

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

SUMMARY OF PROOF OF EVIDENCE

STEPHEN MILES, MRICS MRTPI

14th December 2021

SPECIALIST FIELD: VIABILITY

On Behalf of: Accrue (Forum) LLP

Prepared for: Planning Inquiry

Subject Matter: Updated Financial Viability Assessment and Proof of Evidence

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

LPA Ref: 100400/OUT/20

1. Introduction

- 1.1. This document represents a summary of the proof of evidence and updated financial viability assessment ('FVA') prepared by Stephen Miles MRICS MRTPI of Cushman & Wakefield ('CW'), viability expert witness, on behalf of Accrue (Forum) LLP ('the appellant'). The proof and updated FVA has been prepared in respect of an appeal against non-determination of a planning application for residential-led development of the former B&Q warehouse on Great Stone Road in Stretford, Trafford (planning application reference 100400/OUT/20).
- 1.2. I, Stephen Miles, am a dual qualified Chartered Surveyor and Chartered Town Planner. I am a Partner with global property consultancy Cushman and Wakefield based in the firm's Development and Strategic Advisory service and head the regional Land, Development and Planning team in Yorkshire and the North East. I have over 20 years' professional experience specialising in the structuring, delivery and financial modelling of development projects. I have substantial experience of advising on Financial Viability Assessments in the planning process, mainly acting on behalf of local authorities. I have experience of preparing area wide viability evidence to support Local Plans and CIL examinations, preparation and review of site-specific viability assessments relating to planning applications and appeals, and have acted as an expert witness on these matters at numerous planning inquiries and Examination in Public.
- 1.3. My proof of evidence incorporates an update to the Financial Viability Assessment originally prepared in support of the appellant's planning application, published in June 2020. Given the time that has elapsed since then and the changes in marketing conditions, I have considered it necessary to review and update both revenues and costs. An updated cost plan has been provided by specialist cost consultant Edmund Shipway, which is the subject of a separate proof of evidence, on which I have relied. I have also reviewed the criticisms made on my original FVA by the Council's viability expert, Trebbi Continuum, and have engaged constructively with Trebbi to establish as much common ground as possible on the viability assumptions ahead of the inquiry.

2. Viability methodology and appraisal assumptions

- 2.1. The table below summarises the viability input assumptions together with a commentary indicating where the assumptions are agreed and where they are not, and where they are not, a brief comment on the source/basis of the revised assumption:

Table 2.1: Viability input assumptions

Item	C&W	Comments
Viability methodology	Residual development appraisal utilising period by period cashflow, with viability determined via reference of residual land value against benchmark land value.	Common ground
Indexing	Current day costs and values	Common ground
Scheme design. development appraisal	<p>Scheme and updated floor area schedules provided by East Oconnell Architects, set out at Appendix 1.</p> <p>Summary:</p> <ul style="list-style-type: none"> • 332 residential units (116 units in phase 1, 216 units in phase 2) • Total net sales 217,775 sq ft (20,232 sq m) • Retail unit 1,647 sq ft (153 sq m) 	Common ground, although Trebbi requested justification for the gross to net ratio.

Item	C&W	Comments
	<ul style="list-style-type: none"> • Café 1,938 sq ft (180 sq m) • 98 car parking spaces • Total gross floor area 318,924 sq ft (29,629 sq m) 	
Residential revenue OMV	Average revenue 380 psf	<ul style="list-style-type: none"> • £340psf in previous viability indexed to August 2021 is £378psf • Indexed tone of values within local market on comparable transacted schemes is circa £358psf / £180,000 per unit • Asking prices for similar sized units to appeal scheme average at No 1 Old Trafford are £360-£380 psf.
Affordable revenue	All affordable units at blended transfer value of 60%	Common ground
Car parking revenue	£20,000 per space	Common ground
Retail revenue	£15 psf, yield 7.5%, 12 months rent free	Common ground
Café	£15 psf, yield 7.5%, 12 months rent free	Common ground
Purchaser's costs on land and commercial investment	Agent 1.2% Legal 0.6% SDLT	Common ground
Build cost	Total build cost £174psf / £55,414,000	Updated cost plan prepared by Edmund Shipway
Contingency	5% of construction costs	Common ground
CIL	£4513 (indexed to 2021)	Common ground
S106 costs	<ul style="list-style-type: none"> • Spatial green infrastructure £252,837 • Sports facility £121,100 • Health contribution £0 • Off-site highways £30,000 • Total £ 403,937 	Based on advice from WSP.
Professional fees	8% of construction costs	Common ground
Disposal fees	Marketing 1.5% of market GDV Sales agent 1% of market GDV Sales legal £650 per unit Commercial <ul style="list-style-type: none"> • Letting agent 10% of ERV • Letting agent 5% of ERV • Sale agent 1% of NDV • Sale legal 0.5% of NDV 	Common ground
Finance	6% debit / 0 % credit	Common ground

Item	C&W	Comments
Profit	17.5% on market units 6% on affordable units 13% of GDV on parking and commercial	17.5% of GDV on market units and 6% of GDV on affordable units is common ground. 13% of GDV for parking and commercial uses aligns with Trebbi position of 15% of cost.
Benchmark land value	EUV of £1,300,000 + premium of 20%-30% = £1,560,000 - £1,690,000	EUV based on assessment prepared by CW North West Valuation team.
Phasing	To be delivered in two phases in accordance with attached plan and floor area schedule Construction timescales: 6 month lead in Phase 1 20 months Phase 2 23 months	Phasing strategy based on advice from East Oconnell Architects. Construction programme based on advice from Edmund Shipway cost consultants.
Market sales	<ul style="list-style-type: none"> 75% pre / during construction (paid for 1 month after pc) 25% after PC at rate of 8 units per month 	CW market assumption
Affordable sales	<ul style="list-style-type: none"> 25% on commencement of construction 50% at throughout construction period 25% practical completion 	Common ground
S016 costs	The following based on advice from Trafford Council: <ul style="list-style-type: none"> 50% on commencement of development 50% before first occupation 	Common ground

3. Results of FVA

- 3.1. The results of the updated Financial Viability Assessment of the appeal scheme are summarised in Table 1.2 below.
- 3.2. The first scenario incorporates 10% affordable housing (34 affordable units), and all S106 costs except the primary and secondary education school contributions that are disputed by the appellant. This appraisal produces a residual land value of £746,311, which is significantly below the benchmark land value range of £1,560,000-£1,690,000, indicating that this scenario is not viable.
- 3.3. The second scenario includes a reduced affordable housing contribution of 5% (17 affordable units). This appraisal produces a residual land value of £1,450,883, which is below the identified benchmark land value range, but only by c. 7%. At only this percentage below the benchmark, I consider it to be within the range of tolerance and thus I judge this scenario to be viable.

Table 1.2 FVA results

S106 scenario	Residual land value	Benchmark land value range
<ul style="list-style-type: none"> • 10% AH (34 units) • Spatial green infrastructure £252,837 • Sports facility £121,100 • Off-site highways £30,000 • Total £ 403,937 	£746,311	£1,560,000- £1,690,000 (EUV £1.3m plus 20-30% premium)
<ul style="list-style-type: none"> • 5% AH (17 units) • Spatial green infrastructure £252,837 • Sports facility £121,100 • Off-site highways £30,000 • Total £ 403,937 	£1,450,883	£1,560,000- £1,690,000 (EUV £1.3m plus 20-30% premium)

- 3.4. As a final scenario, I have modelled the impact of introducing the education contributions sought by Trafford Council in addition to the other S106 costs already incorporated into my base viability assessment. The combined cost of these additional education contributions is £1,461,415, and the impact is to remove all potential for affordable housing. As demonstrated by Table 6.4 below, with zero affordable housing (100% of homes being market sale), the scheme generates a residual land value of £867,230, significantly below the benchmark land value. Thus, not only does the introduction of these additional cost remove the headroom for an affordable housing contribution, it produces an unviable scheme.

Table 1.3: Introduction of education contributions

S106 scenario	Residual land value	Benchmark land value range
<ul style="list-style-type: none"> • 0% AH • Spatial green infrastructure £252,837 • Sports facility £121,100 • Off-site highways £30,000 • Primary Ed £739,639 • Secondary Ed £721,776 • Total £ 1,865,352 	£867,230	£1,560,000- £1,690,000 (EUV £1.3m plus 20-30% premium)

4. Conclusion

- 4.1. The conclusion of my updated Financial Viability Assessment is that the appeal scheme can deliver approximately 5% of its homes as affordable alongside a package of other S106 costs totalling £403,937.
- 4.2. In producing this updated assessment, I have taken account of changes in market conditions and updated both revenues and costs, the updates of which I believe are market facing and fully justified based on the evidence presented. I have also taken into account criticisms made to my original Financial Viability Assessment by the Council, and in response have carried out further research and procured additional advice to reinforce my assumptions base. Where appropriate, I have made adjustments to my viability assumptions. I have done so only where I have considered such adjustments would improve the robustness of my assessment of the scheme's viability.
- 4.3. I acknowledge that the residual land value on which my assessment is based is highly sensitive to small variations in key input assumptions. However, as a result of the further work that has been carried out to reinforce the robustness of these assumptions, and the large number of these assumptions being common ground, I believe the results and conclusions are sound and justified.

5. Declaration and Statement of Truth

- 5.1. My full proof of evidence details my declaration and statement of truth in accordance with my obligations as a Chartered Surveyor.
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