Exhibit 6 - Viability Report

Appeal ref: APP/ Q4245/ W/20/ 3258552

FORMER B&Q SITE, GREAT STONE ROAD, STRETFORD, M32 0YP

LPA Ref: 100400/OUT/20
Appeal Ref: APP/Q4245/W/20/3258552

Exhibit 6: Viability Report

On behalf of Accrue Forum 1 LLP

Job No 2009C700

DEVELOPMENT & PLANNING | LEEDS

November 2020

CUSHMAN & WAKEFIELD

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1. Introduction

1.1 Cushman and Wakefield has been appointed by Accrue Capital to assist in the preparation of viability evidence in support of the planning application and appeal proceedings relating to the proposed redevelopment of the former B&Q site on Great Stone Road, in the Borough of Trafford.

1.2 This report supports the Appellant's Statement of Case, and addresses the viability matters that have been cited as a reason for non-determination / refusal by Trafford Council.

1.3 The author of this report is Stephen Miles who is a Partner in Cushman and Wakefield's Development Team, a dual qualified chartered surveyor and chartered town planner with over 20 years professional experience advising on development projects. For the last 10 years Stephen has amassed considerable experience advising on financial viability in planning, acting mainly for local authority clients on viability matters relating to both planning applications and Local Plans. He has prepared viability evidence to inform Local Plan and CIL policies for numerous local authority clients, appearing at Examination in Public to present his evidence. He has also acted for local authorities in reviewing viability assessments presented on behalf of developer clients seeking reduced planning obligations. He has appeared in numerous planning inquiries acting as an expert witness on viability matters.

1.4 Stephen's involvement in this project dates from April 2020 when he was instructed to prepare a viability report in relation to the Appellant's planning application for the redevelopment of the appeal site for 333 residential apartments and other supporting uses.

2. Development Plan Policies

2.1 The planning application's putative reasons for refusal relate to the following polices in respect of planning obligations and affordable housing.

- SL3 Lancashire County Cricket Club Quarter, which states that in order for development to be acceptable in this location, provision of affordable housing in accordance with Policy L2 is required.
- L2 meeting Housing Needs, which in L2.8 to L2.16 deals with affordable housing; and
- L8 Planning Obligations.

2.2 The main Statement of Case, which has been prepared by WSP, sets out a comprehensive assessment of these policies, in particular L2.8 and the four bullets pertaining to market locations and whether or not viability should be considered at the planning application stage.

2.3 This Exhibit does not asses the policy or seek to interpret the policy, though the conclusion of WSP (and the Council's validation of the planning application without a financial viability appraisal based on a 10% affordable housing contribution) has been noted.

3. Material Considerations

3.1 There are various material considerations that influence the assessment of a scheme's viability and that are also relevant to the putative reason for refusal.

- SPD1 is the Council's Supplementary Planning Document relating to planning obligations, including affordable housing
- Paragraph 57 of the NPPF states
  "Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to

the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."

- Planning Practice Guidance was updated in September 2019 in respect of viability. This is the guidance referred to above in the NPPF.
- RICS Financial Viability in Planning, 1st edition (2012), and RICS Financial Viability in Planning, Conduct and Reporting (2019)

3.2 In preparing this Exhibit, regard has also been had to Exhibit 5 produced by Alfredson York on the matter of education contributions.

4. Cushman and Wakefield Financial Viability Assessment (June 2020)

4.1 A Financial Viability Assessment (FVA) was produced by Cushman and Wakefield in June 2020 on behalf of Accrue Ltd in support of the Appeal scheme. The FVA has been prepared in accordance with the National Planning Practice Guidance on Viability and is compliant with RICS *Financial Viability in Planning: Conduct and Reporting (1st edition)* RICS Professional Statement (May 2019). The FVA provides a robust assessment of the viability of the scheme, documenting and evidencing each of the appraisal inputs used, and appending the summary development appraisals which were produced in the industry standard Argus Developer Software. Argus Developer is a widely recognised cashflow model used extensively across the industry to ensure a rigorous and consistent approach to cashflow modelling and finance calculations of development schemes.

4.2 The FVA concluded that the Appeal scheme was unable to support a larger affordable housing contribution than 10% of all units on the site, based on assumed S106 and CIL planning requirements, allowing for a benchmark land value assessed in accordance with the requirements of National Planning Practice Guidance and the other appraisal assumptions documented. A summary of the viability appraisal results as provided in the report is as follows:

	Outputs	**Source / evidence of inputs**
Development	299 market flats 34 affordable flats 98 car parking spaces Coffee bar 1,937 sq ft Retail 1,550 sq ft	Scheme Development Schedule at Appendix A of CW Financial Viability Assessment
Gross Development Value	£72,748,254	Open Market Revenue (OMV) £340 per sq ft Affordable rent 50% of OMV

		Shared ownership 65% of OMV Car parking £10,000 per unit Coffee bar £14 psf at 7% Retail £10 psf at 7% Commercial elements capitalised and subject to SDLT, agents and legal fees
Total Development Costs (including Developer Profit)	£69,266,254	Build cost £136 per sq ft Contingency 5% Professional fees 8% Marketing and sales agent fees 2.5% of revenue on market units Legal fees 0.5% of revenue on all units Finance, 6% pa Profit 17.5% of GDV for market units/ 6% of GDV for affordable units
Proposed Developer Contributions	Affordable Housing: Proposed 33 units (10%) 50% affordable rent / 50% shared ownership S.106: Spatial Green Infrastructure £316,558 Health £399,307 Sports £330,333 Highways £23,072 CIL £4,437	Advice provided by WSP
Residual Site Value (Based on a 10% on-	£3,482,000	Residualised site value with allowance for SDLT, agents and legal costs

site affordable housing provision)		
Benchmark Land Value	£3,600,000	Based on range of £3,500,000 to £3,600,000 indicated by assessment of AUV and EUV + 50% premium methodologies
Viability Surplus / Deficit (Rounded)	£118,000 (deficit)	

5. Trebbi Continuum Report (September 2020)

5.1 An assessment of CW's Financial Viability Assessment was produced by Trebbi Continuum on behalf of Trafford Metropolitan Borough Council in September 2020. The conclusions and assertions contained in this report are summarised as follows:

- The proposed scheme performs differently, in viability terms, to generic developments in Trafford and therefore in accordance with Trafford Council Core Strategy Policy L2.12 the proposed scheme is subject to an affordable housing contribution of up to 40%;
- Further evidence is requested to support the profit margin inserted into the development appraisal for delivery of the commercial and car parking elements. Trebbi has indicated that a lower requirement of 15% on cost would typically be expected for the commercial elements;
- Trebbi agree that a marketing and sales cost of 2.5% of GDV is appropriate for the market units, however, they disagree that this rate should apply to commercial units and car parking;
- The sale legal fees for the market units at 0.5% on GDV equate to £1,114 per market unit which is significantly higher than what Trebbi would expect to see for a scheme of this type;
- Due to the fact that the scheme is phased as a single development and S106 costs are paid in a single instalment at the outset of the construction programme, Trebbi assert that the scheme incurs unusually high finance costs which could be reduced if a different phasing strategy was adopted;
- The revenue assumption of £340 per sq ft, when benchmarked against the Kinetic development on Talbot Road which achieved £322 per sq ft in October 2018, does not reflect the general growth in Trafford housing market over the same period and therefore Trebbi argue that a higher level of revenue of 350 per sq ft should be applied;
- The majority of transactional data CW has used is derived from office to residential conversions which Trebbi argues are typically lower in value than new build schemes such as the Appeal Proposal;
- Additional evidence is requested by Trebbi to support the commercial rents, yields, and car parking capital values used;
- In relation to the existing use value assessment, Trebbi argue that CW has failed to take into consideration the condition of the property and planning restriction preventing open A1 use;

- Trebbi disagree with the premium over Existing Use Value of 50% that CW has applied, citing the reduced premium of 15% over existing use value in relation to negotiations over the adjacent former Kelloggs site and other precedents of 15%-20% over EUV;
- In relation to the Alternative Use Value, Trebbi do not agree with the estimated refurbishment costs, asserting that they are out of date and not reflective of the recent deterioration they claim the building has experienced;
- Because the residual land value is less than the Alternative Use Value, Trebbi argue that the applicant would receive a better incentive by retaining the property in its current use rather than selling it to a residential developer and that this is a justification for the scheme to be judged ‘non generic’ and a 40% affordable housing policy to apply in accordance with Local Plan policy L2.12.

5.2 It is noted that Trebbi do not provide their actual opinions on all of the areas of disagreement, nor evidence to support their alternative position.

6. CW Response to Trebbi Continuum Report

6.1 This section of the report addresses the points made by Trebbi Continuum as summarised in Section 5 above. Each comment is addressed in turn.

Generic Development

6.2 Trebbi argue that in viability terms, the Appeal scheme performs differently to ‘generic’ developments and that therefore Local Plan policy L2.12 should apply, so that affordable housing of up to 40% of units may be required.

6.3 There is no clarity of definition as to what constitutes ‘generic’ and ‘non-generic’ development, either in the policy wording or the supporting text of the Local Plan, nor in the Council’s Supplementary Planning Document on planning obligations. Further, there is no evidence provided in the Council’s original area wide viability study to justify that any such ‘non generic’ developments are capable of delivering 40% affordable housing.

6.4 The reasons cited by Trebbi for the appeal scheme to perform in a ‘non generic’ way are:

- The fact that it is proposed on a retail site, which Trebbi argue makes the scheme proposal unique
- The way that costs have been phased in the CW Financial Viability Assessment (FVA)
- The fact that the residual land value generated in the FVA is less than the Alternative Use Value

6.5 There is no evidence either in the Council’s Local Plan policy documents nor the area wide viability studies on which the policy wording of L2.12 was based to justify a conclusion that the proposed development is non generic for these reasons. Further, there is no area wide viability evidence that justifies seeking a higher level of affordable housing than 10% in the location of the Appeal site.

6.6 In relation to the fact that the former use is retail, the Trafford Economic Viability Study 2009 makes it clear that the viability analysis of ‘generic development’ contained in the report is based on a representative sample of 100 sites across Trafford which include some former commercial sites (paragraph 3.17 of the GVA 2009 study). Therefore, there is no justification for the scheme to be judged as non-generic on this basis since similar commercial sites have informed the sample methodology used in the area wide study. In any case, even if it were to be fairly judged to be non-generic for the reason of being on a former retail site, the impact would be to reduce viability since retail use is generally accepted to command a higher land value than most other existing/former uses on which residential schemes are proposed – thus undermining the Council's case in seeking a *higher* affordable housing contribution.

6.7 In respect of the phasing of the scheme, the individual phasing requirements of sites do not justify categorisation as 'non generic' – to do so in this way would render virtually every development scheme non generic. The financing costs have been assessed based on conventional industry norms in accordance with a period by period cashflow methodology. The assertion that Trebbi makes regarding the financing costs being unusually high are addressed and justified further below in this report.

6.8 On the matter of the residual land value being less than the Alternative Use Value, similarly there is no justification for the scheme to be judged as 'non generic'. There is no reference in National Planning Guidance on Viability to support the argument that the residual land value in a viability case must exceed the benchmark land value to establish a credible viability case. Based on the Appellant's revised S106 proposals, the viability appraisal will in any case now marginally exceed the benchmark land value, rendering Trebbi's argument redundant.

Profit margin justification

6.9 Trebbi has requested evidence to justify the level of profit included within the CW development appraisal (16.78% of GDV, 20.16% of cost), questioning specifically whether a lower rate should apply to the commercial and car parking elements of the scheme.

6.10 National Planning Guidance relating to Viability establishes the acceptable range of 15-20% of GDV (paragraph 018 Reference ID: 10-018-20190509). This advice does not specify that the range is limited to residential use only. The Council's area wide viability evidence (2009 and 2011) applies a profit rate on all schemes of 20% of GDV. Paragraph 57 of the National Planning Policy Framework refers to the need for standardisation of appraisal assumptions and consistency between Local Plan viability evidence and viability assessments produced in support of planning applications therefore, on this basis alone, CW's assumption of a reduced level of profit of 16.78% underlines the reasonableness of the approach that has been taken by CW.

6.11 CW's approach to profit was to determine a blend based on the mid-point within the range of 15% to 20% of GDV recommended by NPG; thus 17.5% of GDV for open market units, with a reduced rate of 6% of revenue for affordable units. The resultant figure is the blended rate of 16.78% which is applied across all revenues, residential and commercial.

6.12 This rate of profit is appropriate for the parking and commercial elements of the scheme as well as the residential elements of the scheme. This is supported by National Planning Guidance as referenced above as well as the Council's own Local Plan area wide viability evidence which states 20% of GDV as an appropriate profit level.

6.13 Although CW would accept that commercial schemes can under certain circumstances be delivered for lower rates of profit (although typically in the range of 15% to 25% of cost), for a mixed use scheme of this type where the commercial elements represent a very small component of the overall scheme, a developer would not typically apply a different rate of return. Further, in relation to this particular scheme, a lower profit level would not in any case be justified for those elements given the letting risk for convenience retail and café uses which is considered to be significant in this location. A profit of 15% of cost is generally a minimum level which is only applied to commercial schemes with a reduced level of risk e.g. a single building on a fully serviced site with a pre let or pre sale in place; none of these characteristics apply to the commercial elements of the Appeal scheme.

Marketing and sales costs

6.14 Trebbi accepts marketing and sales costs of 2.5% of GDV on the residential market elements of the scheme but argues that the costs should be lower on the commercial elements and car parking.

6.15 The application of 2.5% is considered to be sound and is actually half the rate of 5% applied in the Council's own area wide viability assessment (GVA 2009, 2011).

6.16 In relation to the car parking and commercial elements, the car parking sales would be addressed as part of the residential sales and therefore it is appropriate for the sales/marketing cost to be calculated in accordance with the revenue from parking.

6.17 In relation to the commercial elements, 2.5% is only taken against one of the two commercial units and the cost is £9,000, which is considered to be reasonable for the costs of leasing and sale of both properties given the likely minimum fee requirements of property agents.

Legal costs

6.18 Trebbi argues that a legal transaction cost of 0.5% of revenue generates a cost which is significantly higher than what could be achieved. CW's assumption is based on the Council's own area wide viability assessment (GVA 2009, 2011), and in accordance with the provisions of the National Planning Policy Framework paragraph 57 as already referred in respect of consistency between Local Plan and planning application viability assumptions, it is considered justified. This said, CW would accept that legal costs associated with transacting properties can typically be achieved at a lower rate and will concede to adopting a lower cost of £650 per unit.

Phasing and finance costs

6.19 Trebbi asserts that CW's FVA incurs an unusually high finance cost due to the way the scheme is built and sold in a single phase and also the way that S106 payments are each paid in a single instalment at the commencement of construction. Trebbi has questioned whether a different phasing strategy could reduce finance costs in the appraisal and has also stated that the Council would expect an element of phasing in the payment of S106 contributions.

6.20 In relation to the phasing of development, as explained at paragraph 7.5 of CW's Financial Viability Assessment, the reason that the scheme is built out in a single phase is due to the practicality and cost issues associated with dividing the scheme into separate phases. Further advice has been provided by Edmond Shipway cost consultants to investigate the cost impacts. A revised cost plan has been produced based on alternative phasing strategy which the build is organised into three phases. This generates an additional cost of £4,586,969 due to increases in M&E, preliminaries and inflation on build costs. The total finance cost in the CW Financial Viability Assessment is £4,469,377. Therefore, this underlines that any cost saving on finance from phasing the scheme would be offset by build cost increases, thus justifying the scheme being built as a single phase as the most efficient means of delivery, and also validating the finance costs incurred by the scheme. Stripping out the allowance for inflation in phases 2 and 3 in Edmund Shipway's cost plan results in a lower cost increase of £3,513,093, which is still substantial enough to cancel out any cost saving on financing as a result of a different phasing strategy. Details of Edmond Shipway's cost plan is provided at Appendix 2 to this document.

6.21 In respect of S106 cost phasing, CW's FVA assumed a single set of instalments for each item at the commencement of construction in the absence of an agreed instalments position with the Council. In view of Trebbi's statement that the Council would accept a phasing of S106 payments, CW has worked closely with WSP to devise an instalments structure based on benchmarking comparable S106 agreements from similar local development schemes.

6.22 The Appellant's assessment of the planning requirements of the scheme has evolved since the preparation of the initial viability assessment as set out below. Two updated scenarios have been prepared in view of the contested position as regards education requirements (the Appellant's position being that an education contribution is not required as detailed in Education Report Exhibit 5).

CW Financial Viability Assessment, June 2020	**Update Scenario 1 (no requirement for education contribution)**	**Update Scenario 2 (education contribution required)**
• Spatial Green Infrastructure £316,558 • Health £399,307 • Sports facilities £330,333 • Highways £23,072 • Total £1,069,270	• Spatial Green infrastructure - £252,837 • Sports facilities £121,110 • Highway improvements - £30,000 • Total - £403,947	• Spatial Green infrastructure - £252,837 • Sports facilities £121,110 • Highway improvements - £30,000 • Education - £641,973 • Total - £1,045,920

6.23 In respect of the phasing of these payments, in the absence of a definitive position from Trafford Council the following assumptions are proposed should be made, based on analysis of comparable S106 agreements[1]:

- 50% on commencement of development

[1] Warburton Lane LPA Ref: 98031/OUT/19
Appeal Ref: APP/Q4245/W/19/3243720

Itron Site 95723/FUL/18

- 25% prior to occupation of 25% of dwellings
- 25% prior to occupation of 75% of dwellings

6.24 In the event of any updated viability assessment, it is proposed that all S106 items are subject to this phasing with the exception of the highway contribution which due being a relatively modest sum of £30,000 is proposed would be paid in a single instalment at the commencement of development.

Residential Sales Revenue

6.25 Trebbi argue that a higher sales revenue than £340 per sq ft (applied by CW in the Financial Viability Assessment) should apply to the development. They argue that residential converted properties achieve a lower sales premium than new build, and that the rate of revenue has not been adequately indexed to reflect the growth in values in the local housing market from the dates of comparable evidence.

6.26 Taking first the assertion made by Trebbi that new build property achieves a higher premium than converted property, this is not substantiated by evidence and is factually incorrect. Trebbi suggest that this is widely accepted; this assertion is simply wrong. In this regard we suggest Trebbi is confusing the more generally accepted position that new build sales achieve a premium over *second-hand* sales (as oppose to newly converted properties). Converted properties can be built to equally and superior specifications as new build and thus can command an equal or higher sales value, thus such a sweeping general assertion is totally unfounded.

6.27 This is borne out by the evidence collected by CW which is appended with the Financial Viability Assessment and summarised below. Of the seven comparable schemes identified, only one of those is a new build, Celestia Court, with the others being newly converted schemes. The new build scheme achieves a sales revenue of £291 per sq ft, and three of the six conversion schemes achieve a higher sales value per sq ft than the new build scheme:

Scheme	Distance from subject property (km)	Average sales achieved	Average unit size per sq ft	Average sales per sq ft	Dates of sale
Appeal scheme (CW FVA)	**n/a**	**£222,854**	**655**	**£340**	**n/a**
West Point, Chester Road, Old Trafford (Beech Holdings)	2	£99,875	267	£374	February to September 2019
Kinetic, Talbot Road, Old Trafford	0.75	£128,205	398	£322	Oct-18
Celestia Court, 147 Upper Chorlton Road, Whalley Range	1	£235,000	807	£291	July to December 2019
Metropolitan House, Brindley Road, Old Trafford (Mandale)	0.65	£135,197	521	£259	April to September 2018
Park Rise, Seymour Grove, Old Trafford	0.5	£159,512	557	£286	February to July 2018
Grove House, Skerton Road, Old Trafford	0.4	£106,943	532	£201	Jan-18
Chorlton Plaza, 102 Manchester Road, Chorlton	1.5	£201,467	575	£351	May to November 2019

6.28 Turning to the matter of the sales revenue of £340 psf applied to the Appeal scheme in CW's Financial Viability Assessment, this is totally justified by the evidence that has been presented. This sales value is 16.8% above the Celestia Court new build scheme benchmarked at £291 per sq ft at the end of 2019, which taking Trebbi's argument that evidence should be based on new build comparables would suggest CW's revenue if anything is optimistic, especially considering the rate of growth in apartment sales values in Trafford which Trebbi reports as only 7.7% over the 20 month period from October 2018 to July 2020.

6.29 In relation to referencing the Appeal scheme revenue to Kinetic, whilst CW made explicit reference to the relevance of this comparable given its close proximity to the appeal site, CW would concede that the scheme has some differences to the Appeal scheme relating to the size of the flats which impact on the comparability of revenues on a per sq ft basis. The average size of the units of the Kinetic scheme is small at 398 sq ft, compared with the appeal scheme of 655 sq ft. When comparing revenues, it is important to also consider the overall price being achieved and the reality that sales revenues per sq ft reduce like for like as unit sizes increase. Therefore, one would expect the revenue when expressed on a per sq ft basis on the Kinetic scheme average unit size of 398 sq ft to be higher than the Appeal scheme average unit size of 655 sq ft – thus simply indexing the Kinetic £340 psf from October to the present day and applying it to the Appeal scheme is not an appropriate valuation methodology and does not produce realistic estimates of end values.

6.30 For the same reason as size, the highest revenue rate per sq ft of £374 for the West Point scheme is not directly applicable or transferrable to the Appeal scheme without adjustment given the very small unit size (267 sq ft), generating an overall unit price of less than £100,000. This compares to the overall unit price assumed for the Appeal site of £222,854, demonstrating a strong premium on a unit value basis. If the same rate psf values achieved for the very small units at West Point were transposed to the subject dwellings of a much larger unit size, the actual end capital values would be significantly overstated.

6.31 Within their analysis and assessment, Trebbi focus entirely on the rate psf values without any consideration to the unit sizes and they argue that the overall average rate psf value at the subject development should be above every conversion scheme, irrespective of the difference in average unit size. This is not a reliable basis for assessing the value of the Appeal site.

6.32 Taking the range of comparable schemes outlined in the table above, the revenue of £222,854 per unit / £340 per sq ft is considered to be sound given consideration to the size of the units and comparable schemes. The revenue per unit is at the upper end of what purchasers will pay for apartment accommodation in this location, and second only to the Celestia Court scheme in the table above, the slightly higher rate for which is explained by the much larger unit size. It is also approximately 10% above the revenue per unit achieved at Chorlton Plaza of £201,467, despite this scheme having a slightly higher rate per sq ft of £351.

Commercial Revenue and Car Parking

6.33 Trebbi has requested evidence in support of the revenue assumptions relating to both the parking spaces and commercial income.

Commercial income

6.34 CW's viability appraisal assumes a rent of £14 per sq ft for a café of 1937 sq ft (equating to an annual rent of £27,118) and a rent of £10 per sq ft for the retail unit of 1550 (an annual rent of £15,500). Both properties are capitalised at a yield of 7%.

6.35 Evidence of rents for directly comparable commercial properties is difficult to establish. The appeal aite is located on Great Stone Road, rather than Talbot Road or Brian Statham Way, which would have higher footfall, and whilst the 333 apartments on site will provide a source of local demand, occupiers of such premises will generally seek better profile sites with passing trade and footfall. Therefore, the rental levels achievable are likely to be limited and will not match high street locations or the key arterial road networks.

6.36 CW has reviewed the evidence produced in support of the Financial Viability Assessment and reproduced below:

Address	Tenant	Type	Sq ft NIA	Passing rent	Passing rent per sq ft	Date
Co-Star lettings						
621 Stretford Road	Estia Taverna	Restaurant/café	1071	£ 13,000	£ 12.14	Jun-12
8 talbot Road	Panda Construction Ltd	Retail	1347	£ 6,000	£ 4.45	Feb-17
615-617 Stretford Road	Viar Ltd	Retail	2532	£ 18,000	£ 7.11	Jun-13
Units 1-5 Bishops Corner, Stre	not stated	Retail	1420	£ 14,000	£ 9.86	Not stated
94 Withington Road	Sky High Tuition	Retail	3121	£ 22,003	£ 7.05	Feb-20
57-63 Booth St W	Passion Limited	Retail	3810	£ 36,505	£ 9.58	Mar-19
619 Stretford Road	not stated	Retail	1281	£ 12,000	£ 9.37	Nov-17
Rateable Value data						
88 Warwick Road South	One Stop	Retail	1118	£ 7,588	£ 6.79	Apr-15
2, Longford Road, Stretford	Bea's Café	Café	595	£ 6,182	£ 10.39	Apr-15
289A Talbot Rd, Stretford	Café Italia Bar and Restaurant	Restaurant	1143	£ 8,380	£ 7.33	Apr-15

6.37 The table summarises the results of lease transactions on properties in the surrounding area. Co-star data was reviewed to identify all transactions published in the surrounding area in similar locations. Some of the evidence is dated but overall for retail property there is a range of rents of £4.45 per sq ft to £9.86 per sq ft (£6,000 pa to £36,505 pa). There was only restaurant / café identified the rent for which is recorded as £12.14 per sq ft.

6.38 Due to the relative absence of directly comparable transactions, rateable value statistics were also researched. Rateable values are market valuations time adjusted to a consistent 'antecedent valuation date' which for the 2017 rating list is April 2015. Reviewing relevant local comparable data, a One Stop convenience store at 88 Warwick Road South has a rateable value of £6.79 per sq ft (£7,588 pa), and two restaurant / café uses in the locality have rents of £7.33 per sq ft and £10.39 per sq ft (£8380 pa and £6182 pa respectively).

6.39 Against this evidence therefore the commercial rental assumptions applied by CW are considered to be well justified.

6.40 In relation to the yield assumption at 7%, evidence was set out of investment transactions within the CW FVA June 2020 which supports a range of evidence of between 6% and 7% larger retail properties/investment lot sizes. Allowing for the smaller size of these premises and the likelihood of independent operators on shorter term lease arrangements, 7% is considered to be an appropriate yield assumption.

Parking Revenue

6.41 In respect of parking, CW attributed a revenue of £10,000 to each of the 98 spaces. Published definitive evidence of the revenue associated with residential parking is very limited. Anecdotally, parking in the central areas of Manchester can reach and exceed £20,000 per space and reduce to £0 the further away from the city centre schemes are located. The income generated by parking connected to flatted schemes needs to be considered alongside the sales values of the apartments themselves.

6.42 CW is aware of the Insignia flatted scheme on Talbot Road, which is currently marketing parking spaces at an asking price of £15,000 per space. However, there is also evidence of parking places being provided at no charge to residents on comparable schemes to the Appeal scheme. At Chester Road, Stretford, approximately 400m from the Appeal site, parking spaces are included as part of sales prices for 1 and 2 bed new build apartments, which are marketed at a sales price of £155,000 and £224,000 respectively (equating to £308 per sq ft for the 1 bed and £280 per sq ft for the 2 bed). Similarly, Celestia Court, 147 Upper Chorlton Road, car parking spaces are provided at no additional cost against a sales revenue of £291 per sq ft. Taking all these schemes into consideration, the Appeal site viability assessment, which assumes a revenue of £340 per sq ft for the apartments as well as a revenue of £10,000 for each parking space, is considered to be sound.

6.43 The viability assessment accompanying the Council's proposed redevelopment of the former Kelloggs site submitted in January 2020 (both the original submission and revised versions) ascribed a capital value of £9,000 per parking space to the residential parking spaces provided as part of that scheme, providing further validation of the assumptions used in CW's appraisal.

Existing Use Value + Premium

6.44 Trebbi disagree with CW's assessment of EUV plus premium. They have stated that CW has not taken into consideration either the condition of the property nor the planning restriction affecting the use. They also assert that the premium of 50% over the EUV applied by CW is not justified and cite precedents of other planning cases where a range of a 15-20% premium has been accepted.

6.45 In response to the condition of the property and planning restriction, both these matters have been taken into consideration in estimating the EUV of the property as described from paragraph 10.11 onwards in the CW Financial Viability Assessment. The existing use value has been calculated by applying a rent of £5 per sq ft, derived from the rateable value of the property. This rent is less than the full market rent for comparable DIY store property as cited by CW at paragraph 10.13 (two comparable lease transactions of £10.11 psf to Carpetright Wren Kitchens, £23.40 psf). The difference between these rents is owed to the condition of the property. In relation to the capitalisation rate of 7%, this is derived from evidence of DIY store investment transactions presented in the CW Financial Viability Assessment in the table after paragraph 5.25 and is at the upper end of the range of evidence to reflect the condition of the property.

6.46 In relation to the premium over Existing Use Value, it is acknowledged that the premium of 50% is above that which has been agreed as part of other planning cases. However, National Planning Guidance does not prescribe what level of premium is acceptable and highlights that for each case it is a matter of professional judgement as to what level of incentive is necessary to release land for development. CW consider that a premium of 50% is justified on account of the existing commercial retail buildings on site, their commercial potential, and the necessary premium needed to incentivise the property to be promoted for alternative use.

Alternative Use Value

6.47 Trebbi contend that the allowance made by CW for refurbishment costs in the Alternative Use Value calculation are too low and argue that the property has deteriorated significantly since the cost estimates were produced.

6.48 Trebbi has provided no evidence to substantiate the assertion that there has been any deterioration of the property to the extent that would significantly affect the refurbishment needs. The cost estimates applied by CW in the AUV calculation are based on a specialist technical study in 2016 and those costs have been indexed to the present day through the application of the BCIS cost indices as explained and documented at paragraph 10.27 of CW's Financial Viability Assessment.

6.49 Trebbi also state that CW's AUV calculation fails to make an appropriate allowance for purchaser's costs in the investment valuation. This is a misinterpretation by Trebbi as purchaser's costs for SDLT, agents and legal fees have been allowed and discounted from the

Gross Development Value of £4,659,429 to the Net Development Value of £4,372,710 amounting to 6.56% of Net Development Value.

6.50 The assessment of Alternative Use Value accords with National Planning Practice Guidance on Viability and is supported by robust evidence.

6.51 CW would however concede a small adjustment to the benchmark land value from £3,600,000 to £3,550,000 as being justified. CW's Financial Viability Assessment estimated a benchmark land value range of £3,500,000 to £3,600,000, based on the Alternative Use Value and Existing Use Value plus premium methodologies respectively (each of which rounded to the nearest £100,000). The upper end of this range was selected as the reference point for determining the scale of surplus / deficit against the scheme's residual land value. Taking into consideration the comments made by Trebbi, it is considered that a mid-point between these rounded parameters is appropriate.

7. Conclusions

7.1 In conclusion, there is a robust policy approach in support of the Appellant's proposal for 10% affordable housing which accords with Local Plan Policy L2.3. There is no evidence to justify categorisation of the scheme as 'non generic' in accordance with this policy and the reasons stated by the Council can be addressed as follows:

- The fact the Appeal site is a former retail site – this provides no justification for categorisation as non-generic since the Council's area wide viability assessment was based on a comprehensive sample of sites including some in former commercial uses. Moreover, a retail use has a high existing use value which would reduce viability headroom thus undermining the argument for seeking a higher affordable housing contribution

- The way that costs have been phased in the CW Financial Viability Assessment (FVA) - costs have been phased in an industry standard way and structured to minimise impact on cashflow and finance costs. S106 costs can be re-phased into instalments in agreement with the Council.

- The fact that the residual land value generated in the FVA is less than the Alternative Use Value – this provides no justification for judging the scheme to be 'non-generic'.

7.2 The appellant is of the view, as set out above and explained in the WSP SoC, that the offer of 10% affordable housing is policy compliant. As discussions continue between the appellant and the LPA, in particular to agree a SoCG, the planning obligations and details for inclusion in a S106 (whether bilateral or unilateral) will inevitably be discussed further, and will in part be based on the evidence presented within this SoC and within the LPA's own future SoC

Appendix 1: National Planning Practice Guidance Viability

Appendix 2: Edmund Shipway Cost Plan (Phased Development)

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