

1. Introduction

Following the Local Plan examination hearing session on policy B4, BNP Paribas Real Estate undertook further viability testing on the Council's emerging affordable workspace policy. This forms an addendum to the Council's Draft Local Plan Viability Study (December 2018).

The addendum viability study (November 2021) tests the viability of 29 additional development typologies located across the Borough to provide affordable workspace. 16 of the sites are based in the Central Activities Zone ('CAZ') and CAZ Fringe spatial areas; 6 of the typologies are sites within the Vale Royal/Brewery Road Locally Significant Industrial Site ('LSIS') spatial area; and 7 of the typologies are in Priority Employment Locations ('PEL') and town centres located in the north of the borough. The majority of the 29 development typologies were informed by consented schemes, with others informed by pre-application discussions with site owners/promoters, as well as officer judgement on the likely quantum of development that would be acceptable for each site. The 29 development typologies adopted in the addendum viability study are outlined in greater detail in Table 7.1 of the Council's addendum viability study.

2. Modification to Policy B4 so that the affordable workspace policy requirement is applied to net additional office floorspace

Prior to the Council's recent modifications, draft Policy B4 required schemes to provide 10% of office floorspace as affordable workspace at a peppercorn rent for a period of 20 years on a gross floorspace basis. The approach of applying the emerging policy requirement to gross floorspace was debated during the Examination in Public hearings, as a number of respondents had raised concerns that applying the policy requirement on a gross floorspace basis could form a disincentive for development to occur.

The Council's addendum viability study outlines the viability testing results of applying the emerging policy requirement of 10% of office floorspace as affordable workspace at a peppercorn rent for a period of 20 years on both a gross office floorspace basis and a net additional office floorspace basis. The addendum viability study further tests the viability of providing 10% of office floorspace as affordable workspace at a peppercorn rent into perpetuity on both a gross office floorspace and net additional office floorspace basis for schemes comprising in excess of 10,000 sqm (GIA) of office floorspace. The results of the viability testing indicate that 10% of office floorspace as affordable workspace at a peppercorn rent for a period of 20 years is viable in the vast majority of cases. The viability testing further indicates that large schemes comprising in excess of 10,000 sqm (GIA) of office floorspace can viably provide 10% of office floorspace as affordable workspace at a peppercorn rent into perpetuity when applied on a gross office floorspace basis.

However, the Council is mindful that applying the emerging policy requirement on a gross office floorspace basis may create viability challenges for very small-scale office schemes which involve only small amount of uplift in office floorspace. Applying the emerging affordable workspace policy to net additional floorspace, rather than gross floorspace, serves to increase viability. The results of the viability testing show a climb in the residual land values of typologies where the policy is applied to the net additional floorspace versus it being applied on a gross floorspace basis. It should just be noted that some of typologies feature all of their office floorspace as net additional office floorspace and in these cases the viability testing results of applying the policy on a gross basis and net additional basis are the same.

In light of this and taking account of the views expressed by the representors to the Draft Plan, the Council has now resolved to modify draft Policy B4 so that the affordable workspace policy is applied to net additional office floorspace. For example, if a development proposal was providing 1,000 sqm (GIA) of net additional office floorspace, the policy requirement to provide 10% of office floorspace as affordable workspace at a peppercorn rent for a period for 20 years would be applied to 10% of the net additional office floorspace (i.e. 100 sqm).

In light of the modification to Policy B4 that the emerging policy requirement will be applied to net additional office floorspace, in order to understand the Council's selected thresholds in modified Policy B4, Table 13.3 of the addendum viability study is relevant, this is discussed further below.

3. Results and thresholds

Table 13.1 - Results for CAZ and CAZ fringe sites

Sites 1, 2, 5, 6, 9, 10, 11 and 12 shown in Table 13.1 are smaller office scheme typologies with the uplift/net additional office floorspace (E(g)(i)) outlined in the table's sixth column titled 'Additional office E(g)(i) floorspace'. The results of the viability testing indicate that these typologies can viably deliver 10% of net additional office floorspace (E(g)(i)) as affordable workspace at a peppercorn rent for a period for 20 years. The Council therefore considers that a threshold of 1,000 sqm (GIA) or more net additional office floorspace represents an appropriate trigger for the policy to apply to schemes coming forward in the CAZ and CAZ fringe spatial areas.

Sites 13, 14 and 15 are much larger development typologies with each presenting a considerable uplift in net additional office (E(g)(i)) floorspace. These sites are shown to be viable when modelling 10% of net additional office floorspace (E(g)(i)) as affordable workspace at a peppercorn rent for a period for 20 years. These three typologies are then retested with 10% of net additional office floorspace (E(g)(i)) as affordable workspace at a peppercorn period into perpetuity in Table 14.2 and are shown to be viable when modelling this policy requirement.

Taking into account the viability evidence, the adoption of a threshold of 1,000 sqm (GIA) or more net additional office floorspace as a trigger for the policy to apply to schemes coming forward in the CAZ and CAZ fringe spatial areas is therefore considered appropriate and proposed to be clarified in Policy B4 Part A (i).

Table 13.1 - Results for Vale Royal/Brewery Road LSIS sites

Remaining with Table 13, Sites 17, 18, 19, 20, 21 and 22 are development typologies located in the Vale Royal/Brewery Road LSIS. Each development typology involves the re-provision and intensification of industrial uses, and an element of office (E(g)(i)) floorspace. The results of the testing show that larger amounts of net additional office (E(g)(i)) floorspace serve to increase viability.

The results of the testing show Site 17 to be unviable when 10% of net additional office (E(g)(i)) floorspace is modelled as affordable workspace at a peppercorn period of 20 years, and further shown to be marginally unviable without the emerging policy requirement applied. In addition, Site 20 is shown to be unviable when modelling 10% of net additional office floorspace as affordable workspace at a peppercorn period of 20 years, but viable without the emerging policy requirement applied. The key factor affecting the viability of the Site 20 typology is the large amount of existing office floorspace on site which generates a higher existing use value.

The results of the viability testing of Sites 18, 19, 21 and 22 show that these typologies are capable of viably providing 10% of net additional office floorspace as affordable workspace at a peppercorn for a period of 20 years alongside a re-provision and intensification of industrial floorspace. The amounts of net additional office floorspace present in each of these typologies is shown to be sufficient to allow the typologies to viably meet these two policy requirements.

Taking account of the results of the viability testing of the LSIS typologies, and mindful that sites coming forward in the Vale Royal/Brewery Road LSIS are required to intensify industrial uses, the Council considers that the threshold at which the affordable workspace policy would apply in the Vale Royal LSIS should be increased so as to be triggered by schemes providing 3,000 sqm (GIA) or more net additional office floorspace.

The adoption of a threshold of 3,000 sqm (GIA) or more net additional office floorspace as a trigger for the policy to apply to schemes coming forward in the Vale Royal/Brewery Road LSIS spatial area is therefore proposed to be incorporated into Policy B4 Part B.

Table 13.1 – Town Centre and Priority Employment Locations sites (north of the borough)

Once again remaining with Table 13.3, Sites 23, 24, 25, 26, 27, 28 and 29 are development typologies located in Town Centres and Priority Employment Locations in the north of the borough. The results of the viability testing show that Sites 23, 25 and 29 are unviable when modelling 10% of net additional office floorspace as affordable workspace at a peppercorn rent for 20 years and further shown to be unviable without the emerging policy requirement being applied. The results of the testing show that Sites 24, 26, 27 and 28 are viable when modelling 10% of net addition office floorspace as affordable workspace at a peppercorn rent for a period for 20 years. Sites 28 and 24 each provide considerable uplifts in net additional office floorspace which greatly increases the respective residual land values for each development typology. Sites 26 and 27 have uplifts in office floorspace (E(g)(i)) of 2,000 sqm (GIA) and 1,804 sqm (GIA) respectively, and both are shown to be viable when modelling 10% of office floorspace as affordable workspace at a peppercorn period for a period of 20 years.

Based upon the viability testing of the development typologies located in Town Centre and Priority Employment Locations in the north of the borough, the Council considers that the threshold at which the affordable workspace policy would apply in Town Centres and Employment Priority locations should be elevated so as to be triggered by schemes providing 2,500 sqm (GIA) or more net additional office floorspace. This is considered to provide a proportionate buffer for sites coming forward in the north of the borough whilst being reflective of the schemes tested and found to be viable in table 13.3.

The adoption of a threshold of 2,500 sqm (GIA) or more net additional office floorspace as a trigger for the policy to apply to schemes coming forward in the remaining Town Centres and Priority Employment Locations (outside of the CAZ , CAZ fringe and Vale Royal/Brewery Road LSIS) is therefore proposed to be incorporated into Policy B4 Part C.

Table 14.2 – results for CAZ and CAZ fringe sites comprising of 10,000 sqm (GIA) or more net additional office (E(g)(i)) floorspace.

Table 14.2 of the addendum viability study shows the results of the modelling 10% of net additional office (E(g)(i)) floorspace as affordable workspace at a peppercorn rent into perpetuity. This policy requirement is applied to Sites 13, 14, 15 and 16 which all deliver in excess of 10,000 sqm (GIA) net additional office floorspace. The results of the testing show that each development typology remains viable when modelling 10% of net additional office (E(g)(i)) floorspace as affordable workspace at a peppercorn period into perpetuity.

Based upon the results of the viability testing, the Council therefore considers that a threshold of 10,000 sqm (GIA) or more net additional office floorspace forms an appropriate threshold for schemes coming forward in the CAZ and CAZ fringe spatial areas to provide 10% of net additional office floorspace as affordable workspace at a peppercorn rent into perpetuity.

The adoption of a threshold of 10,000 sqm (GIA) or more net additional office floorspace as a trigger for 10% of net additional office floorspace to be provided as affordable workspace at a peppercorn rent into perpetuity for schemes coming forward in the CAZ and CAZ fringe spatial areas is therefore proposed to be incorporated into Policy B4 Part A (ii).

Consideration of Office floorspace (E(g)(ii)) for research and development of products or processes (formerly B1b Use)

Policy B4 also applies to floorspace used for research and development of products or process. The sites 13, 15 and 16 development typologies were varied to include 80% office (E(g)(i)) and 20% Research and development of products or processes E(g)(ii) to create three additional typologies: Sites 13A, 15A and

16A. This apportionment between general office floorspace and floorspace for research and development has been informed from the experience of reviewing schemes which have sought a proportion of office floorspace to be used for the purposes of research and development.

Table 15.2 of the addendum viability study tests the ability of Sites 13A, 15A and 16A to viably provide 10% of net additional floorspace as affordable workspace at a peppercorn rent into perpetuity. The results of the viability testing show that each of the three typologies can viably meet the emerging policy requirement.

Table 15.3 of the addendum viability study tests the ability of Sites 13A, 15A and 16A to viably provide 10% of net additional floorspace as affordable workspace at a peppercorn rent for a period of 20 years. The results of the viability testing show that each of the three typologies can viably meet the emerging policy requirement.

4. Conclusion

The modifications to Policy B4 reflect the outcomes outlined in the Council's addendum viability study and take account of the differing values and Existing Use Values found across the CAZ/CAZ fringe, Vale Royal/Brewery Road LSIS spatial areas and within Town Centre and Priority Employment Locations outside of those areas, with different thresholds adopted in different locations reflecting the viability evidence. The modification of applying the emerging affordable workspace policy set out in Policy B4 to net additional relevant floorspace, rather than gross floorspace, serves to create a further viability headroom as the policy is only applied to 10% of the net additional floorspace. It is considered that the modifications to Policy B4 to set out clear thresholds in the spatial areas in which the policy will be applied leads to clarity and certainty in respect to affordable workspace policy requirements which accords with paragraph 34 of the NPPF (2021).