

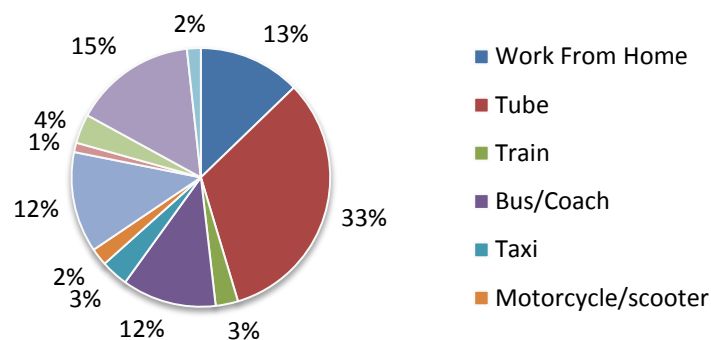
1. Background

- 1.1 We have taken a 960m (12 minute) walk from the point of the station and considered a good distance for considering the socio-economic profile of Chelsea.

2. Travel

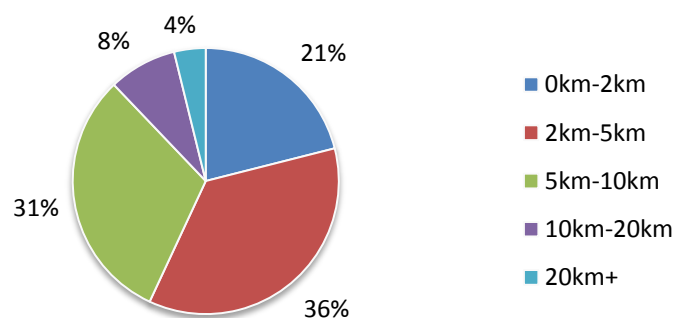
- 2.1 As is seen below, around a third of Chelsea residents use the tube to get to work. This is slightly higher than the Inner London average of 30 per cent. Whilst part of the impact will account for those living in the immediate vicinity of Sloane Square station, this still indicates that there is a strong demand for our residents to use mass transit systems to commute.
- 2.2 Over 2000 (12 per cent) use the bus. This number could be cut significantly should a Crossrail2 station come forward on the Kings Road, Potentially; the number of people travelling by car could also come down. Including taxis, car usage equated to 15% of residents.

Mode of travel to work

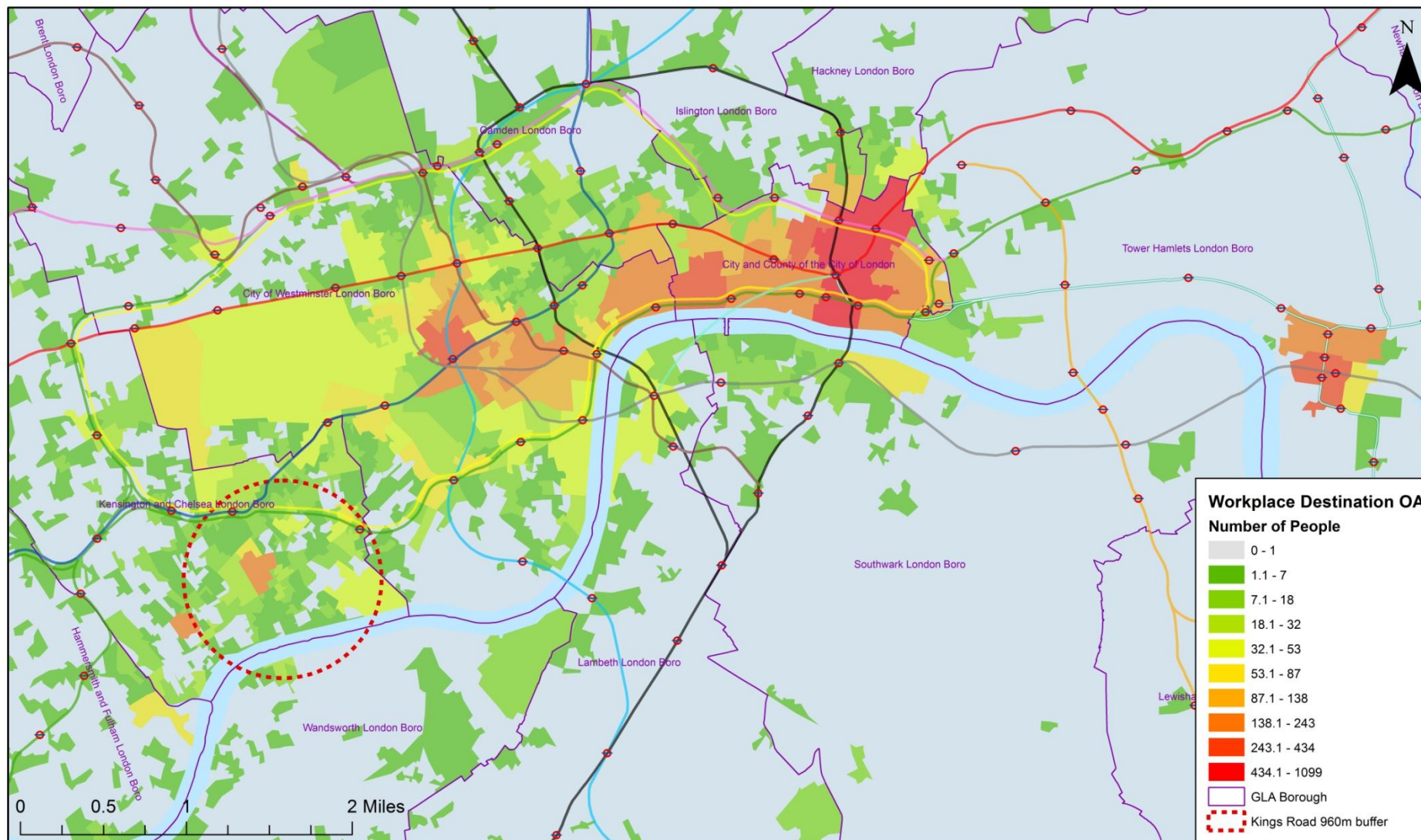


- 2.3 To understand who benefits from Crossrail 2, it is important to consider where people are working and how far they travel. The chart below considers the comparative distances that the residents of Chelsea travel to get to their place of work. The map on the following expands on this further indicating that the majority of residents within the 5-10km bracket tend to be working in the City or West End and the majority of those travelling 10-20km are likely to be working in Docklands. Combined, this equates for 39% of the population.
- 2.4 The long journey times between Chelsea and key employment centres is only part of the problem in making Chelsea a more desirable place to commute from, the crowded services on the District and Circle Lines also make travelling between home and work less appealing.

Distance travelled to work



Census 2011 - Location of workplace at OA level from Kings Road buffer



Title: Chelsea



Ref: 000004082015

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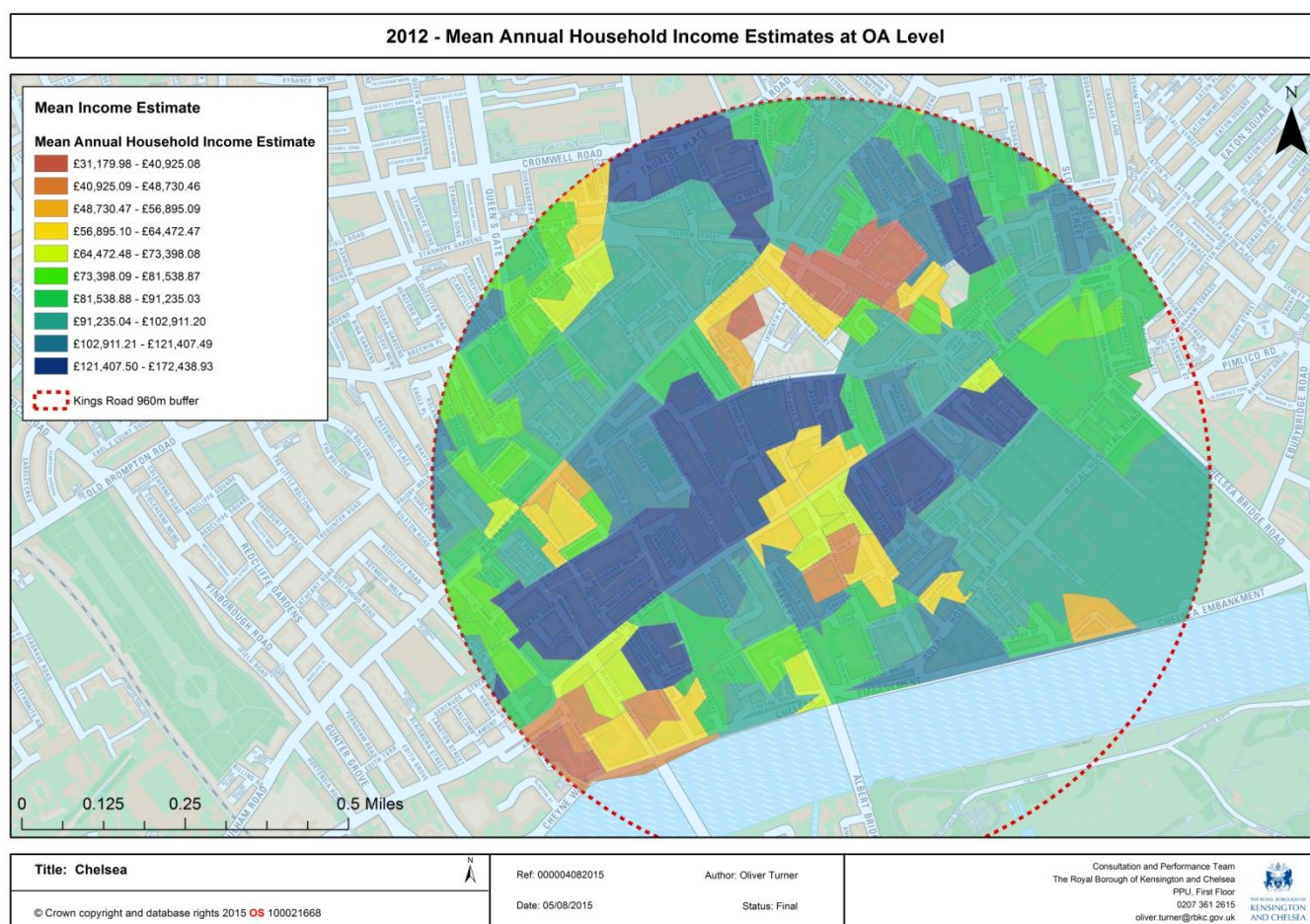
Status: Final

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3. Employment and educational attainment

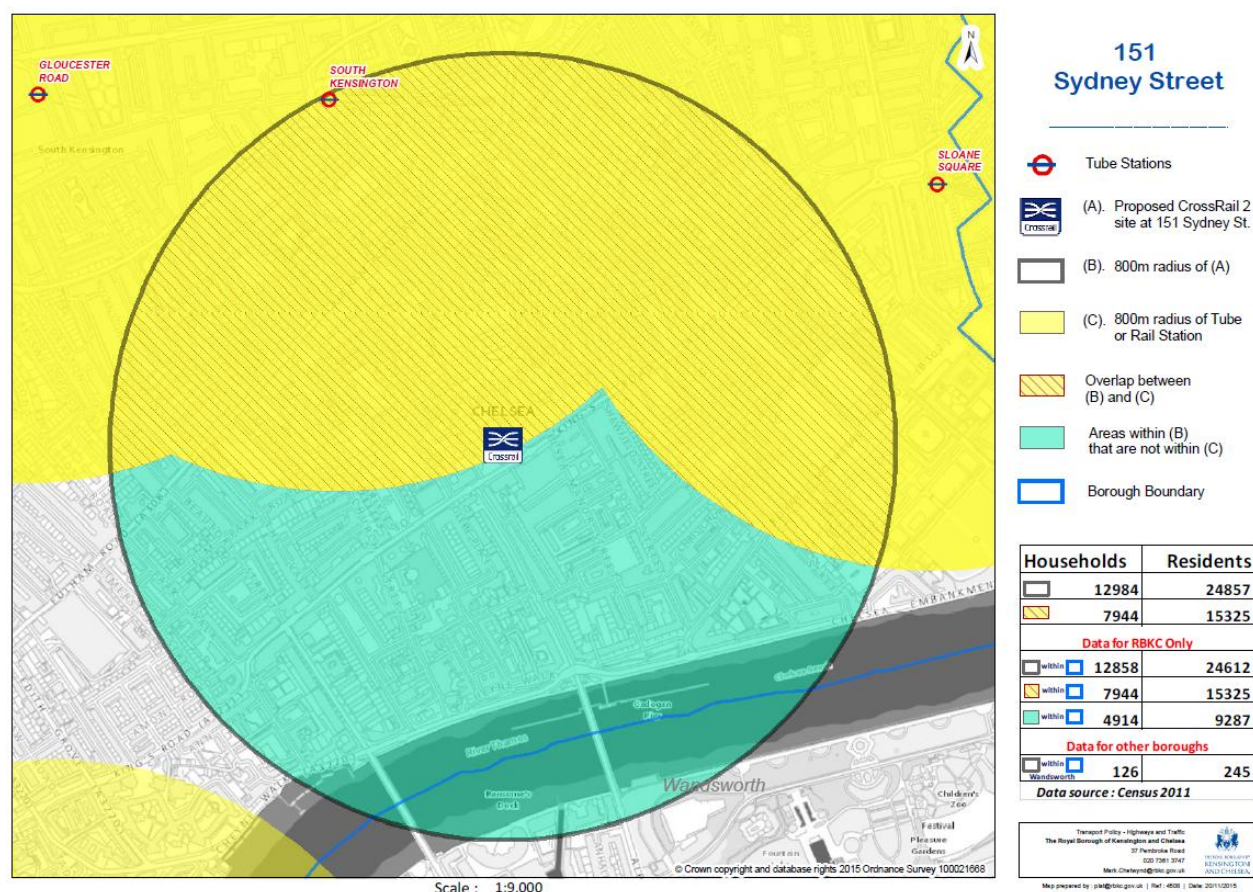
- 3.1 Having understood where people are travelling, it is important to understand more about the kind of work in Chelsea. Ward level data shows that between 40 and 50 per cent of residents work in professional occupations, or are managers and directors. This is significantly above the London average of 34 per cent. This is reflected in the map below which highlights the average household income of residents in the area.
- 3.2 This broadly tallies with the level of educational attainment in Chelsea. This shows that 55 per cent of those living in the catchment area (17,311 people) are educated to at least degree level, compared to the national average of 30 percent.
- 3.3 For the most part, incomes in this part of Chelsea exceed the borough, city and national averages at over £110,000 p/a. When coupled with the data on location of workplace, this paints a picture that Chelsea is home to some of the people that make London a world class centre of economic activity and financial powerhouse; helping the Capital to compete with Global Cities like New York and Paris. London needs Chelsea to provide a high quality and unique residential environment for its most productive residents and Crossrail 2 can deliver this.
- 3.4 However, it is important to note that Crossrail 2 will also unlock accessibility for those households on lower incomes, living in areas of higher deprivation such as Cremorne or the Sutton Estate. Being within a 12 minute walk of a station on the King's Road will improve accessibility to jobs and opportunities elsewhere in London; helping to tackle the stark contrast of inequality in Chelsea.



4. Economic impact

Additional development

- 4.1 At present, it is estimated that there are 12,000 households within an 800m radius of a station around the Fire Station. Whilst slightly tighter than the 960m radius used in the previous section, this distance reflects a 10 minute walk and is a more directly appropriate scale for considering the immediate sphere of influence for the station.
- 4.2 Within this radius, nearly 5,000 homes are not currently within a 800m walk of an existing station. It is fair to assume that these properties stand to benefit the most from a station.



- 4.3 However, we must also consider the impact of the station on new development. It seems fair to assume that the station is likely to create even more interest from housebuilders.
- 4.4 The Borough is mindful that any development must respect the rich heritage assets that exist in and around the King's Road but assuming this can be achieved it would be reasonable to assume densification could still happen whilst preserving Chelsea's unique character.
- 4.5 Transport for London has assumed that roughly 850 new units could come forward. However, it the Council's belief that in theory, as many as 3464 could be developed as the plan on the following page indicates.



4.6 This figure represents a maximum and is designed to look at capacity rather than a detailed urban design framework. Clearly, not all of these sites are available for development and nor would the Council support this level of disruption in light of the current flurry of construction in the south of the Borough. However, over the course of a 40 year period, it is not unreasonable to think that at least some of these sites will be developed. Averaged out, this equates to around 90 new units per year, just over 10 per cent of the borough's current annual housing target set by the Mayor.

4.7 The 2015 Zed Index notes that the average house price in SW3 is around £2.35 million and price per square foot of £1,900. This figure is used as a broad rule of thumb to understand the value of development in the local area.

4.8 This indicates 3464 new units would yield £6 billion NPV in Gross Development Value.

4.9 Admittedly, these are high-level assumptions based on the maximum return possible and we have not, as yet, made assumptions regarding build costs or affordable housing. Due to the Council's aspirations to deliver new affordable housing as part of the already committed estate regeneration programme, the strategic, borough-wide approach to affordable housing adopted in this report's methodology is considered robust.

Property values

4.10 Unsurprisingly, as Chelsea provides homes for some of the Capital's most economically productive people, this is reflected in the area's property prices.

- 4.11 Directly capturing the benefits within the housing market is difficult without some significant financial modelling. However, as a rule of thumb from the [2014 Nationwide House Price Index](#), those living within 500m of a station can expect a 10.5 per cent increase in property value, or 7.6 per cent if within 750m. We believe that due to the desirability of the Royal Borough, this figure could be even higher. The [recent study by Knight Frank](#) has suggested that between 2008 and 2014, Prime Central London prices within a 10 minute (roughly 800m) walk of a Crossrail station have increased 13 percent over the market average. This is in spite of the on-going construction around the stations; we can anticipate further price growth once construction is complete and the line opens.
- 4.12 It is also interesting to consider the impact on Treasury savings in terms of capital receipts from stamp duty. Admittedly, the methodology for this is somewhat rudimentary.
- 4.13 As previously quoted, the average house price in SW3 is currently £2.35 million (Zed Index, 2015). In the 12 month period up to September 2015, 295 properties were sold. Using these figures, an average stamp duty receipt of £196,312 per unit would have been generated. This equates to nearly £58m. Applying the uplift of 13% calculated by Knight Frank, the anticipated increase in value results in roughly an additional £7.5 million p/a being generated as a direct result of Crossrail 2. If calculated over 40 years, the additional stamp duty receipt would represent £300 million at present value.
- 4.14 In addition to this, the 3464 new build homes discussed in paragraphs 4.5 and 4.6 would generate more than £421m in stamp duty. When combined with the figure above, this receipt alone represents more than 70 per cent of the cost of the station.
- 4.15 Added to this is the receipt that would be generated from National Insurance and income tax arising from a percentage of the additional new households and jobs that would be created as a result of the station and line and might be lost to London if this development did not take place. As referenced in paragraph 3.3, the average salary in Chelsea is more than £110,000, meaning on average, £33,400 p/a of income tax is owed, with a further £5,500 p/a in National Insurance. If we assume just 10 percent of new residents would not be living in London without this development, this figure equates to more than £11.5 million in tax gains per year and nearly £2 million in National Insurance. However, as this methodology is relatively untested, this figure has not been included in schedule of benefits but if refined and perfected, should be assessed in Transport for London's next iteration of economic analysis for the King's Road station.

Journey time savings

- 4.16 It is anticipated, that the average journey time for those living near the King's Road station and working in the City or Canary Wharf will come down from around 45 minutes to about 20 minutes.
- 4.17 Using TfL's projected morning peak access at the station of 2,000 passengers together with their value of time: £11.57 p/hour, the average annual figure generated by each passenger would be nearly £3,000 (including outward and inward journeys). If calculated over 60 years, cost benefit saving of the station as a whole, equates to more than £275m.
- 4.18 However, this does not allow for the higher than average value of time for professions of our residents as indicated in paragraph 3.3. Within the Royal Borough, the median average earnings of residents are around 50 per cent higher than the London average (London Datastore, 2015). If this increase is applied, the 60 year cost benefit saving is more than £400m.

Business Rates

- 4.19 Whilst residential values make the economic impact on Chelsea so significant, the King's Road also has a distinctly commercial character that will add to these benefits. At present, the stretch of King's Road roughly 800m either side of the station generates £20 million per annum in business rates.
- 4.20 Unlike residential values where Crossrail 1 acts as a direct comparator, finding a retail centre of the same nature as King's Road is not possible, so speculating on magnitude of this increase would be unwise. However, it is logical to assume that rates will increase as footfall associated with the station, and consequently business profitability increases.

5. Summary

- 5.1 It is clear that the cost of the station is a significant outlay. However, positive contributions can also be made. In total, this paper has noted that around **£7.1 billion of additional economic value** (see table of benefits below) could be generated by the station through a modest increase in residential density and journey time savings; both the former and the rise in value of the existing stock of housing would generate tax receipts.
- 5.2 It should also be noted that the benefits to the Exchequer do not include the significant amounts of indirect value which could come forward from welfare savings and tax revenues.
- 5.3 More qualitative impacts on securing the success of the Chelsea Medical Quarter, and the scale of improved business rates, have not been analysed but would be expected to contribute further to the positive business case for a station.
- 5.4 Chelsea's performance as an area of desirable homes for some of London's most productive people is vital too. The better the residential offer, the more London can continue to success on a global scale.

Table of benefits

	Benefit (£billion)	Direct Exchequer Benefit (£billion)	Combined benefits (£billion)
Additional development	5.946		
Journey time savings	.400		
Stamp duty		.721	
TOTAL (Net Present Value)	6.346	.721	£7.1 billion