

POSITION STATEMENT

National Grid Property Holdings Ltd – LBTH Response

In respect of Session 8
Marian Place Gas Works and The Oval site allocation

**London Borough of Tower Hamlets
Managing Development DPD
Local Development Framework
11 September 2012**

National Grid Property Holdings Ltd – Position Statement LBTH Response Statement

This statement provides the Council's response to the issues stated within National Grid Property Holdings Ltd's Position Statement for the Managing Development DPD Examination in Public. This statement does not seek to repeat information relating to the Council's position as stated elsewhere.

1. Site Allocation 2

Site allocation 2 is not deliverable.

Summary

The site allocation for a Local Park and district heating facility do not consider the implications of these in sufficient detail and therefore have a negative impact on the viability of the scheme.

Response

Disagree. The approach, methodology and assumptions used within the Site Viability Testing Report are considered to be of an appropriate detail for the MD DPD and uses high level viability appraisals to determine the development viability of sites allocations within the MD DPD. This method uses a development appraisal package in widespread use in the development industry and by planning authorities.

BNP Paribas respond as follows:

The respondent indicates that the most recent costings of removal of the gas holders on the site amount to £3.747 million. A further £134,000 is assumed to be required for decontamination. The respondent therefore argues that these costs present "viability challenges" for any scheme coming forward on the site. The respondent appears to be suggesting that these challenges could be remedied by removing the requirement of a local park (to be replaced by a requirement for a negotiated amount of open space when a scheme comes forward) and for the district heating to be provided "where possible".

Our appraisals of this site incorporate an allowance of £2.425 million for abnormal costs, which goes some considerable way to addressing the abnormal costs identified by National Grid. Our appraisals also assume 35% affordable housing, with the 70% rented element provided as Social Rent. When an application comes forward, the Council could accept the alternative of 'Affordable Rent' in place of some or all of the 70% rented element, or could adjust the tenure balance (e.g. 50% rent and 50% shared ownership), or indeed could reduce the overall affordable housing percentage. The Council's policies already build in these flexibilities.

Notwithstanding the comments above, we note that our appraisals indicate a residual land value of £20 million, while the benchmark land value for the site is £15.75 million. Given that there appears to be some headroom above the benchmark, there is no reason why the costs identified by National Grid could not be accommodated.

With regards to the requirement for a District Heating system, this is likely to be the most cost effective option for delivering the energy requirements of Code for Sustainable Homes level 4. It is therefore unlikely to have any significant impact on viability of any scheme coming forward.