

# NEWCOMBE HOUSE, 45 NOTTING HILL GATE, 39-41 NOTTING HILL GATE AND 161–237 (ODD) KENSINGTON CHURCH STREET – PLANNING APPEAL BY NOTTING HILL GATE KCS LIMITED

## SUPPLEMENTARY STATEMENT OF COMMON GROUND: VIABILITY

### 1 Introduction

- 1.1 The note is a Supplementary Statement of Common Ground on the scheme viability between Ms Dickinson (Quod, representing Notting Hill Gate KCS Limited) and Mr Richard Green (representing Greater London Authority).
- 1.2 The note is structured as follows:
1. Section 2: Development Proposals
  2. Section 3: Approach
  3. Section 4: Assumptions
  4. Section 5: Appraisal Outputs

### 2 Development Proposals

- 2.1 The GEA floorspace areas are summarised in table 1.1. A full schedule is provided in Appendix 1.

Table 1.1 Proposed Floorspace

Use (Use Class)	Proposed Maximum Floorspace GEA (m2)
Residential (C3)	10,585
Office (B1)	5,306
Retail (A1-A3)	2,935
GP Surgery (D2)	1,075
Car Parking	<b>25 Residential spaces 5 surgery spaces</b>

- 2.2 The proposed affordable housing comprises:
1. 23 affordable homes, 35% of the proposed habitable rooms.
  2. All affordable homes are provided as rental tenures recognising the affordability challenges of discount market sale products such as Shared Ownership locally.
  3. The tenure split is 50% London Affordable Rent by area, a product equivalent to social rent, and 50% Discounted London Living Rent, an intermediate tenure - reflecting Borough housing requirements.

4. A mix of 1, 2 and 3 bed affordable units are provided to meet a range of needs.

2.3 In addition to the on site affordable housing the scheme will bring forward a comprehensive package of benefits including, but not limited to:

1. The Section 106 Agreement secures the acquisition of at least 10 existing properties delivering a minimum of 30 habitable rooms on the open market to be refurbished and then rented to households nominated to RBKC. The Section 106 does not restrict the location of these homes to within RBKC, but does protect the nominations to RBKC.
2. A new GP surgery is proposed to include car parking in the basement.
3. The Applicant is to pay for the delivery of step free access from street level to the southbound Circle and District Line in Notting Hill Gate Station is provided through two new lifts and walkways. The route passes through the basement of the development and can only be delivered as part of comprehensive development of the site.

2.4 A two-stage review mechanism is also secured through the Section 106 Agreement.

### 3 Approach

3.1 A residual appraisal methodology is adopted and is agreed as being robust and appropriate. The output is developer profit which is compared to the agreed Benchmark Developer Return target of 16.4%.

### 4 Agreed Assumptions

4.1 The following assumptions have been reviewed and are agreed.

#### Private Sales Values

4.2 Savills prepared an individual unit pricing of the illustrative scheme. This pricing has been informed by achieved sales prices from local comparables having regard to the specific circumstances of this scheme. The pricing ranges between £1,801 to £4,223 psf depending on the unit size, location, outlook, amenity space etc. The average capital value is agreed at £2,846.60 psf. This excludes car parking.

#### Ground rents

4.3 Ground rents are agreed at £772,000 based on £965/unit capitalised at a 4% yield multiplied by the 32 private homes.

#### Affordable Housing Values

4.4 The agreed affordable housing values for the London Affordable Rent (replacement social rent) and London Living Rent (intermediate) are:

1. £239 psf London Affordable Rent
2. £282 psf London Living Rent

#### Car Parking Revenue

- 4.5 The scheme includes 30 car parking spaces, 25 of which will be allocated to residential units and sold. Savills have advised of the value and this is agreed at £150,000 per space allocated to a residential unit. The 5 remaining spaces are allocated to the health centre and have no value attributed.

#### Commercial Values

- 4.6 The commercial assumptions are as follows:

Tenure	Rent	Yield	Rent Free
Office	£63.00 psf	4.5%	18 Months
Retail	£57.46 psf	4.25%	1 Month
Surgery	£31.66 psf	4.5%	-
Farmers Market	£10,500	7.5%	6 months

#### Build Costs

- 4.7 Cost consultancy Cast has prepared detailed construction costs informed by the amended scheme area schedule and scheme designs. The Cost Plan is dated September 2019 the agreed costs are:

1. Construction Costs: £113,892,682
2. Step free access and GP surgery fit out: £7,775,923

#### Professional Fees

- 4.8 An allowance of 12% is agreed for professional fees – it is agreed that this is not applied to the Step free access.

#### Finance Costs

- 4.9 A finance rate of 6.5% is agreed. This is inclusive of arrangement and exit fees.

#### CIL & S106

- 4.10 The agreed total cost for Local and Mayor CIL is £3,338,743, comprising:

1. Mayoral CIL: £2,581,689
2. Local CIL: £757,054

- 4.11 Additional Section 106 contributions agreed total £669,976, these are included as indicial line items in the appraisal for monitoring, traffic management plan, public art etc.

#### Sales Marketing, Disposals & Purchaser Costs

- 4.12 The following assumptions are agreed:

1. Residential-Marketing – £2,500,000
2. Commercial Marketing – £250,000
3. Commercial Letting and Agent Fees – 10% and 5% of annual rent received
4. Sales Agent Fee – 1% of GDV

5. Sales Legal Fee – 0.5% of GDV
6. Purchaser costs - 6.8%

#### Land Value

- 4.13 The land value of the site is assessed on the basis of the existing buildings in their existing use. This approach is agreed to be entirely consistent with viability guidance contained in the GLA SPG and the PPG. This is agreed as £34.92 million.

## 5 Appraisal Results

- 5.1 The profit on GDV is 10.26%. A copy of this appraisal is provided at Appendix 1. This is below the agreed Targeted Developer Profit of 16.4% evidencing that the proposed affordable housing is in excess of what can be justified on the basis of viability alone.

Table 2 Summary of Scheme Viability

#### Scheme Revenue

Total Revenue	£243,183,241
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#### Scheme Costs

Total Development Costs incl Land	£217,636,323
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#### Appraisal Outcome

<b>Residual Developer Return</b>	<b>£25,546,918</b>
Residual Developer Return % of GDV	10.26%