Volterra

Camden Enterprise District: Securing Camden's Inclusive Growth

Camden Town Unlimited and Euston Town Business Improvement Districts

A report by Volterra Partners, January 2018

Volterra

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Introduction and Context

1 Introduction and Context

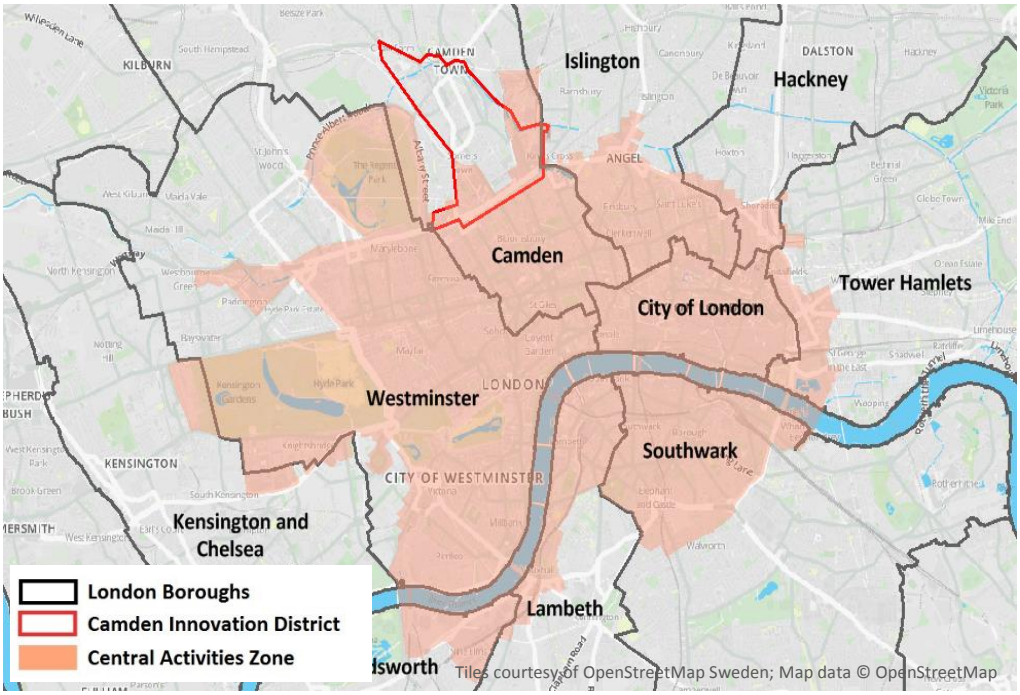
The Camden Enterprise District (CED)

1.1 The proposed CED[1] is a combined business cluster intended to provide SMEs with security and support to scale-up in a high growth area. The area covered by the proposed CED is situated largely within the London Borough of Camden (LBC), with a very small overlap with the London Borough of Islington. It is a 217-hectare area home to key transport nodes including Kings Cross St Pancras and Euston.

1.2 Figure 1 shows the proposed CED in the context of the Central Activities Zone (CAZ) and the London boroughs. Southern areas of the CED, around Kings Cross St Pancras Station, Euston Station and along Euston Road overlap with the CAZ.

1.3 The proposed CED has been designed in order to capture three significant business districts: Camden Town (CT), Euston (ET) and Kings Cross (KGX). By working with other stakeholders these three business clusters wish to ensure sustainable future growth can be delivered. CT has been defined using the area covered by Camden Town Unlimited (CTU) Business Improvement District (BID). Likewise, the Euston area has been defined according to the Euston Town BID boundary. The Kings Cross Opportunity Area is the basis for the Kings Cross area definition, although only half of this lies within the proposed CED boundary.

Figure 1: Location of the CED



[1] Camden Enterprise District (CED) is the working title for the combined area at the time of publication. This name is subject to change; consideration is also being given to calling it the London Innovation District.

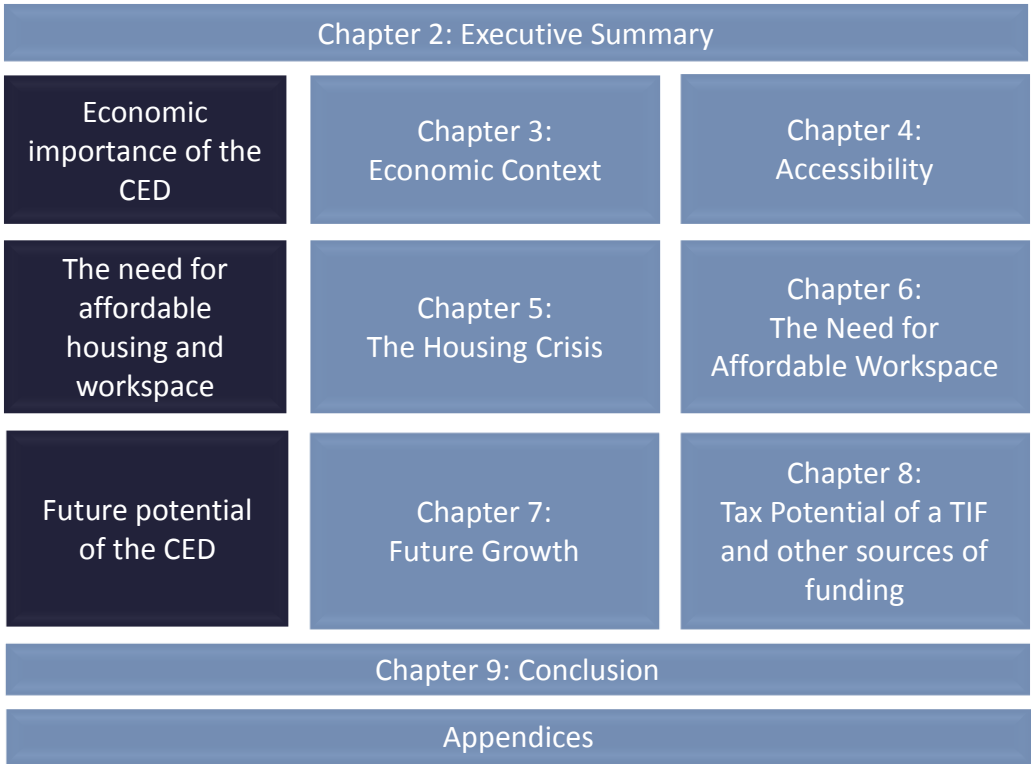
The purpose of this report

1.4 The area covered by the proposed CED is developing rapidly; it is a thriving business centre and has an established night time economy. The arrival of further transport developments - HS2 in the medium term and Crossrail 2 over the long term - coupled with a growing creative industries sector (currently representing 15% of local employment compared to the London average of 9%) and a major pipeline of developments creating up to 11,100 additional jobs, will provide further opportunities for significant future growth.

1.5 The vision of the CED is to ensure that the growth potential of the area is maximised, while ensuring that the growth enables delivery of genuinely affordable housing and workplaces, thus maintaining the area's current diversity. The high growth potential of the area, which includes the major redevelopment of Euston Station is a key part of the CED's vision; a coordinated approach by the CED will help to ensure that the development potential surrounding the HS2 station is fully realised. CTU believes that acquiring land for mixed use development is the optimum way to secure inclusive growth, through provision of affordable workspace and housing. The CED is considering a number of other investments to improve the wider connectivity of the area, including widening the Regent's Canal Path and the potential for a Camden High-Line.

1.6 In order to deliver this vision, the CED requires additional support at the regional level; this is beyond the capacity of the local authority or the BIDs to work alone. Volterra has been commissioned by CTU and ET to provide an economic assessment of the CED which will outline its existing performance, highlight its future potential and discuss a range of funding mechanisms which can be employed to fully harness the CED's unique opportunities. The narrative and supporting facts within this report aim to enable discussion with the GLA and HM Treasury to begin.

1.7 The remainder of this report is set out as follows:



Executive Summary

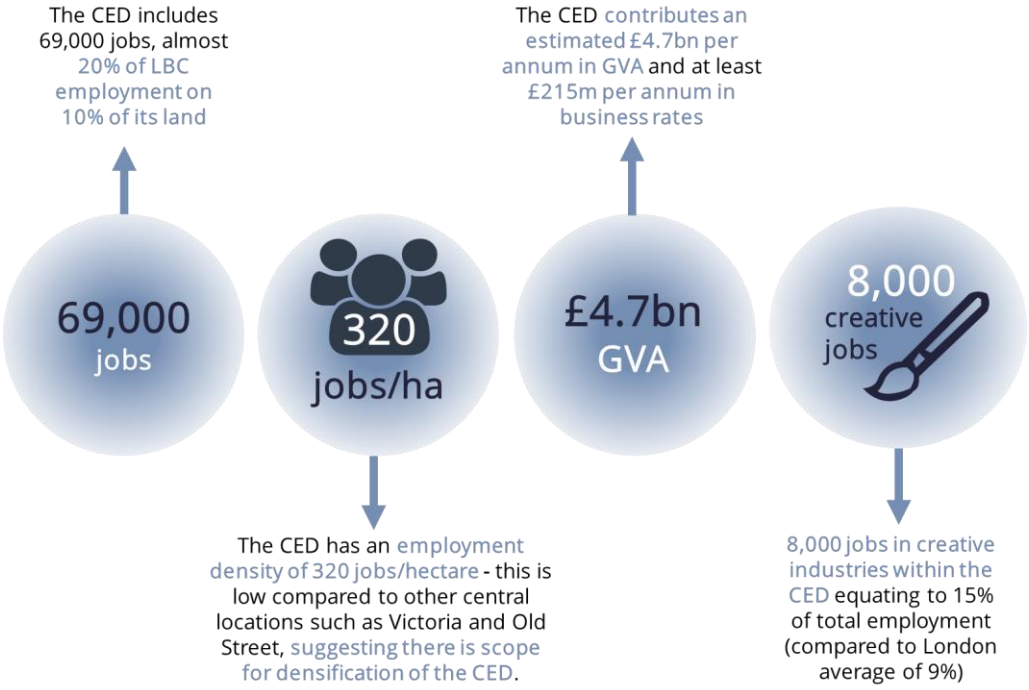
2 Executive Summary

The Camden Enterprise District (CED) vision

2.1 The proposed CED is in the London Borough of Camden (LBC), just north of the Central Activities Zone (CAZ). The district has an area of 217 hectares and the boundary is designed to capture three significant business areas: Camden Town, Euston and Kings Cross. By working with relevant stakeholders, the CED aims to ensure sustainable future growth can be delivered across the CED – creating opportunities for a diverse mix of businesses and residents, generating economic growth and maintaining the area's character.

2.2 The CED is developing rapidly; it is a thriving significant business centre and has an established night time economy with excellent levels of accessibility. The vision of the CED is to ensure that the growth potential of the area is maximised, while ensuring that the growth enables delivery of genuinely affordable housing and workplaces. The redevelopment of Euston Station is a key part of the CED's vision; a coordinated approach by the CED will help to ensure that the development potential surrounding the HS2 station is fully realised. The CED is considering a number of other investments to improve the wider connectivity of the area, including widening the Regent's Canal Path and the potential for a Camden High-Line. In order to deliver this vision, the CED will require additional support at the regional level; this is beyond the capacity of the local authority or the BIDs to work alone.

The proposed CED area is currently a significant economic zone



2.3 It is estimated that the CED currently accommodates 69,000 jobs – this is almost 20% of the LBC's employment on just 10% of its land – and has an employment density of 320 jobs/hectare. This is a low employment density compared to other central locations such as Victoria and Old Street, suggesting there is scope for densification of the CED.

2.4 The CED area has a higher Gross Value Added (GVA) contribution than the entire cities of Swansea and Wolverhampton. The CED's GVA contribution is an estimated £4.7bn per annum in Gross Value Added (GVA) – approximately 20% of the LBC's total GVA. The area also contributes at least £215m per annum in business rates and approximately £1.1bn-£1.5bn annually in tax revenue to HM Treasury.

It has high potential in priority growth areas for London including the innovation economy and night time economy

2.5 Creative industries are important for the CED, making up approximately 15% of employment, equivalent to over 8,000 jobs – higher than the London average of 9%. This proportion is higher still in CTU, where jobs in creative industries make up 21% of employment.

2.6 Life sciences is also a fast growing industry in the CED: employment in the CED increased by 19% pa between 2009 and 2015 – and new investments such as the Francis Crick Institute reflect the increasing importance of the industry to the CED. Indeed one of the main reasons for the Crick's choice of this location was so that it would sit 'amid a unique cluster of scientific skills'.

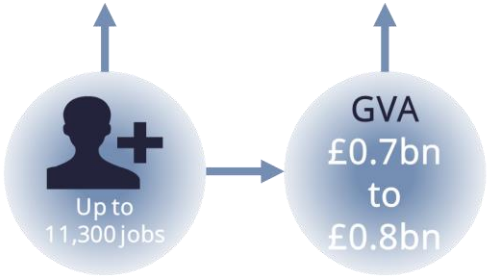
2.7 The Euston Life Sciences Cluster is recognised by London Stansted Corridor Consortium as a 'globally significant life sciences location'.

2.8 The CED has experienced high growth in the life sciences industry, with employment growth of 19.0% pa between 2009 and 2015. This is higher than both the LBC (12.0%) and London (4.6%).

The existing development pipeline indicates significant future increases in GVA and business rates

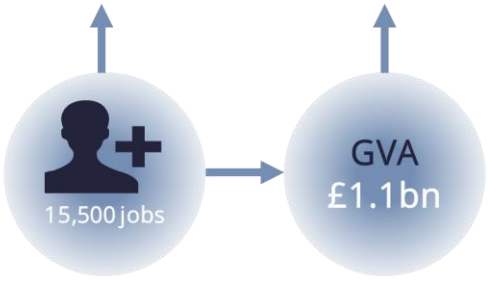
DEVELOPMENT PIPELINE

If all proposed and permitted developments were completed, this would support up to 11,100 jobs in the CED – this would represent a 16% increase in employment in the CED and support between £0.7bn and £0.9bn in additional GVA.



GLA TARGET

The GLA projects that 79,000 jobs will be created in Camden between 2016 and 2036; if we assume that the CED maintains the same proportion of the LBC's employment (20%) then it would be expected that there would be 15,500 new jobs in the CED – this would support c. £1.1bn additional GVA per year.



2.9 The GLA projects that 79,000 jobs will be created in the LBC between 2016 and 2036[2]; if we assume that the CED maintains the same proportion of the LBC's employment (20%) then it would be expected that there would be 15,500 jobs in the CED. This is a conservative assumption given that the vision for the area is to be a high growth area and therefore it might be expected that the CED will accommodate a higher proportion of the borough's employment in the future. Even using this conservative assumption, this would create an estimated c. £1.1bn in additional GVA per year.

2.10 The current development pipeline identifies up to 11,300 (gross) jobs that could be delivered and an additional £0.7bn-£0.8bn in additional GVA per year. While these are not all certain to be delivered, this shows a significant proportion of the employment target for the area has been identified, and could soon be realised by any development.

2.11 Any additional floorspace growth in the CED will further add to business rate generation. It is estimated that for every additional 1,000 sqm of office floorspace in the CED, the area will contribute an extra £170-£255k of business rates per year.

There is untapped potential for even further development beyond the current pipeline

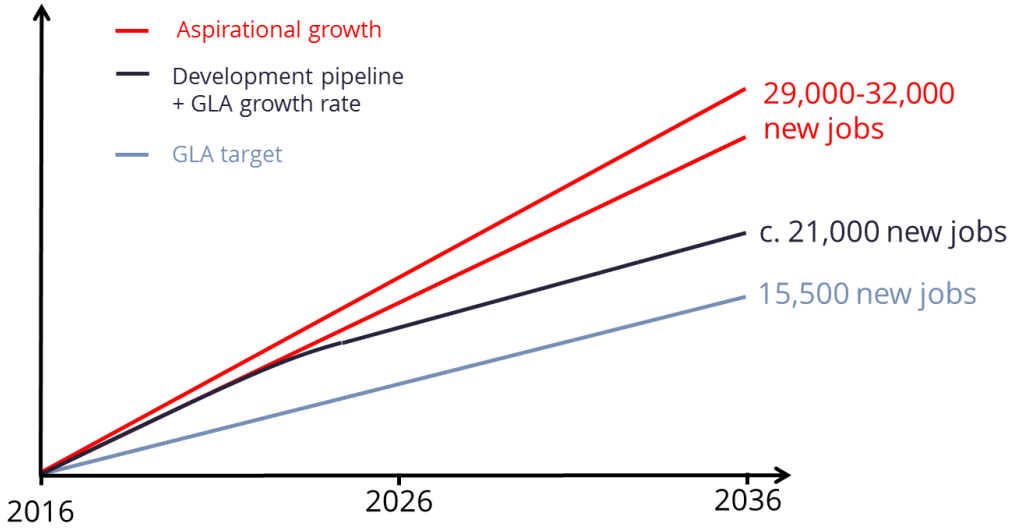
2.12 There is a strong relationship between accessibility and employment density, meaning the densest development occurs in the most accessibility places. The accessibility score is a measure of the level of population that can readily access a given area, and is found to be a good predictor of employment density. The CED is an extremely accessible location and therefore is a good location for densification. The five transport zones that make up the CED area all within the top 20% most accessible zones in London and fall within the part of the model relationship where accessibility is associated with considerable employment density.

2.13 The potential for development at Euston Station is not included in these figures since a masterplan has not yet been developed, but this could provide a significant upside to the employment numbers (high level estimates suggest that this could be between 9,500 and 18,000 jobs). The Euston Station redevelopment is also likely to provide a significant contribution to the housing supply – with over 800 units likely to be delivered.

2.14 Given the future contribution of redevelopment at Euston (and the potential investment 'ripple effect' that the redevelopment may encourage) and the historic rate of growth in the CED area (2.2% pa 2009-2015), the area may be able to achieve more aspirational growth. If the area continued to grow at a rate of 1.8-1.9% pa (the rate forecast to 2024 due to the existing development pipeline) after 2024, this would result in the creation of a further 13,500 to 16,500 jobs by 2036. These would be additional to the GLA target of 15,500 jobs. This would create an estimated £0.9bn - £1.1bn in additional GVA per annum by 2036.

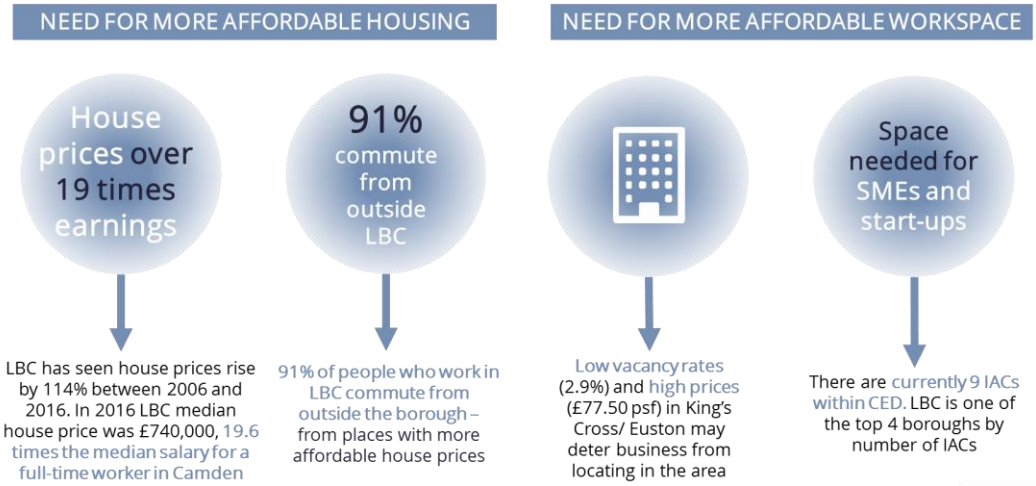
[2] GLA, 2017, Borough Employment Projections

Figure 2: Comparison of employment growth scenarios



NB. For illustrative purposes only, not to scale

However, there are a number of challenges in the proposed CED area that currently hinder it from reaching its full potential



2.15 The affordability of housing and workspace is a major issue facing the area. There is evidence of excess demand for office space in the CED area. Vacancy rates in Kings Cross/Euston were just 2.9% in Q3 2017; this is significantly below the 5-8% vacancy rate that the GLA recommends for a functioning market.

2.16 Recent developments in the area, such as 3 and 4 Pancras Square and other pipeline development have been pre-let, also suggesting a lack of existing vacant stock. This is likely to negatively affect the area's ability to attract new businesses and accommodate the growth of existing businesses.

2.17 Excess demand is driving up rental prices, with rents in Kings Cross/Euston now £77.50 psf; this is higher than Victoria (£75.00 psf), the City Core (£70 psf) and Shoreditch (£65 psf). A lack of affordable office space may prevent new businesses from locating in the area.

2.18 Camden has a lower new business survival rate than both London and England, with only 87% of new start-ups in Camden surviving their first year in 2014.[3] Affordable office space, and the provision of IACs (Incubators, Accelerators and Co-working Spaces) are acknowledged to directly increase the survival chances of new businesses.[33]

2.19 CTU are proposing an innovative model, C3 mixed use development, which would include affordable office space like The Collective. The aim of this initiative is to both safeguard affordability within the CED area and support new businesses.

2.20 House prices in the LBC are increasingly unaffordable, with median house prices 19.6 times the median salary of workers in the borough in 2016, this is following a 114% increase in house prices in the LBC since 2006. Only 9% of the LBC's workforce lives within the borough.

2.21 There is evidence more generally that the affordability crisis is affecting London's ability to attract and retain talented labour: a survey by the London Chamber of Commerce found that 42% of businesses felt that increased housing costs impacted their ability to recruit and/or retain skilled workers. The lack of affordable housing risks constraining future economic growth in London and therefore impacting the capital's position as a global city.

2.22 The GLA housing target for Camden is 889 new units per annum (2015-2025), given the CED makes up 10% of Camden's land, its equivalent target is c. 89 units pa. There are over 750 housing units in the development pipeline (including the proposed Morrison's development), this equates to approximately 9 years of the CED's GLA-equivalent target. However, the government's housing need assessment finds that 1,568 new dwellings are needed per annum in Camden (2016-2026), meaning the housing target is likely to increase in future.

To harness the potential of the combined Camden Town, Euston and King's Cross areas, an investment mechanism should be established to develop the collective area by securing land for affordable workspace and affordable housing development and improving the connectivity and cohesiveness of the three sub areas.

2.23 TIF is a public financing method for financing projects which uses future business rates revenues to fund investment. A TIF would capture incremental increases in business rates in the CED to help fund projects which are essential to the area.

[3] ONS, Business Demography, 2016

2.24 It is estimated that for every additional 1,000 sqm of office floorspace in the CED, the area will contribute an extra £170k-£255k in business rates each year. New employment floorspace will need to be created in order to accommodate employment growth, resulting in increases in business rates revenue.

2.25 Growth of the CED according to the GLA target is expected to result in a £31m-£47m annual increase in business rates by 2036. Accounting for the higher growth expected due to the development pipeline (to 2024), it is expected that the CED's annual business rates contribution will increase by between £42m and £63m pa by 2036. If this higher, aspirational, growth rate (1.8% pa) were to continue through to 2036 (as opposed to growing at the 1.0% pa GLA target rate), the area's business rates contribution would increase by £59m to £88m pa.

2.26 This more aspirational growth rate could, by 2036, increase the annual business rates paid by businesses in the area by between £27m and £41m more than the GLA target scenario, thus generating revenue to the value of between £182m-£274m over and above the revenue created by achieving the GLA-equivalent target growth, based on a 20 year NPV. The benefits of C3 development could support the CED area in achieving this higher, more aspirational, growth scenario. Based on the additional business rates revenue that would be generated, a £50m TIF to provide seed funding for an initial C3 development site could be repaid within less than 5 years with 100% retention of any business rates above the baseline scenario, or within 20 years with 25% retention.

2.27 The existing development pipeline will result in CIL payments of up to £22m, of which almost £15m may be contributed by the proposed Morrisons (Camden Goods Yard) development, if the existing application is successful, due to the quantum of housing within the development.

2.28 Development associated with achieving GLA target employment growth will lead to CIL receipts in the region of £31m. Based on Camden's CIL spending policy, £8m of this would be available for local projects.

2.29 It is estimated the aspirational growth scenario would lead to CIL payments of c. £55m, of which £14m would be available for local projects – this is £6m more for local projects than in the GLA growth scenario.

2.30 The report demonstrates the scale of economic value that is currently generated in the CED as well as its future potential, focusing particularly on the need to secure the future affordability of the area. The C3 model will help safeguard affordability in the CED through the provision of mixed-use commercial and residential development. This economic growth could be leveraged via a funding mechanism to enable the investment in C3 mixed use development needed to maintain the area's success.

2.31 By supporting a TIF based on the increased business rate revenue, or a funding mechanism drawing from a number of sources, the diversity and inclusivity of the area could be maintained whilst also delivering the wider growth objectives for the area and enabling it to continue to make a larger economic, and social, contribution.

Economic Importance of the CED

Chapter 3: Economic Context

Chapter 4: Accessibility

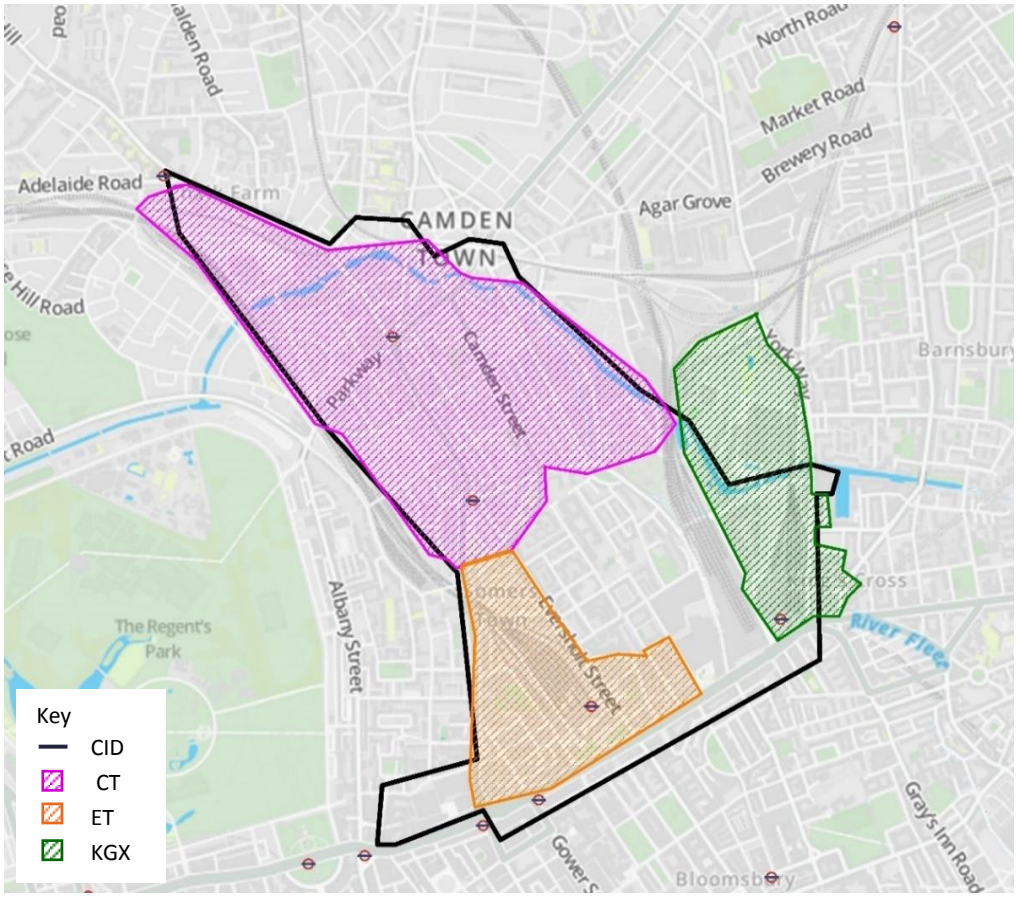
3 Economic Context

3.1 The CED is a diverse area, made up of several component areas each with their own characters and strengths. The area has and continues to undergo significant change, which is reflected in the economic statistics presented within this chapter.

3.2 CT and ET are located almost entirely within the CED, while the KGX area overlaps with half of the area inside the CED (refer to Figure 2). Each of these three areas have noticeably different employment mixes and densities and have experienced different levels and kinds of growth overtime.

3.3 In order to put the key economic statistics presented within this chapter into context, the CED is compared to a number of other study areas or comparators, as well as the wider LBC and London itself. The comparators were chosen based on a combination of judgement and statistical evidence.

Figure 3: Composition of the CED



Employment

3.4 There are issues with estimating employment for the area covered by the CED due to the inconsistencies between functional geographies of areas and statistical geographies, as described in Appendix 2. As a result, employment in the CED (and some of the comparators) has been estimated by combining different sources. Appendix 3 describes how employment was estimated for the CED.

3.5 The CED area has an estimated employment of 69,000 people across its 217-hectare area, giving an employment density of 320 jobs per hectare. That is higher than the LBC average density of 160 jobs per hectare, meaning that the CED makes up almost 20% of the borough's employment on just 10% of its land.[4]

3.6 As shown in Table 1, the employment density of the CED is low relative to the comparators – it is less than a third of the density in Victoria. Whilst the CED is larger than those areas, this suggests that there is scope for further development or densification in the area.

Table 1: Employment densities

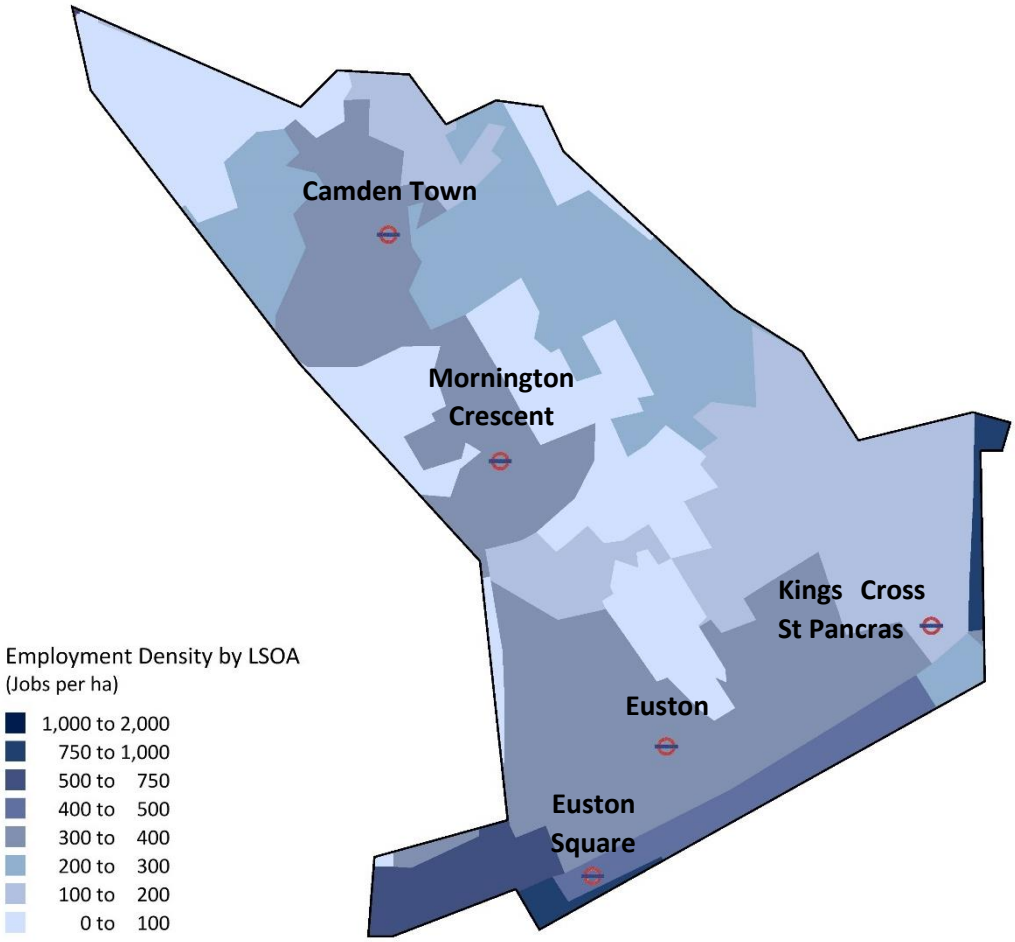
Area	Area (ha)	Employment (2015)	Employment density (jobs/ha)
CED	**217**	**69,000**	**320**
CT	100	24,000	240
ET	36	13,000	360
KGX	36	9,000	240
LBC	2,180	352,000	160
Comparators			
Old Street	96	53,000	560
Victoria	43	43,000	1,000
Southbank	106	61,000	570

Source: Business Register of Employment 2015, Census 2011 (figures are rounded)

3.7 Figure 3 maps employment density in the CED for 2015 and shows that the densest parts of the study area lie in the areas near Kings Cross and Euston in the south of the study area. Indeed, ET is 50% denser than both KGX and CT.

[4] Whilst parks such as Hampstead Heath and (parts of) Regent's Park lie within LBC, excluding green space does not significantly increase the borough's employment density

Figure 4: Employment density by Lower Super Output Areas (LSOA)



Source: BRES, 2015

Historic growth

3.8 Over the past decade, both the CED and the wider LBC have grown at a rate of 2.8% pa. The CED experienced faster growth in the earlier period from 2004-2008 (4.5% in the CED, compared to 2.8% in the LBC) than 2009-2015 (2.2%).

Table 2: Historic annual growth rates

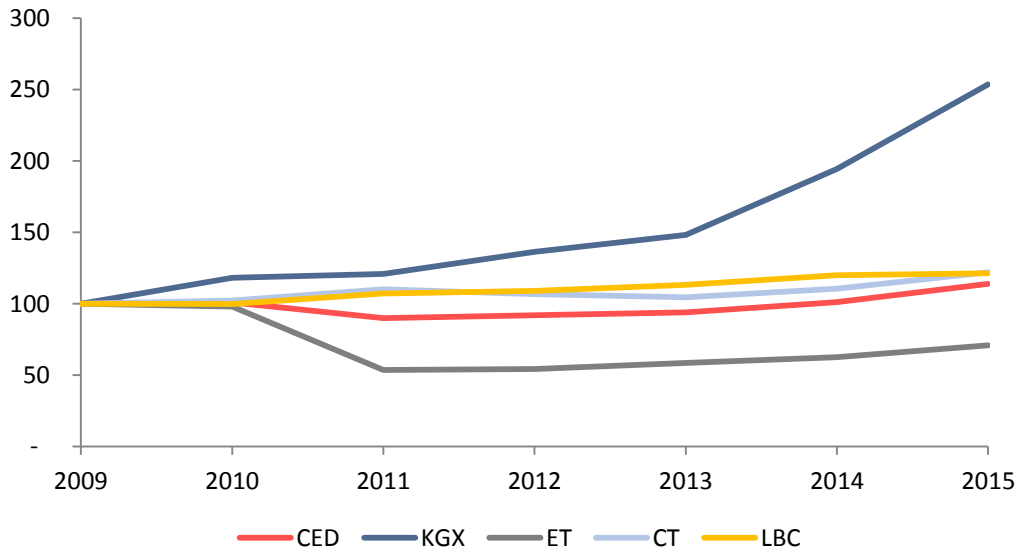
Area	Growth pa (2004-2008)	Growth pa (2009-2015)	Growth pa[5] (2004-2015)
CED	4.5%	2.2%	2.8%
LBC	2.8%	3.3%	2.8%
Comparators			
Old Street	4.3%	2.8%	3.1%
Victoria	2.9%	2.2%	2.3%
Southbank	0.1%	7.8%	3.9%

Source: BRES (2009-2015), ABI (2004-2008)

3.9 Figure 4 highlights the differing economic performance of areas within the CED. High employment growth in the KGX area - resulting in a 150% increase in employment between 2009 and 2015 - has helped mask the decline in employment in ET. Here employment fell almost 30% over the same period, driven by a loss of jobs between 2010 and 2011. It should be noted that not all of the employment within the KGX area is within the CED.

3.10 To put growth rates into context, it is also important to consider the real number of jobs delivered. For instance, KGX grew at approximately 14.5% pa between 2004 and 2015 resulting in the delivery 6,300 jobs throughout the period. CT grew at 2.3% pa throughout the period, resulting in the delivery of 7,700 new jobs. The KGX is smaller both in terms of physical size and employment than CT.

Figure 5: Indexed employment growth



Source: BRES; CT, ET and KGX do not make up the whole of the CED and some of these areas are outside of the CED

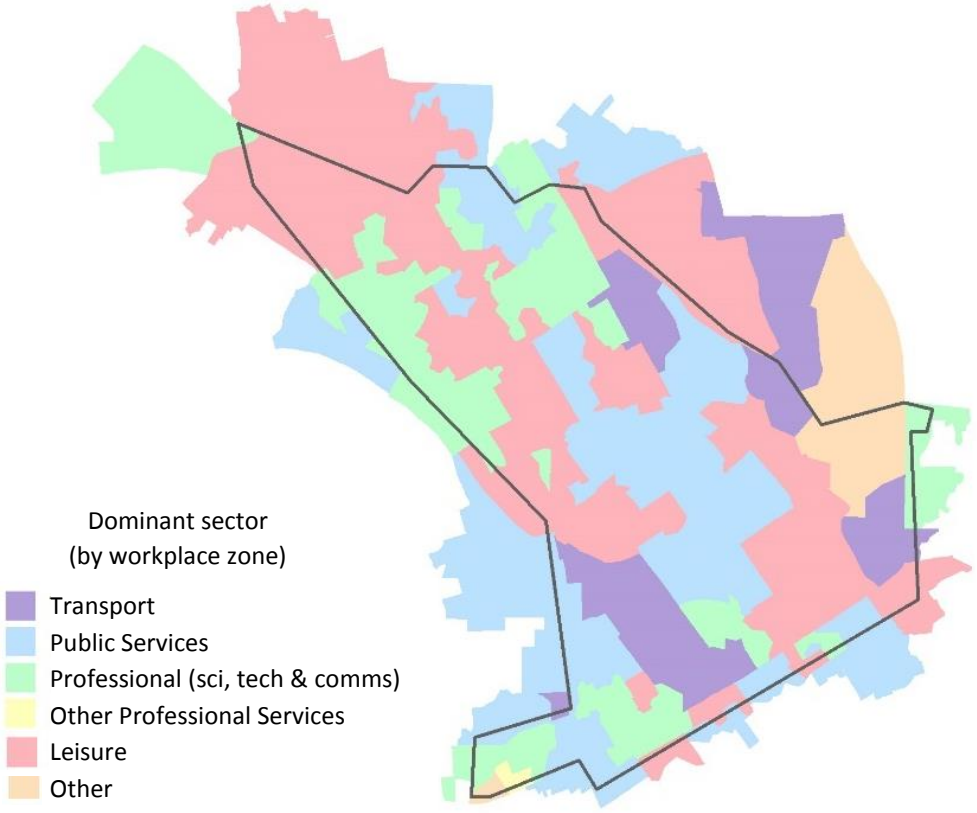
[5] These figures are estimates as the data from ABI and BRES is not directly comparable as they use different methodologies, so estimates may not be entirely indicative

Sectoral split

3.11 The CED has a mixed industrial make up. To make the employment analysis more accessible, individual industries are grouped into six broad employment sectors. A look-up of broad sectors to their component industrial sectors can be found in Appendix 4.

3.12 Figure 5 maps the dominant sectors by small area (LSOAs) in the area, showing that there is no real dominant sector across the area.[6] Clusters of employment in public services, professional and leisure are dotted around the study area. Transport-related employment dominates a few areas near key stations which is due to station-related employment but also because Network Rail's headquarters are based near Euston.

Figure 6: Dominant sector by Workplace Zones (WZ), 2011



Source: Census (2011)

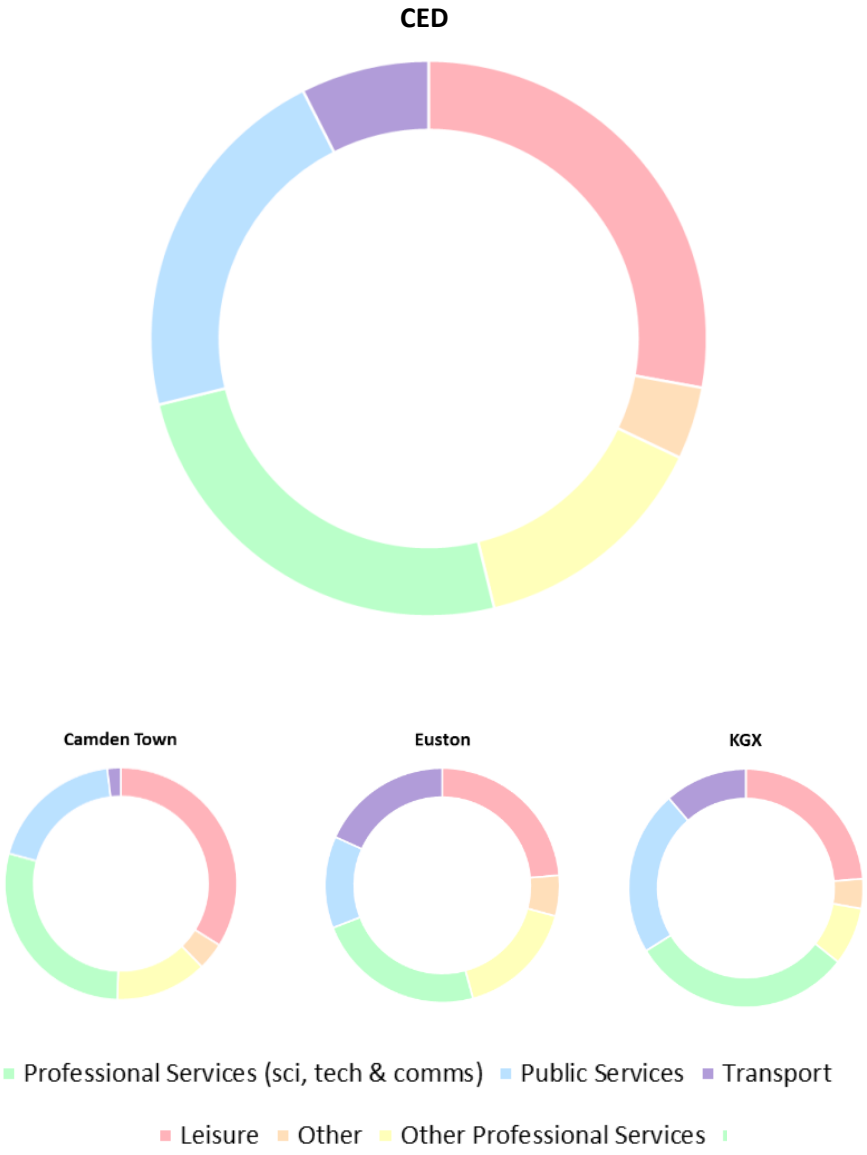
3.13 Leisure is the sector which supports most employment in the CED, with 28% of jobs here in leisure industries. This is followed by professional services (scientific, technical and communication) which supports a quarter of the area's employment. Public services support a further 21% of total employment in the area.[7]

3.14 Figure 6 compares the sectoral composition of the CED with the three business clusters. This shows CT has the highest proportion of jobs within the leisure sector (34%), while just 2% of jobs are in transport. ET has the most varied sectoral split –

[6] Data used in this map is from 2011 since it is the most recent data available at such a detailed geography
[7] See Appendix 4 for a summary of the sub-sectors that make up these broad sectors

24% of jobs here are in leisure, 23% are in professional services (scientific, technical and communication) and 18% of jobs here are in the transport sector.

Figure 7: Sectoral composition, 2015



Source: BRES (2015)

3.15 Relative to the LBC and London, the CED has a disproportionate number of workers in leisure and transport, but is underrepresented in professional services.

3.16 Similarly, relative to the comparators, the CED has a high proportion of leisure-related employment – double the proportion in Old Street – but a low proportion of employment in both professional services sectors. Given South Bank's popularity as a tourist and leisure destination, it is perhaps surprising that the proportion of employment in leisure in the CED is so much higher than the South Bank. In the Kings Cross area, professional services (scientific, technical and communications) is the highest employing sector, accounting for 31% of jobs in the area.

Table 3: Sectoral split figures, 2015

Broad sector	CED	LBC	London	Comparators	Old Street	Victoria BID	South Bank
Leisure	28%	22%	25%		14%	18%	16%
Professional services – scientific, technical and communication	25%	33%	21%		45%	30%	27%
Other professional services	14%	15%	21%		22%	16%	25%
Public services	21%	24%	22%		14%	27%	23%
Transport	8%	3%	5%		1%	6%	7%
Other	4%	4%	6%		4%	4%	2%

Source: BRES (2015)

Creative industries

3.17 Improvements in technology, coupled with globalisation and cheaper transport costs, have contributed towards a shift in manufacturing towards low-cost locations around the world. Cities now increasingly attract different types of economic activity; sometimes described under the broad term of 'the innovation economy'. This is because cities offer significant advantages including, but not limited to, infrastructure, opportunities for meeting people, dense supplier networks and significant choice of social activities that make them the natural home for this type of activity, and London is one of the most successful cities in this respect.

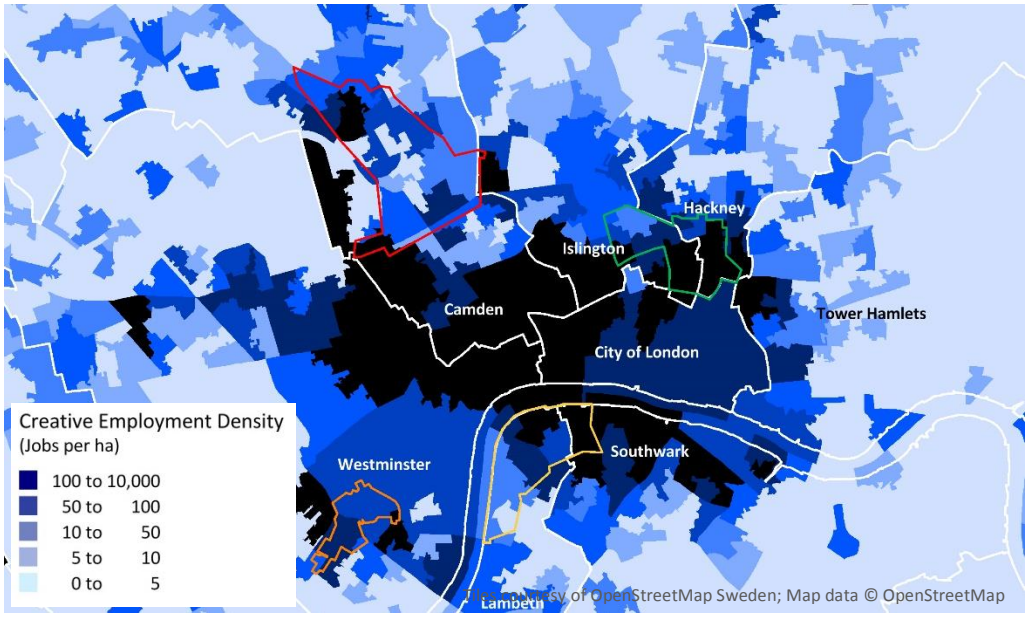
3.18 The new sectors and jobs that make up the innovation economy are frequently described under many different titles including tech, digital and creative. It is, however, difficult to measure the economic impact of new industries. Statistics and industry definitions are generally static, lagging behind changes in the economy. But there are a number of different definitions that broadly capture some element of the innovation economy. Figure 7 maps jobs in central London using one of these definitions, namely the creative industries[8].

3.19 The creative industries are an increasingly important part of the London and UK economy. The following map shows that jobs in creative industries are clustered centrally in city fringe locations. There is a clear arc from Soho at the heart of the West End moving north and east across over to Shoreditch.

3.20 Figure 7 also highlights the CT area of the CED to have a high density of creative industry employment. Indeed, there are over 4,000 creative industry jobs in this area.

[8] See Appendix 5 for definition of creative industries

Figure 8: Creative industries employment density (jobs/ha)



Source: BRES, 2015

3.21 The CED accommodates over 8,000 jobs in creative industries, approximately 15% of total employment in the area.[9] In the LBC, there are an estimated 62,150 jobs in creative industries, accounting for 18% of employment. Both the LBC and the CED have significantly high proportions of creative industry employment compared to the London average of 9%. This demonstrates the importance of creative industries to the CED and the wider borough.

Table 4: Creative industry employment

Area	Estimated employment (2015)	% of total area employment
CED	8,300	15%
LBC	62,150	18%
London	477,350	9%

Source: BRES 2015; Employment referred to in sectoral/industry analysis is BRES 2015 employment (not the hybrid employment estimate). See Appendix 3 for further explanation of employment estimates.

Life sciences

3.22 Defined as the application of biology, the life sciences industry is another example of an innovative industry.[10]

3.23 The CED lies within 'MedCity', a collaboration between London, Cambridge and Oxford to form a life sciences 'golden triangle'. The aim of MedCity is to deliver a

[9] Total employment referred to in sectoral/industry analysis is BRES 2015 employment (not the hybrid employment estimate). See Appendix 3 for further explanation of employment estimates.
[10] Strategy for UK Life Sciences, Office for Life Sciences, 2010

'world-leading interconnected region for life sciences' which will foster economic growth.[11]

3.24 The CED, specifically around the Euston Road area, lies at the southern end of the London Stansted Corridor Consortium (LSCC), a partnership which promotes the economic development of the corridor by enhancing specific industrial strengths within. The Euston Life Sciences Cluster is recognised by LSCC as a 'globally significant life sciences location'.[12] The area is home to the Wellcome Trust, London BioScience Innovation Centre (LBIC) and the Francis Crick Institute.

3.25 It is estimated that there are currently at least 3,600 life sciences jobs within the CED, making up approximately 7% of the area's employment. The statistical definition of the life sciences industry used to estimate employment is available in Appendix 5.

Table 5: Life sciences employment

Area	Estimated employment (2015)
CED	3,600
LBC	28,250
London	315,100

Source: BRES (2015); Employment referred to in sectoral/industry analysis is BRES 2015 employment (not the hybrid employment estimate). See Appendix 3 for further explanation of employment estimates.

3.26 Table 6 shows that the CED has experienced high growth in the life sciences industry, with employment growth of 19.0% pa between 2009 and 2015. This is higher than both the LBC (12.0%) and London (4.6%).

Table 6: Growth in life sciences employment

Area	Growth pa (2009-2015)
CED	19.0%
LBC	12.0%
London	4.6%

Source: BRES (2009-2015)

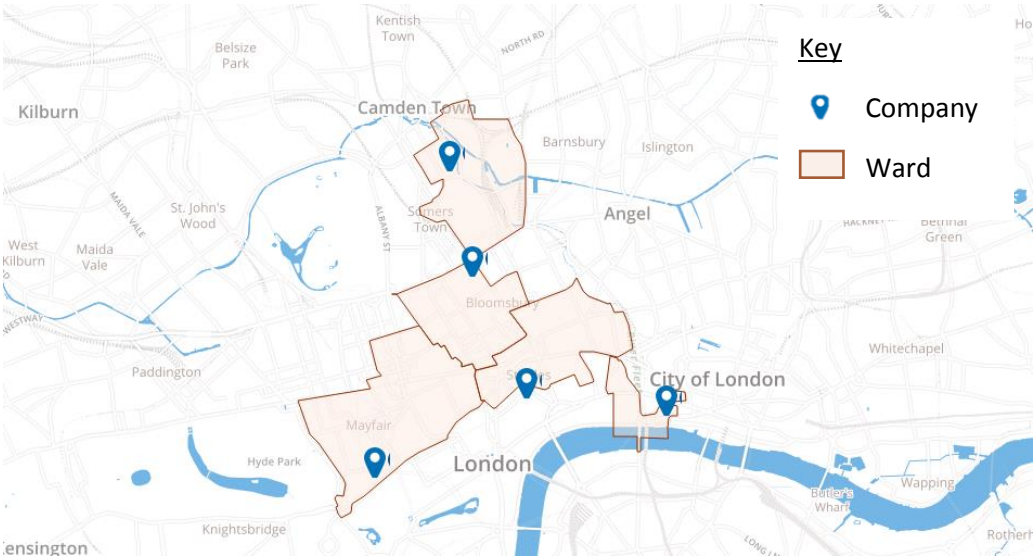
3.27 It has been suggested that the delivery of the Francis Crick Institute, which opened in 2016 near St Pancras Station, could be 'catalytic' for the LBC in terms of growth in life sciences.[13] Certainly one of the primary reasons for the Crick's choice of location here was so that it would be 'amid a unique cluster of scientific skill, leading hospitals and one of the world's top universities, UCL.' It is the most significant public investment in life sciences research in the UK in the past 50 years and 'will provide a new focal point for the considerable talent and knowledge in the area while playing its part in the life of the local community'.[14] There will be 1,500 people employed by the Crick. A significant proportion of these employees will be people who transferred from existing jobs at the Crick's partners such as Cancer Research and the Medical

[11] http://www.medcityhq.com/about-us/
[12] London Stansted Cambridge Consortium, 2014, 'Euston Life Sciences Cluster'
[13] London Borough of Camden Employment Land Study, URS, 2014
[14] LSCC, 2013, 'Review of key sectors in the London Stansted Cambridge Corridor, Sector Profiles: Life Science'

Research Council. It is therefore expected that of the 1,500 jobs at the Crick, 400-700 will be new positions.[15]

3.28 The MedCity database of life science businesses supports the idea that the CED is a growing life sciences area, showing it is home to two of London's five 'high growth companies'. This is shown geographically in Figure 8.

Figure 9: High growth life science companies



Source: MedCity, 2017

Night time economy

3.29 London is aiming to become a 24-hour city, the Mayor has appointed a Night Czar and Night Time Commission to help achieve this aim. The Mayor's new night time vision[16] sets out ten principles for London to:

1. Be a global leader.
2. Provide vibrant opportunities for all Londoners, regardless of age, disability, gender, gender identity, race, religion, sexual orientation or means.
3. Promote all forms of cultural, leisure, retail and service activity.
4. Promote the safety and wellbeing of residents, workers and visitors.
5. Promote welcoming and accessible nightlife.
6. Promote and protect investment, activity and entrepreneurship.
7. Promote domestic and international visits to London.
8. Be strategically located across London to promote opportunity and minimise impact.
9. Become a 24-hour city that supports flexible lifestyles.
10. Take account of future global and domestic trends in leisure, migration, technology, employment and economics.

[15] It is understood that prior to the opening of the Crick some employees were based at the Wellcome Trust, which lies within the CED, therefore these jobs may already be included within our employment estimates. To be conservative we therefore assume that only the 400-700 jobs at the Crick will be additional to the CED area

[16] GLA, 2017, 'From good night to great night: a vision for London as a 24-hour city'

3.30 As there is no government defined definition of the night time economy, this section uses the definition adopted within Volterra's assessment of the economic impact of the Night Tube for Transport for London (TfL). This definition is available in Appendix 6.

3.31 The LBC accommodates 4,400 jobs in the night time economy, 20% of this employment (c. 900 jobs) is within the CED. This is a higher proportion of night time jobs than would be expected, given the CED accommodates c. 15% of the LBC's total employment – implying that the CED has a higher density of night time economy jobs than the wider LBC. The LBC's night time economy has also been growing at a slower rate than London overall. The recent growth of the CED's night time economy has been below even the LBC's rate.

Table 7: Night time economy employment

Area	Estimated employment (2015)
CED	900
LBC	4,400
London	65,500

Source: BRES (2015); Employment referred to in sectoral/industry analysis is BRES 2015 employment (not the hybrid employment estimate). See Appendix 3 for further explanation of employment estimates.

Output

3.32 Data on GVA per worker is available by sector at borough level. This can be used with the sectoral split of employment to estimate an area's output. Based on the sectoral split of employment within the CED and the GVA by sector in the LBC, the study area contributes an estimated £4.7bn in GVA annually. This is approximately 20% of the estimated GVA of the LBC[17], higher than the GVA of Swansea (£4.5bn) and Wolverhampton (£4.6bn) and in line with the GVA of Stoke-On-Trent (£4.7bn). Table 8 shows the GVA of the LBC and the CED compared to some other UK comparators.

Table 8: GVA contribution, 2015

Area	GVA (pa)
CED	£4.7bn
LBC	£24.5bn
Comparators (NUTS3 regions)	
Swansea	£4.5bn
Wolverhampton	£4.6bn
Stoke-on-Trent	£4.7bn
York	£5.1bn

Source: ONS, 2016; Volterra Calculations

[17] The ONS combines Camden and the City of London within its GVA data. We have estimated Camden's GVA by using GVA/head for Camden and the City of London and applying this to the sectoral split of Camden.

Business rates

3.33 The total business rates contribution made by businesses in the CED area can be estimated using their rateable values – the rental value of a property two years before the business rate revaluation date. The Valuation Office Agency (VOA) publishes data containing the rateable value of all non-domestic properties in the UK, the VOA rating list. Rateable values for properties within the study areas were obtained by postcode from the 2017 rating list (postcodes within each study area were identified through GIS analysis). Applying the uniform business rate multiplier (UBR), set by central government, to the rateable value gives the business rates contribution. It is therefore estimated that the CED contributes at least £215m per annum in business rates.

Table 9: Business Rates Contribution by area

Area	Business Rates (pa)	% of LBC's
CED	£215m	34%
LBC	£625m	100%

Source: VOA, 2017; Volterra Calculations

Tax revenues

3.34 A standard assumption is that c. 30-40% of GVA accrues to the Treasury through some form of taxation – income taxes (inc. National Insurance), VAT and corporation tax are the largest contributors. Based on this, it is estimated that the CED area contributes approximately £1.1bn-£1.5bn annually in taxation revenue to HMT.

Business counts

3.35 Table 10 shows a breakdown of businesses by size. The CED has a lower proportion of micro firms (employing less than ten people), 84% of all businesses in the area, compared to the LBC (88%) and London (91%). There is a higher proportion of small (10-49 employees) and medium (50 to 249 employees) sized businesses in the CED than in both the LBC and London.

Table 10: Business makeup, 2016

	Micro (0 to 9)	Small (10 to 49)	Medium (50 to 249)	Large (250+)
CED	84%	12%	3%	1%
LBC	88%	9%	2%	1%
London	91%	8%	1%	0%

Source: UK Business Counts, 2016

Population

3.36 The resident population of the CED has been estimated using 2015 mid-year population estimates. Using this data, it is estimated that the CED is home to approximately 25,000 residents, resulting in a population density of 120 residents per

hectare. This is slightly higher than the borough average of 110 residents per hectare[18].

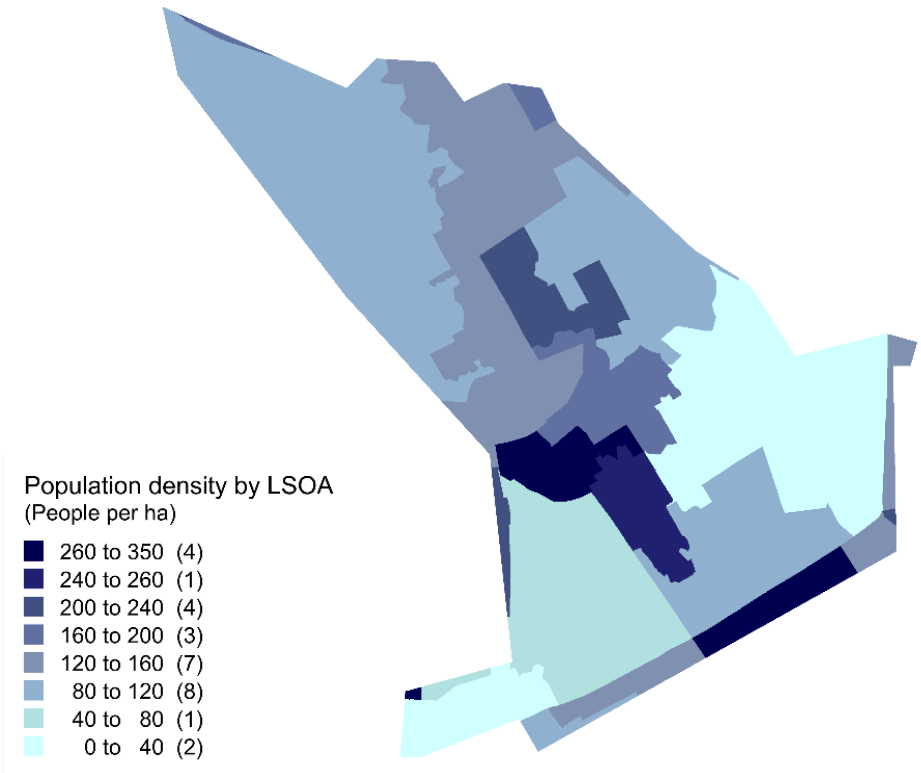
Table 11: Population and population density, 2015

	Area (ha)	Population	Population density
CED	217	25,000	120
LBC	2,180	240,000	110
Comparators			
Old Street	96	12,500	130
Victoria	43	2,900	65
South Bank	106	9,600	70
CAZ	3,352	288,000	85

Source: ONS Mid-year population estimates 2015 (figures are rounded)

3.37 Figure 9 shows that in general population density is greater to the north of the CED, although there is a high density cluster around Ampthill Square Estate. This is in contrast to the employment density (refer to Figure 3) which tends to be higher in the south of the borough.

Figure 10: Population density by LSOA



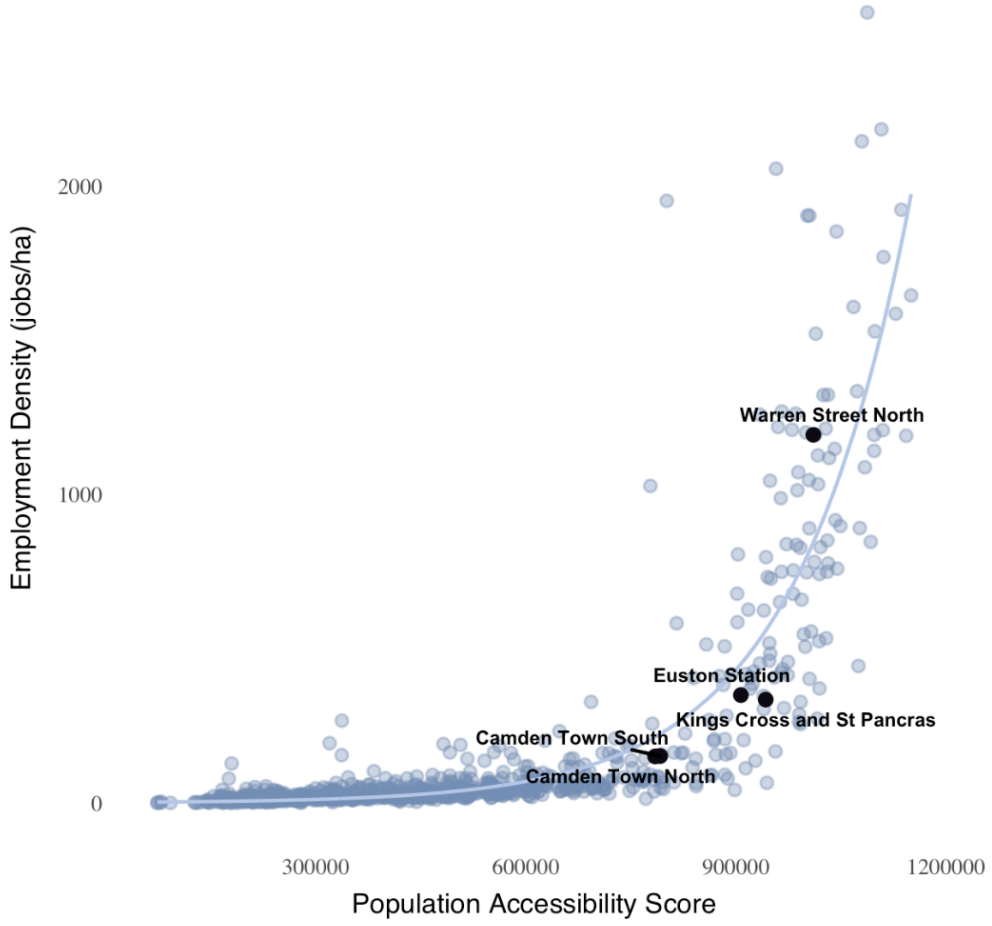
Source: ONS Mid-year population estimates 2015

[18] As with employment density, the presence of parks such as Hampstead Heath and Regent's Park in the LBC skew the population density. However excluding green space only increases population density from 110 residents/ha to 130 residents/ha.

4 Accessibility

4.1 There is a strong relationship between accessibility and employment density, meaning the densest development occurs in the most accessible places – this relationship is illustrated in Figure 10. The accessibility score is a measure of the level of population that can readily access a given area, and is found to be a good predictor of employment density. By way of example, the most accessible location in London is Lombard Street, in the City of London, which includes both Bank and Monument stations.

Figure 11: Relationship between accessibility and employment density, London



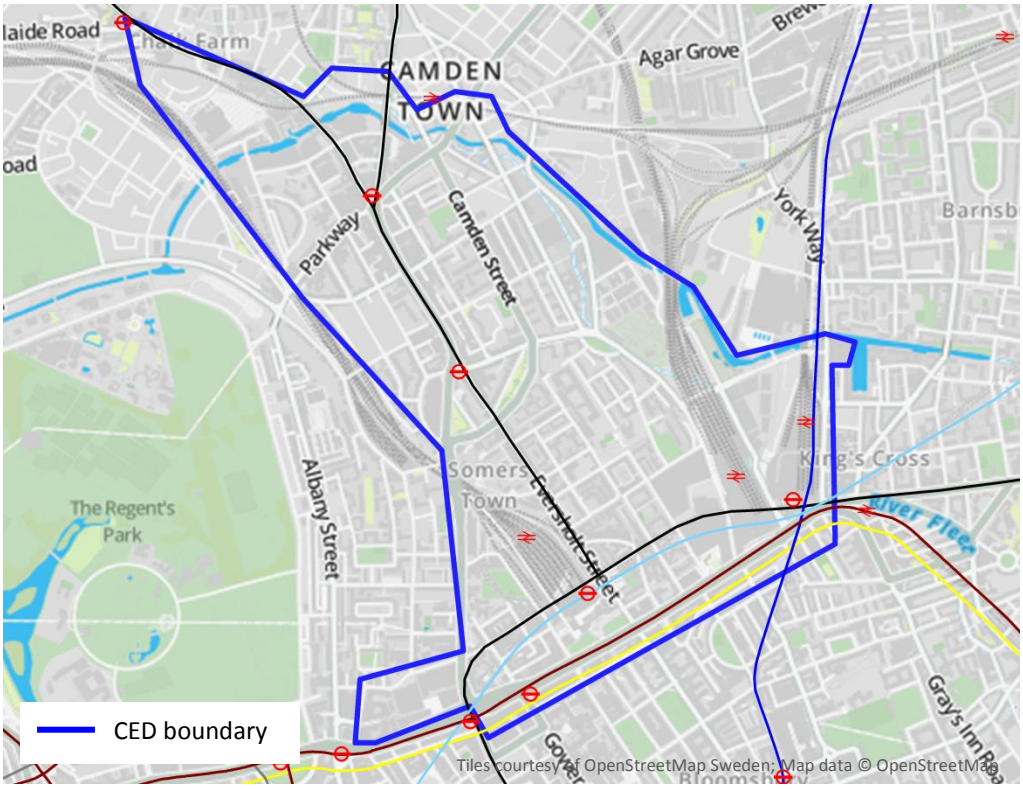
Source: Volterra Partners

4.2 The CED is an extremely accessible location and therefore is a good location for densification. The five transport zones that make up the CED (refer to Appendix 2 for more detail on geographical areas) are all within the top 143 of the 878 transport zones in London (i.e. all within the top 20% most accessible zones in London) and fall within the part of the model relationship where accessibility is associated with considerable employment density.

4.3 It is served by three mainline rail stations (Kings Cross, St Pancras International and Euston) and five tube stations (Kings Cross, Euston, Camden Town, Euston Square

and Mornington Crescent). In addition to this, Warren Street, Great Portland Street, Chalk Farm and Camden Road stations lie just outside the area. As a result of this, the majority of the CED is awarded a (Public Transport Accessibility Level) PTAL rating of 6b - the highest possible score.

Figure 12: Rail and tube accessibility



Mainline Rail Usage

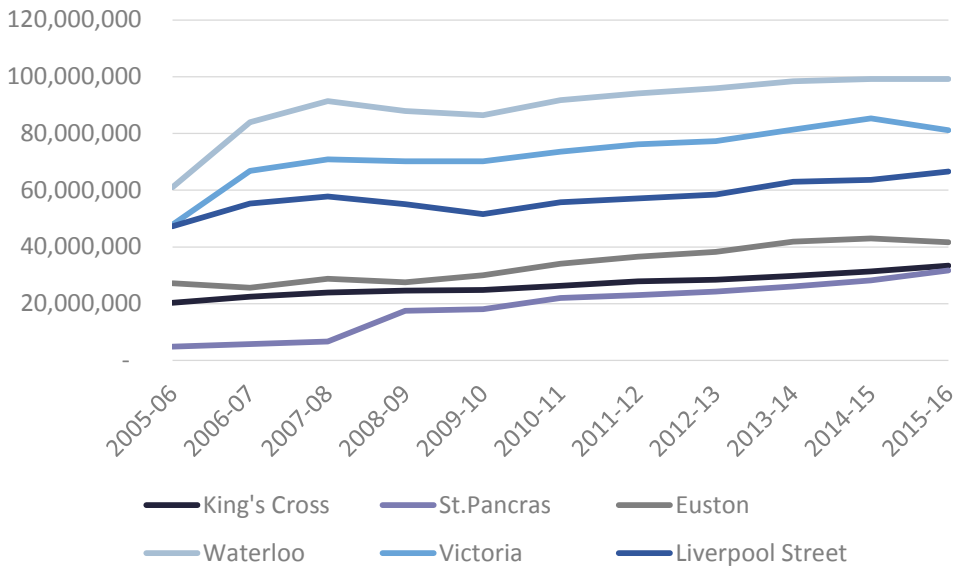
4.4 Both Euston and Kings Cross serve as London's major rail links to the North, as the terminals of the West and East Coast Mainlines, respectively. They also serve Wales, the Midlands and other areas of the North through other connections.

4.5 Waterloo, Victoria and Liverpool Street, which lie within the South Bank, Victoria and near to the Old Street comparator areas, are the three busiest mainline rail stations in the country. Euston, Kings Cross and St Pancras are the 5th, 9th and 11th busiest stations, with 42m, 33m and 31m users, respectively, in 2015/16.

4.6 Between 2005/06 and 2015/16 there was almost a 550% increase in the use of St Pancras Station, this is likely attributable to the move of Eurostar services from Waterloo to the station in November 2007 and the move of Thameslink services from Kings Cross in December 2007. Over the same period, Euston saw a 53% increase in passenger use, while Kings Cross saw a 64% increase.

4.7 As shown in Figure 10, the places with the best levels of accessibility are the best locations for densifications. The CED incorporating both Euston, Kings Cross and St Pancras has and will continue to enable the CED area to be a concentration of economic activity and a suitable location for densification.

Figure 13: Mainline Rail Station Use (2005/06 – 2015/16)



Source: Office of Rail and Road

High Speed 2 (HS2)

4.8 Euston is due to become the London terminal for HS2, which is due to begin operation in 2026. To accommodate this, the station is being redeveloped, with the addition of 11 new platforms. This will enhance Euston's connection to the North with trains serving Manchester, Liverpool, Sheffield and Leeds as well as Birmingham and the East Midlands.

4.9 The redevelopment of the station will lead to the transformation of the Euston area. The improved public realm is also expected to help improve connectivity in the Euston area. Further information on the development of Euston Station is in Chapter 7.

Tube use

4.10 TfL publishes two sets of tube usage data: London Underground Passenger Counts data shows the volume of station entries and exits by time of day and more detailed RODS (Rolling Origin Destination Survey) data, which includes information such as origin destination, journey purpose, age of user, etc.

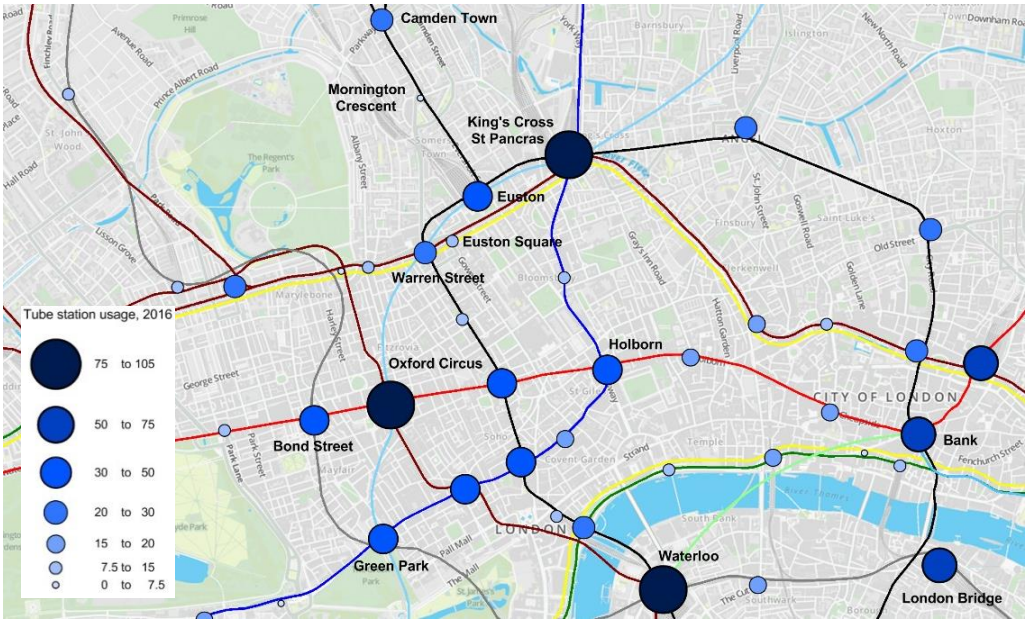
4.11 The two tube stations which are mainline interchanges (Kings Cross St Pancras and Euston) are the busiest. Kings Cross St Pancras was the 2nd busiest tube station on the network in 2016, with 95m entries and exits. Given the station serves two mainline stations, one of which is also an international terminal, this is unsurprising. This high volume of use is likely to increase further as employment in the area continues to grow.

Table 12: Volume of station use, 2016

Station	Annual Entries and Exits	Ranking
Kings Cross St Pancras	95m	2
Euston	43m	11
Camden Town	23m	30
Euston Square	14m	58
Mornington Crescent	5m	153

Source: TfL

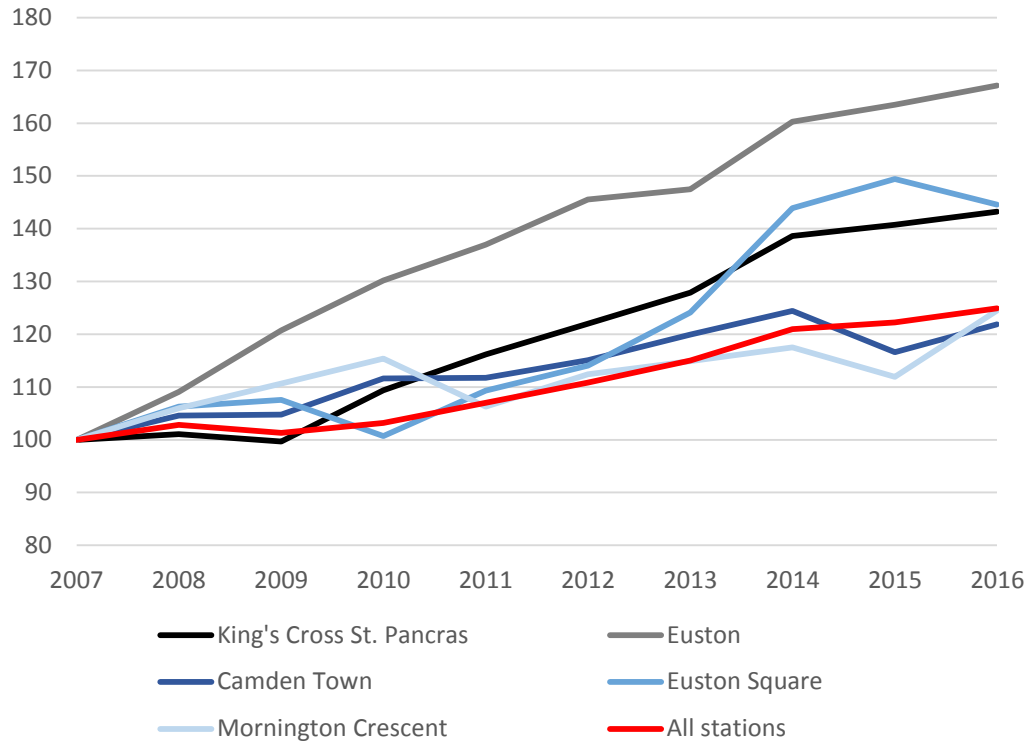
Figure 14: Tube station usage



Source: TfL

4.12 Of the five stations in the study area, Euston has experienced the biggest increase in station use, with 67% more users in 2016 compared to 2007. This is followed by Euston Square which has seen a 45% increase in users over the same period. Kings Cross St Pancras experienced a 43% increase in users since 2007 – this is likely linked to the opening of a new ticket hall in 2009 which doubled the stations capacity.

Figure 15: Annual Station Usage, 2007-2016



Source: TfL

Pattern of use

4.13 Analysis of station use over a weekday, split by 15 minute period, demonstrates that the busiest time of day across each station is during the peak periods, this is shown graphically in Figure 15. For all stations except Euston Square, the busiest 15 minute period is during PM peak (16:00-19:00).

4.14 Interestingly, although Camden Town experiences a fall in station use towards the end of the AM peak (07:00-10:00), station use rises throughout the interpeak (10:00-16:00) period. The station also experiences relatively high use during the PM peak, Evening (19:00-22:00) and Late (22:00-02:00) periods. This is shown more clearly in Figure 15, where Camden Town shows a different pattern of station use to other stations in the area, likely driven by its popularity as a tourist and leisure destination. Comparing weekday and weekend tube use also shows the popularity of Camden Town as a tourist/leisure destination, with 6% more users on an average weekend day than on a week day (this is in comparison to the average 41% reduction in station use on a weekend day compared to weekdays experienced across all stations).

4.15 Kings Cross St Pancras and Euston also experience a higher interpeak volume of use than might be expected; this is likely to be because they serve as interchanges to mainline rail services.

Figure 16: Volume of entries and exits by time of day

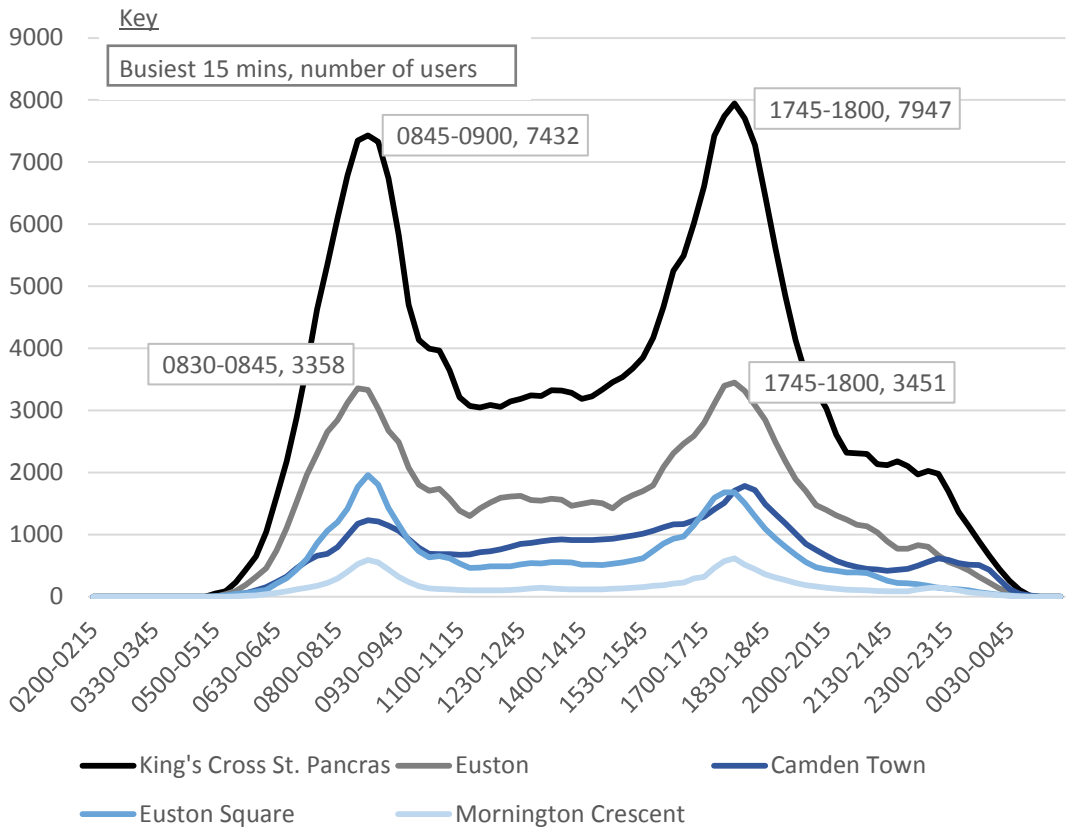
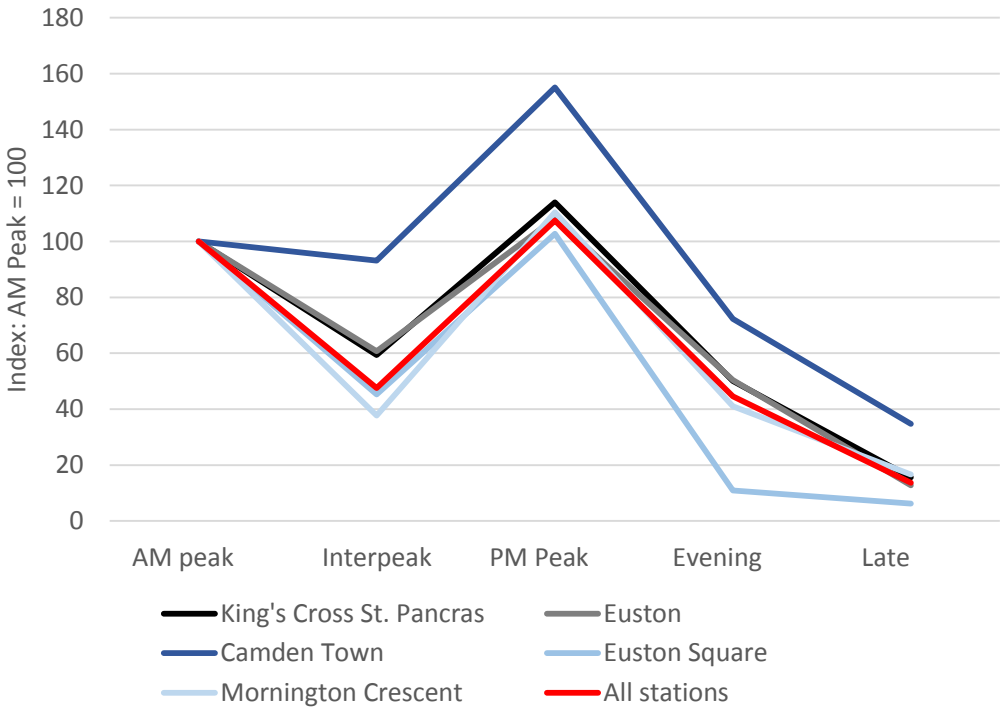


Figure 17: Index of station users by time period, per hour (2016)



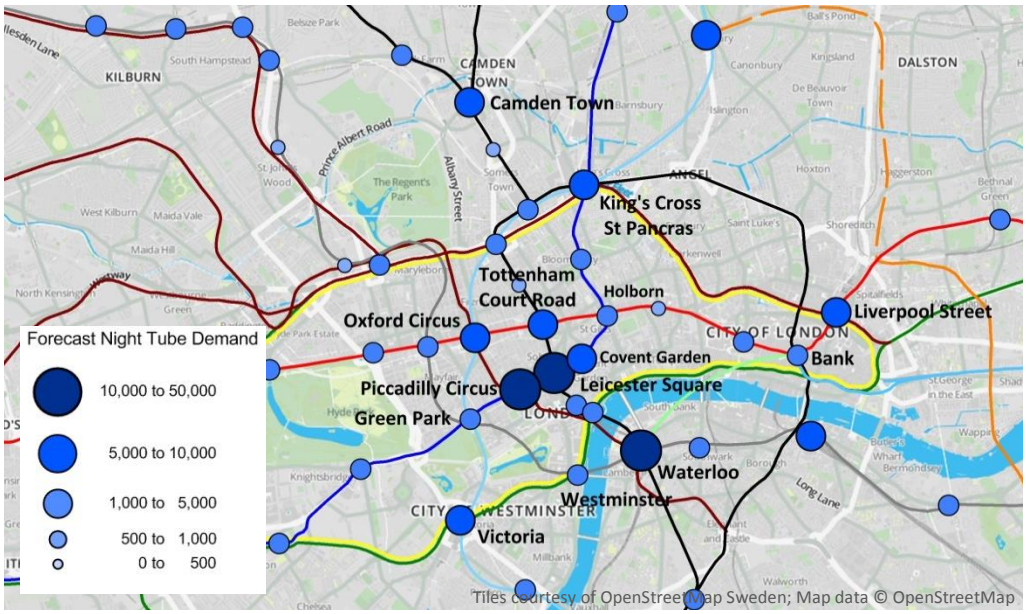
Source: TfL

Night tube

4.16 The night tube was introduced in 2016 on the Central, Victoria, Jubilee, Northern and Piccadilly Lines.

4.17 Figure 17 shows forecast night tube demand by station (determined by the number of station entries and exits). Generally, the busiest forecast stations were around the West End and mainline interchanges. Camden is therefore unique in being one of the busiest stations, without having either of these characteristics – showing its appeal as a night time destination.

Figure 18: Forecast night tube demand



Source: TfL (2014)

4.18 Both Kings Cross St Pancras and Camden Town tube stations were forecast to be among the top ten busiest night tube stations. Analysis of initial night tube usage data supports these forecasts, although relative to other stations, use of Kings Cross St Pancras is lower and use of Camden Town is higher than forecast.

Table 13: Night tube actual vs. forecast station ranking[19]

Station	Forecast ranking	Actual ranking	Change on forecast
Leicester Square	1	1	–
Brixton	13	2	↑
Liverpool Street	14	3	↑
Stratford	4	4	–
Tottenham Court Road	11	5	↑
Oxford Circus	9	6	↑
Kings Cross St Pancras	**6**	**7**	↓
Camden Town	**10**	**8**	↑
Piccadilly Circus	2	9	↓
Green Park	26	10	↑

Source: TfL, 2014; 2017

[19] Based on average station usage between December 2016 and February 2017

The need for affordable housing and workspaces

Chapter 5: The Housing Crisis

Chapter 6: The Need for Affordable Workspaces

5 The Housing Crisis

Housing in London

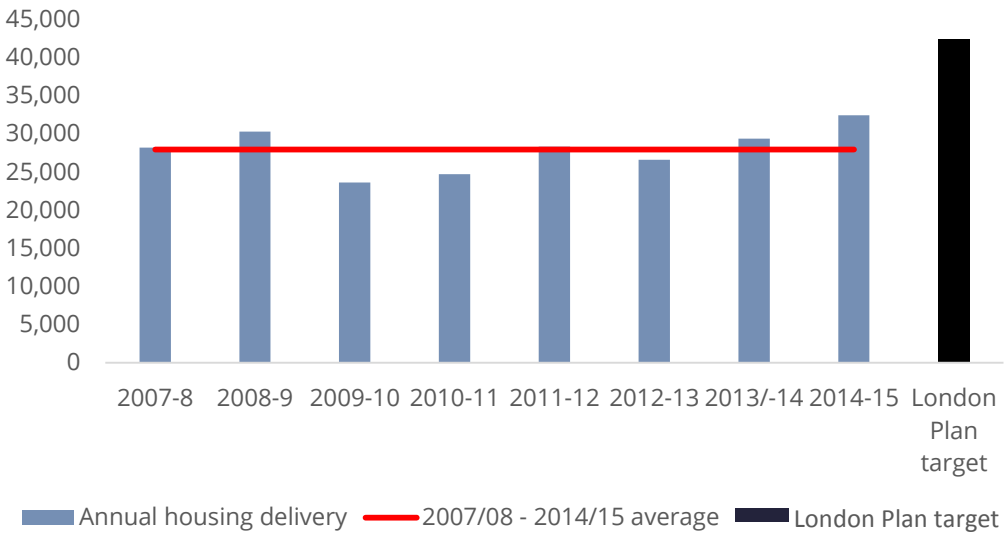
5.1 The housing crisis in London is becoming increasingly severe: there is insufficient supply to meet the growing demand for housing caused by population growth, resulting in rising rental and capital costs.[20]

5.2 The most recent publication of the London Plan estimates that London requires an additional 42,389 houses every year between 2015/16 and 2024/25.[21] That figure is below the future need identified in the Strategic Housing Market Assessment (SHMA) which notes that at least 48,900 additional homes need to be delivered annually between now and 2036 but this could be as high as 62,100 units.[22] The targets are designed to provide an appropriate balance between delivering housing to meet the identified need and providing boroughs with realistic but ambitious minimum targets on which to base their Local Plans.

> 'Public concern over housing is at its highest level on record in London, and the highest for decades in Britain as a whole'
>
> *Housing in London Report, 2017*

5.3 Despite the fact that the London Plan target is the minimum number of houses required and below London's identified future need, the historic delivery has been significantly less than the annual target. Indeed, between 2007/08 and 2014/15, an average of 27,950 units were completed each year. To meet the London Plan target, the number of houses delivered each year needs to increase by over 50%.

Figure 19: Net annual housing delivery in London



Source: Annual Monitoring reports, GLA; London Plan 2016, GLA

[20] Greater London Authority (2014), London Housing Strategy, GLA

[21] GLA (2016), The London Plan: the spatial development strategy for London consolidated with alterations since 2011, March 2016

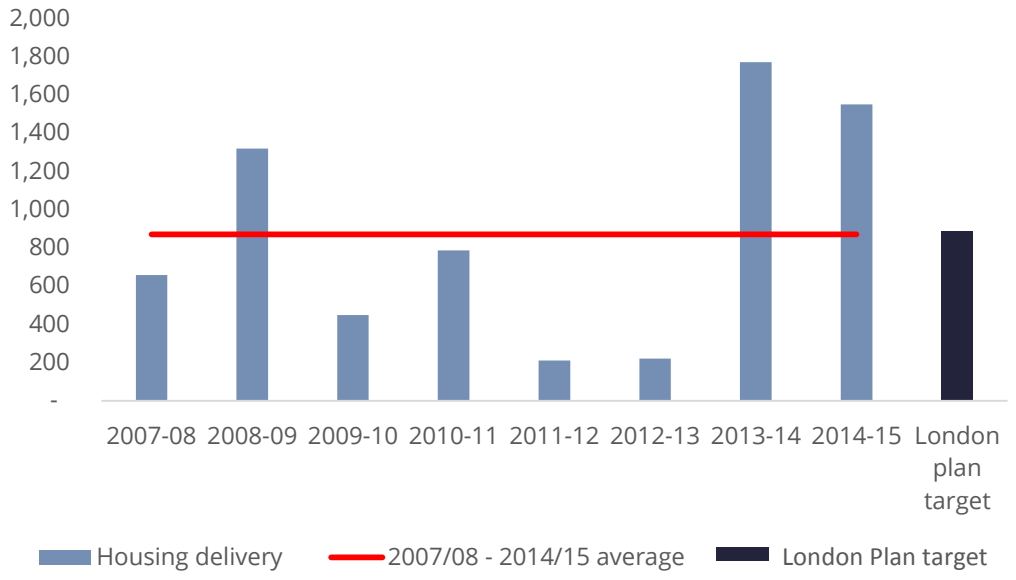
[22] GLA (2013), The 2013 London Strategic Housing Market Assessment, part of the evidence base for the Mayor's London Plan

5.4 Figure 18 summarises the annual net housing delivery in London, showing it has been consistently under the current London Plan target.

Housing delivery in the LBC

5.5 The London Plan sets out a need for 8,890 additional homes in the LBC over the ten year period 2015 to 2025, 889 homes per year. The average annual delivery of housing in the LBC since 2007/8 has been just short of this target. Figure 19 shows that year to year housing delivery has been highly variable, with poor delivery over a number of years, particularly 2011-2013. The last two years have seen delivery exceed the target, which goes some way to offsetting some of the short full from previous years.

Figure 20: Net annual housing delivery in the LBC



Source: Annual Monitoring reports, GLA; London Plan 2016, GLA

Affordability crisis

5.6 The substantial undersupply of housing in London has resulted in rising property prices. Table 14 shows that median property prices in London increased by 81% between 2006 and 2016. This is significantly higher than national price growth over the same period (33%).[23] House prices in the LBC increased by 114% in this period, with the average house price in 2016 being £740,000; significantly above the London average of £435,000.

5.7 In 2016, the median house price to earnings ratio was 19.6 in the LBC. This means that median house prices in the LBC are 19.6 times higher than the median earnings of a full-time worker in the LBC. This figure has increased from 10.6 in 2006.

[23] ONS, 2017

5.8 For reference, the median earnings of a full-time worker in the LBC was £32,400 in 2006, and £37,700 in 2016.[24]

5.9 The average house price in the LBC was £740,000 in 2016. Mortgages of four times earnings are typically the maximum that lenders will consider. On that basis, a couple both earning the median wage of a full-time worker in the LBC (£37,700[25]), would require a deposit of approximately £348,000 to get on the property ladder.

Table 14: Median property prices and price to earnings ratio

	Median property price			Median house price to earnings ratio	
	2006	2016	% growth	2006	2016
LBC	£345,000	£740,000	114%	10.6	19.6
London	£240,000	£435,000	81%	7.9	12.0
South-East	£199,000	£290,000	46%	8.0	9.8
England	£165,000	£220,000	33%	7.0	7.7

Source: ONS, Land Registry

5.10 Londoners should be capable of living and working within the same borough and although 27% of the LBC's population do work within the borough this only equates to 9% of the LBC's workforce suggesting that a large proportion of the workforce cannot afford to live within the borough.

5.11 The LBC is one of the worst performing boroughs in terms of the proportion of people who work in the area who also live in the area (9%). Of all London boroughs, only Westminster & City of London[26] has a lower proportion (5%)[27]. Croydon has the highest proportion of its workforce also living within it (55%) and as a whole, 23% of people who work in London live within the same borough as the one they work in.

Table 15: Proportion of workforce who live and work within the same borough

Place of residence and place of work	% of workers who live in the same area they work	% of residents who work in the same area they live
LBC	9%	27%
Lowest area	Westminster & City of London - 5%	Lambeth - 15%
Highest area	Croydon - 55%	Westminster & City of London - 54%
London	23%	26%

Source: ONS, 2011 Census

5.12 Given only 9% of the LBC's workforce lives within the borough, Table 16 shows the main boroughs of London where the LBC's workforce resides. The two London boroughs which accommodate the largest amounts of LBC's workforce, with the

[24] ONS, 2017
[25] ONS, 2017
[26] In 2011 ONS census data Westminster and the City of London are grouped together
[27] ONS, 2011 Census, Location of usual residence and place of work; ONS, 2011 Census, Industry (workplace population)

exception of the LBC, are Barnet (6%) and Islington (5%). In terms of people commuting to the LBC from outside of London it makes up 21% of the LBC's workforce which is in line with the average for London (21% of people who work in London commute from outside).

5.13 Table 16 shows that the places where people who work in the LBC tend to commute from also have lower median house prices; both Barnet (£470k) and Islington (£600k) have significantly lower house prices suggesting that people who work in the LBC tend to live in places with cheaper property prices. This suggests a particularly severe affordability crisis in the LBC.

5.14 There is evidence more generally that the affordability crisis is affecting London's ability to attract and retain talented labour: a survey by the London Chamber of Commerce[28] found that 42% of businesses felt that increased housing costs impacted their ability to recruit and/or retain skilled workers. The lack of affordable housing risks constraining future economic growth in London and therefore impacting the capital's position as a global city.

Table 16: Place of residence for people who work within the LBC

Place of residence	% of LBC workforce	Median house price (Q3 2016)
LBC	9%	£740,000
Barnet	6%	£470,000
Islington	5%	£600,000
London	79%	£435,000
Outside of London	21%	

Source: Census 2011; Land registry

[28] Getting our house in order, London Chamber of Commerce, 2014

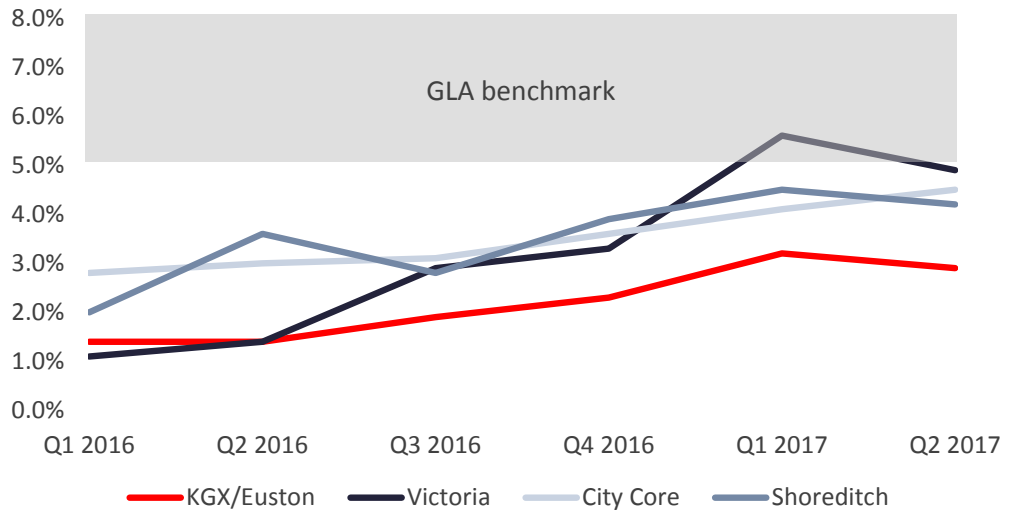
6 The Need for Affordable Workspace

Low vacancy rates

6.1 In any market with an active and growing business base, there will be a natural churn of businesses. This is a positive sign showing that current businesses are growing and requiring new office space. In order to facilitate this churn, it is necessary that some space is empty to avoid a long term wait for building out new supply. In short, efficient and growing markets require some vacant supply. The Land for Industry and Transport Supplementary Planning Guidance (GLA 2012) suggests that this frictional vacancy should be managed at around 5-8% of stock.[29]

6.2 Although vacancy rates in Kings Cross/Euston have increased since Q1 2016, they still remain far below the GLA benchmark for a functioning market, at just 2.9% in Q2 2016. This means that there is effectively no vacant supply in the Kings Cross/Euston area. Recent major developments in the area, such as 3 and 4 Pancras Square, and other pipeline developments have been pre-let, also suggesting a lack of existing vacant stock. This is likely to negatively affect the area's ability to attract new businesses and accommodate the growth of existing businesses.

Figure 21: Office Vacancy Rates, 2016-17



Source: Colliers International 2017

6.3 An employment land review performed by URS for the LBC[30] study identified an undersupply of office employment in the central section[31] of the borough and suggest policy should 'encourage new provision of high-quality office space' in this area. The Opportunity Areas of Kings Cross and Euston were identified as areas with potential for large office provision. The study concluded that:

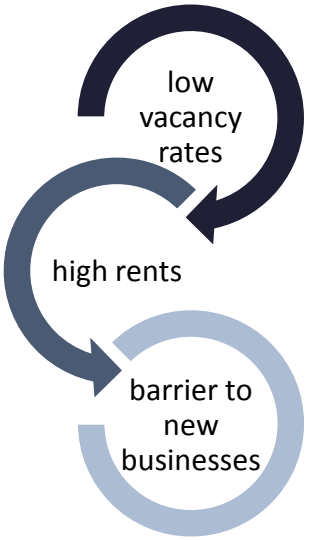
[29] Greater London Authority (2012), Land for Industry and Transport: Supplementary Planning Guidance, GLA
[30] LB Camden Employment Land Study, URS, 2014
[31] This refers to the areas of LBC that lie within the CAZ. There is some overlap between the CED and CAZ towards the south of the CED, in Euston, Euston Road and Kings Cross.

"There is growing occupier and investor demand for office floorspace in LB Camden's central London area. At present and for the next few years, market signals suggest that the forthcoming supply falls short of this demand"

LB Camden Employment Land Study, URS, 2014

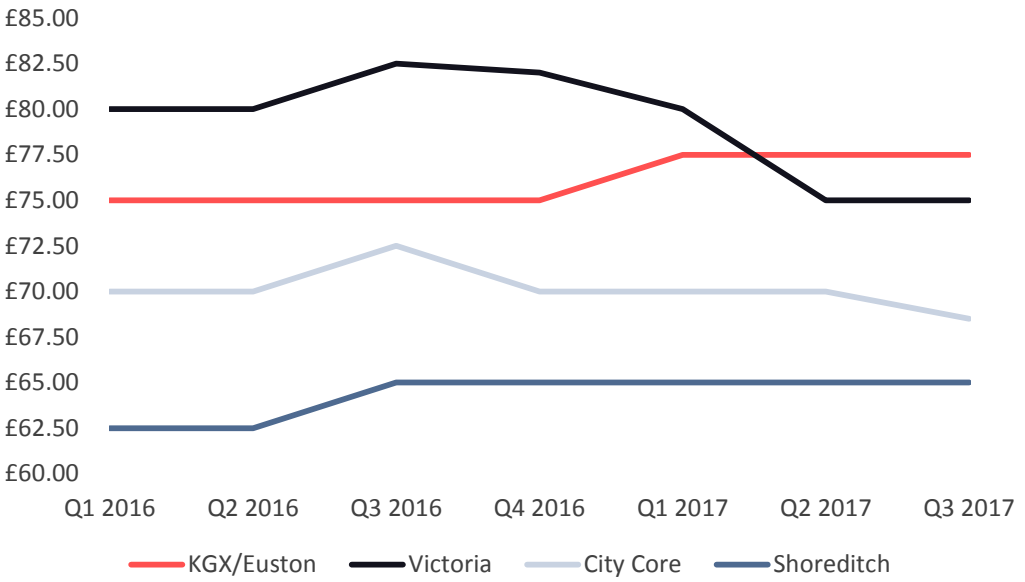
High rental prices

6.4 A further consequence of excess demand is high prices. As demand exceeds supply, competition for office space increases which results in price increases. High rental prices can force businesses out of an area and deter new businesses from moving to the borough.



6.5 Figure 21 shows that rental values in Kings Cross/Euston have increased slightly since Q4 2016 to £77.50 psf since Q1 2017. Falling rental values in Victoria mean office space in the Kings Cross/Euston area is now more expensive than Victoria (£75 psf) and remains higher than the City Core (£70 psf) and Shoreditch (£65 psf).

Figure 22: Rental values (£psf), 2016-17



Source: Colliers International, 2017

Start-up space

6.6 Balance is needed between the large floorplate offices able to attract large companies, which support high volumes and densities of employment, and smaller spaces for SMEs and start-ups.

6.7 The LBC's Local Plan[32] asserts the importance of providing affordable and appropriate workspace to suit the needs of different types of businesses. It commits to seeking provision of 'innovative employment floorspace' to suit small businesses such as flexible leases, networking space and adaptable layouts.

> *'We will seek the provision of innovative new employment floorspace in developments that will provide a range of facilities including: flexible occupancy terms; flexible layouts; studios; workshops; and networking, socialising and meeting space that will meet the needs of a range of business types and sizes.'*
>
> Camden Local Plan, 2016

6.8 The Collective is an example of an innovative type of workspace, which offers many of these facilities. The nature of the accommodation provides the flexibility for start-ups to grow, allowing them to take on more space as they do so, at affordable rents.

6.9 Incubator, accelerator and co-working spaces (IACs), such as The Collective, have had an increasingly important role to play in the provision of workspace and support for start-ups and small businesses. An analysis commissioned by the GLA defines IACs as spaces that offer environments to suit small and micro businesses, sometimes alongside business support.[33]

6.10 The London Open Workspaces records and maps the location of over 330 IACs. Figure 22 maps those in the LBC and the surrounding boroughs.

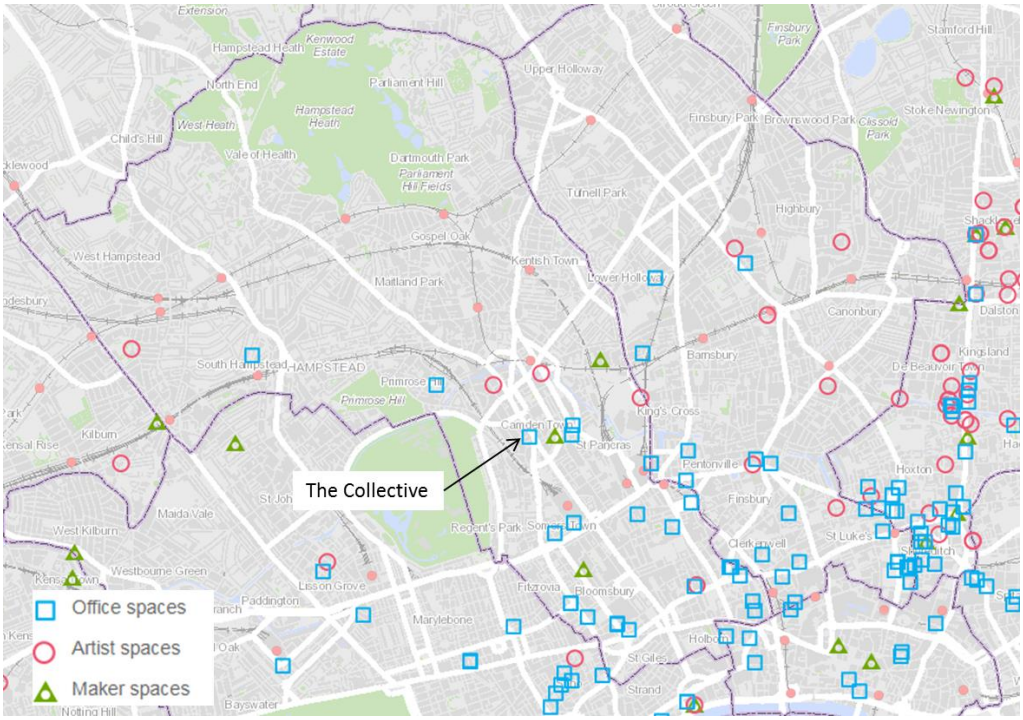
6.11 URS note that the areas where there are lots of IACs "have clusters of businesses involved in digital technology, communication and other creative businesses". This is positive for the CED and its future potential to accommodate IACs, as the area has a high proportion of businesses in the creative industries.

6.12 The URS study also finds a relationship between PTAL ratings and the location of IACs. As the majority of the CED achieves a PTAL rating of 6b, this makes the CED an attractive location for IACs.

6.13 The LBC is identified in the study as one of the top four boroughs by number of IACs. The map shows that most of the LBC's existing IAC's are in the south, more central, part of the borough. There are 9 IAC's within the CED boundary including The Collective.

[32] London Borough of Camden, 2016,'Local Plan'
[33] URS (2014), Supporting places of work: incubators, accelerators and co-working spaces

Figure 23: IAC concentration across central London



Note: blue boxes are office spaces that offer flexible rental terms; IACs fall under this category. Red circles are artist spaces which are artist studios that provide a minimum of five studios and are publically accessible. Green triangles represent maker spaces which are similar to co-working spaces but offer access to a shared workshops space, as well as tools.

Source: GLA, London Open Workspaces Map, 2017

6.14 The URS study[30] highlighted Camden Town as 'performing a critical role' in 'nurturing small businesses in economic and flexible space'. This is viewed as a secondary market, providing more affordable workspace for smaller businesses. It found that there is little demand for large offices here, although there is also limited supply. Instead, demand is for smaller offices, with existing supply able to meet demand.

Supporting inclusive growth with the C3 model

6.15 Camden has a lower new business survival rate than both London and England, with only 87% of new start-ups in Camden surviving their first year in 2014.[34] IAC's are recognised to directly increase the survival rates of start-ups.[33]

[34] ONS, Business Demography, 2016

Figure 24: Survival of newly born enterprises, 2014

Area	1 year survival rate
England	92.2
London	90.9
Camden	87.0

Source: ONS, Business Demography, 2016

6.16 CTU are proposing an innovative model, C3 mixed use development, which would include affordable office space like The Collective to support new businesses. The aim of this initiative is to both safeguard affordability and encourage sustainable growth.

6.17 C3 will aim to support 10-20 new start-ups each year (depending on the size of the development). Given the SME survival rates in Camden it would be expected that in the first year alone, 1-2 of these businesses would fail. However the experience from the Collective suggests that nurturing these businesses in a lower cost environment has resulted in a near to zero failure rate, with nearly all businesses managing to continue to operate, and some going on to flourish.

Future Potential of the CED

Chapter 7: Future Growth

Chapter 8: Tax Potential of a TIF and Other Sources of Funding

7 Future Growth

7.1 The previous sections have analysed the baseline position of the CED economy in order to understand its current and past performance, the economic importance of the area, it strengths and its challenges. This section considers the potential future for the area. In order to consider this, we assess what the area would look like if its past performance continued, what scale and type of growth is planned here, and what development and change is already in the pipeline. This is then collated to provide an outlook for the future potential for the CED.

Past Growth and Planned Growth

7.2 Between 2009 and 2015 employment in the area covered by the CED grew at a rate of 2.2% pa, with the delivery of c. 6,500 new jobs during this six year period.

7.3 The GLA projects that 79,000 jobs will be created in the LBC between 2016 and 2036.[35] If we assume that the CED maintains the same proportion of the LBC's employment (20%) as it has currently then it would be expected that 15,500 of these new jobs would be in the CED, equivalent to a growth rate of 1.0% pa over the next twenty years, or 775 new jobs per annum. This would create an estimated c. £1.1bn additional GVA per year by 2036.

7.4 As the area has delivered over 1,000 new jobs per annum over the past few years, growth at this rate would be considerably slower than the growth that the area has experienced historically. This would therefore be a conservative outlook for the area, especially given that the vision for the area is for it to continue to be a high growth area and therefore it might be expected that the CED will accommodate a higher proportion of the borough's new jobs in the future.

7.5 The London Plan sets out a target of 889 new housing units per annum in LBC (2015-2025). As the CED makes up c. 10% of LBC's land, if assumed to be proportionate, the CED's equivalent housing target would be c. 89 new units per annum. The government's proposed housing need assessment finds that 1,568 dwellings are needed per annum (2016-2026) in LBC[36] which, if accepted, increases the housing need in the area by over 75%.

Development Pipeline

7.6 The CED is an area undergoing considerable development and change. This section brings together schemes that have been completed recently but are not captured within the baseline; schemes that are underway; and schemes that are planned for the area.

7.7 Data collection has been based on information from the GLA's London Development Database (LDD)[37], which details the major planning permissions in London as provided by the London boroughs, and the LBC's Planning Portal. While this assessment should give a good understanding of the LBC's development pipeline – capturing the key developments in the area – it is likely that there are some sites that

[35] GLA, 2017, Borough Employment Projections
[36] DCLG, 2017
[37] GLA, 2017, London Development Database

are not accounted for, and some permissions included which may not be implemented.

7.8 Table 17 sets out a series of identified key developments in the CED area, along with their estimated date of completion and current status. Appendix 8 provides maps showing all developments in the CED which have been approved, are under construction or have been completed in recent years.

Table 17: Key Developments

Development	Completion Date	Status
Hawley Crescent (Viacom)	2016	Completed
Francis Crick Institute	2016	Completed
3 Pancras Square	2017	Completed
32 Jamestown Road	2017	Under Construction
4 Pancras Square	2018	Under Construction
Greater London House (ASOS)	2018	Under Construction
Google HQ	2022	Permitted
174 Ossulston Street	2023	Under Construction
Morrison's Superstore and Petrol Station (Camden Goods Yard)	2024	Proposed
100 Chalk Farm Road	Unknown	Permitted
39-45 Kentish Town Road	Unknown	Permitted

Source: GLA, London Development Database

7.9 In the following sections we assess the contribution that the development pipeline has and will make to the CED's economy through employment and housing supply in the area. Where employment supported by specific developments is not publically available, it has been estimated using industry standard guidance. We split the schemes into those: completed, under construction, permitted but not yet started and proposed developments.

Completed developments

7.10 The Francis Crick Institute, discussed in the life sciences section, opened in November 2016 near St Pancras Station. The Crick is expected to support 1,500 jobs in life sciences industries, of these jobs an estimated 400-700 will be new positions.[15]

7.11 3 Pancras Square is a major new office development, comprising of 15,000 sqm of office space. This was pre-let to HAVAS Media as the company's UK headquarters, allowing the firm to consolidate its existing London offices, bringing its existing 1,700 employees into one building.[38][39]

7.12 These two schemes alone show the potential for large scale new developments, particularly offices which accommodate employment at the highest densities, to have a significant impact on employment within an area.

[38] http://www.mcm-uk.com/havas-media/

[39] The relocation of HAVAS Media to 3 Pancras square involves the consolidation of six London offices, of which two are in the LBC – so not all of these would be additional jobs to LBC

7.13 Extension of Viacom's offices at Hawley Crescent, in the Camden Town area, through courtyard infill has allowed 150 additional employees to be accommodated onsite.[40] This is an important development, as it provides an example of how business expansion can be accommodated in the CED area.

Developments under construction

7.14 4 Pancras Square is a major office development which has been pre-let to Universal Music. Universal will move from their existing Kensington site to their new Kings Cross office in mid-2018. This will result in over 1,000 new workers in the area. It is also estimated that retail and food and beverage units within the development will accommodate over 50 jobs.

7.15 Redevelopment at Greater London House to expand ASOS's HQ is another example of infill development to help accommodate the requirements of a growing business. ASOS expect to employ 1,500 new members of staff by 2020 (although construction of the extension is expected to be complete in 2018), these new employees will be located on the redeveloped site (near Mornington Crescent tube station).[41]

7.16 32 Jamestown Road is an office development, situated in Camden Town, which is expected to accommodate an additional 500 jobs.

7.17 Development at 174 Ossulston Street[42] is a residential led scheme which involves the replacement of a school and community facilities, being funded through the profits made from the private sale residential units. The scheme includes 136 residential units, of which 44 are new social rented homes and 92 are for private sale.

Permitted but not yet started developments

7.18 In August 2017, an application for Google's new HQ at Kings Cross was permitted. Once complete, the new offices will accommodate an estimated 4,500 workers.[43]

7.19 Two residential-led mixed use developments have also been permitted in the area. 100 Chalk Farm Road will provide 63 new residential units, while employment uses will support an estimated 105 new jobs.[44] 39-45 Kentish Town Road will provide 24 new residential units and support a further 95 jobs.

Proposed developments

7.20 The proposed development of the Morrisons site at Camden Goods Yard lies within the Camden Town area of the CED. An application has been submitted to the LBC but is currently undergoing consultation. If successful the development could directly support over 1,000 net additional jobs once operational.[45] The scheme would also provide 573 residential units, meaning it would have a considerable impact upon housing provision in the area.

[40] DP9, 2015, Planning Statement - 17-29 HAWLEY CRESCENT

[41] https://www.asosplc.com/~/media/Files/A/Asos-V2/global-news/pr-12-12-2016.pdf

[42] https://www.camden.gov.uk/ccm/cms-service/stream/asset/?asset_id=3411868&

[43] King's Cross Central General Partner Ltd and Google UK Limited, 2017, Compliance Report – Zone A building

[44] GL Hearn, 2013, Planning Statement – 100 Chalk Farm Road

[45] Turley Economics, 2017, Economic and Regeneration Impact Statement – Camden Goods Yard

Summary of pipeline impact

7.21 It is estimated that between 4,700 and 5,600 additional jobs will be supported within the CED through developments either already completed (but not captured in our baseline assessment) and/or under construction. A further 4,700 jobs are likely to be accommodated in future through permitted developments. Furthermore, the proposed development at Camden Goods Yard would result in the creation of over 1,000 new jobs if permitted by LBC.

7.22 It may take several years for these new jobs to be created due to likely lengthy construction and fit out periods but if all of the proposed and permitted developments were completed, this would result in the creation of up to 11,300 new jobs in the CED. This would represent a 16% increase in employment and an estimated between £0.7bn and £0.8bn in additional GVA per year. This demonstrates the changing nature of the CED and its future growth potential.

Table 18: Summary of employment impact

	Net job creation
Completed	1,650-2,550
Under Construction	3,050
Not Started	4,700
Proposed	1,000
Total	**10,400-11,300**
GVA impact	**£0.7bn - £0.8bn**

Source: Volterra calculations

NB 3 Pancras Square include consolidation of six London offices, of which two are in the LBC - the lower bound therefore assumes that only two thirds of the employment associated with this development is additional.

7.23 It is expected that 137 new housing units will be delivered as a result of the 174 Ossulston Street development which is under construction. Two further developments which have been permitted but not yet started could deliver 87 additional housing units. The proposed Morrison's redevelopment would provide the biggest contribution to the housing supply, with 573 units proposed.

7.24 Together these developments could deliver almost 9 years' worth of the CED's proportionate housing target (89 units per annum 2015-2025), although the majority of these (6.5 years' worth) would be within the Morrisons development which is still undergoing consultation.

Table 19: Summary of housing supply impact

	Net housing units
Under Construction	137
Not Started	87
Proposed	573
Total	**797**

Source: Volterra calculations

Future avenues for development – Euston Station

7.25 As the 5th busiest mainline station and 11th busiest tube station, Euston is already a major transport hub, but will also become the London terminal for HS2. In order to accommodate HS2, the station will undergo significant expansion. The station and surrounding area form the Euston Opportunity Area, signalling this is an area with high future growth and regeneration potential. This section therefore focuses on the potential for growth at Euston, and how this could contribute to the economy of the CED.

7.26 In April 2017, the Secretary of State for Transport and Network Rail put out a Memorandum of Information[46] to "appoint a long term Master Development Partner to lead the creation of a new commercial and residential district at Euston – one of the largest regeneration opportunities in central London".

7.27 The redevelopment of the 22 hectare Euston Estate (the station and immediate area) and the importance of the Over-Site Development (OSD) is emphasised: "Only a comprehensive approach to the OSD, delivered by a single party or consortium considering town planning and value creation across the entire Euston Estate, will deliver the vision."

> *"A core strategic objective for Government is the delivery of jobs and homes above and around the Station. Over-site development (OSD) is a unique 'place-making' opportunity, which will create a new sustainable mixed-use quarter, helping to unlock the full potential of the area, improve accessibility, re-activate streets, reconnect communities, create new public and green spaces and drive positive transformation of the Euston area."*
>
> *Euston Station Development Opportunity - Memorandum of Information, 2017*

The case for above station redevelopment

7.28 As set out previously, accessible places are suitable for high density developments. A report by the Centre for Cities[47] identified the following four benefits of over-site development:

- It enables sustainable **high density development**.
- It makes **use of land and assets held by public bodies** such as Transport for London and Network Rail (who together have plans for around 15,000 homes in coming years).
- It **generates development receipts** that can help fund infrastructure improvements.
- It creates **new civic ecosystems of public space and facilities** around stations, and can connect communities separated by rail infrastructure.

[46] Network Rail, DFTM HS2; Euston Station Development Opportunity - Memorandum of Information, April 2017
[47] Centre for Cities, Ideas above your station: Exploring the potential for Development at London's Stations, 2017

"Assembling sites around stations can create a more balanced business case, as well as enabling a new mixed-use piece of city – complete with social infrastructure and public realm – rather than an isolated high-density development."

Centre for Cities, 2017

Redevelopment of Euston Station

7.29 The Centre for Cities report argues that Euston Station is a good example of where public investment in transport will enabled private sector redevelopment: "the planned redevelopment of Euston Station, taking place alongside the new HS2 terminus, provides an example of how consolidation of land ownership, combined with public investment into enabling works, has unlocked private sector investment to enable the redevelopment of a long-unloved station."

7.30 While the shortlist of Development Partners for the Euston Estate has been announced, planning is still in the very early stage. The Memorandum of Information includes some very high level numbers across three Zones:

- **Station Approach Zone** – 60k to 100k+ m^2 of residential space
- **Over Station Zone** - 60k to 100k+ m^2 of mixed use space
- **Southern Development Zone** – 100k to 200k+ m^2 of commercial space.

7.31 The potential for development at Euston is not included in our development pipeline figures since a masterplan has not yet been developed and a development partner has not yet been chosen, but this scale of development is likely to result in significant job creation and housing delivery. Very high level estimates suggest that there could be between 9,500 and 18,000 gross jobs and over 800 new housing units within the Euston development (based on the quantum of floorspace set out in the Memorandum of Information).[48] These are high level estimates but are indicative of the scale of development potential at Euston Station.

Future Potential

7.32 The pipeline of development (detailed above) identifies up to 11.3k jobs that could be delivered; these are not all certain to be delivered but this shows that a significant proportion of the employment target for the area has already been identified, and could soon be realised by development already in the planning pipeline.

7.33 The development pipeline is expected to be built out by 2024. If delivered to this timescale, this would result in a growth rate of 1.8-1.9% pa (2016-2024), or 1,300-1,400 new jobs per annum, which is more in line with the historic growth (2.2% pa 2009-2015) that the area has achieved. A more aspirational target for the CED would therefore be to continue to achieve this level of growth to 2036 (compared to the GLA forecast which equates to a growth rate of 1.0% pa). This would result in the creation of a further 13,500 to 16,500 jobs (in addition to the GLA target of 15,500

[48] Employment calculated in line with HCA employment density guidance. Number of housing units calculated based on the London Plan (2016) minimum space standards for 1/2/3 bed dwellings (assuming equal numbers of each size property are provided).

jobs). This could create an estimated £0.9bn - £1.1bn in additional GVA per year by 2036.

7.34 Given the future contribution of redevelopment at Euston (and potential 'ripple effect' that the station masterplan may encourage) and the historic growth that has occurred in the CED area, this more aspirational growth scenario does not seem unreasonable.

Table 20: Summary of future employment scenarios

	Growth rate (% pa)	Total jobs delivered (2016-2036)
GLA target (based on CED's current contribution)	1.0%	15,500
Development pipeline to 2024, followed by GLA target	1.8-1.9% (2016- 2024) 1.0% pa (2024-2036)	20,500-21,500
Aspirational growth	1.8-1.9% pa	29,000-32,000

Source: Volterra Calculations, 2017; GLA, London Plan, 2016; GLA, London Development Database, 2017

7.35 Future housing supply in the CED, and achieving housing supply targets, is very reliant on the proposed Morrisons development (which would deliver 6.5 years' of the CED's housing proportional target in one development). The redevelopment of Euston is also likely to provide a significant contribution to the housing supply, with the number of units likely to be higher than the total number of units within the existing pipeline. Together these schemes would help the CED, and wider LBC meet its existing housing targets. However, given the needs assessment finds over 1,500 dwellings per annum are required to meet demand for housing in the borough, it is likely that housing targets will increase in future.

8 Tax Potential of a TIF and Other Sources of Funding

8.1 This section aims to quantify the likely level of funding that could be provided by Tax Increment Financing (TIF) under different scenarios and time frames. It then also looks at other options which may be available to use for funding, should a TIF not be possible or feasible. However given the scale of potential employment growth in the area, and the associated business rates that this would generate, coupled with the mechanisms currently available for funding projects, TIF is likely to be the most appropriate form of funding. In order to promote a TIF for a specific project, detailed business planning and scenario analysis would need to be undertaken which is not possible at this stage. This section instead highlights the potential opportunities and possible scale of funding that could be supported via this mechanism in the CED.

Tax Increment Financing

8.2 TIF is a public financing method for financing projects. Through TIF, local authorities can divert additional property tax revenues from a defined area towards investment. While other methods of value capture are possible through TIF, only business rate revenues are currently available for TIF in the UK as these are the only local authority taxes likely to be directly affected by infrastructure projects. Variations of TIF have been used to fund projects in London, Newcastle and Sheffield.

8.3 The proposals for a TIF in the CED could take a number of forms but the basic idea is that the TIF would capture incremental increases in business rates in the CED to fund projects which would provide benefits to the area, supporting future growth. That borrowing would then be repaid by future uplifts in the business rates generated in the area.

8.4 The Northern Line Extension has agreed funding using a TIF[49], whereby future growth in business rates within the Nine Elms Opportunity Area is to be borrowed against, with repayment guaranteed by the UK government.

8.5 The Croydon Growth Zone – in Central Croydon – is another example of where TIF is currently being used in the UK to fund infrastructure. The zone is expected to run until 2043, delivering £310m of investment in infrastructure. Unlike Nine Elms, this infrastructure is not purely transport, but also includes new homes (of mixed tenure), refurbished retail units, improved secondary school provision, and public realm improvements.[50] The TIF will run over a period of 16 years with an option for a three year extension.

> *"TIF is only likely to be suitable where substantial business rate growth is a realistic prospect"*
>
> *Centre for Cities, 2011. 'A Taxing Journey'*

8.6 The Centre for Cities notes that a condition for TIF to be used as a form of financing is that business rate growth must be a realistic prospect. Indeed, councils must forego these future gains in business rates to finance the borrowing, so it should be

[49] PwC (2014). *Crossrail 2 Funding and Financing Study*
[50] London Borough of Croydon, 2017, '*Statement Of Executive Decisions Made By The Cabinet Member For Homes Regeneration And Planning On 20 July 2017*'

demonstrable that future growth would not happen without the investment. One of the major criticisms of TIFs in the US (where TIF funding is more widespread) is that the investment and associated growth could have occurred without TIF using public funds. [51]

8.7 A key part of the proposals is that the TIF captures incremental business rates revenues so that the total accruing to the Treasury does not fall. TIF is therefore applied to projects that are expected to generate additional growth in an area rather than displacing it from other parts of the UK. It is of course always difficult to pinpoint the 'do-nothing' scenario of what would have happened anyway, and to proof causality in terms of the proportion of realised growth which was as a direct result of the funded intervention.

Business rates context and application to the CED

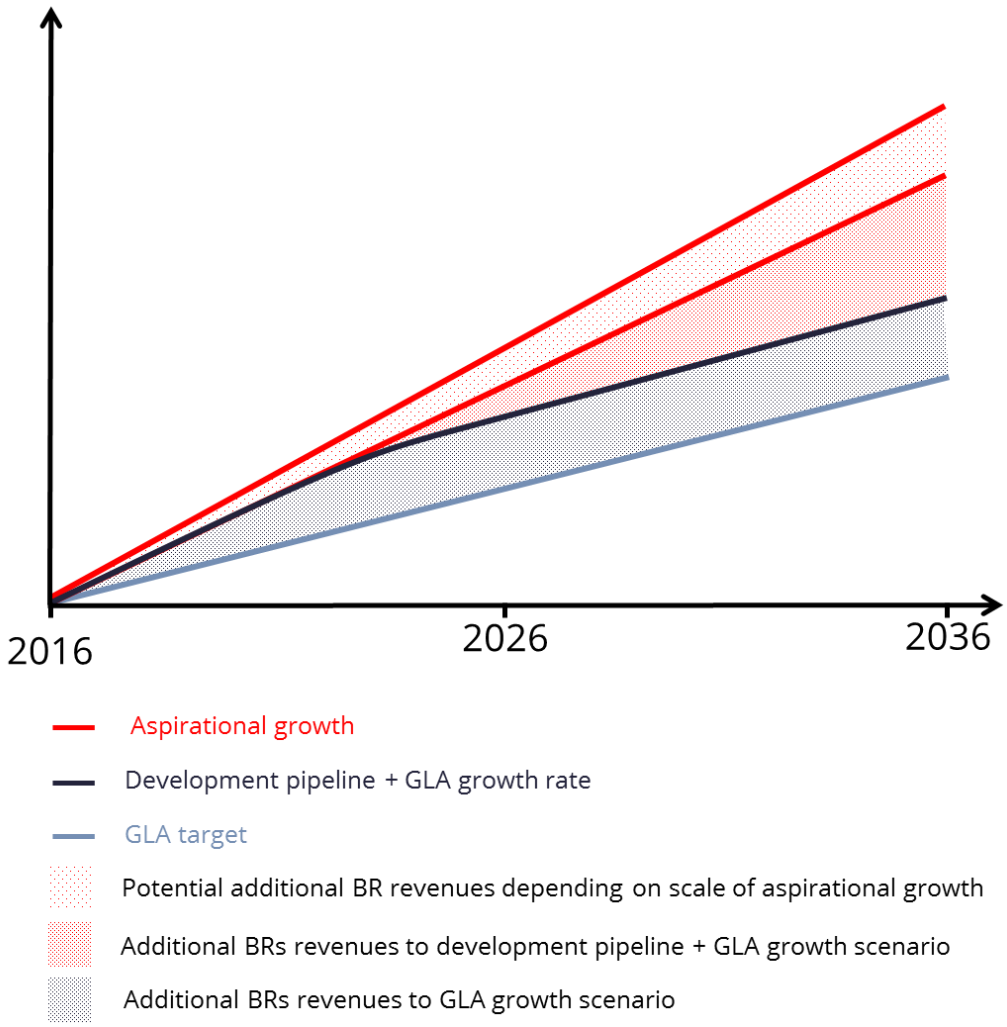
8.8 The CED is a key part of the LBC and London's economy, contributing a significant amount of tax revenues through business rates. The CED currently generates annual business rates of at least £215m, equivalent to 34% of rates across the LBC.

8.9 Any additional floorspace growth in the CED will further add to this business rate generation. It is estimated that for every additional 1,000 sqm of office floorspace in the CED, the area will contribute an extra £170-£255k of business rates each year.[52]

8.10 The three proposed employment scenarios for the CED will require floorspace growth in order to accommodate new workers. The floorspace growth will generate significant economic activity and taxes. A suitable TIF mechanism may involve capturing a proportion of additional business rate revenues resulting from this development in order to fund the infrastructure required to support this growth as well as further growth in the area. This approach is similar to other funding mechanisms applied elsewhere and is consistent with the recommendations of the London Finance Commission who propose that the GLA should be allowed to capture incremental growth in property taxes. Figure 23 shows graphically how business rate revenues will vary between the employment growth scenarios set out in the previous chapter. Additional business rates revenue (compared to the GLA target) generated through additional employment/floorspace creation is shown by the shaded regions.

[51] British Property Federation (2008), 'Tax Increment Financing: A new tool for funding regeneration in the UK?'
[52] The range reflects the upper and lower quartiles of the rateable values in the CED.

Figure 25: Comparison of business rates revenue, by employment growth scenario



NB. For illustrative purposes only, not to scale

8.11 Table 21 calculates the business rates likely to accrue from the three different employment scenarios (where the scenario presents a range, the lower bound of employment is used for the calculations). It presents both the additional annual revenue and Net Present Values (NPV).

8.12 Based on the rateable values per square metre for existing businesses in the CED[53], achieving the GLA target growth is expected to result in an additional annual business rates contribution from the CED of between £31m and £47m by 2036.[54] This represents an increase on current annual levels of at least 15%. This only quantifies the increase in rates as a result of new floorspace, not through any increase as a result of rising rates payable by existing businesses.

8.13 The aspirational growth scenario would result in rates rising by between £27m and £41m per annum more by 2036 than the GLA target scenario (and increase of over

[53] The range reflects the upper and lower quartiles of the rateable values in the CED (£352 – 539 per sqm)

[54] Assumes a UBR of 47.9%

80%), thus generating revenue of between £182m and £274m in additional to revenue created by achieving GLA target growth, based on a 20 year NPV.

Table 21: Additional business rates contribution by growth scenario

	Estimated annual business rate contribution (by 2036)	20 year NPV	Additional revenue compared to GLA target 20 year NPV
GLA target growth	£31m-£47m	£208m-£314m	-
Development Pipeline then GLA growth rate	£42m-£63m	£278m-£418m	£70m-£105m
Aspirational growth	£59m-£88m	£390m-£587m	£182m-£274m

Source: Volterra Calculations 2017; Figures may not sum due to rounding

Borough CIL

8.14 A Borough CIL is a form of CIL that is set at the borough level and can be used to fund infrastructure improvements required by new developments. The Camden CIL rate varies within the LBC through three value zones (A-C). The CED lies in both Zone A and B, and applies a tariff on Zone A of £500 per sqm (£500 Zone B) for residential below ten dwellings; £150 (£250) per sqm for residential over 10 dwellings; £25 (£25) per sqm for retail; £45 (£25) per sqm for office.[55] Camden CIL spending is split into two types of project: strategic (75% of funds) and local (25% of funds). According to LBC's Medium Term Financial Strategy, strategic CIL spending will be on schools and highway works until 2020.

8.15 Borough CIL has been used in a specific way for the funding of the NLE. A proportion of the Borough CIL collected on specific developments which are directly attributable to the NLE will be used by the GLA to provide additional funding for the NLE.

8.16 There is a precedent, therefore, for a proportion of the LBC's CIL to be used to fund investment in the CED, particularly where other new development is catalysed by the CED.

CIL – development pipeline

8.17 The current development pipeline could result in up to £22m of CIL contributions.[56] It should be noted that almost £15m of this would be levied on the proposed Morrisons

[55] Camden Council (2015). London Borough of Camden Community Infrastructure Charging Schedule

[56] It is noted that where developments are already under construction or recently completed, CIL payments may already have been made and funds committed to other projects. This estimate does not include the 174 Ossulston Street development, as all profits from this development are being reinvested in the school and community infrastructure provided by the development

(Camden Goods Yard) development, the majority of which is due to the quantum of housing proposed within the scheme. Camden's CIL information document[57] states that for 'large scale developments that deliver major strategic infrastructure', infrastructure payments may be considered in lieu of CIL. Therefore the actual value of CIL receipts could be significantly below the £22m estimate.

8.18 It is assumed that 75% of CIL payments collected from developments within the pipeline would be used for strategic projects, in line with LBC's current policy. Therefore 25% of funds, an estimated £1.7m - £5.5m, could be available for local projects.

Table 22: Estimated CIL contributions – Development Pipeline

	Total CIL	Strategic Projects	Local Projects
CIL (excluding Morrisons development)	£6.9m	£5.2m	£1.7m
CIL (including Morrisons development)	£21.8m	£16.4m	£5.5m

Source: Volterra Calculations, 2017

8.19 These calculations do not include potential CIL revenues from redevelopment of the Euston Estate because the Council's CIL information document states that 'once the precise nature of the [Euston] scheme and the implications for development values and infrastructure funding become clear Camden will review its approach to CIL charging in this area'.[57]

8.20 High level estimates of the future CIL contributions for each of the three employment scenarios presented in the previous chapter (GLA target growth, Development Pipeline then GLA growth rate and Aspirational growth) are presented in Table 23.[58] These are based on the lower bounds of each scenario. It is therefore estimated that at least £31m in total CIL payments would be made to match the GLA growth scenario, with a further £7m when the existing Development Pipeline is included. In the Aspirational growth scenario, total CIL payments are expected to be £55m. It is therefore expected that in the aspirational growth scenario, £14m worth of CIL monies will be available for local projects, £6m more than the expected value of CIL payments in the GLA target growth scenario.

[57] Camden Council (2015). CIL Information Document

[58] Estimates are based on the lower bounds of employment scenarios. Assumes that growth is split equally between Camden's CIL charging Zones A and B and that all new employment is office-based. This is conservative because office workers can be accommodated at high densities, therefore requiring less floorspace (and CIL payments are calculated directly based on quantum of floorspace). It is also conservative because Zone A has a higher charge per sqm for office space than Zone B, but in reality more growth might be expected in Zone A (rather than a 50:50 split) as this covers the southern portion of the CED, including areas of Euston and Kings Cross Opportunity Areas.

Table 23: Estimated CIL contributions – future growth scenarios

Scenario	Total CIL	Strategic Projects	Local Projects
GLA target growth	£31m	£24m	£8m
Development Pipeline[59] then GLA growth rate	£38m	£29m	£10m
Additional contribution compared to GLA target	*£7m*	*£5m*	*£2m*
Aspirational growth	£55m	£41m	£14m
Additional contribution compared to GLA target	*£24m*	*£18m*	*£6m*

Source: Volterra Calculations, 2017

Sale of land and property

8.21 Investments in infrastructure can often lead to significant increases in the value of land and property in the vicinity of the development. Due to the scope of taxation at a local level and the lack of connection between property value and council tax, it is difficult to capture such increases in value. One way of capturing this increase in value is to take ownership of the land in the expectation that the land value will increase upon development.

8.22 While simple in essence, it can prove difficult to acquire new land at correct, pre-scheme values, and it requires large land acquisition budgets. In large regeneration cases, Mayoral Development Corporations (MDCs) have been set up allowing, among other benefits, for the compulsory purchase of land. While an MDC is possible for the LBC, it seems unlikely given the only two current MDCs are the London Legacy Development Corporation and Old Oak Common, both representing significant regeneration projects.

8.23 The LBC owns several buildings close to the underground station which could either be sold or leased out. For example, the Hawley School is vacant. [60]

8.24 There is also precedent for the issuance of bonds in order to fund open market purchases of land. In August 2015, Warrington Council issued £150m in bonds with a 40-year repayment period, to redevelop Warrington Town Centre. Use of this mechanism would enable the LBC to capture part of the value created by economic activity in the area to fund infrastructure which could, in turn, encourage development.

Development Rights Auction Model (DRAM)

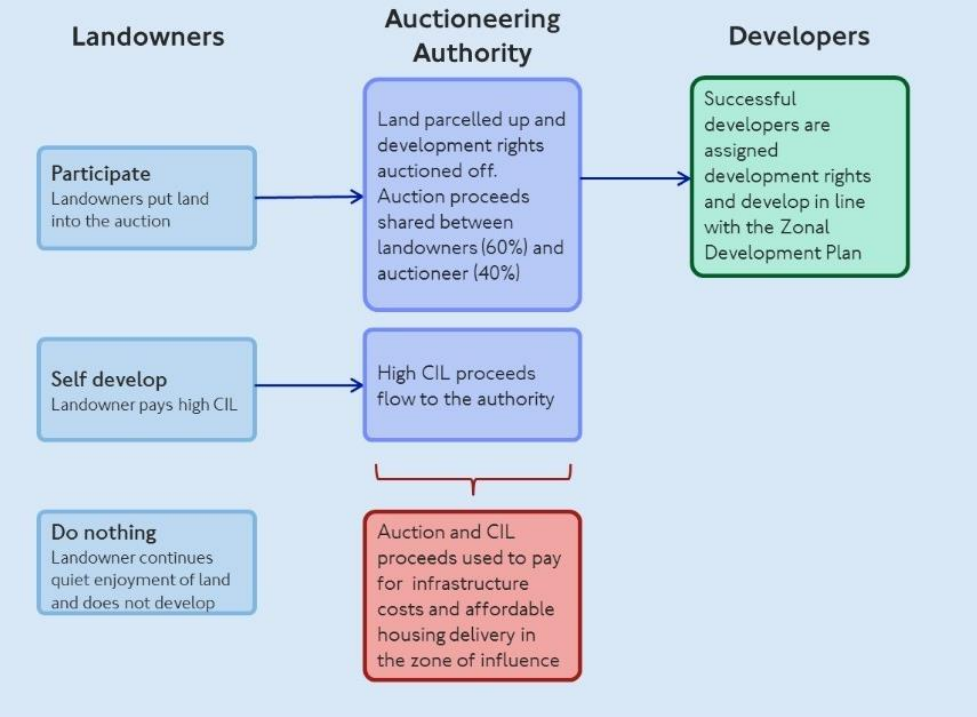
8.25 DRAM is a new idea for the UK, TfL is considering this as a mechanism to help fund transport infrastructure investment.[61] It involves the authority buying and parcelling up land and applying for planning consent on it, removing this burden from

[59] Excludes potential Morrison's development contribution
[60] London Borough of Camden. (2017). *Local Authority Land Map | Open Data Portal*
[61] TfL, 2017, 'Land Value Capture'

developers. The authority can then capture the uplift in value by auctioning off the parcelled land.

8.26 While as yet untested, DRAM represents a tool for regeneration by assembling land in an efficient way and removing land assembly risk from developers and landowners. It also has the significant benefit of capturing the land value increases that can result from large redevelopments.

Figure 26: Diagram of development rights auction model



Source: TfL

National productivity fund

8.27 The UK government has recognised the need to address the longstanding weaknesses in UK productivity; through addressing the productivity issue it is hoped that living standards will improve and the UK will be capable of attracting more investment. The National Productivity Fund (NPF) is a £24 billion fund that aims to tackle low productivity through high-value investment in specific areas of the UK economy which are critical for productivity. These areas are as follows:

- **£7.2 billion to support the construction of new homes**, including spending by Housing Associations – this is relevant to the delivery of affordable housing in the CED. Tackling this problem would mean that more people can live in the borough in which they work and would have a larger amount of money to spend within the local area.
- **£4.7 billion to enhance the UK's position as a world leader in science and innovation** – this is particularly relevant since there were 3,600 people in life sciences jobs in the CED in 2015; this is a 19% increase since 2009 (compared to growth of 4.6% in London).

- **£2.6 billion to tackle congestion and ensure the UK's transport networks are fit for the future** - Currently the CED is a key transport hub: Kings Cross St Pancras is the 2nd busiest tube station on the network and Euston is ranked 11th in entries and exits by train station users in 2016. Kings Cross, St Pancras International and Euston provide train services across the UK. The arrival of HS2 will further increase this transport connectivity.
- **£0.7 billion to support the market to roll out full-fibre connections and future 5G communications.**
- The remaining £8.8 billion will be spent on a variety of other areas.

How to catalyse C3 development in the CED

8.28 The CED estimate that they would require around £50m to invest in the land and development costs in order to deliver their first C3 project. The C3 scheme would not only include affordable housing and affordable workspace (which Chapters 5 and 6 show is needed), but also an element of market rented stock – potentially both housing and commercial – which would deliver an ongoing rental yield so that the scheme can refinance and go on to reinvest the proceeds to deliver more benefits.

8.29 The intention of this vision is to ensure that whilst growth is maximised and enabled across the CED area, the inclusive element is not lost – so that small businesses and entrepreneurs can afford to set up here, and people can afford to live close to where they work. The benefits of this, in terms of inclusivity, are hard to quantify but are clear when the example of the Collective is used as a case study – nurturing new businesses and enabling them to achieve near 100% business success rates, in a setting of low start-up costs and low risk.

8.30 In order to do this however, they require initial funding. The aim is not to be given a handout in order to deliver a one off scheme, but to deliver a product that pays itself back, thus providing an ongoing revenue stream for reinvestment in the area, to ensure that this inclusive growth is maintained in the future as the area continues to grow its economic role and importance.

8.31 This section has shown that a more aspirational growth target in the CED could, by 2036, increase the annual business rates paid by businesses in the area by between £27m and £41m more than the GLA target scenario, thus generating revenue to the value of between £182m and £274m when assessed as a 20 year NPV. It is likely therefore that a £50m TIF to enable an initial C3 development could be repaid within less than 5 years with 100% retention of any business rates above the baseline scenario, or within 20 years with 25% retention.

8.32 An alternative option would be to think about a combination of the funding mechanisms discussed in this section, for example:

- A landowner could donate a small piece of land, in lieu of S106/CIL/affordable housing contributions, thus reducing the initial upfront costs of procuring the land required to deliver C3.
- The local projects element of Borough CIL from other nearby developments could be set aside to assist in funding the delivery of the scheme.
- The remainder of the costs could be met through a TIF.

8.33 The evidence in this section has shown that the values which could be created in the area could readily be used to fund a C3 investment, though a variety of ways.

Conclusion

9 Conclusion

9.1 The vision of the CED is to ensure that the growth potential of the area is maximised, while ensuring that the growth enables delivery of genuinely affordable housing and workplaces – in essence that the area's diversity and inclusivity is maintained amidst the wider goal of maximising the area's potential for growth and the associated benefits of increasing its economic contribution.

9.2 It is estimated that the CED currently accommodates 69,000 jobs – this is almost 20% of the LBC's employment on just 10% of its land – and contributes an estimated £4.7bn per annum in GVA. The CED has grown at a rate of 2.2% pa in recent years (2009-2015), delivering 6,500 new jobs within six years, and has established itself as a thriving business centre with a vibrant night time economy, taking advantage of its excellent levels of accessibility.

9.3 The GLA projects that 79,000 new jobs will be created in the LBC by 2036. Based on its proportion of Camden's employment, the CED would be expected to accommodate 15,500 of these new jobs – a growth rate of 1.0% pa, or c. 775 new jobs each year.

9.4 There is significant growth planned and underway in the area, with growth of 1.8%-1.9% pa expected to 2024. It is estimated that 4,700-5,600 additional jobs will be supported within the CED through developments already completed and under construction and a further 5,500 jobs are likely to be accommodated in future through permitted/proposed development. This would represent a 16% increase in employment and between £0.7bn and £0.8bn in additional GVA per year. This means that within less than half of the twenty year projection period, the area is already likely to have delivered up to 11,300 new jobs (almost 75% of the 15,500 GLA target for the next twenty years).

9.5 The potential for development at Euston Station is not included in these figures since a masterplan has not yet been developed nor a development partner agreed, but this could provide a significant upside to the employment numbers (high level estimates suggest that this could accommodate between 9,500 and 18,000 new jobs) as well as providing a significant contribution to the housing supply (high level estimates suggest there could be over 800 homes here). The redevelopment, and the arrival of HS2 itself, may also encourage the other development in the area, creating a 'ripple effect'.

9.6 A combination of historic growth, the development pipeline and the potential for development at Euston suggest the area could grow significantly faster than the simply the proportional GLA target. A more aspirational target for the CED would be to continue to grow at 1.8-1.9% pa, which would lead to the creation of 29,000-32,000 new jobs in the area by 2036 (compared to the GLA target of 15,500).

9.7 While the CED may deliver its proportion of existing housing targets through major proposals (such as Morrison's at Camden Goods Yard and Euston Station), housing targets may soon increase in response to the new housing needs assessment which finds there is a need for over 1,500 new dwellings per annum in Camden (compared to the existing GLA target of 889 per annum).

9.8 Although there is significant potential for the future of the CED, the affordability of housing and workspace is a major issue facing the area which threatens to constrain future economic growth and increase unaffordability and disparity. House prices in the LBC are increasingly unaffordable, with median house prices 19.6 times the median salary of workers in the borough in 2016, this is following a 114% increase in house prices in LBC since 2006. More housing delivery, at affordable prices, is needed to ensure residents also share in the area's future success.

9.9 Incubator, accelerator and co-working spaces (IACs), such as The Collective, have had an increasingly important role to play in the provision of workspace and support for start-ups and small businesses and helping ensure their survival.

9.10 The report demonstrates the scale of economic value that is currently generated in the CED as well as its future potential, focusing particularly on the need to secure the future affordability of the area. The C3 model will help safeguard affordability in the CED through the provision of mixed-use commercial and residential development. This economic growth could be leveraged via a funding mechanism to enable the investment in C3 mixed use development needed to maintain the area's success.

9.11 This study has shown that by aspiring to a more challenging growth target across the CED, the area could, by 2036, increase the annual business rates paid by businesses in the area by between £27m and £41m more than the GLA target scenario, thus generating revenue to the value of between £182m and £274m when assessed as a 20 year NPV. By supporting a TIF based on these revenues, or a funding mechanism drawing from a number of sources, the diversity and inclusivity of the area could be maintained whilst also delivering the wider growth objectives for the area and enabling it to continue to make a larger economic, and social, contribution.

Appendices

10 Appendices

Appendix 1 – comparators

10.1 There are many economic statistics available yet these are generally difficult to understand on their own. The analysis in this report therefore compares the CED to a number of comparators or study areas throughout. The study areas are used in order to provide context to the figures and were chosen based on a combination of judgement and statistical evidence.

10.2 The following figure maps the comparator areas. In addition to a comparison to the borough-wide average, these include South Bank, Victoria BID and the Old Street business partnership. The study areas were chosen on the basis that they are all within Inner London, contain a key mainline or London Underground station, and are places that are undergoing significant change.

Figure 27: The CED in relation to its comparators

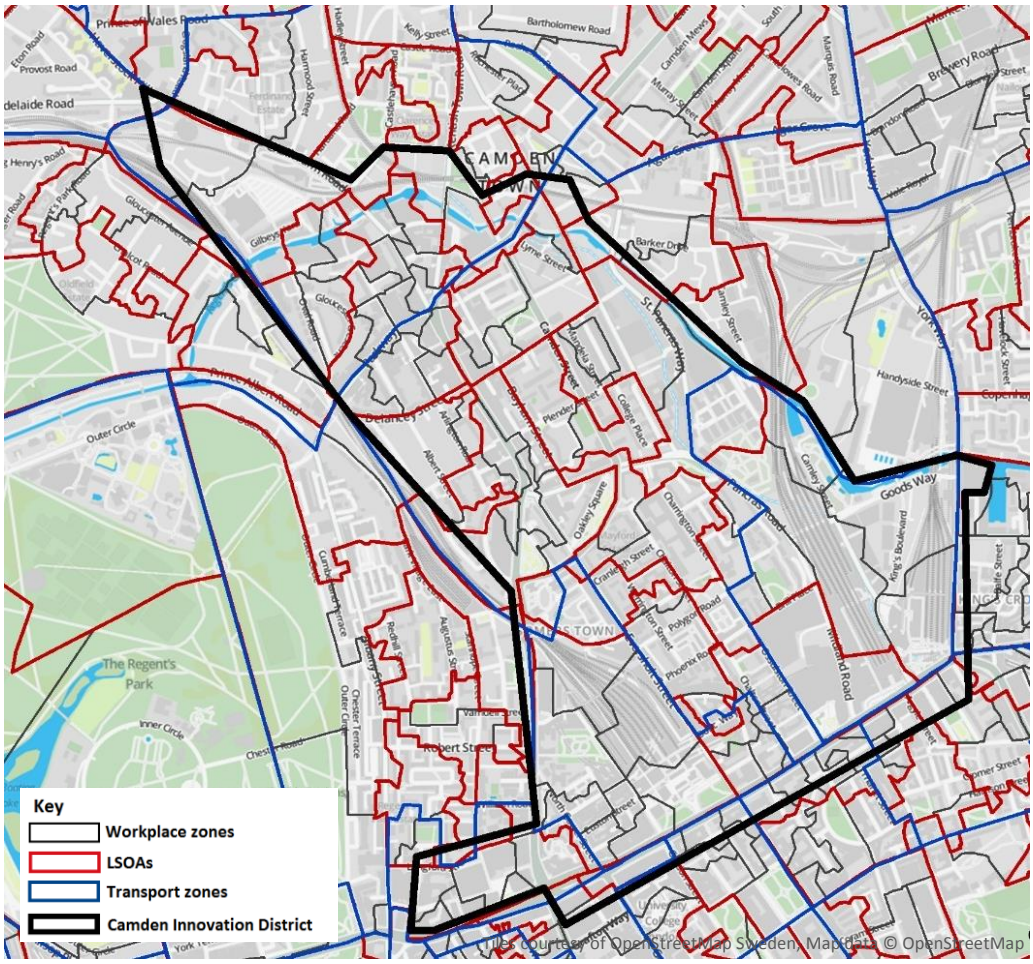
Appendix 2 – geographical areas

10.3 Functional geographical areas such as CED rarely match up with geographies used to record statistics, and statistical geographies vary by dataset. As such, it has been necessary to use different geographical definitions for different purposes.

10.4 Figure 26 depicts an example of this, showing some of the different geographies used to collect data on the characteristics of CED. The blue outlines show transport zones (TZs), a TfL geography, which is used for the accessibility analysis. The red outlines show the LSOAs, an ONS geography and one of the smallest areas for which economic and social data can be analysed. WZs, highlighted in black, are another ONS geography that allows us to collect data at a more detailed geographical level. The thick black boundary shows the actual study area of CED which overlaps with 14 TZs, 30 LSOAs and 99 WZs.

10.5 Some statistics based on different geographies are scaled down appropriately, and transparently to take account of the mismatch between data and geography. This is done using GIS.

Figure 28: Geographic areas



Appendix 3 – employment

10.6 As illustrated above, the geography of the study area does not match exactly with any geographical areas for which data is recorded. As a result, estimates of economic statistics are approximated based on the proportion of CED within statistical geographies, calculated using mapping software (GIS).

10.7 The following analysis uses data from two sources to estimate employment in the area as there are positives and negatives of using each. The first source is the census which is useful as it provides employment data at a detailed geography WZs but the last census was in 2011 so this information is now somewhat out of date – particularly in areas such as CED where there has been significant development.

10.8 The second source is the business register and employment survey (BRES). Unlike the census data this is collected annually so gives more up to date information on current employment, the problem however is that it not available at a similar level of detail (the most detailed is LSOA) so the geographic fit to the study area is worse than the census. In short, there is a trade-off is between using data which is detailed but irregular or more up to date but less detailed.

10.9 Table 24 summarises these employment estimates, also presenting BRES employment in 2011 for comparison with the census estimate. This shows that the BRES 2011 estimate is lower than the census estimate for the same year. Since the census data has a better fit to Victoria, this suggests that BRES estimates underestimate employment in the study area.

10.10 To account for this, the analysis has included one further job estimate which applies job growth between 2011 and 2015 from BRES to the more geographically accurate census figure. As this now takes into account the detailed geography, as well as the most up to date data, this is believed to be the most accurate approximation of employment in CED, although it is still an estimate of employment levels.[62]

10.11 The census suggests that employment in CED was 55,000 in 2011. Assuming CED has matched the rate of growth achieved in the wider area for which annual data is available (BRES), we estimate that the area now accommodates around 69,000 jobs.

Table 24: Estimates of employment within CED by source and year

Estimate of jobs within CED	Year	Source
43,000	2011	Business Register and Employment Survey (based on LSOAs)
55,000	2011	2011 Census (based on WZ)
54,000	2015	Business Register and Employment Survey (based on LSOAs)
69,000	**2015**	**2011 Census (based on WZ) combined with 2011- 2015 BRES growth rate**

Source: BRES 2015, 2011 Census and Volterra calculations (figures are rounded)

[62] This methodology also assumes that growth occurs uniformly within each LSOA, which may under – or over-estimate employment.

Appendix 4 – broad industrial sector look-up

Table 25: Sector look-up

Sector	Sub-sector
Professional services	Information and communication
	Financial and insurance activities
	Real estate activities
	Professional, scientific and technical activities
	Administrative and support service activities
Public services	Public administration and defence; compulsory social security
	Education
	Human health and social work activities
Arts and entertainment	Arts and entertainment
Accommodation and food	Accommodation and food
Wholesale and retail	Motor trades
	Wholesale
	Retail
Others	Agriculture, forestry and fishing
	Mining and quarrying
	Manufacturing
	Electricity, gas, steam and air conditioning supply
	Water supply, sewerage
	Construction
	Transport and storage

Appendix 5 – Creative industries definition

Table 26: All employment sectors classed as creative

Employment Sector
7021 : Public relations and communication activities
7311 : Advertising agencies
7312 : Media representation
7111 : Architectural activities
3212 : Manufacture of jewellery and related articles
5911 : Motion picture, video and television programme production activities
5912 : Motion picture, video and television programme post-production activities
5913 : Motion picture, video and television programme distribution activities
5914 : Motion picture projection activities
5920 : Sound recording and music publishing activities
6010 : Radio broadcasting
6020 : Television programming and broadcasting activities
6201 : Computer programming activities
6202 : Computer consultancy activities
5811 : Book publishing
5812 : Publishing of directories and mailing lists
5813 : Publishing of newspapers
5814 : Publishing of journals and periodicals
5819 : Other publishing activities
5821 : Publishing of computer games
5829 : Other software publishing
7410 : Specialised design activities
7420 : Photographic activities
7430 : Translation and interpretation activities
9101 : Library and archive activities
9102 : Museum activities
8552 : Cultural education
9001 : Performing arts
9002 : Support activities to performing arts
9003 : Artistic creation
9004 : Operation of arts facilities

Appendix 6 – life sciences

10.12 Table 27 sets out the SIC codes used to define the life sciences industry within this report. The definition adopted is from the ONS, as set out in their article 'Identifying Science and Technology Businesses in Official Statistics'.

Table 27: Life sciences definition

SIC CODE	Description
21	**Manufacture of basic pharmaceutical products and pharmaceutical preparations**
21.1	*Manufacture of basic pharmaceutical products*
21.2	*Manufacture of pharmaceutical preparations*
26.6	**Manufacture of irradiation, electro medical and electrotherapeutic equipment**
26.701	**Manufacture of optical precision instruments**
32.5	**Manufacture of medical and dental instruments and supplies**
72.11	**Research and experimental development on biotechnology**
75	**Veterinary activities**
86	**Human health activities**
86.1	*Hospital activities*
86.101	*Hospital activities*
86.102	*Medical nursing home activities*
86.2	*Medical and dental practice activities*
86.21	*General medical practice activities*
86.22	*Specialist medical practice activities*
86.23	*Dental practice activities*
86.9	*Other human health activities*

Source: ONS (2015)

Appendix 7 – night time economy

10.13 As there is no official statistical definition of the night time economy, we have used the same definition as opted by Volterra within a report for TfL on the Night Tube.[63] Table 28 shows the SIC codes used within the definition.

Table 28: Industries in the night time economy

Broad sector	Sub-sector	SIC code
Accommodation and food	Licensed restaurants	56101
	Unlicensed restaurants and cafes	56102
	Take away food shops and mobile food	56103
	Other food service activities	56290
	Licensed clubs	56301
	Public houses and bars	56302
	Hotels and similar accommodation	55100
	Holiday centres and villages	55201
	Youth hostels	56202
	Other holiday and short stay accommodation	55209
	Camping grounds	55300
	Other accommodation	55900
Arts and entertainment	Gambling and betting activities	92000
Information and communication activities	Motion picture projection activities	59111

Source: ONS, UK SIC 2007; Volterra, 2014

10.14 Employment in the night time economy has been calculated by converting total employment by SIC code into Friday and Saturday night employment. Table 29 shows the proportions that have been used to calculate night time employment.

Table 29: Converting total employment into night time employment

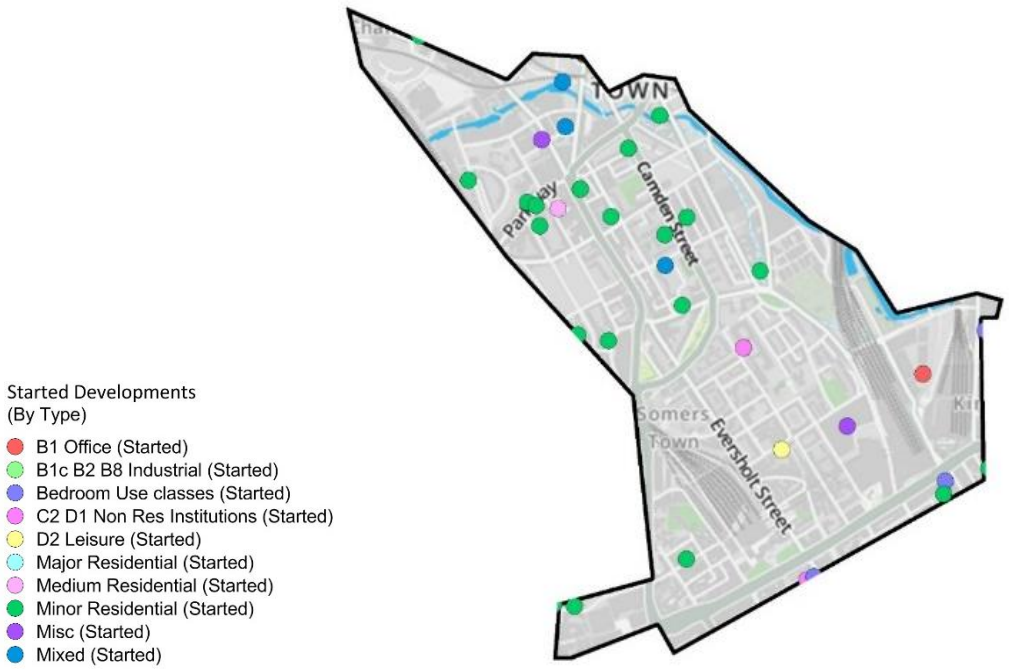
Sub-sector	Night time as % of full day
Licensed restaurants	10%
Unlicensed restaurants and cafes	10%
Take away food shops and mobile food	20%
Other food service activities	10%
Licensed clubs	100%
Public houses and bars	20%
Hotels and similar accommodation	20%
Holiday centres and villages	20%
Youth hostels	20%
Other holiday and short stay accommodation	20%
Camping grounds	20%
Other accommodation	20%
Gambling and betting activities	11%
Motion picture projection activities	40%

Source: Volterra, 2014

[63] Volterra, 2014, '*Impact of the Night Tube on London's Night-Time Economy*'

Appendix 8 – development pipeline

Figure 29: Developments under construction, by major use class, August 2017

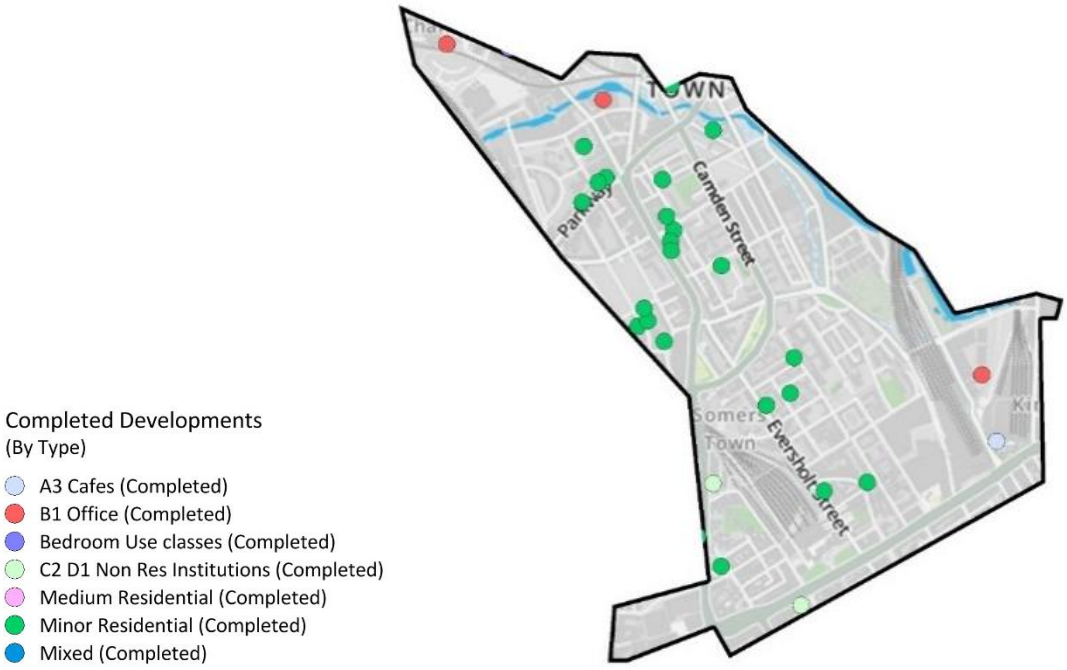


Source: GLA, LDD

Figure 30: Developments permitted but not yet started, by type, August 2017

Source: GLA, LDD

Figure 31: Completed developments, by type, August 2017



Source: GLA, LDD

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