

OBJ3/P6

Transport and Works (Inquiries Procedure) Rules 2004
Proposed London Underground (Victoria Station Upgrade) Order

LAND SECURITIES PLC AND OTHERS (Objector No. 3)

PROOF OF EVIDENCE of ROBERT FOURT BSc MSc MRICS
of GERALD EVE

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Robert William Fourt will say:

1 Qualifications

- 1.1 I am a Bachelor of Science, holding an Honours Degree in Land Administration and a Master of Science in Property Investment with distinction and a Chartered Surveyor, being a Member of the Royal Institution of Chartered Surveyors.

- 1.2 I am a Partner in the firm of Gerald Eve, Chartered Surveyors and Property Consultants, of 7 Vere Street, London W1, having other offices in Birmingham, Cardiff, City of London, Glasgow, Leeds, Manchester, Milton Keynes and West Malling.

- 1.3 I have over 20 years experience and have been involved in advising on strategic planning, valuation finance & funding and development in London and elsewhere in the United Kingdom, and mainland Europe, throughout my professional career.

- 1.4 I am a member of the Planning and Development Department of Gerald Eve. I have advised landowners, corporate occupiers, developers, institutions and public authorities on most aspects of the property development process in London and across the United Kingdom. I have undertaken feasibility studies and valuations for different purposes and a variety of property types. I have significant experience in valuations in connection with development opportunities including: the preparation of development appraisals; advice on financial viability; and risk assessment. I have also provided advice to landowners, developers and funders in respect of disposals and acquisitions of redevelopment opportunities for alternative uses.

Specific relevant experience

- 1.5 I have advised Land Securities since October 2006 to date upon financial appraisal and associated matters, for planning purposes, in respect of their proposals known as Victoria Transport Interchange. This has concerned land bounded by Bressenden Place, Buckingham Palace Road and Victoria Station including properties either side of Victoria Street fronting Victoria Station. My advice has concerned, viability, compulsory acquisition and compensation and financial justification of proposals that formed major application for alternative schemes in 2007 and 2008.
- 1.6 I advised Croydon Council between 1998 and 2007 on various town centre redevelopments. This has comprised multidisciplinary roles involving: negotiations ranging from development agreements to Section 106 agreements; site assembly and CPO and compensation advice; economic and feasibility studies; affordable housing provision; appraisals of schemes and reviewing their financial viability; providing evidence at major planning inquiries; and undertaking quantitative and qualitative risk assessments.
- 1.7 I have provided advice to the Royal Bank of Scotland on the effect of potential compulsory purchase of city centre sites within their acquisition of the NCP portfolio and the valuation and consequential financial implications.
- 1.8 I have provided evidence to the Lands Tribunal on land situated in Shoreditch, which is subject to the East London line. This has concerned providing valuations for compensation purposes.
- 1.9 My firm has provided a number of valuations of land for a

variety of clients in the Victoria area. We have also advised on various property related matters in the Victoria area over a number of years.

- 1.10 I am familiar with the Land Securities' properties that are subject to the Order (as set out in Section 2 of my evidence) and with the locality generally.
- 1.11 I am currently advising on a variety of mixed use regeneration and redevelopment proposals across London in both a transactional and consultancy capacity.
- 1.12 I attach examples of my experience as **Appendix 1 (OBJ/P6/A1)**.

2 Subject matter of the Inquiry

2.1 The Inquiry is being held into objections made to the London Underground (Victoria Station Upgrade) Order ("the TWAO") made on 22 November 2007 by London Underground Limited ("LUL") pursuant to the provisions of Sections 1 and 5 of the Transport and Works Act 1992 and in accordance with the Transport and Works (Applications and Objections Procedure) (England and Wales) Rules 2006.

2.2 In his evidence my colleague Hugh Bullock sets out the purpose of the Order as contained in the Explanatory Memorandum and matters about which the Secretary of State wishes to be informed about as contained in the Department of Transport's letter dated 8 May 2008. From this letter I note in particular with regard to my evidence the need for the Secretary of State to be satisfied upon matters 7 and 10:-

7) Whether there is a compelling case in the public interest for conferring on the promoters powers compulsorily to acquire and use land for the purposes of the scheme, having regard to the guidance on the making of compulsory purchase orders in ODPM Circular 06/2004, paragraphs 16 to 23; and whether all of the land over which the promoters have applied for such powers is required in order to secure implementation of the scheme.

10) Whether the proposals are reasonably capable of attracting the necessary funding.

2.3 It is these two matters which my evidence seeks to address.

3 Scope and purpose of my evidence

- 3.1 My evidence concerns the impact of the proposed Victoria Station Upgrade ("VSU") on Land Securities' proposals to deliver a substantial redevelopment of this part of Victoria, and the potential level of compensation payable, having regard to the compulsory purchase 'compensation code', in respect of the consequent financial losses to Land Securities if the TWAO is confirmed.
- 3.2 My evidence does not seek to establish the precise amount of compensation which will be payable for the acquisition of Land Securities' interests and rights in land under the Order and the impact on its other land in the area. This is ultimately a matter for agreement between the parties or determination by the Lands Tribunal.
- 3.3 My evidence seeks, rather, to provide a broad indication of the likely basis and level of compensation, on the basis that this:
- (i) reflects the degree of harm being done to the aim of achieving other regeneration in this area of Victoria;
 - (ii) has implications in terms of the deliverability and funding of VSU;
 - (iii) has implications in terms of whether the current proposals represent good use of public resources; and
 - (iv) allows a proper assessment as to whether the public interest is properly served the TWAO as submitted.

- 3.4 These are considerations of particular relevance in the context of the Department of Transport's letter of 8 May 2008.
- 3.5 I therefore explain the principles of compensation as they relate to Land Securities' interests in Victoria; I outline the valuation methodology adopted together with underlying assumptions; and I provide details of my compensation estimates.
- 3.6 I also consider the consequential savings of public funds through the reduction of compensation were all or some of the requested amendments to the TWAO put forward by Land Securities agreed or adopted.
- 3.7 The potential total level of compensation is considered against the financial provision that LUL has made for compensation in the business case for VSU.
- 3.8 In preparing my report, I have relied upon evidence provided by other expert witnesses instructed by Land Securities. These comprise the following:

Corporate / VTI background and overview of the Land Securities case - Colette O'Shea of Land Securities

Physical impact of VSU proposals on VTI – Nigel Earp of Land Securities

Technical and engineering solutions – Tim Chapman of Arup

Transport - Roy McGowan of Steer Davies Gleave (SDG)

Planning – Hugh Bullock of Gerald Eve

3.9 In addition I have had regard to the following documents insofar as I consider them relevant for the purposes of preparing my report:

- (i) The original VTI scheme (**Land Securities Core Documents OBJ3/1/27** (the planning statement), **OBJ3/1/27A** (a description of the VTI proposals) and **OBJ3/2/14** (plan showing VTI scheme))
- (ii) The VT12 scheme (**Land Securities Core Documents OBJ3/1/28** (the planning statement), **OBJ3/1/28A** (the VT12 Masterplan statement) and **OBJ3/2/15 to 15C** (plans showing the scheme))
- (iii) Market reports (**Land Securities Core Documents OBJ3/1/34 to 36**)
- (iv) ODPM Circular 06/2004 (**Document VSU.D10**)
- (v) Land Take Plan from the TWAO (**Inquiry Core Document VSU.A33**)
- (vi) Supplementary Environmental Statement: Technical Appendix D (**Inquiry Core Document VSU.A31**)
- (vii) Plans showing Land Securities' suggested land take (**Land Securities Core Document OBJ3/2/20**)
- (viii) Redacted heads of terms for VSU (**Land Securities Core Document OBJ3/1/3**)
- (ix) Plan of freehold landholdings of Land Securities and subsidiary companies in the immediate vicinity (**Land Securities Core Document OBJ3/2/11**) and wider

Victoria area (**Land Securities Core Document OBJ3/2/12**)

- (x) Details of the properties making up the VTI development site, and those found in the wider Victoria area, referred to in the evidence of Colette O'Shea (**Land Securities document OBJ3/P1/A2**)

3.10 References in my report to land can be taken, where the context so permits, as including existing buildings and other structures on and below the land and included in the interest.

4 **Description and background and Land Securities' requirements**

- 4.1 I do not propose to restate the background to, or details of, Land Securities' proposals for redevelopment and regeneration of this part of the Victoria area, nor of Land Securities' land interests in the area, as these are either a matter of record or are dealt with in the evidence of Colette O'Shea and by other witnesses. Plans showing those Land Securities interests which are affected by the Order have been submitted as **Land Securities Core Documents OBJ3/2/21** and **OBJ3/2/22**.
- 4.2 In brief summary however, Land Securities are proposing a major redevelopment of land to the north of Victoria Station. A number of planning applications for schemes known as Victoria Transport Interchange ("VTI") are currently before Westminster City Council. One was submitted in August 2007 and a further three in September 2008. Full details of these schemes - known generally as "VTI1" and "VTI2" respectively - are set out in the evidence of Ms O'Shea.
- 4.3 I briefly draw attention to the main differences between the two schemes insofar as they are relevant in the context of my evidence. These can be summarised by reference to the VTI2 proposals as follows:
- (i) VTI2 will exclude the District & Circle Line works;
 - (ii) It will retain the Terminus Place buildings,
 - (iii) There will be a reduction in the bulk and massing on the site to heights which comply with the general height guidelines set out in Figure 3 of the VAPB, including the provision of only one tall building.

- (iv) Portland House is retained;
- (v) There is an amendment to the layout of the public realm and building blocks to the north of Victoria Street to focus on pedestrian routes and smaller dispersed areas of open space rather than a large new central public space;
- (vi) VT12 includes provision of affordable housing on site; and
- (vii) It includes provision of a Section 106 payment having regard to Westminster's Planning Obligations SPG.

4.4 VT11 comprises a single planning application, and it would not therefore be possible to undertake a part of it if, because of the loss of parts of the site due to VSU, the remainder could not be delivered.

4.5 Colette O'Shea, Hugh Bullock and Nigel Earp explain in their evidence that VT12 is the subject of three separate planning applications:

- (i) Application 1 This relates to Buildings 5, 6b and 7a which are proposed to be constructed on land largely outside the current TWAO boundary relating to land to be acquired or used permanently; part of the land is however affected by the limits for protective works and temporary use;
- (ii) Application 2 This relates to Buildings 7b and 7c within the current TWAO boundary relating to land being acquired or used permanently; and
- (iii) Application 3 This relates to Building 6a which is partially on land in the current TWAO boundary for land to be acquired or used permanently.

4.6 The land currently proposed to be acquired under the TWAO is shown in **Land Securities Core Document OBJ3/2/13** together with the extent of the works that make up VSU.

4.7 The physical impact of LUL's current VSU proposals on Land Securities' VTI proposals is set out in detail by Nigel Earp of Land Securities in his evidence. In brief summary however, the impact of the proposals and of the proposed acquisition of Land Securities' land as provided for in the TWAO is that:

(i) **VTI1** would not be capable of being implemented without delay and as planned, as a significant proportion of it is on land proposed to be permanently acquired for VSU, unless both sufficient interest is retained by Land Securities to implement the development and agreement can be reached with TfL in relation to the land to the south of Victoria Street.

(ii) in the case of **VTI2**:

Application 1 could be implemented, but would be delayed and therefore will be subject to uncertainty.

Application 2 could not be implemented as it falls entirely within the land proposed to be permanently acquired; and

Application 3 would be prevented from going ahead as almost all of the footprint of the building is within land proposed to be permanently acquired.

Again Applications 2 and 3 are dependent upon sufficient interest being retained by Land Securities to enable them to implement their proposals.

4.8 In the case of Application 2, as Mr Earp explains in his evidence, any redevelopment above the site of the proposed Northern Ticket Hall would in any event be dependent upon the structure being sufficiently strong to support such development.

Required changes to LUL proposals

4.9 Colette O'Shea sets out in her evidence the specific objections culminating in requests to the Secretary of State to amend the TWAO. In brief summary, these comprise the following:

- (A) VT12 Application should remain capable of implementation in 2010;
- (B) No need for permanent acquisition of all the land in the TWAO;
- (C) Requirement for a grant of lease at the outset;
- (D) Co-operation in installing piles (Building 6a - Application 3 of VT12);
- (E) Load bearing of Northern Ticket Hall (Buildings 7b and 7c - Application 2 of VT12);
- (F) Cooperation in diversion of utilities;
- (G) Cooperation in jointly planning construction logistics; and
- (H) Concern over the protective works provision.

4.10 As a result of the impact of VSU on the construction programme for Application 1, Land Securities have proposed to LUL alternatives for the construction of the PAL. The four principal alternatives which would potentially allow both schemes to be delivered safely, simultaneously and with less or no delay, are as follows:

- (i) LS Option 1A The PAL would be constructed along a shorter distance utilising an "Earth Pressure Balance Machine" (EPBM) to create the tunnel. Tim Chapman

explains that the EPBM is a less risky construction method and would allow the PAL tunnels to be constructed both more quickly and at less cost. This would allow Application 1 to proceed as envisaged;

- (ii) LS Option 1 As Nigel Earp describes in his evidence, LS Option 1 proposes an alternative route for the PAL avoiding Allington Street. In this scenario, construction of buildings 5, 6b and 7a (Application 1) could begin in September 2010; building 6a (Application 3) could be constructed once the working sites are released but with a smaller footprint than would have been possible in the absence of VSU; and buildings 7b and 7c (Application 2) could be constructed once the VSU works are complete in June 2016, but in both cases subject to the retention by Land Securities of sufficient interest to support the proposed redevelopment as explained by Colette O'Shea and Nigel Earp, and summarised below;
- (iii) Open Cut Method Under the Open Cut Method, Land Securities could demolish its existing buildings and construct all of its basement at the same time as the "open cut" is being undertaken, potentially in September 2010; or
- (iv) LS Option 2 In LS Option 2, Land Securities would carry out the basement works first and then construct the PAL within it, avoiding the programme clash. LS Option 2 mitigates the adverse effect of VSU upon timing of delivery of VT12, albeit that there are other negative impacts if this option is adopted.

- 4.11 I demonstrate in **Section 9** that if LUL were to employ any of the above solutions it would result in a substantial saving in compensation terms, in addition, I understand, to a reduction in construction costs.
- 4.12 Land Securities also propose that LUL will not exercise its powers of compulsory acquisition under the Order in respect of Land Securities freehold land interests by way of a General Vesting Declaration and that the land will either be occupied by LUL temporarily for the duration of the VSU works or will be purchased by agreement but returned on a long leasehold basis upon completion of the VSU works. The specific proposals are in summary as follows.
- (i) For the reasons which Colette O'Shea and Nigel Earp explain in their evidence, Land Securities proposes that in each case, LUL acquires the freehold interest in the subsoil shown blue on the plans submitted as **Land Securities Core Document OBJ3/2/20**, together with a temporary right under Article 24 to use the land shown hatched green on those plans. Land Securities further proposes that LUL undertakes to return that land over which temporary rights are acquired to Land Securities as soon as reasonably practicable on completion of works; and
 - (ii) Again, for the reasons more fully explained in the evidence of Colette O'Shea, Land Securities further proposes that LUL should enter into an agreement in advance to grant Land Securities a 135 year lease, at nominal consideration, over the surface and airspace of that land above the Northern Ticket Hall, shown in pink on the plans submitted as **Land Securities Core Document OBJ3/2/20**.
- 4.13 Colette O'Shea identifies a number of other matters in her

evidence which must be addressed if regeneration through Land Securities' VTI scheme and the station upgrade are to be achieved in full, simultaneously and without delay. In addition to those changes summarised above, Land Securities propose the following:

- (i) LUL enters into an agreement to put in piles necessary for building 6a at the same time as it conducts piling works for VSU;
- (ii) Redevelopment above the site of the proposed Northern Ticket Hall is dependent upon the structure being sufficiently strong to support the loads from Buildings 7b and 7c. Accordingly Land Securities proposes that LUL undertakes to design and build the Northern Ticket Hall so that it can support loadings from buildings 7b and 7c as designed; and
- (iii) Land Securities proposes that it enters into an agreement with LUL to ensure that utilities are diverted only once to facilitate both VSU and LUL's own proposals. This will both minimise disruption to traffic, pedestrians and local residents, and reduce the cost to both parties.
- (iv) To enable achievement of early delivery of both schemes, Land Securities also propose to enter into an agreement with LUL in relation to construction logistics.

4.14 I demonstrate in **Section 9** that if some or all of the above requests for amending the TWAO were accepted by the Secretary of State, that this would result in a substantial saving in compensation terms.

5 Principles of compensation

5.1 I summarise in this section the principles of compensation for compulsory purchase generally, and in particular as they relate to Land Securities' interests in Victoria, under the following headings:

- (i) interests in land to be acquired;
- (ii) additional losses;
- (iii) severance and injurious affection;
- (iv) set off; and
- (v) other matters.

Interests in land to be acquired

5.2 The principle underlying compensation is that a person whose interest in land is acquired will receive compensation for the loss he sustains ("the principle of equivalence"). While its determination is partly covered by statutory rules and common law principles, essentially it comprises compensation for the land interest taken (market value) and for the additional and personal loss sustained (disturbance and related matters).

- 5.3 The compensation for the freehold and other interests to be acquired will be the market value of the interests, as defined in the Land Compensation Act 1961, at the valuation date, being either the date possession of the land is taken under the TWAO or, if earlier, the date when compensation is agreed or is determined by the Lands Tribunal.
- 5.4 The market value is to be assessed disregarding the carrying out, or the prospect, of any development for VSU on other land acquired for the VSU scheme, to the extent that the development would have been unlikely to have been carried out if that land were not - and were not proposed to be - acquired by LUL as the acquiring authority.
- 5.5 Any depreciation in value which is due to an indication having been given that the land is, or is likely to be, acquired by a body possessing compulsory purchase powers is to be disregarded.
- 5.6 The market value is assessed having regard to any planning permission for development or change of use of the land which is extant at the valuation date.
- 5.7 In addition the Land Compensation Act 1961 provides for certain assumptions to be made as to planning permission for the purpose of assessing compensation, although I do not consider them to be of relevance or assistance in this case.
- 5.8 Compensation for the acquisition of new rights is assessed in the same way as for land taken.

- 5.9 The principle of equivalence applies also to cases where the relevant authority takes and occupies land on a temporary basis, with the claimant retaining ownership or with an interest being transferred back to the claimant upon completion of the scheme.

Additional losses

- 5.10 In addition any losses due to the prospective CPO but not reflected in the value of the interests are recoverable (see 1.14 to 1.16 of **Appendix 2 (OBJ3/P6/A2)**).

Severance and injurious affection

- 5.11 Any reduction in the market value of other contiguous or adjacent land in the claimant's ownership but outside of the land to be acquired ("the retained land") is also compensatable (see 1.17 to 1.25 of **Appendix 2 (OBJ3/P6/A2)**).
- 5.12 In addition, in the case of the TWAO, damage to value resulting from the carrying out of 'Protective Works' will be compensatable (see 1.26 to 1.28 of **Appendix 2 (OBJ3/P6/A2)**).

Set off

- 5.13 Any increase in the value of other land owned by the claimant due to the exercise of the Order and construction of VSU is to be deducted from the compensation which would otherwise be payable, though I do not consider any such deduction would be made in this instance.

Other matters

- 5.14 Reinvestment costs: An owner of investment property or a development site is entitled to compensation for the incidental costs of acquiring other property or properties to replace the land acquired (see 1.30 to 1.31 of **Appendix 2 (OBJ3/P6/A2)**).
- 5.15 Surveyors', solicitors' and other fees: Claimants are entitled to recover the reasonable costs incurred in connection with the preparation, negotiation and settlement of the claim and the transfer of their interests to the acquiring authority (see 1.32 of **Appendix 2 (OBJ3/P6/A2)**).
- 5.16 Loss payments: The Land Compensation Act 1973 provides for a number of "loss payments" which are made, in addition to any compensation payable, to owners and occupiers with qualifying interests (see 1.33 of **Appendix 2 (OBJ3/P6/A2)**).

Details and assumptions

- 5.17 Further details on these compensation principles are set out in **Appendix OBJ3/P6/A2**. The principles summarised in this section and in **Appendix OBJ3/P6/A2** form the basis for the compensation estimates set out in **Section 9**.

6 Methodology for valuation

- 6.1 I set out in **Appendix 3 (OBJ3/P6/A3)** full details of the methodology adopted in arriving at my opinion of the market value, and the reasons for adopting this approach.
- 6.2 In summary I have had regard to both the available comparable evidence of land values, and to valuations undertaken on a 'residual basis' which are undertaken by estimating the value of the completed development before deducting costs and profit to arrive at a land value.
- 6.3 It is my opinion that the approach which I have adopted is similar to that which the Lands Tribunal would be likely to adopt in this instance, were this matter before them, for the reasons set out in **Appendix 3 (OBJ3/P6/A3)**.

7 Underlying assumptions

7.1 The compensation payable would reflect two basic development scenarios: Victoria Transport Interchange 1 (VTI1); and Victoria Transport Interchange 2 (VTI2).

7.2 The underlying assumptions I have adopted to arrive at my compensation estimates chiefly concern the following matters:

- (i) Construction of the works and acquisition as proposed in the TWAO;
- (ii) The granting or expectation of planning permission for redevelopment of Land Securities' land on the lines of its VTI1 and/or VTI2 proposals in the absence of the TWAO;
- (iii) The ability of Land Securities to assemble by private treaty or through a CPO by Westminster City Council the remaining third party land interests needed in order to be able to deliver the development;
- (iv) The timescale within which Land Securities would have been able to commence development of VTI1 or VTI2 in the absence of the TWAO; and
- (v) The timescale within which Land Securities would be able to commence development of the retained land if the TWAO is confirmed in its present form.

7.3 I have adopted, in respect of the matters listed above, assumptions which I consider to be reasonable and realistic having regard to all the circumstances and to the evidence of the other witnesses appearing for Land Securities. I have set

out these assumptions out in detail in **Appendix 4 (OBJ3/P6/A4)** together with the reasons for their adoption.

7.4 In arriving at my estimate of the potentially reduced compensation were the TWAO and/or the proposed VSU works to be amended, I have assumed that some or all of Land Securities' proposals, summarised in **paragraph 4.9**, are agreed and adopted. Further details of the assumptions I have adopted are set out in **Appendix 5 (OBJ3/P6/A5)**.

7.5 For the purpose of my assessment of potential compensation I have had regard only to Land Securities' ability in the absence of VSU to deliver VTI2 in accordance with its expected timescale. In practice regard would be had in addition to the prospects of achieving VTI1 and to the consequent impact of VSU on the value of Land Securities' land in making VTI1 incapable of being developed, but I have taken the view that to include this as a variation at this stage would make the assessment of compensation unnecessarily complex. I should however state that I am of the opinion that the compensation having regard to VTI1 would be likely to be significantly higher than for VTI2, bearing in mind that VTI1 would deliver a greater density of development and therefore a potentially more valuable development.

7.6 The estimates have been formulated based upon Land Securities' present land ownership (but taking into account the prospect of being able to complete the land assembly). As regards viability and underlying land value however I have had regard to the following:

- (i) VTI1 and 2 are long term schemes and the market will change over this period;
- (ii) the current economic climate and prevailing property

market do not reflect the longer term growth prospects;

- (iii) the mix and quantum of uses have had regard to future growth prospects;
- (iv) a static approach to financially assessing schemes of this magnitude does not fully take into account the various risks and therefore how these may be mitigated in achieving appropriate returns.

7.7 I have assumed that VTI1 is not capable of being undertaken if the TWAO is confirmed unamended, and that the start date for commencement of a development of that part of VTI2 which is capable of being undertaken on the retained land – which I have taken to be the Application 1 development only – is delayed from September 2010 to 2014 as a result of the VSU works.

8 Market overview

- 8.1 On Land Securities' instructions, Knight Frank, Strutt & Parker and Savills have produced reports which provide an overview of the Victoria market in respect of the key elements (offices, retail and residential respectively) proposed by Land Securities for VT11 and VT12. Those reports are found as **Land Securities Core Documents OBJ3/1/34 to 36**.
- 8.2 These reports comment upon the current market, and on demand for space now and in the future, whilst also providing forecasts of rental and capital growth. Each agent provides specific commentary on the Victoria market and the changes which have both happened and are ongoing in respect of the area.
- 8.3 I have had regard to these reports, as well as of course relying upon my firm's and my own market knowledge, in estimating the likely level of compensation, and have also had regard to other background information and specialist reports which deal with matters including current market rates and forecasts.
- 8.4 I have also consulted with colleagues specialising in those sectors and in investment and finance matters. Other sources of information which I have considered include: IPD; Property Market Analysis (PMA); CACI; Focus; EGi and general property market reports from leading agents.
- 8.5 Finally I have also had regard to the various supporting documentation to the VT11 and VT12 planning applications.

9 Compensation Estimates

9.1 I set out in **Appendix 6 (OBJ3/P6/A6)** the make up of my compensation estimates and key financial assumptions based upon the VT12 scheme proposals. These have regard to the heads of claim summarised in **Section 5**, and my **Appendix OBJ3/P6/A2**.

Total claim for compensation

9.2 **Appendix 7 (OBJ3/P6/A7)** shows my estimate of the total compensation for the land to be acquired and severance & injurious affection as approximately £183 million.

Alternative computation

9.3 By way of a check on the total compensation arrived at by considering the separate heads of claim for land taken, severance and injurious affection as set out above, I have also undertaken a “before” and “after” valuation of all of Land Securities’ interests within, and affected by, the TWAO.

9.4 In the majority of cases, the difference between the two valuations will equate to the value of land acquired, plus severance and injurious affection, but in this particular case, it will of course exclude the compensation for pre-acquisition losses.

9.5 I am satisfied that this alternative approach supports the out turn total compensation figure stated above.

Land Securities Proposed Amendments to the TWAO

9.6 Colette O’Shea in her evidence sets out Land Securities’

requested amendments to the TWAO. I have summarised these at **paragraph 4.9** as these are relevant to my estimates of compensation.

9.7 In **Appendix 8 (OBJ3/P6/A8)** I set out each of these requests and amendments and show how the total compensation above is modified to an amended claim and the resultant saving to the public purse. Whilst I have done this on an individual basis for each amendment, it is clear that some of the amendments are reliant on others. For example agreeing the load bearing capacity of the Northern Ticket Hall for Buildings 7b and 7c of Application 2 of VT12 is dependent upon the requirement for the grant of a long lease of 135 years. However the adjusted compensation claim and resultant saving to the public purse looks at each request separately in seeking to quantify the effect of an amendment to the TWAO.

9.8 From identifying each saving it is possible to consider the cumulative effect amending the TWAO in respect of all the requests. The total saving to the public purse could be in the order of some £125 million. Whilst there would remain a compensation claim this would be very significantly lower than the total compensation claim were the TWAO to be confirmed as submitted.

9.9 When considering the requested modifications and amended claims, it is perhaps helpful to consider these in the context of the three applications that comprise VT12. I set out below the considerations in respect of each application.

9.10 Land Securities Application 1 Were any of the three principal alternatives proposed by Land Securities for the construction and/or the route of the PAL to be adopted, it would allow construction of the Application 1 buildings and basement to

commence without delay and as planned in September 2010, although if LS Option 2 were adopted there would be a reduction in investment value due to the PAL being housed in the basement.

- 9.11 Land Securities Application 2 The ability to implement Land Securities VT12 Application 2 proposals is entirely dependent upon sufficient interest being retained by Land Securities in that land, and at present that will not be the case.
- 9.12 Land Securities have proposed a 135 year lease at nominal rent where LUL undertakes to grant Land Securities such a lease and procures that the Northern Ticket hall will support the loadings required to construct buildings 7b and 7c. The amended compensation to be paid would also reflect the fact that no commuted payment would then fall to be made by Land Securities in respect of the affordable housing which would otherwise have been delivered on that site as part of their proposals.
- 9.13 If LUL undertakes to grant such a lease to Land Securities, but cannot guarantee that the required loadings to support buildings 7b and 7c as designed, there would be a consequential impact upon compensation payable, which would depend upon the loadings which the Northern Ticket Hall could support. If, for example, the scheme required two storeys to be deducted, then this would have a consequential effect upon the compensation payable.
- 9.14 Land Securities Application 3 The ability to construct Building 6a is entirely dependent upon sufficient interest being retained in that land, and were the Order to be confirmed as submitted, Application 3 could not be implemented.

- 9.15 Land Securities have proposed that LUL takes only a temporary right to use the land shown hatched green on the plans submitted as **Land Securities Core Document OBJ3/2/20** and undertakes to return that land as soon as reasonably practicable upon completion of its works.
- 9.16 Land Securities have further proposed that LUL enters into an agreement for simultaneous positioning of piles for building 6a, which would not only reduce risk to LUL's assets but minimise program delays and costs to Land Securities in delivering that building. If LUL agrees to both these requests, the overall compensation would again be reduced.
- 9.17 If however LUL takes only a temporary right but does not enter into an agreement for simultaneous positioning of piles, the compensation would consequently increase.

Other Matters

- 9.18 Land Securities have proposed an agreement with LUL to ensure that utilities are moved only once, with corresponding cost savings to both parties. Assuming that all other matters proposed by Land Securities and described above are accepted, this would result in a further reduction in compensation payable.
- 9.19 If all other matters proposed by Land Securities and described above are accepted and construction logistics can also be agreed to facilitate joint construction, it is likely that there would be a further cost saving. This would again have the effect of reducing the compensation payable.

10 VSU budget

- 10.1 I note that the current estimate for land and interests required for VSU is stated as £79,662,000 (**Document VSU.A9**).
- 10.2 As I have indicated in **Section 9** of my evidence, if the TWAO were to be confirmed as currently drafted without any of Land Securities' requested amendments, my total compensation estimate is some £183 million. Notwithstanding other interests outside those owned by Land Securities which LUL would need to acquire, there is clearly a very substantial shortfall in the budget as stated.
- 10.3 If however some or all of Land Securities' suggested amendments are accepted by the Secretary of State in confirming the TWAO (as amended) then the estimate mentioned in **paragraph 10.1** may suffice, although clearly I am unaware of the potential magnitude of claims from parties other than Land Securities.
- 10.4 As has been suggested by Colette O'Shea and demonstrated in my evidence there could, as a result of Land Securities' requested amendments to the TWAO, be a very substantial saving to the public purse in compensation terms.

11 Conclusions

11.1 My evidence has concerned:

- (i) the potential level of compensation payable to Land Securities, should the TWAO be confirmed, having regard to the compensation code and principles of compensation; and
- (ii) the amended compensation payable and consequential effect on the use of public funds as a result of Land Securities' requested amendments to the TWAO.

11.2 In considering the above issues I have regard to matters 7 and 10 of the Department of Transport's letter dated 8 May, namely:

- (i) whether there is a compelling case in the public interest for confirming the TWAO having regard to ODPM Circular 06/2004, paragraphs 16 to 23 and whether all of the land over which the promoters have applied for such powers is required in order to secure implementation of the scheme; and
- (ii) whether the proposals are reasonably capable of attracting the necessary funding.

11.3 Land Securities are proposing a major redevelopment and regeneration of the area around and including the proposals for VSU. Planning applications have been submitted, the most recent of which (VTI2) comprises three planning applications which have been progressed with the support of Westminster City Council to help mitigate against the potential adverse effects of VSU.

11.4 Land Securities have assembled most of the site required to

deliver VT12. This is in addition to their already substantial landholding and other investments in this part of the City of Westminster.

11.5 Land Securities have made a number of suggested modifications to the TWAO, summarised as follows:

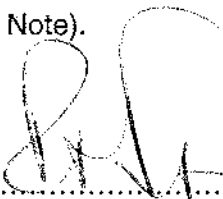
- (A) VT12 Application 1 should remain capable of implementation in 2010;
- (B) No need for permanent acquisition of all the land in the TWAO;
- (C) Requirement for a grant of lease at the outset;
- (D) Co-operation in installing piles (Building 6a - Application 3 of VT12);
- (E) Load bearing of Northern Ticket Hall (Buildings 7b and 7c - Application 2 of VT12);
- (F) Cooperation in diversion of utilities; and
- (G) Cooperation in jointly planning construction logistics.

11.6 I have concluded that the total compensation claim by Land Securities could amount to some £183 million should the TWAO be confirmed as currently drafted.

11.7 Should some or all of the requested amendments to the TWAO be agreed by the Secretary of State, this would substantially reduce the compensation claim with a consequential saving to the public purse.

12 Declaration

- 12.1 I confirm that insofar as the facts stated in my proof of evidence are within my own knowledge I have made clear which they are and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion.
- 12.2 I confirm that my proof of evidence includes all facts which I regard as being relevant to the opinions which I have expressed and that attention has been drawn to any matter which would affect the validity of those opinions.
- 12.3 I confirm that my duty to the Inspector and the Secretary of State as an expert witness overrides any duty to those instructing or paying me, that I have understood this duty and complied with it in giving my evidence impartially and objectively, and that I will continue to comply with that duty as required.
- 12.4 I confirm that I am neither instructed, nor paid, under any conditional fee arrangement.
- 12.5 I confirm that I have no conflicts of interest of any kind other than those already disclosed in my proof of evidence.
- 12.6 I confirm that my proof of evidence complies with the requirements of the Royal Institution of Chartered Surveyors (RICS), as set down in Surveyors Acting as Expert Witnesses (RICS Practice Statement and Guidance Note).



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26-IX-08