

Old Oak and Park Royal Local Plan examination

Amended Agenda for hearing session 18 July 2019

CarGiant lands viability

General

- 1 Old Oak Park Ltd is a partnership between CarGiant, the owner of an extensive tract of land within the OPDC area and London and Regional Properties, a real estate and leisure investment firm. Does its continued existence imply a recognition that the CarGiant land is developable?

Phase 1a land

- 2 I have previously indicated that more precise detail of the proposals in this area will need to be shown on an ordnance survey based proposals map. Is this now made clear by the information provided by OPDC?
- 3 If the proposals for the phase 1a land do impinge on CarGiant's operational activity, is the scope for re-accommodating that part of the operational activity affected within the phase 1a land identified by OPDC agreed?
- 4 On my site visit to CarGiant's land I was told, and I could see for myself, that the configuration of Hythe Road places limits on the use of fully loaded car transporters to service CarGiant's operation. Would CarGiant's operation therefore benefit from the construction of the road proposed within the Phase 1a land?
- 5 OOPL Ltd's representations make it clear that CarGiant would not be a willing seller of its operational land. Does that assertion encompass the other land which it owns but which is not operational land?
- 6 The CBRE report submitted by OOPL notes that all but one letting on the Triangle Business Estate and on the Gateway Trading Estate end on the same date; 14 January 2023. Is there any inference to be drawn from that fact?
- 7 If the delivery of the road proposal within the phase 1a land were dependent on compulsory purchase, would that necessitate the acquisition of CarGiant's operational land in its entirety? (DP9 assert in section 3 of their submission that it would. Is this agreed?)

CarGiant land

- 8 There is disagreement about the extent of CarGiant's site. BNP Paribas has 17.22 ha, DS2 has 18.6 ha. Can that difference be explained, please? How does the resolution affect the valuations?
- 9 DS2 has included sites 3 and 28 within its calculations (see paragraph 4.5 and 4.6. To what degree does that contribute to the differences between the valuations?

- 10 The carriageway of Hythe Road and of Salter Street up to the entrance to the Triangle Business Estate is included within the land coloured yellow on the map supplied by OOPL showing Car Giant operational and tenanted land. Is it not public highway as indicated in the map provided by OPDC?
- 11 There appears to be agreement on the commercial floorspace used in the valuations, although DS2 have raised a query about the unit of measurement. Is that agreed?
- 12 The parties agree on the unit size and mix used in the valuations.
- 13 The parties agree on the average current day value of residential sales values.
- 14 The parties agree on short term value growth.
- 15 A reported Infrastructure Funding Gap has been discussed at previous hearing sessions. The ability to transform PTAL levels from those shown in figure 7.10 of the plan to those shown in figure 7.11 is part of the basis for justifying the intensity of development proposed in the plan and on the CarGiant site in particular. That transformation depends partly on the provision of new connections to Willesden Junction and to the new station proposed at Old Oak Common. For the development of the CarGiant site in particular, the contribution to improved PTALs which would be provided by the proposed new station at Hythe Road would be significant. Paragraph 3.6 of the BNP Paribas report acknowledges that higher to medium values are likely to be achieved around the entrance to the Hythe Road Station. Yet Knight Frank, in their letter reports their understanding that the Hythe Road station is no longer going ahead. OPDC, in their material assert that work continues to try to fund the station. BNP Paribas also note that the regenerative effect (reflected in the regenerative premium included in the valuation exercise) is partly a result of infrastructure provision. Yet there is no provision for any contribution to major infrastructure funding in the valuation carried out for the CarGiant site. Apart from the question this raises about the realism of the justification for the nature of the proposal on the CarGiant site, is it agreed that the valuation exercise should proceed on the basis that infrastructure will be provided?
- 16 In any event, the parties disagree on long-term value growth both in terms of underlying growth and potential double-counting between new build premium and regeneration premium. This needs to be discussed. Has BNP Paribas included a new build premium? What is the significance of the disagreement in terms of the valuations undertaken?
- 17 DS2 observe an apparent inconsistency of information concerning the phasing of the CarGiant site. Can that be clarified, please? The parties disagree about the build-out rate and sales rate, although there is agreement on an off-plan sales figure of 35% of units. It is not clear to me whether the figure of 6 sales per month per outlet (72 sales per annum per outlet) is agreed as additional to, or inclusive of, off-plan sales but the disagreement appears to relate to the relationship between sales rates, absorption rates and construction period. This needs to be discussed and the sensitivity of the valuations to the various figures needs to be explained.
- 18 Affordable housing values appear to be agreed.

- 19 There is disagreement about the availability of Affordable Housing Grant. This needs to be discussed and the significance of the difference in terms of the valuations explained.
- 20 Commercial revenue assumptions appear to be agreed.
- 21 There appears to be disagreement (in different directions) over elements of the construction build costs. These need to be discussed and their significance to the overall valuations explained.
- 22 DS2 paragraph 5.29 notes the potential for CIL to be changed. Is it agreed that this consideration be excluded from the current debate?
- 23 There appears to be agreement about professional fees, development finance costs, marketing and disposal costs and developer's profit assumptions.
- 24 The major disagreements appear to concern benchmark land values and incentivizing the seller. For land values, BNPP Table 3.61.1 offers four Benchmark Land Values at 2019 based on Open Storage, Secondary Industrial (low), Secondary Industrial (medium) and secondary office and industrial (high) expressed in figures per hectare ranging from £6,710,000 to £15,130,000 but expresses a view (in paragraph 3.59) that CarGiant's land may not merit this value because of the character of its access. DS2 paragraph 3.18 claims industrial land values of £6,000,000 per acre, translating to £14,820,000 per hectare. In their paragraph 6.23 DS2 summarise conclusions reached by CBRE to give a figure of £5,670,000 per acre (translating as £14,004,900 per hectare). Are there comparables to justify these figures?
- 25 For projecting future growth in land values, BNP Paribas use JLL's prediction of 7.1% per annum as a worst case scenario rather than Savills's 3.4%. DS2 for OOPL are content to use Savile's 3.4%. OPDC's latest material (paragraph 6.454) quotes BNP Paribas's sensitivity testing published forecasts by Knight Frank Rutley. Can agreement be reached?
- 26 For incentivization, BNP Paribas have used a "standard" (DS2 says "arbitrary") figure of 20% above benchmark to provide a seller's incentive. This figure is the middle of the range suggested in the Mayor's SPG quoted in paragraph 3.54. It produces a figure of £38m-£41m depending on which benchmark land value is used. DS2 argue that at least the maximum of the range should be used because of CarGiant's profitability but base their own view on an analysis of relocation costs which they put at £161.5m (in an analysis based on 18.6ha not 17.22) which translates as something in the order of 80% for incentivization.
- 27 DS2 paragraph 3.15 asserts the indivisibility of the CarGiant operation. The same point was made during my site visit. Is this accepted?
- 28 DS2 in paragraph 3.22 records OOPL's assertion that relocation is not possible, now or in the future. OPDC has provided material suggesting that CarGiant may have assembled suitable relocation sites. For the purposes of this hearing session, it appears to me that I do not need to bottom out whether a suitable relocation site is, or is not, available but that what I need to discuss is viability based on three scenarios; (a) willing

seller (b) unwilling seller but relocation possible and (c) unwilling seller and extinction of business. Is that agreed?

- 29 DS2 explore the implications of a compulsory purchase route to make the CarGiant land available for development, including the costs of extinguishing the business. It does not appear that there is any suggestion that the CarGiant business does not otherwise have a long-term future. Is that agreed?
- 30 OPDC's latest material contests DS2's calculations of the relocation costs, including demolition costs, build costs, external works, contingency, finance, profit, CIL liability. This disagreement, including the area needed for relocation, needs to be discussed.
- 31 DS2's estimate of compensation on extinguishment of the business is "at least £650m" (paragraph 6.41). It appears to include both operational and non-operational land. The footnote on page 6 of DP9's submission quotes evidence to the London Assembly's Budget and Performance Committee on 11 June 2019 by OPDC's Chief Executive to the effect that £600m is probably pretty accurate in terms of extinguishing the business. However, OPDC's latest material challenges DS2's calculations (Deloitte material). This disagreement needs to be discussed.
- 32 OPDC, in its Executive Summary Note dated 5 July 2019 paragraphs 5.9 and 6.38 suggest two modifications. Views on these need to be expressed.

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Inspector
10.7.2019