

OPDC Local Plan Examination 2019

Interim findings on viability of CarGiant site proposal

- 1) At the end of the hearing session on 18 July, I commented that I was not certain that I had enough information to come to a conclusion on the issue of the viability of the proposal to redevelop the CarGiant site and that, because of other commitments, it would be some weeks before I would be in a position to consider the matter further.
- 2) Having now taken those weeks I have re-examined the material submitted to me both before and during the hearing session. I take note of the subsequent correspondence between OPDC and OOPL/CarGiant which confirms that the parties continue to meet and discuss the differences which animated the hearing session. These interim findings which I reach based on the current state of my knowledge of the issues may aid that continuing discussion between CarGiant and the Corporation as well as providing a guide to the Corporation on Modifications to the plan which should be prepared.
- 3) The following is not intended as a discussion document but the examination remains open and so I will not turn away relevant new material but I ask that any new material be limited to factual corrections to these interim findings and information about new events or new facts which come to light since the hearing session. I do not envisage accepting submissions which simply reiterate arguments already presented.

Phase 1a

- 4) The first matter considered on 18 July was whether the concept known as Phase 1a demonstrates that the Plan would be unsound through a need to extinguish the CarGiant operation. I note that Phase 1a, as a concept, is not one identified within the Local Plan itself; it is a concept used by the Development Corporation to describe a package of projects within the area defined in the Plan as the Old Oak North Place. I also note that, although a drawing indicating the area of Phase 1a was produced, that drawing is not definitive and that there is still work to be done before the detailed boundary of Phase 1a can be definitively settled.
- 5) Nevertheless, it is clear that the delivery of the road (originally to be known as Park Road, now to be called Union Way), connecting Old Oak Common Lane to Scrubs Lane, which is an essential part of Phase 1a, would affect both land used operationally by CarGiant and also land owned by and tenanted from CarGiant. From the information available at this stage, it appears to me likely that the effects on the Gateway Trading Estate, not used operationally, would be total, but that the effects on the SMART Repairs and In-Transit areas need be no more than marginal and that the effects on the operationally used Apex industrial estate and either or both of the somewhat detached operational land of the Prestige Vehicle Feeder Area or alternatively the owned but not used operationally Cumberland Business Park are not clear.
- 6) It is not my business to determine whether Phase 1a would or would not cause material detriment to CarGiant's retained land and nothing I write should be taken as meaning that I

do so. But, from the information before me, I conclude that although it is always possible that an actual outcome may be different, it ought to be possible to arrive at a resolution of Phase 1a which would not require the extinction of the CarGiant operation. I am encouraged in that view by the comments made by participants in the hearing session to the effect that they can see a degree of potential for reaching an accommodation in respect of phase 1a. Accordingly, I take the view that issues surrounding Phase 1a do not render the plan unsound.

- 7) Nevertheless, the information I have been given on this matter reinforces the advice which I have already given the Corporation that the provisions in the plan need greater clarity; in this case making it clear not only what the boundary of site allocation 4 is, on an Ordnance Survey map base, but also that site allocation 4 is likely to result not only in the construction of Union Way (Park Road) and part of Old Oak Street but also Harlesden Place open space, an energy centre, utilities and several separate predominantly residential or mixed development plots. I note the modification proposed to table 3.1 of the plan to clarify the phasing of allocation 2. The level of detail shown on the drawing entitled “Old Oak North – Development Framework Principles (Local Plan evidence, source:1)” included as Figure 3 in the document “Old Oak North Proposed/Emerging Phase 1A” submitted as Appendix 2 to the Executive Summary Note dated 5 July 2019 is what I would expect to find shown on the Local Plan policies map.

CarGiant operational land and Site allocation 2

- 8) Paragraph 182 of NPPF(2012) advises that to be effective the plan should be deliverable over its period. (The OPDC and CarGiant both refer to the different but similar test described in footnote 12 of the NPPF(2012) which is the test for inclusion in an authority’s annual Housing Land Supply statement). In this instance I am concerned with whether the submitted plan would be effective because of its reliance on the CarGiant site to deliver about 25% of the total housing and employment floorspace envisaged in the plan period.
- 9) There are doubts about the viability and hence deliverability of this proposal. Although the OPDC has carried out a Whole Plan Viability Study (WPVS) based on typologies which accords with the advice of National Planning Practice Guidance (2014) that “assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; site typologies may be used to determine viability at policy level”, that same advice goes on to say that “more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.” The CarGiant site is one of those.
- 10) The applicability and relevance of the typologies used in the WPVS to the CarGiant site has been challenged and so I consider it necessary that, in order to demonstrate the effectiveness of the plan, a more detailed assessment of that key site be carried out on which the delivery of the plan depends.
- 11) At its western end, site allocation 2 appears to include the Gateway Trading Estate, owned but not used operationally by CarGiant (other than as part of its customer test drive route on largely public roads) and also small parcels of land on the north side of Hythe Road (eg number 17-19 Hythe Road) which do not appear to be owned by CarGiant. It excludes other land, also owned and partly used operationally by CarGiant but which is included in a

separate site allocation 3 and land which is owned but not used operationally by CarGiant but which is included in separate site allocation 28.

- 12) Site allocation 2 also includes detached parcels of land to the east of the West London railway line which are owned and, in part, operationally used by CarGiant. They include Mitre house, Cumberland House (where land is used for the Outbound Vehicle Holding Area) and Times House, the location of the Prestige Vehicle Feeder Area.
- 13) The implication of figure 3.17 of the plan as submitted is that site allocation 2 is for a single development whereas, as the information provided in respect of Phase 1a now makes clear, the parts of allocation 2 which would lie to the north of the new Union Way (Park Road) would precede and be carried out independently of other parts, whereas site allocation 3 is inextricably linked with the remainder of allocation 2 because of the operations of CarGiant. This narrative is a further illustration of the point already made that the provisions of the plan need greater clarity.
- 14) This lack of clarity has led to the participants in the hearing session on 18 July preparing their material on different bases; the Corporation in relation to an allocation 2 site of 17.22 hectares, CarGiant in relation to a site ownership of 18.6 hectares. Comparison of the two sets of material therefore has to make adjustments accordingly. What I am concerned with is establishing the soundness of the plan and so I focus on the allocation site of 17.22 hectares, albeit recognising the point which I have already made that this is unlikely to reflect the realities of the situation in which some sections of allocation 2 would be severed by the route of the proposed Union Way (Park Road), other sections of the allocation are existing detached parcels of land and so could be made the subject of discrete proposals whereas allocation 3 is not likely to be made available for development separately from the rest of CarGiant's operational land.
- 15) Many of the elements of a viability assessment are not in dispute. Both the Corporation and CarGiant agree on the following;
 - Residential dwelling mix and floorspace
 - Blended average residential sales values £750 per sq ft
 - Expected growth in residential sales values to 2023
 - The build-out rate
 - Affordable Housing mix
 - Commercial rents
 - Residential build costs
 - The costs of meeting policy requirements for SuDs, carbon reduction and wheelchair accessibility
 - Projected inflation in build costs
 - Fees, financing costs and marketing and disposal costs
 - CIL (whilst CarGiant noting no allowance for potential rate rises)
 - Developer's profit at 20% on GDV for market housing, 6% on GDV for Affordable housing and 20% on cost (15% on GDV) for commercial elements

16) There are disagreements on the following elements

- Expected growth in residential sales values from 2023
- The existence and size of a regeneration premium to be added to residential sales values
- The absorption rate
- The availability of grant for Affordable Housing
- Commercial build costs
- The rate for contingencies
- The costs of demolition
- Allowance for site-specific s106 payments for infrastructure
- Benchmark Land Value (EUV)
- Landowner's incentive premium (EUV+)

I comment on each in turn.

Growth in residential sales values from 2023.

17) The choice lies between a figure of 3% pa based on Oxford Economic forecasts for UK disposable income and a figure of 2% based on estimates of long-term inflation rates. I am more persuaded by the former figure because, for as long as housing supply remains below demand, it is likely that households will seek to apply their maximum disposable income to securing the accommodation they seek.

Regeneration premium

18) The choice lies between a figure of 6.7% based on a CBRE report of 2016 and a lesser figure of 2%. I am more persuaded by the latter figure because the comparables on which the agreed average residential sales values of £750 per sq ft were based are all new-build schemes. As is well known, these already include a new-build premium, which is likely to form part of the regeneration premium identified by CBRE.

Absorption rate

19) Allocation 2 is for 5,300 dwellings over a fifteen-year period (353 per annum). Policies SP4 and H2 expect 50% of these to be supplied as affordable housing, so the market is expected to absorb 176 dwellings per annum from this site allocation. In itself, this is well within the 700 per annum across the whole plan area which the OPDC's Absorption Rate Study expects to be achievable. But, site allocation 2 is only expected to provide 25% of the whole housing output for the plan period, so it is likely that it will be competing with other suppliers in the same market. It also has to be noted that, should the affordable housing rate fall below 50% (as is permissible in accordance with policy), then the market would be expected to absorb more (237 pa if affordable housing falls to 35%). Although there is a suggestion that the development period would have to be prolonged as a result, all parties at the hearing were in fact agreed on the build-out rate for site allocation 2, so I have no basis on which to adopt a different figure. Devices to increase the absorption rate, such as marketing for private sector renting, are likely to reduce the residential sales values but all parties at the hearing agreed on a figure for that. No alternative figure is put forward and so I have no basis on which to recommend a different figure for evaluation.

Affordable Housing Grant

- 20) There is a presumption that all affordable housing would attract Approved Provider Grant at £60,000 per dwelling even though the current scheme ends in 2021. Although it is a fair presumption that a scheme will continue and there is no information by which to ascribe a different level of Approved Provider Grant, it is a fact that some affordable housing is provided through the route of purchase from a developer which attracts a lower grant of £28,000 per dwelling and so the viability appraisal should reflect the actual proportions of Affordable Housing typically provided in the recent past with a grant by either route.

Commercial build costs

- 21) Both BNPP (for the Corporation, derived from WTP's figures) and DS2 (for CarGiant, derived from C5's figures) originally agreed on WTP's residential build costs of £300 per sq ft for private residential and £280 per square foot for affordable housing. BNPP subsequently adopted C5's findings of £287 per square foot for private housing and £265 per sq ft for affordable housing, even though C5's actual recommendation is for a range of benchmarks between £280 and £300 per sq ft to be used. I see no reason to depart from those originally agreed figures.
- 22) BNPP originally adopted WTP's figures of £1,400 per sq m for retail and leisure uses and £2,200 per sq m for class B1 uses. C5's figures are much higher; £2,418 per sq m for retail and £3,563 per sq m for B1 uses but I am persuaded by BNPP's argument that the retail and leisure costs are exaggerated by the particular types of leisure provision costed by C5 and that the office construction costs are derived from comparables reflecting the particular and untypical hazards of construction within the City of London. Accordingly, I concur that WTP's revised and blended average of £2,050 per sq m for retail and leisure and £2,600 for B1 should be used.

Contingencies

- 23) The choice lies between a figure of 5% and a figure of 10%. I am persuaded by WTP's argument that 10% is normally used for schemes where there is significant additional risk such as the presence of listed buildings. That is not the case with site allocation 2 and so I concur that 5% contingency should be used.

Demolition

- 24) The choice lies between a figure of £120 per sq m (Corporation) or £220 (Car Giant). I note that CBRE (on behalf of CarGiant) uses a figure of £3.00 per sq ft (approx. £30.00 per sq m) in its 24 June alternative use valuation of the existing CarGiant site based on a demolition and rebuild scenario, which BNPP on behalf of the Corporation felt was too low. WTP also provide a comparable of £121 per sq m in Harrow. I therefore conclude that £120 is the appropriate figure to use.

Infrastructure

- 25) Both the Corporation and CarGiant make an allowance for site allocation 2 to contribute to infrastructure through CIL payments. They differ over whether the proposal should also be expected to contribute to specific infrastructure requirements necessitated by the development.
- 26) A Development Corporation may have other reasons which may justify pursuing a proposal which does not comply with development plan policy but, for the purposes of assessing the soundness of a plan, it is the viability of a policy-compliant proposal for site allocation 2 that is to be evaluated. I note that policy SP7 is that proposals should contribute to a movement network which delivers sufficient transport infrastructure to support the planned growth in the OPDC area and that policy SP10(c) is that proposals should enable a comprehensive and integrated approach to the delivery of development and infrastructure that contributes appropriately and proportionately towards required infrastructure identified in OPDC's Infrastructure Delivery Plan at a rate and scale sufficient to support the area's development and growth.
- 27) Policy P2(g(ii)) is that proposals should plan positively to deliver the place vision by contributing and/or delivering where appropriate and relevant as follows: (including contributing to, and enabling, the delivery of a street network by: (amongst other matters) contributing to and enabling the delivery of the key routes shown in figure 4.7 of the plan. Policy DI1 states the Corporation's intent to secure the delivery of infrastructure necessary to support sustainable development, meet the needs of development and where necessary mitigate its impact by (amongst other things) negotiating s106 contributions which are necessary to make the development acceptable in planning terms. I therefore deduce that a proposal for site allocation 2 which did not make a proportionate contribution towards the cost of the infrastructure required to make the development acceptable in planning terms would not be policy-compliant.
- 28) An indication of the infrastructure projects which might be necessary to make the development of site allocations 2, 3 and 4 acceptable in planning terms can be derived from the information provided in Policy P2, paragraphs 5.24 to 5.28 of DS2's report on the viability of development dated June 2019 and from the document entitled Old Oak North Proposed/emerging Phase 1A attached as Appendix 2 to the Corporation's Executive Summary Note dated 5 July 2019. They are:
- Park Road (Union Way)
 - The Harlesden Bridge link to Willesden Junction station
 - Hythe Road viaduct and station
 - An enhanced and extended Hythe Road
 - Hythe Road underpass
 - Old Oak bridge
 - Two Canal Park bridges
 - Open space; Harlesden Place, Oak Park and Canal Park
 - An energy centre
 - One 4-form entry primary school

- One health hub
- One super nursery
- One community hub
- One sports centre

- 29) Some of these facilities will be provided through CIL but, as DP9 points out in its written statement in response to examination matter 3, the Corporation's draft CIL charging schedule forecasts revenue of £378,801,810 against anticipated gross infrastructure costs of £1,178,719,000, leaving an "infrastructure gap" of about £800m. The Corporation points out, quite fairly, that it has access to other potential sources of funding. The recent award of HIF funding of £250m is an example of this and would reduce the "infrastructure gap" to £550m. But, at the present time, I have no information of the size or probability of other grants which could reduce the contribution expected from planning obligations.
- 30) Local Plan paragraph OON12 points out that timely access to new and/or existing public transport will be critical to support high density development in Old Oak North which includes site allocation 2. But there is evidence from the Corporation that the delivery of the Hythe Road viaduct and station may not be necessary to achieve the improved Public Transport Accessibility Level (PTAL) ratings on which the development of Old Oak North is predicated. It would provide a service of only 6 trains per hour on an orbital route compared with 27 trains per hour at Willesden Junction on both orbital and radial routes and 45 trains per hour on radial routes at Old Oak Common. Omission of the Hythe Road station would remove approximately £200m from the "infrastructure gap". Even so, Site allocation 2's proportionate (it is intended to provide 25% of all housing and employment growth within the plan area) share of the remainder would be a substantial £87.5m.
- 31) Given the information currently available, it is impossible to be precise about the size of infrastructure contribution that would fall to site allocation 2. But, it is clear that, to comply with policy, it would not be zero and, for the purposes of these interim findings, I conclude that it would be a substantial sum.

Benchmark land value

- 32) In accordance with the advice contained in national guidance that a more detailed viability assessment may be necessary for particular areas or key sites on which the delivery of the plan relies, I requested a more detailed assessment of viability for site allocation 2 than that provided in the Whole Plan Viability Study submitted as evidence. On behalf of the Corporation, BNPP has produced a CarGiant site allocation viability appraisal which gives four alternative benchmark figures at two dates; 2019 and 2021. These benchmarks are based on three components; Existing Use Value (EUV); a Premium to incentivise a landowner to sell and a growth factor for rolling forward the EUV to a future date. Each of these is controversial but the two significant elements are the EUV and the landowner's incentive.
- 33) The EUV used by BNPP is based on the four typologies of their Whole Plan Viability Study, updated to reflect changes in industrial land values since the Whole Plan Viability Study was conducted. CarGiant allege that none of the typologies represents their site. In turn, they have commissioned CBRE to do a valuation report. This analyses current rents on the site and in the neighbourhood and examines comparable land transactions over a wider area. I

find this approach more convincing in relation to a detailed viability assessment for a particular site than a typology-based approach.

- 34) On this basis, CBRE concludes that “the key comparable benchmark land transaction is the Vale Europe site sale at £7.37m per acre” but that site has attributes which CarGiant does not have and so the figure must be subject to a discount. It is worth noting that at least one of the characteristics distinguishing the CarGiant site from the Vale Europe reference comparable (namely the limitations on its accessibility caused by rail infrastructure, noted by BNPP in paragraph 3.59 of its viability appraisal of 31 May 2019)) would be eliminated by the construction of Park Road (Union Way) and so, action taken by the OPDC in implementation of Phase 1a of Old Oak North would have the effect of increasing the EUV of the CarGiant site.
- 35) To arrive at a discount figure, CBRE conduct a residual valuation analysis based on a comprehensive industrial/warehousing redevelopment of the CarGiant site to arrive at a residual site value of £5,950,000 per acre. Technically, this is, as BNPP point out, an Alternative Use Valuation (AUV). BNPP’s subsequent critique and reworking of the AUV produces a result of £3.228 per acre which lies between their benchmarks 1 and 2. Although I note that Deloitte, in advising the Corporation on values to be input both for extinction and relocation, adopts the figure of £5.95m per acre as the land value of the property, I do not need to come to a view on which AUV is the more accurate because I find an EUV reached through the use of comparables rather than an AUV to be a more convincing and appropriate method. In any event, CBRE simply use their AUV as a reference point by which to arrive at a discount figure to apply to their EUV reference value, which is the Vale Europe sale site. CBRE concludes that a rate per acre at approximately £6.0m per acre represents a 20% discount against that reference transaction before finally arriving at an EUV of £5.67m per acre, which is the figure which I find most convincing. CarGiant’s representative at the hearing session on 18 July reported that they now think that the EUV should be about £5.3m per acre but I have not been provided with the basis for that figure, which I understand to be a work in progress.

Landowner’s incentive premium

- 36) The concept of a landowner’s premium is consistent with national policy and advice. NPPF(2012) paragraph 173 refers to providing competitive returns to a willing landowner, a phrase repeated in guidance (2014). More than any other factor in the viability appraisal, this is the crux of the difference between the Corporation and CarGiant.
- 37) BNPP on behalf of the corporation add a premium of 20% to the EUV to represent an incentive to persuade the landowner to become a willing seller. BNPP has adopted what they describe as a “standard” premium of 20% which is the mid-point of a range of 10-30% referred to in paragraph 3.46 of the London Mayor’s supplementary planning guidance (spg) “Homes for Londoners: Affordable Housing and Viability” August 2017. But, it is an arbitrary figure and the London Mayor’s spg goes on to advise that it must reflect site specific circumstances and will vary. AS BNPP themselves write in paragraph 3.54 of their viability appraisal of 31 May 2019; “The premium over and above the EUV of the site should enable a developer to recover their moving costs. This follows the logic that a landowner will not be

incentivised to sell their site unless the additional value over the existing use can cover their relocation costs.”

- 38) It follows that the costs of relocation are an integral part of establishing the landowner’s incentive premium for site allocation 2. Whereas the approach of an arbitrary (though reasonable) premium of 20% is entirely appropriate in the circumstances of a landowner having vacant premises which are being considered either for re-letting or for disposal, that is not the case here. In response to my direct question, all participants at the hearing session confirmed that the CarGiant business is flourishing, with every expectation of continuing in business for the foreseeable future. That is consistent with the findings relating to motor trades of the Future Employment Growth Sectors Study published in February 2017 by Regeneris, commissioned by the OPDC. Therefore, there can be no expectation that CarGiant would be a willing seller of site allocation 2 unless their relocation costs are covered. Any assessment of the viability of site allocation 2 must therefore include this cost as part of the landowner’s incentive premium.
- 39) Several figures are quoted for the cost of relocating CarGiant. DS2, on behalf of CarGiant initially posited a net cost of £161.55m (paragraph 6.33 of their critique of OPDC’s response to my questions, dated June 2019) but it does not appear to include financing or fitting out costs associated with the need to complete and fit out a new site before CarGiant could move to it. Deloitte, on behalf of the Corporation has produced a different figure but it appears to be based on the misapprehension that relocation would occur as part of a Compulsory Purchase Order rather than as part of a landowner’s incentive premium intended to turn CarGiant from an unwilling to a willing seller. Consequently, Deloitte uses the EUV of the existing CarGiant premises rather than the costs of acquiring new premises as the property values to be input into the equation. It does however, give useful estimates of two of the components missing from the DS2 analysis, namely £40m for relocation costs including dual site running for a period and £40m contingency allowance.
- 40) Neither of the main participants in the hearing session have provided me with any information about the size of the costs for “forward funding” the acquisition and preparation of a new site in advance of CarGiant’s actual relocation or for the holding costs of the existing site during its decommissioning prior to the realisation of an eventual sale price but these too would need to be factored in to the landowner’s incentive premium. For these reasons I am unable to come to a finite conclusion about the level of landowner’s incentive premium which should be applied in this case but it is clearly in excess of £240m, well in excess of the £38-41m implied by the use of the “standard” 20% figure.

Alternative extinction option

- 41) Instead of seeking to make CarGiant a willing seller by providing for relocation costs as part of a landowner’s incentive premium, the delivery of site allocation 2 could proceed by way of a Compulsory Purchase Order in which the CarGiant business is extinguished. The benchmark land value would remain the same but in substitution for landowner’s incentive premium there would be added compensation for loss of profits (estimated by DS2 on behalf of CarGiant at £362.64m) and a contingency figure for losses associated with winding down the business (redundancies, loss on discounted stock and gradual decline in sales volumes), estimated by DS2 at £27.16m. Deloitte, on behalf of the Corporation challenges

the figure for loss of profits on the grounds that a capitalised notional rent should be deducted from the figure for goodwill or loss of profits but DS2 asserts that that adjustment has already been made in their figures, and I have no reason to disbelieve them.

42) I agree with both parties' view that the local plan examination is not the forum for assessing the basis on which CarGiant should be compensated for any land which may be compulsorily acquired but it is necessary that I come to a view on a figure to be used in any viability assessment of the development proposed on site allocation 2. I therefore conclude that the figure for compensation for compulsory acquisition to be used in that viability appraisal as an alternative in substitution for landowner's incentive premium should be £389.80m.

Conclusions

43) For reasons which are apparent in the preceding narrative, I do not have all the information necessary to set out a viability appraisal of site allocation 2. In any event, as was repeatedly stated by all participants in the hearing session on 18 July 2019, many of the disputed inputs are less significant in the overall appraisal than the major disagreement on the landowner's incentive premium or the alternative extinction option.

44) Nevertheless, I have been able to come to the following conclusions;

- I favour the higher figure for growth in residential sales values from 2023 (which supports OPDC figures)
- I favour the lower value for a regeneration premium (which supports CarGiant's figures)
- I have no information to justify a different absorption rate which would lengthen the presumed development period for the proposal
- Affordable Housing Grant should be applied in proportion to the % of units delivered with such grant over a statistically valid period of past experience (which supports CarGiant's contentions)
- Residential build costs should be those originally agreed between the hearing participants; £300 per sq ft (£3229 per sq m) for private residential and £280 per square foot (£3014 per sq m) for affordable housing (supports CarGiant's figures)
- Commercial build costs should be £2,050 per sq m (£190 per sq ft) for retail and leisure and £2,600 per sq m (£242 per sq ft) for B1 (supports OPDC's revised figures)
- A 5% contingency should be used (supports OPDC's figures)
- A figure of £120 per sq m (£11 per sq ft) should be used for demolition costs (supports OPDC's figures)
- There should be a substantial allowance for s106 infrastructure costs (supports CarGiant's contentions) to accord with policy requirements
- The benchmark existing use value (EUV) should be £5.67m per acre (£14m per ha)(supports CarGiant's figures)
- The landowner's incentive premium should be in excess of £240m (supports CarGiant's contentions) or, alternatively, extinction costs of £389.8m should be applied (supports CarGiant's contentions).

- 45) Based on these conclusions, I have considered the three figures 8.2.1, 8.3.1 and 8.4.1 contained within BNPP's response to the DS2 submission appended to the OPDC Executive Summary Note dated 5 July 2019 providing sensitivity testing of several scenarios. For the reasons given in my paragraph 25-35 above, I consider that the lines relating to Benchmark Land value 2, Benchmark land value 3 and BNPPRE Assessment of CPRE site specific data are too low but, for the reasons set out in my paragraph 37 above, they should be disregarded anyway because the use of a "standard" landowner's incentive premium is inappropriate in this case.
- 46) For the reasons given in my paragraphs 25-35 above and in paragraphs 39-40 and 41-42, I consider that the lines both for the relocation costs and for the extinguishment costs are too low. Accordingly I take the view that site allocation 2 would be considerably less viable than these three figures suggest. Based on the conclusions I have reached on the benchmark land value and the landowner's incentive, the line for the cost of an agreed relocation option, without any provision for infrastructure contributions would be about £480m, more or less equal to the residual value calculated by BNPP and so, even on their analysis of the residual value which I believe to be too high, would allow for no provision of affordable housing. The line for the extinguishment cost option, with no infrastructure contributions would be about £630m, well above the residual land value at nil affordable housing calculated by BNPP. In my view, this is a conclusive demonstration that site allocation 2 is unviable and ought to be deleted from the plan.
- 47) Even if I am mistaken in my conclusion, I note that even these three scenarios as presented by BNPP purport to show viability only if Affordable Housing is reduced to between 0 and 10% (on extinction of CarGiant) or to between 20 and 25% (if CarGiant is relocated). But neither of these scenarios would be a policy-compliant proposal. Policy SP4 is that proposal should promote lifetime neighbourhoods, social cohesion and the integration of new and existing communities through supporting the attainment of an overarching 50% affordable housing target, measured in habitable rooms and subject to viability. Policy H2 applies this requirement in greater detail.
- 48) Although I note the qualification concerning viability in both these policies, the CarGiant site represents such a large percentage of all the housing proposed in the plan that a failure to achieve 50% affordable housing on this site allocation would clearly prejudice the deliverability of that target across the plan as a whole. If the percentage of affordable housing on the CarGiant site were to be reduced by half, to 25%, then its contribution to the quantity of affordable housing in the plan as a whole would be reduced from 25% to 12.5%. The 12.5% shortfall would have to be made up on the 75% of other sites in the plan, requiring them to achieve an outturn of 58%. At nil affordable housing on site allocation 2, the remaining 75% of allocations would each have to deliver an outturn of 67% in order to reach the overall target of 50%. There is no evidence before me to indicate that that would be feasible or plausible.
- 49) As previously noted, it is open to the Corporation, in pursuit of its development corporation duties, to promote development which is not in accordance with its plan. It is not for me to take a view on that. But it is clearly unsound to propose as part of the development plan a development which would not deliver the policies of the development plan itself both in relation to infrastructure contributions and in relation to affordable housing. Yet, that is

what I find would be the case with site allocation 2. It is not viable and so would not be effective and so is unsound in itself. It would not be deliverable in a policy-compliant form over the plan period and, because of its significance within the plan as a whole, its inclusion makes the plan itself unsound.

- 50) It may be argued that to have some, albeit limited affordable housing would be better than delivering none at all but my firm view is that the viability of this site allocation does not permit the delivery of affordable housing at all. Moreover, the delivery of affordable housing is not the sole planning matter to be taken into account. CarGiant is a highly successful and profitable business with prospects for growth. It employs about 800 people directly and a further 1,200 indirectly. Its extinction simply does not make sense in planning terms, nor does its relocation at an expense which would preclude the likelihood of paying for any contribution to necessary infrastructure or affordable housing.

Other matters

- 51) The Corporation makes the following three points;

- that up until January 2019, CarGiant was supportive of site allocation 2
- Car Giant's previous support indicates that at that time the proposal was viable;
- The proposal could become viable again at some point in the future.

CarGiant acknowledges that between 2015 and 2017 it was working on a scheme to relocate its business. I have no knowledge of the evidence which persuaded CarGiant to take that course of action at that time. What I do have is the information above and CarGiant's assertion that "it concluded in 2017 that relocation was not possible – a position reached through first-hand experience of transacting on land, not through a theoretical viability exercise", a statement which implies that its earlier actions may have been based on incomplete information which has since been made good. Accordingly, I do not find that CarGiant's previous actions demonstrate that site allocation 2 was ever, or is now, a viable proposition.

- 52) I note the Corporation's proposal to introduce modifications to Local Plan policy intended to ease the process of facilitating business relocations from the declassified SIL area. That may address the concerns of other representations made to the plan as submitted but would not alter the interim conclusions I have reached concerning the viability and hence, deliverability and effectiveness of site allocation 2.

Suggested modifications

- 53) There are various options which might be considered as ways in which to amend the plan so as to make it viable, effective and therefore sound. One would be to re-write the policies on affordable housing and infrastructure, either for this site alone or for the plan as a whole, so that they are no longer expected to be provided through planning obligations. However, the difficulties associated with this potential course of action are manifold and obvious. Firstly, as will be evident from the information available to me, I am convinced that site allocation 2 would not be viable and capable of effective delivery within the plan period even if it were relieved of all contributions to affordable housing and infrastructure. Secondly, if the

general policies on infrastructure and affordable housing were re-written so that they are no longer expected to be provided through planning obligations, it is hard to see how those requirements would be provided or how that would be compliant with the Mayor's London Plan.

- 54) So, I turn to the alternative of deleting site allocation 2 (and, by extension, site allocation 3) from the plan. This too would have difficulties in the form of a consequent reduction in both the housing numbers (5,900) and employment floorspace (51,600 sq m or 2,810 jobs) capable of being delivered during the plan period. References throughout the plan to the delivery of 20,100 dwellings and 40,400 jobs over the next twenty years would have to be revised downwards.
- 55) Consideration needs to be given to the question of how this would leave the plan in terms of its general conformity with the London Plan. London plan policy 2.13 is to provide encouragement and support to the preparation and implementation of opportunity area planning frameworks to realise these areas' growth potential in the terms of the London Plan's Annex 1. Paragraph A1.1 of Annex 1 explains that it outlines how the broad principles of policy 2.13 should be applied to specific Opportunity and intensification Areas, including indicative estimates of employment capacity and minimum guidelines for new homes to 2031, subject to phasing. The figures for Park Royal and Old Oak Common combined are 25,500 dwellings and 65,000 jobs.
- 56) Paragraph A1.2 of the London Plan goes on to affirm that these estimates and guidelines will be tested through the preparation of planning frameworks and/or local development frameworks. As a result of that testing, the delivery figures put forward in the submitted plan are not 25,500 dwellings and 65,000 jobs but are 20,100 dwellings and 40,400 jobs, figures which have been certified by the Mayor for London as being in general conformity with his Plan. That testing has continued, in part, through this examination, as a result of which I conclude that the delivery figures of 20,100 dwellings and 40,400 jobs over the next twenty years should be reduced further to 14,200 and 37,590 respectively.
- 57) Moreover, I do not say that the area to be deleted from SIL or that the figure of 26,500 homes and 65,000 jobs which are identified in the Mayor's London Plan and which the OPDC area is said to be capable of accommodating need revision. In support of that observation, I draw parallels with the way the plan has dealt with the site of the Elizabeth Line depot. Earlier iterations of the plan envisaged that the Elizabeth Line depot would be decked over or released so as to provide a site for about 6,500 homes. But, in fact the Elizabeth Line depot was constructed without making provision for land release or decking over and cannot now be released or retrofitted within reasonable cost. It is recognised in paragraphs OOS.3 and OOS.4 of the plan that the site is unlikely to become available for development within the lifetime of the plan but its capacity remains recognised and it remains included within areas designated for a major town centre/commercial centre on figures 2.2 and 3.7 and phased in years 21+ on figure 3.16.
- 58) A similar approach could be taken to the CarGiant operational land. As noted earlier, in response to a specific question asked at the hearing session, all participants confirmed their expectation that, other things being equal, CarGiant would be expected to continue its flourishing business into the foreseeable future. For that reason, I take the view that site

allocations 2 and 3 could not be delivered within the plan period. But, it is undeniable that should circumstances change to the extent that CarGiant ceased to be a flourishing business requiring relocation in order for site allocations 2 and 3 to proceed, then the viability of developing site allocations 2 and 3 would be transformed and, as a matter of fact, the sites have the development capacity that they have.

59) My interim finding is therefore that site allocations 2 and 3 should be deleted from the plan (subject to adjustments consequent on the progression of phase 1a of Old Oak North) and that consequent adjustments to the numbers of homes and jobs likely to be delivered during the plan period should be made but that no adjustment be made to the proposal to de-designate SIL land or to the figures which recognise the capacity of the plan area beyond the plan period.

60) I reiterate the advice given in paragraph 3 of these Interim Findings that, because they are Interim Findings I remain open to new information or factual corrections to these Interim Findings but, in the absence of any new facts which would cause me to come to a different view, I now call on the Corporation to prepare Modifications to the Plan along the lines I have indicated.

61) In the meantime, I will continue to work on the other matter outstanding from the hearing sessions, namely the question of whether the Plan's Sustainability Appraisal is adequate. I expect to be able to reach a conclusion on that matter within a few weeks.

P. W. Clark

Inspector

10.9.2019