Strategic Planning Research Unit

A specialist team within DLP Planning Ltd

For and on behalf of
Babergh District Council

Review of Employment Land Need and Viability Addendum Report

Land on the North Side of Church Field Road, Chilton Industrial Estate, Chilton, Sudbury

Prepared by
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1.0 INTRODUCTION

1.1 The purpose of this report is to provide an independent appraisal of the additional evidence submitted in respect of application ref. DC/20/01094 as it relates to site-specific issues of employment land need and suitability. In particular, to consider whether the further information submitted in support of this application meets the requirements of Policy EM24 of the Babergh Local Plan (2006).

1.2 This report is presented as an addendum to our original Employment Land Need and Viability Report (September 2020) and focuses on reviewing the applicants' Employment & Viability Land Study (Fenn Wright, December 2020) in the context of Policy EM24.

1.3 This report should be read in conjunction with the Viability Appraisal Report prepared by RLB (January 2021), attached at Appendix 1 and which we summarise in Section 2(e).

2.0 ASSESSMENT OF 'EMPLOYMENT & VIABILITY LAND STUDY' (FENN WRIGHT, DECEMBER 2020)

2.1 This section provides an assessment of the Employment & Viability Land Study prepared by Fenn Wright (December 2020) in the context of Babergh Local Plan Policy EM24.

a) Policy Context

2.2 As the application site is allocated for employment use, Local Plan Policy EM24 ('Loss of Employment Land') is applicable in the determination of the application. This policy allows for applications for non-employment uses to be permitted subject to appropriate justification. Policy EM24 states:

> *"Planning applications to redevelop or use existing or vacant employment land, sites and premises for non-employment purposes, will only be permitted if the applicant can demonstrate that their retention for an appropriate employment use has been fully explored. This may be undertaken in one of the two following ways:*
>
> > *1. by an agreed and sustained marketing campaign, undertaken at a realistic asking price; or*
> >
> > *2. where agreed in advance, the applicant can demonstrate that the land, site or premises are **inherently unsuitable or not viable for all forms of employment related use**"* (emphasis added)

2.3 The application has chosen to pursue part (2) above in order to demonstrate compliance with this policy. Paragraph 4.61 of the Local Plan states that the approach listed at (2) in Policy EM24 (the 'second limb' of the policy) will only be considered acceptable

> *"when agreed in advance by the determining authority and the applicant. This approach will require the applicant to employ appropriate commercial expertise to demonstrate that the land, site or premises in question are inherently unsuitable or not viable for all conventional forms of employment related use."*

2.4 The viability assessment contained within the Fenn Wright 'Employment & Viability Land Study' has been reviewed separately by RLB and the results of this review are contained in Appendix 1 and summarised in Section 2(e) below. The RLB report provides an independent view on whether it has been demonstrated that the proposed development is *'not viable for all forms of employment related use'* for the purposes of compliance with Policy EM24.

2.5 Below we have provided our independent view on whether and to what extent it has been demonstrated by the applicants that the proposed development is *'inherently unsuitable…for all forms of employment related use'* in the context of Policy EM24. In reviewing the Fenn Wright (December 2020) report we have also considered the guidance on how Policy EM24 should be applied which is outlined in the Safeguarding Employment Land Supplementary Planning Document (March 2008). For details of the SPD guidance we have considered please refer to section 2(c) of our 'Review of Employment Land Need and Viability' report (September 2020).

b) Previously identified gaps in evidence

2.6 In our previous review of the applicants' evidence (DLP report, September 2020, paragraph 3.117) we identified the following gaps in terms of assessing the <u>suitability</u> of the Church Field Road site in the context of Policy EM24:

- There is a lack of sufficient consideration of the suitability of the site for each type of employment use (B1, B2 and B8), including provision of robust evidence to support these claims.
- There is a lack of detailed consideration of the suitability of the site for a mixed-use

development, together with provision of clear evidence.

2.7 In terms of assessing the demand for employment land and the availability of suitable, alternative sites in the locality our previous review of the applicants' evidence (DLP report, September 2020, paragraph 3.119) we identified the following gaps in the applicants' evidence:

- Some of the evidence around current demands for employment floorspace (particularly in terms of office floorspace and desires of businesses to expand on-site over relocating to other sites) could be fully justified and clearly articulated. For example, it would be useful to include a summary of quantitative demands for floorspace by land-use class;
- There is a lack of clear quantitative assessment of the supply of employment land in the locality of the Church Field Road site, including with reference to the status of existing allocations, extant permissions and existing vacant/available units.
- There is no clearly articulated quantitative comparison of existing employment floorspace demands versus supply (for use classes B1, B2 and B8) in the locality of the Church Field Road site.
- The report does not explicitly identify alternative available sites, nor does it clearly assess the relative suitability of these alternative sites compared with the Church Field Road site. For example, it would be useful if other allocated sites, sites with planning permission, or those currently being developed were assessed to identify their suitability in comparison with the Church Field Road

2.8 In reviewing the Employment & Viability Land Study prepared by Fenn Wright (December 2020) we have considered whether the above identified gaps in evidence have now been filled.

c) Assessment of site suitability in 'Employment & Viability Land Study' (Fenn Wright, December 2020)

2.9 Paragraph 1.5 of the Fenn Wright report states:

> *"This report will seek to focus on the second element of the second limb of policy EM24 – namely that the site is not viable for all forms of employment related use"*

2.10 The Fenn Wright report has therefore chosen to focus on demonstrating that the site is *'not viable for all forms of employment related use'* rather than seeking to demonstrate that the site is *'inherently unsuitable'* for employment related use.

2.11 The Fenn Wright report references the Council's assessment of the site's suitability for both residential and employment use in paragraphs 3.32 to 3.41. The report identifies that *"The 2017 SHELAA…considers Land to the north of Church Field Road to be suitable, available and achievable for both housing and employment"* (paragraph 3.34) and that "*the 2019 SHELAA states that the Site is considered to be suitable, available and achievable"* for residential use (paragraph 3.35). Paragraph 3.37 states that *"For employment use, the Site (reference SS0933) has been discounted on the basis that the land 'lies within an area of high heritage sensitivity'".*

2.12 Paragraphs 3.38-3.39 state that the *"2020 SHELAA draws the same conclusions as the 2019 SHELAA for residential development"* but that *"There does not however now appear to be any reference in the 2020 SHELAA assessing the use of the land for employment use, although the employment reference used in the 2017 and 2019 Assessments (SS0933) is still used to simply discount the Site from being allocation for any type of development in the emerging JLP due to 'high heritage sensitivity'".*

2.13 There are no other references to the suitability of the site for employment related use within the Fenn Wright (December 2020) report. A detailed assessment of the site's suitability for residential use is presented in section 6 of the Fenn Wright report, but this does not make any reference to suitable for employment related uses. Notwithstanding the assessment of viability that forms the main focus of the Fenn Wright report, it is unclear from the report whether the applicants consider the site to be suitable for employment related use as no statement to this effect is made.

d) Assessment of local demand for employment floorspace in 'Employment & Viability Land Study' (Fenn Wright, December 2020)

2.14 In respect of assessing demand for employment use, paragraph 4.8 of the Fenn Wright (December 2020) report states that they have drawn conclusions on take up of existing stock (as an indicator of demand) and also carried out searches of existing requirements held by Estate Agents Clearing Housing (EACH) for B1, B2 and B8 uses and enquiries received by Fenn Wright themselves.

2.15 Paragraphs 5.12 and 5.13 of the Fenn Wright report confirm that both the Philips Avent site (Lower Road, Glemsford) and the Delphi site (Sudbury) have both recently sold. Paragraph 5.17 identifies a further eleven transactions within the industrial and warehouse market in Sudbury in the last five years which are in excess of 2,000 sq. ft. Paragraph 5.18 identifies seven office transactions over the same period, two of which are over 2,000 sq. ft.

2.16 Paragraph 5.21 of the Fenn Wright report identifies *"finite speculative development of industrial and office accommodation over the past five years within Sudbury and the area immediately surrounding Sudbury"* which it states is mainly due to viability concerns. Paragraph 5.22 identifies a unit completed in 2020 by Wiles Contractors for their own use, prior to which the most recently constructed large building was that occupied by AF Trenchers on Northern Road, which was constructed in 2008/09 and reportedly sold at a loss.

2.17 Paragraph 5.23 identifies that 96,200 sq. ft. of industrial floorspace was available to let in Sudbury (pre-Covid). This does not include the 250,000 sq. ft. at the Delphi site.

2.18 Paragraph 5.24 states that in terms of availability of office accommodation over the last five years, rates were low at 1.2%. The report notes that *"despite the low availability rate, there appears to be low upward pressure on capital and rental values".* Paragraph 5.25 states that amounts of available office space have fallen due to permitted development, which it states *"further highlights an issue with demand"*. Paragraph 5.26 states that around 50,000 sq. ft. of office accommodation has been lost to residential.

2.19 Paragraph 5.27 states that the Chilton Woods site now benefits from outline planning consent, including over 15 hectares of employment / quasi-employment uses. Further recent speculative developments have been identified at the Cloisters and Bull Lane and Acton Place Industrial Estates. However, no details on current availability of floorspace at these sites is provided.

2.20 Paragraph 5.32 states that *"Some previously allocated employment sites have now been converted into residential schemes as a consequence of a lack of demand"*. However, it is unclear what evidence there is that these changes of use were due to lack of demand as opposed to increased land values and rates of return associated with residential uses.

2.21 Paragraphs 5.36 to 5.43 identifies a number of schemes within Suffolk that have outline or full planning consent for employment uses. However, no evidence is provided which clearly articulates, through a quantitative comparison, existing employment floorspace demands versus supply (for use classes B1, B2 and B8) in the locality of the Church Field Road site. This would be particularly important in light of the fact that, as the report states, other employment sites have been lost to residential use.

2.22 Paragraph 5.47 states that *"Generally the low levels of transactional volume, coupled with the limited official number of active requirements is indicative of a low level of demand in Sudbury. This is further reinforced by our discussions with Savills in relation to the sale of both the former Philips Avent site in Glemsford and the former Delphi Diesel Systems site in Sudbury. Whilst the headline is the properties were sold, the underlying value is at a level incompatible with economic development, and indeed, incomparable with superior schemes. In effect generating demand via a reduced value."* Whilst the report identifies only one active requirement with local agents, there does not appear to be any reference within the main report to other current office and industrial requirements listed in Appendix VIII. Whilst the requirements listed in Appendix VIII are not specific to Sudbury, this does not mean employment space within Sudbury would not meet the enquirers' requirements.

2.23 In paragraphs 7.6 to 7.9, the Fenn Wright (December 2020) report makes the following concluding comments in respect of demand for employment uses in Sudbury and the district as a whole:

> *"7.6 There is a lack of demand, as witnessed with low levels of transactional volume, with no town specific requirements found in Sudbury. Our discussions with local agents yielded a single requirement, but that it was contingent on the sale of an existing site for residential development.*
>
> *7.7 There have been incredibly few office transactions, with the capital values underline by permitted development rights. This is witnessed with the loss of around 50,000 sq. ft. of office accommodation in Sudbury to residential via permitted development rights since its inception.*
>
> *7.8 The grant of consent on Chilton Woods, and subsequent sale of the site to Taylor Wimpey, results in an area of employment land in close proximity to the Site, which isn't impacted by heritage asset issues. The scale of the available Employment there further erodes the prospect of securing any occupational interest for employment uses.*
>
> *7.9 Elsewhere within the district there have been changes from employment generating uses to residential on similar schemes, including in Great Cornard (Persimmon) and Hadleigh (also Persimmon) - the latter is a very similar site to the Site, being land adjacent to the industrial estate. It should also be noted that the Care Home will generate at least 55 full time equivalent jobs on the site. This figure has now been validated by one of the interested parties in the Care Home development. The use of this element from an employment generation perspective is vastly greater than most B8 uses – most latterly Fenn Wright have acquired on a leasehold basis a site totalling 7 acres providing 144,000 sq. ft which will provide 30 full time equivalent jobs."*

2.24 Paragraph 7.8 of the Fenn Wright report references the Chilton Woods site as an area of available employment land in close proximity to the Site, *"which isn't impacted by heritage asset issues".* The report does not however consider how these heritage assets might impact the developability or suitability of the Sudbury site for employment uses. It only considers the impact of the heritage assets in respect of residential uses, which it states could be overcome through mitigation as part of the design.

2.25 Paragraph 6.39 states that *"The Heritage Assessment submitted with the planning application concludes that the site does not materially contribute to the setting or significance of the heritage assets of Chilton Hall, the listed wall surrounded by the walled garden and the Historic Park and Gardens, and St Mary's Church".* As this conclusion relates to the site itself rather than the proposed uses, this conclusion would likely be the same were the site to be developed for employment use.

e) Assessment of site viability for employment-related uses – Summary of findings of Viability Appraisal Report (RLB, January 2021)

2.26 The RLB (January 2021) report sets out a review of the values and costs utilised by Fenn Wright as a basis for their appraisals and applied RLB's own assessed inputs and prepared their own appraisals for the following two employment use scenarios:

- A viability appraisal for B2 / B8 uses across the entire site; and
- A viability appraisal for developing the site on the basis of selling on serviced plots across the entire site.

2.27 The appraisals show that for a built-out B2/B8 scheme with a Benchmark Land Value included as a cost, that the site does have potential to deliver a profit return in excess of 17.5% of Gross Development Value.

2.28 With regard to the serviced land appraisal the report sets out appropriate costs and values which results in a residual land value above the Threshold Land Value or Benchmark Land Value.

2.29 In recognition of these appraisals, the RLB report considers that the subject land to the North of Church Field Road, Sudbury is capable of delivering a viable scheme for employment uses.

3.0 CONCLUSION

3.1 This report has provided an independent appraisal of the additional evidence presented in the in the Employment & Viability Land Study (Fenn Wright, December 2020) in respect of planning application ref. DC/20/01094 as it relates to site-specific issues of employment land need and suitability.

3.2 This report is presented as an addendum to our original Employment Land Need and Viability Report (September 2020) and should also be read in conjunction with the report prepared by RLB (January 2021) which provides a detailed review of the viability assessment undertaken in the Employment & Viability Land Study (Fenn Wright, December 2020).

3.3 In terms of demonstrating compliance with Policy EM24, the Fenn Wright (December 2020) report focuses on the second element of the second limb of Policy EM24 i.e. demonstrating that the site is <u>not viable</u> for all forms of employment related use rather than seeking to demonstrate that the site is <u>inherently unsuitable</u> for employment related use.

3.4 The report therefore does not directly consider the suitability of the site for each type of employment use (B1, B2 and B8), nor does it consider the suitability of the site for a mixed-use development.

3.5 In respect of considering <u>demand</u> for employment land and the <u>availability of suitable alternative sites</u> in the locality of the Church Field Road site (as recommended in our previous review of the applicants' evidence undertaken in September 2020) the Fenn Wright report still does not provide a clearly articulated quantitative comparison of existing employment floorspace demands versus supply (for use classes B1, B2 and B8) in the locality of the Church Field Road site. In particular, the Fenn Wright report identifies just one active requirement within the Sudbury area, although it is unclear how the other office and industrial floorspace requirements listed in Appendix VIII have been taken into consideration in drawing this conclusion regarding a lack of demand for employment floorspace in the local area.

3.6 Notwithstanding that the report is focused on demonstrating compliance with the second part of the second limb of Policy EM24 (i.e. demonstrating that the site is not viable for all forms of employment related use), our review indicates that in order to demonstrate compliance with the first part of the second limb of Policy EM24 (i.e. demonstrating the site is inherently unsuitable for all forms of employment related use) further evidence would be required.

3.7 In respect of the considering the <u>viability</u> of employment related uses (the first part of the second limb of Policy EM24), the report prepared by RLB (January 2021, attached at Appendix 1) concludes that the land to the North of Church Field Road, Sudbury is capable of delivering a viable scheme for employment uses. Therefore, the scheme does not demonstrate compliance with the second part of the second limb of Policy EM24 (i.e. demonstrating the site is unviable for all forms of employment related use).

APPENDIX 1 VIABILITY APPRAISAL REPORT – LAND TO THE NORTH OF CHURCH FIELD ROAD, SUDBURY (RLB, JANUARY 2021)

REPORT

18 JANUARY 2021

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

VIABILITY APPRAISAL REPORT
LAND TO THE NORTH OF CHURCH FIELD ROAD SUDBURY

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1.0 INTRODUCTION AND BASIS OF REPORT

This Viability Appraisal Report has been produced on the instruction of Babergh and Mid Suffolk District Council (BMSDC) to review the financial viability appraisal submitted by Fenn Wright on behalf of Caverswell Enterprises Ltd and West Suffolk NHS Foundation Trust and Highbridge plc.

The application site comprises circa 11.57 Hectares (28.7 Acres) of greenfield land off to the north of Church Field Road Sudbury located approximately 1 - mile east of Sudbury Town Centre.

The Site is allocated for employment use in the adopted Local Plan Alteration No 2 (2006) under saved Policy EM2. As such, saved Policy EM24 applies. Policy EM24 relates to the retention of allocated employment sites and sets out two criteria to demonstrate the way in which the retention of a site for employment use can be fully explored prior to the approval of a non-employment use. The Policy states that applicants can **either** undertake a sustained marketing campaign at a realistic asking price, **or** where agreed in advance, the applicant can demonstrate that a site is inherently unsuitable **or** not viable for all forms of employment related use.

The Employment and Viability Land Study prepared by Fenn Wright on behalf of the landowners is focussed on demonstrating that the site is not viable for all forms of employment use. It also sets out appraisals for alternative residential use with a care home on part of the site. This partially reflects an outline planning application under consideration ref DC/20/01094 for erection of up to 190 residential dwellings, purpose-built care home for up to 60 bedrooms and associated infrastructure including landscaping, public open space, car parking and means of access off Church Field Road.

The Fenn Wright report sets out 5 alternative development appraisals as follows :-

1. B1 use throughout
2. B2/B8 use throughout
3. 90% residential and 10% B1 mixed use
4. 90% residential and 10% B2/B8
5. 90% residential and 10% serviced land

These have a range of **profit** outcomes set out in the report from option 1 at -90% to option 5 at +12.98% of GDV and alternatively showing a range of **residual land values** with profit included as a cost (at 17.5% of GDV) from option 1 -£24,868,938 to a positive land value for option 5 of £3,591,194.

These are set against a viable development requirement of achieving a residual land value in excess of a Benchmark Land Value (BLV) representing 15x the Existing Use Value (EUV) with a profit cost of 17.5% of GDV and hence concluding that none of the options above represent a viable scheme.

We have set out in the following sections of this report a review of the values and costs utilised by Fenn Wright as a basis for their appraisals and applied our own assessed inputs and prepared our own appraisals for employment uses as follows :-

1. A viability appraisal for B2 / B8 uses across the entire site
2. A viability appraisal for developing the site on the basis of selling on serviced plots across the entire site.

This report has been prepared in accordance with latest published guidance including the recently published RICS professional statement ‘Financial viability in planning: conduct and reporting’ 1st Edition May 2019 and would confirm the following statements accordingly:

We confirm in carrying out this Financial Viability Appraisal (FVA) we have acted:

- With objectivity.
- Impartially.
- Without interference.
- With reference to all appropriate available sources of information.

We confirm that in preparing this report no performance-related or contingent fees have been agreed and that no conflict of interest arises in carrying out this viability appraisal and report.

We also confirm that we are not involved in the preparation of any area wide FVA’s BMSDC have adopted or are preparing.

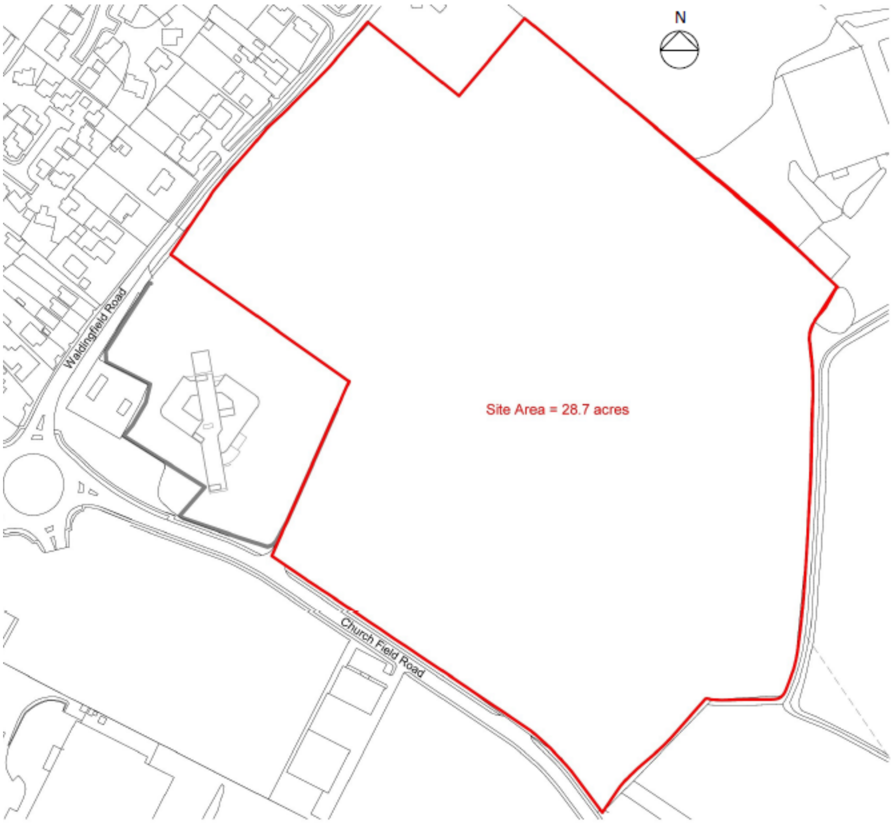
The primary objective of this assessment is to carry out an independent review of the Employment and Viability Land Study dated December 2020 prepared by Fenn Wright on behalf of the landowners and evaluate the viability issues associated with the site and whether their report satisfies the requirement in saved Policy EM24 of demonstrating that all forms of employment related use on the site are not viable.

2.0 SITE DESCRIPTION AND BACKGROUND

The site is the subject of an outline planning application under consideration ref DC/20/01094 for erection of up to 190 residential dwellings, purpose built care home for up to 60 bedrooms and associated infrastructure including landscaping, public open space, car parking and means of access off Church Field Road.

As described earlier the application site comprises circa 11.57 Hectares (28.7 Acres) acres of greenfield land to the north of Church Field Road Sudbury located approximately 1 - mile east of Sudbury Town Centre.

A site location plan and aerial plan are set out below :-



The site is bounded by Waldringfield Road to the north west, the Sudbury Community Health Centre to the west, Church Field Road to the south and agricultural land to the north and east.

To the south of the Site is the Chilton Industrial Estate where there are a variety of commercial occupiers. To the north east is Chilton Hall, a Grade II* listed building, together with its walled garden, also being listed as Grade II, and a Registered Park and Garden (Grade II listed). To the south west is the Grade I listed Church of St Mary.

The site is the subject of an outline planning application under consideration ref DC/20/01094 for erection of up to 190 residential dwellings, purpose built care home for up to 60 bedrooms and associated infrastructure including landscaping, public open space, car parking and means of access off Church Field Road.

An illustrative vision of the proposed development is given below: -

The site has an area of mature woodland along the south west, eastern, north east and north west boundaries which reduces the area for development to approx. 8.3Ha from the gross area of 11.57 Ha.

3.0 METHODOLOGY AND APPRAISAL COMMENTARY

RLB have prepared this report for the sole use of BMSDC in accordance with the instructions under which our services are performed. No other warranty, expressed or implied, is made as to the professional advice included in this report or any other services provided by us. This report may not be relied upon by any other party without the prior and express written agreement of RLB.

No part of this report constitutes a valuation and the report should not be relied on in that regard.

The appraisal methodology and approach follow the guidelines laid down in the RICS Professional Guidance - Viability in Planning published in 2012.

Following this in 2014 the emergence of the National Planning Practice Guidance (PPG) provided more detail about the application of the NPPF and in July 2018 a revised NPPF and PPG were issued. The NPPF was further updated in February 2019 and the PPG updated in May 2019. This followed the earlier decision in Parkhurst Road Ltd v Secretary of State for Communities and Local Government.

The RICS has subsequently issued updated guidance related to Financial Viability in Planning by way of a Professional Statement, Financial Viability in Planning: conduct and reporting 1st Edition May 2019. This sets out mandatory requirements and good practice guidance for RICS members of what must be included in reports and how the process must be conducted to achieve a reasonable, objective and impartial outcome and so support the Planning process.

We confirm that RLB comply with the above guidance and RICS professional conduct requirements in undertaking this Viability Appraisal Report.

3.1 APPROACH AND DEFINITION VIABILITY

There are two basic criteria that need to be satisfied for a development to be considered viable:

- The residual value of the land calculated by reference to the total value created by the development (also referred to as the Gross Development Value, GDV) when set against the total estimated costs of development i.e. construction costs, fees, finance and profit should generate a residual land value that is positive and exceeds the existing use value in the land prior to the granting of Planning for redevelopment.
- The development appraisal (i.e. considering the GDV set against the cost of development) in addition to demonstrating a positive residual value for the land described in 1 above also needs to cover a development profit for the Developer of the land (usually expressed a % of GDV).

These two basic criteria of viability are referred to in various guidance documents as follows:

RICS Professional Guidance: Financial Viability in Planning 2012

Paragraph 2.1.3 states that a proper understanding of financial viability is essential in ensuring that:

- land is willingly released for development by landowners.
- developers are capable of obtaining an appropriate market risk adjusted return for delivering the proposed development.

Recent Government advice is contained in the DCLG document 'Section 106 affordable housing requirements - review and appeal' April 2013

The DCLG guidance states:

- 'The test for viability is that the evidence indicates that the current cost of building out the entire site (at today's prices) is at a level that would enable the developer to sell all the market units on the site (in today's market) at a rate of build out evidenced by the developer, and make a competitive return to a willing developer and a willing landowner."

Viability is also referred to in the National Planning Policy Framework

NPPF Paragraph 173 defines financial viability for planning purposes as:

- 'An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project.'

3.2 THE VIABILITY APPRAISAL METHOD

The RICS Professional Guidance Paragraph 2.2.2 states:

- 'The residual appraisal method can be used in two basic ways; first, to assess the level of return generated from the proposed project where site cost is an input into the appraisal, and second, to establish a residual Site Value by inputting a predetermined level of return.'

In consideration of the various values, costs and allowances in this respect our detailed assessment and review of these may be summarised as follows.

3.3 APPRAISAL COMMENTARY

3.3.1 GENERAL APPROACH

We have adopted the residual appraisal method to ascertain viability in respect of a scenario where the entire site is developed out for a mix of B2 and B8 uses generating a residual profit where the site value is an input. In addition we have assessed the viability of the site being developed out in its entirety by the creation and selling of serviced plots to establish a residual site value which is then compared to the Benchmark Land Value (BLV) ascertained in accordance with latest guidance by the application of a multiplier over the Existing Use Value (EUV) of the site prior to any development.

3.3.2 DEVELOPMENT VALUE

The submitted viability by Fenn Wright relating to B1 office and light industrial uses across the entire site concludes that development is not viable for these uses. They also cite the recently published Aspinall Verdi report Plan Viability and CIL Review Study (PVCRS) and at Page 51 Para 5.5 state :-

We have studied the local plan review together with other local authority documentation. Aspinall Verdi produced Babergh and Mid Suffolk District Councils Local Plan Viability and CIL Review Study. We have consulted the Aspinal Verdi document to identify any accepted benchmark land values for sites of this type. The consultants confirm *“In the employment viability testing, we have considered office and industrial development. The viability testing shows that both are currently unviable, and there is not an opportunity to seek planning contributions for these types of development. The Districts will need to take a flexible approach in how this type of development is delivered, considering mixed-use development to enable viable development.”*

We have studied the Aspinall Verdi PVCRS report and they state at ES19 ‘*Retail and office development are unviable and industrial development marginally viable.’.* Clearly this appears at odds with the statement made in the Fenn Wright report.

In reviewing the Aspinall Verdi PVCRS report concluding that retail and office development are unviable we have not looked further at a viability appraisal for B1 uses across this site.

We have therefore focussed our attention on assessing whether B2 / B8 uses across the site could deliver viable development in addition to also assessing whether a scheme producing serviced plots might also be a viable option. This partially reflects the Option 5 in the Fenn Wright report which has also included an element of serviced land plots but only including these on 10% of the site area.

In respect of development values pertaining the B2 / B8 uses Fenn Wright have set out evidence of various recent comparable local sales etc of industrial units the majority of which appear to relate to existing units being resold on at prices which in some instances are below what it would cost to build comparable new space. They conclude and have adopted at Para 5.113 Page 40 a capital value of £80 per ft2 for Larger industrial / Warehouse uses.

In reviewing the evidence and comparables included in the Aspinall Verdi PVCRS report for inductrial uses this concludes at Para 6.6 on Page 53 that a rent of £10 per ft2 is an appropriate market rate together with a yield of 6.5%. Their evidence and analysis is set out in detail in the Property Market Report Appendix 2.

In light of the above we have adopted the Aspinall Verdi value for the B2 / B8 viability.

A summary of the overall Gross Development Value (GDV) for B2 / B8 across the site is set out below :-

B2 / B8									
DEVELOPMENT VALUE									
	Units		**NDA**	**m2**	**ft2**	**rent**	**ari**	**Yield**	**Value**
	Industrial	50%	9.26	37,487	403,505	£ 10.00	£4,035,052	6.50%	£62,077,729
	Sub Total						£4,035,052		£62,077,729
	Rent free / fit out contribution								-£4,035,052
	Sub Total								£58,042,677
	Less Purchasers costs							-6.75%	-£3,917,881
	Totals				403,505				£54,124,796
Gross Development Value									**£54,124,796**

Note we have applied 50 % site coverage of the area available for development which is in line with the Fenn Wright report then reduced this by a further 10% to allow for the conversion from Gross External Area to Gross Internal Area. By applying a rent per ft2 generates the annual rental income which is then capitalised at 6.5%. We have also allowed a one year rent free incentive allowance.

With regard to the serviced plot sales Fenn Wright have adopted a market price of £400,000 per acre for the selling of serviced plots in the Option 5 appraisal and we have adopted this in our appraisal accordingly. We have allowed 10% of the area available for development to accommodate estate roads dividing up the serviced plots.

On this basis the Development Value derived from selling on serviced plots can be summarised as follows :-

Serviced Plots						
DEVELOPMENT VALUE						
	Units		**NDA**		**£ / Acre**	**Value**
	Industrial	90%	18.5		£400,000	£7,410,240
	Totals			-		£7,410,240
Gross Development Value						**£7,410,240**

3.3.3 DEVELOPMENT COSTS

3.3.3.1 Land Costs

In establishing a land value for appraisal Fenn Wright have referred to various guidance and adopted the Existing Use Value (EUV) Plus approach where a premium is allowed over and above EUV to encourage a landowner to make the land available for development. Fenn Wright have referred to Homes and Communities Agency published guidance which refers to greenfield benchmark land values as follows ‘ for greenfield land benchmarks and evidence from planning appeals tend to be in a range of 10 to 20 times agricultural value.’ We would concur with this approach to establish a BLV for appraisal purposes with this site.

Fenn Wright have calculated a BLV by applying agricultural value to the gross site area of 11 Ha (27 Acres) at £10,000 per acre and used a multiplier of 15 times to calculate the premium which derives a BLV of £4,100,000.

Whilst land with residential potential might give rise to a premium at the top end of this range we would expect land with potential employment / industrial use might be at the lower end of the range ie a 10x multiplier. This is also the approach Aspinall Verdi have adopted in their report. In addition, the gross land area of 11 Ha includes belts of mature woodland which would not be available for development and we would take the view that this area of woodland should be deducted from the gross area to calculate an appropriate BLV.

In establishing a BLV for appraisal purposes this can be summarised as follows:

Benchmark Land Value					
	Ha	Acres	EUV / Acre		
EUV	8.3	20.58	£ 10,000	£ 205,840	
Plus	x	10		£ 2,058,400	
BLV				£ 2,264,240	

Using our adjusted BLV gives the following appraised land value cost :-

Land Costs									**£ Total**
	Acquisition		BLV						£2,264,240
									£2,264,240
	Stamp Duty						5.00%		£113,212
	Agent						1.00%		£22,642
	Other Legal						0.50%		£11,321
	Total Land Cost								**£2,411,416**

3.3.3.2 Construction Costs

In appraising the B2 / B8 option we have referred to BCIS published average costs rebased to Bamberg which is in line with the approach adopted in the Fenn Wright report and we agree that this is a reasonable approach in line with viability guidance.

We have sourced appropriate costs published by BCIS which is set out below :-

Average prices

Results

› Rebased to Babergh (97; sample 15) Edit

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 16-Jan-2021 00:38

Maximum age of results: 10 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
284.1 Advance warehouses/stores (10)	784	530	-	842	-	923	4

We have therefore applied a base cost of £784 / m2 GIA in the B2 / B8 appraisal.

The published BCIS costs do not include allowances for external works, and we have allowed an additional 15% to the base cost to cover these and then added a further 5% contingency in line with normal appraisal allowances for industrial schemes.

Our construction cost allowances for the B2 / B8 scheme can be summarised as follows :-

Construction Costs					**Cost / m2**	**Cost / ft2**	**Total ft2**		**£ Total**
	Industrial			BCIS	£ 784	£ 73	403,505		£29,389,456
	External Works			15%					£4,408,418
	Contingency					£33,797,875	5%		£1,689,894
	Total Construction								**£35,487,769**

With regard to the serviced land appraisal we have applied £120,000 per acre to cover the cost of services and infrastructure based on other industrial land schemes we have appraised. We have then added 5% to cover contingencies. This gives a servicing cost for the plot sales appraisal as follows :-

Construction Costs									**£ Total**
	Infrastructure				18.53	Acres	£ 120,000		£2,223,072
	Servicing Land								£0
	Cut and Fill SUDS								£0
	Contingency					£2,223,072	5%		£111,154
	Total Construction								**£2,334,226**

3.3.3.3 Planning and Design Costs

These were included at 11% overall in the Fenn Wright submission for the B2 / B8 appraisal and we have reduced these to 10% overall which we feel reflect normal commercial fee levels for the various disciplines involved. We have also allowed some costs to cover Planning and Building Regulations fees together with an allowance for S106 Highways contribution as included by Fenn Wright of £250,000.

Planning Costs		%		£ Total
Pre Planning	Planning and Building Regs			£60,000
	Planning consultant			£30,000
	Total Planning Costs			**£90,000**
Design Costs				
Construction	Architect	5.00%		£1,774,388
	Structural Engineer	1.50%		£532,317
	QS	1.00%		£354,878
	PM	1.00%		£354,878
	Civil Engineer	1.50%	10%	£532,317
	CIL			£0
	S106			£250,000
	Total Design			**£3,798,777**

With regard to the serviced land appraisal we have made the following allowances for Planning and Design costs :-

Planning Costs		%		£ Total
Pre Planning	Planning and Building Regs			£60,000
	Planning consultant			£30,000
	Total Planning Costs			**£90,000**
Design Costs				
Construction	Architect	2.00%		£46,685
	Structural Engineer	1.00%		£23,342
	QS	1.00%		£23,342
	PM	0.00%		£0
	Development Manager	1.50%		£35,013
	CIL			£0
	S106			£250,000
	Total Design			**£378,382**

3.3.3.4 Disposal Costs

These are the costs of marketing and selling and have made the following allowances in the B2 / B8 appraisal :-

Marketing and Disposal		%	Fixed Costs £	£ Total
	Letting Agents	10.00%		£403,505
	Sales Agent	1.00%		£541,248
	Legal Fees	0.50%		£270,624
	Marketing	1.00%		£541,248
	Total Marketing and Disposal			**£1,756,625**

With regard to the serviced land appraisal we have made the following allowances :-

Marketing and Disposal		%	Fixed Costs £	£ Total
	Sales Agent	1.00%		£74,102
	Legal Fees	0.50%		£37,051
	Marketing	1.00%		£74,102
	Total Marketing and Disposal			**£185,256**

3.3.3.5 Finance Costs

We have inputted the appraised values and costs into our standard appraisal format based on an outline timescale to build out and sell the units which may be summarised as follows :-

B2 / B8															
Build Out	Years		1	2	3	4	5	6	7	8	9	10	11	12	13
		Mnths	12	24	36	48	60	72	84	96	108	120	132	144	156
	Lead In	1-12													
	Construction	13-132													
	Sales	25-144													

We have used a finance rate of 7% and arrangement fees of 0.75% as included in the Fenn Wright report which we feel reflects current lending rates. Interest costs can be summarised as follows:-

Finance			
	Finace cost		**£784,188**
	Finance Arrangement	0.75%	**£69,807**
	Debit Rate	7.00%	
	Credit Rate	0.00%	
	Total Finance		**£853,995**

With regard to the serviced land appraisal the assumed timescale for servicing and plot sales may be summarised as follows :-

Plot Sales														
Timescales	Years		1	2	3	4	5	6	7	8	9	10	11	12
		Mnths	12	24	36	48	60	72	84	96	108	120	132	144
	Lead In	1-12												
	Construction	13-132												
	Sales	25-144												

This gives a finance cost for the plot sales appraisal as follows :-

Finance			
	Finace cost		**£197,765**
	Finance Arrangement	0.75%	**£18,794**
	Debit Rate	7.00%	
	Credit Rate	0.00%	
	Total Finance		**£216,559**

3.3.3.6 Profit

The submitted Fenn Wright appraisals refer to a profit return of 17.5% of GDV which is the mid point of between 15 and 20% of GDV generally regarded as a reasonable return for viability purposes. We have adopted a similar profit return for the B2 / B8 appraisal but note that if developed out on a design and build basis to bespoke occupier requirements for the smaller units and forward funded investments for the larger units there is a view that profit on this basis should be at the lower level of 15%.

With regard to the serviced plots appraisal we envisage the servicing and infrastructure costs would be incurred in phases relative to market take up of the plots and have therefor set this profit level at 15% of the costs of infrastructure representing a reasonable return for the risk having regard to the enhanced land value achieved through the plot sales.

4.0 VIABILITY AND CONCLUSION

With regard to the basis of the submitted viability report prepared by Fenn Wright the objective was to demonstrate that in order to consider release of the land for purposes other than employment use that the site is not viable for all forms of employment uses in line with the requirement set out in saved policy EM24. The Policy states that applicants can **either** undertake a sustained marketing campaign at a realistic asking price, **or** where agreed in advance, the applicant can demonstrate that a site is inherently unsuitable **or** not viable for all forms of employment related use.

The Fenn Wright report set out 5 alternative development appraisals as follows :-

1. B1 use throughout
2. B2/B8 use throughout
3. 90% residential and 10% B1 mixed use
4. 90% residential and 10% B2/B8
5. 90% residential and 10% serviced land

These have a range of profit outcomes set out in the report from option 1 at -90% to option 5 at +12.98% of GDV and alternatively showing a range of residual land values with profit included as a cost (at 17.5% of GDV) from option 1 -£24,868,938 to a positive land value for option 5 of £3,591,194.

These are set against a viable development requirement of achieving a residual land value in excess of a Benchmark Land Value (BLV) of £4,100,000 representing 15x the Existing Use Value (EUV) with a profit cost of 17.5% of GDV. Alternatively achieving a residual profit of 17.5% GDV with the BLV included as a cost. As none of the Options 1 – 5 above achieved these viability objectives the report concluded that none of the options for employment use represented a viable scheme.

In considering our approach to assessing viability for employment uses on the site and the Fenn Wright Employment and Viability Land Study we have also reviewed the recently prepared Aspinall Verdi Plan Viability and CIL Review Study October 2020. This report is cited in various places in the Fenn Wright viability and in respect of employment development states that office development in this area is not viable which also accords with the Option 1 B1 Fenn Wright appraisal. Considering this we have not prepared a viability for this option. In addition we have not prepared viability for scenarios 2 to 5 of the Fenn Wright Report and concentrated on employment viability for B2 / B8 uses and alternatively developing out the site on a serviced land basis which is the focus of the requirement in saved policy EM24 in consideration of any alternative uses to employment.

We have set out in the foregoing sections of this report a review of the values and costs utilised by Fenn Wright as a basis for their appraisals and applied our own assessed inputs and prepared our own appraisals for employment uses as follows :-

1. A viability appraisal for B2 / B8 uses across the entire site
2. A viability appraisal for developing the site on the basis of selling on serviced plots across the entire site.

In summary these show that for a built out B2 / B8 scheme with a BLV included as a cost that the site does have potential to deliver a profit return in excess of 17.5% of GDV. The development appraisal is summarised below with the full detailed appraisal summary included as Appendix A

B2 / B8		
DEVELOPMENT VALUE		
Gross Development Value		£ 54,124,796
DEVELOPMENT COST		
Land Costs		£ 2,411,416
Construction Costs		£ 35,487,769
Planning Costs		£ 90,000
Design Costs		£ 3,798,777
Marketing and Disposal		£ 1,756,625
Finance		£ 853,995
Developers Profit	17.5%	£ 9,471,839
Total Development Costs		£ 53,870,421
Residual Surplus		£ 254,376

With regard to the serviced land appraisal we have set out appropriate costs and values as set out earlier which results in a residual land value above the Threshold Land Value or Benchmark land value and this appraisal summary is summarised below with a detailed appraisal summary included in Appendix B :-

Land Sales		
DEVELOPMENT VALUE		
Gross Development Value		£ 7,410,240
DEVELOPMENT COST		
Land Costs		£ -
Construction Costs		£ 2,334,226
Planning Costs		£ 90,000
Design Costs		£ 378,382
Marketing and Disposal		£ 185,256
Finance		£ 216,559
Developers Profit	15%	£ 480,663
Total Development Costs		£ 3,685,087
Residual Surplus		£ 3,725,153

In recognition of the above appraisals we consider that the subject land to the North of Church Field Road is capable of delivering a viable scheme for employment uses.

APPENDIX A:
RLB DETAILED APPRAISAL SUMMARY B2 / B8

Detailed Appraisal

15 January 2021

Church Field Road Sudbury

Residual Appraisal

B2 / B8

Site Area		
Acres		20.58
Hectares		8.30

Start :	1	month
Year :	2021	year
Period :	156	months

DEVELOPMENT VALUE

Units		NDA	m2	ft2	rent	ari	Yield	Value
Industrial	50%	9.26	37,487	403,505 £	10.00	£4,035,052	6.50%	£62,077,729
Sub Total						£4,035,052		£62,077,729
Rent free / fit out contribution								-£4,035,052
Sub Total								£58,042,677
Less Purchasers costs							-6.75%	-£3,917,881
Totals				403,505				£54,124,796

Gross Development Value	**£54,124,796**

DEVELOPMENT COST

Land Costs								**£ Total**
	Acquisition	BLV						£2,264,240
								£2,264,240
	Stamp Duty					5.00%		£113,212
	Agent					1.00%		£22,642
	Other Legal					0.50%		£11,321
	Total Land Cost							**£2,411,416**
Construction Costs			**Cost / m2**	**Cost / ft2**		**Total ft2**		**£ Total**
	Industrial	BCIS	£ 784	£ 73		403,505		£29,389,456
	External Works		15%					£4,408,418
	Contingency				£33,797,875	5%		£1,689,894
	Total Construction							**£35,487,769**
Planning Costs					**%**			**£ Total**
Pre Planning	Planning and Building Regs							£60,000
	Planning consultant							£30,000
	Total Planning Costs							**£90,000**
Design Costs								
Construction	Architect				5.00%			£1,774,388
	Structural Engineer				1.50%			£532,317
	QS				1.00%			£354,878
	PM				1.00%			£354,878
	Civil Engineer				1.50%	10%		£532,317
	CIL							£0
	S106							£250,000
	Total Design							**£3,798,777**
Marketing and Disposal					**%**	**Fixed Costs £**		**£ Total**
	Letting Agents				10.00%			£403,505
	Sales Agent				1.00%			£541,248
	Legal Fees				0.50%			£270,624
	Marketing				1.00%			£541,248
	Total Marketing and Disposal							**£1,756,625**
Finance								
	Finace cost							**£784,188**
	Finance Arrangement				0.75%			**£69,807**
	Debit Rate				7.00%			
	Credit Rate				0.00%			
	Total Finance							**£853,995**
Developers Profit					**%**			**£ Total**
	Developers Profit				17.5%			£9,471,839

Total Development Costs		**£53,870,421**
Residual Profit	**0.47%**	**£254,376**

APPENDIX B:
RLB DETAILED APPRAISAL SUMMARY PLOT SALES

Detailed Appraisal

15 January 2021

Church Field Road Sudbury

Residual Appraisal

Serviced Plots

Site Area		
Acres		20.58
Hectares		8.30

Start :	1	month
Year :	2021	year
Period :	144	months

DEVELOPMENT VALUE							
	Units		**NDA**			**£ / Acre**	**Value**
	Industrial	90%	18.5			£400,000	£7,410,240
	Totals			-			£7,410,240
Gross Development Value							**£7,410,240**
DEVELOPMENT COST							
Land Costs							**£ Total**
	Acquisition	BLV					£0
							£0
	Stamp Duty					5.00%	£0
	Agent					1.00%	£0
	Other Legal					0.50%	£0
	Total Land Cost						**£0**
Construction Costs							**£ Total**
	Infrastructure			18.53 Acres	£	120,000	£2,223,072
	Servicing Land						£0
	Cut and Fill SUDS						£0
	Contingency				£2,223,072	5%	£111,154
	Total Construction						**£2,334,226**
Planning Costs					**%**		**£ Total**
Pre Planning	Planning and Building Regs						£60,000
	Planning consultant						£30,000
	Total Planning Costs						**£90,000**
Design Costs							
Construction	Architect				2.00%		£46,685
	Structural Engineer				1.00%		£23,342
	QS				1.00%		£23,342
	PM				0.00%		£0
	Development Manager				1.50%		£35,013
	CIL						£0
	S106						£250,000
	Total Design						**£378,382**
Marketing and Disposal					**%**	**Fixed Costs £**	**£ Total**
	Sales Agent				1.00%		£74,102
	Legal Fees				0.50%		£37,051
	Marketing				1.00%		£74,102
	Total Marketing and Disposal						**£185,256**
Finance							
	Finace cost						**£197,765**
	Finance Arrangement				0.75%		**£18,794**
	Debit Rate				7.00%		
	Credit Rate				0.00%		
	Total Finance						**£216,559**
Developers Profit					**%**		**£ Total**
	Developers Profit		Costs	£ 3,204,423	15.0%		£480,663
Total Development Costs							**£3,685,087**
Residual Land Value							**£3,725,153**

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