

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

STATEMENT OF COMMON GROUND

DATED

26th NOVEMBER 2021

SPECIALIST FIELD: VIABILITY IN PLANNING

Appeal by Accrue (Forum) 1 LLP

Former B&Q Site, Great Stone Road, Stretford, M32 0YP

PINS Ref: APP/Q4245/W/20/3258552

LPA Ref: 100400/OUT/20

Produced jointly by:

Cushman and Wakefield – appointed by Accrue (Forum) LLP

Trebbi Continuum – appointed by Trafford Council

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1. Introduction

- 1.1. This document represents a Statement of Common Ground on viability matters relating to the planning inquiry to be held from 11th January 2022 regarding proposals by Accrue (Forum) LLP (the “Appellant”) pursuant to the Former B&Q site, Great Stone Road, Stretford (the “site”), which is in the administrative area of Trafford Council.
- 1.2. The planning inquiry relates to the appeal by the Appellant against Trafford Council’s failure to determine an application for planning permission pursuant to the proposed 332 no. residential unit scheme at the Former B&Q warehouse, Great Stone Road.
- 1.3. One of the putative reasons for refusal identified by Trafford Council is non-compliance with adopted Policy L2.12 of the Core Strategy (2012) with regard to the provision of affordable housing.
- 1.4. The interpretation of Policy L2.12 is disputed by the parties. The Appellant’s position is that 10% affordable housing (33 no. units) represents policy compliance and should be provided by the proposed development. This assessment is made on the grounds that in viability terms the proposed scheme does not perform differently to “generic” development in the Old Trafford market location. Trafford Council have concluded that the proposed scheme in light of density, design, type and location performs differently in viability terms to “generic” development in Old Trafford, as such, the affordable housing contribution from the scheme should be determined by a site specific financial viability assessment and should not usually exceed 40% of the net additional dwellings.
- 1.5. S106 contributions were agreed between parties on the following basis as per the statement of case from both parties. However, it should be noted that both these costs are under review as the scheme has been amended to 332 no. units.

Description	Cost
Local Open Space	£251,593.63
Sports Provision	£121,110
Highways	£30,000

- 1.6. The Appellant considers that the proposed scheme does not generate the requirement to contribute towards education. Trafford Council consider that the applicable education contribution equates to £1,461,415 (based on £739,639 primary and £721,776 secondary). It is considered that the requirement for the stated education contribution is a technical matter and will not be considered within the viability assessment.
- 1.7. The Appellant’s position is that 10% affordable housing plus S106 contributions save for education represents compliance with Policy L2.12, and that there is no requirement for a financial viability assessment. Should the Inspector consider that bullet 4 of Policy L2.12 is engaged then there will be a requirement for the Appellant to prepare a financial viability assessment determining what they consider to be the appropriate contribution of affordable housing to represent policy compliance.
- 1.8. The assumption made for the purpose of this SOCG is that the 4th bullet of Policy L2.12 is engaged, and without prejudice to its primary position the Appellant is preparing a financial viability assessment in respect of its offer of affordable housing on that basis.
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- 1.9. The purpose of this SOCG is to document the matters that can be agreed prior to the sight of the detailed financial viability assessment to be prepared by the Appellant. The intention of the SOCG is to assist the efficient running of the planning inquiry.
 - 1.10. For clarity, it has been confirmed by Cushman & Wakefield (hereafter "CW") that both the financial viability assessment and updated cost plan prepared by Edmund Shipway will not be shared prior to the issuance of the parties' proofs of evidence, the deadline for which is the 14th December 2021.
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2. Financial Viability History

- 2.1. The initial planning application (ref: 94974/OUT/18) pursuant to the site, for 433 no. residential apartments was submitted in June 2018. The application was supported by a financial viability assessment prepared by Cushman & Wakefield (hereafter "CW"). The financial viability assessment concluded that the scheme could not viably support a provision of affordable housing or any other S106 contributions. This application was refused in March 2019. One of the reasons cited by Trafford Council for refusal on the decision notice was that the proposed development would not provide a development plan policy compliant level of planning obligations:

" in relation to affordable housing; spatial green infrastructure and outdoor sports provision; healthcare facilities; and site specific highways improvements to suitably and appropriately mitigate the impacts of the development."

- 2.2. The planning application (ref: 100400/OUT/20) to which this SOCG is pursuant was submitted in March 2020. This application reduced the density from 433 no. residential units to 333 no. dwellings (which has since been updated to 332 no. units). The application was initially considered invalid due to the lack of a financial viability assessment. The application was subsequently validated by Trafford Council without provision of a viability appraisal, following advice from Counsel.
- 2.3. Following validation, a financial viability appraisal prepared by CW was submitted in June 2020. The viability assessment concluded that the proposed development could viably provide the following contributions:

Description	Cost
Affordable Housing	33 Units (10%) 50% affordable rent/ 50% shared ownership
Spatial Green Infrastructure	£316,558
Health	£399,307
Sports	£330,333
Highways	£23,072
CIL	£4,437

- 2.4. Continuum reviewed the financial viability assessment prepared by CW on behalf of Trafford Council in September 2020 and concluded that further information was required in regard of inputs to substantiate the conclusions made by CW. Prior to CW being able to provide the required further information the Appellant submitted a non-determination appeal which removed the ability of Trafford Council to determine the application.
- 2.5. Trafford Council confirmed at planning committee that the proposal on the basis of the original planning contributions offer was contrary to Policies SL3, L2 and L8 of the adopted Core Strategy (2012) and have subsequently cited the provision of affordable housing as a putative reason for refusal.
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- 2.6. The Appellant issued its Statement of Case in November 2020 pursuant to this appeal (ref: APP/Q4245/W/20/3258552), this was supported by a viability report prepared by CW. The viability report did not look to update any of the assumptions that had been made in the original financial viability assessment (June 2020) and did not include an updated financial viability appraisal.
 - 2.7. Continuum prepared a viability report to support Trafford Council's Statement of Case that was issued in August 2021. The viability report responded to commentary made in CW report (November 2020) citing areas where it was considered further information or improved justification was required. In addition, the report looked to address the interpretation of the fourth bullet of Policy L2.12 by reference to Counsel opinion.
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3. Common Ground Schedule of Financial Viability Assessment Inputs

- 3.1. The following schedule documents the approach to the viability assumptions and the input assumptions proposed by both parties, identifying those areas that are common and those that remain in dispute.

Item	C&W	Continuum	Comments
Policy			
Application of Policy L2.12	Support Appellant's position as regards interpretation of Policy	The fourth bullet of adopted Policy L2.12 is engaged, and it is considered that the proposed scheme performs differently in viability terms to "generic" development in the Old Trafford market location by virtue of density, type, location and design. As such, the viability should be assessed by a site-specific financial viability appraisal and the affordable housing contribution should not usually exceed 40% of the net additional dwellings.	
Methodology			
Viability methodology	Residual development appraisal utilising period by period cashflow, with viability determined via reference of residual land value against benchmark land value. Compliance with National Planning Practice Guidance and RICS Financial Viability in Planning 2021.	Methodology must not identify a land value deficit BLV cannot be greater than RLV when there are no contributions (AH or S106)	Both parties accept the methodology prescribed by PPG (2019) and RICS Guidance Note (2021). Common Ground
Indexing	Current day costs and values	Current day costs and values	Common ground
Scheme design / development, area schedule and unit numbers			
Scheme design. development appraisal	<ul style="list-style-type: none"> 332 residential units (116 units in phase 1, 216 units in phase 2) Total net sales 217,782 sq ft (20,232 sq m) 	Continuum have requested further information in regard of the gross to net ratio (currently 68%). Gross to net ratio for apartments generally 80-	Continuum require justification for gross net ratio. Both parties agree to model appraisal

	<ul style="list-style-type: none"> Retail unit 1,647 sq ft (153 sq m) Café 1,938 sq ft (180 sq m) 98 car parking spaces Total gross floor area 318,934 sq ft (29629 sq m) <p>Floor schedule and phasing plan attached.</p>	<p>85% depending on the efficiency of the build.</p> <p>RICS guidance note (2021) seeks for developments to be optimal i.e. not designed inefficiently to the detriment of adopted planning policy.</p>	<p>on average unit size and blended average revenue approach.</p> <p>Agreed to disregard architects suggestions of AH units, and assume consistency of average unit size</p> <p>Continuum favour commensurate delivery of affordable housing throughout the two phases of the scheme i.e. 1/3 of AH in phase 1 and 2/3 in phase 2.</p>
Appraisal inputs			
Residential revenue OMV	<p>Original viability appraisal from June 2020 applied OMV revenue of £340 psf / £222,854 per unit</p> <p>Update to OMV revenues underway, revised position to be confirmed.</p>	<p>Continuum viability review September 2020 adopted an open market sales value of £360 psf for the purposes of the sensitivity analysis. For clarity this assumption was not updated in Continuum's viability report to support Trafford's statement of case in August 2021.</p> <p>Continuum have reviewed sales values to account for changes in the market since initial assessment in September 2020.</p>	<p>CW confirmed that revenue assumptions will not be provided until proofs of evidence, so no agreement reached as yet.</p>
Affordable revenue	All affordable units at blended transfer value of 60%	All affordable units at blended transfer value of 60%	Common ground
Car parking revenue	<p>Original viability appraisal from June 2020 assumed £10,000 per space.</p> <p>C&W have reviewed in light of changes to the market and the delivery of apartment developments in</p>	<p>Continuum viability review, September 2020, adopted £15,000 per space.</p> <p>Continuum to review in light of changes to the market and the delivery of apartment developments</p>	<p>C&W agreed to adopting £20,000 per space based upon No. 1 Old Trafford</p>

	Old Trafford with a view to establishing common ground position. C&W have confirmed £20k per space	in Old Trafford.	
Retail revenue	Update based on review of evidence	Further information required	Both parties to consider benchmarking rent from No 1 Old Trafford 7.5% yield agreed 12 month combined void and tenant incentive allowance
Café	Update based on review of evidence	Further information required	Both parties to consider benchmarking rent from No 1 Old Trafford 7.5% yield agreed 12 month combined void and tenant incentive allowance
Purchaser's costs on land	Agent 1.2% Legal 0.6% SDLT	Agent 1.2% Legal 0.6% SDLT	Common ground
Build cost	Build cost being updated by Edmund Shipway cost specialists. Costs increased from previous 2020 report.	Build cost previously adopted by CW and accepted by Continuum equated £136 psf (Edmund Shipway cost plan). Costs will be assessed by applying indexation to the agreed assumptions made in Edmund Shipway cost plan (June 2020). Continuum unable to assess build costs until in receipt of updated cost plan, and viability case.	CW confirmed that cost assumptions will be provided in proofs of evidence, so no agreement reached as yet.
Contingency	5%	5%	Common ground
CIL	£4513 (indexed to 2021)	£4437	Common ground

S106 costs	<ul style="list-style-type: none"> Spatial green infrastructure £252,837 Sports facility £121,100 Off-site highways £30,000 Total £ 403,937 	<p>Trafford Council required S106 contributions, understand the applicant is disputing the requirement to contribute towards education:</p> <ul style="list-style-type: none"> Primary ed £739,639 Secondary ed £721,776 Local Open Space £251,593.63 Sports provision £121,110 Highways £30,000 Total £1,865,362 	Agreed on all inputs save for education. Agreed to follow respective Client's assumption in regard of S106 requirements.
Professional fees	8%	8%	Common ground
Disposal fees	<p>Marketing 1.5% Sales agent 1% Sales legal £650 per unit</p> <p>Commercial</p> <ul style="list-style-type: none"> - Letting agent 10% - Letting agent 5% - Sale 1% agent - Sale 0.5% legal 	<p>Marketing 1.5% Sales agent 1% Sales legal £650 per unit</p> <p>Commercial</p> <ul style="list-style-type: none"> - Letting agent 10% - Letting agent 5% - Sale 1% agent - Sale 0.5% legal 	Common ground
Finance	6% debit / 0 % credit	6% debit / 0 % credit	Common ground
Profit	<p>17.5% on market units 6% on affordable units Commercial element of profit to be confirmed as part of common ground discussion.</p>	<p>17.5% on market units 6% on affordable units 15% of cost for commercial elements and parking</p>	Parties to consider modelling on the basis of % of GDV, with discount for commercial and car parking.
Benchmark land value	<p>C&W original viability study:</p> <ul style="list-style-type: none"> EUV = £2.4m + 50% premium = £3.6m AUV = £3.5m <p>Benchmark land value being reviewed in light of market, policy changes and Trebbi Statement of Case.</p>	<p>EUV £1,219,973+30% = £1,585,965</p> <p>Planning condition restricting use to DIY operator needs to be accounted for. Understand from Trafford Council that sequential test and RIA would be required.</p> <p>Existing building is in poor state of repair and has</p>	CW confirmed that BLV assumptions will be provided in proofs of evidence, so no agreement reached as yet.

		been described as dilapidated and in need of repair, cost of refurbishment needs to be accounted for in establishment of BLV	
Cashflow assumptions			
Phasing	To be delivered in two phases in accordance with attached plan and floor area schedule Timescales: Phase 1 20 months Phase 2 23 months Based on BCIS construction programme calculator	RICS viability guidance (2021) states that developments should be optimal. Should CW retain the assertion that the optimal delivery of the scheme is in 1 phase this will need to be substantiated by evidence. Continuum request that if CW are seeking to amend their assessment to a 2 phased approach that this is confirmed prior to proofs of evidence being issued.	Number of units in each phase accepted as common ground. CW have confirmed detailed phasing information will be provided at proofs of evidence stage, so no agreement reached as yet.
Construction costs	S curved	The cash flow of the build costs will be contingent on the approach to phasing which is yet to be determined by CW	CW have confirmed detailed phasing information will be provided at proofs of evidence stage so no agreement reached as yet.
Market sales	C&W original viability assessment: <ul style="list-style-type: none"> - Market homes sold on flat line over five months from 1 month post pc - Commercial elements sold 1 month post pc <p>On the basis of further market advice propose the following assumptions for residential unit sales:</p> <ul style="list-style-type: none"> - 50% sold pre-construction (paid for 1 month after 	The impact of pre-selling 50% prior to the construction phase upon sales risk should be considered within the assumptions made by CW.	Common ground

	<p>pc)</p> <ul style="list-style-type: none"> - 25% sold during construction (paid for 1 month after pc) - 25% after PC at rate of 8 units per month <p>Therefore 75% of OMV income 1 month after PC, with the 25% spread on flat line over period to allow 8 unit sales per month.</p>		
Affordable sales	<ul style="list-style-type: none"> • 25% on commencement of construction • 50% at throughout construction period • 25% practical completion 	<ul style="list-style-type: none"> • 25% on commencement of construction • 50% throughout construction period • 25% practical completion 	Common ground
S016 costs	<p>The following based on advice from Trafford Council:</p> <ul style="list-style-type: none"> • 50% on commencement of development • 50% before first occupation 	<p>The following based on advice from Trafford Council:</p> <ul style="list-style-type: none"> • 50% on commencement of development • 50% before first occupation 	Common ground

4. Signatures

Signed on behalf of the Appellant.....Stephen Miles, 29/11/2021.....

Signed on behalf of Trafford Council.....Murray Lloyd, 29/11/2021.....