OPDC
OLD OAK AND
PARK ROYAL
DEVELOPMENT
CORPORATION

Local Plan Independent Examination

OPDC Response to Hearing Actions (Matter 3 – viability of development)

Contents

1. Commentary on Cargiant Site Allocation Viability Appraisal and Indicative Potential “Phase 1A” information

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OPDC Local Plan Examination

Commentary on Cargiant Site Allocation Viability Appraisal and Indicative Potential "Phase 1A" information

31 May 2019

1. Role of this note

1.1. This note responds to questions raised by the Inspector at the hearing on 3 April in relation to the representations from Old Oak Park Limited ("OOPL")/Cargiant regarding the extent of Phase 1A and the overall viability of the Plan's proposals for the Cargiant land at Old Oak North. Appended to this note are:

- An indicative plan showing the area currently being considered for 'Phase 1A';
- A high level viability appraisal of the strategic site allocation that relates to the Cargiant site which has been prepared by BNP Paribas (BNPP) on behalf of OPDC; and
- A note setting out long-term industrial land value trends.

2. Defining the opportunity and strategic direction

2.1. To address the points expressed by Cargiant and their relevance to the soundness of the Local Plan, this note first sets out some relevant background.

2.2. Old Oak is one of the largest regeneration opportunities in Western Europe. It represents unparalleled potential to transform extensive areas of brownfield land in inner London into an exemplar new part of the capital that will deliver much needed new market and affordable homes, extensive employment opportunities, improved and new public open spaces, social infrastructure and a variety of complementary uses. It is essential that this underutilised part of London is regenerated, and it is the role of the Local Plan to enable that to happen in a comprehensive and sustainable way and to ensure that there is a clear policy framework in place for the provision of infrastructure and facilities to meet the needs of the new community in a planned and timely manner.

2.3. Apart from its scale and location close to central London, this opportunity is driven by the new Old Oak Common station which will be the UK's largest ever sub-surface station and will be the largest station to be built in the country in a century. When opened in 2026, transport connectivity between Old Oak and Central London, Heathrow and the wider UK will be outstanding. London must capitalise on this huge investment and secure the sizeable public benefits inherent in this exceptional opportunity.

2.4. Substantial public sector support has been committed to maximise the benefits of this opportunity. The Mayor of London has established the OPDC as a Mayoral Development Corporation ("MDC") with the remit and the planning and development powers necessary to unlock the delivery of this transformative regeneration project.

2.5. To support this unparalleled opportunity, the Mayor's London Plan (2016) sets a minimum target of 24,000 new homes and indicative estimate of 55,000 new jobs for the Old Oak Opportunity Area. Exceeding these minimum figures is supported in the London Plan. These targets also need to be viewed in the context of the Ministry for Housing, Communities and Local Government representations on the Draft New London which stated that borough housing targets are expressly referred to as a minimum to support housing delivery. The London Plan in part relies upon the regeneration of Old Oak to meet its housing and employment requirements.

2.6. Meeting these targets is only achievable with the release of the Strategic Industrial Location (SIL) designation within Old Oak, including Old Oak North and the Local Plan Cargiant Site Allocation with the land coming forward for development during the plan period. The Mayor's Old Oak and Park Royal Opportunity Area Planning Framework (2015) (OAPF) is supplementary planning guidance to the London Plan and sets out the strategic direction and clear proposals for releasing SIL across Old Oak, including the Cargiant land, to enable the delivery of high density mixed-use housing-led development. Cargiant did not object to the development of Old Oak for mixed use regeneration in either the London Plan or the OAPF.

2.7. It is a legal requirement for the Local Plan to be in general conformity with the London Plan. Should the Cargiant Site Allocation be recommended to be retained as SIL, as now suggested by Cargiant, this would not only significantly restrict the development capacity of the Opportunity Area but also

undermine the clear spatial strategy of the London Plan, the OAPF and the Local Plan. These all rely on the land at Old Oak North to help deliver national and Mayoral housing targets and to provide the essential connectivity between the new Old Oak Common Station and extensive regeneration areas to the north. In the interests of soundness, general conformity and regeneration, the Local Plan is obliged to contain the policies that it does for Old Oak North.

3. OPDC's role in facilitating development

3.1. The London Plan (2016) paragraph 2.58 recognises that "Opportunity Areas are the capital's major reservoir of brownfield land with significant capacity to accommodate new housing, commercial and other development linked to existing or potential improvements to public transport accessibility". By their nature of being brownfield land, Opportunity Areas are complex areas to develop. This is recognised by the Draft New London Plan (2017) paragraph 2.04 which states, in relation to Opportunity Areas that "The London Plan has a clear focus on delivery – something that will require all stakeholders to work together to unlock sites and drive the right sort of development.".

3.2. The Old Oak Opportunity Area is one of the most significant Opportunity Areas in London and shares common traits with many other Opportunity Areas that have initial challenges to viability presented by the lack of existing infrastructure disparate land ownership, poor connectivity, environmental considerations and land uses. It is inherent in Opportunity Areas that these challenges exist; otherwise the market would have delivered the required development. Other Opportunity Areas that have overcome these challenges to deliver transformative change, through a concerted effort by the public sector, land owners, community stakeholders and a supportive planning framework include King's Cross-St Pancras, Lower Lee Valley (including the Olympic Park area and Stratford) and Vauxhall, Nine Elms, Battersea. In each of these instances, as is the case in Old Oak with the arrival of HS2 and the Elizabeth Line, these Opportunity Areas became viable in large part because of the catalytic effect of major new transport investment. These places are all now regarded as areas of successful regeneration but they each needed significant support and it is entirely likely that a 'normal' developer appraisal undertaken at a single point in time prior to their regeneration would have identified significant challenges to their delivery.

3.3. There should be no doubting the strength of public sector commitment to meeting these challenges at Old Oak. It was in recognition of these challenges that OPDC was established as a statutory MDC to proactively address the issues faced here and to increase market confidence, establish early project delivery, drive forward development and achieve significant public benefits. Consolidating land ownership and investing in catalytic infrastructure to deliver early phases of development will be key steps in bringing forward regeneration at Old Oak.

3.4. In its role as an MDC, OPDC is confident that these challenges will be addressed and has already made significant progress in facilitating development opportunities through the successful application to secure £250 million grant funding from the Government's Housing Infrastructure Fund (HIF). The successful allocation of funding demonstrates that central government considers development in Old Oak North to be a priority investment and provides confidence that an injection of public funds will represent good value for money given the clear long term potential of the area, which the HIF funding will help to kick-start. The funding will be used to deliver extensive enabling infrastructure and address existing environmental issues which will help to catalyse development within Old Oak North and adjacent areas. The spending window for HIF is to 2024 and OPDC is progressing the arrangements for drawdown of funds with Homes England. It is understood that OPDC will be required to demonstrate that the funding is committed to be fully utilised before 31 March 2024. OPDC is confident that it will be able to conclude its negotiations with landowners, finalise detailed scheme design and secure the necessary powers and consents to enable the works to be completed in line with the HIF funding deadlines.

3.5. Not supporting the Local Plan vision for Old Oak North would critically undermine this government investment decision. Progress with the Local Plan is important to the delivery of this clear government priority.

3.6. There are numerous examples of successful regeneration areas coming forward as a result of public and private sector joint working and/or partnership arrangements from which we have drawn in the development of our draft Plan. Regeneration areas achieve a boost in terms of housing, socio-economic benefits and land value increases as a result of such transformational arrangements, in response to the investment made. For example, CBRE has produced a report which highlights the increase that regeneration schemes add to land values and residential sale values over and above the general market growth. They found that on average, the area surrounding a regeneration zone experienced annual property price growth of between 2.1% and 8.5% based on precedents with an average of 4.7% per annum above and beyond wider house price growth. This is referred to in the Cargiant Site Allocation Viability Appraisal, appended to this note, which uses 6.7% reflecting similar precedents.

3.7. In addition to successfully securing HIF funding, there are a range of other elements and OPDC-led activities that reinforce the strong potential for developing Old Oak, including Old Oak North, and that will support the delivery of development over the lifetime of the Local Plan period (2018 to 2038). These include:

- OPDC leveraging its expertise, relationships with stakeholders and role as an MDC to secure funding, including from the Greater London Authority and central Government funding streams. Examples include the GLA's £5 billion Affordable Homes Programme, TfL's business plan, HS2 funding projects and other potential sources such as enterprise zone business rate capture and tax increment financing as used at Vauxhall, Nine Elms and Battersea. OPDC has a dedicated commercial directorate to explore, secure and oversee these funding opportunities;
- Securing 'placemaking value' through the delivery of early development sites, and HIF funded infrastructure;
- Delivering high quality access to public transport and active travel infrastructure, including to Old Oak Common Station, to support development potential;
- Working with public and private sector stakeholders to optimise development potential of sites to increase confidence in the market;
- Capitalising on Old Oak's inner London location and proximity to destinations including Wormwood Scrubs, Imperial College West, Westfield London and Notting Hill;
  Continuing to deliver OPDC's Early Activation Programme delivering public realm enhancements and meanwhile uses; and
- Optimising the potential of value generating assets such as the Grand Union Canal and other cultural and heritage assets.

4. Demonstrating deliverability through a sound Local Plan evidence base

4.1. The Local Plan's Whole Plan Viability Study considers the long term viability of development over the plan period (2018 to 2038) in accordance with paragraph 183 of the NPPF (2012). It follows an approach routinely adopted for Local Plans and in accordance with the NPPF guidance. The Study demonstrates that development is generally viable across the OPDC area during the Plan period and thereby accords with the NPPF (2012).

4.2. The Cargiant Site Allocation is an important site within the Local Plan and to Old Oak in particular, reflecting its potential to deliver approximately 25% (5,300) of the new homes required during the plan period and its important location as part of the long term spatial strategy. It is identified to come forward within the 6-21+ year period within OPDC's Development Capacity Study (2018) and is not assumed to contribute to the Local Plan's 5-year housing supply. A detailed viability assessment undertaken today is necessarily of some restricted value given the inherent uncertainties associated with assessing development that will begin beyond an immediate five year time horizon. However, the Cargiant Site Allocation Viability Appraisal is considered a reasonable high level appraisal, whilst acknowledging the inherent uncertainties of projecting 5 years plus into the future.

4.3. The Local Plan test is whether development on the Cargiant site is 'developable', not 'deliverable' (see NPPF (2012) paragraph 47). NPPF (2012) footnote 12 defines developable sites. Where Local Plans

have defined developable sites these "*should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged*.". It is that "*reasonable prospect*", which falls to be considered over the relevant part of the plan period.

4.4. Whilst there may be short term changes in market conditions, the plan is concerned with long term regeneration of the area. OPDC's task is specifically aimed at enhancing market confidence throughout the plan period, through the application of its expertise, powers and public funds.

4.5. The approach undertaken for the Cargiant Site Allocation Viability Appraisal is appropriate, proportionate and consistent with the NPPF (2012) and national guidance for the purposes of appraising a developable site allocation of a Local Plan. The Cargiant Site Allocation Viability Appraisal has been developed by BNPP who produced the Local Plan Whole Plan Viability Study. The Cargiant Site Allocation Viability Appraisal includes updated economic data and forecasts to present potential scenarios and sensitivities and is in a format consistent with the Whole Plan Viability Study. It considers an element of the infrastructure costs through the use of OPDC's Community Infrastructure Levy Preliminary Draft Charging Schedule. Development specific section 106 contributions will be sought on a case by case basis. Their impact on viability will need to be considered alongside affordable housing provision and the Local Plan policies acknowledge this. Contributions towards the wider/strategic infrastructure costs will also be sought through other public and private sector funding sources, such as those as set out in paragraph 3.7. This is recognised in Local Plan Policy DI1.

4.6. The approach used is appropriate for a Local Plan long-term viability appraisal to enable the appraisal to demonstrate how market changes will impact on viability of development beyond the first 5-years of the plan period. This testing illustrates that in a broad range of scenarios, there is a reasonable prospect that the Cargiant Site Allocation can be viably developed and that the site is developable in the terms defined by the NPPF.

4.7. The high level appraisal gives confidence that redevelopment is likely to be viable during the plan period. Indeed, in some areas the appraisal takes what may be regarded as a cautious approach when compared to a developer's approach, for example:

- it adopts a density assumption that could be exceeded in practice given the exceptional transport accessibility of the location;
- it adopts a more cautious approach to long term growth than some precedents may suggest;
- it takes a fulsome estimation of build costs and makes no assumptions for the type of cost saving commonly achieved in practice by many developers; and
- it takes a cautious view of the scale of developer profit that would be sought.

4.8. Nevertheless, the appraisal indicates significant potential for developability, even at this early stage.

5. Phase 1A Indicative Plan

5.1. The Inspector asked OPDC to provide a plan indicating the area known as potential 'Phase 1A' in Old Oak North. We understand that this request was in response to a letter from OPDC dated 18 March 2019 informing of the successful HIF bid and making reference to Phase 1A. It should be noted that Phase 1A is not a concept or proposal referred to in the Local Plan; rather, it reflects the emerging proposals being developed by OPDC's Delivery function for bringing forward the first phase of regeneration plans in Old Oak North. The current emerging proposals for Phase 1A include the delivery of Park Road, as well as other energy, utilities and transport infrastructure necessary to support the development of Old Oak North. In addition to these key pieces of infrastructure, the scheme also envisages strategic development plots fronting on to Park Road to support and make use of the delivery of the infrastructure and to act as a catalyst for further regeneration in Old Oak North and that further development will be brought forward by landowners and developers within Old Oak North within the framework of the Local Plan.

5.2. OPDC's approach to Phase 1A is informed by Local Plan Policy P2 and supporting text OON.13. The text explains that Park Road will be an early key route to be provided in the first 5 years and that Park Road will enable the servicing of plots along its length to meet the requirement for early delivery of 2,800 homes and 1,900 jobs in the first 10 years of the plan period. Park Road's indicative alignment is shown on Local Plan figure 4.7. OON.13 explains that it should connect Old Oak Common Lane to Scrubs Lane.

5.3. To respond to the Inspector's request, the OPDC Delivery team has provided the OPDC Planning Policy team with the attached plan indicating the current extent of the area that OPDC is considering for the delivery of Phase 1A. The "Phase 1A" area shown on the enclosed plan is indicative only and is a work in progress. It is provided without prejudice to the current and future discussions OPDC is, and will continue to be, undertaking with the affected landowners.

5.4. It should be noted that OPDC is engaging, and will continue to engage, with landowners within the indicative area of Phase 1A in relation to potential land acquisition. The OPDC would like to have such discussions with OOPL and Cargiant but it understood that OOPL and Cargiant have stated that they prefer such discussions to be deferred until after the examination of the Local Plan. The plan identifies a Study Area which is being used by OPDC to define the extent of Old Oak North Phase 1A. The Study Area has been informed by the policies in OPDC's Local Plan and by OPDC's understanding of the land uses and general site constraints across Old Oak North. For the reasons given above, there is still work to be done internally by OPDC and through engagement with land owners and other third parties before the detailed boundary of Phase 1A can be definitively settled.

5.5. OPDC has a strong preference to acquire lands by agreement but, if acquisition cannot be achieved by agreement with any affected landowners, it may be necessary for OPDC to use its Compulsory Purchase Order (CPO) powers to acquire the Phase 1A land (when finally determined) as a last resort. The enclosed plan of the indicative Phase 1A study area is therefore provided without prejudice to any future negotiations or CPO that OPDC may undertake with Cargiant or other landowners.

5.6. The Inspector will note that parts of the indicative Phase 1A study area boundary fall within some land within Cargiant's ownership and/or occupation, though leaves over three quarters of Cargiant's land unaffected. As part of the ongoing refinement of the proposed Phase 1A boundary, the OPDC Delivery team will consider carefully any evidence of impact on the operations of Cargiant's business and seek to minimise any operational impact whilst balancing the objectives of the Phase 1A scheme which are aimed at facilitating significant regeneration.

5.7. If any land necessary for Phase 1A (when finally determined) cannot be acquired by agreement, the extent of the land that is proposed to be acquired compulsorily and any impact on Cargiant's operations will be considered in detail at any future CPO inquiry should that be necessary. This would be the appropriate forum for any detailed consideration of such matters, rather than the Local Plan process, where the precise boundary of the envisaged Phase 1A is not for determination.

6. Additional Infrastructure and Development

6.1. Whilst Phase 1A will deliver key infrastructure and initial development plots within Old Oak North, it does not deliver the entirety of the masterplan for Old Oak North. It is envisaged that further development will be brought forward by landowners and developers within Old Oak North within the framework of the Local Plan. There will be a need to deliver additional infrastructure in the future in order to complete the masterplan for Old Oak North. However, this is not required for the initial delivery of development within the envisaged Phase 1A.

7. Conclusion

7.1. In conclusion, the evidence identifies that the Cargiant Site Allocation is likely to be developable in NPPF terms, as envisaged during the plan period – particularly given the scale of public sector support evident to bring forward development at Old Oak North when necessary. This is consistent with the policy objectives of the London Plan. The Local Plan is required to provide a framework within which these important activities can be co-ordinated and supported. The Plan is considered sound in this

respect. Any specific concerns relating to precise land take, scheme design and impact on individual landowners are matters to be addressed at a later stage once the Local Plan has been adopted.

31 May 2019

2. Cargiant Site Allocation Viability Appraisal

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Old Oak and Park Royal Development Corporation

Cargiant Site Allocation Viability Appraisal

Prepared for

Old Oak and Park Royal Development Corporation

31 May 2019

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Appendices

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1 Introduction and background

1.1 This report outlines the results of the viability testing of the Cargiant site allocation in the Old Oak and Park Royal Development Corporation area ('OPDC') as a strategic site. It follows the Whole Plan Viability Study ('WPVS') report dated April 2017, which tested the ability of a range of development types throughout the OPDC's area to viably meet the emerging planning policy requirements of the OPDC's Draft Local Plan ('DLP') and other key local policies and guidance as well as national policies.

1.2 This report provides a high level assessment in the sense that it uses standardised costs and values and broad assumptions for a potential development scheme, rather than a more detailed appraisal that might be undertaken for a specific development proposal in support of a planning application.

1.3 The National Planning Practice Guidance March 2014 ('NPPG 2014'), under which the OPDC's Local Plan is being examined, identifies at para 005 that:

"Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability. 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."

1.4 The OPDC commissioned viability testing of its DLP to provide a broad understanding of viability of development across the OPDC's area.

1.5 The NPPG 2014 goes on to set out at para 006 that:

"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."

1.6 In the context of an Opportunity Area, viability testing can be particularly challenging given the extent of change anticipated, the long timescales involved and the expectation that development may be of marginal viability, requiring public subsidy.

1.7 The Plan assumes that the site's development will come forward after the first five years of the Plan period and the site is required to be "developable" (in accordance with the National Planning Policy Framework 2012 ('NPPF 2012')).

1.8 As explained at the OPDC Local Plan Examination hearing sessions during April 2019, up until January 2019 the Cargiant strategic site landowner was actively engaging with the OPDC in relation to the development of the site and was working up a planning application. Submission of a planning application had been anticipated prior to the examination of the DLP. This background strongly suggests that the landowner had themselves considered the site to be developable. However, as the Local Plan Inspector is aware, the landowner stated that they had changed their position on the redevelopment of their site in January 2019. In their representations, they set out that *"the reason for the OOP Ltd's (OOPL) 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 had been lost"*.

1.9 That explanation does not directly concern or challenge the viability of development of the site. However, DS2 on behalf of OOPL appended to their representation a GL Hearn (Feb 2018) assessment, which was asserted to demonstrate a lack of viability. That assessment was not commissioned by OPDC to test or provide evidence for the policies and requirements of the DLP. Its purpose was to provide a high level assessment of the value of the specific scheme being promoted by the landowner in pre-application discussions at that point in time.

1.10 The Inspector has requested the OPDC to undertake viability testing of the Cargiant site allocation within the context of the entire site delivering circa 5,300 homes during the plan period. Accordingly, this has been prepared in line with the approach suggested in national policy and guidance.

1.11 The purpose of this report is to test the cumulative impact of OPDC's emerging requirements on the Cargiant site allocation including affordable housing, SuDs and water attenuation, wheelchair accessible units, carbon reduction requirements and OPDC's proposed CIL charges to assess whether the site is developable. This is in line with the requirements of the NPPF 2012 and the Local Housing Delivery Group guidance '*Viability Testing Emerging Local Plans: Advice for planning practitioners*' (June 2012). As noted at paragraph 173 of the NPPF 2012, "*the sites and 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*". The test that the OPDC is required to meet is that *their policy requirements* do not threaten the viability of a scheme. It is not required to have regard to factors outside its control, such as prevailing sales values and build costs, and underlying land values, all of which are determined by the market. The NPPF 2012 makes clear that for sites which are planned to be delivered in years 6-10 (and where possible for years 11-15) there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged (see NPPF 2012 footnote 12). This is in contrast to sites that are envisaged to come forward within the first five years, which should be demonstrated to be viable (see NNPG 2012 footnote 11).

1.12 The Cargiant site is identified in the proposals map as "Site Allocation 2" and named the Cargiant site allocation within the Local Plan. It is anticipated to come forward for development within the next 6 - 20 years. There are four parcels of land within the Cargiant site allocation which are proposed to be included within Phase 1A. These parcels are known as Apex Estate, Gateway Estate, Remaining Finishing Area and Premium Car Storage area. For the purposes of the appraisal we have modelled all of the land within the Cargiant site allocation.

1.13 Accordingly, this report demonstrates that the Cargiant site allocation has a reasonable prospect of being viably developed at the point envisaged in the Local Plan.

1.14 This report is structured as follows:

- **Section 2** provides information on the Cargiant site allocation;
- **Section 3** details the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals; and
- **Section 5** sets out our conclusions.

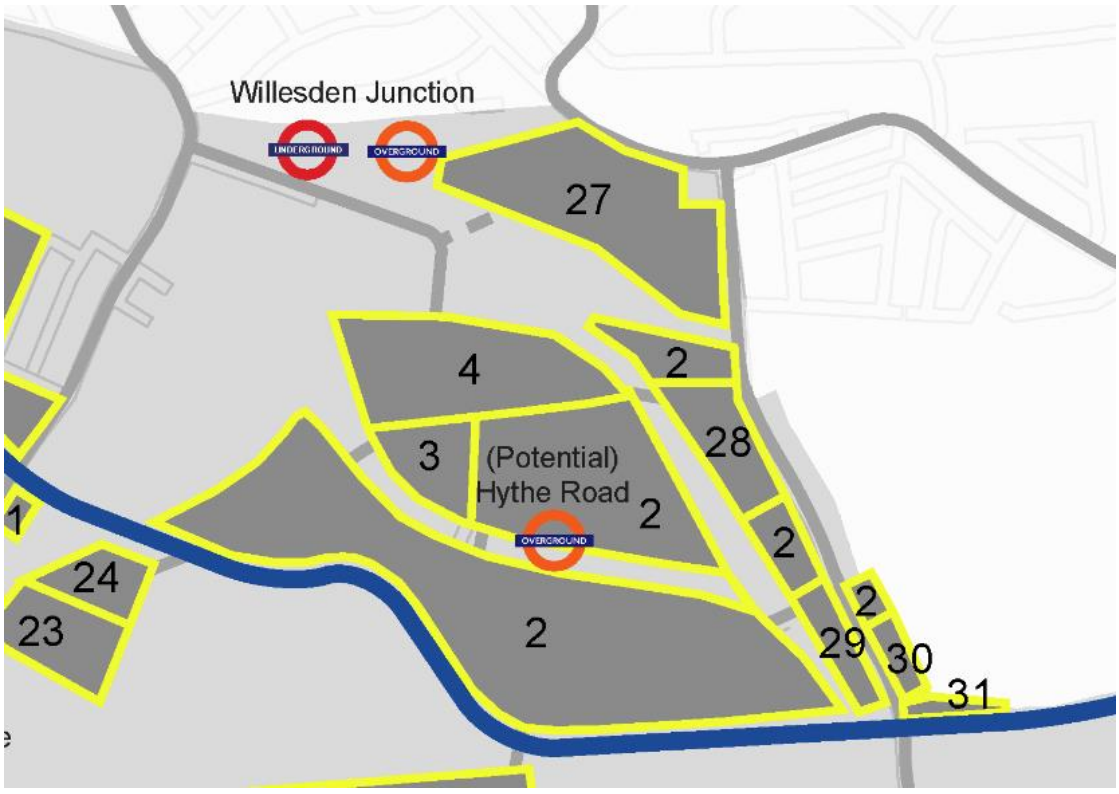
2 The Cargiant site allocation

2.1 The DLP sets out OPDC's strategy for the sustainable development of its area as a whole, including the general amount, type and location of new development planned to take place and the policies which applications for planning permission should aim to meet, subject to individual site circumstances, including viability.

2.2 In recognition of the challenge facing regeneration of the area, Policy DI1 and paragraph 8.19 of the DLP specifically accept that it will be necessary to balance policy expectations and take account of viability on a site by site basis to ensure delivery.

2.3 To support the delivery of housing and employment growth over the plan period, the OPDC has identified a number of site allocations, one of these being the Cargiant site (Site Allocation 2), which the OPDC has confirmed extends to 17.22 Ha. We set out below an extract from "*Figure 3.17 Site Allocations*" from the DLP, identifying the location of the site allocations. The Cargiant Site Allocation is made up of all of the plots identified as "2" on the extract in Figure 2.2.1 below.

Figure 2.2.1 DLP site allocations map



2.4 Table 3.1 Site Allocations in the DLP identifies that the Cargiant Site Allocation will deliver the following housing and commercial floorspace targets.

Table 2.4.1 Details of Cargiant Site Allocation 2

Site Allocation	Over 100 net additional housing units over the first ten years of the plan period	Over 1,000 net additional housing units during the 11-20 years plan period	Over 10,000 sq m commercial floorspace (including a range of A and B Use Classes) over plan period	New Jobs resulting from the provision of commercial or industrial floorspace over the plan period
2 Cargiant	5,300		48,800	2,650

2.5 OPDC has confirmed that in respect of their work on their housing numbers, the Cargiant site is not assumed to come forward in the first 5 years of the DLP. Development is anticipated as starting to deliver beyond the first 5 years of the DLP, with OPDC's Development Capacity Study assuming that the site is developable over years 6-20 of the plan period.

2.6 In addition, Local Plan policies P2 Old Oak North and P10 Scrubs Lane also provide guidance for the development in and around the Cargiant Site Allocation with respect to land uses, infrastructure, public realm and movement, green infrastructure and the environment, heritage and character and building heights.

3 Development appraisals

3.1 Our assumptions adopted for the development appraisals are set out in the following section.

Proposed strategic development

3.2 Table 3.2.1 sets out the assumptions on development density; number of residential units, commercial floorspace in line with the requirements of the Cargiant Site Allocation and confirmed by the OPDC.

Table 3.2.1: Development assumptions

Total Residential units	Retail / leisure sq m NIA	B1 Uses sq m NIA	Site area (Ha)
5,300	24,900	23,900	17.22

3.3 In practice a developer may seek to maximise density in order to enhance viability – and this would not be contrary to the DLP. For the purposes of this assessment, however, we have taken the unit numbers set out in the DLP as this would be the minimum that the OPDC would seek to achieve on the site.

Unit sizes and mix

3.4 Informed by discussions with the OPDC, we have maintained the unit mix tested in the WPVS which allows for the OPDC's policy requirement of 25% three bed and larger units as well as allowing for the Social Rent units (provided at London Affordable Rents) based on that suggested by the SHMA.

3.5 The size of units adopted in the study has been informed by the minimum net internal floor areas set out in the DCLG's '*Technical Housing standards nationally described space standards*' published in March 2015, which are consistent with space standards set out in Policy 3.5 and Table 3.3 of the London Plan Consolidated with Alterations Since 2011 (March 2016) and the emerging Draft London Plan.

Table 3.3.1: Unit mix and sizes

Unit type	1 Bed flat	2 bed flat	3 bed flat	4 bed flat
Unit size	***50 sq m***	***70 sq m***	***86 sq m***	***108 sq m***
Private	39%	39%	15%	7%
London Affordable Rent	23%	28%	34%	15%
Intermediate (London Living Rent and Shared Ownership)	39%	39%	15%	7%

Residential sales values and growth

3.6 Sales values achievable on the Cargiant Site Allocation will vary based on specific micro-location as well as the timescale of delivery. Higher values on the site are likely to be achieved along the canal whilst higher to medium values are likely to be achieved around Oak Park and the entrance to the potential Hythe Road Overground Station and lower values along the railway lines. In addition, the site is identified as coming forward in years six onwards in the DLP, and as a consequence it is likely to benefit from the regenerative impact of a significant quantum of new development, infrastructure and placemaking having come forward within the surrounding area in the first five years of the plan and continuing to come forward thereafter. In particular, Park Road will unlock much of the Cargiant site for development.

3.7 We have undertaken an assessment of sales values in and around the OPDC's area to establish the sales values achievable. We set out our summary of this assessment below:

- **The Television Centre** is a development being delivered as a joint venture been Stanhope and the BBC located within BBC Television Centre in White City. The development consists of 942 units of which 800 are being delivered as private units. The Television Centre benefits from having both Wood Lane and White City Underground Stations in close proximity. Phase 1 includes 432 units and was fully completed at the end of February 2019, at which point 393 units had sold (91%) leaving 39 remaining unsold. We understand that the sales values range between £986 per sq ft to £1,426 per sq ft with an average of £1,199 per sq. ft.
- **Dickens Yard** is a development by St. George located in Ealing Town Centre. Dickens Yard comprises 698 units of which 547 are private. The last block completed in Q4 2018 and only two units remain unsold in the development. We understand that sales values of units in the scheme have averaged around £1,160 per sq. ft. since March 2018.
- **North West Village - NW06 Alto** is a phase of the Wembley Park development being delivered by Quintain located to the north west of Wembley Stadium. The phase is made up of 370 units (of which 339 are private) arranged in a 1 to 20-storey tower and completed in Q4 2017 at which point only 16 units remained unsold. We understand that 120 of the units have been retained by Quintain as rental units. Quintain have retained a large number of units within the masterplan area for rent. The average sales values in the scheme are identified as being £825 per sq ft.
- **Wembley Parade (Amex House)** is being delivered by Anthology and is due to complete in Q2 2019. The development comprises 195 units in a one 4 to 8 storey building and one 13-storey building. At the end of Q1 2019, 52 of the 116 private units (45%) have sold with average values in the scheme identified as being £765 per sq ft.
- **Kensal Rise** is a development being brought forward by Eco World London. The development is located approximately 650 metres to the south of Kensal Rise Station and comprises 71 residential units (56 flats and 15 terraced houses) all of which are private. The scheme was completed in September 2018 at which point 54 units had sold (76%). Average sales values in the scheme are identified as being £848 per sq ft.
- **Park Royal (First Central)** is a development of 807 new homes (544 private units) being delivered by Fairview and L&Q. Units have recently been launched with asking prices starting at 379,000 (£750 per sq ft) and £410,000 (£745 per sq ft) for 1 bedroom apartments, 2 bedroom apartments starting at £550,000 (£672 per sq ft) and 3 bedroom apartments starting at £639,000 (£582 per sq ft).
- **Acton Gardens** Phase 5 (West Park Gate) is a development brought forward by Countryside Properties and London and Quadrant located off Bollo Lane. The development comprises of 271 units of which 142 are private and sold out at the end of Q3 2018. Of the private units 76 units were sold to London & Quandrant's PRS scheme for the rental market. The average sales values in the scheme are identified as being £720 per sq. ft, however, the most recent phase of the development, 9.1 Lindley, has averaged sales around £740 per sq. ft.

  The recent 9.1 Lindley phase was launched in January 2019 with the price list showing 1 bed flats from £440,000, 2 bed flats from £595,000 and 3 bed flats from £690,000 reflecting an average value of £740 psf. Construction is progressing and is due to complete during Q3/Q4 2019.

3.8 Taking all of the above into consideration, we consider that units developed today on the Cargiant Site Allocation would achieve current values of between £700 per sq ft and £800 per sq ft.

3.9 The Allocation does not identify any particular development phasing at this stage. As a consequence the scheme could be delivered in a number of different phasing iterations. We have therefore adopted a blended average present day value for the development of £750 per sq ft in our appraisal across the scheme.

3.10 Given that the site is identified as coming forward over a significant period of time (circa 16 years) from year six in the DLP period (2023), we have allowed for growth in sales values. In order to establish appropriate growth factors, we have had regard to the range of sales value forecasts published by a number of property consultancy companies including Savills, Knight Frank and JLL as set out in Table 3.10.1 below. These forecasts identify sales value growth up to 2023.

Table 3.10.1 London Mainstream Markets residential growth forecasts

Consultant	2020	2021	2022	2023	Cumulative Growth to 2023
Savills (Nov 2018 republished Feb 2019)	0.00%	2.50%	1.50%	2.50%	6.64%
Knight Frank (Nov 2018 republished March 2019)	1.00%	3.00%	2.00%	5.00%	11.42%
JLL (Oct 2018)	2.00%	4.00%	4.00%	3.50%	14.18%
Average	**1.00%**	**3.17%**	**2.50%**	**3.67%**	**10.75%**

3.11 From 2023 onwards we have allowed for longer term residential value growth at 3% per annum reflecting Oxford Economics' forecasts for UK household disposable income which is identified as being 3.2% cumulative annual growth rate. We consider that this to be a reasonable - if cautious - approach to future growth as we are aware that historic growth trends (as can be determined by analysing Nationwide or the Land Registry databases on house prices) show a higher average per annum level of growth. However higher base growth per annum will depend on a number of influencing factors which are difficult to predict at this point in time.

3.12 In addition to normal residential value growth, the Cargiant Site Allocation will benefit from the significant regeneration, placemaking and infrastructure to be delivered in the wider area, including the new road, site-wide energy infrastructure and transport infrastructure, such as HS2 and Crossrail. There is a significant amount of research that has been published detailing the benefits of placemaking and improved transport links on property revenue. Such locations that have seen these benefits include but are not limited to Stratford, North Greenwich and Kings Cross by way of example. Research into regeneration uplifts has identified that key drivers of additional growth in values over and above standard annual housing growth in regeneration areas include the scale of change in the quality and nature of the area as well as in transport connectivity. We consider all of these factors to apply to the delivery of the redevelopment of the Cargiant Site Allocation given the scale of change envisaged in the OPDC's area and its location and on this basis there is high potential for significant change. We also note that the new build housing will achieve price premiums over and above sales values of existing second hand stock in an area.

3.13 An example of this research is a CBRE report entitled '*The regeneration effect*', published in 2016[1]. Their report was informed by a study assessing seven regeneration schemes in London (Paddington Basin, Riverside Quarter, Stratford, Southbank, N1 Islington, North Greenwich and Woodberry Park). They found that on average, the area surrounding a regeneration zone experienced annual property price growth of between 2.1% and 8.5% with an average of 4.7% per annum above and beyond wider house price growth. This estimate was determined by examining house price growth in each of the seven regeneration areas to quantify whether growth in such locations could be analysed to determine the uplift attributable to regeneration versus general housing price growth. Further, we note that JLL undertook research in 2015, updated in 2016, on the impact of Crossrail on residential property prospects entitled "Crossrail Still Opportunities 2016". This research further confirms that the proposition of improved infrastructure has resulted in many locations along the line having benefited from house price growth in excess of the greater London average.

[1] CBRE – The Regeneration effect (2016) - https://www.cbreresidential.com/uk/sites/uk-residential/files/The%20Regeneration%20Effect.pdf

3.14 The scale of placemaking and infrastructure delivery planned for the OPDC area, within which the Cargiant Site Allocation lies, is most comparable to the North Greenwich and Stratford schemes identified in the CBRE study. With the degree of change delivered, these areas achieved the highest additional growth, which is attributed to regeneration factors of 6.7% and 8.5% respectively. We understand that the data collected reflects the growth experienced over circa 6 years up to 2011. Given this, we have assumed a 'regeneration factor' of 6.7% per annum over and above the standard house price growth assumptions identified above for a six year period from 2022 up to 2027. This reflects the delivery of infrastructure and placemaking that will have been delivered by earlier development and infrastructure delivery in the OPDC along with the delivery of the site and of key importance the opening and access to the Station planned for 2026. A regeneration factor could potentially be applied beyond the six year period given the scale of regeneration envisaged but we have not factored this in at this stage.

3.15 The growth rates applied in the appraisals are summarised in Table 3.15.1.

Table 3.15.1: Growth applied to sales values (% per annum)

Year	Normal market growth per annum	Regeneration factor (per annum)
2019	Base value	-
2020	1.00%	-
2021	3.17%	-
2022	2.50%	6.70%
2023	3.67%	6.70%
2024	3.00%	6.70%
2025	3.00%	6.70%
2026	3.00%	6.70%
2027	3.00%	6.70%
2028 to 2039	3.00% per annum	-

Residential sales rate

3.16 The DLP expects the residential units to come forward between years 6 – 21+ of the plan. Given the number of units to be delivered on the Cargiant Site Allocation and the size of the site, we have assumed that there will be at least two sales outlets at any given time. We have allowed for off plan sales of 35%, which is in line with what other schemes are achieving in London. We have then allowed for a sales rate of circa 6 units for each of two sales outlets per month from practical completion. We consider this to be a reasonably conservative assumption; we are aware that some schemes in London have managed to achieve in excess of 60% off plan sales.

3.17 In line with the DLP, our model assumes the delivery of residential units between 2023 and 2038 (years 6-21 of the plan).

Affordable housing tenure and values

3.18 With respect to affordable housing, Policy H2 requires the delivery of 50% affordable housing in line with Policy SP4 on sites providing 10 or more self-contained units (or which have 1,000 sq m) subject to financial viability. Policy H2 seeks the provision of 30% of affordable housing as London Affordable Rent and 70% as a range of Intermediate housing including London Living Rent ('LLR') and London Shared Ownership ('SO'). Our appraisals test a range of affordable housing percentages between 50% and 0%.

3.19 We have adopted the London Affordable Rent units based on the 2019-2020 rents published by the GLA as set out in Table 3.19.1 below.

Table 3.19.1 LAR rents adopted in appraisals

Type of unit	Rent per week 2019/2020 (exclusive of service charge)
1 bed	£155.13
2 Bed	£164.24
3 bed	£173.37
4 Bed	£182.49

3.20 We have used our bespoke model to value the LAR housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures in the OPDC's area over a period of circa 35 years which capitalises the net rental income stream. The net rent is calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt.

3.21 From 2019/20 onwards, RPs will be permitted to increase rents by CPI plus 1% per annum and we have reflected this in our appraisals.

3.22 With respect to the 70% intermediate units we have undertaken our appraisals testing 50% LLR and 50% SO units.

3.23 For shared ownership units, we have assumed that RPs will sell 25% initial equity stakes and charge a maximum rent of 2.75% on the retained equity, where the units would be affordable to a range of house hold incomes up to a maximum of £90,000. The rent on retained equity is capitalised using a yield of 5%.

3.24 In line with the GLA's published maximum rents for LLR we have adopted the following 2019-2020 rents applicable to the Cargiant site:

Table 3.24.1 LLR rents adopted in study

Type of unit	Rent per calendar month 2019-2020 based on College Park and Old Oak Ward
1 bed	£950
2 Bed	£1,055
3 bed	£1,161
4 Bed	£1,266

3.25 The GLA identifies in the *'Homes for Londoners: Affordable Homes Programme 2016-21 funding guidance'* that it they will fund affordable housing through three routes, one of which is the Approved Provider route, with set grant rates per home, available for the new supply of affordable homes. The set grant rates available under the Approved Provider route are as follows:

- London Affordable Rent - £60,000 per home, when rent is set at or below the benchmark levels;
- London Living Rent and London Shared Ownership – £28,000 per home.

3.26 Given that the Cargiant site is of such a scale such that Approved Providers would most likely be involved in the delivery of the affordable housing, we consider that it would not be unreasonable to allow for grant in accordable with the GLA's Approved Provider route. We have accordingly adopted these grant allowances in our appraisal.

Commercial revenue assumptions

3.27 We have tested the quantum of commercial floorspace expected by the DLP, which is set out in Table 3.2.1 above, as part of the scheme. In terms of phasing assumptions, although there is no phasing plan at this stage, commercial floorspace tends not to be delivered upfront in such developments to allow for place making and a critical mass of population to use the facilities provided. Given this, we have assumed that the commercial floorspace is delivered at four stages of the development in equal amounts. We provide details of the timings and associated revenue assumptions used in the appraisals to value the commercial accommodation in Table 3.27.1.

Table 3.271: Commercial revenue adopted in appraisals

Use	Delivery date of phase	Rent (£ / sq ft)	Yield	Rent Free
Retail / Leisure uses	Phase 1 – 2025 Phase 2 – 2029 Phase 3 – 2033 Phase 4 – 2036	£25 £25 £25 £25	5.5% 5.5% 5.5% 5.5%	2 years 2 years 2 years 2 years
B1 uses	Phase 1 – 2025 Phase 2 – 2029 Phase 3 – 2033 Phase 4 – 2036	£35 £40 £45 £50	6% 5.5% 5.5% 5.5%	2 years 2 years 2 years 2 years

Build costs and inflation

3.28 The OPDC commissioned cost consultants WT Partnership ('WTP') to provide advice for the WPVS in relation to the build costs of developments in the area, as well as the likely extra over costs above the base build costs associated with the OPDC's policy requirements. We have based our costs on the advice provided by WTP and set out a summary of the build costs adopted in our appraisals in Table 3.28.1 below.

Table 3.28.1 Base Build costs and external allowance adopted in study

Description of use	Base build costs	External works (% of base build costs)
Residential	Private – 3,229 per sq m (£300 per sq ft) Affordable - £3,014 per sq m (£280 per sq ft	7.5%
Retail / leisure use	£1,400 per sq m (£130 per sq ft)	10%
B1 Use	£2,200 per sq m (£176 per sq ft)	10%

3.29 We have assumed a gross to net ratio of 75% for all uses, which we consider to be a reasonable if conservative assumption.

3.30 In addition to the base build costs outlined above we have also allowed for a contingency of 5% of base build costs and for £120 per square metre of existing floorspace to be demolished.

3.31 WTP advised that the costs of SUDs and attenuation is very much dictated by the size of a site, density and ground conditions. It is also dependant on the approach the developer undertakes e.g. using green roofs, permeable paving, simple rainwater harvesting, swales, or water storage etc. WTP's considered advice for the WPVS was that the Policy EU3's requirements would add circa 0.4% of base build costs.

3.32 Based on their benchmarks, WTP have advised the cost of wheelchair accessible homes will incur an additional cost of circa £5,000 per unit.

3.33 WTP recommend an additional cost of 2.5% to the base build cost to allow for the CO2 requirements set out in Policy EU9. Their assessment has been arrived at based on a review of several publications including Zero Carbon Hub in partnership with Sweett '*Cost analysis of Achieving Zero Carbon Standard'* published February 2014 (also published in Building Magazine dated 7th February 2014) and *'Greater London Housing Standards Review Viability Assessment*' by David Locke Associates, Hoare Lea and Gardiner and Theobald dated May 2015.

3.34 With respect to Policy EU9's support for non-residential developments achieving BREEAM Excellent rating, WTP consider that an additional 1% allowance on top of base build costs should be included based on the 2014 BRE / Sweet Group study. We have allowed for this cost in our testing of the commercial floorspace.

3.35 Given that we have allowed for growth in sales values we have accordingly allowed for inflation in build costs. In order to establish appropriate inflation factors, we have had regard to the range of build cost inflation forecasts published by a number of cost consultancy companies as set out in Table 3.35.1 below. These forecasts identify build costs inflation up to 2022.

Table 3.35.1 Build costs inflation forecasts

Consultant	2020	2021	2022	Cumulative inflation to 2022
WT Partnership	3%	3.50%	3.30%	10.12%
MACE	2%	2.50%	3.3%	8.00%
Arcadis	3%	3%	3%	9.27%
Gardiner and Theobald	1%	1.50%	2%	4.57%
Gleeds	2.00%	4.00%	5.00%	11.38%
Turner and Townsend	3.20%	3.70%	3.80%	11.09%
Average	**2.4%**	**3.0%**	**3.4%**	**9.07%**

3.36 From 2023 onwards, we have sought advice from WTP as to an appropriate assumption for long term build cost inflation. They have advised that an allowance of 3.5% per annum would be a reasonable assumption, which we have adopted in our appraisal.

Professional fees

3.37 In addition to base build costs, schemes will incur professional fees covering design, valuation highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate an allowance of 10% professional fees, which is in the middle of the range of likely fees and on this basis we consider this to be a reasonable assumption for schemes in OPDC's area.

Development finance

3.38 Our appraisals assume that development finance can be secured at a rate of 6.5%, inclusive of arrangement and exit fees, which is reflective of current funding conditions.

Marketing and disposal costs

3.39 In our assessment of the residential units we have incorporate an allowance of 3% of the market units' GDV for marketing costs, which includes show homes and agents' fees, plus a further 0.5% on the GDV of all units for legal fees in our appraisals.

3.40 In our assessment of the commercial units we have incorporated the following marketing and disposal costs:

- Letting agent's fee of 10% of annual rent;
- Letting legal fee 5% of annual rent;
- Sales agent's fee of 1% of capital value;
- Legal fees of 0.5% of capital value;
- Purchaser costs of 6.8% of capital values (for stamp duty, agent and legal fees);

CIL

3.41 As set out in section 2 above, OPDC published its PDCS in October 2016. We have allowed for OPDC's proposed CIL charges in our appraisals, as set out in Table 3.40.1 below.

Table 3.40.1: CIL rates in the published PDCS and rates adopted in appraisal

Development / Land use type	Rate per Sq m
Residential other than student housing and retirement housing	£175
Retail foodstore >280 sq. m (3)	£125
All other retail	£50
Offices	£70

2. As defined by the London Mayor's Housing SPG

3. This includes non-food floorspace within the unit

3.42 We have adopted a cautious position of £125 per sq m on all retail/leisure space.

3.43 In addition to OPDC's CIL, we have also included Mayoral CIL2, which came into effect on 1 April 2019. OPDC is identified within CIL Zone 2 for which a charge of £60 per square metre is levied on all development except health and education floorspace.

3.44 No further financial contributions towards infrastructure have been allowed for in the appraisal. This is on the basis that development specific section 106 contributions will be sought on a case by case basis and their impact on viability will need to be considered alongside affordable housing provision. The Local Plan policies acknowledge this.

Developer's profit

3.45 Developer's profit is closely correlated with the perceived risk of development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. In 2007, profit levels were at around 13-15% of GDV. However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins have increased. It is important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit).

3.46 The views of the banks which fund development are important; if the banks decline an application by a developer to borrow to fund a development, it is very unlikely to proceed, as most developers rarely carry sufficient cash to fund it themselves. Consequently, future movements in profit levels will be significantly influenced by the attitudes of the banks towards development proposals.

3.47 The near collapse of the global banking system in the final quarter of 2008 is resulting in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, and against the backdrop of the sovereign debt crisis in the Eurozone, the banks were for a time reluctant to allow profit levels to decrease. Perceived risk in the in the UK housing market had been receding with a range of developer profit of between 17% to 20% being seen on developments across London, but the outcome of the referendum on the UK's membership of the European Union followed by the triggering

of Article 50 and commencement of negotiations to exit the EU without a resolution to date has resulted in a degree of uncertainty about the future trajectory of house prices. We have therefore adopted a profit margin of 20% on GDV for testing purposes (being at the higher end of the range previously experienced), although individual schemes may require lower or higher profits, depending on site specific circumstances and the developer bringing the scheme forward.

3.48 Our assumed return on the affordable housing is 6%. A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RP prior to commencement. Any risk associated with take up of intermediate housing is borne by the acquiring RP, not by the developer. A reduced profit level on the affordable housing reflects the GLA 'Development Control Toolkit' guidance (February 2014) and HCA's guidelines in its Development Appraisal Tool (August 2013).

3.49 For the commercial elements in the scheme we have allowed for a profit level of 20% on cost, broadly equivalent to 15% of GDV, which is in line with average market assumptions for appraisals of this type. This reflects the upper end of the range of profit applied to commercial floorspace.

Benchmark land values

3.50 In testing the viability of Local Plans, the NPPG 2014 identifies at paras 012 and 013 that a broad assessment of costs and average values should be adopted based on comparable market information reflective of market conditions. Of note is that this has been carried though into the new 2019 NPPG on Viability, which seeks the use of standardised inputs in viability assessments. Where strategic sites are tested the specific circumstances of the site are considered, however this relates to the costs and values data specific to valuing the site rather than the personal circumstances of the site owner.

3.51 Para 014 of the NPPG 2014 identifies that Land Value is central to the consideration of viability. Key issues in determining the land value are identified as follows:

- *"reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
- *provide a competitive return to willing developers and land owners (including equity resulting from those building their own homes); and*
- *be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise."* (emphasis added)

3.52 Para 015 of the NPPG 2014 goes on to set out further detail on the idea of competitive returns. This identifies that:

"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 landowner 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." (emphasis added)

3.53 In our experience and opinion, the "*competitive return*" is reflected in the premium over and above the existing use value.

3.54 Ultimately, the OPDC are required to treat Cargiant like any other landowner, and to do otherwise might give rise to questions of state aid. If Cargiant decide to relocate, it can be assumed that they would benefit from the value created in their new premises and new location. The premium over and above the EUV of the site should enable a developer to recover their moving costs. This follows the logic that a landowner will not be incentivised to sell their site unless the additional value over the existing use can cover their relocation costs. However, the premium over the existing use value should not reflect a return from trading the land as well as covering their costs. We note that The Mayor's *'Homes For*

Londoners Affordable Housing and Viability Supplementary Planning Guidance' (August 2017) (the 'Mayor's SPG') sets out under para 3.46 that:
"Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/costs, a lower or no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary".

3.55 We note that the Updated NPPG on Viability 2019 conforms with the Mayor's SPG and identifies at paragraph 013 that,

"To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)".

3.56 We note that the NPPG 2019 goes on set out further detail on calculating premiums in paragraph 016. This sets out that,

"The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration".

3.57 We have adopted a standard premium of 20% over and above the existing use value benchmark land values adopted, which we consider to be a reasonable assumption to incentivise a landowner to bring forward a site and meets the requirements of the NPPF 2012 and NPPG 2014 for a "competitive return" to a landowner.

3.58 As discussed at the DLP Examination Hearing on 3 April 2019, industrial land values have experienced growth since the WPVS assessment was prepared. Based on the information from the MSCI (IPD) database provided by OOPL's agents, DS2, indicates that London industrial capital values have increased by c. 30% since the WPVS was drafted. As agreed with the Inspector at the hearing, we have prepared a separate note on this matter, which will be submitted to the DLP Examination at the same time as this report.

3.59 Notwithstanding the above we would highlight that as identified in the separate note, this growth relates to the general trend in industrial values and understandably specific sites will exhibit different levels of and trends in value, which will reflect the characteristics of the land. For industrial land, access is a key determinant of value, both in respect of geographical location and local accessibility. We note that the Cargiant land accessed from Hythe Road has poor and height restricted access from Scrubs Lane and further, the land on Salter Street is identified by the OPDC to be even more limited in accessibility. Given this, the OPDC consider that the value of the Site's use for industrial purposes would not be as high as those with multiple access points and without restrictions on vehicular access.

3.60 Whilst the full c. 30% uplift may not be appropriate to the particular locality or the specific site for a range of reasons, in order test the situation on the basis advocated by Cargiant, we have applied a 30% uplift to the benchmark land values previously adopted to arrive at 2019 benchmark land values.

3.61 Given that the Cargiant Site Allocation will come forward later in the plan period we have allowed for further growth in the benchmark land values to 2021, at which point the Site is assumed to be purchased by a Developer to allow for the delivery of residential units in the sixth year of the plan period. We understand from a report published by JLL entitled *'Western Corridor Industrial and Logistics Market Report*' published Autumn 2018 that, their model-based forecasts of the MSCI (IPD) Index indicate rental growth of 7.1% pa over the next five years (2018-2022) for standard industrial units in London. Following discussions with Savills, (who are active agents in the area), they have advised that based on their experience as well as additional data they have access to from the Realfor they consider this level of growth to be overly optimistic. They have advised that they consider capital value growth per annum going forward for industrial uses is likely to be half of this at circa 3.4% per annum. Notwithstanding this, we have modelled the values against the higher growth rate, which, considering the contentious nature of the benchmark value for the site, we consider to be a significantly conservative assumption for testing purposes.

3.62 The WPVS tested schemes against four benchmark land values. We consider the two middle benchmark land values to be the most appropriate land values attributable to the Cargiant Site (Benchmark 2 and Benchmark 3). In line with our approach set out in paragraphs 3.55 and 3.56 above, we have inflated the WPVS benchmarks to 2021 values and allowed for a 20% premium (see table 3.61.1 below).

Table 3.61.1: Analysis of Benchmark Land Values

	BLV 2019 Per Ha (£ million)	BLV 2021 (inclusive of 20% premium) Per Ha (£ million) adopted in study	20% Premium included in 2021 BLV Per Ha (£ million)	Cargiant site BLV (inclusive of 20% premium) (£ million)	Cargiant site Premium (£ million)
Benchmark 1	£6.71	**£7.69**	£1.28	£132.50	£22.08
Benchmark 2	£10.76	**£12.35**	£2.06	£212.61	£35.44
Benchmark 3	£11.54	**£13.24**	£2.21	£228.02	£38.00
Benchmark 4	£15.13	**£17.36**	£2.89	£298.89	£49.81

3.63 Based on the inflated 2021 benchmarks the 20% premium allowed for ranges from £1.28 million per Ha to £2.89 million per Ha (see table 3.61.1). Given that the Cargiant Site Allocation extends to 17.22 Ha, this would amount to a premium over and above the value of the site of between £35.44 million and £38 million based on Benchmarks 2 and 3 (between £22.08 million and £49.81 million when looking at the wider benchmarks tested). These are not insignificant sums and we consider these to be suitable sums to be assumed at this stage to incentivise the landowner to relocate.

4 Appraisal results and analysis

Appraisal outputs

4.1 The full outputs from our appraisals are attached as **Appendix 1**. Our approach to presenting the results of our appraisals is consistent with those in the WPVS, showing the overall impact of OPDC's policy requirements. The results are presented as a matrix. As one moves down the matrix, the percentage of affordable housing increases whilst moving from left to right along the table applies the OPDC's other policy requirements. The first column sets out the residual values of schemes with no policy requirements i.e. just base build costs with no Section 106 or CIL contributions, sustainability requirements etc. and moving along the columns these policy requirements are added incrementally as shown in the example in Table 4.1.1 below.

Table 4.1.1 Table of cumulative impact of costs on residual land value

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2019

Cargiant Strategic Site

No Units	5,300
Site Area	17.22 Ha

2019 Sales Value	£750. per sq ft
Sales Value Growth to 2023	10.75%
Sales Value Growth from 2024	3.00%
Regeneration/Maturtity Factor pa (2022 to 2027)	6.70%
Build cost inflation to 2022	5.48%
Build cost inflation pa from 2023	3.50%
Affordable Housing Tenure	SR @ LAR, SO and LLR
Affordable Housing Grant per LAR Unit	£66,000
Affordable Housing Grant per SO/LLR Unit	£28,000

Residual land values:

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£512,576,830	£464,966,192	£463,613,690	£460,476,852	£440,831,721
30% SR @LAR : 70% SO	5%	£470,025,980	£424,489,724	£423,139,584	£419,996,060	£400,331,794
30% SR @LAR : 70% SO	10%	£427,300,644	£383,775,394	£382,419,185	£379,281,906	£359,588,344
30% SR @LAR : 70% SO	15%	£384,376,147	£342,853,330	£341,490,385	£338,341,687	£318,662,323
30% SR @LAR : 70% SO	20%	£341,247,834	£301,712,494	£300,351,162	£297,210,393	£277,580,587
30% SR @LAR : 70% SO	25%	£297,898,860	£260,421,854	£259,061,879	£255,928,482	£236,307,289
30% SR @LAR : 70% SO	30%	£254,286,194	£218,974,626	£217,606,745	£214,459,441	£194,731,321
30% SR @LAR : 70% SO	35%	£210,358,000	£177,220,044	£175,843,572	£172,680,877	£152,795,152
30% SR @LAR : 70% SO	40%	£166,091,964	£135,102,233	£133,706,109	£130,502,748	£110,289,241
30% SR @LAR : 70% SO	45%	£121,682,416	£92,354,163	£90,924,433	£87,638,287	£66,716,441
30% SR @LAR : 70% SO	50%	£76,854,193	£48,278,129	£46,757,885	£43,257,585	£21,190,375

Residual Land values compared to benchmark land values
Benchmark land value 1 - Open Storage **£7,694,000**

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£380,094,049	£332,483,411	£331,130,909	£327,994,071	£308,348,940
30% SR @LAR : 70% SO	5%	£337,543,199	£292,006,943	£290,656,803	£287,513,279	£267,849,013
30% SR @LAR : 70% SO	10%	£294,817,863	£251,292,613	£249,936,404	£246,799,125	£227,105,563
30% SR @LAR : 70% SO	15%	£251,893,366	£210,370,549	£209,007,604	£205,858,906	£186,179,542
30% SR @LAR : 70% SO	20%	£208,765,053	£169,229,712	£167,868,381	£164,727,612	£145,097,806
30% SR @LAR : 70% SO	25%	£165,416,079	£127,939,073	£126,579,098	£123,445,701	£103,824,508
30% SR @LAR : 70% SO	30%	£121,803,413	£86,491,845	£85,123,964	£81,976,660	£62,248,540
30% SR @LAR : 70% SO	35%	£77,875,219	£44,737,263	£43,360,791	£40,198,096	£20,312,371
30% SR @LAR : 70% SO	40%	£33,609,183	£2,619,452	£1,223,328	-£1,980,033	-£22,193,540
30% SR @LAR : 70% SO	45%	-£10,800,365	-£40,128,618	-£41,558,348	-£44,844,494	-£65,766,340
30% SR @LAR : 70% SO	50%	-£55,628,588	-£84,204,652	-£85,724,897	-£89,225,196	-£111,292,406

4.2 The appraisal is set up to determine a residual land value per hectare to facilitate a comparison to the benchmark land values set out in Table 3.61.1. The residual land value generated by the scheme (based on the particular combination of affordable housing percentages and policy costs) is set out in the grey boxes at the top of the results page. The residual land values per hectare are then deducted from the benchmark land values (shown in the yellow boxes on the right hand side) to determine whether each scenario is viable or unviable. There are two possible outcomes, as follows:

- Green cells: Residual value exceeds benchmark land value (viable); and
- Red cells: Residual value is less than benchmark land value (unviable).

4.3 The underlying assumptions on value, value growth, costs and cost inflation are stated at the top of the page. As affordable housing is tested at 5% intervals, where viability is shown at a particular percentage it stands to reason that it is viable at the level tested and possibly higher i.e. viability will lie within the range between that tested and the next interval.

Analysis of appraisal results

4.4 We set out below a summary of our viability findings in Tables 4.4.1 and 4.4.2. These tables compare the viability of the Cargiant Site allocation development against the two most appropriate benchmark land values for the site.

Table 4.4.1: Viability of Cargiant site against Benchmark Land Value 2 (Secondary industrial (low))

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£299,974,166	£252,363,528	£251,011,026	£247,874,188	£228,229,057
30% SR @LAR : 70% SO	5%	£257,423,316	£211,887,060	£210,536,920	£207,393,396	£187,729,130
30% SR @LAR : 70% SO	10%	£214,697,980	£171,172,730	£169,816,521	£166,679,242	£146,985,680
30% SR @LAR : 70% SO	15%	£171,773,483	£130,250,666	£128,887,721	£125,739,023	£106,059,659
30% SR @LAR : 70% SO	20%	£128,645,170	£89,109,829	£87,748,498	£84,607,729	£64,977,923
30% SR @LAR : 70% SO	25%	£85,296,196	£47,819,190	£46,459,215	£43,325,818	£23,704,625
30% SR @LAR : 70% SO	30%	£41,683,530	£6,371,962	£5,004,081	£1,856,777	-£17,871,343
30% SR @LAR : 70% SO	35%	-£2,244,664	-£35,382,621	-£36,759,092	-£39,921,787	-£59,807,512
30% SR @LAR : 70% SO	40%	-£46,510,700	-£77,500,431	-£78,896,555	-£82,099,916	-£102,313,423
30% SR @LAR : 70% SO	45%	-£90,920,248	-£120,248,501	-£121,678,231	-£124,964,377	-£145,886,223
30% SR @LAR : 70% SO	50%	-£135,748,471	-£164,324,535	-£165,844,780	-£169,345,079	-£191,412,290

Table 4.4.2: Viability of Cargiant site against Benchmark Land Value 2 (Secondary industrial (medium))

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£284,580,404	£236,969,765	£235,617,263	£232,480,426	£212,835,295
30% SR @LAR : 70% SO	5%	£242,029,554	£196,493,298	£195,143,158	£191,999,634	£172,335,367
30% SR @LAR : 70% SO	10%	£199,304,218	£155,778,968	£154,422,758	£151,285,480	£131,591,918
30% SR @LAR : 70% SO	15%	£156,379,721	£114,856,904	£113,493,959	£110,345,261	£90,665,897
30% SR @LAR : 70% SO	20%	£113,251,408	£73,716,067	£72,354,736	£69,213,967	£49,584,161
30% SR @LAR : 70% SO	25%	£69,902,434	£32,425,428	£31,065,453	£27,932,056	£8,310,862
30% SR @LAR : 70% SO	30%	£26,289,768	-£9,021,801	-£10,389,681	-£13,536,985	-£33,265,105
30% SR @LAR : 70% SO	35%	-£17,638,426	-£50,776,383	-£52,152,854	-£55,315,550	-£75,201,274
30% SR @LAR : 70% SO	40%	-£61,904,462	-£92,894,193	-£94,290,317	-£97,493,679	-£117,707,185
30% SR @LAR : 70% SO	45%	-£106,314,010	-£135,642,263	-£137,071,993	-£140,358,139	-£161,279,985
30% SR @LAR : 70% SO	50%	-£151,142,233	-£179,718,297	-£181,238,542	-£184,738,842	-£206,806,052

4.5 The results of our testing identify that the Cargiant strategic site allocation is viable when measured against the two identified benchmark land values delivering between 25% and 30% affordable housing and all other identified policy requirements.

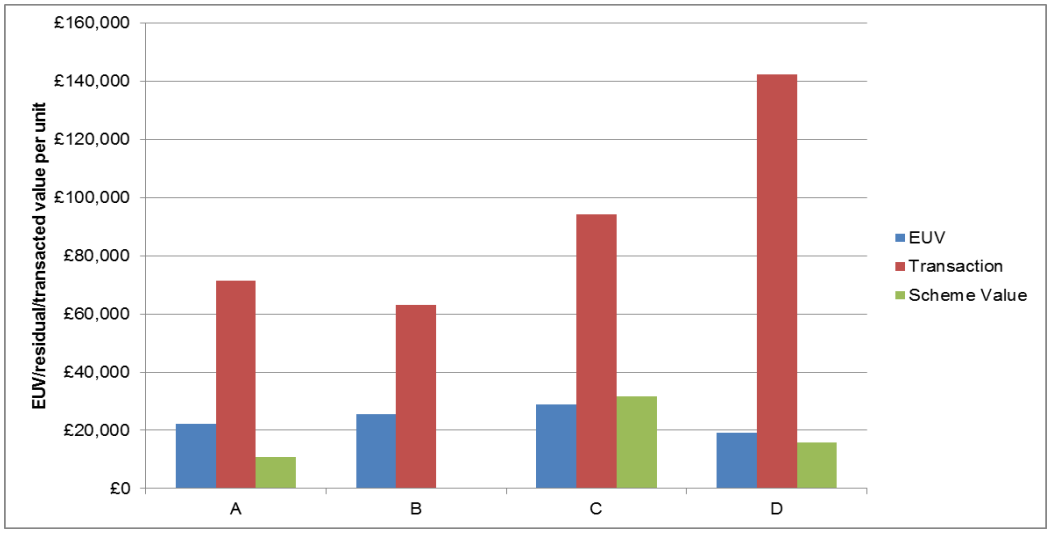
4.6 We note that at highest benchmark land value the scheme remains viable, however at a reduced level of affordable housing provision of between 15% and 20% affordable housing.

4.7 The results of this assessment demonstrate that the Cargiant strategic site allocation is "developable" in terms defined by the NPPF 2012. Specific scheme details will be required to focus on viability at the application level but there is a reasonable prospect of a viable scheme coming forward based on this assessment.

A developer's potential approach

4.8 We are aware that when delivering sites, developers often make assumptions in their appraisals that are less conservative than those adopted in the base scenario in this assessment, which would offer improved levels of viability. This is often why purchase prices differ from the results of the appraisals submitted for viability assessment at the planning application stage. This is evident from a recent BNP Paribas Real Estate review of evidence submitted in viability assessments where the differences between the value ascribed to developments by applicants and the amounts the sites were purchased for by the same parties. The prices paid for the sites exceeded the residual land values assessed for the consented schemes by between 52% and 18,000%, as shown in Figure 4.8.1 below. This chart compares the residual value of four central London development proposals to the sites' existing use values and the price which the developers paid to acquire the sites (all the data is on a per unit basis).

Figure 4.8.1: Comparison of scheme residual value to existing use value and price paid for a site



5 Conclusions and Recommendations

5.1 As requested by the Inspector at the Hearing of the DLP on 3 April 2019, and in line with the requirements of the NPPF and NPPG, this report provides a high level assessment of the viability of the Cargiant Site Allocation adopting a 30% increase in BLV and further 7.1% pa increases to this to the start of the development in 2021. OPDC regards this Site Allocation to be a key site in relation to the delivery of the plan beyond year 5. The DLP identifies that the Cargiant Site Allocation is to be delivered from year 6 of the plan period, therefore the NPPF requires that such schemes are "developable". The NPPF identifies that, *"To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged".*

5.2 The results of our viability testing of the proposed allocation of the Cargiant Site Allocation as identified in the DLP demonstrate that it is viable at between 25% and 30% affordable housing with all other policy requirements. This does not mean that the site can only deliver this level of affordable housing, simply that at this stage of viability appraisal, it is clear that there is a reasonable prospect of the site coming forward with a viable scheme. The OPDC has acknowledged that on the face of it, the Cargiant Site Allocation is likely to experience some challenges from a viability perspective with respect to delivering the full policy compliant level of affordable housing. Flexibility in this respect is reflected in Policy H2 and paragraph 8.19 of the Local Plan which set out a 50% affordable housing target "subject to viability". In addition, the OPDC has identified that it does not expect that the Site Allocation will bear the full burden of the infrastructure provision required and that as a Mayoral Development Corporation it has and will continue to seek alternative funding mechanisms to deliver the infrastructure required to enable the delivery of such wholescale transformational regeneration in their area. This approach is clearly demonstrated by the OPDC's successful HIF bid for development in the early stages of development in the plan period and further funding opportunities will be examined in due course.

5.3 Given this position, we consider that the site is developable in the terms defined by the NPPF.

Appendix 1 - Results of appraisals testing Cargiant Site Allocation

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2019

Cargiant Strategic Site

No Units	5,300
Site Area	17.22 Ha

2019 Sales Value		£750. per sq ft
Sales Value Growth to 2023		10.75%
Sales Value Growth from 2024		3.00%
Regeneration/Maturtity Factor pa (2022 to 2027)		6.70%
Build cost inflation to 2022		5.48%
Build cost inflation pa from 2023		3.50%
Affordable Housing Tenure		SR @ LAR, SO and LLR
Affordable Housing Grant per LAR Unit		£66,000
Affordable Housing Grant per SO/LLR Unit		£28,000

Residual land values:

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£512,576,830	£464,966,192	£463,613,690	£460,476,852	£440,831,721
30% SR @LAR : 70% SO	5%	£470,025,980	£424,489,724	£423,139,584	£419,996,060	£400,331,794
30% SR @LAR : 70% SO	10%	£427,300,644	£383,775,394	£382,419,185	£379,281,906	£359,588,344
30% SR @LAR : 70% SO	15%	£384,376,147	£342,853,330	£341,490,385	£338,341,687	£318,662,323
30% SR @LAR : 70% SO	20%	£341,247,834	£301,712,494	£300,351,162	£297,210,393	£277,580,587
30% SR @LAR : 70% SO	25%	£297,898,860	£260,421,854	£259,061,879	£255,928,482	£236,307,289
30% SR @LAR : 70% SO	30%	£254,286,194	£218,974,626	£217,606,745	£214,459,441	£194,731,321
30% SR @LAR : 70% SO	35%	£210,358,000	£177,220,044	£175,843,572	£172,680,877	£152,795,152
30% SR @LAR : 70% SO	40%	£166,091,964	£135,102,233	£133,706,109	£130,502,748	£110,289,241
30% SR @LAR : 70% SO	45%	£121,682,416	£92,354,163	£90,924,433	£87,638,287	£66,716,441
30% SR @LAR : 70% SO	50%	£76,854,193	£48,278,129	£46,757,885	£43,257,585	£21,190,375

Residual Land values compared to benchmark land values
Benchmark land value 1 - Open Storage **£7,694,000**

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£380,094,049	£332,483,411	£331,130,909	£327,994,071	£308,348,940
30% SR @LAR : 70% SO	5%	£337,543,199	£292,006,943	£290,656,803	£287,513,279	£267,849,013
30% SR @LAR : 70% SO	10%	£294,817,863	£251,292,613	£249,936,404	£246,799,125	£227,105,563
30% SR @LAR : 70% SO	15%	£251,893,366	£210,370,549	£209,007,604	£205,858,906	£186,179,542
30% SR @LAR : 70% SO	20%	£208,765,053	£169,229,712	£167,868,381	£164,727,612	£145,097,806
30% SR @LAR : 70% SO	25%	£165,416,079	£127,939,073	£126,579,098	£123,445,701	£103,824,508
30% SR @LAR : 70% SO	30%	£121,803,413	£86,491,845	£85,123,964	£81,976,660	£62,248,540
30% SR @LAR : 70% SO	35%	£77,875,219	£44,737,263	£43,360,791	£40,198,096	£20,312,371
30% SR @LAR : 70% SO	40%	£33,609,183	£2,619,452	£1,223,328	-£1,980,033	-£22,193,540
30% SR @LAR : 70% SO	45%	-£10,800,365	-£40,128,618	-£41,558,348	-£44,844,494	-£65,766,340
30% SR @LAR : 70% SO	50%	-£55,628,588	-£84,204,652	-£85,724,897	-£89,225,196	-£111,292,406

Residual Land values compared to benchmark land values
Benchmark land value 2- Secondary industrial (low) **£12,347,000**

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£299,974,166	£252,363,528	£251,011,026	£247,874,188	£228,229,057
30% SR @LAR : 70% SO	5%	£257,423,316	£211,887,060	£210,536,920	£207,393,396	£187,729,130
30% SR @LAR : 70% SO	10%	£214,697,980	£171,172,730	£169,816,521	£166,679,242	£146,985,680
30% SR @LAR : 70% SO	15%	£171,773,483	£130,250,666	£128,887,721	£125,739,023	£106,059,659
30% SR @LAR : 70% SO	20%	£128,645,170	£89,109,829	£87,748,498	£84,607,729	£64,977,923
30% SR @LAR : 70% SO	25%	£85,296,196	£47,819,190	£46,459,215	£43,325,818	£23,704,625
30% SR @LAR : 70% SO	30%	£41,683,530	£6,371,962	£5,004,081	£1,856,777	-£17,871,343
30% SR @LAR : 70% SO	35%	-£2,244,664	-£35,382,621	-£36,759,092	-£39,921,787	-£59,807,512
30% SR @LAR : 70% SO	40%	-£46,510,700	-£77,500,431	-£78,896,555	-£82,099,916	-£102,313,423
30% SR @LAR : 70% SO	45%	-£90,920,248	-£120,248,501	-£121,678,231	-£124,964,377	-£145,886,223
30% SR @LAR : 70% SO	50%	-£135,748,471	-£164,324,535	-£165,844,780	-£169,345,079	-£191,412,290

Residual Land values compared to benchmark land values
Benchmark land value 3 - Secondary industrial (medium) **£13,241,000**

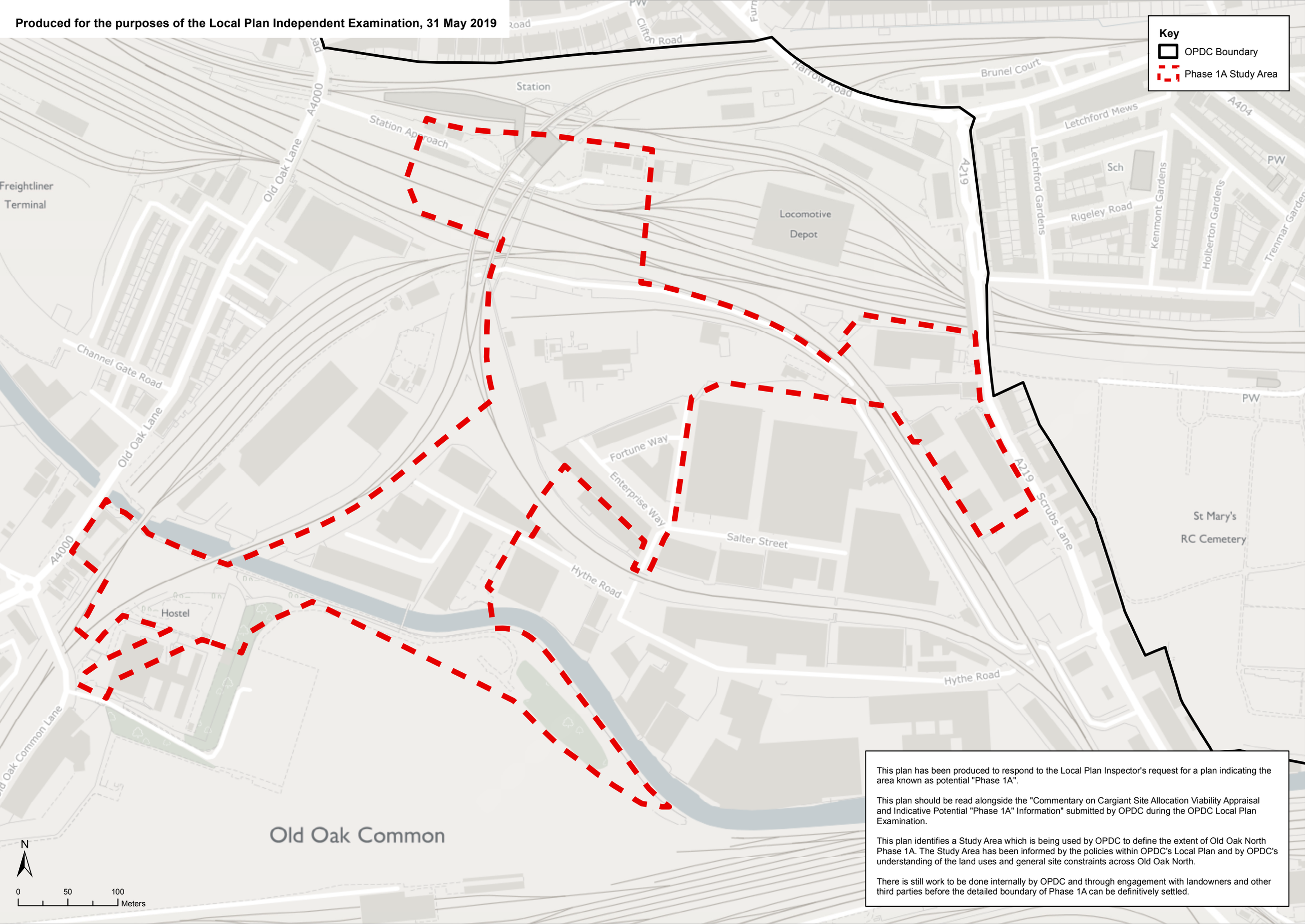
Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£284,580,404	£236,969,765	£235,617,263	£232,480,426	£212,835,295
30% SR @LAR : 70% SO	5%	£242,029,554	£196,493,298	£195,143,158	£191,999,634	£172,335,367
30% SR @LAR : 70% SO	10%	£199,304,218	£155,778,968	£154,422,758	£151,285,480	£131,591,918
30% SR @LAR : 70% SO	15%	£156,379,721	£114,856,904	£113,493,959	£110,345,261	£90,665,897
30% SR @LAR : 70% SO	20%	£113,251,408	£73,716,067	£72,354,736	£69,213,967	£49,584,161
30% SR @LAR : 70% SO	25%	£69,902,434	£32,425,428	£31,065,453	£27,932,056	£8,310,862
30% SR @LAR : 70% SO	30%	£26,289,768	-£9,021,801	-£10,389,681	-£13,536,985	-£33,265,105
30% SR @LAR : 70% SO	35%	-£17,638,426	-£50,776,383	-£52,152,854	-£55,315,550	-£75,201,274
30% SR @LAR : 70% SO	40%	-£61,904,462	-£92,894,193	-£94,290,317	-£97,493,679	-£117,707,185
30% SR @LAR : 70% SO	45%	-£106,314,010	-£135,642,263	-£137,071,993	-£140,358,139	-£161,279,985
30% SR @LAR : 70% SO	50%	-£151,142,233	-£179,718,297	-£181,238,542	-£184,738,842	-£206,806,052

Residual Land values compared to benchmark land values
Benchmark land value 4 - Secondary office and industrial (high) **£17,357,000**

Tenure	% AH	Base costs	Base Costs & Planning Contributions	Base Costs, Planning Contributions & 10% Wheelchair	Base Costs, Planning Contributions, 10% WC &SUDs + Attenuation	Base Costs, Planning Contributions, 10% WC,SUDs + Atten & CO2
30% SR @LAR : 70% SO	0%	£213,707,110	£166,096,471	£164,743,969	£161,607,132	£141,962,000
30% SR @LAR : 70% SO	5%	£171,156,259	£125,620,003	£124,269,863	£121,126,340	£101,462,073
30% SR @LAR : 70% SO	10%	£128,430,924	£84,905,673	£83,549,464	£80,412,186	£60,718,623
30% SR @LAR : 70% SO	15%	£85,506,427	£43,983,610	£42,620,665	£39,471,966	£19,792,603
30% SR @LAR : 70% SO	20%	£42,378,113	£2,842,773	£1,481,441	-£1,659,327	-£21,289,134
30% SR @LAR : 70% SO	25%	-£970,861	-£38,447,866	-£39,807,841	-£42,941,238	-£62,562,432
30% SR @LAR : 70% SO	30%	-£44,583,526	-£79,895,095	-£81,262,976	-£84,410,279	-£104,138,399
30% SR @LAR : 70% SO	35%	-£88,511,720	-£121,649,677	-£123,026,149	-£126,188,844	-£146,074,568
30% SR @LAR : 70% SO	40%	-£132,777,757	-£163,767,488	-£165,163,611	-£168,366,973	-£188,580,480
30% SR @LAR : 70% SO	45%	-£177,187,304	-£206,515,558	-£207,945,288	-£211,231,434	-£232,153,279
30% SR @LAR : 70% SO	50%	-£222,015,527	-£250,591,591	-£252,111,836	-£255,612,136	-£277,679,346

3. Indicative Potential Phase 1A Map

Produced for the purposes of the Local Plan Independent Examination, 31 May 2019



This plan has been produced to respond to the Local Plan Inspector's request for a plan indicating the area known as potential "Phase 1A".

This plan should be read alongside the "Commentary on Cargiant Site Allocation Viability Appraisal and Indicative Potential "Phase 1A" Information" submitted by OPDC during the OPDC Local Plan Examination.

This plan identifies a Study Area which is being used by OPDC to define the extent of Old Oak North Phase 1A. The Study Area has been informed by the policies within OPDC's Local Plan and by OPDC's understanding of the land uses and general site constraints across Old Oak North.

There is still work to be done internally by OPDC and through engagement with landowners and other third parties before the detailed boundary of Phase 1A can be definitively settled.

4. Industrial Land Values Note

1 Introduction

1.1 This note provides further information, as requested by the Inspector, in relation to discussions on increases in industrial land values at the OPDC's Submission Local Plan Hearing session on 3 April 2019. In particular we set out below data showing a wider timeframe on the changes to industrial capital values in London from Morgan Stanley Capital International ('MCSI'). This is the same source as the data provided by DS2 in their *"response to Matter 9 of Inspectors Matters and Issues draft (17 January 2019)"*. We also provide further details and clarification in relation to the benchmark land values adopted in the study.

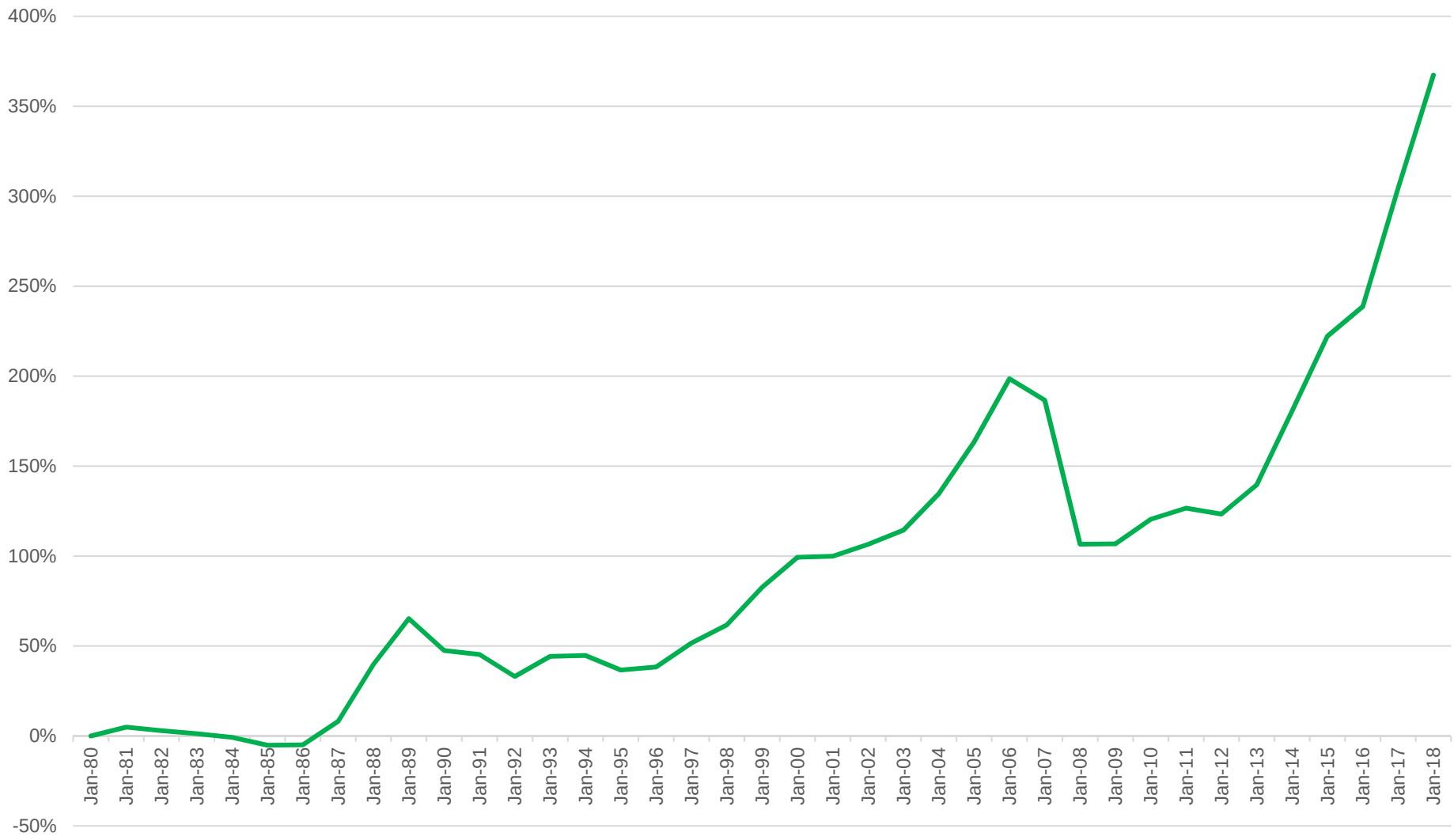
2 Changes in industrial capital values in London

2.1 As discussed at the hearing session, we do not disagree with DS2's comments that capital values of industrial uses in London have increased since 2017. We did however highlight that it would be of value to also take into consideration a longer timeframe of industrial capital value movements. This wider perspective of the market confirms that the growth that attendees at the Examination in Public ('EIP') suggest is unprecedented by historic standards and over a longer term more moderate growth is seen. Moreover expanding the timeframe demonstrates that values go down as well as up due to market cycles and economic outlook.

2.2 We understand from active industrial agents in London that they and their research teams anticipate and are forecasting that growth will return to more moderate levels in the immediate future. Recent increases in capital values have been driven by both rental growth and capitalisation yield compression. Forecasts of more moderate growth going forward are based on a slowing of rental growth and a stabilisation of yields at their current levels. We set out the wider picture of industrial capital values taken form the MSCI database in Table 2.2.1 overleaf.

2.3 We would however highlight that the indices referred to set out the general trend in industrial value growth, and understandably specific sites will exhibit different levels of and trends in value, which will reflect the characteristics of the land. For industrial land, access is a key determinant of value, both in respect of geographical location and local accessibility.

Table 2.2.1 – MSCI London Industrial Capital Growth (based at December 1980)



Source: MSCI

3 Changes to benchmark land values adopted in BNP Paribas Real Estate Whole Plan Viability Assessment (WPVA) 2017

3.1 Prior to the Hearing on 3 April 2019, based on the comments made by DS2 in their response identified above, we undertook an analysis of the impact of increasing the adopted benchmark land values by 30% as identified in the MSCI data presented. At the hearing we set out the findings of this analysis to the Inspector and agreed to provide a note explain the calculations along with the additional data on industrial capital value growth.

3.2 Table 4.48.1 in the WPVA sets out the benchmark land values adopted in the study. We have reproduced this table below adding in a further column, which provides the capital values increased by 30% to reflect the 2019 position allowing for the 20% premium.

Table 3.2.1 Updated Table 4.48.1 Summary of Benchmark Land Values from WPVA 2017

Use	Benchmark per gross hectare (2017) allowing for 20% premium	Benchmark per gross hectare (2019) allowing for 30% increase on capital value and 20% premium
BLV1 - Open Storage	£ 5,160,000	£ 6,710,000
BLV2 - Secondary industrial (low)	£ 8,280,000	£10,760,000
BLV3 - Secondary industrial (medium)	£ 8,880,000	£11,540,000
BLV4 - Secondary office and industrial (high)	£11,640,000	£15,130,000

3.3 Taking the increased benchmark land value figures into consideration, we note that with the exception of the highest value benchmark (BLV4), all of the updated 2019 benchmarks (BLV1, BLV2 and BLV3) remain within the range of the 2017 benchmarks BLV2, BLV3 and BLV4 (i.e. up to £11,640,000).

3.1 As discussed at the Hearing on 3 April 2019, given the above position we note that the WPVS still identifies viability of schemes based on the 2017 benchmarks BLV2, BLV3 and BLV4. As identified in the WPVA the results generated by these appraisals indicate that many developments could viably provide all or a large majority of the policy requirements. However in order to ensure the delivery of the development identified by the Local Plan for the OPDC's area, particularly where lower sales values might be achieved or on sites with higher existing use values, the OPDC will need to apply its policies flexibly, which it has allowed for in the drafting of its policies. For example, Policy SP4; Thriving Communities, identifies that the attainment of the overarching 50% affordable housing target will be subject to viability, which is later reiterated in Policy H2: Affordable Housing.

3.1 In considering the outputs of the WPVS appraisals, we reiterate our comments identified in the WPVS in that, it is important to recognise that some developments will be unviable regardless of the OPDC's policy requirements. In these cases, the value of the existing building or the base costs (excluding policy requirements) will be higher than a redevelopment opportunity over the short to medium term. However, this situation should not be taken as an indication of the viability (or otherwise) of the OPDC's policies and requirements. In these situations, there will be little pressure from owners to redevelop for residential use and they might re-consider the situation following changes in market conditions i.e. an improvement in sales values by comparison to build costs, and the development value versus the existing use and competing uses for the site. This is particularly pertinent given the scale of change and the OPDC's commitment to the delivery of significant infrastructure and placemaking.

3.2 In light of this we consider the OPDC's proposed flexible approach to their policies identified as having cost implications will assist in the delivery of the growth envisaged in the Submission Local Plan.

BNP Paribas Real Estate
30 May 2019