

Cotswold District Council

Strategic Employment Land Availability Assessment Viability Considerations

Final Report

May 2014

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1 Introduction and Brief

- 1.1 Cotswold DC is preparing its Local Plan 2011-31. It published a Preferred Development Strategy in 2013, which was subject to consultation. There will be further consultation on the detail of site allocations etc in 2014 and on the Pre-Submission Draft Local Plan in autumn 2014, prior to submission in 2015.
- 1.2 The Local Plan will include policies to balance forecast employment land demand and supply, together with site allocations. Cotswold DC has just completed a further call for sites and is about to publish its Strategic Employment Land Availability Assessment (SELAA).
- 1.3 The evidence base includes an Employment Land Study (Donaldsons / White Young Green, 2007). This study has been overtaken by major changes to the economy and to planning policy. The Economy Evidence Paper (Peter Brett Associates, 2013) summarised these changes and refreshed the conclusions of the 2007 Study, without another detailed appraisal of sites. Cotswold DC also prepares an annual Employment Land Availability Study.
- 1.4 We were asked to carry out a desk based study to:
 - Review the national policy context and set out the policy requirements in relation to viability.
 - Identify the relevant considerations in the emerging Local Plan and in the Employment Land Studies
 - Review the list of proposed employment land sites for the SELAA (including those identified as not currently developable) and provide an appropriate method for categorising them by size, settlement size, use, accessibility etc.
 - Provide an overview of the market for employment land in Cotswold district and comment on the development viability of each category of site.

Our study relies on the evidence base and site plans provided as well as a search of online information about rents. We have made no enquires about individual sites.

2 National Policy Context

2.1 Planning policy is now set out in the National Planning Policy Framework (NPPF, 2012). The associated National Planning Practice Guidance (NPPG, 2014) sets out best practice in applying the NPPF but carries less weight in planning terms.

2.2 The NPPF says:

Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable. (Para 173)

2.3 The NPPG says:

A site is considered achievable for development where there is a reasonable prospect that the particular type of development will be developed on the site at a particular point in time. This is essentially a judgement about the economic viability of a site, and the capacity of the developer to complete and let or sell the development over a certain period.(Para 021)

Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; site typologies may be used to determine viability at policy level. Assessment of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.(Para 006)

For brownfield sites, assumptions about land values should clearly reflect the levels of mitigation and investment required to bring sites back into use. (Para 025)

3 Emerging Local Plan

3.1 The emerging Local Plan has an Objective of:

Allocating new employment land in Cirencester, Tetbury, Bourton-on-the-Water and Moreton-in-Marsh; guiding employment development towards existing employment land in other settlements; and allowing appropriately scaled development elsewhere in line with policy, to meet localised demand, such as rural workspace, and create opportunities for businesses and residents.

3.2 Policy E1 includes provision to:

Address gaps in the network of employment sites by:

Focussing on providing business incubation space and serviced workspace to encourage new business start ups, including appropriate provision in rural areas.

Enabling the growth and/or expansion of existing employers wherever possible balanced against the environmental and heritage constraints of the District.

Encouraging the development of knowledge industries, new environmental technology hubs, and attract the headquarters of small/medium sized knowledge based businesses in appropriate locations.

3.3 Policy E7 includes provision for:

Allocations of employment land totalling at least 15 hectares for B1, B2 and B8 uses (and for other employment uses that do not fall within any specific use class and which do not cause unacceptable environmental problems) will be made in a Development Plan Document broadly in the following locations:

a) South of Chesterton, Cirencester (including land at Wilkinson Road) in association with a potential strategic urban extension

b) Extension of Tetbury Industrial Estate (Land between Cirencester Road and London Road) in conjunction with the redevelopment of the existing employment estate.

c) Expansion of Bourton Business Park, Bourton-on-the-Water

d) Extension of Cotswold Business Village, Moreton-in-Marsh

3.4 The Emerging Plan also distributes the 15 ha employment land 2011-31, with over 9 ha in Cirencester. The next tier of towns – Tetbury, Bourton-in-the-Water, Moreton-in-Marsh have allocations of less than 2 ha. The rest of the district has allocations of under 2ha in total, making up about 10% of the total.

4 The Cotswold Market

- 4.1 Cotswold district is not a major employment area. It is constrained by AONB status and by topography (it is a mixture of hilly areas and low lying floodplain, much affected by gravel extraction). It also is relatively poorly served by the road and rail network. Neighbouring authorities along the M5 and M4 have major clusters of warehousing. Cheltenham is a centre for offices and for GCHQ. South Gloucestershire covers the Bristol fringes. Swindon has a Honda plant. However, Cotswold is mainly rural. Cirencester is the largest town, with a population of around 19,000 compared with Swindon's 210,000.
- 4.2 According to the Stroud Employment Land Study, (AECOM/BE Group) Cotswold District has the least factory, warehouse and office floorspace of the Gloucestershire authorities - 623,000 sq m compared with 2,271,000 sq m for South Gloucestershire, which has the most space.
- 4.3 Rents for larger industrial units are around £50-60 psm in the best locations and office rents are £120-140 psm at best (for larger units) . This is not high enough to develop to an institutional standard. Moreover, outside a few good locations, rental levels fall off rapid, with rents of £20-30 psm for industrial uses being common in smaller settlements and particularly on the disused airbases where there is plenty of lower quality but serviceable accommodation.
- 4.4 There are a few locations where office development apparently is (or has been) viable – for instance, Cotswold Business Village at Moreton-in-Marsh and Cirencester Business Park. However, development consists of relatively small units – 250-500 m² is typical – and a specification that is adequate, but short of institutional investors' requirements. Similarly, there has been industrial development in the recent past at Bourton-in the Water Industrial Park and at South Cerney but the build quality and the tenants' financial strength would not be attractive to an institutional investor. Moreover, in the smaller settlements, much of the development land is too remote and has sub-standard access.
- 4.5 There is nothing wrong or uncommon with this situation, but the effect is that a standard residual land value appraisal, incorporating the cost of construction to an institutional standard, would probably demonstrate that development is apparently not viable anywhere in the district.

5 Special Value

- 5.1 Yet, in the real world, development does take place in Cotswold district, albeit slowly. There can be many reasons for this. In rural areas and small towns, building and infrastructure specifications are often lower and hence cheaper to provide. Smaller sites typically use land more efficiently and require less expensive access arrangements. For instance a half hectare site on a quiet road in a rural location may only require a single access and a visibility splay whereas a larger, more prominent, site might need a length of spine road and a roundabout or signalised junction. So, overall development costs can be much lower.
- 5.2 In a secondary market like the Cotswolds, where there is little institutional investment, the owner-occupier market is usually stronger and purchaser businesses are often able to borrow to purchase and/or to use their pension funds to provide tax efficient finance.
- 5.3 However, probably the most important consideration is that the majority of sites have a special value to a particular person that enables development, or there are reasons why a developer or landowner would bring forward a site at a discounted value.
- 5.4 It is clear that there is little market for development land and that a number of sites have been, or will be, developed by people whose prime motivation is to enhance their own business rather than just to make development profits. For instance, the Bourton Industrial Park has been developed by Hacklings, a haulage firm who originally moved there to operate its own business. In Cirencester, the Royal Agricultural College is bringing forward development sites for uses that tie in with its own activities.
- 5.5 Next, a number of proposed sites are already partially or wholly serviced and much of this cost has already been written off. This includes the sites which are extensions of existing business or industrial parks, sites based on old airfields and sites which are redevelopment of existing industrial premises.
- 5.6 Several of the sites would require access through existing business sites. If the business does not already own the land, it would be able to buy it cheaply because it controls the access. In some cases, also, access would not meet planning standards for an independent development but would be adequate for

an expansion of the existing use. The Campden BRI potential extension site at Chipping Camden appears to be a good example of this.

- 5.7 The Chesterton Farm development proposals at Cirencester are one of the main employment allocations. Here, the provision of employment land is part of scheme for a much larger residential development, necessary to make the development acceptable in planning terms. So it is realistic to assume that even if the employment land had a negative value, it would be justified by the uplift in value generated by residential development.
- 5.8 Finally, in a local market, there are a number of occupiers who are willing and able to pay more than the market value for a new property in order to avoid the expense of relocating an expanding business. There are two good examples of this in Cotswold district. The first is the St James Place office development in Cirencester which is bigger and built to a much higher specification than any other office development in the district in recent years. It enabled St James Place to consolidate its operations in the town into one building and as the company was owned by a major bank at the time, finance was not an issue.
- 5.9 The SIAC offices at Tetbury are another less successful illustration of this phenomenon. They are high quality stone-clad offices in a low value location and the only reason they were developed is that SIAC had an industrial operation in Tetbury – which has now closed.

6 Conclusions

- 6.1 In the previous section we explained why some kinds of sites that have special value to an owner/developer or to an occupier are likely to be viable for development even if they do not meet the requirements for institutional investors.
- 6.2 A number of greenfield edge of settlement sites have also been put forward for development around the smaller settlements where there is little or no history of employment uses. Most of these sites adjoin existing residential areas and have also been proposed for residential development. As greenfield sites they will incur the full cost of servicing. The potential demand (2ha pa spread over several settlements) is such that it would take many years to recoup this investment.

- 6.3 Moreover, being alongside residential areas, development is likely to be restricted to B1 use and to smaller occupiers. Most demand will come from micro-businesses (less than 10 employees) who increasingly work from home or can be accommodated in converted agricultural buildings. The 2013 changes to permitted development of agricultural buildings make this even more likely. Our view is that these sites are unlikely to be viable for employment uses.
- 6.4 It is unlikely that sites in Tetbury will be viable for employment use by itself. The evidence shows that values are lower there. Moreover, planning consent has been granted after appeal to convert employment land at Quercus Road to residential use because there is no evidence of demand for employment uses.
- 6.5 Several sites in the middle of Cirencester have been proposed for office development. These are problematic. As explained, there is little demand for new office development in the town and the local market is well catered for by edge of town development like Cirencester Business Park. At the same time, alternative use values for the sites – mainly car parking, with the prospect of residential development – leave little margin for a developer to offer a landowner. Some of these sites also have listed buildings, which would need to be retained. This adds to the complexity of assessing them. We suspect that if they were to come forward, it would be as part of a mixed use scheme, with some residential element.
- 6.6 This apart, overall, we conclude that there is a good prospect of development being achievable on the sites proposed for allocation, taking account of their special value to particular sellers, developers and buyers. We also conclude that the proposed allocations allow sufficient choice to cater for likely demand and that generally speaking, there is unlikely to be an alternative allocation strategy that would be more viable.
- 6.7 Generally, development of retail convenience stores attracts the major operators and is viable in Cotswold as it is across most of the country (subject to market saturation). There has recently been a move away from large format stores towards smaller top-up stores but this is less likely to affect Cotswold district which has few large format stores anyway. Non-food retail warehouse should also be viable in the main towns although demand will be for full A1 user rather than bulky goods. Without a comprehensive survey of gaps in the occupier market we cannot be definitive, but we would expect most, if not all, of

the sites put forward for retail development to be viable if there is occupier demand.

7 Caveats and Cautions

- 7.1 NPPF Paragraph 173 requires local authorities to ensure that any locally imposed requirements should not render development unviable. We have assumed that there will be no Community Infrastructure Levy imposed on employment generating development (other than perhaps convenience stores).
- 7.2 The government has brought forward proposals to reduce the number of locally imposed design standards which lessen the risk of them making development unviable. However we note that the Cotswold Design Guide has been interpreted as requiring the use of Cotswold stone on business premises in some areas. The impact on viability will need to be considered as part of the whole plan viability exercise, to be commissioned later in 2014.
- 7.3 Except where indicated, we have made no assumptions about remediation costs for brownfield sites or for those sites – especially the extensions to Tetbury and Bourton Industrial Estates - which may have previously been landfill. It should be verified that these site can be developed at reasonable cost.
- 7.4 As far as we can tell, uniform assumptions about development density have been applied to the gross area of each site, whereas in practice the net developable site area will vary significantly, after allowing for landscaping, roads, irregular shapes and so on. This is a greater problem for larger sites Moreover, development of smaller units (which is more common in the district) tends to result in a less efficient use of sites. On some of the larger sites chosen – especially Carpenter’s Farm Cirencester and the Fire Rescue site at Moreton in Marsh – the precise development area has not yet been defined so any reduction in net developable area can be offset by allocating more land. However, we recommend that the overall development capacity of the allocated land be checked.
- 7.5 NPPF Paragraph 21 says that “Policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances;” The Cotswold market is very localised and demand is, to some extent, unpredictable – demand could arise almost

anywhere and could not be easily directed to a different location. It is therefore almost inevitable that the employment land allocations will have an element of contingency in them.

- 7.6 NPPF Paragraph 22 says: “Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose.” In some cases, there will be pressure to convert unused employment land to residential use, especially given the value differential. The extent to which this happens is dependent on considerations such as whether the local authority has a five year supply of housing land or not. However, generally, the policy of allocating development to land adjoining existing industrial estates is likely to minimise this pressure. In contrast, as explained above, the allocation of greenfield sites in new locations is likely to increase pressure because they are less viable for employment uses.