Western Lands

Strategic Outline Business Case (SOC) Appendices

[redacted]

Contents

Appendix 1: The Wider Old Oak and Park Royal Context

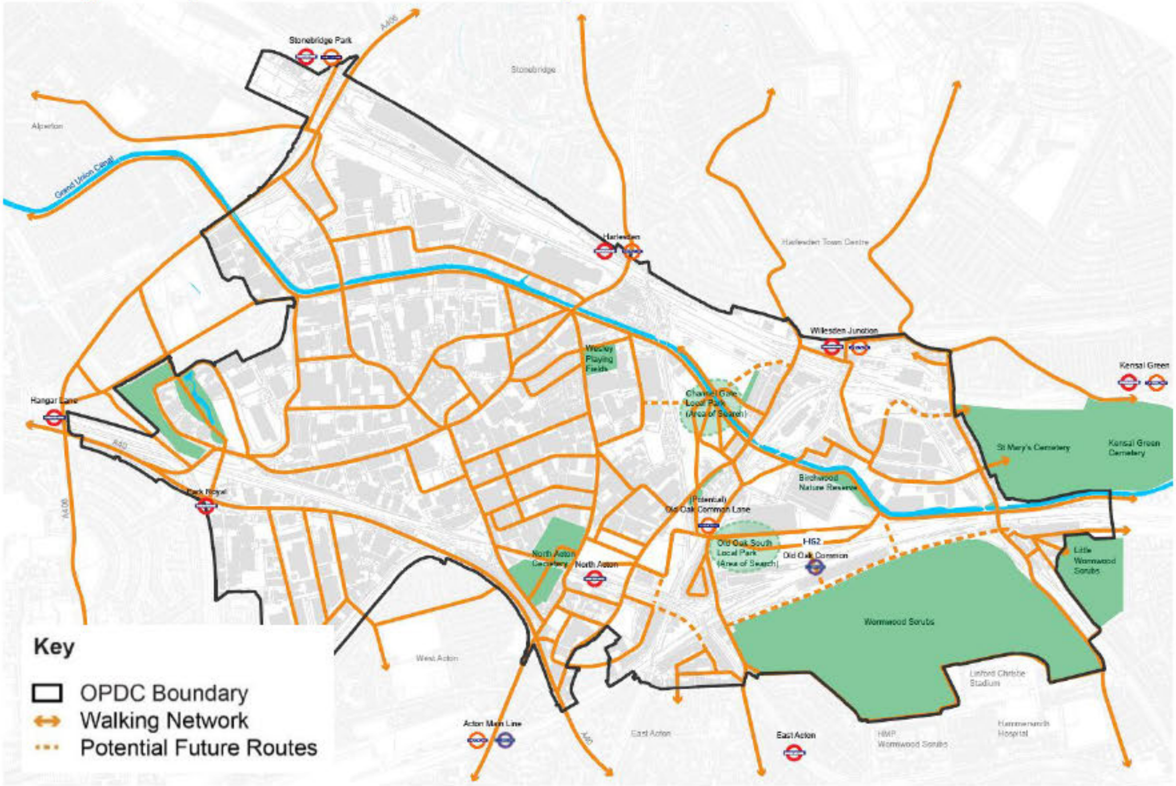
Author: OPDC

1. Old Oak and Park Royal

Old Oak and Park Royal is a large area of predominantly industrial and rail land in West London. The area includes some assets of strategic importance to London:

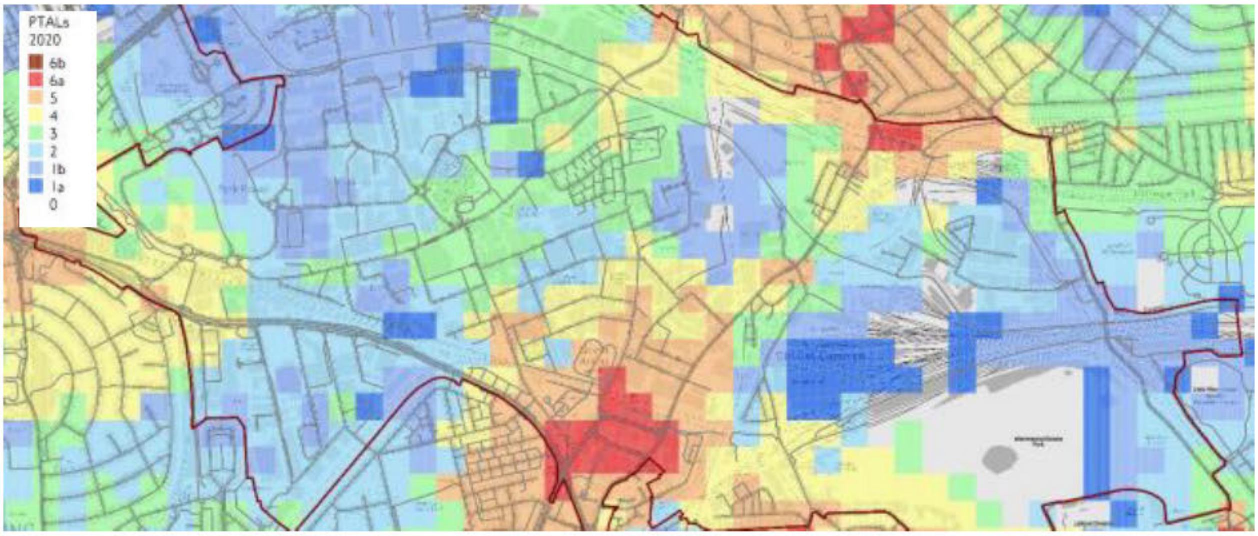
- **Park Royal:** London's largest industrial zone and a critical industrial and logistics node for the London economy. Park Royal is located on the A40 and A406 with direct communication to Heathrow and sits between where the M4, M1 and A1M join London. The area is also comprehensively served by rail freight. This location provides one of the most important strategic logistics hubs for London and the south of England. Both investor and occupier demand are strong and OPDC's Local Plan targets a net uplift of 250,428m² (c.2.9m sq. ft) to drive economic growth and mitigate re-allocation of industrial capacity at Old Oak.
- **Wormwood Scrubs:** One of London's largest public open spaces, the 80-hectare Scrubs currently has poor access and is significantly under-utilised compared to urban parks of a similar scale (Greenwich Park, Clapham Common, Battersea or Victoria Park).
- **Grand Union Canal:** The area boasts nearly three miles (4.3km) of the Grand Union Canal's Paddington branch. For the most part industrial development backs onto the canal with poor access and an environment that attracts anti-social behaviour. Leveraging the canal to increase access, improve the environment and deliver waterside development holds great potential for the proposed regeneration and for surrounding communities.
- **Existing Connectivity:** The Old Oak and Park Royal area is approximately 2.7 miles (4.3km) by 1.6m (2.6km) and is served by a local road network dominated by industrial traffic and poorly designed for other modes and active travel. The area is served by existing local stations, all of which are located at its perimeter with significant walking distances to the heart of the area (see Figure 1). As well as the new connectivity provided by HS2 and the Elizabeth Line, improving access between stations and through the existing area will support regeneration and economic development. Figures 2 and 3 below highlights the impact of the new Old Oak Common station on the PTAL rating of the Western Lands area.

Figure 1: Local Plan transport map of the OPDC area, including existing and proposed stations, walking routes, and the OPDC area boundary



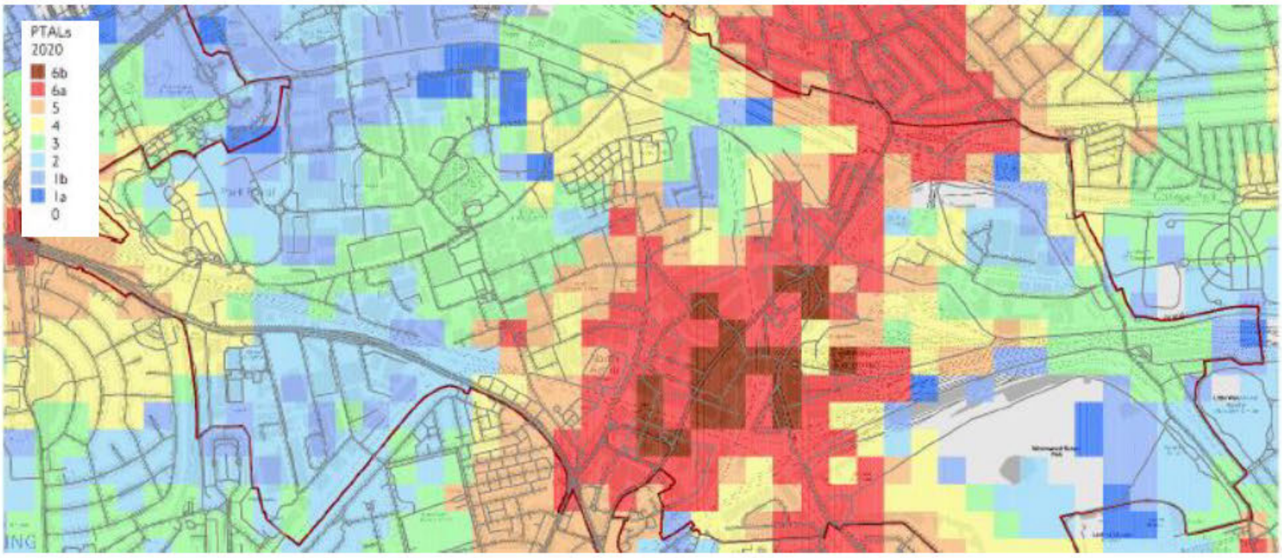
Source: Proposed modification documents, produced for Examination in Public of OPDC's Local Plan up to Jan 2022.

Figure 2: Current PTAL heatmap of the OPDC area



Source: OPDC PTAL Forecast Information Note 29 December 2021, prepared for the Examination in Public of OPDC's Local Plan.

Figure 3: Forecasted PTAL heatmap of the OPDC area in 2038, including Western Lands, assuming the delivery of the Old Oak Common station providing new HS2 and Crossrail connectivity, as well as upgrades to Willesden Junction Station.



Source: OPDC PTAL Forecast Information Note 29 December 2021, prepared for the Examination in Public of OPDC's Local Plan.

- **Land for Development at Old Oak:** As identified in the 2015 MOU between OPDC and DfT, the major construction activities for the delivery of HS2 will generate 44 acres of surplus land on completion of the major infrastructure works. The area also includes several DfT and Network Rail assets including sidings, freight yards, depots and stations which could deliver an additional 17.5 acres of land subject to the re-provision or consolidation of rail uses and assembly of full title and vacant possession. OPDC estimates that government-owned land makes up over 80% of the sites within the Western Lands area. The Local Plan makes site allocations on these landholdings, which have been developed in consultation with the government landowners, and which assume the provision of key enabling infrastructure and the relocation or removal of use that would impede development such as freight, bus depots, etc.

2. Existing and Planned Investments in the OPDC Area

OPDC and its Partners have been successful in securing initial investment for the area:

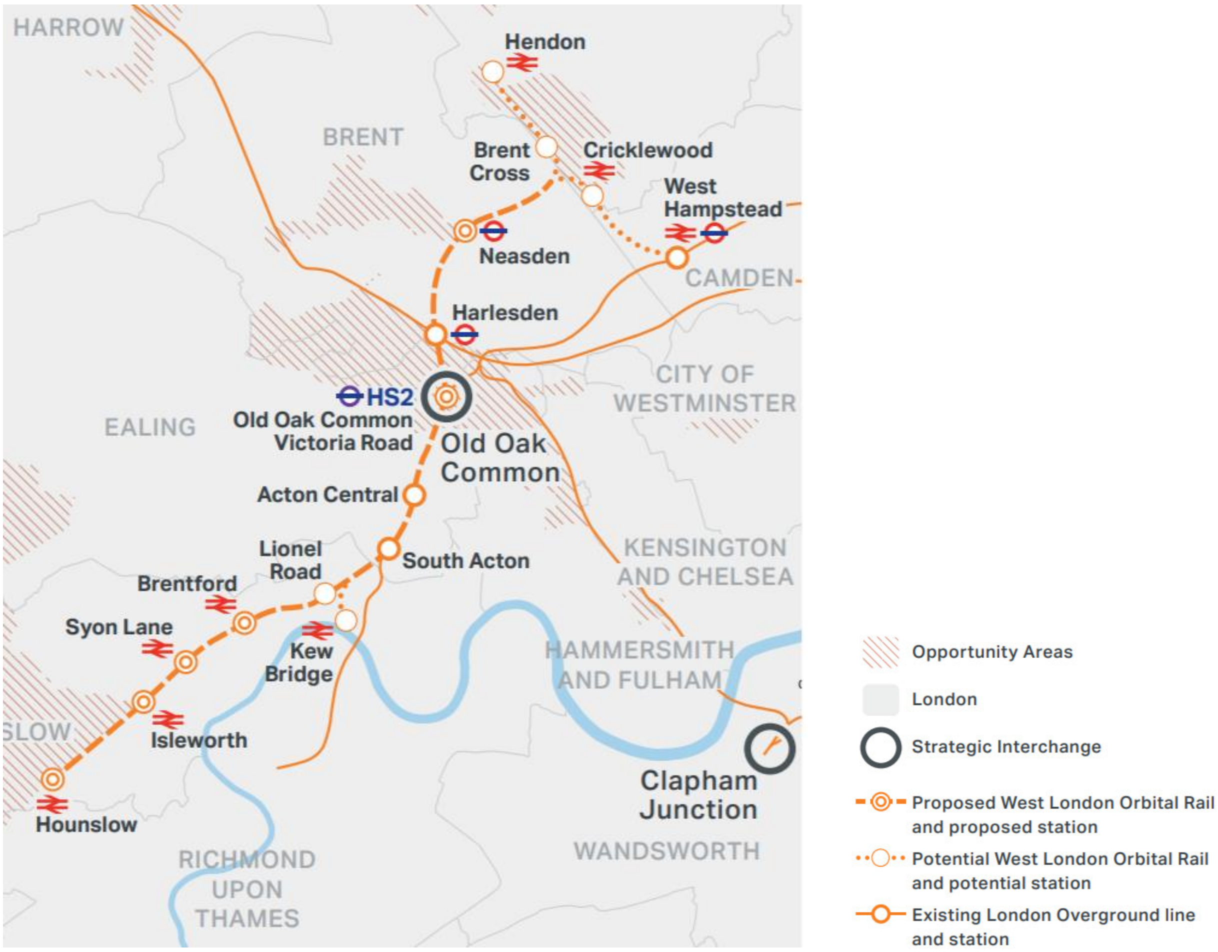
- **The Mayor of London's Good Growth Fund**: £2m of funding for small scale public realm improvements in the Old Oak area.
- **London Housing Bank**: The GLA allocated £27m to a scheme in the OPDC area providing 701 homes of which 164 will be made available for intermediate rent.
- **GLA Land Fund**: The GLA Land Fund exists to make investments that accelerate the delivery of housing and/or increase the levels of affordable housing delivered within them. OPDC worked with the GLA land fund to make its first mezzanine investment in key site in the OPDC area. The previously stalled scheme will deliver over 275 units and the investment has also secured an uplift in affordable housing from 35% to 43%.

  OPDC has a provisional award of £50m to support early land assembly as part of its Western Lands proposals.
- **Affordable Housing Grant**: £29 million of housing grant has supported four schemes, supporting the delivery of 1,675 homes of which 46% have been affordable.
- **Old Oak Station - HS2, Elizabeth Line and GWR Interchange**: The £1.7bn new station at Old Oak will be a transformational investment for Old Oak and is the driving force behind the regeneration opportunity that is the OPDC area. As well as providing outstanding connectivity both into and out from the OPDC area, the station itself will provide a thriving hub of activity, a new concourse and public realm scheme and bus interchange. The original transport design intent for the new station was

to provide a vital interchange on the route to Euston, allowing travellers destined for Heathrow or other parts of London to interchange onto the Elizabeth Line (Crossrail) at Old Oak rather than at the Euston Terminus. However, based on the most recent HS2 programme Old Oak is set to be the London Terminus for HS2 for a period of at least 2 or 3 years before the final link to Euston is made.

- **West London Orbital:** TfL is working with the West London Alliance[1] to develop a business case for the West London Orbital (WLO). This would provide a new regional, orbital rail service between Hendon and Cricklewood in the North and Hounslow in the South, as illustrated in the map in **Figure 4** below. The central interchange of this proposed route is a new WLO and London Overground interchange at Old Oak Common Lane, providing connections to the new OOC Crossrail and HS2 station at c.400m.

Figure 4: Map of proposed West London Orbital rail route



Source: Mayor's Transport Strategy, March 2018.

[1] The West London Alliance: a partnership between Barnet, Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow to delivers initiatives in the sub-region.

Appendix 2: Fit with Policies

Author: OPDC

1. Local Plan Fit

Table 1 below provides a summary of the alignment how Western Lands provides a good fit with the latest version of the Local Plan.

Table 1: OPDC Draft Local Plan Alignment

Policy	Alignment
POLICY SP1: Catalyst for Growth	Western Lands supports the delivery of housing and jobs making Old Oak a destination and a gateway to London and the rest of the UK.
POLICY SP2: Good Growth	Western Lands supports innovative approaches to achieving high-density, high-quality development across the environmental, social and economic strands of sustainability.
POLICY SP3: Improving Health and Reducing Health Inequalities	Western Lands improves the accessibility and permeability of the area by making it friendlier to pedestrians and cyclists. This enables active and healthy lifestyles.
POLICY SP4: Thriving Communities	Western Lands promotes lifetime neighbourhoods, social cohesion and the integration of new and existing communities through provision of new quality homes and social infrastructure.
POLICY H2: Affordable Housing	Western Lands would support the delivery of a range of housing tenures including affordable housing.
POLICY SP5: Economic Resilience	Western Lands creates a new major commercial centre around Old Oak Common station, supporting the delivery of 12,350 new jobs.
POLICY SP6: Places and Destinations	Western Lands supports the creation of a range of locally distinct places providing a range of active destinations.
POLICY SP7: Connecting People and Places	Western Lands supports the delivery of a highly connected, high quality and efficient transport network through pedestrian and cycling infrastructure.
POLICY SP8: Green Infrastructure and Open Space	The scheme contributing to the All London Green Grid by delivering new and enhanced green infrastructure and open spaces.
POLICY SP9: Built Environment	The scheme delivers a well-designed, high quality and resilient built environment, that supports the creation of a new high-density part of London.
POLICY SP10: Integrated Delivery	The scheme support development in a comprehensive, timely and coordinated manner, making the best use of land.
Policy P1: Old Oak South	The scheme is in line with the policy as it includes a new commercial centre near Old Oak Common Station with mixed use development including housing away from the station.
POLICY P3: Grand Union Canal	The scheme provides amenity spaces near the canal supporting its role as a community asset and lively leisure and recreation destination.
POLICY P7: North Acton and Acton Wells	The scheme will contribute to delivering a high-density mixed-use area including homes and commercial floorspace with improved movement routes and an enhanced public realm.

POLICY P8: Old Oak Lane & Old Oak Common Lane	The scheme sensitively integrates transport routes, existing neighbourhoods, and new development.
POLICY P8C1: Atlas Junction Cluster	The scheme provides local services for communities on Atlas Junction creating synergies with the canal amenity spaces.
POLICY P9: Channel Gate	The scheme will contribute to delivering over 3,100 new homes on Channel Gate as part of a high quality residential led neighbourhood centred on the Grand Union Canal with a new Local Park, town centre and community uses.
POLICY P11 Willesden Junction	The scheme improves Willesden Junction station providing better public transport connections and new routes to improve connectivity to Harlesden and to Old Oak. New high-density development near the station is part of the scheme.

Source: OPDC 2021.

2. Fit with London Plan

The London Plan (2021) identifies that the OPDC area can deliver a minimum 25,500 homes and 65,000 jobs, making it London's largest Opportunity Area and one of London's and the UK's largest regeneration projects. The London Plan housing targets are aligned with the Government's targets to release land for 160,000 homes through the Public Land for Housing programme. Western Land is part of this opportunity area and contributes to the above targets with the delivery of 9,100 homes and 12,350 jobs.

The London Plan (2021) requires 50% affordable housing to be delivered on public sector land and former industrial land – this will be applicable to the publicly owned sites and some of the former industrial sites in the Western Lands.

The infrastructure investment in the Western Lands will support the growth and development of these locations by providing enhanced connectivity and accessibility. OPDC will ensure that there is a comprehensive approach to protecting and growing the industrial uses in Park Royal and Old Oak North alongside the residential development. Whilst these uses are not always considered to be compatible neighbours, the relentless growth of on-line distribution coupled with increased emphasis on the sustainability of last mile logistics, means that increasingly residential and industrial neighbourhoods will co-exist. A comprehensive approach to the planning and development of Western Lands will ensure that this combination of uses can be planned in a coordinated way.

As a Mayoral Development Corporation, OPDC has a key role to play in supporting the Mayor's key strategic aspirations (as set out within the London Plan and suite of supporting strategies). From an economic point of view this includes:

- Helping to maintain and extend the global position and competitiveness of London post-Brexit
- Supporting the ongoing evolution of the London economy, including the development of new and nascent sectors and areas of specialism, and new ideas and enterprise
- Embedding principles of Good Growth, responding to inequality and injustice, and supporting the evolution towards greener and more sustainable built environment and economies.

3. Fit with Public Land for Housing

The London Plan housing targets are in line with the Government's targets to release land for 160,000 homes through the Public Land for Housing programme. Within this programme, the five largest land-owning departments agreed individual contributions including the Department for Transport's (DfT) own commitment to provide land for 38,000 homes. DfT can meet this target by either transferring the freehold of its land to OPDC or entering into a partnership agreement with the private sector. The latter scenario would have exposed DfT to unacceptable levels of development risk and was considered unworkable.

Appendix 3: Strategic Objectives for Western Lands

Author: OPDC, Homes England

1. Introduction

The following Objectives have been developed following a series of workshops and reviews by the OPDC and Homes England team. These have been developed to ensure they are SMART – Specific, Measurable, Attainable, Relevant and Targeted.

1. Strategic Objectives

1. Homes: Maximise housing delivery to provide up to 9,100 new high-quality homes at a range of affordability levels to meet local housing need	
Specific	• Delivery of 9,100 homes including a target of 50% affordable housing blended across the site
Measurable	• Delivery of new homes and associated Land Value Uplift (LVU) • Delivery of affordable homes.
Attainable	• In line with Local Plan with risk-adjusted approach where proposals deviate from Local Plan policy e.g. Adjacent Station Development site as residential
Relevant	• Area identified as a residential growth area in planning policy • Clear demand for market and affordable housing in west London
Time-based	• 'Early win' sites to be delivered (3,500 housing starts) and strategic infrastructure underway before opening of HS2 estimated in 2030.
2. Pace: Accelerated delivery of 'early win' sites and infrastructure, secure completed and occupied development at scale ahead of the opening of HS2	
Specific	• 'Early win' sites [redacted] • Infrastructure proposals set out with associated phasing
Measurable	• Delivery of new homes and LVU impacts • Delivery of new infrastructure
Attainable	• In line with Local Plan with risk-adjusted approach where proposals deviate from planning
Relevant	• Acceleration is a key priority for Homes England and OPDC • Local housing need identified in London Plan and Local Plan • Minimum infrastructure requirement defined in the OPDC Local Plan
Time-based	• Early Sites to be underway starting in 2023 and infrastructure starting in 2025.
3. Place: Build back better to create a new piece of city in London that is integrated with existing communities and provide high quality spaces to live, work and play	
Specific	• Embed place-making principles in design, planning and development approach – appropriate densities for different parts of Western Lands • Integrate Good Growth principles • Integration with host Borough policies and programmes
Measurable	• Creation of new homes and employment space (jobs and LVU impacts) • Creation of new physical connections
Attainable	• Currently poor levels of connectivity and physical integration

Relevant	• Aligned to national (current and emerging), regional and local policy • Connected and integrated places will promote local regeneration and creation of sustainable communities
Time-based	• Review in 2029 when early phases of housing are underway, and infrastructure delivered
4. Public value: Optimise use of public sector land to invest for the long-term and drive the HS2 and Crossrail legacy through homes and jobs;	
Specific	• Specific land parcels in Western Lands identified • Geographically based investment and outcomes
Measurable	• Development of public sector land assets with positive financial return over time • Development of private land capitalising on HS2 and Western Lands infrastructure investment (and LVU impacts)
Attainable	• Comparison of residential land values against Existing Use Values • Regeneration value uplift well established in the sector
Relevant	• Oakervee review concluded that HS2 can only be part of transformation economic change if properly integrated with other local growth strategies. • Government focus on re-use of surplus public sector land for housing
Time-based	• Delivery on public sector land by 2031 when worksites become available
5. Economy: Improve physical connectivity between transport investments and industrial areas to drive job creation and regional and national economic growth	
Specific	• 12,350 new jobs based on quantum of employment space to be delivered in Western Lands • Specific infrastructure connections identified
Measurable	• Delivery of infrastructure connections • Creation of new employment space (and associated jobs and LVU impacts). -
Attainable	• Current connectivity across the area is poor, particularly for walking, cycling and bus routes
Relevant	• Local Plan and London Plan job targets • Strategic rationale for HS2 to drive connectivity and economic growth across UK
Time-based	• Monitor job creation across project period
6. Environment: Deliver a new urban quarter that is zero carbon in use, protects and enhances the existing environment and biodiversity, and supports healthy and sustainable lifestyles	
Specific	• Meet and where possible exceed the Mayor's sustainability goals for new development as set out in the Environment strategy and London Plan.
Measurable	• Convert environment strategy and London Plan goals into clear KPI's to which the scheme will be tested.
Attainable	• Meet the ambitions in the Local Plan and London Plan.
Relevant	• Aligned to national, regional, and local policy.
Time-based	• Assure at each phase of the development that goals are being delivered and re-assess when necessary.

Appendix 4: Western Lands Risk Register

Author: OPDC

OPDC has undertaken risk workshops to identify and analyse the risks associated with the Western Lands. Identified risks, mitigation measures and scoring are provided in the risk register below.

Description			Inherent Scores			Risk Reduction / Mitigation Strategy		Residual Scores		
	Cause & Event (Detailed	Risk Consequences	Prob.	Impact	Overall	Control Measures		Prob.	Impact	R Overall
1	Critical stakeholders fail to support the Western Lands delivery strategy.	Failure to secure the necessary land, funding, political and agency support for the project.	5	5	25	1	Senior Government stakeholder group established (DfT/MHCLG/IPA/HE/OPDC), ensure funding approach has ongoing buy-in from MHCLG and Homes England	3	5	15
						2	Mayoral and ministerial engagement plan to be established; Engage with senior political stakeholders at local, regional and political levels on the need for strategic-level coordination and funding			
						3	Joint work by departments, HE and OPDC on a business case for consideration by treasury. Working closely to coordinate the business case to be submitted to central government			
						4	Ensure work on OPDC's long-term regeneration proposals address emerging challenges and respond directly to the needs of post-Covid, post-Brexit London. Continue work on long-term resilient proposals			

3			5	4	20		appropriate to the emerging funding and delivery market			
						5	Demonstrate the difference in development capacity between a 'Do Nothing' approach and a comprehensive approach to clearly evidence what additional capacity could be delivered			
[redacted]										
3	Western Lands delivery strategy, and the business case, has required a wide range of assumptions across programme, cost and benefits at this early stage of development.	The proposals may fail to meet value-for-money, programme, cost or benefits objectives.	5	4	20	1	Appropriate contingency and optimism bias have been included in costs.	3	4	12
						2	Key assumptions are shared with stakeholders and monitored.			
						3	Both viability and economic analysis are subject to sensitivity analysis to test the impact of significant variance on key assumptions being made.			
4	Government funding programmes have not been announced and OPDC's qualification and success are not certain.	Derails local plan and delivery plan/business case	5	5	25	1	Work closely with HE and Gov and pre-spending review engagement on spending requirements.	3	5	15
						2	Review of other funding sources including fiscal devolution i.e.: TIF etc			

5	Capital funding from public sector infrastructure authorities is likely to be scarce and more selective/competitive. This includes TfL, Network Rail and LAs.	Critical Infrastructure to support / enable regeneration cannot be delivered; appeal to potential private sector partners to invest/contribute is diminished Deficiencies in strategic infrastructure preclude ability to deliver wider regeneration objectives	5	5	25	1	Close liaison with relevant authorities.	3	4	12
						2	Direct support for business case where relevant. Develop a strategic approach to infrastructure and agree this with key landowners and infrastructure authorities including highways, transport and statutory utility providers			
						3	Reduction in overall infrastructure bill and list to reduce funding pressure.			
						4	Future proof for future infrastructure investment works in cases where the infrastructure is not immediately deliverable			
						5	Coordinate NHBF bids with TfL (WLO) and Mayor's office to ensure joined-up messaging and approach.			
6	Private Sector Investment is not forthcoming: planning consents vs build out is slow. Location is unproven and viability marginal.	Pace and scale of regeneration is diminished and slowed; not all sites likely to come forward	4	5	20	1	Gain support for marginally viable schemes from GLA where applicable; seek regen investment; leverage public sector land to secure private sector involvement.	3	4	12
						2	Carry out market engagement to understand drivers of market failure and market conditions generally, and identify what is required to ensure OPDC's projects secure private sector funding			
7	Public sector land transfer not agreed	Fragmented and uncoordinated development in the area will continue. The Western Lands strategy is incapable of being delivered.	5	5	25	1	Close liaison with relevant authorities and ALBs to ensure that we have undertaken all necessary due diligence in relation to the land and government's preferred approach to transfer.	3	3	9

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		Business case for Western Lands funding difficult to justify OPDC's ability to coordinate outputs to achieve superior regeneration outcomes (homes and jobs) is compromised				**2**	Support discussions with government about land transfer mechanisms.			
						3	Set out the strategic opportunity presented by the area, and make the case for how it can be unlocked through a comprehensive approach to regeneration			
						4	Demonstrate the difference in development capacity between a passive approach and a comprehensive approach to clearly evidence			

[redacted]

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11	Public sector land still subject to current/existing operational constraints and uses	Ability to deliver comprehensive development, increased volume and improved quality of development is diminished. Fragmented and uncoordinated development.	**5**	**5**	**25**	**1**	Early identification of the sites affected by current/existing operational constraints.	**3**	**4**	**12**
						2	Work closely with all relevant authorities, including the Boroughs and TfL, to ensure that plan is in place to incorporate or overcome the constraint.			
						3	Monitor HS2 delivery programme for worksites as delay in works could delay their release.			
						4	Landowning organisations to seek legal advice to ensure compliance with Crichel Down rules			

[redacted]

Appendix 5: Economic Appraisal Methodology

Author: Savills

1. Introduction

This appendix provides further detail on the methodology used to carry out the economic appraisal and estimate the benefit cost ratio. The appendix provides a supportive role to the Economic Case and should be read in conjunction with it. Savills has led the economic appraisal analysis in coordination with Homes England economists and OPDC. It has followed guidance from: HMT Green Book (2020); DLUHC's Appraisal Guide (2016); and HE latest practice.

As outlined in the Economic Case the types of benefits and costs included in the appraisal are listed below:

Benefits

- The Land Value Uplift (LVU) benefits associated with the residential and commercial development, which act as a proxy to measure the net benefit (social value) to the new residents and businesses.
- Amenity benefits associated with developing brownfield land.
- Distributional benefits examining the redistribution of income and wealth associated with affordable housing provision.
- Health impacts from affordable housing provision easing overcrowding/homelessness.

Costs

- Fiscal costs and savings to the public sector associated with the payment of housing benefit, which is affected by the provision of new types of affordable tenancies.
- Opportunity cost: The opportunity cost of public land considers the best alternative use of the land under each option and it is derived from the EUV or market value, whichever is the higher, of the land without any intervention
- Affordable Homes Programme (AHP) subsidy anticipated to enable the development of affordable units.
- Grant request: Public subsidy required to cover the scheme's viability gap and used to fund the upfront costs of strategic infrastructure development, which then enables the residential and commercial development.

Table 2.5 in the Economic Case provides a summary of the key assumptions used in the economic appraisal and are not included in this appendix. The following sections provide more information on the monetisation of each of the cost and benefit element listed above.

2. Land Value Uplift

The LVU is based on the residual land value (RLV) of the proposed developed sites and the Existing Use Value (EUV) of the sites of the intervention area that remain undeveloped under each option. The intervention area reflects the area of development under the Do Max option. Values are derived from the results of OPDC's modelling which is reported in the Financial Case.

The RLVs used in the Economic Case are adjusted and treat all housing units as market, exclude planning taxes and strategic infrastructure costs as per the DLUHC Appraisal Guide 2016, pages 60 and 67, and in agreement with HE. To achieve this, we use the OPDC's financial model for each option and make the following amendments:

- Excluding Planning Tax: Exclude the Borough and Mayoral CIL as well as the assumed s106 contributions from the RLV estimation.
- Treating affordable as market: Tweak value and build cost assumptions on affordable housing to match those of affordable housing. In addition, we exclude any affordable grant considered as part of RLV and update the assumed profit levels of affordable housing to match market housing.

The EUV used is based on the evaluation of the sites that have been undertaken and used in the financial model. This results into an average EUV of £4.5m per acre.

3. Amenity benefits

Amenity benefits capture the external benefit to the surrounding area from 'cleaning up' the land. In the case of Western Lands brownfield and vacant sites will be used to provide open space benefiting the local population. Eftec and Entec consultants valued the external amenity benefits associated with different land types on behalf of DLUCH. These estimates included values associated with recreation, landscape, ecology and tranquillity and are included in DLUCH Appraisal Guide, 2016. The most suitable land type for Western Lands is 'Urban Core' with a monetised benefit of £124,358 per ha per annum in 2021 prices. This is applied under all shortlisted options with an open space provision.

4. Distributional Benefits

Distributional benefits consider the redistribution of income and wealth associated with increased affordable housing provision. These are based on MHCCLG Appraisal Guide for the assumed utility function and DWP's 'Households Below Average Income' data on the income distribution of social tenants to provide a weighted welfare weight. This is used to calculate the welfare gain from redistributing an amount equal to the reduced rent payments, net of the portion which would be paid out of housing benefit.

5. Health Benefits

The health benefits are associated with the provision of affordable housing. The benefit is £141 per affordable unit per annum. The per-unit magnitude of these benefits is taken from the MHCLG Appraisal Guide, which presents the evidence for the estimated health costs associated with overcrowding and rough sleeping, and the probability that a household entering a new social unit would have been incurring these costs in the counterfactual. The above impacts are applicable to all types of affordable housing but shared ownership, in line with the current DLUHC Appraisal Guide.

6. Fiscal Costs and Savings

Fiscal costs and savings to the public sector associated with the payment of housing benefit, which is affected by the provision of new types of affordable tenancies. These calculations are based on data supplied and agreed with DLUHC, consistent with the approach used in the Spending Review Affordable Homes Programme 2021-26 business case.

7. AHP

Affordable Homes Programme grant is considere [redacted] for the Preferred and Maximum Intervention Case.

8. Opportunity cost

This preliminary analysis also highlights the importance of how the value of the public sector land is accounted for in the Economic Case. The Economics Case takes a holistic public sector perspective, and as such, the transfer of land is not treated as a cost in the traditional sense (because it remains in public sector control). Instead, it is treated as an opportunity cost. This opportunity cost is quantified in the denominator of the value for money analysis and acknowledges the land as an input into the scheme.

The way the public sector land and assigned opportunity cost is treated has a significant impact on the economic appraisal. The opportunity cost of public land considers the best alternative use of the land under each option and it is derived from the EUV of the land without any intervention. Under the main scenario it is assumed that the Financial Case value of the land is nil due to the viability gap associated with its primary lawful planning use under the Local Plan and enabling infrastructure required to unlock development.

9. Sensitivity Test

The sensitivity test looks at varying opportunity cost of public land and considers the RLV of development under the 'Do Nothing' case which forms the upper bound of EUV. Under this case the proposed development would be policy compliant to an extent but relies on associated infrastructure being provided. There are uncertainties around the level of infrastructure needed and funding sources and therefore this is used only for sensitivity testing at this stage.

10. Grant Requirement

The public sector cost considers the grant requirement and discounts the public sector land receipt to provide the net public cost. The grant requirement under each option derives from OPDC's model, results of which are reported in the Financial Case. This identifies for each option the viability gap and how much public funding is required for the project to be viable.

Appendix 6: Financial Appraisal Assumptions and Market Evidence

Author: Savills

4. Introduction

This report has been prepared by the consultancy teams within the London Residential Development and Commercial Development departments of Savills UK Ltd. The report sets out the methodology and assumptions adopted to develop the four financial models and the key inputs and assumptions along with justifications in relation to the Preferred Intervention Case to support the SOC.

Please note that any information, advice and prices in this document are given purely as guidance unless otherwise explicitly stated. Our views on price are not intended as a formal valuation and should not be relied upon by any person as such.

5. Model Inputs & Assumptions

a. General Assumptions

OPDC and Savills have developed four financial models to analyse each of four development scenarios shortlisted in the Economic Case:

- 'Do Nothing' Case;
- Minimum Intervention Case;
- Preferred Intervention Case;
- Maximum Intervention Case.

The assumptions for these four scenarios are set out in the Economic Case in the SOBsC, and the methodology for arriving at the development schedules, phasing and valuations for each of these are explained in the following sections.

The underlying assumptions on which Savills and OPDC have based all the models for the 4 shortlisted development scenarios are as follows:

- Planning consent is granted;
- Except for in the 'Do Nothing' scenario, all sites are assumed to be under the control of a single public sector entity and there is a master developer leading the project delivery;
- Estimated land release dates provided by OPDC;
- Old Oak Common HS2 and Crossrail interchange station is open / under construction / due to be delivered;
- Individual building appraisals assume serviced plots.

b. Development Areas

General Development Schedule Methodology

The 'Project Area' within the Site is defined within the red outlined areas shown in Figure 1 below. The Project Area for each scenario, and therefore plots to be included in the financial modelling, was defined by OPDC. Each development case represents an escalation in scope of land assembly relative to the previous one, and therefore the fewest plots are included in the 'Do Nothing' scenario, with sites added to each scenario until the maximum number of sites are delivered under the Maximum Intervention Case.

For the benefit of defining ownerships, boundaries, character areas, and capacities, the Site has been categorised into Zones, Plots, and Buildings. These are as follows:

- **Zones (A - K)**: a high-level category to define larger areas with defined boundaries such as roads. Each Zone includes proposed Plots and Buildings. Not all Zones were included in this study.
- **Plots (A1, A2, A3…etc)**: Zones are comprised of several Plots which are defined by current ownerships.
- **Buildings (A1 1, A1 2, A1 3…etc)**: The lowest categorisation from which areas can be quantified and uses defined. The capacity study ignored land ownership boundaries to derive the optimal layout of buildings. Therefore, some of the buildings cross over different Plots and therefore are classified with a hyphen in place of a number ('A- ')

Figure 1: Site Plan of Western Lands, broken down into Plots as defined by OPDC, with red line boundaries for each development scenario

[redacted]

Development areas schedule for Preferred Intervention Case

Three sources were used to create the development schedule for the Preferred Intervention Case, as set out in **Table 1** (see Figure 1.12 in the SOC for a plan of the development zones):

- **Gort Scott Architects** (GSA) were instructed by OPDC to produce a capacity study for specific zones within the Project Area to underpin the Preferred Intervention Case, to provide indicative commercial areas and residential unit numbers for the financial model. These were based on indicative block layouts and massing, assuming building typologies to support an estimate of GIA:NIA. Savills assisted with providing feedback on typologies and layouts within the capacity study, to ensure the study was market facing.
- **GSA** also made a more high-level estimate of the development capacity on several sites targeted for early delivery within the Western Lands, based on floor area ratio (i.e. lower level of detail than sites described above). These will be developed in more detail at a later stage.
- **Mott Macdonald** were tasked with studying the sites around North Action Station and Willesden Junction Station to estimate the potential for development on these sites, subject to reconfiguring the stations and creating development platforms. They also provided indicative building layouts and massing to estimate an areas schedule.

Table 1: A breakdown of what plots are included within each capacity study zone and the source

[redacted]

These capacity studies provided a total number of residential units, which were then categorised into affordable and private tenures. The provision of each tenure is assumed to be policy compliant at this stage of analysis and differs based on whether the underlying land is currently in private or public ownership (35% AH vs 50% respectively).

The capacity studies also included a quantum of commercial floorspace within each block, which Savills then sub-divided into various uses depending on geography, PTAL and character area. Savills sense checked the quantum of commercial space by analysing comparable schemes and considered absorption, phasing and likely demand.

Development areas schedule for 'Do Nothing,' Minimum and Maximum Cases

For the three other shortlisted cases, OPDC provided both residential and commercial areas, which Savills reviewed in the context of the infrastructure and wider development context assumed for each scenario. To generate these areas schedules, OPDC reviewed both the Local Plan site allocations and the Preferred Intervention Case site capacities and consulted with the Planning team on what would be allowable with and without the key enabling infrastructure that is set out in the Local Plan. Savills then reviewed these figures further to ensure that they represent a market-facing assumption. A comparison of the areas in the four cases is included in **Table 2**.

The assumptions underpinning the development capacities for the three cases are as follows:

- **'Do Nothing' Case**: residential and commercial areas are below the Local Plan Site Allocation figures, due to the lack of intervention to delivery strategic sitewide infrastructure, which would represent a non-compliant context relative to the Local Plan. This case only sees publicly owned land developed [redacted]
- **Minimum Intervention Case**: the same sites are considered, but with several key infrastructure interventions, an upgraded North Acton Station, as well as enhanced connections into North Acton Station between Acton Wells East and the Old Oak Common Station. As a result, a higher quantum of development is achieved in the south of the Western Lands around those two stations [redacted]
- **Maximum Intervention Case**: the development assumptions from the Preferred Intervention Case [redacted]

Overview of development areas assumed in the four shortlisted options

Table 2: Development capacities assumed in the four shortlisted development options

[redacted]

[redacted]

Source: OPDC 2021.

c. Phasing

General Phasing Assumptions

Savills and OPDC worked together to set out a phasing plan for the development areas within the Western Lands. Any known restrictions around start on site dates due to existing HS2 works were taken into consideration. The key principles underpinning the phasing for each development area are as follows:

- Wherever possible in the scope of each development scenario, the goal was to create a critical mass of development and a mix of uses early on to establish new places on each site and to stitch together the existing, but disconnected, residential communities within the Western Lands;
- Activation of streets on both sides (where possible) to create street presence from the outset and drive footfall through the development;
- Delivery of taller buildings in more valuable locations later in the development to maximise value where appropriate;

[redacted]

Preferred Intervention Case Phasing

As **Figure 2** below indicates, Savills maximised market absorption throughout the delivery programme to maintain a high pace of development, particularly in the initial phases. Overall, there is a 30-year construction period in which absorption is assumed to be over 250 to 350 units per annum for the first 15 years. This is based on the opportunity to market different geographic areas with a range of product types concurrently [redacted] Once the number of different zones being marketed drops to 2 or 1, the programme extends over a longer period to maintain sales values. The next step for a market-facing analysis would be to accelerate delivery through the introduction of alternative residential products such built to rent (BTR), student living, senior living, etc.

In the model, each plot has been grouped for the purposes of phasing, with 9 groups in total. The key delivery dates and timings for each group are set out below.

Table 3: Phasing Summary

Master Phase	Plots	Resi Units	Commer-cial NIA	Construc-tion Start	Construc-tion End	First Private Residentia l Sale	Last Private Residen-tial Sale	Commer-cial Void End
Group 1	3	485	-	Oct-23	Apr-28	Jul-24	Jan-29	Jan-27
Group 2	14	1,340	-	Oct-23	Jul-29	Jul-24	Jul-29	Jul-28
Group 3	4	447	7,877	Apr-24	Apr-31	Jan-25	Aug-31	Apr-31
Group 4	23	2,623	139,301	Apr-27	Oct-53	Jan-28	Dec-53	Oct-53
Group 5	11	1,051	659,544	Oct-31	Oct-40	Oct-32	Oct-40	Oct-40
Group 6	15	1,571	1,099,713	Oct-26	Jan-40	Oct-27	Jan-40	Jan-40
Group 7	10	790	586,136	Oct-27	Jul-34	Apr-29	Jul-34	Jul-35
Group 8	3	506	10,375	Jul-28	Jan-32	Jul-29	Nov-32	Jul-32
Group 9	2	251	3,058	Jan-32	Jul-34	Jul-32	Feb-35	-
Totals	**85**	**9,064**	**2,506,005**					

Source: Savills 2021

[redacted]

[redacted]

Figure 5: Preferred Intervention Case Development Gantt Chart – 2033-34 to 2053-54

[redacted]

Source: OPDC, 2021

'Do Nothing' Case Phasing

For the 'Do Nothing' scenario, given that there is no requirement for a land assembly programme or to allow for the timing of setting up an entity that would own and deliver the land on a consolidated basis, the phasing assumptions primarily relied on the land release estimates outlined in Section 2.3.1, and sense checking that against market absorption. Note that in this case, no development was assumed on the Channel Gate terminal (NR-owned but currently under HS2 possession as a worksite) [redacted]

[redacted]

[redacted]

Source: OPDC, Savills, 2021

d. Residential Assumptions

Comparable Evidence

The comparable new-build schemes highlighted in the map and table below provide a useful indication of the current value benchmark in the local area. [redacted]

Figure 12: Map of new build schemes in the area surrounding the Western Lands site

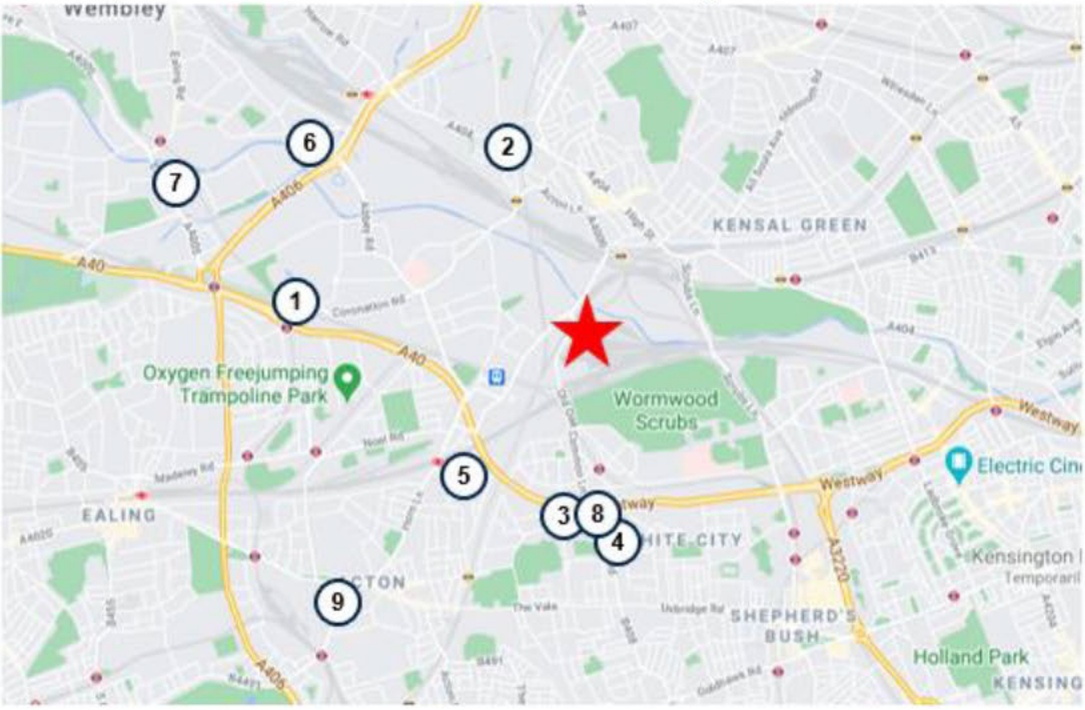


Table 4: New build schemes in the area surrounding the Western Lands site

[redacted]

Source: Savills, 2021

Private Sales Values

We have applied a value [redacted] across the various buildings on site, assessing each site's location on the site, transport links, local amenity provision, unit typologies, proposed height and massing, and its position within the local context.

Our values are in today's date but take into consideration the new place which will be established on site and therefore allows for a new value benchmark to be set in areas across the site.

[2] The Verdean has achieved a particularly high average monthly sales rate due to a successful overseas launch in 2020. The scheme sold most of its units at the launch weekend and sold out completely in a couple of months.

[3] Acton Gardens Phase 9.2 is also in the early stages of launch, therefore achieving high sales rates initially.

Affordable Sales Values

Savills, with input from the Savills Development Viability team, have applied the following values to the affordable tenures:

[redacted]

We have assumed a policy compliant scheme with a 70:30 split in favour of Intermediate tenures. The Intermediate tenure assumes a blend of 70% Shared Ownership and 30% London Living Rent.

We have run various scenarios in the model on the level of affordable housing grant which will be applicable to the site. Under the current grant programme (2021-2026), no grant is applicable to the affordable housing included within the s.106. Our base position in the model is therefore zero affordable housing grant.

However, where negotiations with the GLA take place at pre-application stage it is possible to receive a provision of grant. [redacted]

Absorption Rates

We have reviewed the key local comparables shown above to provide an estimated sales rate for the subject site. As demonstrated, there is a significant variation in sales rate, depending on the nature of the scheme, scale of the development, amenity provision and market conditions.

Given the scale of this development and current market conditions, at our indicative values, with the appropriate incentives and marketing campaign, we consider a blended average of **6 units per month** to be achievable for each site, with a number of sites coming forward at the same time typical to large areas of development across London. Given the large quantum of product and the time of which the project will be on the market it is expected that there will be peaks and troughs in the sales process as a result of market conditions and activity, with a significantly higher number of sales in the launch months of each phase and in the period leading up to and just after completions.

We have assumed that each site will launch to the market 12 months pre-completion. Some sites may launch earlier than this if the developer chooses to launch to an overseas market. However, we have made a broad assumption across the whole site based on assumed domestic sales launches.

Regeneration Premium

We have not applied growth to the model. However, when coming to our values we have taken account of the proposed phasing strategy and have assumed that through considerable placemaking across the site a new place will be established and therefore a new value benchmark will be formed. This is accounted for within our values for each site.

Construction Timings

For each building we have applied a construction timeframe of between 12 and 48 months, with most buildings being delivered in a 12 to 18-month timeframe. This is based on our experience on other developments across London and takes into consideration the heights of the proposed buildings and the number of private units.

Residential Typologies

Across the site two residential typologies have been used depending on the specific area. [redacted] a mix with a higher proportion of family units has been applied as this location is more suited to families and larger unit types. A mix with smaller unit types has been applied across the rest of the site where the transport links are strong and higher density living is deemed more appropriate. We have taken this into account in our above pricing for the site.

e. Commercial Assumptions

Office Commercial Quanta

To determine the office quanta, we considered the site's location, existing and proposed transport links, infrastructure, amenity provision, and its position relative to other emerging regeneration schemes across London.

Table 5: Indicative office areas for other emerging London regeneration schemes

Scheme	Office area sq. ft[4]
Brent Cross South (expected)	3.0M
King's Cross	3.4M
Canada Water (expected)	3.0M
White City	2.2M
Stratford TIQ	4.0M

Source: Savills, 2021

In this context we are of the view that 2.6M sq. ft of office space is sensible. It will provide the critical mass required to establish a new office hub within a wider mixed-use development scheme underwritten by the excellent proposed connectivity and infrastructure.

Retail Commercial Quanta

The retail provision is approx. 3.5% of total space, which again is in line when comparing with other schemes. For example, indicative % include 3.8% at Hackney Central, 3.2% at Earls Court (previous masterplan), 3.5% at Olympia and 2.8% at Brent Cross. Battersea Power Station includes 8.75% and King's Cross over 6% of retail space - albeit these are more central locations. *(Please note this information has not been verified as much of the data is not publicly available and subject to frequent changes).*

[4] These are indicative areas only; most have not been confirmed and are not in the public domain.

Social Infrastructure Quanta

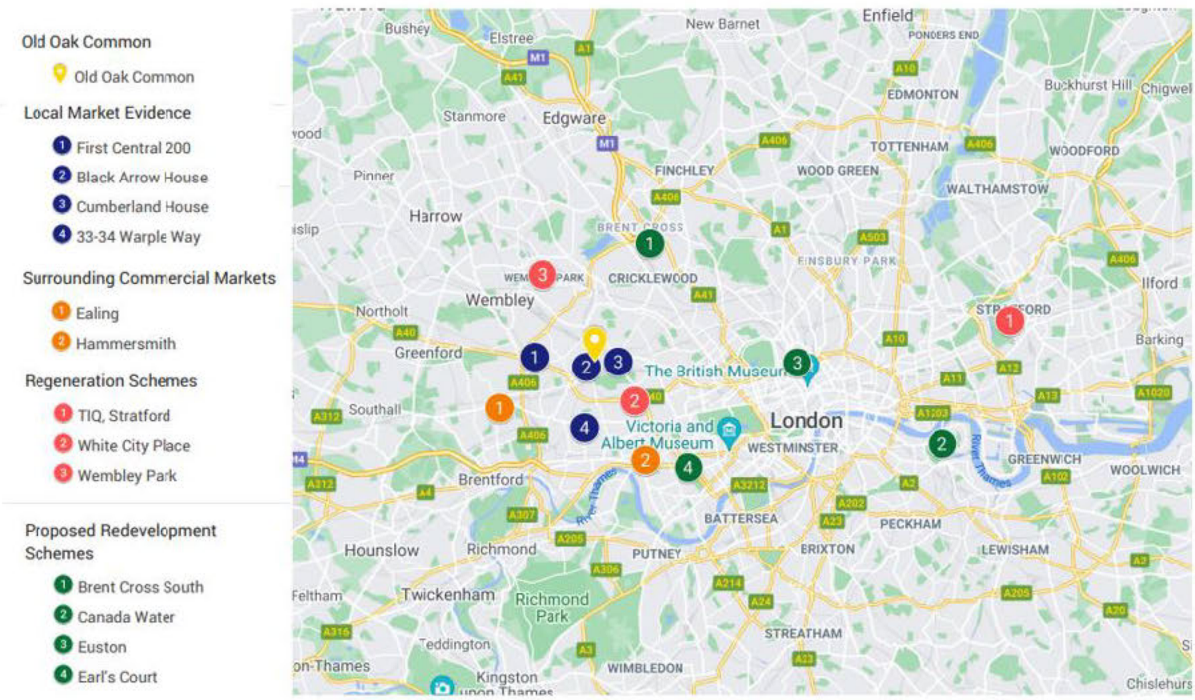
The social infrastructure uses, and quanta were developed by the OPDC Development team in consultation with the planning policy team to ensure that they were policy compliant.

Office Commercial Values - Overview

The leasing terms we have applied in the financial model assume that all the infrastructure is delivered with excellent walking connectivity from North Acton to the new proposed HS2 station, via a 'highline' or equivalent vehicle free / green corridor. We have also assumed that the office product is of a high quality, good sustainable design and architectural interest to generate market interest.

When considering the rental tone, we have considered the more established local office markets such as Hammersmith and White City, and emerging schemes such as Brent Cross and Canada Water. Whilst it is important to bear in mind the local current market provision, we have not used this as comparable evidence as the local market is limited in terms of supply and characterised by poor quality stock lacking critical mass. We provide the comparable evidence below covering the local supply, established local submarkets and emerging regeneration schemes across London.

Figure 13: Map of comparable commercial schemes



Source: Savills, 2021

Office values - Local Supply

[redacted] The First Central deal is a new build office on a business park and therefore generates higher rents than the second hand stock [redacted] Whilst these comparables provide an awareness of the current local market, they are not good comparables as the new stock will be very different in terms of quality, critical mass and specification.

Table 6: Average office rents in recent schemes located around the Western Lands

[redacted]

Source: Savills, 2021

Office Values - Surrounding Established Markets

The surrounding established markets provide a good indicator of where the rental tone is for good quality supply with critical mass. The average office rent is £40 - £42 psf in Ealing and is £55 psf in Hammersmith. The latter commands higher rents as is more central and has better connectivity than Ealing. Ealing does however provide a good benchmark for the subject rents closer to North Acton station and similarly Hammersmith rents for the best space around the stations.

Office Values - London Regeneration Schemes

Savills also analysed The International Quarter at Stratford, Wembley and White City Place to provide a gauge of rental tones across London on mixed use regeneration schemes.

Figure 14: Rendering of the International Quarter scheme at Stratford

Source: Savills Online

Table 7: Overview of commercial leasing profile of International Quarter at Stratford

[redacted]

[redacted]

Source: Savills, 2021

Compared with the Western Lands, the International Quarter provides:

- A successful office campus as part of a large mixed-use development scheme in East London. The commercial district formed part of the later stages in the wider mixed-use masterplan, with homes and cultural / education anchors being established first by several different landowners;
- Similar product in terms of standalone office buildings with critical mass;
- Excellent connectivity, albeit the subject site will have better connectivity once complete and therefore will achieve higher rents.

Figure 15: Rendering of White City Place

Source: Savills, 2021

Table 9: Overview of commercial leasing profile of White City Place

[redacted]

Source: Savills, 2021

Compared with the Western Lands, White City Place offers:

- Standalone office buildings of critical mass as part of a wider mixed-use scheme. New residential accommodation as well as a strong retail and leisure offering were built first at Television Centre creating a more vibrant and interesting mixed-use scheme. In addition, the surrounding area in White City is also undergoing significant change, with major development projects by Imperial College London, Westfield and Berkley St James;
- Strong focus on life sciences and tech occupiers establishing a new ecosystem supported by the nearby Imperial College;
- Very good marketing and PR;
- Similar rental tone to the subject site – although the subject site will be better connected it will require first class retail and leisure offering to achieve similar/better rents.

Figure 16: Rendering of the Wembley Park scheme

Source: Savills Online

Table 10: Overview of commercial leasing profile of Wembley Park

[redacted]

Source: Savills, 2021

Wembley Park can be compared to Western Lands as follows:

- The development will include four standalone office buildings of scale, which drives rents above local market. The primary use of the site is the stadium and built to rent accommodation. It is therefore not a major office destination and the masterplan did not focus on supporting placemaking for the office workers. As such the leasing has been more difficult;
- It does not have sufficient critical mass and is not as well connected.
- The ecosystem is dominated by the arena and sports events.
- Savills therefore expect the subject site to achieve higher rental values.

Office values - Future Regeneration Schemes (pre-construction)

Figure 17: Rendering of the Brent Cross Town scheme

Source: Savills 2021

Table 11: Overview of Brent Cross Town scheme

[redacted]

Source: Savills, 2021

Comparison between Brent Cross Town and Western Lands:

- A similar development to the subject site in terms of scale and quantum of development.
- The scheme comprises a £7bn new town centre development set around 50 acres of parks and playing fields, 6,700 new homes and 3 million sq. ft of office space. It will therefore be delivered as a truly mixed-use scheme.
- Despite the site benefiting from a new railway station due to open in 2022, Old Oak Common will benefit from superior transport links with Crossrail and HS2.
- Savills therefore expect Western Lands, particularly sites near Old Oak Common Station, to achieve higher values, albeit with similar values in the less well-connected parts of the site.

Figure 18: Rendering of the Canada Water scheme

Source: Savills, 2021

Table 12: Overview of Canada Water scheme

Commercial Quantum	Principle Developer	Estimated Quoting Rent psf	Residential Quantum and Anticipated Sales Values
[redacted]			

Source: Savills, 2021

Comparison between Canada Water and Western Lands:

- The proposed development at Canada Water spans 53 acres and will provide a new town centre for London including 3,000 new net zero carbon homes, 2M sq. ft offices, 650,000 sq. ft retail and leisure and 35% of the masterplan will be public open space;
- Planning consent was granted in May 2020 and the construction of two buildings is underway. They will provide retail, office and residential space alongside community uses to include a new leisure centre;
- Given the site's proximity to the river and the high value area of Canary Wharf, Savills expect values to be higher than in Western Lands for residential, but similar for commercial.

Figure 19: Rendering of the Euston OSD scheme

Source: Savills, 2021

Table 13: Overview of Euston OSD scheme

Commercial Quantum	Principle Developer	Quoting Rent Office PSF	Residential Quantum and Anticipated Sales Values
[redacted]			

Source: Savills, 2021

Comparison between Euston OSD and Western Lands:

- Lendlease have been appointed as the Master Developer Partner for the site which extends to almost 60 acres around the HS2 and Network Rail Stations.
- The masterplan work is still in the early phases but is expected to include new offices, home, cafes, shops, community, leisure and entertainment facilities and new public spaces.
- Due to the site's central London location within the Knowledge Quarter and with superior transport connections, Savills expect values to be higher than at the subject site.

Figure 20: Ariel photograph of the Earl's Court scheme

Source: Savills, 2021

Table 14: Overview of Earl's Court scheme

Commercial Quantum	Principle Developer	Quoting Rent Office PSF	Residential Quantum and Anticipated Sales Values
[redacted]			

Source: Savills 2021

Comparison between Earl's Court and Western Lands:

- The site comprises over 25 acres of land formally occupied by the Earls Court Exhibition centres and benefits from an existing detailed planning consent.
- A new plan is being developed for the area by Delancey and is currently in its early stages.
- The site is in Zone 1 in Kensington & Chelsea and Hammersmith & Fulham and surrounded by established high value residential areas.
- Savills therefore expect the subject site to achieve values lower than at Earls Court.

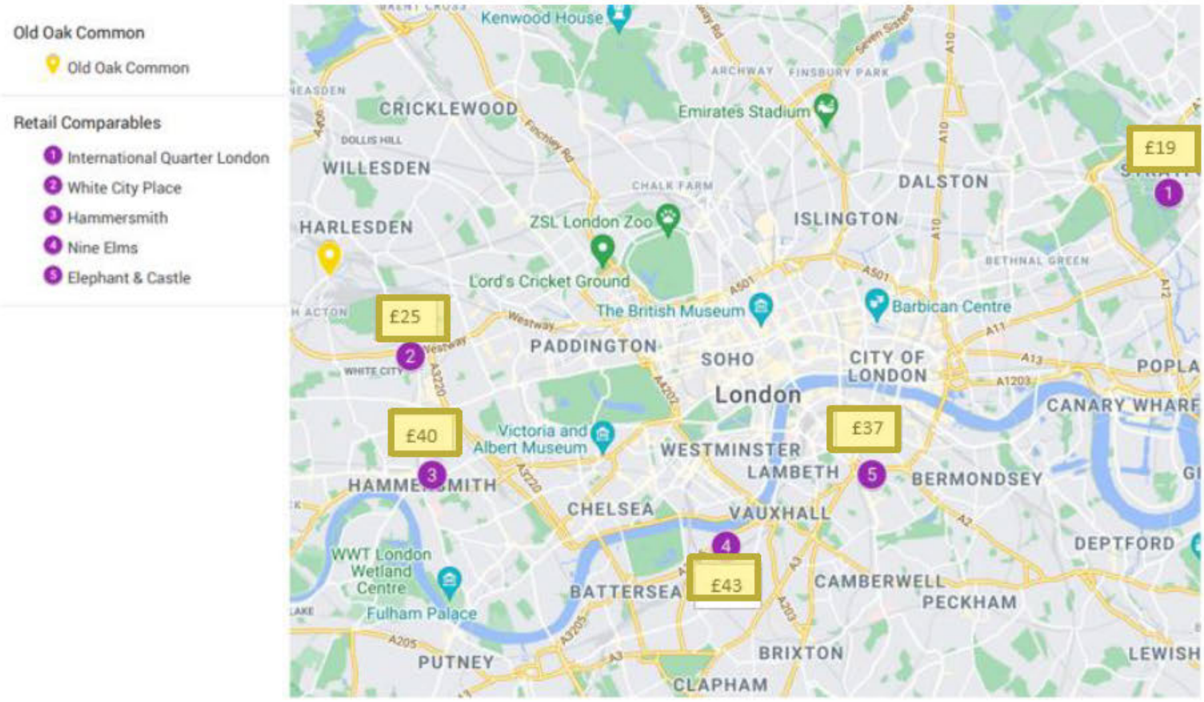
With the above information in mind, [redacted] for the different types of product at the subject site. Our values are in today's date but take into consideration the new place which will be established on site and therefore allows for a new value benchmark to be set in areas across the site.

Retail Values

Similarly, to the above, Savills have assumed all infrastructure is in place and there has been successful place making at the scheme with the office buildings well let and residential units occupied.

To arrive at the ERVs, Savills have gathered input from their retail agents and considered comparable evidence at other similar and emerging schemes. The retail market is not very transparent and often developers/landowners do 'soft deals' to attract interesting occupiers to assist in creating a vibrant ground floor to attract office occupiers and residents. They are therefore willing to reduce rental values to add value to the upper floors. As such, achieved rents are hard to verify and often with little or no comparable evidence being available. Achieved rents for other new schemes are set out in the map below and were used when considering a basis for ERVs. Savills have also taken the view that the developer/landowner would prefer to do softer rental deals to attract exciting occupiers to inject vibrancy and create an active ground floor at project inception.

Figure 21: Map of retail schemes and locations



Source: Savills 2021

The rental tone at Stratford The International Quarter is a good comparable [redacted] attracting tenants to accommodate the office workers during the day and residents at night. White City Place has achieved rental values [redacted] and interesting occupiers such as Soho House, The Blue Bird Café and F54. A significant amount of resource was focused on the place making and PR to ensure the ground floor is active and vibrant. This is what the Western Lands should aim for. Rents at Hammersmith and Elephant and Castle stand at [redacted] respectively. These are however established central markets with precedents having been set over time. They are therefore useful to provide context but less comparable to the subject site.

With the above information in mind, [redacted] at the subject site, which assumes softer deals are done to ensure lettings and active ground floors from early stages of the project.

f. Cost Assumptions

Cost consultants Gardiner & Theobald (G&T) were subcontracted by Savills to provide advice on build cost inputs. G&T advised the construction costs detailed in Table 15, which are scaled based on the number of units and height of each building.

[redacted]

Source: Gardiner & Theobald 2021

Savills reviewed the cost estimate provided by G&T against market comparables that they could see from clients across London and determined that these could be adjusted down. The above costs assume that the works are carried out by a main contractor rather than a house builder 'self-delivery' model. Therefore, they include extra contingency costs of 4% to 7% and their cost advice carries full preliminaries (management, logistics, plant and the like). If delivered by a self-delivery developer, which is likely at Western Lands, the costs can be revised down to be more in line with what Savills are seeing in the market currently.

Table 16: Construction costs assumed by Savills in the Western Lands financial model (same for all scenarios) (per sq. ft)

[redacted]

g. MPD Cashflow Inputs & Assumptions

Land acquisition costs

The methodology for developing the land acquisition costs is explained in the Financial Case of the SOC.

Infrastructure costs

The methodology and sources for the infrastructure costs and programme are detailed in Appendix 8.

Cost of capital

The model is structured on two separate levels. Where relevant (i.e. all scenarios except the 'Do Nothing'), a master development partnership (MDP) undertakes land assembly, builds out infrastructure, and creates serviced plots. These are then sold down to plot developers. There are costs of capital assumed at both levels.

[redacted]

[redacted]

[redacted]

Appendix 7: Infrastructure Summary

Author: OPDC

1. Introduction

The proposed change in land use and significant number of homes proposed for the area will require an upgrade to existing infrastructure, and investment in new infrastructure, to support the development and regeneration potential of the area. This need is reflected in the OPDC's draft Local Plan through the Infrastructure Delivery Plan. For the development of the Western Lands SOBC, a sub-set of infrastructure from the IDP has been identified as necessary to support the delivery of the land and development included in Western Lands proposals.

This appendix details the work done to date to identify the cost assumptions for infrastructure.

The design and costing of these infrastructure elements is at an early stage of development and will need to be developed further for OBC and FBC. Where appropriate contingency and/or optimism bias has been applied to costs to reflect the current stage of design and business case development.

2. Social Infrastructure

Schedule 1: Overview of social infrastructure assumed in each development scenario

	'Do Nothing' Case	Minimum Intervention Case	Preferred Intervention Case	Maximum Intervention Case
Social Infrastructure Elements	▪ 17,000 sq. ft leisure centre with pool* ▪ Super nursery, ▪ Community centre ▪ 6,000 sq. ft health hub ▪ Police facility	▪ 17,000 sq. ft leisure centre with pool* ▪ Super nursery ▪ Community centre ▪ 7,000 sq. ft health hub ▪ Police facility	▪ Primary School ▪ 48,000 sq. ft leisure centre with pool** ▪ 2x super nurseries ▪ 21,000 sq. ft health hub** ▪ 2x community centres ▪ 2x police facilities	▪ Primary school ▪ 17,000 sq. ft leisure centre with pool ▪ 3x super nursery ▪ 13,000 sq. ft health hub ▪ 2x police facilities ▪ 2x community centres
Total social infrastructure	43,486 GIA sq. ft	44,380 GIA sq. ft	185,235 GIA sq. ft	135,733 GIA sq. ft
Public Realm	▪ 5 hectares ▪ Includes 1.3 ha park on Atlas Rd site (no canal frontage)	▪ 5.3 hectares ▪ Includes 1.3 ha park on Atlas Rd site (no canal frontage)	• 10 hectares ▪ includes a 2.56 ha Canalside park	▪ 13 hectares ▪ includes 2.56 ha Canalside park

*Sports facility exceeds requirement but is minimum size a commercial provider would deliver.

**Social infrastructure in Preferred Intervention Case exceeds planning requirements.

Source: OPDC 2021.

3. Cost summary

- All costs (except Old Oak Common Lane Station) are indexed to Q1 2021, and include construction, professional fees and contingency.
- % assumed for contingency vary depending on the nature of the infrastructure item, and ranges from 20-60%. Contingency has been applied on construction, preliminaries, overheads, profit and fees, and reflects the early stage of design and uncertainty implicit at this stage of planning and design.
- For some items (roads, bridges, parks) full cost also includes lifecycle costs including operation, maintenance, and renewal (assumed after 40 years).
- No lifecycle/maintenance costs for utilities has been assumed; we have assumed that statutory undertakers would normally bear the lifecycle/maintenance costs after 3rd parties have paid for their installation.
- Adoption costs have not been included as it is premature to have those discussions with the likely highways/statutory authorities, but design and cost assumptions have been made based on infrastructure being delivered to an 'adoptable standard'.

Schedule 5: Breakdown of Preferred Intervention Case infrastructure costs, including contingency assumptions[5]

[redacted]

[5] All infrastructure costs are as at Q1 2021.

[6] Original cost was dated Q2 2018 (£28.97m). The cost shown for this has now been inflated to Q3 2021 for consistency.

Infrastructure element	Cons-truction	Prof. fees	Con-tingency	Renewal	Opera-tion	Mainte-nance	Full Cost (£m)	Con-tingency
[redacted]								

Appendix 8: Ground Rules for Western Lands Delivery and DfT Bodies

Author: OPDC & DfT

No.	DfT proposal	Ways of Working
1	**HS2 Programme:** OPDC will continue to develop its programme using latest understanding of HS2 Ltd.'s delivery programme, recognising that this will be subject to change. OPDC to target the optimisation of HS2 determined development sites when surplus from construction, operational and future Department needs, and work within the constraints presented by HS2 requirements. The Department, HS2 Ltd and OPDC will work closely to understand and factor in future passenger and maintenance requirements.	Regular engagement and reviewing of plans between DfT, HS2 Ltd and OPDC. HS2 Ltd to update OPDC with any changes as soon as confirmed with DfT.
2	**Operational needs:** Similarly, OPDC will continue to work closely with Network Rail on its passenger, freight and maintenance requirements and work within the constraints presented by NR requirements. Where possible OPDC and NR will work to consolidate, relocate or rationalise the footprint of these needs. Improvements to NR assets (e.g. Willesden Junction Station) will be jointly developed and managed.	Early and regular engagement. NR to update OPDC with any changes as soon as confirmed with DfT.
3	**Safeguarding**: OPDC is working to its current understanding of West London Orbital, Chiltern Line spur and HS2, safeguarding directions and programme, and will continue to update/adapt these as required.	All to flag constraints as soon as known.
4	**Future transport infrastructure schemes:** OPDC to work closely with DfT, HS2 Ltd, Network Rail and TfL as part of the planning for future schemes (for example Chiltern, Willesden Euro Terminal and future TfL requirements) and to ensure a coherent infrastructure offering for the area.	All parties to share information on future schemes and to provide regular updates/engage OPDC early and regularly.

5	**Delivery of benefits:** OPDC will ensure that it will use Government land to maximise the delivery of wider benefits in line with existing Government policy (e.g. original information from the Government Estates Strategy and HS2 Phase One Full Business Case) and new and updated policy when introduced. OPDC will develop a coherent strategy for delivering these wider benefits and will engage with Central Government on its priorities as part of this. Benefits will be focused on the balance for HMG, the GLA and Boroughs as a whole rather than to the benefit of individual organisations.	Regular evaluation of the wider benefits based on known and emerging priorities. DfT will provide updated information such as Roadmaps and latest Strategy documents when published. OPDC will ensure most recent information is used to support planning and delivery.
6	**Good Asset Stewardship:** Although at an early stage of design OPDC and its advisors are conscious of and will maintain a focus on asset management and protection, ongoing maintenance and adoption requirements and will both design and budget adequately to ensure all statutory authorities are satisfied with the scheme. This will need to cover both those assets already in the Secretary of State's ownership and future assets.	Regular ongoing engagement between all to discuss/update plans for asset management and protection. DfT to provide information to OPDC on future assets when known and in order that any impacts on the budget can be addressed (being mindful of the design and budget commitment).
7	**Selective Involvement:** Targeting sites where delivery has significant interdependency between funding, infrastructure, land assembly (including the impact of Crichel Down rules) or procurement as a priority. Where DfT and its ALBs can bring forward development or disposals without the need for further intervention, OPDC will continue to act as the Local Planning Authority.	OPDC and DfT will continue to develop a strategy for the Western Lands. Other sites (e.g. North Pole Depot) can be reviewed on a case-by-case basis as DfT develops its own disposal strategy.

Appendix 9: Early Market Engagement

Author: OPDC

Early Market Engagement

Real interest from all developers we spoke to:

Outstanding transport links | International access at Heathrow | Attractive critical mass of development

This can drive strong fundamentals:

- Could attract **international investment** – both development capital and occupier businesses.
- **Affordability** could be a real driver for both the residential and commercial offer.
- Ability to drive **long-term value growth** by ensuring high quality placemaking across a critical mass of development.
- Underpinned by **public sector support** across joint vision/objectives, political will and the use of statutory power.

However there are recognisable issues or barriers:

Poor existing environment | Significant up-front cost of land and infrastructure | Existing fractured interests

Common "Must-Haves" from the developers we spoke to:

- **Overarching control over the whole development**
- Allow flexibility – **don't over plan or over-design**
- Consolidated control of the land [redacted] **single interface**
- Potential ring-fencing or certainty over infrastructure delivery/funding

There was some differences between developers regarding:

- Delivering all plot development vs. acting as master development and potentially mixing plot sales and direct delivery
- Preferences re: development agreements or JV partnerships for optimal allocation of risk and alignment of interests
- The extent to which the Public Sector would need to de-risk land assembly, planning and infrastructure delivery

Thoughts/feedback from developers

It could make sense to look at Old Oak as several "places" rather than look for a homogenous approach to placemaking across the whole site

Delivering separate places with a distinctive feel, character and product mix could be very successful and start by leveraging nearby neighbourhoods. However success would depend on great physical connections and a public-realm led approach to master-planning

ESG is an increasing important occupier and investor driver – this scheme could really deliver on this

Huge amounts of capital are seeking investments with measurable ESG outputs. Combined with the appropriate use of public sector covenant/guarantees this could significantly reduce the cost of capital

This scheme is one of several along the HS2 line offering exciting commercial and housing opportunities on similar timescales

There is an opportunity to highlight the differences including regional context and affordability, drive a clear narrative on the different purpose of each scheme and create a cohesive investment, growth and skills strategy across the line in a way that makes sense to international investment

Flexibility in planning and certainty over land assembly are both essential but potentially in conflict given the planning certainty required for CPO, this is a risk to developers

The MDC's powers allow it to

(a) offer a de-risked planning position through its Local Plan, planning powers and pro-development mandate,- and

(b) support that position with its CPO powers

Appendix 10: Rationale for Master Developer Partner Critical Success Factors

Author: Newbridge Advisors

Within the Commercial Case, a series of Critical Success Factors (CSFs) are presented as a means of assessing the options for securing a Master Developer Partner for Western Lands. The table below presents these CSFs with further explanation of the intent behind each CSF.

Master Developer Procurement: Appraisal Criteria	
Market Attractiveness Provides the ability for investors to measure and control cost, value and risk. Provides a predictable and stable public sector counterparty. Underlying offer is likely to be attractive and create competition amongst suitable investment partners.	**Public Sector Risk** Controls public sector risk including cost exposure and the risk of delay. Achieves an optimum transfer of risk to the private sector where some anticipated market failure will require the public sector to assume some key residual risk.
Benefits Delivery and Public Sector Control The public sector retains an appropriate level of control over the delivery of outcomes and benefits. Ability to control and manage interfaces and safeguard other rail and infrastructure priorities.	**Public Sector Cost** Provides a predictable and affordable level of cost for the Public Sector.
Public Sector Returns Ensures the taxpayer receives maximum value, net of all subsidy required to deliver the scheme. Includes the opportunity for the public sector balance up-front receipts with the ability to participate in the longer-term value creation through the development cycle.	**Efficient Transaction and Effective Governance** Provides an understandable and attractive transaction model that also creates clear and effective governance for decision making over the life of the project.
Supports funding Creates a structure or entity which provides sufficient certainty and controls to allow the public sector to allocate funding to the project either directly, as a ring-fenced conditional allocation or on a “stapled” basis.	**Supports the use of powers** Procurement strategy provides sufficient certainty for the public sector to offer undertakings to support the scheme through its regeneration, infrastructure or planning powers.

Appendix 11: Public Sector JVs Case Studies

Author: Newbridge Advisors

4. Western Lands SOC Delivery Precedent Case Studies

Project	Delivery Structure	Area of Relevance
Brent Cross Town	JV LP	Long term public-private delivery structure Public sector de-risking infrastructure
LLDC	Single public body + multiple delivery contracts	Public sector master developer, comprehensive delivery
Barking Riverside	JV 49/51	Long term public-private delivery structure
Meridian Water	Single public body + multiple delivery contracts	Public sector as master developer
Birmingham Smithfield	JV	Public-private Master Developer JV with Lendlease
Ebbsfleet	Single public body + multiple delivery contracts	Public sector intervention to assemble land following slow piecemeal delivery
Euston	JV LLP	DfT land pool and long-term public-private master developer JV
King's Cross	JV partnership LP/GP structure	DfT and DHL land pool, and long- term public-private master developer JV
Greenwich	DA	Public sector land assembly and challenges of a DA

5. Ebbsfleet

Overview

Ebbsfleet Garden City sees the Ebbsfleet Development Corporation (EDC) lead as master developer to deliver a core infrastructure investment programme, with the aim of accelerating the delivery of c.15,000 homes with 30% affordable housing. It will also deliver a vibrant new commercial centre around the new Ebbsfleet International Station, leveraging the arrival of the Crossrail extension to Ebbsfleet and journey times of 17 minutes to Central London. With land assembled, core infrastructure and outline planning consent in place, the land parcels will be readied for delivery by the private sector.

Prior to EDC's involvement as delivery agent for Ebbsfleet Central and its acquisition of land from Landsec in 2019, the area suffered from disparate development, sometimes lacking in build quality and in a piecemeal fashion without coherent placemaking. By delivering the core highways and energy infrastructure with a £310m forward fund agreement with DLUHC, and acquiring the land at Ebbsfleet Central, EDC aims to accelerate comprehensive and sustainable development at Ebbsfleet, delivering garden city principles rather than a series of housing estates.

Parties to the Project
EDC is an arms-length body of the DLUHC and the Local Planning Authority for the Ebbsfleet area. The EDC area sits within the administrative boundaries of Dartford and Gravesham borough councils.

Master Developer Role
EDC was established with the mandate to act as Local Planning Authority for the Ebbsfleet Garden City and oversee regeneration of the former quarry sites. In 2016 it also secured DHULC funding for a core infrastructure investment programme, including utilities and energy capacity upgrades, junction upgrades, a strategic bus network, green corridors, and a new bridge. Most of these works are now complete. EDC made its first acquisitions for station infrastructure sites in 2019, followed by acquisition of a 125Ha land for Ebbsfleet Garden City and Ebbsfleet Central (commercial district) for £34m in 2019. The land was bought from EIGP, a Joint Venture between Land Sec and Ebbsfleet Property LLP. As landowner, EDC has since negotiated landmark agreements with developers and utilities companies, including high speed fiber optic broadband. It is expected that this will incentivise private sector delivery on privately held sites. With outline planning consent for Ebbsfleet Centre, EDC is developing a revised masterplan for the site which responds to market shifts since the original scheme, and a long-term stewardship role for the whole of Ebbsfleet Garden City. This case study demonstrates how fractured land ownership can lead to delayed delivery; infrastructure funding alone was not sufficient to accelerate meaningful delivery.

6. Brent Cross Town

Overview
Brent Cross Cricklewood Regeneration Programme will deliver a £4bn new town centre development across 151 Ha. The three phases have distinct delivery approaches; the Southern phase, Brent New Town, is being delivered via a JV delivery vehicle. Brent New Town is a mixed-use scheme that will deliver 6,700 homes and 25,000 jobs (3 million sq. ft of office space) through a JV established between London Borough of Barnet (LBB) and Argent Related in 2016. Through this Master Development Partner corporate JV arrangement, LBB will continue to act as landowner, with Argent drawing down the sites and delivering the scheme as default developer. The scheme will deliver and benefit from a New Brent Cross West Station which opens in 2024 – 12 minutes to King's Cross, with funding from DHULC (delivered outside the JV). Enabling works commenced on the scheme in Q4 2020.

Parties to the Project

LBB established a Wholly Owned Company that entered the 50/50 JV LP with Argent Related for Brent New Town.

Separately, the refurbishment of Brent Cross London is being delivered by Hammerson and Aberdeen Standard Investments, whilst the Brent Cross Thameslink station and adjoining waste transfer and freight facilities are being delivered by LBB, TfL and Network Rail.

A hybrid planning application was secured in 2010 by a partnership of key landowners – Hammerson, Aberdeen Standard and Brookfield Europe. In 2014 the consent was varied to split the site between North and South.

Master Developer Partner via JV Limited Partnership

Argent Related was procured through a two-year OJEU negotiated process.

JVLP will undertake phased land drawdowns from the Council as landowner through draw down packages including infrastructure provision and development plots. The land will be drawn down by Argent Related and overage returned to the Council. LBB's wholly owned housing company receives the Council's share of surpluses from the JVLP.

Key benefits of the partnership include:

- Use of LBB's CPO powers to acquire sites near station and those for infrastructure and plot delivery – included in the JVLP.
- Secured a significant loan facility from Homes England towards land assembly and infrastructure
- Site acquisition through the JVLP which draws down sites once confirmation that site acquisition will be immune from challenge.

Details for the JV agreement are set out below, which highlight mechanisms to transfer risk from the public sector to an arm's length corporate entity, with Argent committed to delivering the sites, by itself or via third party developers.

- Plots included in the JV are land for infrastructure and development, in accordance with the programme and are subject to satisfying preconditions (for example, that the land is in Council ownership or that compulsorily purchased land is immune from challenge).
- Development funding from Argent-Related with the option for the Council to contribute funding.
- The JVLP enters into a development and infrastructure agreement (DIMA) with Argent Related DevCo. Argent Related DevCo provides development and project management for the development and infrastructure and negotiates any plot development agreements with third parties.

This case study demonstrates a successful delivery through a Joint Venture Company, where the public sector's risk is shared with the MDP, also benefiting from Argent Related's delivery expertise as Development Manager and default developer. It demonstrates the need for early public sector investment in land assembly and infrastructure delivery to unlock private sector investment into the scheme.

7. Olympic Park

Overview

The London Legacy Development Corporation (LLDC) was established in 2012, following a transition from the former legacy body the Olympic Park Legacy Company (OPLC). Building on the Legacy of the Olympic Games in 2012, LLDC has successfully led and stewarded the delivery of comprehensive development as the majority landowner and developer for the area, securing an overarching planning consent and delivering sites through multiple approaches.

Land at the Olympic Park was assembled through private treaty and CPO by the London Development Authority (LDA) to facilitate the development of infrastructure and stadia for the Olympic Games. The land was subsequently transferred to LLDC – via the creation of a Settlement Agreement and Scheme Transfer Order (STO). The Settlement Agreement sets out how the Olympic funders would receive payments from land proceeds generated by LLDC.

Parties to the Project

The land acquired by LDA was a combination of private land and public land (LB Hackney and LB Newham). Land held by London & Continental Railways (retained from the construction of HS1) was retained by LCR – this has subsequently been developed as the areas known as The International Quarter. Freehold land adjacent to railways was retained by Network Rail. Land at the Athletes Village was also not transferred to LLDC as this was subject to a separate deal between the Olympic Delivery Authority and Qatari Diar – Delancey.

MD and single land holding entity

The Olympic Park demonstrates successful working between public sector partners to form the LLDC and transfer land to enable a cohesive masterplanning design and delivery approach. A notable point of the Settlement Agreement related to the land is that, in determining the Net Proceeds, LLDC can deduct its development costs for bringing the sites forward i.e. investment in infrastructure, development costs, procurement and other such capital costs.

In 2012, LLDC secured an Outline Planning Consent – the Legacy Communities Scheme (LCS) with a hybrid element for Phase 1. This enabled Chobham Manor (Development Agreement with Taylor Wimpey/L&Q consortium) to be built out as quickly as possible following the Games whilst post Games Transformation Works were on-going across the rest of the Park. Phase 2 was also a Development Agreement (Balfour Beatty / Places for People consortium) whereas Phase 3 cultural and educational facilities will be delivered directly by LLDC, with a Joint Venture for the 1200 home residential element.

This case study demonstrates an example of the public sector acting as master developer and the merits of comprehensive land and infrastructure assembly.

8. Barking Riverside

Overview

Barking Riverside will be a quality-led new riverfront town in East London. It is set over 170 Ha of brownfield land at the heart of the Thames Gateway. It is being delivered via a Joint Venture company (Barking Riverside Ltd) owned by Greater London Authority Property Ltd (GLAP) and London & Quadrant (L&Q).

Barking Riverside Ltd (BRL) secured outline planning in 2004 to deliver 10,800 new, mixed-tenure homes (40% affordable) alongside healthcare, shopping, community and leisure facilities and environmental amenities, and 1,500 jobs. All supported by new public transport links.

Parties to the Project
A master developer JV between L&Q and GLAP. In this arrangement, GLAP owns 49% and L&Q owns 51% of the shares in the JV. L&Q entered the JV in 2016 following the acquisition of Bellway Homes' 51% share. Bellway retains an option in the JV to build future homes on the site.
MDP JV
The master developer partnership JV has benefited from public sector financial investment from the Large Sites Infrastructure Fund, DfT transport funding, and Accelerated Construction Fund. The GLA's investments ensures that requisite funding and infrastructure is delivered, whilst also sharing delivery risk with the private sector. The planning consent responded to the performance of the scheme, initially set at 35% affordable housing, it would step up to 50% subject to viability. A further notable condition was the handover of 73 Ha of unbuildable land to Barking Riverside Community Interest Company (BRCIC) which is operated under an estate governance model funded by ground rents. Extension of the Overground line from Gospel Oak to Barking and securing its funding was critical to this development. In 2015, an Opportunity Area Planning Framework was adopted, which included the proposals for the new rail extension. This supported calls to government for investment into the rail infrastructure. There was programme delay due to hold up on railway funding and planning obligations required instatement of the railway line before development could progress. This would likely have had greater delays without GLAP's party to the project. This case study demonstrates the execution of a successful corporate JV between public and private sector partners as MDP with the flexibility to change JV partner over the life of a long-term project. It also shows the public sector's role in ensuring that critical infrastructure is in place, such as the rail extension to Barking.

9. Greenwich

Overview
Greenwich Peninsula was one of the first significant regeneration schemes to be delivered in a public private partnership. Located along the south bank of the Thames, the former gas works site is bounded on three sides by a loop of the river and will see a new 15,000 home mixed-use neighborhood and Design District delivered. Following public sector transferal of land to GLAP from English Partnerships in 2002, the delivery partnership took the form of a Land Disposal Agreement (LDA) between the GLAP Ltd and the JV entity – Greenwich Peninsula Regeneration Ltd (GPRL). The development has been successful, however the structure of the LDA saw a protracted delivery process, with GLAP having limited control over pace and quality of the delivery.
Parties to the Project
GLAP as landowner, has a LDA with Knight Dragon JV entity, Knight Dragon Investments Ltd (formerly Greenwich Peninsula Regeneration Ltd) which identifies early sites and timeframes for drawdown, with GLAP retaining freehold. Knight Dragon replaced the original developer in 2013.
Public Sector works and Master Developer

English Partnerships as master developer and landowner invested £225m on land remediation and infrastructure enhancement to unlock the sites for development, which has since been recouped through land receipts to GLAP.

The original partners to the LDA, Meridian Delta Ltd in 2001, a 50:50 Joint Venture between Quintain and Lendlease, secured outline planning consent 2 years after entering the LDA with English Partnerships. The consent was later varied by Knight Dragon who took full ownership of GPRL in 2013.

The LDA between GLAP and GPRL provides a flexible approach for the partner. It gives the partner exclusive rights to develop or sell land to third parties, subject to certain development requirements. In 2012 the LDA was varied to prioritise 11 plots for draw down by a pre-agreed date, providing GLAP with a certain level of control over the delivery.

GLAP benefits from the LDA in terms of land value (75% upfront and 25% delayed) and overage and a retained freehold of the land. Knight Dragon benefits from an attractively flexible approach and ability to exercise its rights independently and sell to third parties.

Some key learnings can be gleaned from this Development Agreement precedent. A deferred profit share approach benefits from value growth. However, the delayed programme took a hit on the minimum land value to GLAP rather than the partner JV.

Additionally, the DA was entered into in 2002, with the first conditional land sale exchanged in 2006. Nearly 20 years into the original programme, only circa 2,500 homes have been delivered by Knight Dragon. With no contractually binding provisions to meet a specified timetable for development, there have been few levers of control for GLAP to ensure homes are built at pace.

10. Euston

Overview

Euston Station development will transform the sites between and around the HS2 and Network Rail stations by delivering new homes, offices, retail, and community uses, as well as significant green space and public realm, along the 60-acre site.

The development has benefited from public sector land pooling via a collaboration agreement between land owning parties Department for Transport (DfT) and Network Rail (NR). DfT and NR are contracted under Development Agreement (DA) with Lendlease as Master Development Partner.

Parties to the Project

In 2018 Lendlease Europe Holdings Limited entered a DA as Master Development Partner to the DfT. It was later novated to Lendlease Euston Development LLP. The partnership is managed through establishment of the Euston Development Board.

Public Sector Land Pooling and MDP

DfT and NR entered into a collaboration agreement in 2018 to manage the project collaboratively as landowners. The agreement sets out the land pooling and sharing of revenues between the two government bodies, obligations and decision making.

Some key commercial terms of the collaboration agreement allow the MDP to transact with the single landowner, with freeholder interests rationalised into single leaseholds. It also agrees optional mechanisms through which land value is generated from the MDP:

- An upfront land sale to the MDP, with 50% of profit as overage on the Minimum Land Value
- Deferred land payment at practical completion and up to 50% land value upfront;
- Profit share on the scheme.

In 2018 DfT procured Lendlease as Master Development Partner and entered a long-term DA. The DA sets out joint upfront liabilities capped at £20m paid by DfT/NR for costs of planning consent. Lendlease will masterplan and secure planning consent for the redevelopment of the wider station site, responding to the Euston Area Plan in 2015 and a Supplementary Planning Document for the development area.

This case study demonstrates opportunity of land pooling between government organisations with equal land holdings, with DfT underwriting the DA contract with Lendlease up to a certain cap. Taking a long-term interest in the development meant that DfT and NR were able to leverage HS2 investment and land value uplift of the transport infrastructure provision.

11. King's Cross

Overview

The King's Cross Regeneration Programme leveraged the £2bn investment into local transport infrastructure and public space at the new transport hub at King's Cross. It will regenerate the 27 Ha site, delivering 1,900 homes and 47,000sqm of commercial space.

It is a prominent example of a partnership delivery approach to deliver high quality regeneration. In 2001 London & Continental Railways (LCR) established a JV Limited partnership with adjoining landowner, DHL, and Argent as developer, to jointly deliver enabling infrastructure and development at King's Cross.

Parties to the Project

Argent was selected as a private partner in 2001 and entered into a joint collective ownership acquisition and development agreement with other landowners LCR and DHL Supply Chain. They jointly formed the King's Cross Central LP (KCCLP) in 2008.

Public sector land rights and JV MDP

The JV deal included an agreement that the land would be valued following planning permission and completion of the Channel Tunnel Rail Link. Argent could then acquire the land or enter a 50/50 partnership.

Since 2008, the Partnership has invested more than £300 million for land assembly and sitewide infrastructure. The partnership was designed to provide financial return to all parties.

LCR provided a £51m loan to the KCCLP and LCR and DHL recycled their land receipt as shareholder loan and Argent provided match funding, which funded the infrastructure.

LB Camden granted outline planning permission for regeneration in 2006, costs of which were borne by Argent. A flexible planning application set out a flexible s106 allocation based on a 'floor space maxima' to respond to the market demands, with a 20% flexibility to vary the mix of uses.

This case study is of relevance in terms of the transfer of land to LCR from DfT. In addition to a capital grant of £2 billion, LCR was granted property development rights around King's Cross. In exchange, DfT would receive 50% of LCR's net profit after deducting the costs of the King's Cross redevelopment scheme, with the first income expected between 2016 and 2020.

The selection of MDP partner Argent, was also a success factor in the development. Originally funded by the BT Pension Fund, it was able to take a much longer-term approach than other developers, for example, putting in high quality landscaping at the start, which helped it secure additional investment.

LCR was able to make significant equity returns on their investment, through recycling land receipts into the JV and crystallising value only when they sold its 36.5% share in the JV to Australian pension fund, Australian Super in 2016 for £371 million.

This case study demonstrates public sector transferral of land and majority stake in a long-term corporate MDP JV; it delivered a high quality-new destination catalysed by transport-led infrastructure investment and delivered financial returns to all parties.

12. Birmingham Smithfield

Overview

Birmingham Smithfield is a recent precedent for partnership delivery; Birmingham City Council entered a Joint Venture in 2020 with developer Lendlease to deliver a major new urban quarter. It will transform the former wholesale markets and wider area into a mixed-use hub in the centre of Birmingham, with around 2,000 new homes and 8,000 jobs, cultural facilities and a new public square.

The £1.9 billion scheme has a 15-year delivery programme and will benefit from the planned arrival of the new HS2 station at Curzon Street.

Parties to the Project

A Joint Venture between Birmingham City Council and Lendlease.

It is expected that Birmingham and Sollihull LEP will provide significant grant funding for infrastructure and land acquisition costs.

MDP JV

Procuring a master developer partner was deemed best option and high value for money and wider benefits by Birmingham City Council. As such, in 2020 the Council entered the JV with Lendlease Smithfield Development LLP. The JV will do a detailed Masterplan and Business Case for additional funding and Birmingham Council will undertake CPOs as required.

The terms of the JV include separate Phase Development Agreements per phase, or a special purpose vehicle for a phase, which may be entered into by third parties (with Lendlease guaranteeing development obligations). In this way, the contractual terms retain flexibility in delivery and ensures that risk and costs are managed, whilst guaranteeing Birmingham Council's share in the development returns over the long term.

Enabling works were initially funded by Birmingham City Council through grant funding in 2021. Mechanisms within the JV ensure that there is no additional funding liability from the Council.

The relevance of this is the MDP selected and terms of the JV that manage risk and returns to each party, within acceptable levels for the Birmingham Council. Delivering the scheme in JV with Lendlease, will benefit from the developer's extensive expertise in mixed-use development of a similar scale and type.

13. Meridian Water

Overview

Meridian Water is in the Lee Valley and is part of the London-Stanstead-Cambridge corridor. The project began in 2013 when Enfield Council set out a masterplan for this 210-acre site seeing it as an investment opportunity that would eventually provide up to 5,000 homes and 6,000 jobs. The aspiration has since grown to 10,000 new homes.

In 2016 Barratt Homes was made the preferred developer for the entire site, but they withdrew in 2017 after failing to agree terms with the Council, leading Enfield Council to take a leading role in the delivery of Meridian Water.

Parties to the Project

Enfield Council took control as Master Developer in 2018, to deliver the housing needed where there is significant under supply.

Public Sector MD

Barratt's withdrawal from the scheme in 2017 highlighted a significant drawback to this approach for the Council and indeed the sector– a limitation for delivering the Council's vision and housing mix, and the lack of guarantee that the partner would be positive for the project.

Enfield Council has since changed strategic approach and assumed a master developer role, to have greater control and influence over the scheme. In October 2019 an agreement was signed with the Vistry Group to build Meridian Water Phase 1 - 950 homes (50% of which will be affordable) and employment space. They were later selected to build a further 250 homes. As part of the deal, Enfield Council will take ownership of a large proportion of the social rent housing and employment space.

In 2020 the Council secured circa £170m of HIF Funding from MHCLG for rail improvements and flood alleviation.

Achievements to date as Master developer:

- Delivered the new Meridian Water train station,
- Secured significant grant from government to deliver infrastructure,
- Secured planning permission for the first 3,000, appointed Vistry to deliver 1,200 new homes, and purchased over two thirds of the developable land,
- Delivered several temporary cultural venues
- Secured CPO to release land required for the strategic infrastructure

This case study demonstrates the merits of the public sector taking the role of master developer, where the private sector did not meet the obligations agreed during procurement.

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