Bailey Venning Associates

For feasibility purposes only

Addendum to scoping opinion on viability

Neighbourhood Plan at Melksham and Melksham Without Parishes

Further development scenarios for land at Cooper Tires, Melksham

by
Bailey Venning Associates Limited on behalf of
Melksham Town Council and Melksham Without Parish Council

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Appendices

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1.0 Introduction

1.1 Bailey Venning Associates Limited (BVA) was instructed by Melksham Town Council and Melksham Without Parish Council (the Councils) through Locality, to undertake a scoping viability assessment in a report dated March 2024. This addendum follows that report and examines further scenarios selected by the Councils for the Cooper Tires site in Melksham which further reviews the development potential of the land identified in the emerging neighbourhood plan.

1.2 *The contents of this report are for feasibility assessment purposes only and are conducted on current values and costs specific to the planning application as at the date of report and do not constitute a valuation, in accordance with Valuation Standards of the RICS Valuation – Professional Standards – Global Standards 2020, and should not be relied upon as such.*

1.3 *In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.*

1.4 *This report is addressed to our client only and its contents should not be reproduced in part or in full without our prior consent. No duty of care can be extended to any other party other than our client.*

1.5 *In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate, available, sources of information. We are not aware of any conflicts of interest in relation to this assessment.*

1.6 This report has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) "Professional Statement on Financial Viability in Planning: conduct and reporting" (1st Edition, May 2019). The report has been prepared by Richard Bailey and in line with the requirements of this guidance I can confirm the following is true.

- The author of this report has acted with objectivity, impartially, without interference and references all appropriate sources of information.
- Terms of Engagement were set out clearly and included in all reports and comply with the RICS statement 'Conflicts of Interest'.
- No performance-related or contingent fees have been agreed.
- Information used is market led and not client driven.
- Inputs to the Financial Viability Appraisal (FVA) are reasonably justified and based upon industry benchmarks and the Local Plan Evidence Base.

Information

1.7 This report has been completed taking additional information from:

- Cooper Tires Melksham: Initial Site Capacity Assessment, 17th of June 2024, AK Urbanism
- Joint Melksham Neighbourhood Plan Site Options and Assessment 2023, AECOM, 5 June 2023
- Melksham & Melksham Without Housing Needs Assessment (HNA), AECOM, July 2022
- Melksham Town Centre Masterplan Final report, AECOM, July 2023
- Conceptual development specifications for Cooper Tires, AK Urbanism, 19 February 2024
- Scoping Report for Cooper Tires, AK Urbanism, 1 November 2023
- Sales particulars for Site known as Cooper Tire & Rubber Company Europe Limited, Land at Bath Road, Melksham, Cushman & Wakefield, undated
- Survey of Heritage Assets and Due Diligence Report for Cooper Tire and Rubber Company, Donald Insall Associates, September 2020
- Ecology Due Diligence Report for Cooper Tire and Rubber Company, Tyler Grange, 23 September 2023
- Utilities Due Diligence Report for Cooper Tire and Rubber Company, Hydrock, 30 September 2020
- Transport Due Diligence Report for Cooper Tire and Rubber Company, Hydrock, 21 September 2020
- Cooper Tires Probabilistic cost modelling for anticipated below ground remediation, Hydrock, 26 April 2023
- Extract of costs report for Cooper Tires, Sections 2.0 Remediation and 4.0 Demolition only, Gleeds, 19 June 2023
- Assessment of Local plan viability and the review of the Wiltshire Community Infrastructure Levy Charging Schedule for Wiltshire Council, Porter PE and Urbà, September 2023

Limitation

1.8 Land and boundaries are as identified by the relevant Councils as being appropriate for development. The assessment identifies where certain assumptions are made on boundaries and where this has an impact on capacity. It is noted that the landowners of the relevant sites have engaged with the Councils and initial and indicative plans prepared. These have been adjusted to reflect the proposed boundaries of development.

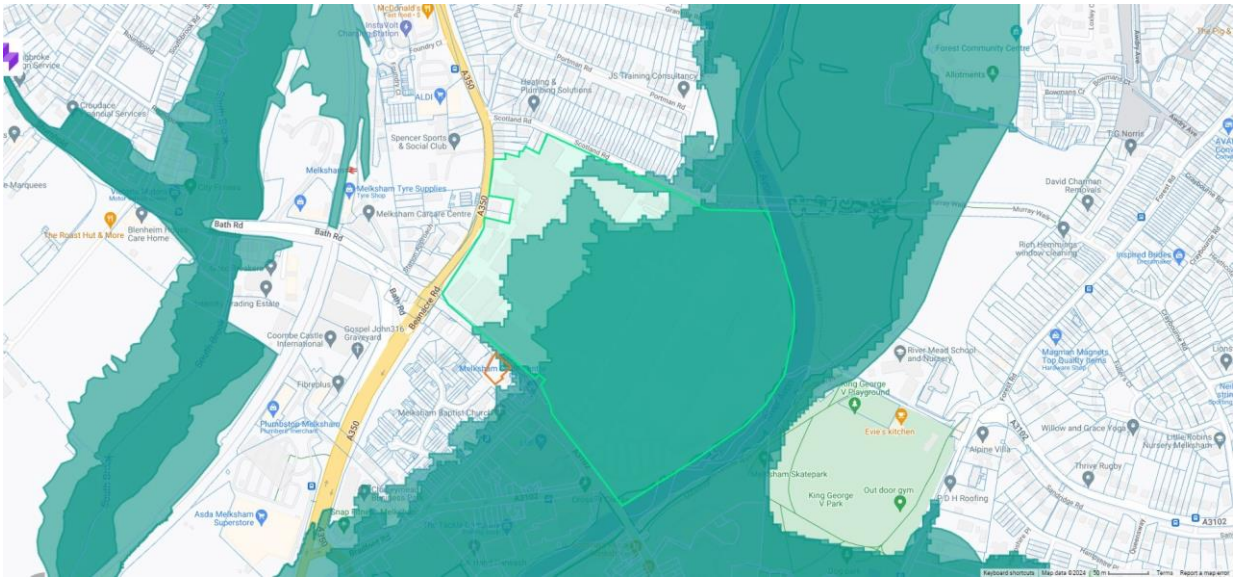
1.9 It should be noted also that this viability assessment tests the policies contained within the neighbourhood plan in terms of the allocation of sites, it is not a rehearsal of viability testing policies contained within the overarching Local Plan which forms the adopted policy framework.

2.0 Methodology and assumptions

2.1 The methodology followed in this addendum replicates that used in the BVA Scoping Opinion on Viability dated March 2024.

2.2 The assumptions used are the same and rely upon the same evidence base.

2.3 The reason for the additional scenarios being tested is a reconsideration of the potential for development within Flood Zone 2 land. The below map shows the site boundary in green, with the extent of the currently delineated areas at risk of flooding, with Zone 2 being the lighter teal shading and Zone 3 darker:



2.4 The total amount of land available for residential development therefore increases, with land in the different flood zones measured in the AK Urbanism Capacity Report Table 3 as:

Extents of flood zones across the site

Categories	Land area (ha)	Percentage of site (%)
Flood zone 1	2.16	16.77
Flood zone 2	1.94	15.06
Flood zone 3	8.78	68.17
Site area	12.88	100.00

2.5 The total land available in Zones 1 and 2 therefore totals 4.1 hectares gross.

Additional assumptions

2.6 In testing the following mixes of residential development for the additional development scenarios, an extra house type is introduced of a 4 bed home of 126m^2, having a market value average of £440,000. Values of affordable housing of the same unit size follow the previously adopted methodology of proportions of market value.

2.7 Three development mixes are tested, firstly at 195 homes, secondly at 300 homes and thirdly at 175 homes. The mixes are described in each section below.

2.8 In terms of affordable housing, the following size and tenure mix is adopted for all proportions of affordable housing:

	Unit size (m^2)	Affordable rented (%)	First homes (%)	Shared ownership (%)	All affordable housing (%)
tenure split:		60%	25%	15%	
1 bed apartment	51	4%	8%	8%	5.6%
2 bed apartment	60	38%	17%	17%	29.6%
2 bed house	77		17%	17%	6.8%
3 bed house	93	46%	44%	44%	45.2%
4 bed house	126	12%	14%	14%	12.8%
		100%	100%	100%	100%

195 dwellings

2.9 A scheme for 195 dwellings is modelled with the following housing mix:

	m^2	no units
1 bed apartment	51	16
2 bed apartment	60	26
2 bed apartment	60	59
2 bed house	77	22
3 bed house	93	24
4 bed house	126	48
		195

2.10 The increase in residential floor area then corresponds to a revision in the commercial development zone where the following mix is applied:

Conceptual development specification for Commercial Zone A

Uses	GIA m^2	Rent £/m^2/yr	Yield %
Restaurant Units / Retail			
Unit 1 retail non food	1,259	200	9%
Unit 2 retail non food	3,720	200	7%
Unit 3 retail non food	2,418	200	9%
Unit 4 restaurant / retail	443	220	10%
Unit 5 restaurant / retail	435	200	8%
Unit 6 commercial leisure	967	180	7%
Total Zone A	*9,242*		

Conceptual development specification for Commercial Zone B

Uses	GIA m^2		
Unit 1 Class B2 and/or Class B8 uses	2,330	110	5%
Unit 2 Class B2 and/or Class B8 uses	2,100	110	5%
Unit 3 Class B2 and/or Class B8 uses	1,100	110	5%
Unit 4 Class B2 and/or Class B8 uses	600	125	6%
Unit 5 Class B2 and/or Class B8 uses	500	125	6%
Total Zone B	*6,630*		

300 dwellings

2.11 An indicative scheme for 300 dwellings is modelled on the basis of the following housing mix which extends further across the site:

	m^2	no units
1 bed apartment	51	32
2 bed apartment	60	38
2 bed apartment	60	90
2 bed house	77	40
3 bed house	93	40
4 bed house	126	60
		300

2.12 The following commercial mix of uses is then modelled:

Conceptual development specification for Commercial Zone B

Uses	GIA m^2	Rent £/m^2/yr	Yield
Unit 1 Class E(g)(iii)	2,330	220	7%
Unit 2 Class E(g)(iii)	2,100	220	7%
Unit 3 Class E(g)(iii)	1,100	220	7%
Unit 4 Class E(g)(iii)	600	220	7%
Unit 5 Class E(g)(iii)	500	220	7%
Overall Total	6,630		

175 dwellings

2.13 An additional housing mix of 175 dwellings is also modelled, with the commercial mix being the same as that of 195 dwellings. The main difference in residential typology is that the mix of 175 dwellings has very limited numbers of apartments which are primarily targeted towards affordable housing. The remainder of dwellings are houses with an assumption of a mix of two and three storey built form.

2.14 The following mix is modelled:

	m^2	no units
1 bed apartment	51	2
2 bed apartment	60	10
2 bed house	77	56
3 bed house	93	71
4 bed house	126	36
		175

3.0 Results and conclusions

3.1 A number of viability tests are reported on below that examine the range of influences over the outcome of viability for each site.

3.2 At this point we have not included planning obligation costs other than CIL which is charged at the rate assumed in the BVA March 2024 Scoping Opinion on market housing floorspace.

195 dwellings

3.3 The site has been modelled on the basis set out above for 195 dwellings, firstly with nil affordable housing and including the range of commercial uses set out above. Such a model results in a residual land value of -£5,886,821 (negative land value) and would not be considered to be viable.

3.4 If affordable housing at 10% is introduced in the mix of tenures, then the residual land value falls to -£6,774,690 (negative land value). If the affordable housing is increased to 20% of dwellings then the residual land value is -£8,053,369 (negative land value). Development would not be considered to be viable on that basis. Models are included in Appendix A.

3.5 Again, in line with the previous March 2024 BVA report, we have considered the viability of the residential uses as a standalone scheme, absent of the commercial uses. In order to model this we have prorated the demolition and remediation costs on the basis of site area, with approximately 33% of those costs applying to the potential residential land.

3.6 A model for the 195 dwellings on 4.1 hectares gross (3.9 hectares net) and nil affordable housing generates a residual land value of £2,490,360 equating to £607,405 per hectare and could be considered viable with headroom for the introduction of planning obligations, ether as affordable housing or for other contributions.

3.7 If affordable housing is introduced to the residential only models, then with 10% affordable housing the residual land value is £1,720,511 equating to £419,637 per hectare which could be considered to be marginally viable.

3.8 If the proportion of affordable housing is increased to 20%, then the residual land value is £384,516 equating to £93,784 per hectare. This would not be considered to be viable. Models are included in Appendix B.

300 dwellings

3.9 A scheme of 300 dwellings is modelled, including revised commercial uses, and generates a residual land value of -£270,673 (negative land value) with nil affordable housing.

3.10 If the same development typology is remodelled including 10% affordable housing the residual land value is -£2,150,935 (negative land value). If the affordable housing is increased to 20% then the resultant residual land value is -£3,801,018 (negative land value). Models are included in Appendix C.

3.11 All the models for the full development of 300 units including commercial uses indicate that such development is not viable.

3.12 Again, I have considered the residential uses in isolation. Given the extent of land necessary for 300 dwellings, I have included the full demolition and reclamation costs as it is assumed that this will extend beyond the Zone 2 land currently indicated. Such development extent would necessitate a challenge to the current indications of flood boundaries including the extension of development into the land currently indicated in Zone 3.

3.13 A 300 unit residential only scheme on an assumed 7 hectares of land net, generates a residual value of £1,336,872 if all housing were to be market housing, equating to £190,982 per net hectare. This may not be considered to be viable.

3.14 If affordable housing is then included at 10%, the residual land value is -£435,978 (negative land value). This is considered to be unviable. A model with 20% affordable housing for the residential portion of development only generates a residual land value of -£2,071,706 (negative land value), also unviable. Models are available in Appendix D.

3.15 It should be noted that the above models include the full burden of demolition and reclamation costs for the land given the extent of potential coverage. If coverage were estimated to be 75% of the gross site area then the modelled land values would increase by approximately £1m. The residential only model with all market housing would then be viable, though the inclusion of affordable housing would remain unviable.

175 dwellings

3.16 Part of my instruction from the Councils included an examination of the potential for development if my finding of the modelling for 195 units and 300 units was unviable. Examining in detail the different elements of the above models, it was apparent that the commercial uses generated a negative land value when separated out and considered in isolation. The typologies of flats and houses were also divided into different models from which it was determined that the development of apartments generates negative land values in part because of lower value rates when compared to houses and also because apartments have a proportion of floor area that does not generate income in corridors and vertical circulation which adds costs without a corresponding value to offset.

3.17 A further mix was determined therefore which considered the development of predominantly houses assumed to be a mix of two and three storeys with a very limited number of apartments sufficient for some of the affordable housing required. This mix approximates to 45 dph and assumes the same commercial development as the development option with 195 dwellings.

3.18 On that basis and relying on the assumptions above, a development of 175 dwellings including commercial uses, on the basis of all market housing generates a residual land value of -£1,157,679 (negative land value). Whilst this is not viable, it represents an improvement in residual land value of £4.7m when compared to the development scenario with 195 homes. The drag on viability remains the commercial uses.

3.19 If affordable housing is introduced into the model at 10% the residual land value is -£2,400,869 (negative land value). If the affordable housing is increased to 20% then the residual land value is -£3,618,940 (negative land value). Models are included in Appendix E.

3.20 Considering a residential only model for 175 dwellings on the 4.1 hectares of land in flood zones 1 and 2, the model with all market housing returns a residual land value of £6,781,550 equating to a land value of £1,654,037 per gross hectare which is viable and provides sufficient headroom for further planning obligations to be sought.

3.21 If the same scheme is modelled with 10% affordable housing, then the residual land value is £5,654,093 equating to £1,379,047 per gross hectare. If affordable housing is increased to 20% the residual land value when modelled is £4,562,540 equating to £1,112,815 per gross hectare. A further increase to 30% affordable housing results in a residual land value of £3,222,142 equating to £785,888 per hectare. All the models with affordable housing are viable for the residential development only and would suggest some headroom for further planning obligations. Models are included in Appendix F.