



**London Borough of Hammersmith and
Fulham**

Proposed Estates Regeneration: Economic Appraisal - Response to Comments

Report

3rd February 2012

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1 Introduction

AMION Consulting, in conjunction with Jones Lang LaSalle (JLL), prepared an Economic Appraisal Report to assist the London Borough of Hammersmith and Fulham in considering the possible inclusion of the West Kensington and Gibbs Green estates within a comprehensive phased scheme of regeneration for the Earl's Court and West Kensington Opportunity Area. The Economic Appraisal was an accompanying document to the revised Earl's Court and West Kensington Opportunity Area Joint Supplementary Planning Document (November, 2011).

This report sets out a response to the comments from West Kensington & Gibbs Green Community Homes and the West Kensington & Gibbs Green Tenants and Residents Associations (WK & GG Community Homes and WK & GG TRAs) on the Economic Appraisal report. The response within this report is focused on the concluding comments from the WK & GG Community Homes and WK & GG TRAs, which state that the Economic Appraisal suffers from:

- “a lack of detail and evidence for its conclusions, which appear to be based on a plethora of subjective opinions masquerading as ‘facts’;
- an obvious ignorance of the character of the estates and the published aspirations of their occupants;
- a lack of transparency about how the figures are arrived at and a failure to properly define ambiguous terms;
- an irrational justification for demolition based on spurious grounds; and
- a failure to fairly and properly assesses the residents’ community transfer option.”

Each of these comments is dealt with in turn below. A full response to all of the comments received from the WK & GG Community Homes and WK & GG TRAs has been submitted separately.

In considering the comments from WK & GG Community Homes and WK & GG TRAs, the purpose and scope of the Economic Appraisal should be borne in mind. It is not intended to be an assessment of the impacts of the redevelopment on the two estates alone. Rather, its focus is on assessing the **economic** costs and benefits to the boroughs of Hammersmith and Fulham and Kensington and Chelsea of the inclusion or not of the estates within the proposed comprehensive regeneration scheme for the Opportunity Area.

2 Response to comments

2.1 Lack of detail and evidence

The Economic Appraisal is based upon a thorough review and analysis. It comprises a clear and logical assessment of the gross and net additional impacts of five alternative options, drawing on a range of evidence including socio-economic data, economic and financial modeling and market assessments. The report has been produced in line with HM Treasury's Green Book,

which indicates that all spending proposals should be accompanied by a proportionate and well structured appraisal.

An assessment of phasing, demand and viability in relation to each option has been carried out as part of the Economic Appraisal. In addition, appropriate management and maintenance of the stock forms part of each of the options appraised. The management and maintenance costs of the options have been considered and are included within the assessment of the net present value.

The assessment of the net additional benefits includes specific consideration of leakage, displacement, multiplier and deadweight effects for each of the options and has been informed by various analyses, as well as recognised data sources and guidance (for example, the Department for Business Innovation and Skills' guidance on assessing additionality). In doing so, for example, the potential for permanent job losses under each of the alternative options has also been considered (through the assessment of displacement and deadweight).

2.2 Ignorance of the estates and aspirations of occupants

The Economic Appraisal was informed by a number of site visits and various contextual analyses, including socio-economic data, market assessments and development appraisals. The condition of the estates was considered as part of the Economic Appraisal. For example, it informed the analysis of future costs.

The results of the Council's consultations were also reviewed as part of the Economic Appraisal. The Council has been consulting extensively with residents of the estates over the past two years in order to understand the issues and concerns that they may have over the inclusion of the estates as part of comprehensive redevelopment of the Earl's Court and West Kensington Opportunity Area.

The Economic Appraisal has had regard to the various proposals (including those of local residents) for the area.

2.3 Lack of transparency

The Economic Appraisal presents the key assumptions and results of the analyses. Technical terms, such as those associated with additionality, are defined in the document. The additionality assumptions are explicitly identified so that the gross to net additional adjustment is clear.

The Report was informed by socio-economic analysis which was based on published Lower Layer Super Output Area data, together with information contained in a Council document (West Kensington and Gibbs Green Estates profiles).

2.4 Irrational justification for demolition

The Economic Appraisal indicates that there is a rationale for 'regeneration'. Many regeneration schemes involve redevelopment. Therefore the use of the word regeneration is

considered appropriate. Demolition of the estates would only be undertaken as part of a phased re-provision of homes and hence regeneration.

The identification of the comprehensive redevelopment scheme for the Opportunity Area as the best option is based on a clear analysis of the economic case. The Economic Appraisal does not seek to justify the regeneration of the estates purely on the grounds of poor physical and/or social condition. Rather, the Appraisal assesses the overall net additional benefits to the two boroughs of the inclusion or not of the estates within the proposed comprehensive regeneration scheme for the Opportunity Area.

The Council acknowledges that Decent Homes Funds have been spent on the estates and this is accounted for in estimates of future maintenance and management costs. This is one of a range of considerations included within the Economic Appraisal.

The comprehensive redevelopment of the Opportunity Area, which will be facilitated by the inclusion of the estates, will generate significant net additional economic benefits to the two Boroughs of Hammersmith and Fulham and Kensington and Chelsea which local residents can benefit from.

2.5 Failure to assess residents' community transfer option

Options 1 and 2 included the potential for improvements and infill development, such as those proposed under the residents' community transfer. It is also understood that the Council has indicated that it would be willing to pursue options for local ownership following redevelopment.

The Economic Appraisal has had regard to the various proposals for the area, including those of local residents. Its focus was on the net additional benefits to the two boroughs of the inclusion or not of the estates within the proposed comprehensive regeneration scheme for the overall Earl's Court and West Kensington Opportunity Area.

3 Conclusion

The Estate Regeneration Economic Appraisal study has been completed. It has assessed the additional economic costs and benefits for the two boroughs of Hammersmith and Fulham and Kensington and Chelsea of five options (including a reference case) for the estates and the wider Earl's Court and West Kensington Opportunity Area.

The Estate Regeneration Economic Appraisal is not considered to be 'fundamentally flawed'. It has appraised a variety of options for the estates ranging from minimal intervention through to comprehensive regeneration as part of the Earl's Court and West Kensington Opportunity Area. The Economic Appraisal included analysis of the gross and net additional impacts associated with each option. It has informed the Council's decision about the inclusion of the estates within the proposed comprehensive regeneration scheme for the Earl's Court and West Kensington Opportunity Area. It has also been used to inform the current consultation document about whether or not to enter into a land sale agreement involving the West Kensington and Gibbs Green Estates.