



**GERALDEVE**

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**Land at Mount Pleasant delivery and sorting office, in London Borough of Camden, and in London Borough of Islington.**

On behalf of Royal Mail Group

Position Note One: Introduction, Background, Phasing and Enabling Costs

[Redacted Version]

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November 2012

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## 1 Introduction

- 1.1 Gerald Eve LLP is instructed by Royal Mail Group ("RMG") to undertake a financial assessment of a mixed-use development proposal at Mount Pleasant delivery and sorting office, more specifically land known as Calthorpe Street and Phoenix Place ("the Site" or "the Mount Pleasant Site"), which is the subject of a Supplementary Planning Document ("the SPD") adopted in February 2012 by both London Borough of Camden ("LBC") and London Borough of Islington ("LBI"). A Masterplan prepared by Terry Farrell architects and masterplanners was developed that informed the SPD. We attach the SPD at **Appendix 1**. The Masterplan and therefore the SPD propose a holistic approach to development across the Mount Pleasant Site<sup>1</sup>.
- 1.2 Subsequent to the publication of the SPD, RMG has instructed a team of consultants to prepare and submit three detailed planning applications for the Mount Pleasant Site. One application to LBC in respect of the Phoenix Place Site, and two applications to LBI in respect of the Calthorpe Street Site. It is anticipated that these applications will be submitted in Q1/2013.
- 1.3 This document is the first of a number of detailed "Position Notes" ("PNs") which form part of pre-application discussions with the District Valuation Service ("the DVS") who are jointly appointed by LBC and LBI to independently review viability in respect of the Mount Pleasant Site.
- 1.4 We understand that the Greater London Authority ("GLA") will also rely upon the findings of the DVS.
- 1.5 The information used in this PN and from all supporting documentation will ultimately inform a holistic financial viability assessment ("FVA") which will look at the entirety of the development proposals. When finalised, the financial assessment will seek to establish an appropriate level of affordable housing and planning obligations as an aggregated "pot". In other words, to assess what the proposals, which are the subject of the planning application, can afford as planning contributions to both Boroughs having regard to what is the maximum reasonable level.

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<sup>1</sup> See paragraph 4.3.40 of the joint SPD

- 1.6 The FVA will be prepared having regard to the National Planning Policy Framework (“NPPF”), London Plan, LBC’s and LBI’s (collectively known as “the Councils”) Core Strategies, saved UDP Policies and generally accepted principles and guidelines in undertaking FVAs.
- 1.7 All the PNs will be prepared having regard to the RICS Guidance Note “Financial Viability in Planning” (“the RICS GN”), which was published in August 2012. The PNs should be considered as a whole and, as stated above, when combined, will form a major part of the FVA.
- 1.8 Specifically, this PN provides a general introduction to RMG’s overarching strategy for its central London operations and a background into the Site including development obstacles which need to be accounted for to enable development. The information is in a form where the DVS will have the opportunity to review and comment accordingly.
- 1.9 This PN also sets out a number of abnormal and exceptional costs which have been incurred, are currently being incurred, and are going to be incurred during specific “Phases”. The Phases are also defined. The remainder of this PN is therefore set out under the following headings:
  - Royal Mail Group Overarching Strategy;
  - Background to the Site;
  - Phasing, Costings and Exceptional Costs;
- 1.10 At the time of writing, RMG and its consultants are currently in active consultation with the Councils, and as a result there is still some fluidity associated with the planning applications, especially in relation to the detail of the proposals.
- 1.11 This report and its appendices are commercially sensitive and therefore will only be provided to the Councils’ advisers on a confidential basis.
- 1.12 Bespoke financial appraisals will be built to assess the viability of the Applications. The complexities associated with the development of the Mount Pleasant Site mean that the GLA’s Development Control Toolkit is an inappropriate model to use in this instance.

1.13 In order to inform our PNs we have and will be relying upon information provided by a number of other consultants which includes five architectural practices. The principal members of the planning application team are as follows:

- Terry Farrells (Architects/Masterplanner) – original masterplan informing the SPD (Islington)
- Wilkinson Eyre (Architects) – roofing over yard, operations and residential (Islington)
- Allies & Morrison (Architects) – perimeter buildings (Islington)
- Feilden, Clegg & Bradley (Architects) – museum and residential (Camden)
- Allford, Hall, Monaghan & Morris (Architects) – residential and commercial (Camden)
- **Davis Langdon (Cost consultants – enabling works and development)**
- **Rider Levett Bucknall (Cost consultants – RMG operational work)**
- DP9 (Planning consultants)
- Knight Frank (Residential advisors)
- Knight Frank (Office and retail advisors)
- Camlins (Landscape Architects)
- Gordon Ingram Associates (Rights of Light Surveyors)
- **M3 (Development Managers)**
- **Royal Mail Group**

1.14 The team members highlighted in bold are principal contributors to this PN. A number of appendices are introduced and referred to in the text of the report.

1.15 This PN has been prepared as at November 2012 in the context of the prevailing uncertain economic climate (both UK and in the Eurozone). As a result, it may be necessary to revise and update the inputs prior to the preparation of the FVA, and therefore resulting outturns.

## 2 Royal Mail Group Overarching Strategy

### Introduction

- 2.1 In this section we provide an outline of the overarching business strategy which RMG has formulated across London in respect of a consolidation of their current operations and future service provision. The strategy is an intrinsic part of the viability assessment as both an input into the financial rationale and as a consequential output.

### RMG Operations and Obligations

- 2.2 RMG is subject to and operates under the 2000 Postal Services Bill, which also set up the regulator POSTCOMM. RMG is therefore governed under a licence, the Universal Services Obligation (“USO”). This in effect requires RMG to provide a “one price goes anywhere”, six days a week service to all addresses in the UK.
- 2.3 Given RMG’s delivery obligations and the resulting nature of their operations, it would be impractical to relocate delivery operations too far away from where the actual deliveries take place. Operating and maintaining delivery operations in central London is therefore paramount to the business as well as being a requirement of the USO.
- 2.4 It should therefore be recognised that RMG is unique, given the USO, to other postal corporates. Obligations placed upon RMG clearly carry inherent costs that are locked into being close to the areas which they service. This means that any strategy relating to operational efficiencies requires investment into properties, which when it comes to city centre locations, can obviously be very costly. It also means that sites that are to be released carry inherent costs in terms of adapting existing operations for consolidation, which will then enable them as sites for redevelopment. These in turn must be reflected in any business strategy and therefore financial viability assessment.

### Strategy and resulting costs

- 2.5 RMG’s proposed strategy in terms of improving operational efficiencies has been predicated upon the release of certain sites and reinvestment in others.

- 2.6 The Mount Pleasant sorting office, which with investment, has the capacity to absorb additional functions in order to consolidate RMGs central London functions. Whilst there are relocation costs that can and should be absorbed by natural operational expenditure, there are also costs which are specific to the Mount Pleasant Site that will be incurred as a result of the release of land for redevelopment. These enabling costs take account of the true cost of bringing the Site forward for redevelopment, as well as taking account of RMG's obligations under the USO as outlined above.
- 2.7 In section 4 we provide more detail on enabling costs which we have taken into account in the appraisals and therefore financial justification. These include investment in the main towards work required within the Basement and on the First Floor of the Mount Pleasant sorting office, and work to North Yard to maintain operational efficiencies<sup>2</sup>.
- 2.8 The following table sets out the cost headings associated with the Phoenix Place Site in order to enable development.

**Table 1: Phoenix Place Enabling Costs Headings**

|    | Type of Work                           |                  | Description   |
|----|--|------------------|---|
| P1 | LOB External Wall & Roof Treatment     | Phase 2          | A proportion of the total costs to upgrade the façade of the Letters Office Building (LOB) to provide views from the residential development that will support assumed residential values – of the overall cost is allocated as an enabling cost and of this is associated with the Phoenix Place development |
| P2 | Acoustic Treatment to West Loading Bay |                  | The costs to rework the façade and provide acoustic attenuation between the west loading dock and the Phoenix Place receptors   |
| P3 | East facing residential - south        | Development Work | Bomb proofing to the residential facing the RMG Operations facility   |
| P4 | Sub structure complication             |                  | Associated with a 7m drop across the length of the Site   |
| P5 | Staff Parking Permanent                |                  | New built basement car park (150 to 200) Site to replace existing facility on Phoenix Place   |
| P6 | Temporary Staff Parking                |                  | 150-200 spaces temporarily relocated over 2-3 years at NCP at Bowling Green Lane during the construction of replacement facility  |

Source: M3 Consulting

<sup>2</sup> The SPD makes reference to the enabling costs from paragraph 4.3.44 onwards



2.9 The following table sets out the cost headings associated with the Calthorpe Street Site in order to enable development.

**Table 2: Calthorpe Street Enabling Costs Headings**

|     | Type of Work                               |                  | Description  |
|-----|--|------------------|--|
| C1  | Internal Fabric & North Road strengthening | Phase 1          | Removal of escalators, and strengthening to the Service Yard (North Road) to allow Ground Floor to accept the First Floor Mail Processing functions  |
| C2  | M&E Services                               |                  | Relocation of M&E services and upgrades to allow intensified use of the Ground Floor   |
| C3  | Internals Fabric and MEP - Basement        | Phase 2          | Rework to the internal fabric and M&E systems at Ground, First and Basement to allow the relocation of the Delivery Office from Basement to First Floor  |
| C4  | MEP Shell & Core                           |                  | Upgrade to M&E Shell & Core Systems to suit reconfigured floor functions   |
| C5  | LOB External Wall & Roof Treatment         |                  | A proportion of the total costs to upgrade the façade of the Letters Office Building (LOB) to provide views from the residential development that will support assumed residential values – [REDACTED] of the overall cost is allocated as an enabling cost and [REDACTED] of this is associated with the Calthorpe Street development |
| C6  | POB External Wall Treatment                |                  | A proportion of the total costs to upgrade the façade of the Public Office Building (POB) to provide setting for the residential development that will support assumed residential values – [REDACTED] of the overall cost is allocated as enabling costs and [REDACTED] of this is associated with the Calthorpe Street development   |
| C7  | Basement LOB                               | Operational Cost | Non building works costs associated with the relocation of RMG vehicles to LOB Basement  |
| C8  | LOB Ground Floor                           |                  | Non building works costs associated with Mail Processing intensification & Automation  |
| C9  | LOB First Floor                            |                  | Non building works costs associated with the relocation of the DO to First Floor from Basement   |
| C10 | North Road & Ramp Structure                | Phase 3          | Structural Work to widen the North Road and build new ramps so that northern part of the Site can be released for development  |
| C11 | North Road Acoustic Roof                   |                  | Heavyweight Intensive roof to deal with noise and light pollution to allow residential development to exist adjacent to the North Road   |
| C12 | Basin                                      |                  | Ground Floor structural slab formed over the existing basin to create separation between the residential development and the RMG operations  |
| C13 | LOB Basement                               |                  | Making the LOB basement ready for vehicles: vent, light, sprinklers etc. so that RMG vehicles can vacate the majority of the basin and the space made available for the Calthorpe Street development   |

|     |                                     |                  |  |
|-----|-------------------------------------|------------------|--|
| C14 | South facing residential - south    | Development Work | Bomb proofing to the residential facing the RMG Operations facility  |
| C15 | North Road - above ground           |                  | Thermal, acoustic and structural treatment to the residential units that sit over the new ramp structure   |
| C16 | Foundations to development          |                  | Structural complications associated with forming foundations through the mail rail and fleet sewer branch for the Phase 3 works and the residential development  |
| C17 | NW corner at Mail Rail depot access |                  | Costs associated with maintaining emergency egress from the Mail Rail 'Depot' through the development as well as conversion of the Mail Rail loading access shaft to suit landscape proposals - pre cast planks etc. |

Source: M3 Consulting

- 2.10 In summary RMG can only deliver up the Site for redevelopment if the business case for doing so is met. RMG is governed by statute through the USO, and has developed its business strategy accordingly which in-turn establishes the basis upon which it can implement such a strategy if its financial requirements are met. This necessitates certain financial parameters to be met as briefly outlined above in respect of the enabling costs and relocation costs in relation to a re-provision of parking, in consolidating existing facilities. If not, the development of the Calthorpe Street Site and the Phoenix Place Site (and other facilities outlined above) would not proceed for the foreseeable future.

### 3 Background to the Site

#### Location Overview

- 3.1 The Mount Pleasant Site is approximately 4.8 ha (11.9 acres), and is situated on the western periphery of Clerkenwell. It lies south of King's Cross and to the north of Holborn and Hatton Garden. The City of London is c.1.2 km to the south east. King's Cross station is within 10 minutes' walk north. A location plan of the Site is attached as part of the SPD<sup>3</sup>. Phoenix Place is the borough boundary separating LBI from LBC, and obviously separates the two parcels of land.
- 3.2 The Phoenix Place Site, is approximately 1.2 ha (3 acres), and the larger Calthorpe Street Site located on Farringdon Road, is approximately 3.6 ha. The Calthorpe Street Site contains the sorting office (formed of the Letter Office Building ("LOB") and Public Office Building ("POB")). A useful aerial photograph of the Site and area is within the SPD<sup>4</sup>, which identifies the two parcels of land and the sorting office.

#### Description

- 3.3 The Mount Pleasant Site currently comprises the Central London Mail Centre (Mail Processing), some international distribution, the City Delivery Office and associated operations of RMG. These main operations are located within the under-utilised existing building which is known as the Royal Mail sorting office.
- 3.4 The Site also incorporates the British Postal Museum and Archive ("BPMA"). There is an underground Mail Rail depot located on the Site that ceased operation in May 2003, which we comment upon further below.
- 3.5 The service yard (North Road) located north and west of the sorting office is currently used for operational vehicle parking and loading. The area located south-west of the main building adjacent to Phoenix Place is used for staff car parking. The Phoenix Place Site also accommodates a separate three storey office building.

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<sup>3</sup> See pages 8 and 55 of the joint SPD

<sup>4</sup> See page 7 of the joint SPD

- 3.6 The main access to the Site is currently positioned on the eastern boundary from Farringdon Road. Vehicles can currently exit the Site onto Phoenix Place or Farringdon Road, or alternatively onto Mount Pleasant in emergencies.
- 3.7 The Site has been used for sorting mail for over 120 years. The existing sorting office is a 4-6 storey complex (commercial storey heights) fronting Mount Pleasant with a prominent presence on the Farringdon Road/ Rosebery Avenue corner. The buildings date from the late 1920s and mid 1930s although have been altered over time.
- 3.8 The Phoenix Place Site is currently underutilised. Most of the previous buildings have been demolished to basement level, leaving open areas of unmade ground for parking which gives the site a derelict appearance, although two administrative buildings (three and one storey) still remain. Various planning permissions have been obtained for operational facilities for RMG but none have been implemented.

### **Transport**

- 3.9 The Site is located in Zone 1 and is well served by public transport. It lies between King's Cross / St Pancras and Farringdon stations, both of which are within a ten minute walk. King's Cross / St Pancras is served by six London Underground lines (Victoria, Northern, Metropolitan, Circle, Hammersmith & City and Piccadilly) as well as regional, national and international train services. Farringdon station is also served by three London Underground lines (Circle, Metropolitan and Hammersmith & City). When Crossrail opens in 2018, Farringdon will also be served by Crossrail trains.
- 3.10 Other London Underground Stations at Angel, Chancery Lane, Holborn and Russell Square are also within a ten minute walk.

### **Topography**

- 3.11 The Site slopes considerably, with a level change of some eight metres along Mount Pleasant, rising eastwards and a five metres drop heading south along Phoenix Place.

## Underground constraints

- 3.12 The River Fleet flows in a culvert beneath Phoenix Place, providing a combined storm and foul sewer. A branch to this culvert runs under the Calthorpe Street Site. In addition, high voltage cables also pass underneath the street. The Calthorpe Street Site is also affected by the Mail Rail tunnels and supporting structures, which were constructed in the early 20th Century.
- 3.13 Mail Rail lines are beneath the Site and a Depot is located on the Site. Mail Rail comprises a series of tunnels and stations running beneath central London from Paddington to Whitechapel and was used for the transport of mail via underground trains. It ceased operation in May 2003 and is maintained in a mothballed state. The Depot provides the only place where plant or equipment of any size can be brought into the Mail Rail system and this access as well as ventilation shafts and emergency egress must be retained.
- 3.14 It is likely that Mail Rail will restrict foundation design due to the complexity of the tunnels, size of the station and the various access points down to track level in relation to any buildings / basements proposed above. It is considered unlikely that Mail Rail would ever be used for this purpose again, however RMG consider it is important to safeguard these tunnels.
- 3.15 The Metropolitan Underground Line runs underneath Farringdon Road, on the eastern edge of the Site. Whilst the tunnels lie outside the Site boundary, any foundations built close to the boundary would invariably need to comply with exclusion zones and zones of influence. Vibration would also need to be considered for residential / commercial development along Farringdon Road. A drawing identifying the underground constraints is attached at **Appendix 2**.

## Historical context

- 3.16 Since the area was first developed in the mid-18th century, the Mount Pleasant Site has been home to a series of large single functions and lacked streets running through it. The Site was first used as a large rubbish tip in the 18th century, then a prison in the 19th century, and finally a postal sorting office in the 20th century.

## Site surroundings

- 3.17 The surrounding area is varied in nature, comprising mixed use neighbourhoods of different character. To the south lie relatively low scale but high density mixed use buildings within Hatton Garden Conservation Area. The conservation area extends as far as Mount Pleasant. The buildings along Mount Pleasant generally range from three to six stories and provide active ground floor uses with commercial or residential accommodation above. These uses extend over Farringdon Road into Exmouth Market, a hub of restaurants, cafes and shops. Clerkenwell Fire Station (listed Grade II) is located at the junction of Rosebery Avenue and Farringdon Road.
- 3.18 To the west of the Site lie two substantial modern office buildings – New Printing House Square (222-236 Gray's Inn Road, which is seven-eight storeys) and the ITN Building (200-214 Gray's Inn Road, which is 10-11 storeys)<sup>5</sup>. To the north (within Camden) lies the Bloomsbury Conservation Area with early 19th Century Grade II listed residential terraces made up of traditional three-four storey townhouses. Nos 26-50 Calthorpe Street immediately abutting the northern boundary of the Phoenix Place Site are listed Grade II. At the junction of Calthorpe Street and Gray's Inn Road is the Holiday Inn hotel, a nine storey building<sup>6</sup>.
- 3.19 On the eastern side of Farringdon Road lie four storey residential terraces within the Rosebery Avenue Conservation Area. The conservation area boundary was extended by Islington in 2003 specifically to include the entire Mount Pleasant Site, in anticipation of redevelopment (albeit conservation areas should not be used as a tool to exercise control over redevelopment). To the south, 47-57 Rosebery Avenue (located in Camden) are Grade II listed buildings, 3 storeys in height with attics and cellars. No 45 which is the Apple Tree Public House is a two storey Grade II listed building.

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<sup>5</sup> Great Ropemaker Partnership (50:50 JV between Great Portland Estates and BP Pension Fund) purchased this in October 2011 for £132.75m, as reported in Focus.

<sup>6</sup> A useful plan to review local land use is shown on page 10 of the joint SPD

## 4 Phasing, Costings and Exceptional Costs

### Introduction

- 4.1 Prior to any development occurring, in particular on the Calthorpe Street Site, there is a significant amount of enabling work that is required in order to free the Site from encumbrances to allow development.
- 4.2 A number of these costs associated with refurbishment of POB and LOB are considered to be wholly related to the operational works, and are not associated with the enabling of the site for redevelopment.
- 4.3 For reference, phasing and sequencing plans are attached at **Appendix 3**.

### Enabling Phase 1

- 4.4 Below we set out the timing of the Enabling Phase 1:
- Refurbishment of ground floor undertaken from April to September 2011.
  - International operations removed by July 2011.
  - Installation of new automation July 2011 to September 2011.
  - Ground floor operational from September 2011.
  - Mail move from East London complete by September 2011.
  - First floor fully vacant by January 2012.
- 4.5 The bulk of the non-enabling operational, or consolidation costs are associated with Enabling Phase 1, and were expended between September 2011 and January 2012. This work has now been finished and costs are known and accounted for. Whilst none of the Enabling Phase 1 works relate directly to the ability to bring forward the Site for redevelopment, we are of the view that some can be attributable and are not too remote to be completely discounted. The Enabling Phase 1 works can be summarised as follows:
- the reorganisation of some of uses on the second floor
  - the reorganisation and atomisation of the Mail Processing on the ground floor of the

POB.

- the relocation of Mail Processing from the 1st floor to the reorganised ground floor.

4.6 This has freed up space on the 1st and 2nd floors and provided the opportunity to implement Phase 2.

**Table 3: Reasonable costs in Phase 1 associated with enabling of the Site**

|         | Phase | Description   | £ cost     |
|---------|-------|---|------------|
| Phase 1 | C1    | Removal of escalators, and strengthening to the Service Yard (North Road) to allow Ground Floor to accept the First Floor Mail Processing functions | ██████████ |
|         | C2    | Relocation of M&E services and upgrades to allow intensified use of the Ground Floor  | ██████████ |

4.7 In overall terms the outturn expenditure on Enabling Phase 1, associated with the enabling of the Site is estimated to be ██████████ (we appreciate that this figure will require further justification), which are set out in the table above as costs that are deemed appropriate to the viability assessment

#### **Enabling Phase 2** ██████████

4.8 Below we set out the timing of the Enabling Phase:

- Refitting of first floor and Customs Unit on second floor ██████████
- EC delivery office move from basement to first floor in ██████████
- W1 delivery office move from Rathbone to first floor in ██████████
- WC delivery office move from Rathbone to second floor in ██████████

4.9 A proportion of costs in Enabling Phase 2, in our view, relate directly to the ability to bring forward the redevelopment of the Mount Pleasant Site. The Enabling Phase 2 works can be summarised as follows:

- the relocation of the EC Delivery Offices from basement to 1st floor;
- reworking the windows and facades of the LOB and the POB to provide an



general improvement in the tone of the area; and

- reorganisation and upgrade of the Mechanical and Electrical systems to suit the revised arrangement and intensity of uses through the building.

4.10 The above and the reworking of some basement functions has freed up the basement providing the opportunity to implement Phase 3.

4.11 Attached at **Appendix 4** is an interim cost plan for Enabling Phase 2, prepared by Rider Levett Bucknall (“RLB”) cost consultants. This has been marked up to show the extent of costs that are considered appropriate for enabling costs.

4.12 The table below is a summary of this cost plan showing all Phase 2 identified costs and beneath this is the same schedule adjusted to include only elements that contribute to the delivery of the residential developments.

**Table 4: Summary of RLB interim Enabling Phase 2 costs**

**[Redacted]**

- 4.13 The following table has been prepared by M3 Consulting, and identifies the costs which are considered to be directly associated with the enabling of the Site for redevelopment.

**Table 5: Adjusted Summary of RLB interim Enabling Phase 2 costs associated with enabling work**

**[Redacted]**

**Enabling Phase 3** (“Calthorpe Street site enabling works”) -

[REDACTED]

4.14 Below we set out the timing of the Enabling Phase 3:

- Refitting of basement for RMG vehicles [REDACTED]
- Construction of new ramp [REDACTED]
- Acoustic work and basin lid construction [REDACTED]

4.15 DL has produced an “Indicative Cost Model” dated September 2012, which represents the Mount Pleasant Scheme Freeze 1 (SF1) issued by the five Architects. We attach the Indicative Cost Model as **Appendix 5**. The cost model reflects present day prices (*excluding inflation*) and provides indicative current day construction cost for the construction of private and affordable residential apartments, commercial office and retail units, basement and above ground car parking, external works. The “Calthorpe Street site enabling works” (see Enabling Phase 3 works at paragraph 4.10 onwards of this PN), are shown “below the line”. This “below the line” figure has been based upon architectural drawings as listed in Section 10 of the Indicative Cost Model. The Cost Model is a present day fixed price at 3rd Quarter 2012 price levels and includes [REDACTED]

[REDACTED]

4.16 The entire costs associated with Enabling Phase 3 are considered to be fundamental to delivery of development and the agreed amounts will be contained in full into the final financial viability appraisal. In summary the work associated with the Enabling Phase 3 are as follows:

- Stage 1 – Phased works to the LOB basement to make it ready for RMG vehicles. Basement level foundations for the new developments Acoustic Roof and Farringdon Road Office Building. Royal Mail Operations uninterrupted;
- Stage 2 – Phased construction of the double box ramp structure along the

north of the North Road with RMG operational vehicles uninterrupted;

- Stage 3a - relocation of the RMG delivery vehicles from the Calthorpe Street Site to the north into the Basement prepared under the LOB;
- Stage 3b – Construction of the acoustic roof – built in sections and launched over the North Road within a weekly 12hr slot when the North Road can be taken out of operation; and
- Stage 3c – construction of the ground floor slab over the southern part of the existing basement/basin to contain and separate the RMG operations from the development.

4.17 In the table below we summarise the costs associated with Phase 3.

**Table 6: Summary of cost for Enabling Phase 3**

Source: Davis Langdon

[Redacted]

4.18 We summarise in the table below the total costs we consider are attributable to enable the Site's development.

## Table 7: Summary of cost for Enabling Phases

[Redacted]

- 4.19 It is considered that the entire [REDACTED] should be included in the Applications' financial viability case, given that all of the work will enable the redevelopment of the Site.

### Construction Costs

- 4.20 DL's Indicative Cost Model sets out a summary of cost for the Applications, for the development of the Phoenix Place Site, and the Calthorpe Street Site. Once a detailed cost report of the Applications is prepared, we will forward this on with a covering PN.

### Exceptional Site Costs

- 4.21 Included in the costs associated with the on Phoenix Place Site are the costs associated with the re-provision of RMG staff car Parking – between 150 and 250 spaces.
- 4.22 Many of the postmen and women need to arrive at Mount Pleasant outside the hours when public transport provide a regular service and so there is a need to provide parking for their private cars. The Phoenix Place development will sit over the current RMG car parking site and so, as part of the development, a new basement level car park needs to be provided.
- 4.23 There is also a need to provide parking for the postal workers during the development construction period. It is envisaged that this will be provided by the block booking of spaces at the nearby NCP car Park. [REDACTED]
- 4.24 The provision of car parking facilities is intrinsic to the operations of RMG, given the nature of a 24-hour a day, seven-days-a-week business. As we have highlighted above, consolidation and rationalisation of business operations will mean that a higher number of staff will be working at the sorting office, and therefore the use of staff car parking facilities

will increase. Not only will they increase, but there is a requirement to maintain a provision of staff car parking at all times during any development.

- 4.25 RMG have carried out a survey of the use the Phoenix Place Site for car parking over the consolidation period and this has identified a need for 250 spaces to be re provided.
- 4.26 This is a real cost to enable redevelopment and a reasonable allowance should be included within any financial assessment. The design for the basement car parking, which is likely to require stacking and valet parking is still being developed. When completed a detailed cost analysis will be available.

### **Rights of light**

- 4.27 RMG has been provided with high level Rights of Light advice from Gordon Ingram Associates. This will be discussed further within a future PN.

### **Professional Fees associated with the Enabling costs**

- 4.28 The design for the various elements of the enabling has been carried out by different teams. Although the design process has not concluded, other than in the instance of Phase 1, the fee levels for the various parts are known. M3 Consulting is currently procuring the evidence of fee level for Phases 1 and 2.
- 4.29 As Phase 3 is under M3 Consulting's direct control it is considered that a reasonable professional fee level of [REDACTED] for these works is appropriate.

### **VAT**

- 4.30 Given RMGs obligations under the USO, it should not be seen as A.N.Other developer, and the running of its operations on a 24/7 means that it should be undertaking the enabling works in order to maintain operations. RMG has to therefore pay non-refundable VAT on the works. We will provide further information on VAT and the figures associated with the enabling phases in a future PN.

## Summary

- 4.31 We summarise the fee levels associated with each phase of the enabling works and the development in a table which we attach as **Appendix 6**.