

We write on behalf of Old Oak Park Limited (“OOP Ltd”) in relation to the Old Oak and Park Royal Local Plan examination, specifically to respond to Matter 9. Officer’s response to the representations made by OOP Ltd in relation to this Matter are set out within Appendices E, F and J to Key document 5.

Review of evidence base documents

Site typologies

The AHVA tests 5 different site typologies, described as being representative of different locations within the plan area at densities that “broadly accord with the Development Capacity Study”¹.

In considering what sites should be tested, the PPG does not “*require testing of every site or assurance that individual sites are viable*” however notes that “*a more detailed assessment may be necessary for particular areas or sites on which the delivery of the plan relies*”.² This principle is echoed in the Harman Report³ which also identifies the purpose and role of the viability assessments in plan making. Both the AHVA and the Whole Plan Study reference the Harman Report.

When assessed against the OPDC’s aspirations for the Plan area, OOP represents 25% of all homes and 15% of all commercial floorspace to be delivered. Therefore, the Plan inherently “relies” on the delivery of OOP and the successful implementation of the Plan.

OPDC also identify that sites such as Old Oak North (of which OOP accounts for the majority) and Old Oak South have greater abnormal constraints, including infrastructure provision⁴. The PPG notes that “*Greater detail may be necessary in areas of known marginal viability or where the evidence suggests that viability might be an issue – for example in relation to policies for strategic sites which require high infrastructure investment*”⁵

National guidance is therefore clear that a site such as OOP should have been tested within the AHVA and Whole Plan Study, including the costs of infrastructure provision and business relocation (addressed in more detail within this Statement). This would ensure the site typologies tested to inform the Plan policies better reflects the sites on which the plan relies, in accordance with PPG and the Harman Report.

Efficiencies

Our representations noted that the net to gross efficiency ratio of 80% being adopted within the AHVA was too high for strategic development, overstating the viability of the site typologies being tested. The OPDC has responded that 80% is “*a standard measure used in viability testing for Local Plan and Community Infrastructure Levy purposes*”⁶

It is not clear where this assumption derives from, or on what basis it is considered ‘standard’. In our experience major developments will, at best, achieve c.75% efficiency. The larger a scheme becomes, the more communal, circulation and plant areas (amongst others) there will be, further reducing scheme efficiency. Whilst 5% may appear modest, it has major implications for the viability of

¹ Appendix F, comment reference AHVA/3

² Planning Practice Guidance, Paragraph 006, Reference ID: 10-006-20140306

³ *Viability Testing Local Plans – Advice for planning practitioners* (June 2012)

⁴ Appendix F, comment reference H2/32

⁵ Planning Practice Guidance, Paragraph 005, Reference ID: 10-005-20140306 (06 March 2014)

⁶ Appendix F, comment reference AHVA/7

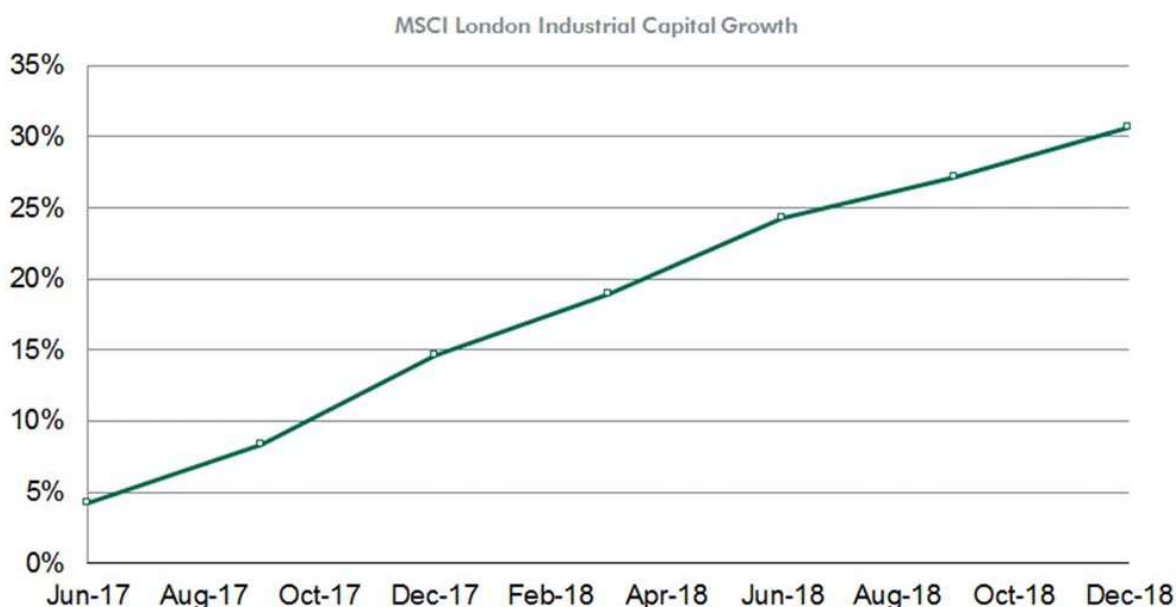
development. The effect of the OPDC's assumptions is to overstate the value of the site typologies being tested. We can provide further benchmarking analysis at the hearing session.

Market changes

The AHVA and Whole Plan Study are dated May 2017 and April 2017 respectively. The Planning Inspectorate advises that evidence base documents in relation to housing should be no more than 3 years old⁷. However, when considering viability and the speed within which market changes can occur, and material impacts these changes can have on the outputs, we recommend that the key value, cost and benchmark land values are considered further as part of an iterative approach to the evidence base.

Average house prices have reduced by up to 5% in the surrounding boroughs⁸, constructions costs have remained constant⁹. However, at the same time the value of industrial land values has risen dramatically. Industrial land values form the basis of the Threshold Land Value included within the viability studies. Attached at Appendix 1 is as schedule of how each study has considered the value of industrial land on a per acre basis.

Park Royal and its wider catchment area is the most important industrial area in inner London. MSCI data over the period from Q1 2017 to Q4 2018 for London industrial shows capital growth in excess of 30%.



(Source: MSCI)

There is a range of transactional evidence which supports this trend, however since the publication of this graph there has been a new land transaction which would further increase the rate of capital growth; in February 2019 a 9.5-acre site in Park Royal was sold to industrial developer Goodman for approximately £70m, or £7.37m per acre. A press article forms Appendix 2. This represents a new benchmark in terms of a price per acre for industrial land and supports the continued upwards value

⁷ Procedural Practice in the Examination of Local Plans (June 2016)

⁸ Land registry House Price Index for Hammersmith & Fulham, Ealing and Brent

⁹ BCIS All in Tender Price Index

trend. The threshold land values within the viability studies are considered to be significantly understated.

Site specific viability testing

A key principle of the Harman Report is that *“It cannot guarantee every development in the plan will be viable, only that the plan policies will be viable for the sufficient number of sites upon which the plan relies in order to fulfil its objectively assessed needs.”*¹⁰.

Within a traditional borough-wide assessment there will be numerous sites coming forward over the plan period, and as such, there is less reliance on any single one site. This provides more flexibility at plan-making stage. However, the OPDC is a localised area with a finite number of identified development sites with which to meet its plan targets. As we have already established, the plan relies on the OOP site. Given its significant capacity, if OOP does not come forward due to plan policies being set at an unviable level, then a “sufficient” number of sites will not be delivered. This rationale further reinforces our recommendation that the Plan policies need to give due regard to the unique circumstances of the OOP site through more representative site typology testing.

In this regard, please note that during the pre-application process the OPDC commissioned a site-specific viability assessment, prepared by GL Hearn. This report was issued to OOP Ltd on February 2018, after DS2’s Regulation 19 representations were prepared in September 2017. The GL Hearn report forms Appendix 3.

Whilst not part of the Local Plan evidence base, its findings should be considered further when assessing more representative site typologies upon which the Plan relies. We summarise the key findings of the GL Hearn report below:

- At 35% affordable housing and all infrastructure being paid for by the developer, the scheme makes a loss of £480m against the assumed Threshold Land Value. The report includes a range of sensitivity and scenario tests, however even when tested where no infrastructure is paid for by the developer, the indicative scheme cannot viably support 35% affordable housing, making a loss of £20m.
- The report assesses Threshold Land Value on an Existing Use Value basis (but without a premium) and considers the value to be high, estimating a figure of 160m, albeit this reflects elements being valued at £3.25m per acre, which as we have previously established is low in the current market context.
- The report recognises that an EUV based level of return to a landowner may not be appropriate when considering the viability of redevelopment of an operational business such as Car Giant, and as a result, relocation costs would form a reasonable element of the land value benchmark/threshold land value.

The current conclusions are that the delivery of 35% affordable housing is challenging, below the policy target of 50%. The inclusion of an updated, market facing EUV demonstrates that the OOP site is not viable, or at least not at a level of affordable housing in keeping with the OPDC’s plan objectives.

Furthermore, whilst the GL Hearn report acknowledges the potential cost of relocation of the Car Giant business, this is not factored into the results. Paragraph 173 of the NPPF sets out the

¹⁰ *Viability Testing Local Plans – Advice for planning practitioners* (June 2012), page 10

requirement for competitive returns to a 'willing developer' and a 'willing landowner' to enable the delivery of development. The underlying principles for understanding viability in planning must be *"informed by the relevant available facts"* and *"requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market"*¹¹.

In relation to Land Value PPG notes that there is no one size fits all approach and that the most appropriate way to assess Land Value will vary, depending on the site specifics. PPG expands on the principle of a competitive return and states: *"A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy."*¹²

The following 'relevant available facts' should be therefore reiterated:

- To enable the delivery of sites there must be a willing land owner;
- To enable delivery there must be competitive returns to a landowner, which must incentivise the land owner to sell;
- The existing business must be relocated to incentivise Cargiant to vacate the site and unlock the development potential of the site; and
- The Car Giant business is highly profitable and unique in that it sits within a single, privately owned site and without meeting these relocation costs Car Giant would not be a willing landowner.

Consequently, to be in accordance with NPPF and PPG the costs of relocation must be reflected within the viability assessment.

The reason for OOP Ltd.'s change in position in respect of the Local Plan examination is the change in circumstances with regards to relocation. In short, the opportunity for a relocation of the existing business at commercially acceptable terms has now been lost. The OOP site is an 18.6-hectare owner occupied site. The scale and unique ownership preclude a standard approach whereby the business is relocated to Park Royal as part of the industrial intensification process. As we have noted, industrial land values in Park Royal have continued to rise, contributing to why relocation is no longer a commercially viable option.

The Whole Plan Study acknowledges that in some cases, developments may be unviable *"regardless of the OPDC's requirements"* and in these situations *"there will be little pressure from owners to develop for residential use and they might re-consider the situation following changes in market conditions"*¹³. Whilst this is stated in the context of the supporting Plan policies, conversely it also supports the position that certain sites may not come forward if the conditions and circumstances do not allow it.

¹¹ Planning Practice Guidance, paragraph 004, Reference ID 10-004-20140306, (06 March 2014)

¹² Planning Practice Guidance, paragraph 014, Reference ID: 10-014-20140306, (06 March 2014)

¹³ Whole Plan Viability Study – Local Plan Supporting Study (April 2017), paragraph 3.3

In contrast, the Local Plan policies simply assume that relocation will occur, but do not factor this into the site typology testing. The Harman Report notes that on complex sites additional costs of site assembly are an intrinsic and essential part of the process of delivering large sites¹⁴. Were the OOP site considered in more detail, it would be clear that the cumulative combination of the GL Hearn report's findings followed by factoring in the reasonable costs of relocating the operational business across an 18.6-hectare site mean that the OOP site is simply unlikely to come forward in the plan period, and even in the event a feasible relocation option could be found, at very low levels of affordable housing.

If the OOP site cannot viably come forward (unless at very low levels of affordable housing) we have major concerns over the ability of the remaining sites within the plan area to come forward at more than 50% to offset this, especially when the current conclusions of AHVA suggest that 50% AH is not viable for several of the sites tested (notwithstanding our technical comments). The ability of the plan to deliver its target % of affordable housing is being adversely affected, or 'dragged down' by the viability (or otherwise) of the OOP site.

Conclusions

Our conclusions are summarised as follows:

- There are concerns over the OPDC's reliance on draft, untested mayoral policy. In this regard the affordable housing policies are not considered justified.
- The success of the Local Plan fundamentally relies on the delivery of OOP. It therefore must be considered in more detail as part of the representative site typology sample, in accordance with PPG. In turn, there is an expectation that such a representative site would be required to deliver a level of infrastructure that cannot be met solely by CIL and alternative funding sources given the size of the funding gap. The costs of this infrastructure provision therefore need to be included, also in accordance with PPG. This will further reduce the viability position, as acknowledged within the AHVA. Without due consideration of the cost of infrastructure provision the affordable housing policies will be set at an unrealistic level, deterring development on larger, strategic sites and consequently, risks the successful implementation of the Local Plan. In this regard the affordable housing policies are not considered effective.
- The current OPDC position in respect of infrastructure costs (and other site abnormalities) is to acknowledge that for certain sites 50% may be difficult to achieve, but that the flexible application of policy will allow individual sites to be subject to detailed viability testing at the development management stage. This simply assumes that those constrained sites will come forward. However, if Plan policies are set at an unrealistic level in the first instance, then these sites may not come forward at all. In this regard the affordable housing policies are not considered effective.
- There are several flaws in relation to key appraisal inputs such as efficiency and threshold land values. The cumulative impact is to overstate viability of sites generally in the plan area. If the Local Plan policies were to be adopted based on the evidence base documents as they stand,

¹⁴ *Viability Testing Local Plans – Advice for planning practitioners* (June 2012), page 29

they would set an unrealistic affordable housing target. In this regards the affordable housing policies are not considered justified.

- We recommend further consideration of infrastructure costs (and those sites that will have to bear such cost), efficiencies, threshold land values etc to update the evidence base documents to provide a more robust assessment, and as a result a lower, but achievable affordable housing policy target. This will ensure that the Local Plan policies do take due regard of viability. The PPG and The Harman Report suggests viability testing of Local Plans can be iterative if the initial assessment suggests that too much development is unviable^{15&16}.
- Site specific testing undertaken by the OPDC demonstrates that if a site typology was tested that was more representative of the OOP Site, the viability of development would be severely constrained. The increase in industrial land values and its effect on an EUV-based approach would reduce the viability of development even further than that set out in the GL Hearn report.
- The GL Hearn report acknowledges, but does not account for, the costs of relocating the operational Car Giant business, which PPG requires be considered given the circumstances of the site and its ownership. The change of circumstances in regards the commercial feasibility of relocation means the OOP site is now is unlikely to come forward in any event.
- In failing to address either the costs of infrastructure provision or Car Giant's relocation cost within the evidence base the OPDC is not reflecting viability in the plan policies, as required by national guidance. It instead appears to give greater weight to preconceived mayoral affordable housing targets.
- The OOP site is either simply unlikely to come forward in the plan period, or, even in the event a feasible relocation option could be found, at very low levels of affordable housing. If the OOP site cannot come forward at all, the successful implementation of the Plan is at risk as the Plan relies on the OOP. National policy requires that Plans should be deliverable and in regard the affordable housing policies are not considered effective.
- Notwithstanding the unlikelihood of relocation, the delivery of the OOP site at very low levels of affordable housing would require the remaining sites within the Plan area to provide more than 50% to offset those affordable homes unable to be provided at OOP against the Plan's targets. The current conclusions of the evidence base documents are that this is not justified. In this scenario, the success of the Plan is also at risk when measured against the current Plan policy targets for affordable housing.
- Considering the viability findings, the presence of the OOP is in fact jeopardizing the effectiveness of the Plan. The OOP should therefore remain in its current use as Strategic Industrial Land until a viable relocation option can be found, potentially coming forward for mixed-use development in next Local Plan period under different conditions. Subject to further iterations of the evidence base documents, this does not preclude more standard sites coming forward within the OPDC and delivering homes and affordable homes, albeit against a lower, more realistic target in both cases.

¹⁵ Planning Practice Guidance, Paragraph 005, Reference ID: 10-005-20140306

¹⁶ *Viability Testing Local Plans – Advice for planning practitioners* (June 2012), page 11