



Independent Viability Experts

FAO Mr Alan Harvey
Principal Planning Officer
East Staffordshire Borough Council

Sent by email only

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Our ref: DN-0107

Your ref: P/2017/01307

Date: 3rd April 2019

Dear Mr Harvey

PROPERTY ADDRESS: Bamford Works, Pinfold Street, Uttoxeter

INSTRUCTING BODY: East Staffordshire Borough Council

APPLICANT: B Uttoxeter Property Holdings Ltd

We write in response to the applicant's email dated 26th March 2019. In their email the applicant has set out details of the previous marketing undertaken in relation to the above property.

For clarity, we have been instructed to review the marketing information submitted with a view to concluding as to whether we believe this constitutes a sufficient exposure to the market to rule out a higher density scheme at the subject property.

3 documents have been provided, which we would summarise as follows:

Document 1 – Estates Gazette Advert

- This is described by the applicant as a '1 – 2 page landscape' advert.
- A single agent (JLL) is included, together with relevant contact details for their agents.

- The JCB logo is also prominent.
- The advert shows a plan of a wider mixed used scheme, comprising:

Zone 1: Residential

Zone 2: Retail / office

Zone 3: Central Landscape Zone

Zone 4: Commercial

- The headline states “Transformational 6.72Ha (16.6 acres) residential development opportunity”.
- It refers to an extant “outline consent secured for 257 unit residential led scheme and ancillary uses” (planning ref P/2014/00969).
- The advert is not referring to a simple disposal, instead it is a request for a partner to/ “deliver innovative master plan”.

Document 2 – Marketing Brochure

- This is a 4 page document.
- It describes the site in the same way as shown in the Estates Gazette advert (i.e. up to 257 dwellings for a “residential led scheme and ancillary uses”).
- The main heading refers to a “transformational residential development opportunity”.
- However, the more detailed description of the site also refers to a “transformational mixed use development”. A further description states that the “owner now wishes to appoint a delivery partner to bring forward the development of Zone 1, which comprises the residential element of the scheme, with potential for a mix of ancillary uses”.

- Page 3 sets out the anticipated tasks of a delivery partner. This includes:
 - (i) a requirement to “review the master plan and design code to ensure and enhance deliverability”. A link is given from which the design code could be downloaded (although this link appears to no longer be active).
 - (ii) create a “thorough project and phasing plan”.
 - (iii) securing the detailed planning consent.
 - (iv) construct the consented scheme.
 - (v) market and sell.
- The document invites expressions of interest.
- Contact details are given for 2 agents at JLL.

Document 3 – Marketing Summary

- This is a word document and sets out a timeline to the marketing undertaken.
- It states that JLL were instructed to advise the applicant in April 2016.
- The Estates Gazette advert was placed in June 2016.
- Direct approaches were also made to 17 specialist developers and 29 conventional developers (with the marketing brochure forwarded).
- In July 2016 a number of the parties contacted “took issue with the requirements of the design code as they felt that the proposed housing types in no way reflected market demand and were far too expensive to deliver based on achievable local values”.
- However, 5 expressions of interest were received.
- July 2016 JLL recommended progressing to tender stage.

- Sept 2016 interviews were undertaken with 3 parties (2 had declined to take their interest any further).
- At interview one of the parties expressed concerns over 2 elements of the scheme, the first being the need to reduce costs, the second being a requirement to revisit layout, type and mix. Particular concern over the requirements set out in the Design Code, which they stated rendered the scheme unviable.
- Another party also raised concerns over viability, again principally due to the requirements of the Design Code.
- December 2016 2 parties were chosen as preferred bidders.
- April to July 2017 is described as “Stage 2 bid analysis”. 1 party submitted a proposal based on the scheme being redesigned to a more viable form. The other party also undertook a comprehensive review of the Design Code. The latter party’s proposal was rejected. The only remaining proposal that was deemed acceptable was therefore from a single party, Places for People.
- November 2017 outline application to “renew” lapsed consent submitted (i.e. the current application for up to 148 dwellings ref P/2017/01307).
- May to Sept 2018 the applicant re-contacted Places for People. Their feedback was as follows:

“We have looked in detail at the site and I’ve reviewed initial work. Our conclusions are very similar to the position that we got to a few months ago, that the viability is very marginal.”

- Jan 2019 Savills were appointed to advise on the marketing of the site. Savills advise that a higher density scheme is unlikely to come forward and that a more traditional housing scheme should be promoted.

CP Viability Comments

Based on the information provided we would set out our comments / observations as follows:

1. The marketing undertaken to date has been based on a scheme of up to 257 dwellings and ancillary uses. The current proposal (residential only, for up to 148 dwellings) has not therefore been formally tested in the market place. This is significant as a scheme of 257 dwellings may have been ruled out by interested parties as being unsuitable, whilst a smaller scheme may have been more acceptable. The only way this can be fully known is if the smaller scheme of up to 148 dwellings is formally tested in market place (which to date has not been undertaken).
2. The last formal marketing to take place was in June / July 2016 and therefore 16 months before the current application was submitted. Market conditions have changed since this time. Furthermore, the NPPF (initially published July 2018) sets out that local authorities should seek to “optimise the use of land in their area”. It goes on to say that this “should include the use of minimum density standards for city and town centres and other locations that are well served by public transport”. In other words, central government has placed an increased emphasis on maximising density, particularly in urban locations like the subject site.

3. In our professional opinion the way the marketing brochure / Estate Gazette advert are presented could have appeared unclear to interested parties. In each case, the main headline from the advert refers to “transformational residential development opportunity”. However, it then goes on to show the plan for the wider mixed-use scheme and also at the bottom refers to “residential led scheme and ancillary uses” which suggests a mixed-use development. This may have deterred some parties at an early stage in the marketing process.

4. The marketing undertaken was not only based on a higher number of units (257 rather than 148) but it also factored in a requirement to meet a ‘Design Code’. The original Design Code details have been provided us. This comprises of a 180 page document setting out the design requirements for the scheme.
 - 4 storey ‘Crescent Houses’
 - 4 storey ‘Villa Houses’
 - 3 storey townhouses
 - 2 storey mews
 - 2 storey terraces
 - 1 to 3 storey mixed form housing
 - Requirement for high quality materials and architectural detailing commensurate with the brief to create an appropriate legacy for the Bamford family.
 - Aspiration for CIBE Building for Life ‘very good’ rating
 - Aspiration for Code for Sustainable Homes Level 4
 - Aspiration for renewable or low carbon energy systems to produce minimum 10% of the development’s energy demand
 - Viability of combined heat and power or community heating system to be investigated early

- Promoting use of locally sourced and sustainable materials
- Water conservation standards in excess of code targets

The scheme was therefore marketed on the basis of providing 2, 3 and 4 storey dwellings. The proposals tested through the recent viability work only incorporated 2 and 3 storey housing.

Furthermore, the Design Code promoted in the marketing was for enhanced standards, above the minimum requirements of the Council. In the current proposal for up to 148 dwellings there is no requirement to meet this Design Code.

In the feedback received parties identified the Design Code aspiration as being a key reason as to why the scheme was deemed to be unviable. We agree that the costs associated with this Design Code aspiration are in excess of a typical scheme, which would potentially have a negative impact on the scheme viability (albeit offset by any increase in sales values that could be achieved). The more recent application, though, does not include this Design Code aspiration, therefore these specific concerns previously raised by interested parties have been mitigated.

They also referred to the type of dwellings being a concern, which we anticipate was more in relation to the requirement for 4 storey housing, an unusual dwelling type which is likely to be perceived as an increased risk by a developer as this is a product untested in the local market.

Due to the number of dwellings (257 rather than 148), the type of dwellings (4 storeys included rather than a maximum of 3 storeys) and also standards (enhanced rather than the Council's minimum requirements) we therefore consider there to be a significant differential between what has previously been promoted through a marketing process and what is currently being considered through the planning application.

5. Savills, who were appointed only in Jan 2019, have stated separately:

The applicant has previously invested heavily in a design led higher density scheme which has failed to secure a development partner despite a both a national and targeted marketing campaign commenced in May 2016. No interest was received from the national housebuilders for the higher density scheme and interest from development partners was ultimately withdrawn due to concerns with scheme viability.

In the light of this, we have advised the applicant that the site should be marketed on the basis of a lower density 'policy compliant' scheme which we consider will be more market facing

Savills' initial comments are agreeable in that the scheme that was previously marketed received only limited interest. However, as shown above, what had been marketed was significantly different to the current proposal, therefore the scheme in its current guise has not been fully explored / tested in the market place. We therefore do not agree that there is sufficient justification to only pursue a 'policy compliant' scheme on the subject site, because a scheme which incorporates 2 and 3 storey dwellings for up to 148 units has not been tested.

Conclusions

It is clear that formal marketing for the subject property has previously been undertaken. Furthermore, this followed a process which we consider to be in line with expectations given the nature of the scheme that was being marketed at the time in 2016.

However, the last marketing undertaken dates back to the summer of 2016 and in the interim period market conditions have changed. Furthermore, since this time there has also been an increased pressure from central government to optimise sites in urban locations.

More fundamentally, though, what was previously marketed was based on a significantly different scheme, comprising up to 257 dwellings, with unusual 4 storey dwellings and enhanced standards to a prescriptive design code (which appeared to include some ancillary uses). The current application (ref P/2017/01307) seeks less units (up to 148) is a solely residential scheme and does not seek to meet the previous costly enhanced design standards. From the information provided by the applicant it is clear that the scheme in its current guise has not been formally tested in the market place. In our view, it is therefore premature to draw any conclusions regarding whether a 'policy compliant' scheme can only be brought forward or whether there is an opportunity to provide a proportion of 3 storey dwellings (i.e. a higher density scheme when compared to the policy compliant scheme).

Having considered all of the above factors, for the purposes of the viability testing we consider that it remains appropriate to test a higher density scheme which incorporates 3 storey dwellings (based on the current proposal for up to 148 dwellings). This is because the use of 3 storey dwellings cannot, in our professional view, be discounted based on the marketing undertaken for the reasons set out above.

Yours sincerely



David Newham MRICS
Director
CP Viability Ltd