that have witnessed rapid rental growth such as EC1, however given the transport issues it would have to be at a significant discount to locations closer to the Tube network.

The building is somewhat fragmented and does not provide open plan, efficient office accommodation, again this will be a detractor from the desirability of the building from an occupational point of view and we therefore think it highly likely that the building would have to be marketed as a number of small units.

A lack of disabled access could also deter tenants, especially from the charity and not for profit sector who in our opinion would be a key target audience for the property.

MAJOR REFURBISHMENT

As outlined in the Gerald Eve report, a major refurbishment would entail:

- Full external repair
- Structural alternation to relocate steel columns away from existing window openings
- All windows replaced
- All entrance doors to be replaced
- Re-planning of existing layouts
- Cooling/heating system either floor or wall mounted units.
- Removal of lift shaft
- Provision of WCs
- Provide risers for cable and power management
- Perimeter trunking
- Entry phone
- Tea points/capped off services for tea points
- Plaster ceilings
- LED/LG7 lighting
- Redecorate
- Replace all internal doors.
- Redecorate entrance hall and common parts with contemporary finishes.
- Investigate disabled lift
- Shower facilities in the basement.

This scheme would provide in our view the best possible accommodation within the existing envelope of the building.

Given the scarcity of comparable evidence in this vicinity it is very difficult to place an anticipated rent of this development, the top rents in the area are at The Studios on Hornsey Street – the top rent is £40 per sq ft. We would note that this is modern office accommodation located nearer the Tube network.

We would therefore place the following expected office rents on the building:

Floor	Rent/Per Sq ft
3 rd	£22.50
2 nd	£27.50
1 st	£29.50
G	£29.50
LG	£15

The 1st floor rent is the prime rent, we would have to discount above due to a lack of a lift.

The rationale behind this is:

- Fragmented nature of the building – given the constraints of the building it will have limitations upon the occupancy of the space. Occupiers tend to prefer open plan occupation which they can divide up as they see fit, as opposed to having a configuration enforced upon them.
- Disabled access – this is an issue with a lack of lift, this will reduce the available audience for the property.
- Tube access – given the distance from the tube, we have had to discount the rents achievable.

Yield

Given the fragmentation of the building, we would anticipate that it would be unlikely that a single occupier would take the premises. We think it far more likely that the property will be let in small units. The issue over letting small units are:

- Covenant strength of smaller entities is weaker
- Shorter leases, typically 5 years with tenant breaks at 3
- Letting voids will not be insignificant due to the public transport and configuration issues.

With this and the public transportation issues, we feel a net initial yield of 6% is appropriate in this instance.

LIGHT REFURBISHMENT

The specification as outlined in the Drivers and Norris/Currell report is the most basic specification acceptable to the leasing market. The basic specification is similar to the above comprehensive refurbishment save for it will not be cooled and is

generally a lower specification. Due to the location the rental differential is not as marked as it would be in other prime locations. The rents we would apply are below.

Floor	Rent/Per Sq ft
3 rd	£20.00
2 nd	£25.00
1 st	£27.50
G	£27.50
LG	£15.00

Yield

There should be a yield differential for an enhanced specification, we would apply 6.25% as a net initial yield.

457-463 Holloway Road, N7 6LJ

Independent Viability Review

Prepared on behalf of the London Borough of Islington

30 January 2017



82 South Street, Orkney, H4 2HD
www.bps-surveyors.co.uk

Planning Reference: P2016/3157/FUL

1.0 INTRODUCTION

- 1.1 BPS Chartered Surveyors have been instructed by The London Borough of Islington ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Gerald Eve on behalf of Metdist Enterprises Ltd ('the Applicant') in connection with a planning application for the redevelopment of the above site.
- 1.2 The proposals are for the:

change of use of numbers 457-463 Holloway Road from office to 16 residential units, the demolition of the single storey rear extension and the development of a mews providing 3 residential units, associated refuse and cycle storage.
- 1.3 The property was formerly in B1 office use and comprises a four storey Victorian terraced buildings over lower ground, ground and three upper floors. The site itself is approximately 0.09 hectares (0.22 acres) in area. It should be noted that the property is locally listed.
- 1.4 The applicant secured permission under Permitted Development rights to convert the offices to C3 residential use in February 2014.
- 1.5 Gerald Eve notes that the applicant could also apply for vacant building credit but due to the apparent lack of scheme unviability, this option has not been included within the scheme assessment.
- 1.6 BPS provided a report to the Council, dated June 2016 which explored the feasibility of continued office use of the building and concluded that the building was no longer fit for purpose and could not viably be refurbished. This assessment complies with the National Planning Policy Framework (NPPF), policy in respect of loss of employment space Paragraph 22 and Core Strategy Policy CS13 (B) which seeks to safeguard existing business accommodation by protecting against change of use to non-business uses
- 1.7 Gerald Eve concludes that without making any payment in lieu (PIL) the scheme generates a profit on cost of just 8.80% compared to a stated profit target of 25% of scheme costs. Furthermore, Gerald Eve notes there are practical difficulties in providing on-site affordable units related to the suitability of adapted accommodation and potential impact of higher service charges on overall affordability. The report also notes that the applicant does not have any suitable residential properties which could be used provide an off-site contribution.
- 1.8 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.

2.0 CONCLUSIONS AND RECOMMENDATIONS

- 2.1 We are of the opinion that the benchmark land value proposed by Gerald Eve is significantly overstated. We have considered the potential benchmark from a number of possible perspectives. The first considers the existing use value.
- 2.2 Consistent with the findings of our June report considering the viability of the existing use we concluded that the current use of the offices was negligible supporting the conclusion that a change of use was justified in terms of loss of employment space. We note that the property benefits from prior approval for conversion to residential use. Gerald Eve has undertaken a residual appraisal of this approach which generates a residual land value, allowing for the proposed profit targets of £950,000. We have seen no plans for this scheme and are unable to comment on whether costs and value assumptions are realistic but note these align with the proposed scheme, however we are advised by Council Officers that this approval would require a certificate of lawful use which cannot technically be issued therefore a prior approval scheme could not be implemented.
- 2.3 No alternative use value has been proposed. We have considered a scheme residual valuation based on a fully policy compliant scheme which generates a residual value of £62,000. We note Gerald Eve are of the view that the existing space is fully eligible for vacant building credit. We are advised by Council Officers that VBC would not apply therefore we have not adjusted this assessment.
- 2.4 We have reviewed how value could potentially be extracted from this property without triggering on site affordable housing. Based on an assumption of independent development of the proposed mews house to the rear and resumption of ground floor retail activity in the existing property we estimated a combined land value of £950,000.
- 2.5 We have also considered Gerald Eve's analysis of local transactions and note that Gerald Eve's analysis does not account for either the benefit of disposal with planning permission or that the price paid needs to be adjusted to reflect planning policy as required by PPG.
- 2.6 We have undertaken analysis to accord with the requirements of PPG and conclude that on this basis a site value not exceeding £1.15m is indicated which differs substantially from the £3m proposed by Gerald Eve.
- 2.7 The table below depicts the different benchmark positions as determined by BPS;

Input	Result
GE Investment Value	£1,365,839*
Policy Compliant RLV	£62,212
GE RLV of the Prior Approval scheme	£760,000
BPs AUV	£950,000
Adjusted MV	£1,150,000

Note *1 this figure reflects an assumption of investment in the building. Deducting this expenditure reduces this figure to a negligible value.

- 2.8 At appendix 4 we attach an Argus appraisal that shows the residual value using Gerald Eve's inputs assuming fixed profit targets on GDV. The resulting residual land value of £1.8 million further suggests that Gerald Eves site value of £3million is excessive.
- 2.9 With regards to residential sales values it would appear that the average sales rate of £8,693 per m² (£807.92/ft²) is at the low end of the achievable spectrum but largely acceptable given the limitations of this specific site. The scheme has limited outdoor amenity space and is further from transport hubs than a number of the comparable schemes. Also the majority of units will have frontage on to Holloway Road which will ultimately have a detrimental effect on the unit value.
- 2.10 Our Cost Consultant has reviewed the cost information provided by Gardiner & Theobald and has made the following comments;
- 'The adjusted benchmark for the terrace flats is £1,958/m² that compares to the applicant's £1,849/m² - we are therefore satisfied that the Applicants costs for the conversion of the existing building into flats are reasonable.*
- As the mews are priced at an all-in rate inclusive of preliminaries, OHP and contingency - it has not been possible to analyse or benchmark it. The BCIS average rate is £1,288/m² and the Applicant's rate £2,250/m². We suggest that the cost plan should be expanded to provide an elemental build-up of the mews houses, but mindful of the quality indicated by the sales figures, we would expect a subsequent benchmarking exercise to indicate the costs to be reasonable.'*
- 2.11 With regards to additional build costs we note that build cost contingency has been included in the build costs at a rate of 10%. Our Cost Consultant agrees that this is appropriate for developments of this nature which involve conversion of older buildings although we note it is beyond the commonly excepted 5%.
- 2.12 Developers Profit has been viewed as an output in Gerald Eve's Argus appraisals with a fixed residual land value. The target rate is stated as 25%

profit on costs. We are of the opinion that a blended rate should be used to account for the difference elements of the scheme. To this effect we are of the opinion that a maximum 20% profit on private GDV and 15% on commercial GDV is more appropriate and in line with prevailing market evidence in this regard, accepting the higher risks associated with a part conversion scheme have been largely offset by inclusion of a higher than normal level of contingency.

- 2.13 Adopting a residual value approach based on our AUV we calculate the scheme could deliver a £985,000 surplus. Adopting a PPG compliant approach to assessing market transactions indicates that the scheme would generate a surplus of £775,000 over our recommended profit target when applying the benchmark as a fixed sum. It is therefore evident that this scheme can deliver an affordable housing contribution.

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:
Gross Development Value - Development Costs (including Developer's Profit) = 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 value 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.
- 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:
- Represent expectations which do not mirror current costs and values as required by PPG.
 - May themselves be overbids, and most importantly
 - Need to be analysed to reflect a policy compliant position.
- 3.9 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.
- 3.10 The NPPF recognises at paragraph 173 identifies the need to provide both site owners and developers with a competitive return. In relation to site owners this is to encourage site 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 site owner. We are of the view that where sites represent an ongoing liability to a site 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

Consideration of Existing use Value

- 3.11 Gerald Eve concludes that the property if refurbished would generate a value as an office investment of £1,365,839.
- 3.12 Gerald Eve also note conclusions drawn from our June 2016 report that office use would generate a negative site value which they contest, citing lack of available market evidence to suggest sites transact at a negative value to challenge this conclusion. This comment appears to ignore the conclusions of their own report that identifies the fact that the property is

current stripped out and in the opinion of two office agents whose advice Gerald Eve sought:

4.6 The Office Agents¹ consider that the Property in its current condition is not of sufficient quality to attract an office occupier/s and would therefore require substantial investment to ensure future lettings. They are also of the view that excessive capital expenditure would be required to bring the building to a modern day standard.

4.7 Whilst the Office Agents consider that there is market demand for low costing office accommodation, the minimum standard of amenities would be for something superior to the existing condition and therefore lease terms would need to be sufficiently attractive to compensate the tenants

- 3.13 Gerald Eve's report of May 2016 explored the viability of refurbishment options for office use and concluded, that on a current day costs and value approach, the approach required by PPG, the property would generate a negative return for investors of -3.33% on an IRR basis. Gerald Eve also provided an estimated return hypothesising growth in office rents which was also negative.

	Internal Rate of Return	
	Present Day	Growth
Major Refurbishment Works	(-3.33%)	(-0.96%)

Source: GE

- 3.14 Gerald Eve also considered a more conventional and in our view market typical residual approach which after allowing for developer profit of 15% on costs generated a negative residual value of -£2,248,650.
- 3.15 Given evidence of their reported conclusions it is hard to see how Gerald Eve generates a positive view of the property's existing use value. Analysis of their existing use valuation reveals that no allowance for the costs of refurbishment has been included therefore it would appear to fall short of an assessment of existing use value in that it ignores the problems of the properties current condition.
- 3.16 Given the current dilapidated condition of the property it would appear entirely erroneous and diametrically opposed to the findings of both our June and Gerald Eve's May report to assume that continued office use would generate a positive site value.
- 3.17 Gerald Eve appear to view a negative land value as being an unsupportable conclusion and have therefore defaulted to a "market" value approach as defined by RICS Guidance.

¹ Currell Chartered Surveyors and Drivers Norris

- 3.18 In doing so Gerald Eve overlook the Mayor's Housing SPG and the Council's Development Viability SPD both documents representing relevant and recently adopted planning guidance. These document clearly indicate a preference for consideration of a EUV "plus" basis for benchmarking viability.
- 3.19 Although it is perhaps unrealistic to assume a property would trade at a negative value where it also has a realistic planning prospect of securing consent for a higher value use, it is important to note that any approach to establish site value on an alternative basis must;
- a) Comply with PPG in that it must reflect planning policy
 - b) Reflect that planning consent is required to secure that use
- 3.20 Consequently it would be inappropriate to adopt a land value which did not take the above into consideration.
- 3.21 In this instance the negative EUV serves to underpin the view that the EUV does not represent a barrier to meeting planning policy requirements. Gerald Eve raises the question as to whether there is evidence of sites transacting at this level. This again misses the purpose of establishing an EUV for planning viability purposes. Through identifying a low or negative EUV it firstly establishes that that site value is entirely dependent on a planning consent to deliver a higher site value and secondly that EUV does not represent a barrier to compliance with planning policy.
- 3.22 It is evident from a comparison of agreed benchmark values and site purchase prices that the actions of the market, without adjustment, do not reflect the approach required for planning purposes and that benchmark land values almost always reflect lower values than actual land transactions. Actual land transactions reflect the individual circumstances of developers whereas planning viability assessments are based on standardised market assumptions. Some of the limitations with the use of land transactions are referenced in the Council's Development Viability SPD at paragraph 6.60. In this context market land sales evidence would only be relevant where sales evidence was available and suitably adjusted and where the market viewed the land as incapable of securing consent for an alternative use.
- 3.23 The NPPF has a presumption in favour of sustainable development. Where there is a realistic prospect of securing consent for a policy compliant alternative use, it may be appropriate to consider an alternative use value as the land value benchmark. Indeed the purpose of Gerald Eve's earlier submission was precisely aimed at serving this objective. Consequently to ask if there is market evidence of where the market does not ascribe hope value to the potential of securing another valuable use is somewhat abstract. However it does not mean that EUV is irrelevant for the reasons stated or that the "hope" value ascribed by the market to a site should be seen as a suitable alternative basis for determining site value in a planning

context, especially where it is evident that the hope value does not reflect planning policy.

- 3.24 We have undertaken an exercise to demonstrate the residual of the site if a policy compliant provision was provided. Our Argus appraisal can be found at appendix 2, it shows a residual land value of £62,212.
- 3.25 We note that Gerald Eve claims that they would be able to apply for vacant building credit (VBC). Gerald Eve has not sought to pursue this approach presumably relying on their conclusion that reflecting their approach to land value the scheme is non-viable.
- 3.26 We have been advised by the council that for the purposes of VBC; the tests set out in the PPG are not met and therefore will not apply.
- 3.27 We note an application for prior approval was approved although we understand from Council officers that this approval cannot be technically implemented without a certificate of lawful use of the property as offices. Given the conclusion of our earlier report it is evident that this certificate is very unlikely to be forthcoming therefore we have discounted this potential. We note Gerald Eve has provided a residual valuation on this basis.

Adjusted Market Value

- 3.28 Gerald Eve's site value is based on the market value of the site which they estimate equates to £3 million. Gerald Eve notes that the site was purchased in March 2015 for £5 million.
- 3.29 Gerald Eve have analysed the proposed market value in line with three comparable land sales:
1. Whittington House
 2. The Harper Building
 3. Fonthill Mews

And the following new build transactions

4. 2, 4 & 4A, Tufnell Park Road, 419 Holloway Road, N7 6LJ (Rear of Odeon Cinema);
 5. 107-129 Seven Sisters Road, N7 7QG;
- 3.30 To generate a range of values Gerald Eve has analysed the comparable evidence on the basis of both the proposed number of total units and the proposed NIA. Gerald Eve has disregarded an analysis on the basis of price per acre due to the characteristics of the sites which we consider to be reasonable.
- 3.31 On the basis of price per proposed unit, the comparable evidence shows a value when applied to the subject site which ranges between £1.9 million

and £6.1 million with an average value per unit of £161,000 which when applied to the subject site provides a total value of say £3.0 million. Based on an analysis of site value in reference to the proposed residential NIA, Gerald Eve calculates a subject site value which ranges between £2.9 million and £6.4 million.

- 3.32 The analysis of site sale information should be reviewed against PPG which unambiguously states that the land value should *reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge*. The applicant's advisors have not indicated how planning policy has been taken into account when arriving at the proposed benchmark figure.
- 3.33 It is self-evident that applying land values derived from other transactions without adjustment to reflect planning policy, has the effect of importing site specific factors which may not apply in respect of the subject site, for example a high existing use value.
- 3.34 In considering an appropriate benchmark land value of this site we are firmly of the view that in seeking to derive rates per acre or per unit from other sites as a basis to establish value, there is also a need to establish the constraints of the subject site and how this might impact on the ability to match or exceed comparative site values. Two highly relevant examples of such constraints include a high existing use value or the need for extensive site remediation.
- 3.35 The subject site has a very low or negligible existing use value which is supported by our July 2016 report. There are no apparently unusual constraints affecting development form beyond those normally anticipated in an urban environment. In this context this site can be considered to be relatively unique compared to most urban sites where higher existing use values are the norm rather than the exception.
- 3.36 The Harper Building at 256-268 Holloway Road is approximately 0.6 miles from the subject site. It was granted prior approval in August 2013 for conversion from offices to 36 residential units. It has the added benefit of being close to good transport links. Given that it was a prior approval scheme it has no requirement to deliver affordable housing.
- 3.37 Whittington House is another office to residential scheme that is situated at 764-768 Holloway Road approximately 0.6 miles to the northwest of the subject site. Prior approval was granted for 39 residential units. Again this is close to good transport links being close to Archway underground station. It should be noted that there is no requirement for affordable housing.
- 3.38 Fonthill Mews at 25 Lennox Road benefited from prior approval for 19 residential units at the time of sale with consent subsequently granted for a further 3 units. This site is located in the popular Finsbury Park area and is

close to Finsbury Park stations. Again there is no requirement for affordable housing.

- 3.39 Sites that have been granted prior approval consent with no affordable housing requirements are not comparable with the application site and will have inflated land values.
- 3.40 We have sought to identify the impact of affordable housing delivery on the site sales considered. It is essential when analysing land sales to reflect a policy compliant position otherwise there is an essential circularity of approach in that evidence from a scheme delivering say 20% affordable housing will only support that level of delivery when applied to another site. This issue has been highlighted by the RICS in their recent research paper (April 2015) but also more recently within the Mayors Housing SPG published March 2016.
- 3.41 We address this point by calculating a value per private unit based on the consented scheme and then applying this rate to an otherwise policy compliant amount of affordable housing units. We provide a worked example below:

Land Sold Price = £2m

Total units consented = 30

Affordable units consented = 9 (30% AH)

Private units consented = 21

Based on strategic affordable housing target = 15 units (50% AH)

Private units = 15

Private unit land value rate = £2m/21 = £95,238

Apply private land value rate to amount of private units = £95,238 x 15 = £1,428,571

Adjusted land value to reflect policy compliant consent = £1,428,571

- 3.42 The table below sets out our analysis in relation to the subject site. We have made an adjustment of 20% on the purchase price given that the sites were sold with the benefit of planning permission. This, in our view, adequately reflects the level of planning risk:

Scheme	Date	Price (Adjusted for Planning)	Further adjusted purchase price to reflect strategic affordable housing target (50% AH)	Proposed No. Units	£ Per Dwelling	£ Per Private Dwelling	£ Per Dwelling Rate applied to total units proposed (19)	£ Per Private Dwelling Rate applied to number of private unit in a 50% AH scheme (10)
Whittington House	Sep-13	£2,841,667	£1,457,265	39	£37,366	£72,863	£709,950	£728,632
The Harper Building	Jul-14	£2,522,523	£1,307,975	27	£48,444	£93,427	£920,427	£934,268
Fonthill Mews	Jun-15	£6,041,667	£3,020,833	22	£137,311	£274,621	£2,608,902	£2,746,212

3.43 The above approach has not had the benefit of being informed by all relevant factors that informed the land sales values such as adjustments to insure that they are based on current day residential values rather than future values, but are at least reflective of affordable housing policy.

3.44 We note that Gerald Eve regard the sale 2, 4 & 4A, Tufnell Park Road, 419 Holloway Road, N7 6LJ (Rear of Odeon Cinema) to be an “excellent” sale comparator. We have also considered 400 Caledonian Road as good comparator. Our analysis of these transaction concludes:

Scheme	Date	Price	Adjusted purchase price to reflect strategic affordable housing target (50% AH)	Proposed No. Units	£ Per Dwelling	£ Per Private Dwelling	£ Per Dwelling Rate applied to total units proposed (19)	£/Private Dwelling Rate applied to number of private unit in a 50% AH scheme (10)
Tufnell Park	Feb-13	£2,500,00	£2,000,00	31	£64,516	£125,00	£1,225,806	£1,250,00
400 Caledonian Road	Oct-12	£1,600,000	£960,000	23	£41,739	£80,000	£793,043	£800,000

3.45 Gerald Eve also indicate that the unconditional sale of land at 107-129 Seven Sisters Road represents a useful comparable, reflecting the price paid for sites with a risk attached at the pre planning stage

3.46 Gerald Eve note that National Grid Electricity Transmission Plc purchased this 0.19 acre site for £7,500,000 in March 2011. The site was not purchased with the benefit of planning permission. An application was subsequently approved in November 2013 for redevelopment to provide a National Grid electricity substation and associated infrastructure. It also includes 44 residential units comprising of 50% affordable housing and four commercial units (flexible permission sought for planning use classes A1 retail, A2 financial and professional services, B1 office, D1 non-residential institutions and A4 (1 unit only) drinking establishments)

3.47 It is not clear on the information available what considerations the National Grid had in mind. It is clear that the substation was an element of their subsequent application and in that this organisation is not noted for direct developments of this type without the objective of infrastructure delivery it

might not be unreasonable to assume that this was a an important element of their reason for purchase. Gerald Eve does not offer any considered evaluation of how they see each element of the subsequent application contributing to land value or indeed how they see the purchase reflecting PPG.

- 3.48 Given the lack of apparent transparency, the potential for an overbid from national Grid in their capacity as a statutory undertaker we are of the view this purchase offers very little meaningful direction in relation to establishing a suitably adjusted market value.
- 3.49 The results show a land price range when applied to the application site of £860,000 to £2,700,000 with an average of £1,150,000. Our analysis more accurately responds to the requirements of PPG than is evident from Gerald Eve's analysis, however it is clear that without fuller knowledge of all the relevant variants between the site sale comparators e.g. respective unit sales values, EUV , proposed unit mix, levels of amenity e.g. balconies, specification etc. Our analysis can at best indicate a likely approximation of site value using this method.
- 3.50 Gerald Eve refers to a marketing process and indicates that the site has sold for £5,000,000 in 2015 and was one of ten offers ranging from £4,250,000 - £5,075,000. No other analysis is provided and Gerald Eve has not sought to rely on this information to support its analysis. Indeed were this bidding process to be considered relevant it would be important to establish the degree of potential compliance offered by these bids in respect of PPG as without this information it is quite possible that these bids reflected assumptions which could include assumptions about securing alternative planning consents, achievable development densities, level of planning obligations attached to those consents, assumptions of net value growth etc.

Alternative Use Value

- 3.51 We have considered possible scenarios which might generate value which for ease of reference we refer to as alternative use. These scenarios are summarised below:
- a) Independent development of the mews houses to the rear of the site. We understand that Planning Officers have significant reservations about the likelihood of consent being secured in isolation of a wider scheme. For the purposes of scenario testing we have assumed that if consent were forthcoming for the subject application it might be realistic to assume this element of the site could also come forward independently. In assessing this value we have allowed for contributions under the council's small sites policy.

Site residual value £800,000

- b) We have considered the independent conversion of existing property to deliver nine residential units. We acknowledge this would not meet the council's requirements to maximise development capability but this does not generate a positive value

Site residual value -£negative

- c) We have assumed that the ground floor retail use of the property could be resumed with some relatively minor refurbishment works

Site value £150,000

- 3.52 We see no inherent value arising from the upper parts of the existing building without substantial conversion works and then only to residential use which would trigger the council affordable housing policies.
- 3.53 Based on our assessment above we calculate a base land value of up to £950,000 could potentially be secured. It should be noted that consent has not been secured for the mews development and we have contemplated reducing the apparent residual value by circa 20% due to the lack of permission and associated risk but on balance we are of the view that the exclusion of a land owner premium on the existing space as being a realistic alternative to reflecting this uncertainty.

Benchmark Land Value analysis

- 3.54 In all cases, land transactions reflect developer specific circumstances such as whether lower than typical build costs can be achieved or lower profit can be accepted. Moreover, in some cases the price paid for land can be based on unrealistic assumption that do not correctly reflect planning policy requirements such as planning obligations or the size and quantum of development possible etc. On the other hand, viability assessments prepared for planning are carried out on a standardised basis using generic assumptions, and on a present day assessment without taking into account any possible sales value growth or changes in build costs.
- 3.55 Therefore, an additional point of reference that would support the analysis of land values would be a consideration of benchmarks accepted in planning applications in the borough. The advantages of taking this into account is that it will assist to inform an appropriate land value that would allow for the delivery of policy compliant development, whilst also providing a sufficient return to the land owner on a standardised basis.
- 3.56 There is currently limited information available in the public domain on all benchmark land values in Islington. We are aware of a planning application where the council has resolved to grant planning permission subject to a S106 agreement at 273 Camden Road. The scheme is similar in scale to the development at the subject site with 21 residential units, providing 48%

affordable housing (by unit). The site benefits from existing A1 use on the ground floor, and A4 use on the upper floors. The benchmark based on the existing use value was £660,000. On a per unit basis this equates to £31,429, taking this into account for the subject site would result in a value of approximately £600,000.

- 3.57 Overall we are of the opinion that based on our analysis the benchmark land value should not exceed £1.15 million. This figure, in our view, not only meets the PPG requirement to reflect planning policy but also provides a competitive return to the site owner.

4.0 RESIDENTIAL UNIT VALUES

- 4.1 The proposed residential units comprise a mix of 2 x studios, 9 x one bed units, 5 x two bed units and 3 x three bed units. The total calculated GDV from residential units is proposed at a figure of £10,710,000 (£807.92 sq.ft / £8,693 sq.m). The sales values are based on advice provided by Chesterton's.

Type	Count	Average Area m ² (ft ²)	Sale Price	£ per m ² (ft ²)
Studio	2	44 (468)	£377,500	£8,678 (£807)
1 Bed	9	52 (556)	£439,444	£8,505 (£791)
2 Bed	3	64 (692)	£553,333	£8,601 (£799)
3 Bed	2	105 (1,125)	£862,500	£8,254 (£767)
2 Bed House	2	88 (947)	£832,500	£9,460 (£879)
3 Bed House	1	102 (1,098)	£950,000	£9,314 (£866)

- 4.2 Gerald Eve has cross checked Chesterton's proposed values with the following sales evidence.
- 4.3 2, 4 & 4A Tufnell Park Road contains 31 units of which 35% is affordable housing. This scheme is in close proximity to the subject site being approximately 0.2 miles along Holloway Road to the South East. The following units are currently listed as available online.

Beds	Date	Price	Area m ² (ft ²)	£ per m ² (ft ²)
2	Listed	£675,000	79 (850)	£8,544 (£794)
2	Listed	£675,000	77 (829)	£8,766 (£814)
2	Listed	£669,450	73 (786)	£9,171 (£852)
2	Listed	£595,000	69 (743)	£8,623 (£801)
Average		£653,613	75 (802)	£8,776 (£815)

- 4.4 These figures represent asking prices. We are also aware of a number of completed transactions within this scheme identified below:

Rear of Odean Cinema, 2 Tufnell Park Road N7 ODP						
APT	Beds	Floor	Sq Ft	Achieved price	£psf Achieved	Date
Flat 1	1B2P	1	517	£ 449,950.00	£871	Apr-16
Flat 12	1B2P	3	495	£ 409,000.00	£826	Mar-16

- 4.5 It can be seen that the prevailing tone of these transactions in terms of achieved sales rates is well above the level indicated for the subject scheme. We also note that the average asking price of £653,613 is considerably greater than the average two bed value of the units at proposed schemes of £553,333. The units do have a similar sales rate but some allowance should also be made for the unit size, the proposed scheme

units having a smaller size would in our view have a proportionately higher sales rate when compared to larger units.

- 4.6 The Harper Building on Holloway Road is just over half a mile to the southeast of the subject site next to Holloway Road Underground station. The building was converted from office space under permitted development rights and has been refurbished to a reasonably high standard. The building exterior unlike many PD schemes presents an attractive period façade which does not appear especially commercial and would be an asset rather than a detractor to unit values. Its proximity to the underground station would give this property a marginal sales advantage over the subject site. The table below contains information on the listings and sales of this scheme with sales values being increased by HPI to reflect present day values.

Unit	Beds	Date	Area m ² (ft ²)	Price (+HPI)	£ per m ² (ft ²)
Flat 1	3	Listed	82.2 (885)	£695,950	£8,467 (£787)
Flat 2	1	16/03/16	43.8 (472)	£459,497	£10,491 (£975)
Flat 3	1	21/03/16	53.7 (578)	£517,594	£9,639 (£895)
Flat 4	2	10/03/16	60.9 (656)	£623,225	£10,234 (£951)
Flat 5	3	Listed	81.1 (873)	£705,000	£8,693 (£808)
Flat 6	1	29/03/16	42.8 (461)	£454,215	£10,612 (£986)
Flat 7	1	17/03/16	53.2 (573)	£517,594	£9,729 (£904)
Flat 8	2	24/02/16	61.3 (660)	£623,463	£10,171 (£945)
Flat 9	3	29/03/16	82.1 (884)	£740,740	£9,022 (£838)
Flat 10	1	21/03/16	43.5 (468)	£464,778	£10,685 (£993)
Flat 12	2	18/03/16	62 (667)	£623,225	£10,052 (£934)
Flat 13	3	24/03/16	77.3 (831)	£691,886	£8,951 (£833)

- 4.7 The average sales values for this scheme are £482,735 for one beds, £623,305 for two beds and £708,394 for three beds. The overall average sales rate equates to £9,729 per m² (£904/ft²).
- 4.8 Unit sizes appear broadly comparable although it is noted that the 3 bed units in the proposed scheme at 105 sqm (1,125 sq ft) are much larger than in the Harper Building which is likely to depress sales rates even though this may indicate overall values should be at a higher level.
- 4.9 Gerald Eve has also provided the following local one bedroom re-sale evidence;

Property Address	Price Sold	Date Sold	Area m ² (ft ²)	£ per m ² (ft ²)
11 Keighley Close	£350,000	30/10/15	53 (570)	(£6,604) £614
F1 Hilton House, Parkhurst Rd	£410,000	19/10/15	53 (570)	£7,736 (£719)
61 Carronade Court	£377,500	04/09/15	45 (484)	£8,389 (£779)
22 Fairweather House, Parkhurst Rd	£325,000	02/10/15	43 (463)	£7,558 (£702)
Average	£365,625		49 (522)	£7,462 (£701)

- 4.10 The above evidence is rather dated and reflects second hand rather than new build units. It shows an average for one bedroom flats at £7,462 per m² (£701 per ft²) which is somewhat below the tone of new build sales.
- 4.11 Gerald Eve has also provided the following local two bedroom re-sale evidence;

Property Address	Price Sold	Date Sold	Area m ² (ft ²)	£ per m ² (ft ²)
60 Carronade Court	£555,000	27/10/15	75 (812)	£7,400 (£684)
Flat 7 Bakersfield Crayford Road	£515,000	19/10/15	66 (710)	£7,803 (£725)
226 The Beaux Arts Buildings, 10-18 Manor gardens	£590,000	01/12/15	84 (905)	£7,024 (£651)
Flat 2, 9 Tiltman Place	£550,000	01/08/16	67 (719)	£8,209 (£719)
Average	£552,500		73 (787)	£7,568 (£702)

- 4.12 Again the majority of these sales are rather dated but show a similar second hand sales rate to the one bedroom units with an average of £7,568 per m² (£702 per ft²).
- 4.13 We have sought to supplement the information provided by Gerald Eve with further evidence of local second hand sales.

One Bedroom

Address	Sale price	Sale date	Area m ² (ft ²)	£ per m ² (ft ²)
Flat 225 10-18 Manor Gardens N7	£500,000	15/06/16	60 (646)	£8,333 (£774)
Flat E 39 Parkhurst Road N7	£337,900	16/06/16	47 (506)	£7,189 (£668)
Flat 38 Hollins House N7	£326,500	27/05/16	51 (549)	£6,402 (£595)
Flat 327 10-18 Manor Gardens N7	£441,000	06/05/16	65 (700)	£6,785 (£630)
Flat 36 Margery Fry Court N7	£329,950	27/07/16	45 (484)	£7,332 (£681)
Average	£387,070		54 (577)	£7,208 (£670)

- 4.14 The above local second hand sales evidence shows an average price of £387,070 and a rate of £7,208 per m² (£670 per ft²) for one bed units.

Two Bedrooms

Address	Sale price	Sale date	Area m ² (ft ²)	£ per m ² (ft ²)
Flat 324 10-18 Manor Gardens N7	£637,500	16/08/16	71 (764)	£8,979 (£834)
Flat 25 Margery Fry Court N7	£426,000	03/06/16	59 (635)	£7,220 (£671)
Flat 24 433 Holloway Road N7	£425,000	22/08/16	53 (570)	£8,019 (£745)
Flat 22 Parkhurst Court N7	£420,100	04/07/16	57 (614)	£7,370 (£685)
Flat 125 10-18 Manor Gardens N7	£620,000	27/05/16	82 (883)	£7,561 (£702)
Flat 5 20 Tollington Way N7	£545,000	29/07/16	78 (840)	£6,987 (£649)
Flat 7 19 Manor Gardens N7	£550,000	27/05/16	66 (710)	£8,333 (£774)

Flat 86 3 Manor Gardens N7	£540,000	09/06/16	74 (797)	£7,297 (£678)
Average	£520,450		68 (727)	£7,721 (£717)

- 4.15 The above local second hand sales evidence shows an average price of £520,450 and a rate of £7,721 per m² (£717 per ft²) for two bed units.

Three Bedrooms

Address	Sale price	Sale date	Area m' (ft ²)	£ per m' (ft ²)
Flat 3 43 Anson Road N7	£898,210	12/02/16	93 (1,001)	9,658 (897)
Apartment 21 5 Tiltman Place N7	£741,325	12/05/16	91 (980)	8,146 (757)
55A Birnam Road N4	£684,402	14/12/15	87 (940)	7,840 (728)
3B Axminster Road N7	£606,010	30/10/15	88 (950)	6,863 (638)
Flat 18 Bakersfield Crayford Rd N7	£590,987	12/05/16	87 (936)	6,793 (631)
Flat 14 Bakersfield Crayford Rd N7	£593,276	27/11/15	89 (958)	6,666 (619)
Average	£685,702		89 (961)	£7,661 (712)

- 4.16 The three bedroom flat local evidence that we found was dated and as such we increased the achieved sales prices by local HPI. The average price for second hand three bed sales in the area is £685,702 although we note that there is a broad range and we do not account of 3 bed 5 person units which may account for the lower priced units.
- 4.17 We have also collected the following evidence of local sales and listings of two and three bed houses, it should be noted that there is limited evidence of either.

Address	Price	Date	Beds	Area m' (ft ²)	£ per m ² (ft ²)
7 Keighley Close N7	£685,000	29/04/16	2	72 (775)	9,514 (884)
7 Marlborough Yard N19	£1,050,000	10/06/16	3	116 (1,243)	9,091 (845)
Wedmore Street	£1,000,000	Listed	3	122 (1,310)	8,217 (763)
Crayford Mews	£850,000	Listed	3	93 (997)	9,179 (853)
Crayford Road	£750,000	Listed	2	73 (784)	10,302 (957)

- 4.18 We attach at appendix 3 an additional sales value schedule that depicts and discussed the local comparable evidence in further detail.
- 4.19 Overall we are of the opinion that the residential values are broadly reasonable and generally reflect the tone of local new build sales, however given the evidence of sales in the Harper building and at The Tufnall Park Road scheme, there is potential for higher rates to be achieved in the area. The proposed rates reflect the limitations associated with a part conversion scheme to the properties fronting onto Holloway Road. There is also a lack of outdoor amenity space for the residents of this scheme, however there is limited direct sales evidence therefore an outturn review of viability in accordance with the Council's SPD appears highly relevant.

4.20 Capitalised Ground Rental income has been included in the appraisal at a rate of £375 per unit per annum with the total annual income capitalised at a rate of 5%. There is usually a graduation in the level of ground rent according to unit size but accept the rate expressed as an average across the scheme.

5.0 COMMERCIAL UNIT VALUATION

- 5.1 The proposals include provision for a retail unit measuring 50 m² / 538 ft² (NIA) situated on the ground floor level. The space has been valued at a rate of £269 per m² (£25/ft²) with the annual rent capitalised at a rate of 6.5%.
- 5.2 Gerald Eve has provided the following comparable evidence in support of their assumptions.

Address	Date	Total Area ft ²	Floor	Use Class	Term	Rent Free	Annual Rent	Rate £/ft
324 Holloway Rd	01/05/16	736	Ground	A1	10 years	3 mnt	£14,509	£19.71
483 Holloway Rd	28/03/16	1,782	Basement Ground First	A1	Rolling monthly		£25,000	£14.03
6 Seven Sisters Rd	01/03/16	847	Ground	A1	3 years 1 months		£29,925	£35.33
506 Holloway Rd	22/01/16	1536	Basement Ground	A1	15 years	3 mnt	£24,376	£15.87

- 5.3 Further relevant local evidence, beyond those provided by Gerald Eve, is rather limited but we have identified the following transactions;

Address	Date	Area m ² (ft ²)	Rent p.a.	£ per m ² (ft ²)
Ground, 342 Hornsey Road, N7 7HE	15/03/16	52 (560)	£12,000	£231 (£21.44)
Basement and Ground, 506 Holloway Rd, N7 6JD	25/01/16	136 (1,465)	£25,000	£184 (£17.06)
Ground, 283 Hornsey Road, N19 4HN	01/01/16	40 (431)	£13,000	£325 (£30.19)

- 5.4 The rents of the two units on Hornsey Road are reflective of asking rents and limited information is available with regards to the agreed terms.
- 5.5 A balanced view of the available suggests the proposed rent of £269 per m² (£25/ft²) is appropriate, although possibly a little conservative.
- 5.6 The capitalisation yield of 6.5% also appears in context with other market transactions given the evidence provided in the form of two marketing reports compiled by Currell's and Drivers Norris and our own research.

6.0 BUILD COSTS

- 6.1 Our Cost Consultant, Neil Powling, has reviewed the cost information provided and has made the following comments;

'The adjusted benchmark for the terrace flats is £1,958/m² that compares to the applicant's £1,849/m² - we are therefore satisfied that the Applicants costs for the conversion of the existing building into flats are reasonable.

As the mews are priced at an all-in rate inclusive of preliminaries, OHP and contingency - it has not been possible to analyse or benchmark it. The BCIS average rate is £1,288/m² and the Applicant's rate £2,250/m². We suggest that the cost plan should be expanded to provide an elemental build-up of the mews houses, but mindful of the quality indicated by the sales figures, we would expect a subsequent benchmarking exercise to indicate the costs to be reasonable.'

- 6.2 Developers Profit has been viewed as an output in Gerald Eve's Argus appraisals with a fixed residual land value. The target rate is stated as 25% profit on costs. We are of the opinion that a blended rate should be used to account for the difference elements of the scheme. To this effect we are of the opinion that 20% profit on private GDV and 15% on commercial GDV is an appropriate assumption.
- 6.3 Professional Fees have been included at a rate of 12% on build costs. We agree that this is a realistic allowance for a scheme of this type.
- 6.4 Contingency has been included in the build costs at a rate of 10%. Our Cost Consultant agrees that this is appropriate for redevelopments of this nature.
- 6.5 Disposal Fees have been included at 1.5% and 0.5% for sales agent and sales legal fees respectively. We accept that these figures are in line with current market norms.
- 6.6 Marketing & Letting fees have been included at 2% for marketing, 10% for letting agent fees and 5% for letting legal fees. We accept that these figures reflect market norms.
- 6.7 Finance costs have been applied at an all-inclusive rate of 7% to total debt which is at the upper end of the current financing costs spectrum given current low rates.

BPS Surveyors

Appendix 1: Build Cost Report

Project: 457-463 Holloway Road, N6 6LJ

1 SUMMARY

- 1.1 As the mews are priced at an all-in rate inclusive of preliminaries, OHP and contingency - it has not been possible to analyse or benchmark it. The BCIS average rate is £1,288/m² and the Applicant's rate £2,250/m². We suggest that the cost plan should be expanded to provide an elemental build-up of the mews houses, but mindful of the quality indicated by the sales figures, we would expect a subsequent benchmarking exercise to indicate the costs to be reasonable.
- 1.2 The adjusted benchmark for the terrace flats is £1,958/m² that compares to the applicant's £1,849/m² - we are therefore satisfied that the Applicants costs for the conversion of the existing building into flats are 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's 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 occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. 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 available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available on an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services - but is not available on an elemental basis. 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 ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.
- 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 BCIS 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 from the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or 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.
- 2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon

request can be provided as an Excel spreadsheet.

3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Financial Viability Assessment issued by Gerald Eve dated 22nd August 2016, Appendix 3 site location map, Appendix 6 Gardiner & Theobald Cost Report totalling £4,694,005 (excluding inflation), Appendix 8 the Argus Financial Appraisal for the Proposed scheme, Appendix 9 the Argus Financial Appraisal for the Counterfactual scheme, the Design & Access Statement and the Planning statement.
- 3.2 We have not accessed the planning web site as there was sufficient information provided for us to assess the costs for viability purposes.
- 3.3 The cost plan is on a 3Q2016 basis. Our benchmarking uses current 4Q2016 BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) is a forecast figure for 3Q2016 of 281 and for 4Q2016 of 280.
- 3.4 The cost plan includes an allowance of 15% for preliminaries and overheads and profit (OHP) calculated at 6% on the terrace flats; the rate used to estimate the mews houses is inclusive of preliminaries, OHP and contingencies. We consider all of these allowances reasonable. The allowance for contingencies is 10% which we consider reasonable for works of conversion of an existing building.
- 3.5 As the mews are priced at an all-in rate inclusive of preliminaries, OHP and contingency - it has not been possible to analyse or benchmark it. The BCIS average rate is £1,288/m² and the Applicant's rate £2,250/m². We suggest that the cost plan should be expanded to provide an elemental build-up of the mews houses, but mindful of the quality indicated by the sales figures, we would expect a subsequent benchmarking exercise to indicate the costs to be reasonable.
- 3.6 The cost plan calculates inflation figures for the period to the expected commencement date and for construction inflation to the mid-point of the contract. These figures have not been included in the construction cost included in the appraisal.
- 3.7 Sales have been included in the Appraisal at average figures of £788.60/ft² for flats in the existing terrace and £874.21/ft² for the new build mews houses (Net Sales Areas).
- 3.8 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Islington of 123 that has been applied in our benchmarking calculations.
- 3.9 Refer to our attached file "Elemental analysis and BCIS benchmarking". The external works is an abnormal cost for BCIS benchmarking purposes and included in the total column of our elemental analysis but not in either the terrace flats or mews columns.
- 3.10 The retail area cost to a shell only specification has been estimated in the terrace flats section. We have calculated a blended benchmark rate as follows:-

	GIA m ²	%	BCIS £/m ²	Blended £/m ²
Flats in existing terrace	1,283	96.3%	1,617	1,558
Retail shell only	49	3.7%	913	34
Total	<u>1,332</u>			<u>1,592</u>

- 3.11 The building is a 4 storey building of conversion to flats; BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6+ storey. The new build elemental information makes no distinction for storey height resulting in an anomaly for flats below 6 storeys. We have benchmarked the flats in the 3-5 storey category.
- 3.12 The adjusted benchmark for the terrace flats is £1,958/m² that compares to the applicant's £1,849/m² - we are therefore satisfied that the Applicants costs for the conversion of the existing building into flats are reasonable.

BPS Chartered Surveyors
Date: 7th October 2016

457-463 Holloway Road, Islington N7 6LJ
Elemental analysis & BCIS benchmarking

Terrace 1,283
Retail 49

	GIA m ² 1,660		Total 1,332		328		New build	
	Total		Convert Terrace		New bld Mews		LF100	LF123
	£	£/m ²	£	£/m ²	£	£/m ²	£/m ²	£/m ²
Stripping out	53,050	32	53,050	40				
1 Alteration & repair/ substructure	390,745	235	390,745	293			132	162
2A Frame							134	165
2B Upper Floors							83	102
2C Roof	161,750	97	161,750	121			76	93
2D Stairs							29	36
2E External Walls	37,925	23	37,925	28			196	241
2F Windows & External Doors	210,010	127	210,010	158			76	93
2G Internal Walls & Partitions	236,135	142	236,135	177			58	71
2H Internal Doors	88,450	53	88,450	66			46	57
2 Superstructure	734,270	442	734,270				698	859
3A Wall Finishes	86,163	52	86,163	65			58	71
3B Floor Finishes	129,925	78	129,925	98			58	71
3C Ceiling Finishes	111,960	67	111,960	84			32	39
3 Internal Finishes	328,048	198	328,048	246			148	182
4 Fittings	405,000	244	405,000	304			56	69
5A Sanitary Appliances	55,400	33	55,400	42			23	28
5B Services Equipment (kitchen, laundry)							19	23
5C Disposal Installations	48,520	29	48,520	36			14	17
5D Water Installations	42,500	26	42,500	32			32	39
5E Heat Source	55,400	33	55,400	42			21	26
5F Space Heating & Air Treatment	57,000	34	57,000	43			64	79
5G Ventilating Systems	41,090	25	41,090	31			21	26
5H Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	111,048	67	111,048	83			86	106
5I Gas Installations	8,000	5	8,000	6			6	7
5J Lift Installations							34	42
5K Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	20,364	12	20,364	15			13	16
5L Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	39,775	24	39,775	30			32	39
5M Special Installations - (window cleaning, BMS, medical gas)	12,200	7	12,200	9			29	36
5N BWIC with Services	33,902	20	33,902	25			12	15
5O Sub contract preliminaries	88,440	53	88,440	66			3	4
5 Services	613,639	370	613,639	461			409	503
6A Site Works	272,000	164						
6B Drainage								
6C External Services	98,305	59	98,305	74				
6D Minor Building Works								
6 External Works	370,305	223	98,305	74				
SUB TOTAL	3,633,058	2,189	2,623,058	1,418	738,000	2,250	1,443	1,775
7 Preliminaries 15%	434,250	262	393,459	295	inc			
Overheads & Profit 6%	199,755	120	180,991	136	inc			
SUB TOTAL	4,267,063	2,571	3,197,507	1,849	738,000	2,250		
Design Development risks 10%	427,000	257			inc			
Construction risks								
Employer change risks								
To balance	-58	0						
TOTAL	4,694,005	2,828	3,197,507	1,849	738,000	2,250		

Benchmarking							
Add external works	74		1,592			1,288	
Add additional cost of floor finishings	26						
Add additional cost of fittings	212						
	<u>312</u>						
Add preliminaries 11.95%	37						
Add OHP 4.91%	17		366				
			<u>1,958</u>				
Contingency 10%			N/A			129	
						<u>1,417</u>	
Difference			144,461			-273,358	

Appendix 2 - 50% On Site
457-467 Holloway Road
Islington
50% Scheme

Development Appraisal
Prepared by FK1
BPS Surveyors
17 November 2016

APPRAISAL SUMMARY**BPS SURVEYORS**

Appendix 2 - 50% On Site
457-467 Holloway Road
Islington

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Residential - Private Sales	10	8,092	818.71	662,500	6,625,000
Affordable Housing	9	5,164	182.82	104,897	944,070
Totals	19	13,256			7,569,070

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rent	19			375	7,125	7,125
Commercial Units	1	538	25.00	13,450	13,450	13,450
Totals	20	538			20,575	20,575

Investment Valuation**Ground Rent**

Current Rent	7,125	YP @	5.0000%	20.0000	142,500
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Commercial Units

Market Rent	13,450	YP @	6.5000%	15.3846	
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(9mths Unexpired Rent Free)		PV 9mths @	6.5000%	0.9539	197,377
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339,877**GROSS DEVELOPMENT VALUE****7,908,947**

Purchaser's Costs

(4,934)

(4,934)

NET DEVELOPMENT VALUE**7,904,013****NET REALISATION****7,904,013****OUTLAY****ACQUISITION COSTS**

Residualised Price

62,212

62,212

Stamp Duty

4.00%

2,488

Agent Fee

2.00%

1,244

Legal Fee

10,000

13,733

Other Acquisition

Site Security, insurance etc

10,000

10,000

CONSTRUCTION COSTS**Construction**

Construction Costs

17,342 ft²270.67 pF²

4,694,005

4,694,005

Mayoral CIL

60,000

Energy Sum

447,227

Energy Contributions

21,840

Section 106

1,900

530,967

PROFESSIONAL FEES

Prof Fees

12.00%

563,281

563,281

MARKETING & LETTING

Marketing

2.00%

135,350

APPRAISAL SUMMARY**BPS SURVEYORS****Appendix 2 - 50% On Site
457-467 Holloway Road****Islington**

Letting Agent Fee	10.00%	1,345	
Letting Legal Fee	5.00%	673	
			137,368
DISPOSAL FEES			
Sales Agent Fee	1.50%	118,560	
Sales Legal Fee	0.50%	39,520	
			158,080
MISCELLANEOUS FEES			
Profit on Private	20.00%	1,353,500	
Profit on Commercial	15.00%	29,607	
Profit on AH	6.00%	56,644	
			1,439,751
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		6,697	
Construction		209,612	
Letting Void		5,542	
Other		72,766	
Total Finance Cost			294,617
TOTAL COSTS			7,904,013
PROFIT			0
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
Development Yield% (on Rent)	0.26%		
Equivalent Yield% (Nominal)	5.89%		
Equivalent Yield% (True)	6.11%		
IRR	6.23%		
Rent Cover	0 mths		
Profit Erosion (finance rate 7.000%)	N/A		

457-463 Holloway Road - GE Values

UNIT TYPE	COUNT	AVERAGE AREA SQ F	SALE PRICE	£ PSF
STUDIO	2	468	£ 377,500.0	807
1 BED	9	556	£ 439,444.0	790
2 BED	3	692	£ 553,333.0	800
3 BED	2	1125	£ 862,500.0	767
2 BED HOUSE	2	947	£ 832,500.0	879
3 BED HOUSE	1	1098	£ 950,000.0	865

Harper Building

UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ F	AVERAGE ASKING PRICE	AVERAGE £PSF ASKING	Comments
1 BED	1	507	£ 445,000.00	878	The Harper Building can be considered as the strongest comparative due to the fact that it was a commercial to residential conversion permitted under Permitted Development Rights. The Harper Building is also located fairly close to the subject development proposal, however the development arguably benefits from its superior proximity to Holloway Road Train Station.
2 BED	1	750	£ 599,950.00	800	
3 BED	2	884.5	£ 700,475.00	792	
UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ FT	AVERAGE PRICE ACHIEVED	AVERAGE £PSF ACHIEVED	
STUDIO	1	287	£ 305,000.00	1,063	
1 BED	6	499.6	£ 445,833.00	892	
2 BED	4	681	£ 602,500.00	885	
3 BED	2	857.4	£ 678,125.00	791	

Queensland Terrace

UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ F	AVERAGE ASKING PRICE	AVERAGE £PSF ASKING	Comments
STUDIO	2	363	£ 367,500.0	1,012	The Queensland Terrace development is located reasonably close to the subject development proposal but benefits from its superior proximity to Holloway Road Train Station.
1 BED	15	510.5	£ 496,827.0	973	
2 BED	2	766	£ 644,975.0	842	
3 BED	1	1034	£ 1,000,000.0	967	
UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ F	AVERAGE PRICE ACHIEVED	AVERAGE £PSF ACHIEVED	
1 BED					
2 BED					
3 BED					

2 Tufnell Park Road

UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ F	AVERAGE ASKING PRICE	AVERAGE £PSF ASKING	Comments
2 BED	4	802	£ 653,612.50	815	2 Tufnell Park Road (Rear of Odean Cinema) is the comparative located closest to the subject development proposal, however unlike the subject development, 2 Tufnell Park Road is a new build development.
UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ FT	AVERAGE PRICE ACHIEVED	AVERAGE £PSF ACHIEVED	
1 BED	2	506	£ 429,975.00	850	

400 Caledonian Road

UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ F	AVERAGE PRICE ACHIEVED	AVERAGE £PSF ACHIEVED	Comments
1 BED	5	560	£ 423,900.00	757	The 400 Caledonian Road scheme is located furthest away from the subject development proposal. The scheme appears to have performed badly and attained low values on a £psf basis. Data has been derived from transactions all dated in January 2016 and could be considered dated and not indicative of current local market conditions.
2 BED	8	765	£ 563,812.50	737	
3 BED	1	1046	£ 759,000.00	726	

321 Holloway Road

UNIT TYPE	No. Comparative units	AVERAGE SIZE SQ FT	AVERAGE PRICE ACHIEVED	AVERAGE £PSF ACHIEVED	Comments
1 BED	3	581	£ 419,000.00	721	The 321 Holloway Road scheme is located in close proximity to the subject property. The scheme appears to have underperformed in sales and as a result attained low £psf values. It should be noted that the data for this scheme was derived from transactions in final quarter of 2015 and can thus be considered dated.
2 BED	8	780	£ 548,118.75	703	
3 BED	3	973	£ 688,333.00	707	

Appendix 4
457-467 Holloway Road, Islington, N7
19 Unit Scheme

Development Appraisal
Prepared by BPS
BPS Surveyors
31 January 2017

APPRAISAL SUMMARY**BPS SURVEYORS****Appendix 4
457-467 Holloway Road, Islington, N7****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation					
Residential - Private Sales	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
	19	13,079	808.00	556,202	10,567,832

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rent	19			375	7,125	7,125
Commercial Units	<u>1</u>	<u>538</u>	25.00	13,450	<u>13,450</u>	<u>13,450</u>
Totals	20	538			20,575	20,575

Investment Valuation

Ground Rent					
Current Rent	7,125	YP @	5.0000%	20.0000	142,500
Commercial Units					
Market Rent	13,450	YP @	6.5000%	15.3846	
(9mths Unexpired Rent Free)		PV 9mths @	6.5000%	0.9539	197,377
					339,877

GROSS DEVELOPMENT VALUE 10,907,709

Purchaser's Costs	(4,934)			(4,934)
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NET DEVELOPMENT VALUE 10,902,775**NET REALISATION 10,902,775****OUTLAY****ACQUISITION COSTS**

Residualised Price			1,882,678	1,882,678
Stamp Duty		4.00%	75,307	
Agent Fee		2.00%	37,654	
Legal Fee			10,000	
				122,961

Other Acquisition

Site Security, insurance etc			10,000	10,000
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CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Construction Costs	17,342 ft ²	270.67 pF	4,694,005	4,694,005
Mayoral CIL			101,837	
Energy Sum			447,227	
Energy Contributions			21,840	
Section 106			1,900	
				572,804

PROFESSIONAL FEES

Prof Fees		12.00%	563,281	563,281
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MARKETING & LETTING

Marketing		2.00%	214,207	
Letting Agent Fee		10.00%	1,345	
Letting Legal Fee		5.00%	673	
				216,224

DISPOSAL FEES

Sales Agent Fee		1.50%	163,542	
Sales Legal Fee		0.50%	54,514	
				218,055

MISCELLANEOUS FEES

Private Profit		20.00%	2,142,066	
Commercial Profit		15.00%	29,607	

APPRAISAL SUMMARY**BPS SURVEYORS****Appendix 4****457-467 Holloway Road, Islington, N7**

2,171,673

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

Land	117,763
Construction	206,452
Letting Void	63,439
Other	63,439

451,094

TOTAL COSTS**10,902,775****PROFIT****0****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.19%
Equivalent Yield% (Nominal)	5.89%
Equivalent Yield% (True)	6.11%
IRR	6.31%
Rent Cover	0 mths
Profit Erosion (finance rate 7.000%)	0 mths

457 - 463 Holloway Road, London, N7 6LJ

Addendum Report

30 March 2017



1.0 Introduction

- 1.1. BPS Chartered Surveyors has been instructed by The London Borough of Islington ('the Council') to review an Economic Assessment prepared by Gerald Eve on behalf of Metdist Enterprises Ltd ('the applicant') in respect of the property at 457-463 Holloway Road.
- 1.2. This addendum report follows our initial report dated 30 January 2017 and the subsequent response from Gerald Eve dated 15 February 2017.

2.0 Conclusions and Recommendations

- 2.1. There remains disagreement between BPS and Gerald Eve (GE) with regards to the process of determining both the appropriate market value and site value benchmark and consequently the overall financial viability of the site. Our approach reflects relevant national, regional and local planning policies, this includes the Mayor's Housing SPG and the Islington Development Viability SPD in seeking to arrive at a benchmark reflecting existing use and where appropriate alternative use together with a land owner premium where appropriate.
- 2.2. Given the continued disagreement between ourselves and Gerald Eve as to the appropriate basis for using market evidence of property sales as a basis for determining a suitable benchmark land value we have concluded that we are unlikely to reach a shared opinion on this approach to benchmarking site value given that in principle we sit some distance apart. Our opinion of site value being £1.15m which differs substantially from the £3m proposed by Gerald Eve.
- 2.3. We note that our last report concluded that the scheme could deliver a contribution to a value of £775,000. Following that report we understand the scheme has been reduced in scale and applying the same approach we now calculate the scheme could deliver a contribution of £500,000. By contrast the applicant has offered £250,000.
- 2.4. In that there now seems to be relatively little difference between our respective figures and in applying a reasonable approach we have reviewed any outstanding areas of disagreement.
- 2.5. In our initial assessment of AUV we made no value allowance against the existing office premises. This reflected the findings of our 27 July 2016 report which concluded that office use was no longer viable.
- 2.6. Although the former offices have a nil current use value we have considered whether it would be realistic to ascribe a value to the built form to allow a contrast between a cleared site. This recognises that were consent to be granted for the proposed scheme the developer would benefit from the presence of an existing structure for conversion rather than be faced with the cost equivalent of new build.

- 2.7. The cost advice provided by our Cost Consultant indicates a high reuse cost rate as such there may not be a material cost advantage to reuse rather than rebuild but it is also logical to assume that a rational developer would adopt the route which generated highest sales values relative to cost. In this sense conversion of the existing structure must be viewed as potentially conferring an advantage over new build.
- 2.8. To arrive at a break even appraisal which generated the applicant's proposed contribution of £250,000 would require an increase in our AUV approach of £400,000. Assuming this figure was attributed to the former office space we calculate that it equates to a rate of £431 per m² (£40 per ft²). This rate compares to an anticipated sales rate of £8,697 per sq m (£808 per sq ft) and reflects a land value of just under 5% which is a relatively modest hurdle rate when considering site value.
- 2.9. Including the allowance for the office space at £400,000 into our previous AUV would result in an updated AUV of £1,350,000 and would adjust our residual value surplus to a figure of £250,000.
- 2.10. In considering our benchmark value as previously reported ascribing a value to the former offices is not incompatible with an EUV/AUV approach. Equally our earlier nil valuation of this space could be argued to not adequately reflect a land owners realistic hope value, acknowledging that consent for a change of use is implicit having established the current use as offices is no longer viable.
- 2.11. The purpose of this report is to highlight our view that there is scope in our view to apply a more flexible approach to defining AUV as part of our benchmark which as accounted for above would indicate the applicant's affordable housing offer is the maximum reasonable sum.
- 2.12. Given uncertainty over future costs and values we would suggest that a review of viability is undertaken on an outturn basis in order to capture a fair proportion of any potential uplift in scheme value in accordance with the Council Development Viability SPD adopting our suggested revised benchmark of £1,350,000.

BPS Surveyors