



Alex Smith  
Camley Street Sustainability Zone  
27 Cedar Way Industrial Estate  
Cedar Way  
London  
N1C 4PD

Maja Luna Jorgensen  
Area Manager (North West London)  
Greater London Authority  
City Hall  
More London Riverside  
London  
SE1 2AA

By email to: [majaluna.jorgensen@london.gov.uk](mailto:majaluna.jorgensen@london.gov.uk)

13 April 2017

Dear Maja

**Re: Innovation Fund Expression of Interest**

Please find attached the Camley Street Sustainability Zone (CSSZ's) Expression of Interest for the Mayor's Housing Innovation Fund.

We trust that the information provided meets your criteria. We look forward to hearing from you and your colleagues in due course.

Yours sincerely

Alex Smith  
Chair of CSSZ



## Questions from EOI

### **Project vision (150 words)**

The vision is to be a credible alternative to affordable housing provision, on a large scale, for the long term.

The intention is to build an asset management approach that is a European exemplar for promoting city living and urban businesses: a truly mixed-use neighbourhood. It is large-scale, ambitious and complements major regeneration projects in Kings Cross and Camden Town.

*We will help alleviate the city's housing crisis by providing meaningfully affordable homes in high value areas to local people.*

CSSZ will do this by:

- Using an innovative bespoke, governance structure framework to ensure local involvement and control of the project;
- Providing 100% meaningfully affordable rented homes for the local community;
- Ensuring integrated business and employment uses underpin the project and sustain the local economy;
- Securing a long leasehold with a guaranteed long term return to the local authority.



**Why do you consider this proposal innovative? (150 words)**

The proposal is unique in its combination of (1) a not-for-profit company instigating the development and the resulting real estate being managed for the length of the 99 year lease, (2) all residential accommodation being built for longevity and sustainability to the highest standards AND devoted to long term rental; (3) meaningfully affordable housing and new business space for the local community that remains affordable (4) no public sector subsidy (5) very long term finance (6) no sale of public sector land to achieve the vision (7) a real voice for the community and other relevant stakeholders (Camden Council and the long term funder).

The integration of affordable, local business premises further adds to the innovation in this proposal. By retaining and expanding economic provision, together with homes, CSSZ will foster an vibrant environment for local people to do business, get jobs and be housed.



## **Strategic fit**

### **How does your proposal support:**

- a) **Mayoral priorities, identified in the London Plan, Housing strategy and Housing SPG**

The Mayor's priorities for London are firmly embedded within CSSZ's proposal for Camley Street/Cedar Road Industrial Estate and the associated sites. There are several Mayoral policies that relate directly to the proposals outlined in this document.

Policy 1.1 **Delivering the Strategic Vision** – this encompasses the entire London Plan. CSSZ's proposal helps to support this overarching strategy directly by providing sustainable development of new meaningfully affordable homes, and managing growth and change in the local and regional economy.

Policy 2.9 **Inner London** – by retaining and developing “appropriate workspace” as well as “supporting new communities”, CSSZ's proposal will benefit the Inner London sub-region as well as the local environment and wider London area.

Policy 2.14 – **Areas for Regeneration** – CSSZ is keen to work with Camden, the local and strategic partner, and the GLA to “prioritise neighbourhood based action and investment.” By harnessing the existing community-led approach in this area of deprivation, CSSZ can provide true regeneration, rather than create displacement.

Policy 3.3 – **Increasing Housing Supply** – the ambition of CSSZ to provide up to 430 homes in the first phase of this scheme can substantially contribute to the annual target of 889 new homes in Camden, as set by the London Plan.

Policy 3.4 – **Optimising Housing Potential** – the approach to design at this industrial and marginal location has been to ensure that housing will be delivered in a way that integrates other uses and ensures a high standard of living.

Policy 3.5 – **Quality & Design of Housing** – Karakusevic Carson Architects is a one of the UK's leading practices, specialising in public buildings and public sector-backed projects, providing design & sustainability advice to CSSZ. The location, proposed density and numbers of homes, as well as the long-term asset management



approach, necessitate designs will stand the test of time, provide required infrastructure on site and help to minimize operational costs (policy 3.7). The **London Housing Design Guide** will be followed with regard to space standards, general design provisions, outdoor space, health and well-being (policy 3.6).

CSSZ is also helping to meet the London Plan's aspirations for London's economy:

Policies 4.1 – **Developing London's Economy** and 4.3 - **Mixed-use Development and Offices** are directly addressed by CSSZ: The promotion of a sustainable solution to the local economy here has driven the innovative approach.

The new infrastructure at Kings Cross and St Pancras has made the location very desirable for expensive housing but CSSZ recognizes the need to retain businesses in a mixed-use environment at Camley Street/Cedar Way. The businesses at Camley Street want to remain (Policy 4.4) and this needs to be managed properly. By consolidating businesses here, CSSZ provides an unusual opportunity to increase local employment in conjunction with more homes.

In terms of London's response to Climate Change, Transport and London's Living Spaces and Places, CSSZ will develop these principles with the GLA and Camden.

The Mayor's Draft Affordable Housing and Viability SPG's underlying strategic principles are reflected in CSSZ's project:

- matches the Mayor's aim to make at least half of all new homes affordable (all homes will be affordable in CSSZ's proposals);
- brings forward public land to make homes available and affordable;
- viability assessment – this would not be required for CSSZ so the planning process will be sped up, which is a key aim of the Mayor's SPG.

As the Mayor is proposing a planning 'pathway' for Build to Rent, this scheme, given its innovation and affordability, could potentially provide a pioneering role to support this objective. CSSZ marries its aspirations with the Mayor's as



the homes will be meaningfully affordable in the long term. Right to Buy legislation will not apply.



b) The relevant local authority's housing/regen/planning objectives?

The London Borough of Camden, the freeholder, has key housing, employment and well-being objectives that would apply to CSSZ's project.

Below are the four themes from 'Camden Core Strategy 2010 – 2025', and how CSSZ will address these at Camley Street:

A sustainable Camden that adapts to a growing population:

- Provide flexible employment space for increasing numbers of residents;
- Provide 100% meaningfully affordable homes from 1-beds to 3-beds for local people to stay in the borough;
- Meet and exceed affordable housing and planning targets.

A strong Camden economy that includes everyone:

- Dedicate the redevelopment of Cedar Way/Camley Street to businesses who want to change and grow to meet consumer demands and employment needs;
- Provide construction and management jobs in the scheme during the building and operational phases;
- Promote Camley Street/Cedar Way as a destination for successful and inclusive businesses;
- Link the local economy to wider markets in London and overseas;
- Provide an alternative to expensive areas such as Kings Cross;
- Retain businesses (and jobs) through an experienced decant process.

A connected Camden community where people lead active, healthy lives:

- CSSZ is a community-based initiative;
- Develop proposals in association with the Neighbourhood Forum & their plans for an integrated approach to a sustainable neighbourhood;
- Include outdoor space and opportunities for improving health and well-being;
- Focus on ecologically sustainable design and construction methods to reduce carbon footprints;
- Minimise operational costs for households and businesses



A safe Camden that is a vibrant part of our world city

- Enhance the environment through modern, appropriate and flexible homes and workplaces;
- Ensure safety at Camley Street through a single management service, dedicated to excellence and long-term involvement in the area;
- Introduce a coherent, professional management approach to give confidence to strategic partners;
- Provide safe and welcoming homes for the long term through high design standards and active management.

We know that the GLA is interested in the allocations process for the homes. CSSZ will work together with LB Camden (and the GLA) to ensure that the homes designed for the lower end of the income bracket are provided to those in need via a clear, robust and agreed eligibility policy. There will be an income threshold, which meets Camden's and the Mayor of London's requirements, to ensure that tenants have the ability to remain in their new homes.





## **Project benefits**

What would your project deliver:

### a) outputs

These Phase 1 outputs are based on indicative numbers. The pre-development period will focus on refining the design in order to submit a planning application for the entire area, detailing the first phase. The list below is not exhaustive and is intended to indicate the size and scale of the development and how it will help provide a strategic boost for Londoners in terms of affordable homes and employment.

430 affordable rented units

500 additional jobs

25 SME businesses supported at the outset, more to follow

c. 20,000 m2 of light industrial and office floor space (re)provided

Predominantly local families and key workers housed

100 commercial bike spaces

680 residential bike spaces

43 disabled units provided

13,000 m2 of accessible open space available to new residents, existing community and businesses

430 units Lifetime Homes standard

Return on investment of up to 10% for initial pre-development loans

Revenue for local authority (for grant of 99 year lease) equivalent to a £92m land receipt today (as against freehold value today of less than £39 million) and capital asset unencumbered when lease falls in.

£430 million of inward investment into an area of regeneration



b) outcomes

CSSZ is confident that the project will be a win/win for everyone involved. Some of the key outcomes will be:

- Increased participation in community organisations via support for the neighbourhood forum and CSSZ;
- Long term revenue interest for Camden with retained freehold and associated rights;
- Meaningfully affordable homes linked to incomes not housing markets;
- Reduction in anti-social behaviour associated with poor housing due to active management approaches over the long term;
- Increased employment opportunities via SMEs due to affordable and sustainable workplace;
- Retention of local businesses and their staff in Camden;
- Increase in Business Rates & Council Tax revenues;
- Recognition of Camley Street and Cedar Way (Industrial Estate) as a place to live and do business;
- Pioneering community led development capable of being replicated elsewhere;
- Positive publicity for the local area, CSSZ, Camden, GLA, DCLG and other supporters.



**How does your project deliver genuinely affordable housing for Londoners?**

By using a pioneering and innovative financial model, verified independently by institutional investors who have already indicated an in principle willingness to provide funding, CSSZ has been able to work with Minerva Smart Cities in order to offer genuinely meaningfully affordable rented homes for the very long term. Karakusevic Carson Architects have provided a conceptual design approach to support the provision of the homes.

These homes will be available to those in greatest housing need, at very low rents linked to income rather than market rents or land values.

The project will provide 100% meaningfully affordable rented homes, in a variety of sizes. CSSZ has removed the need for developer profit. The model uses a Net Present Value calculation for the 99-year lease to give LB Camden a sustainable revenue stream in excess of the open market land value. In addition, the provision of long-term institutional funding for the development, at reasonable rates over an extended period, helps to ensure affordability now and for the duration of the lease.



## Use of GLA investment

### a) How much GLA investment are you seeking?

CSSZ is seeking £1million (one million pounds) of pre-development funding from the GLA. This is just over 10% of the estimated total pre-development costs for Phase 1.

Phase one, as noted above, seeks to provide c.430 homes, c. 8,000 m<sup>2</sup> of B1 office space, c 12,000 m<sup>2</sup> of B2 light industrial space. The pre-development costs for this quantum of construction are in line with industry standards. This equates to less than £2,500 of innovation fund money per unit.

The GLA's Innovation Fund would be one funder amongst other lenders, to provide 'risk' capital, for pre-development costs. CSSZ is keen to discuss the mechanics of how this capital is less risky than conventional pre-development loans. In terms of any Innovation Fund support for CSSZ, there are no state aid issues.

Indicative costs for pre-development up to and including RIBA Stage 3 (Developed Design) are shown below:

### **Camley Street Sustainability Zone Phase 1 – c. £400m estimated construction costs – Fees to Planning**

Architects	£6,400,000
Landscape Architects	£160,000
Project Manager/Cost Manger	£600,000
Civil & Structural Engineer	£450,000
Building Services Engineer/Sustainability	£450,000
Planning & Technical Reports	£475,000
Surveys/Legal/Communications	£475,000
<b>Totals</b>	<b>£9,010,000</b>

### b) how would the funding be structured

CSSZ welcomes the opportunity to discuss how the funding would be drawn down and repaid with the GLA, in the context of other pre-development investors. CSSZ anticipates support in the form of a short-term pre-development loan from the GLA.



The most likely repayment structure would be after a period of rent stabilisation, anticipated at 6-8 years from the initial investment. However, should the GLA wish to be repaid sooner, other options may be feasible. Further discussion on the detail would be welcome.



## Deliverability

### a) Your capability and capacity to deliver your proposal

The support of many senior professionals, with expertise in the property development industry, is the foundation of CSSZ's ability to deliver this proposal.

The attached organisation chart provides details of the experienced advisers already involved. They have designed, developed and delivered and helped their clients to manage large-scale mixed use and housing projects for over twenty years. Further details of the experience can be provided on request.

Strategic partners **Minerva Smart Cities**, led by Janet Turner QC and Nick Butler, both former partners at BLP, and **Karakusevic Carson Architects**, have individually strong track records in developing in urban areas at large scale. Together these two formidable organisations are working with CSSZ and its Board to realise this exciting new approach to meaningfully affordable homes and sustainable local businesses.

CSSZ recognises the need to strengthen its team. It intends to use a proportion of the pre-development funding to do this. It will engage an executive team comprised of experienced individuals who could fulfil Chief Executive and Chief Financial Officer roles.

As well as a robust internal structure, there are supporters and stakeholders outside CSSZ who are very keen to promote the project:

Homes and Communities Agency;

Greater London Authority – Executive Director of Housing and Land – David Lunts, Principal Regeneration Officer – Louise Duggan, Area Managers - Finn Williams, Maja Luna Jorgensen;

London Borough of Camden – ward councillors, leader, head of housing, regeneration etc.;

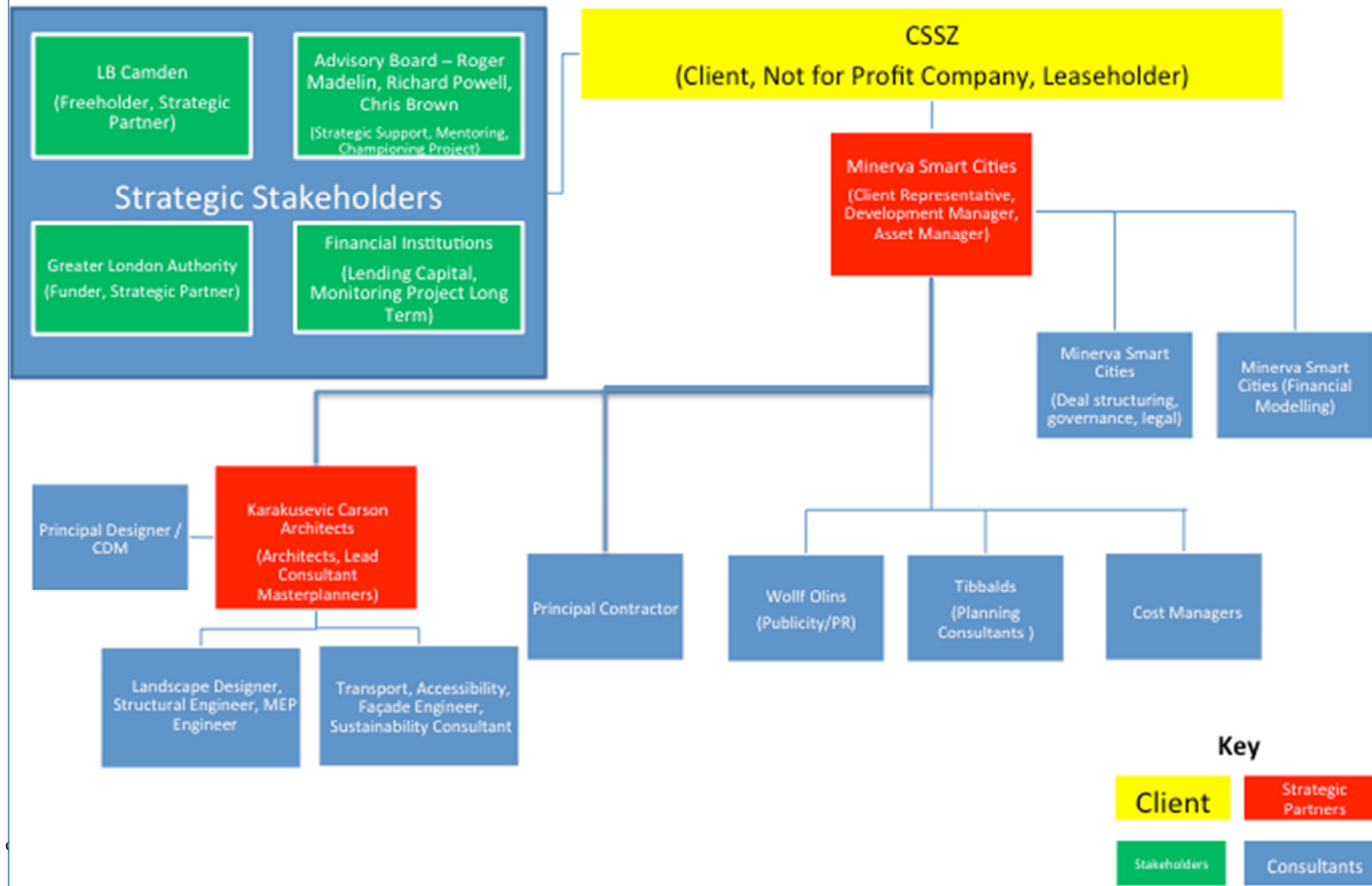
Financial institutions providing pre development and long-term development funding

Camley Street Neighbourhood Forum – providing grassroots support;

Neighbours/BusinessTenants



## Camley Street Sustainability Zone – Project Governance





b) Your governance structure

CSSZ has been created in the form of a non-profit company limited by guarantee. The relevant Articles of Association are available on request.

CSSZ is not limited by shares and has no shareholders. It is not a vehicle that is capable of taking equity investment and distributing profit by means of dividend. CSSZ is free to use its surpluses for the purposes of its business including entering into contractual arrangements that involve making payments to third parties (such as LB Camden, the GLA and other funders).

The CSSZ business is run by the Board of directors. The Board currently comprises members of the local community, one of whom is a local resident from Elm Village:

John Dominic Hayes (technical expert)

Peter McGinty (IT expert)

Mario Raggio (finance expert)

Alex Smith (Chair) (Alara Wholefood, local business at Cedar Way)

Christian Spencer-Davies (A Models, local business at Cedar Way)

Local residents are working closely with businesses to make the project part of the community initiatives.

CSSZ is planning to reinforce its Board by recruiting experienced non-executive directors of a suitable calibre to lead this multi-million pound development project. The institutional investor is expected to contribute to this process, further strengthening the governance structure. At that point the existing directors bar the Chairman will stand down.

In addition to strategic stakeholder engagement, CSSZ will have special bespoke membership arrangements for stakeholders (i.e. business occupiers; residential occupiers; directors of CSSZ; GLA, LB Camden and the primary development funder). This will allow members to exercise control over matters that will impact the development and on-going management.





c) The status of the relevant land

The freehold of the land is owned by the London Borough of Camden (LBC). LBC will continue to own the freehold. CSSZ is seeking a long leasehold interest of 99 years. LBC received a formal offer from CSSZ with respect to the land in October 2016 after nearly two years of preliminary discussions. CSSZ has confirmed to LB Camden there are no procurement, state aid, or other compliance issues in relation to its offer for a long lease of the land.

The detailed timetable and structure of the land deal will be developed in line with LB Camden's regeneration, asset and housing priorities but are expected to coincide with the release of pre-development funding for the scheme in 2017.

d) how is your approach or project scalable?

As noted above, one of the innovations of the CSSZ project at Camley Street is the scalability. The initial phases are expected to yield c. 430 homes of various sizes for affordable rent to local people.

Further phases beyond the initial 430 homes are planned for the site with up to 750-800 new homes being completed in total at Camley Street.

Added to the scalability in London is the ability of this innovative model to be replicated elsewhere. With an estimated £7 trillion of investment money worldwide generating negative interest, CSSZ believes it has a model that can secure very long term positive returns on investments, which would allow London to become a leader in positive housing solutions.