

West Area Planning Committee, 10th February meeting
Applications 14/01441/FUL (Agenda Item 3)
and 14/01442/LBD (Agenda Item 4)

COMMENTS FROM THE JERICHO WHARF TRUST

The Jericho Wharf Trust objects to these applications in their current form, on the grounds that they include clear and certain negative features but provide no confidence that any compensating benefits will be delivered. If the applicant is prepared to reach agreement with the community on how delivery of the target benefits can be achieved, we believe the application should be DEFERRED and brought back to Committee once a legally binding agreement has been reached. If the applicant will not agree to this option, we urge that the applications be REFUSED.

The Potential Opportunity

1. This is a very important site to Oxford. The Jericho Canalside SPD speaks of an opportunity 'to create a unique focal point for the Jericho and boating communities, while also delivering housing'; and the design review panel are quoted as believing that the public open space had the potential to be 'one of the most important in the city'. Members will doubtless be keen to deliver a scheme to match that importance after so many troubled years.
2. The proposed scheme could provide all of the components listed as planning requirements. As representatives of the community, the JWT confirm that the provisions made do allow for a sustainably-sized community centre and an adequately sized boatyard (including DIY facilities); but not the conditions needed to deliver these facilities.

The Clear and Certain Deficiencies of the Proposed Scheme

3. However, as the Officer Report makes clear, the scheme has a number of deficiencies, which would normally provide clear grounds for refusal.
4. The most obvious of these deficiencies is the offer of 39% affordable housing, with all units being 1 or 2 bedroom flats; the proposals are substantially non-compliant with both HP3 and the AHPO SPD. All of the local community organisations have consistently urged the importance of more affordable housing in Jericho – and this is the only remaining chance to achieve that.
5. While we believe that the Architects have done an excellent job within the constraints imposed upon them, one of those constraints was the choice by the applicant to use all of the southern canal frontage for high value market housing. This led directly to the height and massing of the community buildings and the affordable housing block, which are criticised by English Heritage and by Canal & River Trust as causing harm to the setting of the Grade 1 listed Church, and to the canal-side setting.

6. The officers also note specific concerns of damage to residential properties adjoining the site.

The (increasing) Un-certainty of Compensating Benefits

7. The officers have proposed that, despite the recognized deficiencies above, the approval of the scheme can be 'justified by the substantial public benefits of providing the affordable housing, community facility, boatyard, public open space and new bridge'. But the report recognizes elsewhere that – for the community centre and the boatyard - the applicant is not responsible for provision of those facilities. It follows that some other party must become responsible for their construction; and that unless the Members can be certain that there is such a party, with a viable plan for delivery, then achievement of community benefits cannot be used as a pretext for ignoring the other problems with the application.
8. The historic assumption has been that the JWT would take responsibility for raising the funds to construct the community centre and the boatyard, and subsequently for their successful operation through two of its member organisations, the JCA and the JCBY. The JWT worked co-operatively with the applicant's architects to ensure that the scheme met community needs. However, in February 2014 the JWT learned that the community facilities – when configured into one complex building as required by the applicant's scheme – would increase the expected construction costs by 32%, to £6.6M (see Attachment A for analysis of the cost increase). The JWT's assessment was that such an increase would seriously jeopardize the viability of the community facilities, and since that time we have consistently pressed the applicant to negotiate a solution to the issue. After many months and various false starts, the applicant verbally offered a solution on 8th January 2015, which JWT accepted subject to a detailed works schedule and a legally enforceable agreement. However, the offer was unconfirmed by 12th January; then unilaterally rescinded by the applicant. JWT's position therefore remains that recorded in its public consultation of July 2014, namely that *we do not believe that the scheme can be successfully delivered on the current basis*. Since the officer report makes no mention of this consultation response, or elsewhere of the JWT position on the likelihood of target community benefits being achieved, the consultation response is included as Attachment B.
9. Following the January decision of WAPC to defer consideration of the application until after a site visit, uncertainty has been escalated further by the applicant's statement that he has identified an 'alternative community group' to work with on the delivery (and operation?) of the community facilities. We have no information about who this group might be, what their capabilities are, or why they should be willing to take on a set of goals and responsibilities which the existing community groups consider unachievable under currently proposed arrangements. Until an extensive set of questions has been answered, it must surely be assumed that provision of the target community benefits is even further in doubt in this scenario.

A Potential Resolution

10. Our preferred outcome would be for WAPC Members to choose to ***defer the determination of these applications until the sought for community benefits are shown to be deliverable – or not deliverable.*** If the applicant has reached an effective and binding agreement with JWT before coming back to Committee, we shall be happy to confirm and demonstrate the commitment of JWT – and of all its member organisations – to delivery of those benefits.
11. We are confident that the applicant has ample scope – if he so wishes - to reach agreement with JWT without prejudicing development viability of the site. We have consistently suggested that officers and members have been ill-served by the financial reports presented to them; the supplementary statement from Evolution PDR, appended to the officers Addendum report, is only the latest example of insubstantial and flawed analysis. Attachment C provides our analysis.
12. A deferral of determination would also have the benefit of providing time for the additional review of the bridge issue, which has been offered by Canal & River Trust. For various reasons, almost nobody is happy with the current bridge proposal; and this is surely an unsatisfactory basis for proceeding with an important feature of the scheme. Also it is a requirement of the St Barnabas PCC that further consultation with the key parties takes place before Church land can be considered for inclusion in the Public Open Space.
13. If the applicant is not willing to make constructive use of a deferral of determination, we urge Members ***to refuse the applications.*** The likely outcome of approving the application as it stands is that there would be a lucrative private housing scheme; a breached affordable housing policy; and little likelihood of compensating community benefits in the form of a new community centre which meets modern standards of accessibility, or a much-needed community boatyard.

Attachments:

- A The Cost Increase to Community facilities, Causes and Impact
- B JWT Public Consultation submission, July 2014
- C Analysis of submitted financial reports

ATTACHMENT A

The Cost Increase to Community Facilities, its Causes and Impact

1. COST ESCALATION FROM £5M TO £6.6M

- In 2010/11 architects Haworth Tompkins were engaged by the Jericho community (JLHT) to prepare a development scheme for the Castlemill boatyard site. The scheme featured a boatyard at the north end of the site; and a new community centre running alongside the canal on the south side of the proposed square. The full scheme was costed by Davis Langdon, with Boatyard cost at £1.022M and Community Centre at £3.973M – requiring the community to raise just under £5M to construct these facilities.
- In 2014 Haworth Tompkins were again engaged, this time by SIAHAF, to develop an alternative scheme: the boatyard and community centre must now both be at the northern end of the site, which meant the centre would be partially on top of the boatyard; this would free up the whole of the southern end of the site for private housing. The new scheme was costed by McBains Cooper, and shows that the combined boatyard/community centre facility will cost the community £6.6M

2. POTENTIAL CAUSES OF COST ESCALATION

- Various reasons were put forward to explain the increase in costs: changes to the scope of community requirements, cost inflation between 2011-2014, differences in the methodologies of the two quantity surveyor firms, and building complexity. Each of these was reviewed.
- **Scope Change:** The requirements for the community centre show no change at all between 2011-2014. There is a small (5.5%) increase in space for the boatyard+workshops; and a move from overhead craning to dry docks which makes the centre-above-boatyard design viable. Rejected as a significant cause of cost increase.
- **Inflation:** The basic build cost rates per square metre used by Davis Langdon in 2010 are in fact *higher* than those used by McBains Cooper in 2014. Davis Langdon allowed £1700/sqm for the community centre, £1500/sqm for the Boatyard. McBains Cooper's equivalent figures were £1500/sqm and £1400/sqm respectively. Rejected as a cause of cost increase.
- **QS methodology differences:** When the working assumptions used by each QS firm are applied across both the 2010 & 2014 schemes, the cost gap actually *widens* to roughly £2M in both cases:

	2010 Scheme	2014 Scheme	Cost Gap
Davis Langdon assumptions	£4.995M	£6.903M	£1.980M
McBainsCooper assumptions	£4.560M	£6.600M	£2.040M

Rejected as a cause of cost increase.

- **Complexity:** The clear implication is that the cost increase is driven by the developer's proposal for one complex multi-purpose building in place of two simple single-purpose buildings.

3. COMMUNITY COSTS VS DEVELOPER PROFITS

- The move in the 2014 scheme to a single complex facility – at an increased cost to the community of £1.6M – was required by SIAHAF in order to increase the available space for private housing. In the community's 2010 scheme the Boatyard had a footprint of 727sqm and the community centre a footprint of

927sqm, a total of 1654sqm. In the 2014 scheme the total footprint for the combined boatyard+centre is 1276sqm – a reduction of 378sqm.

- 378sqm is equal to the footprint of 4 terraced houses as proposed in the SIAHAF scheme. Each such house - according to figures provided in the Pioneer Property Services Financial Report submitted as part of the planning application– sells for an average £881K and costs £323K in build costs and consultancy fees. On that basis the released footprint space would represent approximately £2.23M of extra profit to SIAHAF.
- Using price levels now being asked for Grantham House units (see Attachment C) the released footprint becomes worth £3.45M

4. THE IMPACT OF A £1.6M COST INCREASE

- Put at its simplest level, the community is now faced with needing to raise £6.6M instead of £5M to deliver the same level of community facilities – an increase of 32% on its existing budget. However, the real impact on the fund-raising challenge is even greater
- In creating the original capital budget of £5M for community centre + boatyard, JWT identified sources of funding from public grants and from individuals and private trusts, as well as a contribution from the sale of the existing community centre. Not all of these sources of funding can be ‘stretched’ to achieve higher contributions; some sources would have to achieve around a 50% higher yield – somehow.
- Furthermore the providers of public grants invariably require a delivery ‘package’ that can be seen to be delivered by their funding. This is much harder to achieve when the project consists of one integrated building rather than two separate ones.
- As a consequence the JWT does not believe that the community facilities can be successfully delivered without a contribution from the developer, recognizing the additional profits that the configuration of this scheme enables.
- The JWT is – and has always been – open to the form of such a contribution; there are obvious advantages in the provision of works in kind.

ATTACHMENT B - JWT Public Consultation submission, July 2014

JERICHO WHARF TRUST
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Michael Crofton-Briggs
Head of City Development
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24th July 2014

Dear Michael,

Planning Applications 14/01441/FUL and 14/01442/LBD

Between October 2013 and March 2014 the Jericho Wharf Trust worked with architects Haworth Tompkins to provide input on the requirements for community facilities on the Canalside site, and to respond to emergent design work. Now that the planning application has been published and opened for public consultation we wish to make the following comments:

1. Proposed Facilities

- The JWT accepts that the planning proposals provide the space needed for a viable boatyard and community centre; and for a public square (subject to satisfactory agreement with the Church Authorities)
- We share the concern of the Directors of the Jericho Community Boatyard that the on-site moorings required for successful operation of the boatyard have not yet been allocated by Canal & River Trust
- Jericho has a particular need for affordable housing and our own plans have always assumed full compliance with the City's well established 50% requirement. We expect any alternative scheme to be similarly compliant, and assume the City Council will not be satisfied with a proposed provision of only 32% of housing units, 15% of housing space.

2. Development Viability

- We do not believe that the scheme can be successfully delivered unless/until two key issues have been addressed by the developer
- The first of these issues is the affordability of the community facilities, now to be housed in one large and complex building which - we are told - will cost at least £1.6M (32%) more than the £5M estimate for the separate boatyard and community centre buildings designed into our own original scheme. The purpose of compressing the community facilities into one taller building on a smaller footprint is to allow the developer more space for private housing - generating a potential profit increase we estimate to be around £2.75M (see attached appendix for an

analysis of the relevant economics). We expect the developer to use some of these additional profits to balance the increased costs. Otherwise the economic viability of the community facilities (a requirement of planning policy) is in very serious doubt.

- The second key issue concerns the ownership and management of the public space. A vibrant and successful public square will be essential to the success of the scheme as a whole, but we have so far no clear nor agreed understanding of how this will be achieved. We need to know, for example, when and on what terms ownership would be transferred to the JWT on behalf of the community; and we cannot undertake the suggested management of the public space until we know what funding will be made available to achieve it.

We hope to resolve these concerns by working with SIAHAF to achieve a Collaborative Agreement which defines their resolution, and is in place before the planning application is considered by the West Area Planning Committee. We do not see how we can support the application unless this is achieved.

Yours sincerely

Dr Phyllis Starkey
Chair

ATTACHMENT C

ANALYSIS OF SUBMITTED FINANCIAL REPORTS

SUMMARY: There are multiple public benefit outcomes being sought from this site – affordable housing, new community facilities, public open space – competing for limited space within finite financial resources. WAPC Members are being asked to determine the right balance between these competing demands within a financial envelope which has been defined by two reports. But there is clear evidence to suggest that the available resources are much higher than these reports have concluded.

1. Pioneer Report

- When the planning application was originally submitted, papers included a Financial Appraisal Supporting Statement, authored by Pioneer Property Services, which concluded that anything more than 32% affordable housing would make development of the site non-viable.
- This report is in the public domain. As part of their July 2014 consultation response, JWT claimed that key assumptions made in the report were open to challenge – including some on the cost side, but particularly the use of £6,245/sqm to calculate sale prices of market housing on this site.

2. Evolution Report

- An independent audit of the Pioneer report was then commissioned by OCC and carried out by Evolution PDR - a specialist property development consultancy based in the West Midlands. This report remains confidential, but a Summary of the report was made available on the OCC website on 12th January.
- According to this Summary, Evolution concluded that the developer's costs were overstated by about £1.75M; but it accepted the previously assumed £6,245/sqm for sales values because 'no robust evidence was obtained' to support the utilization of higher values. In particular there was a 'lack of other new build schemes currently taking place within the City area'.

3. An alternative Market Housing Price assessment

- It is claimed that the report's author has her own knowledge of local market conditions; but that this relates to previous work related to the regeneration of Blackbird Leys – which we do not accept is a valid comparator to the market for housing in Jericho.
- The (unchanged) price level assumption used is based on evidence provided by Carter Jonas. That evidence has not been published, so it is difficult to refute; but it apparently identifies values per sqm between £4,850 - £7,265/sqm (£450 - £675 per sqft) to support the chosen value of £6,245/sqm. We note that Carter Jonas themselves currently have a (*leasehold*) property on the market in William Lucy Way, priced at £7,792/sqm – 25% above their own benchmark.
- *We suggest the un-found-by-the-audit comparator site to enable a proper assessment of the market price assumption should be Grantham House: a re-build rather than new build, but a development of comparable scale (29 units) less than a mile from the canal-side site – and another SIAHAF*

*development. An early and substantial off-plan deal was done with Finders Keepers to create a buy-to-let investment offer. But during the past two months 5 Grantham House units have been put on the market by Knight Frank, ranging from a 1 bed flat to a 3 bed house. Sales rates range from £7629 - £9360/sqm. In aggregate they represent GIA of 597.3sqms; for a total price of £5.03M – an **average price level of £8,421/sqm.***

4. Evolution’s response to the Grantham House comparator

- The Officer’s Addendum report in February includes a 2 page Attachment of comments on the Grantham House comparator from Evolution PDR, in which they argue that there is a lack of comparability.
- They report some level of confirmation for price levels of early unit sales, which were presumably part of the off-plan investment scheme.
- Their Attachment does provide a table comparing provision of flats at Grantham House and Jericho Canalside – apparently forgetting that the former are all market housing and the latter are all affordable units
- In terms of current sales and price levels, Evolution refer only to a press report which described 2 Grantham House units for sale; they were unable to find GIA information for either, but – using planning submission information – they believe that one of these units probably has 1011sqft, selling for £720/sqft, or £7772/sqm. This would – if correct – be at the low end of JWT’s 5 examples, all of which are fully documented in sale particulars from Knight Frank.
- Notwithstanding the sparse and dubious nature of data collected, Evolution conclude that the ‘assumptions made for the Jericho Canalside scheme are robust’!!

5. Re-calculated Analysis

- Without access to the full Evolution report (which is confidential to the Council) it is not possible to re-run the latest analysis with different values; equally Evolution’s findings on cost reductions are not described (in the published Summary) with sufficient clarity to enable them to be used with confidence
- However, the original Pioneer analysis has been re-run with one change: substitution of the £6,245/sqm rate by the £8,421/sqm average of recent Grantham House sales
- The results below show the impact that this single change suggests for the original scheme (which assumes 32% affordable). Even with the original cost assumptions, the scheme would produce a **surplus of £3.5M in addition to the required-for-viability profit of £3.5M**

	<u>From Pioneer Report, 6/14</u>	<u>At Grantham House Prices</u>
Market Housing Revenue	£13,220,000	17,826,360
Affordable Housing Value	1,276,963	1,276,963
Sale of Restaurant	334,126	334,126
A TOTAL SCHEME VALUE	14,831,089	19,437,449
Affordable Housing build costs	927,825	927,825
Market Housing build costs	4,326,375	4,326,375

External works	1,385,626	1,385,626
Restaurant build cost	198,075	198,075
Building contingencies	131,355	131,355
Fees & certification	753,978	753,978
B TOTAL BUILD COST/FEES ¹	7,723,234	7,723,234
C STATUTORY CIL/106 COST	305,000	305,000
Housing Sales fees @1.5%	198,300	267,395
Legal fees	73,515	73,515
D MARKETING COSTS	271,815	340,910
E TOTAL DIRECT COSTS: B+C+D	8,300,049	8,369,144
F FINANCE + ACQUISITION COST	3,921,608	3,921,608
Market Housing 20% Return	2,644,000	3,565,272
Affordable housing return	57,061	57,061
G TOTAL OPERATING PROFIT	2,701,061	3,622,333
SURPLUS/DEFICIT: A-(E+F+G)	(91,629)	3,524,364

¹ Re-assessed in Evolution report as £5.8M