DOCUMENT REFERENCE – WH 3/4

TOWN AND COUNTRY PLANNING ACT 1990

HYBRID PLANNING APPLICATION AT

ANGLIA SQUARE, NORWICH –

FRANCIS TRUSS MRICS - CARTER JONAS

FOR THE APPLICANT: WESTON HOMES & COLUMBIA THREADNEEDLE INVESTMENTS

REBUTTAL PROOF OF EVIDENCE: VIABILITY & DELIVERABILITY

IN RESPECT OF THE PROOF OF EVIDENCE PRESENTED ON BEHALF OF HISTORIC ENGLAND, (HE), (REF HE 2/1) (BY JONATHAN RHODES - GL HEARN)

NORWICH CITY COUNCIL REFERENCE – 18/00330/F

PINS REFERENCE – APP/G2625/V/19/3225505

14 JANUARY 2020

1 Historic England Viability Proof – Initial Report Summary & Conclusions

1.1 Historic England's (HE) position on viability is confused. The HE Planning Heritage Proof of Evidence prepared by John Neale, (HE 1/1,) is clearly drafted on the basis that HE claim that the proposal is 'marginally viable' (see paragraph 1.12 of the proof). This is a correct assessment. The application proposal, (the Scheme), is marginally viable but in all of the circumstances clearly deliverable. It is on the basis of this marginal position that:

i. The government has confirmed a contract with Norwich City Council, (NCC), for an enlarged sum (£15m) of HIF funding, with an extended timeframe for drawdown, to assist the project with public money, (contract due to be signed shortly), and:
ii. NCC has adopted a policy to allow submissions to be made for CIL Exceptional Circumstances Relief, on terms that the Applicant, (Weston Homes and Columbia Threadneedle Investments), considers would be satisfied by the Scheme.

1.2 The HE Viability Proof of Evidence prepared by Jonathan Rhodes (JR), (HE 2/1) drafted at the same time states (paragraph 4.7) however that the Scheme is not viable at all. It is not clear how this suggestion then plays into the HE planning heritage case which proceeds on the basis that the proposal will take place. If the suggestion is that the proposal is simply not deliverable, then of course the alleged harm associated with the development will not occur.

1.3 In this rebuttal I shall explain why the scheme is clearly deliverable and briefly examine the case made by JR for saying that the proposal is not viable.

1.4 On my analysis the returns are at around 15% profit on GDV. I note the Valuation Office Agency (VOA) accepts the broad accuracy of this view (in document NCC5/1). I also note that this is within (though towards the bottom) of the range quoted in the PPG and the NCC Affordable Housing SPD as an acceptable generic return. This is prior to the inclusion of value growth.

1.5 I also enclose a letter from the existing landowner which explains their logic for proceeding in the circumstances of the present case and the rational reasons why landowner/ developer would decide to proceed (Appendix).

1.6 Whilst paragraph 8.5 of the JR proof states that Columbia Threadneedle would 'want to see the value of their investment increase above this through the proposed development' the structure of the proposed joint venture arrangements allows for this to the satisfaction of the land owner and I consider that the true driver of the decision to redevelop the Site (or not) rests on the alternative options available to Columbia Threadneedle.

1.7 This is endorsed in the GL Hearn Review of Viability Assessment Report (Appendix A to the JR proof) which states clear reasons why Columbia Threadneedle should be incentivised to pursue redevelopment:

i. The retention of the property as existing will, in our opinion, not be without its challenges both in terms of maintaining a rental income stream and minimising any voids;
ii. Parts of the property are plainly redundant and would require significant capital expenditure to put back into a viable use;
iii. The existing buildings all require capital expenditure over the short and longer term to maintain them as operational assets and in our opinion the landlord is likely to have a shortfall in this regard, so may have a significant liability;
iv. In our opinion this is a depreciating asset, with its value likely to continue to fall without either significant investment, or as is being proposed a comprehensive redevelopment.

1.8 This commentary concludes that Anglia Square 'provides an attractive potential residential led development site. It is not without its challenges and risks in terms of both the planning situation and in connection with demolition and subsequent site remediation and infrastructure/ enabling works'. I agree.

1.9 Further, (added to the incentive for Columbia Threadneedle to proceed, set out in the above paragraphs) I consider the following matters also assist in ensuring delivery:

i. Bringing in a partner (i.e. Weston Homes) with credibility and experience in delivering major residential led developments and the processes and capability necessary to drive down costs.
ii. Channelling significant public sector infrastructure grant funding to address the challenges of demolition, site remediation and infrastructure/ enabling works.
iii. An innovative and pragmatic approach to planning through:
    - CIL Exceptional Circumstances Relief.
    - Reprofiling of the commercial elements of the Scheme.

1.10 I comment on the JR assessment of Viability set out in the JR proof. It is noted that a revised appraisal (with significant amendments from the analysis set out in the JR proof) has been provided to me on 14 January 2020 by Jonathan Rhodes. I have not been able to review in any detail given that I am submitting this rebuttal document on 14 January 2020.

1.11 In my opinion, the JR proof significantly underestimates the value of the commercial elements of the scheme, has made a calculation error and an underassessment of the potential value of 2 bed residential units in calculating the residential Gross Development Value (GDV) and omitted the Housing Infrastructure Funding which is confirmed for the Scheme. Furthermore, there is double counting on certain cost items which are already included.

1.12 On the value of the commercial elements of the proposal, I particularly bear in mind that the Scheme will be delivered in phases which allows for the accommodation to be let over a number of years as the development becomes more established and is 'repositioned'.

1.13 Also, the relocation of Existing Tenants provides an existing base level of potential occupiers who already have an established customer base.

1.14 In addition, the JR proof incorrectly quotes the residential GDV in the Iceni appraisal (and now the Carter Jonas appraisal) as being £221.7 million including ground rents. Excluding ground rents, the residential GDV in the Carter Jonas appraisal is £234.5 million and the difference between this and the £214.5 million assumed in the JR proof is not consistent with the lower value in the 2 bed residential units (both Tower and non-Tower) utilised in the JR proof. I consider that an allowance for ground rents should also be added in.

1.15 Demolition costs are included within the build cost figures within the Carter Jonas analysis so should be excluded.

1.16 Site enabling works are included within the build cost figure within the Carter Jonas analysis so should be excluded.

1.17 I consider the inclusion of both a construction and development contingency to be double counting at this stage of the Scheme's evolution/ design – effectively meaning that a 10% contingency has been applied. Much of the pre-construction risk has been mitigated through site surveys, investigations and already incurred fees in seeking to secure planning.

1.18 Simplistically adding up just the figures noted in Table 1 (for sensitivity purposes without changing any of the commercial value assumptions in the JR proof) adds nearly £64 million to the residual value of the appraisal, leading to a positive residual value of £23 million.

1.19 Table 1 – Impact of amendments to the appraisal in the JR proof:

	Amended Figure (millions)	**Change from the appraisal in the JR proof (millions)**
Residential GDV (excluding ground rents)	£234.5	+£20.0
Ground rents	£3.3	+£3.3
Include HIF	£15.0	+£15.0
Take out additional demolition costs	£0 (as this is included in the overall construction cost allowance)	-£4.5
Take out site enabling costs	£0 (as this is included in the overall construction cost allowance)	-£11.0
Additional Contingency	£9.9	-£9.9
Total Net Difference		**£63.7**

1.20 When these changes to values and costs alone are made, the appraisal shows a total return which equates to 9% profit on GDV (prior to the inclusion of value growth and the incorporation of Carter Jonas' commercial value assumptions). This is clearly a lower level of return than would be targeted. However, even at this level of return, I consider that for a regeneration Scheme with a timeframe of +10 years, this is a rate of return that could be sufficient for a developer – with access to capital with the ability to take a long term view – to proceed on a phased basis if they believed in the long term growth prospects provided by the Scheme. This is particularly the case given that the timescales and phasing of the Scheme allow for a relatively high Internal Rate of Return, and that the declining built fabric of the asset means that it is not an option to maintain the status quo.

1.21 The JR Proof makes (paragraph 4.8) reference to a 20% profit on GDV as a relevant benchmark return. This is misleading and not relevant to all situations.

1.22 Each case has to be considered on its merits. I do not disagree with this figure within a range for generic/ broad brush viability analysis margins, which would be considered appropriate at 15-20%. A margin of 20% does not take into account the specifics and long-term growth potential of large-scale regeneration schemes such as Anglia Square. In my opinion, in the particular circumstances of this case which importantly include the rapid depreciation of the existing asset (see paragraph 1.7), would give the landowner confidence to proceed with such a scheme and this would be part of their decision to invest, even if returns are lower than typical benchmarks.

1.23 In addition to the comments already made, I make the following comments and observations on other specific assumptions made in Section 4 of the JR Proof:

i. Paragraph 4.1 - there are 2 nightclubs (as stated in the Statement of Common Ground) and other buildings on Pitt Street, and 2 further sites. The 'subject property' referred to appears to be only the entire Anglia Square island site, rather than the larger red line planning application area.

ii. Paragraph 4.1 – exceptions: it has been confirmed that no significant payment would be incurred in obtaining vacant possession to enable the development.

iii. Paragraph 4.2 (iv) it was confirmed (by Carter Jonas on 8 November 2019) that demolition is included in the construction cost figure.

iv. Paragraph 4.2 (vi) – as well as the £115,000 Section 106 allowance made within the Scheme appraisal there is a potential £62,000 for Green Infrastructure within the off-site highway works. Other typical Section 106 items are not needed, since the Site is already well served - as noted in CD9.1 (the NCC Planning Application Committee Report).

v. Paragraph 4.2 (vii) – Weston Homes is the contractor and would give a warranty with properties (covered by insurance).

vi. Paragraph 4.2 (ix) – the draft Section 106 Agreement requires the 15% intermediate tenure to be affordable rent as a first approach, and only shared ownership if that is not possible for the target sales value.

2 Disclosure of Information & Procedure

2.1 Historic England raise the issue of change of personnel. I'm not sure where this point goes but HE was informed that the updated viability analysis would be undertaken by Carter Jonas (in August 2019). Whilst I did not write the September 2018 Viability Assessment, I have been part of the professional team for the Scheme since Summer 2017 and interpreted and provided the viability analysis (using the Iceni scheme appraisal) for the HIF grant application. It is wrong therefore to suggest that there has been a significant shift in personnel or in the way the viability analysis has been run. I reviewed and contributed in producing the Iceni appraisal and have now undertaken a light touch update of it having regard to the call-in and the need for the assessment to be up to date.

2.2 Whilst the actual detailed build cost estimates cannot be and are never publicly provided, (as they are recognised (including by the Information Commissioner) as being highly commercially sensitive in relation to procurement, negotiation and process), I have as a result of the issues raised in the inquiry undertaken a fuller consideration of the BCIS data base.

2.3 I have in line with the NPPG, used the most relevant BCIS Construction cost data base to establish an overall cost for the Scheme. The data base provides reliable up-to-date and geographically specific costs data for building projects such as this (and their elements). The NPPG makes it clear that the BCIS is a reliable tool which **by itself**[1] can be used to identify the relevant costs associated with a project for the purposes of viability assessment.

2.4 Given my knowledge and understanding of the project, the third party reviews already undertaken, the procurement routes being utilised and the ability of the joint venture team to drive down costs, and because of economies of scale and in particular the proven ability of Weston Homes in this regard, I have having regard to the database judged that a total cost figure between the lower quartile and median of the BCIS range is appropriate to establish Scheme costs. Again I note that Mr Williams has undertaken a similar exercise as part of his original and up-to-date assessment.

2.5 This exercise establishes a lower quartile figure of £174.1 million for the costs of a project of this scale and a median of £201.7 million (a figure and methodology referenced in Figure 6 of my proof). The total construction costs included within the appraisal is £197.4 million which is at the upper end of this range but below the median. I believe, as does Mr Williams for the VOA, that this level of costs robustly reflects the particular circumstances of this development.

2.6 I have elsewhere noted that this broad level of costs has now been the subject of significant crosschecking by a number of sources and agencies:

i. The G&T review of the construction costs (Appendix 8, September 2018 Viability Report).

ii. WH 3/3 Appendices 2 and 3 of my Proof of Evidence: Viability & Deliverability (WH 3/1) set out the processes and controls utilised by Weston Homes (including the Homes England analysis).

iii. The VOA has twice considered the appropriateness of the relevant costs and agreed with the Applicant's approach.

2.7 In short, I am satisfied following this level of costs is appropriate. Ironically and very unusually in viability analysis it is HE which is suggesting that the Applicant's analysis of costs is too low. I do not accept this.

2.8 The following responses to Historic England's queries were provided in emails from Francis Truss dated 8 November 2019, 22 November 2019 (some items issued early on 15 November 2019) and 25

[1] The MHCLG viability guidance states that the "assessment of costs should be based on evidence which is reflective of local market conditions…Cost include: build costs based on appropriate data, for example that of the Building Cost Information Service".

November 2019. These responses supplemented some verbal responses provided at a meeting of 18 October 2019. The following bullet points cross reference to the commentary in the JR proof:

i. Paragraph 5.2, bullet point 3 – it has been explained that NCC calculated the CIL sum from the floor area schedules for existing and proposed buildings that Weston Homes provided. It is the normal practice that the Local Planning Authority calculates the CIL sum and passes this to the applicant to agree before the Liability Notice for that sum is issued.

ii. Paragraph 5.2/ 4 - values in Gildengate House are comparable, since the conversion flats will have the same specification as the new build flats in the Scheme, will have excellent views, and – as noted in WH3/1 – will be relatively large units. Weston Homes has experience of developing Permitted Development Rights (PDR) conversion units at a number of sites, including its ‘Highbanks’ scheme in Southend, where these units have the same specification as the new build units in the same scheme.

iii. Paragraph 5.2/ 4 (second paragraph) – I have confirmed that I do not consider that a breakdown of per unit residential values is relevant or required at this stage.

iv. Paragraph 5.2/ 5 – my approach to residential service charges was explained in the email dated 14 November 2019, setting out that I considered that the approach to service charges would be neutral in relation to values.

v. Paragraph 5.2/ 6 – the information which is available on existing retail tenancies within Anglia Square is set out in WH3/3 Appendix 1 (paragraphs 8.13.1 to 8.13.3).

vi. Paragraph 5.2/ 7 – rental value and tenant assumptions for the retail and leisure accommodation in the Scheme is provided in WH3/3 Appendix 1 (paragraphs 8.15 to 8.22), including supporting evidence.

vii. Paragraph 5.2/ 8 – further commentary on the basis for the commercial yields applied in the scheme appraisal are set out in WH3/3 Appendix 1 (paragraphs 8.26 to 8.32).

viii. Paragraph 5.2/ 9 – further rental value and tenant assumptions for the cinema are set out within WH3/3 Appendix 1 (paragraphs 8.15 to 8.20, and in 8.29). Further hotel commentary is in WH3/1 (paragraphs 4.27 to 4.35).

ix. Paragraph 5.2/ 12 – demolition costs will be phased through the development of the Scheme as the individual phases come forward. The demolition of the area for Phase 1 (the existing multi-storey car park, cinema, both night clubs and the associated ground level retail units) is required for the development of Block A, but the demolition of Sovereign House is not required until later in the Scheme once retail operators under Sovereign House can be moved to Block A. The chapel cannot be demolished until a new one is built, and it is practical to demolish the buildings adjoining the chapel simultaneously. As noted in Section 4 of this rebuttal, moving demolition costs earlier in the Scheme (into the pre-construction period) on a phase by phase basis is a reasonable sensitivity on my analysis.

x. Paragraph 5.2/ 13 - not all utility services would be needed early in the Scheme or are possible to provide at the outset, so it is correct that these costs are not all upfront and spread over time.

xi. Paragraph 5.2/ 16 – as noted earlier, a response on obtaining vacant possession to enable the development was provided to confirm that no significant payment would be incurred in vacant possession and commentary is also included in paragraph 5.26 of WH3/1.

3 <u>The Historic England Alternative Proposal</u>

3.1 An Alternative Proposal for the site is set out in HE1/2 Appendix 1: Ash Sakula Report.

3.2 This Alternative Proposal has only been developed in concept form, and therefore a comparative analysis to the Scheme is not possible. HE states that the Alternative Proposal is unviable. I agree that it would be. Even without doing a detailed analysis, my understanding of the site and values and costs means that the very much reduced level of development on the site would simply not come close to a viable or deliverable scheme. The application proposal is marginally viable for the reasons set out above. I cannot see any way in which this much less viable scheme would ever be capable of being delivered.

3.3 The following matters exacerbate the unviability of the Alternative Proposal as a project:

3.4 The Application Scheme is carefully phased to maximise viability (in part through retaining income producing elements of the Site through the development process) and to ensure continuity of trade for retained retailers whilst meeting the requirements of the Local Planning Authority for the continued operation of the Large District Centre. It is not clear how this alternative could be delivered in a phased manner given the proposed street layout. I consider it likely that this would increase cost.

3.5 Equally, the Application Scheme can achieve relatively low construction costs because it can be delivered by a company with an integrated supply chain. I consider that this alternative would not be delivered by such a company and the construction costs would be higher. Its layout and size limits the ability to achieve economies of scale and minimise construction costs.

3.6 The terms of the HIF funding could not be satisfied by this Alternative Proposal given the +50% reduction in housing numbers and the inability to meet the timescales for spending the money; therefore this money (£15 million) would not be available.

3.7 The Alternative Proposal includes additional land area to that which is within the Application Scheme boundaries and I do not consider that the amount of redevelopment proposed for those additional areas would offset the costs of acquisition and development:

- The Columbia Threadneedle ‘retained land’ at the south east corner fronting Magdalen St is not part of the planning application for the Scheme. This land has never been part of the Scheme, as it is well let and its structure allows for upgrading the elevations and first floor conversion rather than wholesale demolition and redevelopment. Making it part of this Alternative Proposal would add cost.

- 100 Magdalen St is a retail unit with basement, and separate entrance for the first floor which has planning permission for a gym. It is owned by a private investor and is not part of the planning application for the Scheme; therefore it is inappropriate for the Alternative Proposal design to show development in this area. A Compulsory Purchase Order route is unlikely to be appropriate for the local authority to pursue for this building, given the viability challenges and the cost of its existing use. This site also has a sensitive local context given the height and proximity of adjacent buildings, and therefore it is unlikely that the amount of development permitted at the site would offset the costs of acquisition and development.

- One of the ‘anchor’ supermarkets and assumed main drivers of value in the Alternative Proposal is in a position (beneath the St Crispin’s Road flyover) which is outside of the ownership of the Landowner and in a location where permanent structures of that nature simply cannot be built due to restrictions imposed by the Highways Agency and Norfolk County Council.

3.8 The lack of public parking and the lower ratio and lack of secure covered spaces for the residential parking within the Alternative Proposal would be problematic in a variety of ways as this:

- Makes it significantly more challenging to attract and secure retail tenants;
- Makes it very unlikely a cinema operator could be secured, given the market feedback from operators during soft market testing;
- Makes it challenging to attract a hotel operator;
- Would reduce the attraction of the studio and workshop space to tenants;
- Reduces the income generated by the scheme from a car park operator, reducing viability;
- Would potentially reduce interest in market dwellings on the site and again reduces the income generated by the scheme.

3.9 The Alternative Proposal does not match commercial requirements:

- It does not appear to provide larger retail units suitable for the relocation of existing tenants such as Boots, Iceland, Poundland, etc.
- There is also a lack of units of a reasonable depth for these tenants, which they may require to ensure sufficient storage capacity and efficient trading
- It provides a large number of small retail units (46, assuming an average size of 1,500 sq ft per unit) which are likely to be challenging to lease in the current retail market, given the volume. I do not believe there would be demand for this many small, independent occupiers in this area. A balance of small units more likely to suit local independent retailers, as well as larger units likely to suit larger national companies, would provide a better balance for the scheme, both in terms of retail experience for customers and retail value for the owner. A mixture of unit sizes would also allow tenants to grow and shrink their accommodation as their business needs change, providing more flexibility and retention of tenants, as provided for in the Scheme
- The Alternative Proposal design indicates two different supermarkets on the site; it is unlikely supermarket tenants would be happy to locate in such close proximity to a competitor, and therefore it is not appropriate to suggest two could be accommodated.
- There appear to be no service yards for deliveries and refuse/ recycling collection for the hotel, supermarkets, cinema and most of the small A1 / A3 / workshop / studio accommodation, requiring on-street servicing, with potential time restrictions or traffic conflicts, which will not meet current retail and commercial expectations.

3.10 The current artists on site in Gildengate House are in occupation on a rates mitigation basis and are paying a peppercorn rent. Therefore they are unlikely to be able to pay a market rent, which would affect the viability of delivering new workshop space, if these tenants are intended to be retained. It is possible other small businesses could be attracted to the site if the studios are carefully curated, but it is likely the viability of these units would be a challenge regardless of the specific occupier. The Application Scheme includes 1,151 sq m (GIA) of flexible Discounted Commercial Space, which could be occupied by Small and Medium Sized Enterprises (SMEs), and will be available at 20% below market rents of the surrounding area, with SMEs within the site at present having first refusal. In the Alternative Proposal, the artists' studios, (as opposed to the ground floor workshops) are a separate building, of which the area totals 2,490 sq m. Therefore, even on similar terms (20% discount), with fit out provided, this more than doubling of quantum would have an impact on viability.

3.11 The Application Scheme is – in part – viable and deliverable because of an assumed premium in residential values from a mixed-use development which ‘repositions’ the existing asset. I do not consider that the Alternative Proposal could or would achieve a similar uplift given the reduced critical mass and question mark over the deliverability of the commercial elements of the scheme.

4 Response to General Comments and Specific Elements of the Francis Truss Appraisal

4.1 The JR Proof (para 1.3 and elsewhere) states that this assessment is undertaken in accordance with 'the Red Book'. The analysis within WH3/1 is not a valuation (as suggested in paragraph 1.5) and is an assessment of scheme viability. This is consistent with the approach taken in assessment viability for planning purposes which is governed by NPPG. It is also consistent with the September 2018 viability report undertaken by Iceni.

4.2 The JR Proof does not acknowledge that – as agreed at the pre inquiry meeting – this is a 'light touch' update of the Iceni appraisal.

4.3 The work and analysis with the Scheme appraisal reflects the knowledge and insight of the professional team who have worked for over 4 years to create a viable and deliverable solution for the site. This is a complex site and Scheme where site specific assumptions are required.

4.4 In relation to specific points in the JR Proof I make the following observations, comments and clarifications:

- Paragraph 3.1 states the general agreement that the entire site should be redeveloped – this presumes and accepts the loss of various locally listed buildings - and that site clearance/ demolition is of benefit to the Scheme.

- Paragraph 6.3 vii) comments on the letting strategy for the commercial elements of the Scheme.

a) The Scheme is phased and will be delivered over a circa 10-year period so to have information on the leases that may be agreed is not a realistic request at this point. There are a number of existing tenants on site who would be relocated into new units following the development within the early phases and Columbia Threadneedle are already in discussion with these tenants. As a result, there would be a reasonable volume of retail and leisure accommodation pre-let in advance of practical completion, particularly in Phase 1. The later phases will be released on a phased basis and therefore there would not be a significant volume of accommodation released to the market at any time. These phases will be marketed prior to and post completion, with a substantive period to secure tenants and build upon the leasing already secured within Phase 1, to ensure as much accommodation is pre-let as possible. There is also flexibility to vary the retail layout or reduce the amount of retail within the later phases subject to demand, within the Reserved Matters approvals which would follow.

b) A 24 months' income void is incorporated into our appraisal across all retail and leisure accommodation, which includes an element of blended letting void, rent free and capital contributions towards fit out across the Scheme. This income void is structured by deducting it from the total income received, which is standard practice in appraising value.

c) The retail units which are provided at discounted rents are to be managed in a manner to be agreed with NCC and I consider it reasonable to assume rapid take up of these units given the demand from local SMEs from NCC.

d) A significant income void assumption of 120 months has been made for the cinema unit, which represents a combination of rent free and the contribution to fit out a cinema operator is likely to require in the current market, based on our knowledge of comparable evidence. This unit would be pre-let.

e) There is currently no 'office element' within the Scheme.

- Paragraph 6.3 viii) - demolition costs are calculated on a Block by Block basis so are incurred as part of the wider construction cost. Archaeology and decontamination allowance are incurred in a single monthly period at the start of the construction period. Whilst this is not within the pre-construction period it is front loaded. As a sensitivity, I have tested the impact of moving demolition costs forward into the pre-construction period and the impact on Scheme profitability is very minor, moving it from

14.7% to 14.6% on GDV. The demolition costs are phased in Block A (£2.0 million), Block B and Block C (£0.05 million), Block E&F (£0.2 million) and Blocks G&H (£2.25 million).

- Paragraph 6.3 ix) - the draft planning conditions (set out within the NCC SoC) make clear the public realm must be undertaken early in Phase 1, with no occupation until off-site highway works are complete on Edward Street for example, and the on-site public realm is part of the detailed application for Phase 1. The appraisal shows the incurring of these costs in single month right at the start of construction, earlier than is realistic (and thus reducing viability in isolation). The works to Pitt Street are phased in a single month at the start of Phase 3 construction which is earlier than it would be incurred. Together, these phasing assumptions balance against the relatively late phasing of archaeology and decontamination works (compared to when they might be incurred); I consider this to be reasonable.

- Paragraph 6.3 x) and xi) – Weston Homes achieves sales receipts and occupations whilst blocks are still under construction (e.g. Mill Pond, Dartford). On large schemes, I consider that phased occupation can occur and – as noted in WH3/1 – the Site has to remain accessible throughout the construction process.

- Paragraph 6.3 xii) – I am content that £15,000 per car parking space reflects an achievable value per space based on the specification, which is controlled entry, CCTV, Electric Vehicle charging etc, in a location where on-street parking is controlled.

- Paragraph 6.3 xiii) – commentary on the public car park value assumptions is within WH3/3 Appendix 1 (paragraphs 8.23, 8.24, 8.31 and 8.32). As stated here, detailed discussions have been undertaken with a specific operator to take the car park lease, and the rental assumptions are based on the written offer they have provided for the accommodation, and the yield assumption is on the basis of the lease to be agreed and other transactions involving this occupier within the investment market.

- Paragraph 6.3 xiv) – municipal costs (by which I presume CIL is being referenced) have not been in the Scheme appraisal since the planning application was submitted.

- Paragraph 6.3 xvi) - the items noted are inclusive of contingencies, professional fees and contingency. I consider this to be reasonable.

- Paragraph 7.14 - without repeating Section 1 of this rebuttal in full, I do not consider that a 20% profit on GDV is required to make the Scheme deliverable. The Scheme is of a scale that presents significant opportunities for growth in values which can benefit the landowner, developer and NCC.

- Paragraph 8.2 - this refers to taking an approach where the profit level is fixed whilst the residual land value varies. This ignores the motivation of the landowner and potential partners who have the capability, knowledge and experience to deliver a comprehensive regeneration scheme with long term growth (and profit) potential. There is at present a deteriorating and depreciating asset. A ‘no investment’ position is no longer appropriate.

4.5 The Dr Boswell Proof of Evidence on behalf of Norwich Green Party (NGP 1/1) states that there is insufficient affordable housing in the Scheme. The Scheme has been shown to be marginally viable with 120 (10%) affordable dwellings through the due diligence undertaken by:

- The analysis contained in this evidence.
- The VOA on behalf of NCC.
- Deloitte on behalf of Homes England.

4.6 This is a very challenging Site and I consider that any comprehensive scheme of scale has significant challenges to overcome (as has been the case for the last few decades). This illustrates the tight line that schemes on this Site must tread when it comes to balancing affordable housing and ensuring deliverability. Even the 10% affordable housing included within the Scheme leaves it at a marginally viable level as stated by HE (planning), the VOA and Deloitte.

4.7 The Section 106 Agreement currently in hand, the summary of which was included in Mr Luder's Appendix 1 (WH 4/3), will impose robust assessment reviews to ensure that uplifts in viability can be reflected in increased affordable housing provision in later phases of the Scheme.

Appendix – Columbia Threadneedle Letter

COLUMBIA THREADNEEDLE
INVESTMENTS

Mr Fran Truss
Carter Jonas
One Chapel Place
London W1G 0BG

Threadneedle Portfolio Services Limited

Cannon Place
78 Cannon Street
London EC4N 6AG
T: +44 (0)20 7464 5000*

columbiathreadneedle.com

14 January 2020

Dear Mr Truss

Anglia Square Development

Columbia Threadneedle (CT) holds Anglia Square in a Fund and is able to actively manage the asset with sufficient flexibility to allow redevelopment. The Fund is tasked with investing in property that generates long term sustainable revenue for its institutional investors, including pension providers, who in turn require certainty of returns.

The Anglia Square site is a depreciating asset. The shopping centre and Gildengate House have escalating maintenance costs and deprecating returns. It is not economically viable to reinstate Gildengate House in its existing form and use as offices. Large parts of the estate, including Sovereign House and the multi-storey car park, are no longer able to be beneficially occupied. As rental income declines, the site is becoming increasingly dilapidated, difficult to manage and economically unsustainable. This is unacceptable to the fund's investors and taking no action is not therefore an option.

CT is aware that the application scheme is viable but marginal; however, CT seeks long term strategic asset management in order to strengthen revenue for the fund's investors, which are justified in this case given the alternative of holding a declining asset. The internal rate of return (IRR) is also an important consideration in CT's business decisions and the improvement this development will bring is in line with CT's fund objectives. Finally, the joint venture structure with Weston Homes allows both parties to achieve a successful partnership, and therefore CT has confidence in the project on the basis of these bespoke arrangements given the unique situation, despite the marginal nature of the development appraisal.

Yours sincerely

For and on behalf of
Threadneedle Portfolio Services Limited