GREAT NOTLEY GROWTH AREA – INCLUSION OF B8 USES (STORAGE AND DISTRIBUTION)

Agenda Item 11

Portfolio Area:	Enterprise and Culture
Report Presented by:	Paul Munson, Head of District Development

Background Papers:	Letter from Countryside Properties dated 22.12.09 Note by Michael Beaman Limited on viability issues in relation to land west of the A131 at Gt. Notley
Corporate Implications:	Please refer to table at end of report
Options:	1. To agree to the inclusion of B8 uses within the Great Notley Growth Area 2. Not to agree to the inclusion of B8 uses within the Great Notley Growth Area
Risks:	There is a risk that without B8 uses the Growth Area may take longer to deliver with a consequent delay in the provision of employment

Executive Summary

Policy CS4 draft Core Strategy as approved by Council on the 15th February 2010 restricts the employment uses to be permitted in the Great Notley Growth Area to B1 (light industrial and business uses) and B2 (general industrial) uses
A representation has been received from the developer requesting that the policy is amended to include B8 (storage and distribution) uses. In support of the representation the developers have submitted a consultant's report which maintains that the inclusion of B8 uses will act as a catalyst to the development of the site therefore leading to the earlier provision of employment in this location. The report also maintains that the wage output of a development including B8 jobs is higher than a development restricted to B1 uses. The report has been assessed by independent consultants on behalf of the Council. The consultants confirm that the inclusion of B8 uses is likely to improve the viability of the development and hence its earlier delivery.

Decision

1. To amend policy CS4 of the Core Strategy to permit the inclusion of B8 uses within the Great Notley Growth Area up to a maximum of 50% of the total floorspace overall and with a maximum unit size of 10,000 square metres

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Background

1. The draft Core Strategy was approved by Council at its meeting on 15th February 2010. At present Policy CS4 of the Core Strategy Submission Draft restricts the uses within the proposed Growth Area to the west of the A131 at Gt. Notley to B1a, B1b, B1c, B2 and C1 hotel use together with structural landscaping.

2. A representation has been received from the promoters of this site maintaining that it is necessary to adopt a flexible approach to the development mix to ensure that the site can be viably delivered. The representation is accompanied by a research paper from Savills and the RETRI Group which explores the importance of the B8 use class in promoting economic growth and creating viable strategic employment sites. The main findings of the report are:

- Employment in the District is currently over-reliant on the declining manufacturing (B2) sector whilst there is below average employment in the transport and communication (B8) sector where significant growth is forecast over the next decade. This imbalance needs to be addressed to ensure jobs growth can be achieved over the coming years.

- In terms of employment quality, the transport and communication sector offers a range of jobs across the whole spectrum of skills and qualification levels.

- The impact analysis included in the report compares the wage output implications, over a five year period, of a scheme for this site without any B8 use (Reference case) to a scheme including B8 use (Comparison case). The findings are summarised below:

  Reference case
  Wage output
  B1a £11m
  B1c £126m
  Total £137m

  Comparison case
  Wage output
  B1a £44m
  B1c £33m
  B8 £73m
  Total £150m

- On the basis of this the wage output and resultant economic impact of the development will be significantly greater if B8 is included in the development mix.

- The inclusion of B8 in the scheme is critical in terms of financial viability and delivery of a commercial scheme to enable the delivery of local jobs. B8 is realistically the only one of the employment use classes capable of acting as an enabler of development in the Braintree area due to the lower take up rates and longer void periods associated with other use classes. If B8 is excluded from the permitted uses, the likely result, with a B1 bias, is that a B1a office or B1c scheme would take longer to come to the market because developers and investors will review the current and future market demand and supply characteristics and adopt a significantly more cautious approach.

- Whilst incorporating only B1a/B1c could, on the face of it, create more jobs, it is expected that without B8 development, there is a risk of no jobs being delivered for a significant amount of time, if at all. By 'significant', Savills would assert that the void period on non-B8 property would be long enough to discourage commencement of development and threaten the opportunity to create any new jobs.

- The development of Skyline 120, where B1/B2 and B8 planning uses are all permitted, has been a significant success for Braintree and has continued to attract new occupiers even during the depths of the recession. Over the last 4 years, Skyline 120 has accounted for over 50% of all industrial related (B1c/B2/B8) take up in the District. The development of the Land West of the A131 has the potential to add to this success.

- Seeking to restrict uses for the next release of strategic employment land would significantly slow down the economic growth of the District and damage the progress that has been made in the provision of employment space in recent years. A flexible approach must be adopted to ensure success and avoid stagnation in the provision of new employment opportunities in the District

3. The Council has sought independent advice on the findings of the Savills/RETRI report from Michael Beaman, who was previously involved in the Employment Land Review and from Roger Tym and Partners.

4. Michael Beaman has identified the key issue as being whether it is likely that an employment scheme is likely to go ahead if B8/warehouse space is excluded. This raises two subsidiary questions:

    - Whether the inclusion of B8/warehouse space is a pre-condition of viability or merely enhances it
    - Clearly anything is possible in the fullness of time so if B8/warehouse space is not permitted when might an alternative form of development materialise?

5. Michael Beaman's conclusions are that:

    - Any restriction on the permitted use of this scheme might well impact on the viability of the scheme. The lack of information on the site means that it is not possible to state whether or not the reduced return and higher risks would make development uneconomic; but it would certainly be a major disincentive to investment
    - It is quite possible that market weakness will continue into the medium term and in this respect the prospects of development taking place and occupiers being found will be much improved if the developer can be flexible in what is being offered
    - What is uncertain is whether the developer would actually use a beneficial and flexible planning permission to make an early start. Current market conditions are so poor that it is quite possible that they would still want to wait until things improve. But that date should still arrive sooner if they can respond to whatever forms of demand do emerge first. It is also possible that they might seek an occupier on a design and build basis in the meantime and, once again, a flexible planning permission gives them a greater chance of success

6. In response to the two questions set out in paragraph 3 above Michael Beaman concludes:

- In the absence of detail it is not possible to state definitively whether a scheme that does not include B8 is theoretically viable or not. It probably is if occupiers can be found and if the specific costs associated with developing at Great Notley are modest although the value of the scheme to the developer would be significantly reduced. But, putting aside the simple arithmetic of a viability study, in reality in this market it will be difficult to attract occupiers and if this risk is factored into the calculation the chance of a B1 only scheme proceeding in the short term is poor.

- The evidence suggests that an industrial or office scheme might only become a practical proposition in the medium term

- There is obviously no objective basis for calculating what the 'medium term' might be in this respect but a reasonable estimate might be five years or more. Michael Beaman is not aware what the developer's position is but in this eventuality a conventional approach would be to try and attract an occupier on a 'design and build' basis. But this type of occupier is keenly sought by many in this market and success could not be guaranteed.

7. Roger Tym and Partners agree with the broad conclusions of the Savills/RETRI report but question some of the detailed figures and the methodology. They confirm however that:
   - Warehousing and distribution is growing faster that manufacturing
   - Earnings and occupational mix are similar in warehousing and distribution to manufacturing
   - Market demand for warehousing and distribution is greater than for offices and manufacturing
   - There is not a significant difference in job densities between warehousing and distribution and manufacturing

8. On the basis of the advice received there are two options:

   - to maintain the Core Strategy Policy as currently worded to restrict the employment uses to B1a, B1b, B1c and B2 uses. This restriction is likely to delay the development of the site and hence the early provision of jobs
   - to amend the Core Strategy Policy to include B8 jobs within the development . This will give greater flexibility to the development and provide an incentive for an early start.

9. It is a both a corporate priority and Core Strategy priority to promote economic development and the provision of jobs. In the current economic circumstances it is considered that a flexible approach to job creation is required. The advice that we have received indicates that the exclusion of B8 uses from the Great Notley Growth Area is likely to delay the provision of jobs and that jobs in warehousing and distribution and manufacturing are broadly comparable in terms of earnings and job densities. It is therefore considered that the policy should be amended to permit some B8 uses within the development. To ensure that there continues to be a mix of uses with the area it is considered that B8 uses should be limited to a maximum of 50% of the overall floorspace with unit sizes being restricted to a maximum of 10,000 square metres.

Corporate Implications				
Financial:	No direct implications			
Legal:	None			
Equalities & Diversity:	Positive as the decision will facilitate the delivery of new jobs			
Customer Impact:	Provision of jobs will benefit residents of the District			
Environment & Climate Change:	Core Strategy Policies will seek to minimise the impact on the environment and climate change			
Consultation/Community Engagement:	Local Committees		Partners	
	Public	Yes	Staff	
Key Decision:	No			
Public/Private Report:	Public			
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