

Cabinet Member Report

Decision Maker:	Councillor Swaddle Cabinet Member for Finance and Smart City
Date:	8 March 2021
Classification:	For General Release
Title:	Huguenot House – Conclusion of Consultation and Decision on Preferred Way Forward
Ward(s) Affected:	<i>St James's</i>
City for All Summary:	<p>The potential development of Huguenot House has the ability to play a fundamental part in meeting Westminster's City for All commitments.</p> <p>Through the physical re-development, there is an opportunity to deliver a <i>Smarter, Greener and Cleaner</i> building at the heart of the city.</p> <p>By working with residents and stakeholders to ensure the project meets their requirements, we can ensure a <i>Vibrant Community</i>.</p>
Key Decisions:	Key Decision Entry made in Forward Plan of Key Decisions – submitted on 19th Nov 2020
Financial Summary:	The Capital Strategy approved by Full Council in March 2021 contains a budget of £94.016m (net £25.265m) for the redevelopment of Huguenot House. This includes an allocation set aside for the potential acquisition of residential flats
Report of:	<i>Gerald Almeroth, Executive Director of Finance Resources.</i> <i>Contact Details: galmeroth@westminster.gov.uk</i>

1. Executive Summary

- 1.1. Following a rigorous and lengthy options consultation and review process for the future of Huguenot House, officers are recommending taking forward Option 7, the redevelopment of the whole site.
- 1.2 Seven individual options were considered for the site, these included maintenance, refurbishment or sale of the existing building. Each of the options was tested and considered against a set of project specific objectives, set out in section 8 below.
- 1.3 All options for the future of Huguenot House have been consulted on over an extended period, with the consultation closing in January 2021. A range of views have been expressed on the preferred option for the site, a summary of these is provided in section 7, with full details at appendix 1.
- 1.4 Should the preferred way forward be agreed, it is proposed that officers will start to investigate and provide a recommendation on the optimal delivery strategy for the project.

2. Recommendations

- 2.1. Consider and note the outcomes of the Huguenot House options consultation, completed in January 2021 as further detailed in section 7 and appendix 1.
- 2.2. That the Cabinet Member for Finance and Smart City agrees to the preferred way forward for Huguenot House, namely redevelopment (Option 7).

3. Reasons for Decision and Justification

- 3.1. The options consultation for Huguenot House was open from 2017 to January 2021. During this period, all Huguenot House residents were consulted, alongside a wide range of key stakeholders. In order to progress with a preferred way forward, the consultation process needs to be concluded and the outcomes noted.
- 3.2. The views expressed during the consultation period varied, with no clear preference for a way forward. It can be concluded that opinions differed between secure tenants, resident leaseholders, non-resident leaseholders, and local organisations and other stakeholders who engaged with the consultation.
- 3.3. In total, seven options have been considered for the future of Huguenot House. Following detailed analysis of the benefits, economics and the conclusions from the stakeholder consultation, it is recommended that the preferred way forward be redevelopment of the building (option 7). It is considered that redevelopment provides the best opportunity to meet the agreed project objectives. A discussion of the proposed project objectives and their analysis is provided in section 8 below (with further detail provided in appendix 4)

4. Policy Context

- 4.1. In assessing the relative benefits of each option, a set of project objectives were developed which carefully considered local policy, principally the City for All 2020/21 strategy. The strategy sets the policy context for all decisions within the borough and is broken down into three pillars;
 - 4.1.1. **Greener and Cleaner** - Building a future city that is tackling climate change and improving air quality with a focus on becoming a carbon neutral city by 2040.
 - 4.1.2. **Vibrant Communities** – Creating a welcoming and vibrant city for people of every background, income level and age. An environment where economic growth works to its optimum, creating opportunity and improved living standards.
 - 4.1.3. **Smart City** – Using cutting edge technology to transform council services and improve residents' lives.
- 4.2. The key objectives were derived from the City for All strategy, they were broken down into critical success factors, measurable outcomes, and key policy and technical requirements to enable the project to meet its objectives. The latter part of this – key policy and technical requirements – set out the relevant planning policies at a local, regional and national level to which the various options have been evaluated against. These included but were not limited to:
 - 4.2.1. Westminster City Council's (WCC) City Plan
 - 4.2.2. The Greater London Authority's (GLA) London View Management Framework
 - 4.2.3. WCC and GLA Affordable Housing Policies
 - 4.2.4. GLA's London Plan
- 4.3. In executing the communication strategy for the Huguenot House option consultation both national policy and local guidance was adhered to with specific reference to the National Planning Policy Framework and Westminster's 2014 guidance on early community engagement.

5. Project Background

- 5.1. Huguenot House is an important central London island site located just off Leicester Square in the heart of the West End. It incorporates a mixture of uses below a podium including cinema, offices, car park, and a central core of 35 residential flats. The freehold interest in the property is held by the Council in the General Fund.
- 5.2. The Council has been exploring options for the long-term future of the site and has been in consultation with residents and stakeholders on various options since 2016/17. These options include; continued maintenance, refurbishment, sale, office to residential conversion, retention and extension of the existing building, and redevelopment. All options have been considered and presented during the recent engagement (Nov 2020 - Jan 2021) which concluded the consultation that formally began in 2017.

6. Project Update

- 6.1. Following the appointment of a professional team in July 2020 a review of the six long-term options that were then being considered for Huguenot House was undertaken. During this review, previous options were updated ensuring compliance with current building regulations, accessibility standards and other requirements. Alongside these, a new seventh option was proposed to reflect up-to-date market research.
- 6.2. The final options for consideration are (further detail provided in Appendix 3):
 - Option 1 - Maintenance** – a 30-year maintenance plan. This retains the site in its current form and plans to bring elements up to good future condition.
 - Option 2 - Refurbishment** – greater improvements than option 1 and over a shorter period. Residents would have to move out temporarily whilst the works are completed.
 - Option 3 - Sale** of the site.
 - Option 4 - Conversion** from office to residential.
 - Option 5 - Extension** of the residential through redeveloping the podium. This option would replace the podium and car park with new residential accommodation.
 - Option 6 - Redevelopment** consisting of the following – residential, cinema and retail.
 - Option 7 - Redevelopment** containing of the following – residential, offices, retail, casino and hotel.
- 6.3. Following the update of options, an evaluation and scoring matrix was used to examine and rate the options against project objectives based upon measurable outcomes. These outcomes drew upon commercial and economic analysis; design and technical constraints; and local, regional, and national policy objectives.
- 6.4. A communication and engagement strategy was implemented in November 2020 with a consultation lasting 10 weeks. During the consultation period key stakeholders and residents were informed of the options and analysis undertaken. All stakeholders and residents were provided the opportunity to give feedback on the proposals. The feedback received has been considered by officers in detail and a summary of the outcome is provided within Section 7 with further detail at Appendix 1.
- 6.5. Once the preferred way forward has been agreed, officers will carry out a thorough examination of the delivery strategy and a further Cabinet Member approval will be sought on a preferred delivery strategy. This will be based on robust market analysis, an economic and risk appraisal, as well as legal and financial advice including tax advice.

7. Consultation Summary

- 7.1. Between July 2017 and January 2021, Westminster City Council has been consulting with residents and leaseholders, local stakeholders including neighbouring businesses and business groups, and the wider community about options for the future of Huguenot House.
- 7.2. Throughout several phases of engagement, the feedback has largely remained consistent. The key findings from the consultation are as follows:
- 7.3. **Secure tenants** have been reluctant to state a preferred option. There are two secure tenants in the building and neither gave their views on the options presented in 2020-21, although one did speak with a council officer and acknowledged reading and understanding the materials provided. In previous engagement with the Council, secure tenants were reluctant to move, and the Council offered reassurances about support for tenants to find temporary or permanent alternative housing and the right to return to Huguenot House should a redevelopment option be progressed.
- 7.4. **Resident Leaseholders** are strongly opposed to any option which would require them to move, either temporarily or permanently. Many are sceptical of the Council's 'right to return' offer and are concerned about the disruption of moving, even if they could return to new homes in a redeveloped building.
- 7.5. Resident leaseholders generally favour maintenance but dispute the leaseholder charges associated with this and feel the Council should have prioritised major works in the building sooner.
- 7.6. **Non-resident leaseholders** generally favour the redevelopment options, in part because of the significant leaseholder charges associated with the maintenance or refurbishment options. Several have stated their wish to sell their properties back to the Council if they are compensated with offers in line with the council's leaseholder and tenant decant policy.
- 7.7. **Local businesses and stakeholders** are overwhelmingly in favour of redeveloping the building, with only a few exceptions (e.g. the Soho Society supported keeping the building or, if it was to be redeveloped, a strong focus on residential homes to ensure residents could remain). There is a consensus that the building does not contribute to the wider area and redeveloping it could be the start of further improvements to what they see as a neglected and under-performing part of the West End. Influential local groups like the Heart of London Business Association (HOLBA) were unequivocally in favour of redevelopment, notably the new redevelopment option presented in 2020-21, and have offered to support the Council with integrating this development approach into a wider place-shaping strategy and maximising its impact on the area should it be progressed.

8. Options Appraisal

8.1. In order to assess the relative benefits of each option, a set of project objectives were formulated. These objectives were designed to ensure that when identifying a preferred way forward each option was considered independently against local, regional and national policy objectives. The objectives were;

- 1 - Create new, local employment opportunities
- 2 - Improve the quality of the built environment
- 3 - Enable the development of a smart city
- 4 - Preserve and enhance local communities
- 5 - Provide a mix of homes across all tenures including affordable
- 6 - Deliver a carbon efficient strategy that is environmentally sustainable
- 7 - Develop a financially viable option which considers the duty of the council to deliver value for money
- 8 - Facilitate the improvement of the public realm and reduce anti-social behaviour
- 9 - Minimise disruption for existing residents as much as possible
- 10 - Ensure that homes meet modern standards
- 11 - Provision of modern leisure, commercial facilities and homes

8.2. The evaluation and scoring matrix rated each of the options against the project objectives listed above and further assessed these against measurable outcomes. The analysis below provides the key findings from the assessment with the full matrix appended (Appendix 4). Alongside the matrix, there has also been due consideration of the feedback from the consultation and as a result this report is able to recommend a long-term investment option for Huguenot House.

8.3. The key outcomes of this analysis are as follows:

8.4. Option 1 or 2 – Maintenance or Refurbishment

8.4.1. Whilst both options are distinct, there have been substantial changes to building regulations since 2017 which means the differences between continued maintenance and refurbishment are no longer significant.

8.4.2. It has been identified that neither option addresses the significant issues associated with the underperformance of key areas of the building. Furthermore, maintenance or refurbishment of the existing structure does not facilitate the improvement of public realm, provide new, local employment opportunities or result in the existing homes meeting modern standards such as conformity with WCC and GLA dwelling standards, all of which were considered key project objectives. Option 2, refurbishment does provide scope to improve the energy efficiency of the overall building through improvements to the building fabric and services. Option 1, maintenance, does not offer this possibility.

8.4.3. Neither option 1 nor 2 enable the development of a smart city through any improvements to the digital infrastructure.

8.4.4. Consultation feedback has been mixed on these two options. Resident tenants and some leaseholders were often in favour of these options, most usually the maintenance option, but were generally not willing to contribute to the expected higher services charges that would be required to bring them forward. Non-

resident leaseholders generally dismissed these options, due to the likely increases in service charge. Local stakeholders were firmly against these options as they do not contribute to the rejuvenation of an under-performing area of the West-End.

- 8.4.5. Overall, both options underperform against project objectives because there is no change or improvement from the existing provision, and do not have the full support of resident and local stakeholders. Therefore, they cannot be recommended as a long-term investment option for Huguenot House.

8.5. Option 3 – Sale

- 8.5.1. It is the opinion of the professional consultant team that the sale of the building in its current condition is unlikely to be an attractive proposition in the market due to income uncertainties, required expenditure and the ability of any new owner to deliver any meaningful asset enhancement without significant public sector support. In addition, a sale would reduce the degree of Council control over the final proposals.
- 8.4.2 Attempts to place constraints on the sale, in order that any purchaser was required to meet broad council objectives, would further detract from its value. It is therefore our opinion that sale does not achieve objective 7, Value for Money. Nor does it safeguard against achieving other project objectives as examined within the evaluation and scoring matrix (appendix 4).
- 8.4.3 This option did not receive significant feedback from residents or stakeholders and therefore no firm conclusion can be made. It is considered that sale can be discounted due to its inability to deliver a range of project objectives.

8.6. Option 4 – Conversion from Use Class B to C3 (Office to residential)

- 8.6.1. The option of converting the office accommodation to residential has the ability to meet a number of project objectives. For example, it performs well against delivering new affordable homes whilst being financially viable for the council to deliver. However, the resulting building would not perform well from the perspective of the operational energy use (as the amount of upgrading to existing fabric would be limited) and in terms of the new residential units, which would not meet current accessibility or design standards.
- 8.6.2. Option 4 also doesn't meet the Councils aspiration to facilitate improvement of the public realm or provide modern leisure or commercial facilities. In addition, the opportunity to enable the development of a smart city are limited.
- 8.6.3. Given that this option reuses the existing structure, it does not result in any improvement to the built environment.
- 8.6.4. Consultation feedback was broadly in line with options 1 & 2 in that tenants and resident leaseholders tended to be in favour, whereas non-resident leaseholders were not. Option 4 came with an additional concern that resident tenants and leaseholders would have to vacate the building during the works. Non-resident leaseholders expressed a further concern regarding potential loss of income during the period of the works. Local business stakeholders rejected the proposal on the same grounds as options 1 & 2.

8.6.5. Therefore, this option is discounted based on the objective analysis, due to not meeting a number of project objectives, namely sustainability, employment opportunities, quality of the built environment and improvement of the public realm.

8.7. Option 5 – Extend (2004 Podium Scheme)

8.7.1. This option would replace the podium and car park with 14 new homes. By redeveloping the podium, option five meets project objectives to improve the energy performance of the building and enhance the quality of the local built environment. The ability to reduce anti- social behaviour, however, is limited under this option. This option also does not meet the objective to ensure that homes meet modern standards.

8.7.2. Since the start of the consultation, feedback from resident tenant and leaseholders has been mixed on this option. Some felt that this would meet some of the Council's objectives whilst allowing them to remain in their homes. However, due to changes in planning regulations, this option would require refurbishment of the whole building. Consequently, the feedback received in the 2020/21 consultation for this option was similar to that for option 4. Non-resident leaseholders were not in favour of the proposal as they acknowledged the likelihood of increased service costs and loss of income during the works. Local business stakeholders rejected on similar principles as options 1,2, and 4.

8.7.3. To conclude, option 5 does meet certain key objectives, however it falls short when assessed against the objective to ensure homes meet modern standards and providing modern leisure, commercial facilities and homes.

8.8. Option 6 & 7 – Redevelopment

8.8.1. A full redevelopment option provides an opportunity for the Council to make best use of the land to meet project objectives, including delivering modern homes and improved asset performance. A new development has the ability to be tailored to the specific project objectives that have been identified and therefore performs well in this analysis.

8.8.2. It should be noted that over time the demand for particular uses may change and consequently final detail on the redevelopment option would need to be updated to reflect the end-user demand and ensure objectives are still being met. In addition, building and fire regulations evolve and therefore any proposal may need to be amended to comply.

8.8.3. The professional team appointed in 2020 undertook a review of the proposed redevelopment option 6 (named 4A* under the earlier consultation). The review identified a need to bring the proposals up to date to be in-line with new building regulations. In addition, the review concluded that the commercial spaces proposed under option 6 did not reflect current end user demand and lacked the flexibility to respond to. Alongside this, the Council's aspirations for the locale have developed with ambition that any redevelopment proposal contributes to improvements to the public realm and environment. Therefore, an additional redevelopment option was proposed (option 7) to reflect both market demand and to better facilitate improvements to the wider area.

- 8.8.4. Both options 6 and 7 were presented to residents and local stakeholders as part of the consultation. Resident tenants and leaseholders rejected the proposals due to the likely disruption and the loss of their homes. Non-resident leaseholders were in favour of the proposals if compensated. Local stakeholders were in favour of redevelopment but were divided in terms of best use. HOLBA, a prominent stakeholder in the area, vocalised their preference for option 7 as they felt it had the best potential to fit into a wider place-shaping strategy. Other stakeholders noted a preference for a more residential-led scheme. All stakeholders expressed an interest to be engaged further and offered to support the council to deliver the best scheme for the area.
- 8.9. Options 6 and 7 both perform well with respect to all the project objectives, in particular, improvement of the built environment, development of a smart city, ensuring homes meet modern standards and providing modern leisure, commercial facilities and homes. Overall option 7 provides the best performance against the agreed objectives, it is therefore considered to be the preferred option for Huguenot House. Detailed analysis of the objectives and scoring is provided in appendix 4.
- 8.10. However, it is acknowledged that tenants and leaseholders will experience disruption because of this recommendation and residents will need to be temporarily relocated during the build. Given that some residents were not in favour of this proposal, it is possible that if discussions and agreements are not successful that the Council may need to consider using its compulsory purchase powers to obtain vacant possession of the building as a last resort and this will be considered as part of future decision reports. Officers will however continue to engage with the residents and are considering existing policies to enable the residents have access to the best compensation and support possible.

9. Finance Implications

- 9.1. The Capital Strategy approved by Full Council in March 2021 contains a budget of £94.016m (net £25.265m) for the redevelopment of Huguenot House. This includes an allocation set aside for acquisitions.
- 9.2. This budget assumes full delivery of the redevelopment by the Council. Further financial viability work will be undertaken to explore different delivery routes under Option 7 - Redevelopment. A comprehensive report appraising these options will be drafted at a future date.

10. Legal Implications

- 10.1. The Council has a general power of competence under section 1 of the Localism Act 2011; this is the power to do anything an individual can do provided it is not prohibited by other legislation.
- 10.2. The Council has the power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its functions.
- 10.3. Prior to taking any decisions on the future of Huguenot House, all responses from all consultations will need to be considered. Under Section 105 of the Housing Act 1985 the Council is also required to consult with secure tenants on matters relating to the management, maintenance, improvement or demolition of dwelling-houses let under secure tenancies or the provision of services in connection with those dwelling-houses. The Council must publish details of its consultation arrangements and make them available to members of the public. This report refers to consultation that has taken place and will be ongoing and the Council should continue to consider its duty under Section 105 of the Housing Act 1985. The Council must conscientiously consider all representations made in response to the consultation.

11. Equalities Impact Assessment (EqIA)

11.1. The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

11.1.1. Eliminate discrimination, harassment, victimisation or other prohibited conduct;

11.1.2. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and;

11.1.3. Foster good relations between those who share a relevant characteristic and those that do not share it.

11.2. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

11.3. The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy.

11.4. An Equalities Impact Assessment has been undertaken alongside the development options and consultation analysis (Appendix 2). This assessment concludes that redevelopment options 6 & 7, whilst still causing some negative impacts, are judged to be the most sustainable. Both of these options would create temporary disruption and disturbance to residents in terms of relocation, however the overall outcome for these options is likely to be most beneficial for residents.

12. Next Steps

- 12.1. On decision of this paper, officers will communicate with residents on the Preferred Way Forward.
- 12.2. Officers have been investigating the potential project delivery strategies for the preferred way forward. The analysis is ongoing and is due to conclude in late spring this year. It will consider the relative merits of each route, such as levels of risk, commercial position and required expertise.

Milestone	Target
Delivery strategy	Late Spring/ Early Summer '21
Communication of the Preferred Way Forward	March '21

13. Ward Councillor Consultation

The Ward Councillors have been consulted on the recommendations within this report.

14. List of Appendices:

- 14.1. Appendix 1 – Huguenot House – Consultation Report
- 14.2. Appendix 2 – Huguenot House - Equalities Impact Assessment
- 14.3. Appendix 3 – Outline of Consultation Options
- 14.4. Appendix 4 – Evaluation and Scoring Matrix

**If you have any queries about this Report or wish to inspect any of the
Background Papers, please contact:**

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For completion by the Cabinet Member for Finance and Smart City

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: Date

NAME: **Councillor Swaddle**, Cabinet Member for Finance and Smart City

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled **Huguenot House- Conclusion of Consultation and Preferred Way Forward** and reject any alternative options which are referred to but not recommended.

Signed

Cabinet Member for Finance and Smart City

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comments:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Head of Legal and Democratic Services, Chief Operating Officer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.