



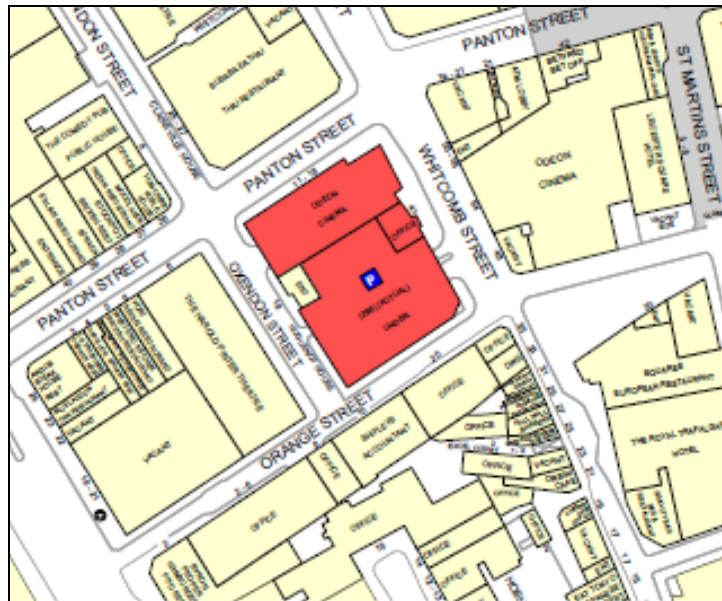
**City of Westminster**

## **Cabinet Report**

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>10 July 2017</b>
<b>Classification:</b>	<b>General Release save for Appendix E as detailed below at paragraph 2.1</b>
<b>Title:</b>	<b>Leicester Square Development Review - Huguenot House</b>
<b>Wards Affected:</b>	<b>St James's</b>
<b>City for All:</b>	<p><b>The proposed scheme will meet the City Council's three year plan to create a City of Aspiration, Choice and Heritage.</b></p> <p><b>City of Aspiration- We will enable all our communities to share in the economic prosperity of our city.</b></p> <p><b>City of Choice- We will create opportunities for residents, businesses and visitors to make informed and responsible choices for themselves, their families and their neighbourhood.</b></p> <p><b>City of Heritage- We will protect and enhance Westminster's unique heritage so that every neighbourhood remains a great place to live, work and visit both now and in the future.</b></p>
<b>Key Decision:</b>	<b>That the Cabinet agrees to consider all options and provide officers with a preferred way forward.</b>
<b>Report of:</b>	<b>Executive Director Growth Planning and Housing</b>

1. **Executive Summary:**

- 1.1. This paper provides Cabinet with options for Cabinet's consideration, from the do nothing (or maintenance only) options through to a full redevelopment option, for the island site (see the location plan in 1.2 below) bordered by Panton Street, Whitcomb Street, Orange Street and Oxendon Street, also known to Council officers as Huguenot House (the "Property"). The development proposals are summarised in the body of this paper.
- 1.2. Location Plan for the Property.



- 1.3. The City Council has a key role to play in the strategic development and place making of the Borough, with special attention to Westminster's heritage sites and how they contribute to its economic growth. The Council has already laid out its ambitions to create a world class city in its 'City for All' programme and it has demonstrated this commitment with its support for business and through the creation of the West End Partnership, Leicester Square is a central part of the Council's ambition.
- 1.4. Huguenot House is an important Council owned asset located in a prominent Central London island location just off Leicester Square.
- 1.5. The site could improve the social, economic and environmental well-being of the area, and officers were asked to explore the opportunity to develop options for this site and to propose a deliverable solution that meets the Council's aspiration for the area.

## **2. Recommendation**

- 2.1. That Appendix E to this report be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A, Part 1, paragraph 3 (as amended) in that these documents contain information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 2.2. That the Cabinet notes the content of the report and considers the early analysis of all the options so far in relation to this property.
- 2.3. That the Cabinet notes and considers the feedback on all commercial and residential engagement and informal consultation undertaken so far in relation to the options noting the opposition to redevelopment from the Huguenot House Resident's Association).
- 2.4. That the Cabinet having considered the recommendations above, provides officers with a clear steer on the preferred option that best meets the Council's aspirations for the property subject to further formal consultation with all residents and occupiers.
- 2.5. That the Cabinet confirms which development option should be progressed (as agreed in recommendation 2.4) by the development team and subject to providing a report back to Cabinet with a full analysis of the feedback from a formal consultation with residents , commercial occupiers and local stakeholders, the preferred option will be compared to the current 4 options as noted in 6.3 of this report.
- 2.6. That the Cabinet approves expenditure from the General Fund capital budget to enable the team to progress the design and cost certainty of the preferred option by procuring a multidisciplinary design team, surveys and professional services to advance the preferred option to RIBA Stage 2 .Officers are instructed to develop the final business case in parallel with the design process, working with the City Treasurer to seek a recommendation to proceed with that option from the Capital Review Group.

## **3. Reason for the Decision**

- 3.1. A revised City for All programme has been launched with three new key priorities. These were to put civic leadership and responsibility at the heart of all we do, to promote opportunity and fairness across the city and to set the standards for a world class city. The development proposals for the Property will enable the Council to best meet its 'City for All' aspirations as follows:-
  - Civic leadership and responsibility; the options include proposals which will provide an enhanced rental income from the asset in support of the Council's fiscal demands and asset retention. The Council's objective to create new business space, homes and

entertainment space will be met through redevelopment and an increase in the density and quality of the final product above the current provision.

- Promote opportunity; the options include proposals to create new jobs and employment opportunities in the office, retail and leisure market as a result of an improved office space, cinema and public parking provision. The number of estimated operational jobs range from between 327 to 598 depending on the option. In addition to this, if a redevelopment option is selected; further jobs will be created during the construction phase, creating further economic prosperity within Westminster.
- A world class city; the options for the Property will add to the built environment and revitalise an uninviting area of the West End through the enhancement of the public realm, encouraging further regeneration and footfall in the vicinity and making it a safer, attractive and more vibrant location.

3.2. The Council has an obligation to manage its corporate property assets in a commercial and professional manner generating revenue to support the General Fund with revenue income wherever possible.

- As fiscal pressure increases across Local Government the Council must apply a more commercial approach to management of its business and the assets it holds.
- The Council holds a property portfolio of approximately 770 buildings. About 370 buildings are properties held for investment purposes (incorporating 930 commercial tenancies generating rental income for the Council) and 400 are operational properties (schools, depots, care homes, offices, libraries etc.).
- Real Property provides a significant opportunity for releasing revenue growth and the Council is taking a more commercial approach to the management and investment of its estates. Westminster's property strategy focuses on portfolio rationalization, development and new investment.
- A substantial pipeline of potential development has been identified and projects are on-going. Investment in development will provide considerably higher returns than standing investment, especially where the land is already owned. However, development programmes take long periods to deliver.

3.3. The Heart of London Business Alliance operates two Business Improvement Districts, representing 500 businesses in the 'Piccadilly & St James's' and 'Leicester Square & Piccadilly Circus' areas. Their purpose is to support the commercial wellbeing of the businesses and organisations they represent, and they have identified and reviewed the four streets bounding the Property and recommended them for improvement.

- 3.4. The West End Partnership (WEP) has a 15-year vision to deliver an initial £500m of improvements to the area. The overall goal is to deliver growth as well as maintain cultural character, with additional revenue that the expected growth produces put back in to improvements in the physical and social infrastructure to help sustain jobs and, most importantly, make a tangible difference to the lives of people who live, visit and work in the West End. The proposals for the Property support the aspirations of the WEP.
- 3.5. The Cabinet's recommendation will align with the Council's role in borough, to support growth through City for All and other programmes which support the opportunity to grow the local economy, develop employment opportunities, and create great places all with the wider public benefit in mind. Specifically considering the following:-
- Leicester Square is an historic area and world famous tourist destination.
  - Huguenot House sits centrally within 'Theatreland', an area noted globally for its diverse performing arts scene.
  - The 2014 'London Theatre Report' commissioned by The Society of London Theatre and the National Theatre highlighted the importance of London's 'Theatreland' and the economic contribution of the Arts. Audiences in London have an un-matched variety of theatre and theatres on offer, with Westminster alone accounting for more than a third of London's theatre capacity. In 2012/13 more than 22 million people attended London theatre performances with over £600m taken at the box office, making London the biggest theatre city in the world. 'Theatreland' is also a major attraction of visitors to London, with nearly a quarter of holiday visitors who stay in London visiting the theatre.
  - A 2017 report from the 'New West End Company' projected that the opening of the Crossrail Elizabeth Line and the two West End stations (due to open December 2018) would result in welcoming an additional 60 million people to the area annually from 2020; increasing the 200 million annual visits by almost a third. This opportunity also brings with it the challenge to create an area that can physically accommodate this increase of visitors within already congested public spaces.
  - Crossrail will act as an economic catalyst for London's West End; bringing benefits to businesses, visitors, employees and residents through the generation of thousands of new jobs, millions of pounds in greater customer spend and additional income streams for WCC to spend on local priorities.
  - Redevelopment will allow for the enhancement of the currently poor public realm surrounding the site through; the creation of streets of long lasting traditional quality, the enhancement of vistas and existing public spaces, and improved paving and less street clutter, which will provide an enriched environment and way finding with ease and enjoyment for all, including those with limited mobility.
  - Employment through the creation of new or refurbished long-term commercial office space.

- 3.6. In line with HM Treasury Green Book advice, the qualitative benefits of Options 2, 4A and 4A\* (described below) have been weighted and scored. A weight (0 to 100) has been applied to each benefit criterion, reflecting its relative importance, with a score (1 to 10) given to each option in terms of how well it delivers the benefits associated with each benefit criterion. The respective weights and scores have then been multiplied together to provide a total weighted score. The benefit criterion directly links back to the project objectives.

Benefit criterion	Weight	Option 2		Option 4A		Option 4A*	
		Score	Weight x score	Score	Weight x score	Score	Weight x score
<i>Contribute to regeneration</i>	40%	2	0.8	8	3.2	7	2.8
<i>Contribute to economic growth</i>	40%	3	1.2	7	2.8	4	1.6
<i>Contribute to placemaking</i>	20%	1	0.2	6	1.2	6	0.04
<b>Total</b>	<b>100%</b>		<b>2.2</b>		<b>7.2</b>		<b>4.44</b>

#### 4. Introduction

- 4.1. A Strategic Outline Case (SOC) that considered multiple options for the future of the Huguenot House site was reviewed by WCC's Capital Review Group (CRG) in October 2015. While the CRG does not grant approval, they were content that the project team should prepare this Cabinet Report to inform the Cabinet and seek a steer on the preferred option. The SOC does not recommend a preferred option but notes the pros and cons of each option and will form the basis of an Outline Business Case (OBC) which will be built upon the agreed strategic direction for the project as agreed by the Cabinet, prior to proposing a preferred option to be progressed to a Full Business Case (FBC) stage.
- 4.2. The Property is an important WCC asset in a prominent Central London island site just off Leicester Square. In the opinion of the Council's design team, it is a poor-quality building of no architectural merit and is not in keeping with the surrounding neighbourhood, which is subject to major regeneration and public realm improvements.
- 4.3. The Property incorporates mixed usage including a cinema, offices, a 247-space public car park and 35 residential flats within a 1960's building. The majority of the flats were sold off during the 1980's on long leases through Right-to-Buy. WCC owns ten of the flats with control of three further flats (two via secure tenancy and one caretaker flat with a 4 week Notice to Quit) and should the larger development options be preferred, WCC will be required to acquire the balance to facilitate a full redevelopment. The Council will fulfil its statutory duty to rehouse

the two secure tenants, and whilst the Council does not have a duty to rehouse the live-in caretaker, it is anticipated that due to the detrimental impact of the loss of both the caretaker's livelihood and home officers would look to rehouse if required.

- 4.4. The Property is approaching the end of its economic life and professional advice has stated it will require significant expenditure which is unlikely to be recoverable from the commercial tenants. The income from the commercial tenants is also set to decrease over the next two years as lease expiries approach.

- 4.5. The existing usage areas for the Property are as follows:

<u>Use</u>	<u>Floor</u>	<u>GIA (sqft)</u>	<u>Approx. NIA (sqft)</u>	<u>% split</u>	<u>Notes</u>
Residential	3 to 7	23,000	18,400	16%	Includes 2 secure tenants.
Office	1 to 2	10,000	8,000	7%	Both office floors are now vacant. They are currently being marketed but have gained very little interest as they are no longer 'fit for purpose' for the current market.
Cinema	G to B1	9,000	8,100	6%	Managed by Odeon.
Car Park	2 to B4	103,000	N/A	71%	Of the 247 spaces in the car park, only 15% to 20% is utilised during the week. The car park operator has confirmed that they would support the removal of the car park in this location.
<b>Total</b>	<b>N/A</b>	<b>145,000</b>		<b>100%</b>	

## 5. Existing Building and Proposed

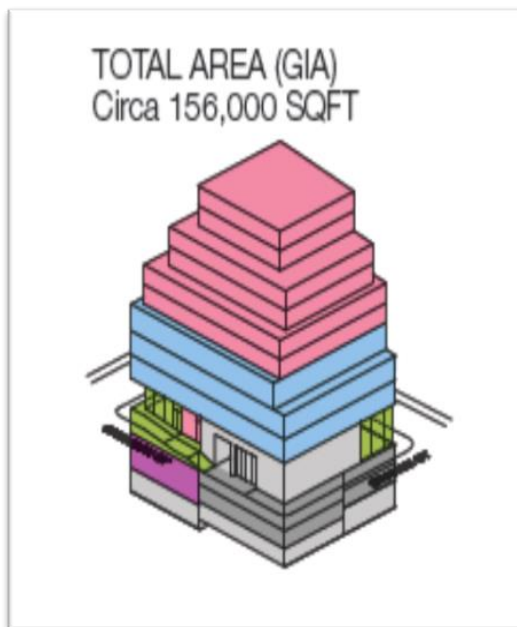
View 1: Panton Street & Oxendon Street Corner  
Corner



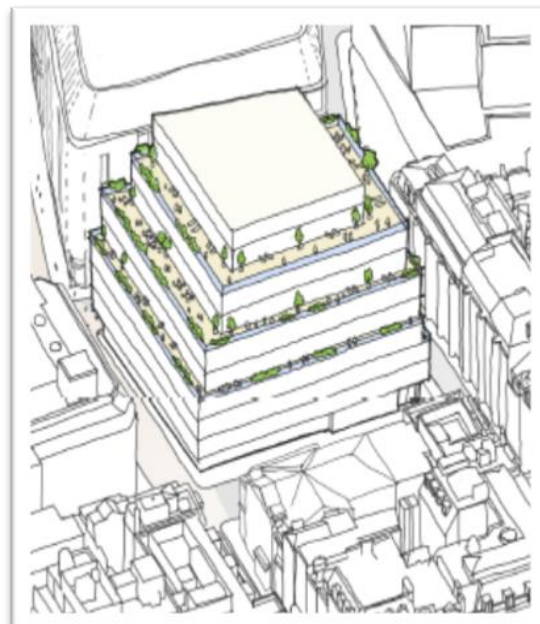
View 2: Whitcomb Street & Orange Street  
Corner



Indicative Artistic Impression



Indicative Massing (not a design proposal)





## 6. Summary

- 6.1. This report seeks to demonstrate that a number of deliverable project options exist but does not presume to anticipate which one(s) the Cabinet may favour.
- 6.2. In line with HM Treasury guidance all options are examined in detail against the Strategic, Economic, Commercial, Financial and Management Cases for the project. To assist in this process a professional team has been assembled, including AHMM (architects), JLL (property specialists) with support from AMION Consulting (economics analysts).
- 6.3. The options being considered in the paper are:-
- Option 1 – maintenance only (do nothing)
  - Option 2 – do minimum (minor refurbishment)
  - Option 3 – sale
  - Option 4 – redevelopment (multiple options A – E are considered)
- 6.4. Following feedback from the Executive Management Team (EMT) in May 17, the project team have expanded on redevelopment Option 4. Within Option 4, the following are considered, of which Options 4A, 4A\*, 4B and 4C are the focus of this paper alongside Option 2.
- **Option 4A** – Mixed use scheme of cinema, retail, office and residential (94% private sales and 6% affordable). Policy Compliant<sup>1</sup>.
  - **Option 4A\*** - Mixed use scheme of cinema, retail, office and residential (65% private sales and 35% affordable). Overprovision of affordable housing.
  - **Option 4B** – Office led mixed use scheme of cinema, retail, office and residential (to match existing residential). Policy compliant.
  - **Option 4C** – Office only scheme on upper floors with cinema and retail at ground and basement. Non-policy compliant.
  - **Option 4D** – Residential led mixed use scheme of cinema, retail, office (to match existing provision) and residential. Non-policy compliant.
  - **Option 4E** – Residential only scheme on upper floors with cinema and retail at ground and basement. Non-policy compliant.

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<sup>1</sup> Policy Compliant for the residential elements assumes a re-provision of all tenure types and where the area exceeds the current residential area by more than 1,000 sqm, that additional affordable units are included in line with the current policy.

These options are considered in Table 1 below.

6.5. A formal pre-app was held with the most policy compliant scheme (Option 4A), on 16 February 2017 with Planning Officers and Highway and Conservation colleagues.

6.6. Formal feedback has now been provided which is largely positive.

**Table 1: Options being considered and clarity on deliverables**

Option	Description	Shortlisted in the SOC?	RAG												
1	<p><b>MAINTENANCE ONLY</b></p> <p>This is not considered to be a viable option due to the need to maintain and safeguard the existing income. In excess of 70% of the income is secured on the car park lease which is widely considered a decreasing investment class in the Borough. The operator of the car park at the Property, Q-Park, has confirmed they would support the removal of the car park in this location.</p> <p>This would be a missed opportunity to contribute to and lead on regeneration in the surrounding area. There is also the increasing risk of diminishment of WCC's revenue income. There would be the need to make a substantial capital investment in the Property for limited / no return.</p> <p>The Council will be in breach of EPC regulations if works are not carried out by April 2018, bringing with it both reputational and financial risk.</p>	<p><b>Comparator</b></p> <p>The Property is approaching the end of its life and without significant investment it will be unable to serve its purposes. The Council will be in breach of its communal obligations if works are not carried out by April 2018 to meet EPC requirements, bringing with it both financial and reputational risk.</p>													
2	<p><b>DO MINIMUM (REFURBISHMENT)</b></p> <p>This option allows for new plant and upgrade to the communal areas to be provided to the residential and commercial areas, new lifts, window replacement and gas boilers in each of the residential units. A minor refurbishment of the office accommodation would also be undertaken.</p> <p>A light touch refurbishment would not provide an improved engagement of the city block with the surrounding public realm.</p> <p>The office accommodation is not 'fit for purpose' given the small inefficient floor plates, low floor to ceiling heights (2.4 metres compared to BCO standards of 2.7 metres) and sub-standard specification. A refurbishment of the offices would not materially improve the current investment value due to these factors.</p> <p>The same issues as Option 1 would be experienced <u>in addition</u> to an inferior financial profile due to the increased capital expenditure as well as the assumption that the refurbishment would be immediate.</p>	<p><b>Comparator</b></p> <p>Undertaking works will not result in the investment value nor income return materially changing from the current value.</p>													
3	<p><b>SALE</b></p> <p>The investment strategy of WCC is to hold onto assets long term to provide a sustainable income source. A sale of the Property would deviate from this strategy.</p> <p>A sale prior to redevelopment would not realise the development potential and the pricing would reflect the current low investment value.</p> <p>A sale prior to securing vacant possession and planning permission would attract very few purchasers due to the uncertainty surrounding deliverability and dealing with current residential occupiers. Soft market testing of leading property companies has confirmed this view.</p>	<p>Conflicts with WCC's agreed strategy to retain and work assets.</p>													
4A	<p><b>REDEVELOPMENT – MIXED USE SCHEME</b></p> <p>This option extends to 165,000 sqft GIA and 93,000 sqft NIA from Basement Level 4 (development within the existing basement area) up to Level 9 above ground. The use, area and split is as follows:</p> <table border="1"> <thead> <tr> <th>Use</th><th>Floor</th><th>NIA (sqft)</th><th>% split</th></tr> </thead> <tbody> <tr> <td>Residential</td><td>4 to 8</td><td>35,300</td><td>38%</td></tr> <tr> <td>Office</td><td>1 to 3</td><td>35,100</td><td>38%</td></tr> </tbody> </table>	Use	Floor	NIA (sqft)	% split	Residential	4 to 8	35,300	38%	Office	1 to 3	35,100	38%	<p>Provides a mixed-use scheme with the benefit of capital receipts from residential sales and rental income from the balance of the scheme which meets the objectives of the Council and is supported by Town Planning Colleagues.</p>	
Use	Floor	NIA (sqft)	% split												
Residential	4 to 8	35,300	38%												
Office	1 to 3	35,100	38%												

	<table border="1"> <tr> <td>Retail</td><td>G to B1</td><td>12,500</td><td>13%</td></tr> <tr> <td>Cinema</td><td>G to B3</td><td>9,100</td><td>11%</td></tr> <tr> <td><b>Total</b></td><td><b>n/a</b></td><td><b>92,000</b></td><td><b>100%</b></td></tr> </table> <p>The option also includes a car park at Level B2 which can accommodate up to 14 spaces.</p> <p>There are 49 flats proposed in total, 46 of which will be private sales, 2 social rented (re-provide within scheme) and 1 affordable unit. This has been done on the specific request of WCC planning department in line with planning policy.</p> <p>Advantages of Option 4A include:</p> <ul style="list-style-type: none"> <li>• An increase in the residential accommodation above the current provision (+89%) – 44,000 sqft GIA compared to 23,267sqft GIA</li> <li>• An increase in the office accommodation above the current provision (+340%) – 44,000 sqft GIA compared to 9,971 sqft GIA</li> <li>• Addition of an affordable housing unit in the redevelopment</li> <li>• Re-provision of two social rented apartments in the redevelopment</li> </ul> <p>This option was presented at a formal pre-app in February 2017. Positive feedback has subsequently been provided by WCC planning department. This scheme is policy compliant and provides a mixed use scheme to generate significant rental income to meet the Council's 'City for All' aspirations.</p>	Retail	G to B1	12,500	13%	Cinema	G to B3	9,100	11%	<b>Total</b>	<b>n/a</b>	<b>92,000</b>	<b>100%</b>														
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4A*	<p><b>REDEVELOPMENT – MIXED USE SCHEME 35% Affordable Housing</b></p> <p>This option is identical in massing and use split to Option 4A with the exception of the split in tenure for the residential, where 35% will be affordable and the balance (65%) private sales. Based on an area of 35,300 sqft, 35% equates to 12,355 sqft. There are 49 flats proposed in total, 35 of which will be private sales. Assuming an area of 80 sqm (861 sqft) with a £250k Affordable Housing Grant per affordable unit, 14 affordable units would be provided.</p> <p>Increasing the mix of affordable housing on a mixed tenure scheme has various implications: (1) increasing the social housing above 10 units will have a detrimental impact on the sales rate and take up of the private residential units if no separate access is provided; (2) a separate entrance at ground floor for the affordable housing would have to be incorporated, reducing gross to net building efficiencies, potentially an impact on net office and residential space on the upper floors and losing highly valuable retail space to provide for this, which in turn has no value; (3) incorporating an additional layer of use / tenure in what is already a complicated mixed use site is an unnecessary design burden; (4) affordable pricing is significantly below private values thus financially incompatible and (5) the presence of such a large quantum of affordable housing may detract office occupiers and reduce headline rents achieved thus reducing investment returns.</p>	Provides a mixed-use scheme with significant contribution to affordable housing; however, it will have a detrimental impact on the private residential sales and take up, a reduction in values on affordable pricing versus private, may detract office occupiers, thus affecting a key objective of the project in securing a return on the investment																									
4B	<p><b>REDEVELOPMENT – OFFICE LED SCHEME</b></p> <p>This option extends to 160,000 sqft GIA and 89,100 sqft NIA from Basement Level 4 up to Level 8 above ground. The use, area and split is as follows:</p> <table border="1"> <tr> <th>Use</th><th>Floor</th><th>NIA (sqft)</th><th>% split</th></tr> <tr> <td>Residential</td><td>5 to 7</td><td>22,300</td><td>25%</td></tr> <tr> <td>Office</td><td>1 to 4</td><td>45,200</td><td>51%</td></tr> <tr> <td>Retail</td><td>G</td><td>12,500</td><td>14%</td></tr> <tr> <td>Cinema</td><td>G to B3</td><td>9,100</td><td>8%</td></tr> <tr> <td><b>Total</b></td><td><b>n/a</b></td><td><b>89,100</b></td><td><b>100%</b></td></tr> </table> <p>The option also includes a car park at Level B2 which can accommodate up to 14 spaces.</p> <p>This option provides an increase in the residential accommodation (by area) above the current provision (+28%). The two social rented units will be re-provided in addition to 1 affordable unit, however the actual number of residential units provided on site (29) would be less than current (35).</p> <p>This option matches the proposed residential to the current residential area. It is supported from a land use perspective however the small amount of residential is likely to deter a joint venture partner on viability grounds. WCC planning department has advised that affordable housing will need to be provided on site, which this option could accommodate but it would reduce the amount of private residential to unsustainable levels and negatively affect residential sales values</p>	Use	Floor	NIA (sqft)	% split	Residential	5 to 7	22,300	25%	Office	1 to 4	45,200	51%	Retail	G	12,500	14%	Cinema	G to B3	9,100	8%	<b>Total</b>	<b>n/a</b>	<b>89,100</b>	<b>100%</b>	It is supported from a land use perspective however the small amount of residential is likely to deter a joint venture partner on viability grounds.	
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<b>Total</b>	<b>n/a</b>	<b>89,100</b>	<b>100%</b>																								
4C	<b>REDEVELOPMENT – OFFICE ONLY SCHEME</b>	No residential on site (private or affordable) is contrary to																									

	<p>This option extends to 160,000 sqft GIA and 85900 sqft NIA from Basement Level 4 up to Level 8 above ground. The use, area and split is as follows:</p> <table><tr><th>Use</th><th>Floor</th><th>NIA (sqft)</th><th>% split</th></tr><tr><td>Office</td><td>1 to 7</td><td>64,300</td><td>74%</td></tr><tr><td>Retail</td><td>G to B1</td><td>12,500</td><td>14%</td></tr><tr><td>Cinema</td><td>G to B3</td><td>9,100</td><td>12%</td></tr><tr><td>Total</td><td>n/a</td><td>85,000</td><td>100%</td></tr></table> <p>The option also includes a car park at Level B2 which can accommodate up to 14 spaces.</p> <p>This option assumes an office only scheme on the upper floors with ancillary commercial use at ground and basement levels. Whilst office use has been given more protection from a land use perspective, no residential on site (private or affordable) is contrary to planning policy. Off-site provision of residential or payment in lieu is not acceptable. This is not a deliverable scheme without the option of an available donor site. Potential donor sites are being considered however this route is still contrary to planning advice, notwithstanding any complications delivering this option.</p>	Use	Floor	NIA (sqft)	% split	Office	1 to 7	64,300	74%	Retail	G to B1	12,500	14%	Cinema	G to B3	9,100	12%	Total	n/a	85,000	100%	<p>planning policy. Off-site provision of residential or payment in lieu is not acceptable to the WCC planning authority.</p>				
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Total	n/a	85,000	100%																							
4D	<p><b>REDEVELOPMENT – RESIDENTIAL LED SCHEME</b></p> <p>This option extends to 160,000 sqft GIA and 94,000 sqft NIA from Basement Level 4 up to Level 9 above ground. The use, area and split is as follows:</p> <table><tr><th>Use</th><th>Floor</th><th>NIA (sqft)</th><th>% split</th></tr><tr><td>Office</td><td>1</td><td>13,000</td><td>14%</td></tr><tr><td>Residential 2-9</td><td></td><td>64,000</td><td>68%</td></tr><tr><td>Retail</td><td>G to B1</td><td>10,000</td><td>11%</td></tr><tr><td>Cinema</td><td>G to B3</td><td>7,000</td><td>7%</td></tr><tr><td>Total</td><td>n/a</td><td>94,000</td><td>100%</td></tr></table> <p>Also included is a 76-space car park at basement level.</p> <p>This option matches the proposed office to the current office area. The option is supported from a land use perspective however the small amount of office will not generate sufficient long term income for WCC. A large car park is considered an ineffective use from an investment perspective and is not required to meet planning or use requirements. The loss of the car park is acceptable so long as Policy TRANS 25 on parking can be met.</p>	Use	Floor	NIA (sqft)	% split	Office	1	13,000	14%	Residential 2-9		64,000	68%	Retail	G to B1	10,000	11%	Cinema	G to B3	7,000	7%	Total	n/a	94,000	100%	<p>The small amount of office will not generate sufficient long term income for WCC. This is not the correct balance of uses.</p>
Use	Floor	NIA (sqft)	% split																							
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Residential 2-9		64,000	68%																							
Retail	G to B1	10,000	11%																							
Cinema	G to B3	7,000	7%																							
Total	n/a	94,000	100%																							
4E	<p><b>REDEVELOPMENT – RESIDENTIAL ONLY SCHEME</b></p> <p>This option extends to 160,000 sqft GIA and 98,000 sqft NIA from Basement Level 4 up to Level 9 above ground. The use, area and split is as follows:</p> <table><tr><th>Use</th><th>Floor</th><th>NIA (sqft)</th><th>% split</th></tr><tr><td>Residential</td><td>1 to 9</td><td>81,000</td><td>83%</td></tr><tr><td>Retail</td><td>G to B1</td><td>10,000</td><td>10%</td></tr><tr><td>Cinema</td><td>G to B3</td><td>7,000</td><td>7%</td></tr><tr><td>Total</td><td>n/a</td><td>98,000</td><td>100%</td></tr></table> <p>Also included is a 76-space car park at basement level.</p> <p>This option assumes a residential only scheme on the upper floors with ancillary commercial use at ground and basement levels. No office accommodation being provided is contrary to planning policy. No long-term income will be generated as the residential will be sold off.</p>	Use	Floor	NIA (sqft)	% split	Residential	1 to 9	81,000	83%	Retail	G to B1	10,000	10%	Cinema	G to B3	7,000	7%	Total	n/a	98,000	100%	<p>No office accommodation being provided is contrary to planning policy. No long-term income will be generated as the residential will be sold off.</p>				
Use	Floor	NIA (sqft)	% split																							
Residential	1 to 9	81,000	83%																							
Retail	G to B1	10,000	10%																							
Cinema	G to B3	7,000	7%																							
Total	n/a	98,000	100%																							

6.7. The main findings from the SOC using the five case headings are noted below.

**Table 2: Five Case Headings Results**

<b>CASE</b>	<b>RESULTS</b>
<b>Strategic</b>	There are very strong policy drivers. These include making best use of public assets; creating jobs; securing long-term income stream and improving public realm. These outcomes fit well with the Council's 'City for All' ambitions.
<b>Economic</b>	A detailed appraisal of the options short-listed at SOC stage has been undertaken. The analysis demonstrates that the project has the clear potential to generate significant additional economic activity and jobs.
<b>Commercial</b>	JLL has been appointed Development Manager up to RIBA Stage 1 (pre-application advice) and in the event a redevelopment option is progressed, will be appointed, along with the design team, to progress a planning application on behalf of the Council. The delivery strategy is yet to be decided although it is likely that the Council may consider a direct development through the appointment of a Development Manager.
<b>Financial</b>	The capital costs and deficit after capital receipts income (from the sale of residential units) of the different options range-with only option 4A being within the capital programme budget. Annual revenue surplus ranged per annum against the current income budget. During the development period, there are revenue costs against budget due to the loss of income and financing costs, this is expected to take between 23 and 28 years to repay.
<b>Management</b>	An internal Project Engagement Manager will oversee the development and delivery of the Council's community engagement approach for the project. The strategy is to inform, listen to and consult with current flat occupiers and owners to secure understanding and consent. In addition, there has been engagement with the wider business and cultural stakeholders regarding the opportunities and impact that a redevelopment option will deliver to the local area.

6.8. The scope of this project is to consider all scenarios which will enable the Council to best meet its 'City for All' aspirations and options include the creation of new jobs, new office space for businesses, cinema and providing a new sustainable, income-generating asset.

6.9. The proposed options support many of the Council's key strategic policy objectives including the following which were agreed in the Strategic Outline Case (SOC) as our key objectives:-

- duty to make best use of public assets and provide much-needed income to support public service provision;
- to promote and deliver new jobs through the creation of new office and retail accommodation;

- to improve and enhance the public realm environment, encouraging further regeneration and footfall in the vicinity.

6.10. The options in Table 1 have been appraised against the objectives above and a table for comparison purposes has been included below in Table 3. The colour coding system is as follows:

- Green assessment indicates fully meets
- Amber assessment indicated partly meets
- Red assessment indicated does not meet

**Table 3 – Comparison of Objectives and Critical Success Factors**

Critical Success Factor		1	2	3	4A	4A*	4B	4C	4D	4E
	Deliverable									
1	Secure a return on investment									
2	Create new housing									
3	Create new jobs									
4	Enhance Public Realm									
	<i>Conclusion</i>									

## 7. Financial Implications

7.1. See Appendix E

## 8. Communications and Consultation

- 8.1. The council will continue to engage and consult with tenants, leaseholders, businesses and the wider local community to explain current proposals for Huguenot House and the wider site prior to, and particularly, following the Cabinet decision and selection of a preferred option in July 2017.
- 8.2. Residents and leaseholders have been kept informed since early 2016 giving them the opportunity to raise any questions or concerns they may have about the proposals including at the public drop in exhibitions held in February 2016, where the four options were presented and the proposed strategy and approach was explained. Since these public exhibition events took place, the project and options have progressed, primarily in terms of the redevelopment options being tabled. Appendix B contains details the exhibition boards and options presented to residents in February 2016. Attendees were given the opportunity to discuss the options with the Council's project team and architects. Opportunities were also provided for one-on-one meetings with Officers and residents. Appendix C contains a summary of the responses from the public exhibitions.

8.3. The resident type within Huguenot House is detailed as below.

8.4. 52 people attended the public exhibitions including 15 resident leaseholders, 3 non-resident leaseholders, 1 secure tenant, and 1 private tenant. Several attendees did not provide information through which to identify them by, therefore the actual number of resident, non-resident leaseholders and tenants who attended may be higher than stated in the table below:-

Type	Households	%
Service Tenancy	1	3%
Tenant- Short Assured	9	27%
Tenant - Secure	2	6%
Resident Leaseholder	14	42%
Non-resident Leaseholder	7	21%

Several local stakeholders also attended the exhibitions including representatives from a local estate agent, property developers, an investment management company, neighbouring businesses and The Heart of London Bid, from which the response was largely very positive in relation to the redevelopment options for the property.

- 8.5. There is substantial opposition to any redevelopment option from the residents and leaseholders of Huguenot House. This is documented in the Public Exhibition Response Summary (Appendix C) and correspondence from residents and leaseholders including a petition from 22 households (please note this accounts for 24 properties due to one resident having converted 3 flats into a single property). Of those properties who signed the petition, the Council has since acquired by agreement 3, 12 are resident leaseholders, 6 non-resident leaseholders, and 1 tenant. A further objection to the scheme was submitted to WCC's Corporate Property Department from the Huguenot House Resident's Association (appended to Appendix C). A total of 16 households signed this objection, of those WCC has since acquired by agreement 2 properties, and 10 are resident leaseholders, 3 non-resident leaseholders and 1 tenant.
- 8.6. Whilst a vocal group of residents and non-resident leaseholders have been substantially opposed to any redevelopment of Huguenot House, this opposition may be due to a lack of clarity on their future in their homes at this early stage of the project. Following the Cabinet Decision, if options 3 or 4 are selected, officers will explore and seek to clarify what options are available to resident leaseholders and tenants. The Council can provide assurances that all resident leaseholder and tenant's statutory rights will be protected in the event one of these options are selected.
- 8.7 The Council will be undertaking formal consultation with the secure tenants as per Section 105 of the Housing Act 1985. Section 105 of the Housing Act provides that the Council must consult with all secure tenants who are likely to be substantially affected by a matter of Housing Management, which includes a new programme of maintenance, improvement or demolition or a matter which affects services or amenities provided. Secure tenants must therefore be informed of the Council's proposals and provided with an opportunity to make their views

known to the Council within a specified period. Before making any decision, the Council must consider any representations from secure tenants arising from the consultation.

- 8.7. A draft Equalities Impact Assessment (EqIA) has been undertaken, which looks at the effect of any future redevelopment to ensure it would not discriminate against the protected groups highlighted in the Equalities Act 2010. Where the current proposals have shown a potential to negatively impact on some protected groups, recommendations will be made to remove barriers or better advance equality. The draft EqIA will be updated and finalised following the Cabinet Decision to look in more detail at any impacts of the preferred development Option.
- 8.8. The council has also extensively engaged with the wider business and cultural organisations regarding the opportunities and impact that development would deliver to the local area. Responses from these groups has been very positive and encouraging.
- 8.9. Residents, leaseholders and stakeholders have been provided with a dedicated mailbox [huguenothouse@westminster.gov.uk](mailto:huguenothouse@westminster.gov.uk) through which to contact the project team with any enquires they may have. A webpage [www.westminster.gov.uk/huguenot-house](http://www.westminster.gov.uk/huguenot-house) has also been established to provide updates to residents, leaseholders and stakeholders.

## **9. Legal Implications & Governance**

- 9.1. The Cabinet is required to consider the options and informal consultation undertaken so far with a view to progressing at least three options one of which should be the preferred option and includes the development option, the refurbishment or part development option and do nothing/maintenance option.
- 9.2. Should the full redevelopment option be preferred a further Cabinet Report will be required to consider the results of formal consultation on the options and to make a final decision on whether this option is pursued. In the interests of transparency, this decision should be not be made by officers.
- 9.3. As one of the options may involve the loss of two HRA properties and the homes of residents, there needs to be a clear programme of formal and robust consultation which informs the decision-making on this project. The law requires that consultation takes place at a “formative” stage, i.e. before a decision is taken to develop, to ensure that is effective. It must also be carried out on the basis of the provision of sufficient information. There is no legal impediment to carrying out consultation based on a preferred option, but it must be open to consultees to advocate a different option.  
The issue here is that consultation is still at a “formative” stage and the options need to be developed further. Once the options are progressed further to RIBA Stage 2 it is necessary to have formal consultation as opposed to general engagement before taking a final decision to develop.
- 9.4. Secure tenants will need to be formally consulted under section 105 Housing Act 1985 and their needs assessed for rehousing. Section 105 of the Housing Act provides that the Council must



consult with all secure tenants who are likely to be substantially affected by a matter of Housing Management, which includes a new programme of maintenance, improvement or demolition or a matter which affects services or amenities provided. Secure tenants must therefore be informed of the Council's proposals and provided with an opportunity to make their views known to the Council within a specified period. Before making any decision, the Council must consider any representations from secure tenants arising from the consultation.

- 9.5. The resident leaseholders will also need to be formally consulted. The housing regeneration leasehold and tenant policies do not apply to this proposed project. If an option involves demolition of the block residents' concerns need to be assessed and if they can demonstrate needs or a connection to the area it may be appropriate for the Council to consider rehousing them in the close vicinity of the property.
- 9.6. All Commercial occupiers will need to be further consulted and regard must be given to any rights within their leases.
- 9.7. Should the preferred option not be deliverable without vacant possession and in the event, that a position of last resort seems likely, the Council may need to use its compulsory purchase powers to acquire all outstanding interests in the property. It will be necessary to show that there is a compelling case in the public interest before a CPO can be made and that there is no planning, financial or other impediment to the implementation of the chosen scheme. If a CPO is necessary, the Council will need to obtain formal approval from the Cabinet or relevant Cabinet Member(s) to make a CPO.

## **10. Risks, Dependencies and Constraints**

- 10.1. In the event a redevelopment option is chosen, obtaining vacant possession and the resulting possible reputational damage to the Council are the highest risks with redevelopment of the Property as noted in the risk register in Appendix A.
- 10.2. Of the 35 flats within the Property, 13 are within the Council's ownership, leaving 23 leasehold interests to be acquired in the event a redevelopment option is preferred. 15 of those flats are owned by resident lessees and 8 by non-resident lessees. Both the first and second floor offices are currently vacant, with the Cinema and Car Park on leases expiring in 2019 and 2024 respectively, with break clauses incorporated into the leases in the event of redevelopment.

## 11. Programme

11.1. The programme below in Table 4 is high-level and represents the redevelopment Option 4 (chosen as it is the longest programme). The forecast dates are as follows:-

**Table 4 – Redevelopment Programme**

No.	Item	Programme	Date
1	Formal Cabinet approval to pursue the preferred option	n/a	July 2017
2	Design Progressed to RIBA Stage 3 (Developed Design)	6 months	August 2017 to January 2018
3	Cabinet review of the preferred option and consideration of the consultation results	1 month	February 2018
4	Planning application / consent	5 months	March – July 2018
5	Demolition	5 months	September 2018 – January 2019
6	Construction	12 -23 months	February 2019 – January 2021
7	Sale and leasing	9 months	October 2021 <sup>2</sup>

## Appendices

Appendix A – Risk Register

Appendix B – Public Exhibition Boards

Appendix C - Public Exhibition Response Summary

Appendix D – Schedule of Resident Correspondence

Appendix E – Financial Summary & Budget (Confidential)

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<sup>2</sup> In the event a redevelopment option is selected as the preferred option and a Compulsory Purchase Order is required to secure vacant possession of the Property (the last resort), the programme would be extended by a minimum of 18 months.