

WESTMINSTER CITY COUNCIL – LOCAL PLAN VIABILITY ADDENDUM NOTE ON MIXED USE POLICY

This Viability Addendum Note tests Westminster City Council's replacement Mixed Use Policy previously tested in our report '*Westminster City Council: Local Plan policies: Viability Review*' (January 2019). The mixed use policy has changed between informal consultation in 2018 and the Regulation 19 consultation in 2019.

The previous version of the Mixed Use Policy is shown in Box 1 and the new policy is shown in Box 2.

Box 1: Old Policy 9

G. Where smaller scale hotels and offices (750 sq m – 999 sq m) are proposed within the Central Activities Zone (CAZ), a financial contribution to the Affordable Housing Fund will be required. Proposals for larger hotels and offices (above 1,000 sq m) within the CAZ will provide 35% of the floorspace as affordable housing on-site.

H. Where the development is within the West End Retail and Leisure Special Policy Area (WERLSPA) and it is demonstrated that on-site delivery is not practicable or viable off-site provision elsewhere in the WERLSPA may be accepted.

I. Where the development is within an Opportunity Area and it is demonstrated that on-site delivery is not practicable or viable off-site provision elsewhere in that Opportunity Area may be accepted.

J. Provision of affordable housing elsewhere in the CAZ will only be acceptable where the tests in Clause C i – iii of this policy are met.

K. A payment in lieu to the council's Affordable Housing Fund may be accepted only as a last resort in the most exceptional of circumstances.

Box 2: New Policy 10

A. In addition to the provision of affordable housing in residential schemes, contributions will also be sought from certain commercial developments in the Central Activities Zone (CAZ) to ensure mixed, inclusive and cohesive communities.

B. Where affordable housing units are required, these should be delivered on-site, unless it is demonstrably impracticable or unviable to do so. Off-site delivery of affordable housing should be within the vicinity of the host development. Off-site delivery elsewhere in the CAZ will only be acceptable where it can be demonstrated that it will:

- 1. Provide more affordable housing and of higher quality than would have been the case on-site; and*
- 2. contribute to mixed, inclusive and cohesive communities*

OFFICES

C. For office (B1) development the following contributions will be sought:

- 1. For developments where the net increase in floorspace is between 1,000 and 2,749 sq m, a payment in lieu of provision of affordable housing at the following thresholds:*

Net floorspace increase (sq m)	Equivalent percentage of net increase in floorspace required to contribute to Affordable Housing Fund
1,000 – 1,499	15%
1,500 – 1,999	25%
2,000 – 2,749	35%

2. For developments where the net increase in floorspace is 2,750 sq m or more, a contribution of 35% of this floorspace as affordable housing units, to be delivered in line with clause B.

HOTELS

D. For hotel (C1) development the following contributions will be sought:

- For developments where the net increase in floorspace is between 2,500 and 6,499 sq m, a payment in lieu of provision of affordable housing equivalent to 15% of the net increase in floorspace.
- For developments where the net increase in floorspace is 6,500sq m or above, a contribution of 15% of this floorspace as affordable housing units, to be delivered in line with clause B.

Commercial contributions towards affordable housing (Policy 10)

Policy 10 requires that commercial schemes in the CAZ contribute towards affordable housing, either on site or through a payment in lieu depending on the size of the scheme. The January 2019 report tests 15 proxies for office developments and 15 proxies for hotel developments.

Proxies 1, 2 and 3 test the viability of payments in lieu on office developments which provide net additional floorspace of between 1,000 and 2,749 square metre. Similarly, proxies 16, 17 and 18 test the viability of payments in lieu on hotel schemes providing net additional floorspace of between 2,500 and 6,499 square metres.

These indicate that the requirement for a payment in lieu on office schemes will not affect viability, with significant surpluses generated above benchmark land values. However, the viability of hotel schemes is more marginal and the requirement for a payment in lieu will make developments unviable if it is increased above 15% of net additional floorspace. As noted in Box 2 above, the Council is not intending to seek a payment in lieu of more than the equivalent of 15% affordable housing on hotel schemes.

Table 1.1: Payment in lieu on office schemes (net additional floorspace of 1,000 square metres)

Development type	Existing floor space	Proposed floor space	Net additional floor space	BLV £ millions	Residual land values (£ millions) / affordable housing percentage				
					15%	20%	25%	30%	35%
Proxy 1 – small office scheme	1,000	2,000	1,000	£6.02	£11.61	£11.04	£10.48	£9.91	£9.34
Proxy 2 - small office scheme	1,000	2,500	1,500	£6.02	£14.09	£13.24	£12.39	£11.54	£10.69
Proxy 3 - small office scheme	1,000	3,749	2,749	£6.02	£21.21	£19.65	£18.09	£16.53	£14.97

Table 1.2: Payment in lieu on hotel schemes (net additional floorspace of 2,500 square metres)

Development type	Existing floor space	Proposed floorspace	Net additional floorspace	BLV £ millions	Residual land values (£ millions) / affordable housing percentage				
					15%	20%	25%	30%	35%
Proxy 16 – small hotel scheme	1,000	3,500	2,500	£2.41	£2.98	£1.56	£0.15	£-1.29	£-2.73
Proxy 17 - small hotel scheme	1,000	4,500	3,500	£2.41	£3.35	£1.36	£-£0.63	£-2.65	£-4.66
Proxy 18 - small hotel scheme	1,000	7,250	6,250	£2.41	£4.36	£0.81	£-2.77	£-6.37	£-9.97

For office developments above 2,750 square metres of net additional floorspace, the Council is intending to seek 35% on-site affordable housing. The amount of floorspace required is based on 35% of the net additional floorspace. For example, a scheme providing 4,000 square metres of floorspace on a site with 1,000 square metres of existing space would provide 1,050 square metres of affordable housing (i.e. 35% of 3,000 square metres) and 2,950 square metres of commercial floorspace. Proxies 4 to 9 test the viability of this policy approach on offices. The schemes range in scale from 4,000 square metres to 45,000 square metres. The results are summarised in Table 1.3 overleaf.

For hotel developments providing more than 6,500 square metres of net additional floorspace, the Policy 10 seeks to secure 15% of net additional floorspace as on-site affordable housing. Proxies 19 to 24 test the viability of this policy approach on hotel developments. These developments range in size from 7,500 to 45,000 square metres. The results are summarised in Table 1.4, indicating that the policy requirement should not adversely impact on viability with all schemes generating higher residual land values than benchmark land values at 15% affordable housing.

Table 1.3: On-site affordable housing on office developments (all floor areas in square metres)

Development type	Existing floorspace	Proposed floorspace	Net additional floorspace	On-site affordable (square metres)					BLV £m	Residual land values (£ millions) / affordable housing percentage				
				15%	20%	25%	30%	35%		15%	20%	25%	30%	35%
Proxy 4 – office	1,000	4,000	3,000	450	600	750	900	1,050	£6.02	£26.31	£26.00	£25.70	£25.40	£25.09
Proxy 5 – office	1,000	6,000	5,000	750	1,000	1,250	1,500	1,750	£6.02	£37.83	£37.33	£36.83	£36.33	£35.83
Proxy 6 – office	1,000	8,000	7,000	1,050	1,400	1,750	2,100	2,450	£6.02	£50.35	£49.65	£48.94	£48.24	£47.54
Proxy 7 – office	1,000	10,000	9,000	1,350	1,800	2,250	2,700	3,150	£6.02	£64.57	£63.41	£62.25	£61.09	£59.94
Proxy 8 - office	10,000	30,000	20,000	3,000	4,000	5,000	6,000	7,000	£60.22	£198.08	£196.05	£194.02	£192.00	£189.97
Proxy 9 - office	15,000	45,000	30,000	4,500	6,000	7,500	9,000	10,500	£90.33	£283.59	£279.77	£275.96	£272.14	£268.33

Table 1.4: On-site affordable housing on hotel developments (all floor areas in square metres)

Development type	Existing floorspace	Proposed floorspace	Net additional floorspace	On-site affordable (square metres)					BLV £m	Residual land values (£ millions) / affordable housing percentage				
				15%	20%	25%	30%	35%		15%	20%	25%	30%	35%
Proxy 19 – hotel	1,000	7,500	6,500	975	1,300	1,625	1,950	2,275	£2.41	£12.47	£11.82	£11.17	£10.52	£9.87
Proxy 20 – hotel	1,000	9,000	8,000	1,200	1,600	2,000	2,400	2,800	£2.41	£14.91	£14.10	£13.30	£12.50	£11.70
Proxy 21 – hotel	1,000	12,000	11,000	1,650	2,200	2,750	3,300	3,850	£2.41	£21.12	£20.01	£18.89	£17.78	£16.66
Proxy 22 – hotel	1,000	15,000	14,000	2,100	2,800	3,500	4,200	4,900	£2.41	£23.51	£21.73	£19.95	£18.17	£16.39
Proxy 23 - hotel	10,000	30,000	20,000	3,000	4,000	5,000	6,000	7,000	£24.10	£47.01	£45.09	£43.17	£41.25	£39.33
Proxy 24 - hotel	15,000	45,000	30,000	4,500	6,000	7,500	9,000	10,500	£36.10	£82.65	£79.61	£76.57	£73.53	£70.49

Finally, we have tested the option of seeking an off-site financial contribution on commercial schemes providing more than 1,000 square metres of floorspace. For example, a scheme of 2,000 square metres on a site with 1,000 square metres of existing floorspace would make a financial contribution on 350 square metres (35% of the 1,000 net additional square metres). In the Core Zone, this would be charged at £12,450 per square metre, or a total of £4,357,500. The results are summarised in Table 1.5.

Table 1.5: Commercial schemes providing 1,000 square metres net additional floorspace or more with financial contribution towards affordable housing

Development type	Existing floor space	Proposed floor space	Net additional floor space	BLV £ millions	Residual land values (£ millions) / affordable housing percentage				
					15%	20%	25%	30%	35%
Proxy 10 - office	1,000	2,000	1,000	£6.02	£12.11	£11.54	£10.97	£10.41	£9.84
Proxy 11 - office	1,000	2,500	1,500	£6.02	£14.71	£13.86	£13.01	£12.16	£11.31
Proxy 12 - office	1,000	3,000	2,000	£6.02	£16.56	£15.43	£14.29	£13.16	£12.03
Proxy 13 - office	1,000	3,500	2,500	£6.02	£19.04	£17.62	£16.20	£14.79	£13.37
Proxy 14 - office	10,000	30,000	20,000	£60.22	£173.17	£161.82	£150.47	£139.12	£127.77
Proxy 15 - office	15,000	45,000	30,000	£90.33	£237.54	£220.57	£203.60	£186.63	£169.66
Proxy 25 - hotel	1,000	2,000	1,000	£2.41	£2.31	£1.74	£1.18	£0.61	£0.04
Proxy 26 - hotel	1,000	2,500	1,500	£2.41	£2.61	£1.76	£0.91	£0.06	-£0.81
Proxy 27 - hotel	1,000	3,000	2,000	£2.41	£2.62	£1.49	£0.35	-£0.79	-£1.94
Proxy 28 - hotel	1,000	3,500	2,500	£2.41	£2.98	£1.56	£0.14	-£1.30	-£2.74
Proxy 29 - hotel	10,000	30,000	20,000	£24.07	£26.30	£14.96	£3.62	-£7.83	-£19.33
Proxy 30 - hotel	15,000	45,000	30,000	£36.10	£42.07	£25.05	£8.02	-£9.13	-£26.40

As can be noted in the table, office developments are able to absorb the financial contribution and generate residual land values exceeding the benchmark land values. However, hotel development is more marginal and residual land values fall below benchmark land values if the financial contribution exceeds 15% affordable of net additional floorspace.