

6 DELIVERY



VIABILITY

OVERVIEW

Commercial analysis has helped to form the Guildford Town Centre masterplan from the start, including in the identification of development sites through the analysis of existing ownerships and land uses, and assessing the optimal distribution of land uses across the masterplan and within plots, based on property market research.

Viability analyses have been undertaken for each of the sites identified for redevelopment in the masterplan in order to determine whether the proposals are likely to be viable, and therefore deliverable.

METHODOLOGY

Development appraisals have been carried out using the estimated development capacity of each site in terms of commercial floorspace and residential units. Extensive research into the local property market for all proposed land uses has been undertaken, to establish values and assess the approximate construction costs applicable to each scheme, and to allow for a suitable profit for the developer. The appraisals assume that Community Infrastructure Levy (CIL) is charged at the Council's Preliminary Draft Charging Schedule (January 2015) rates, and, in the case of residential development, that 40% of housing is affordable as per the draft Local Plan. The development appraisal analysis has then generated a development land value for each site based on these assumptions.

This development land value has then been compared to a benchmark land value in order to determine viability. This benchmark land value has been assessed for each site either through analysis of the existing uses and an estimation of their value using Valuation Office Agency data, or with reference to any extant planning permission for development. In addition to this value, compensation for owners and occupiers based on the statutory compulsory purchase regime has also been allowed for. A further 20% buffer has then been applied as an assumed incentive for landowners to release land for development, and as a form of contingency to ensure the robustness of the conclusions.

Development at those sites where the development land value exceeds the benchmark value is considered to be viable as the increase in value provides sufficient return to the landowner, as well as profit to the developer. This is an established methodology in determining viability for planning purposes.

FINDINGS

The viability analysis demonstrates that the development proposed by the masterplan is viable overall. Across all the sites in aggregate, there is a surplus of development land value above the benchmark land value, and hence sufficient returns are generated by the proposals to incentivise their delivery.

On a site-by-site basis, some proposals are not viable due primarily to relatively valuable existing uses. However, such sites can be packaged with neighbouring sites which are viable and hence ensure a deliverable scheme overall to ensure that development contributes to the overall vision for the town centre.

It is important to note that the viability position is likely to improve as actual schemes are designed as this creates opportunities for value enhancement, and that as early proposals are completed values are likely to rise above trend as a result of their regenerative effect (see the phasing discussion below). Therefore, some sites identified as not currently viable are intended to be aspirational and developed in the medium to long term.

DELIVERABILITY

Viability is a key aspect of deliverability – if a scheme is not viable then it will not be delivered by the market without assistance – but there are also a number of other factors which may influence the likelihood that a scheme is actually brought forward, including land ownerships, existing uses and values, and the prospect of obtaining planning permission.

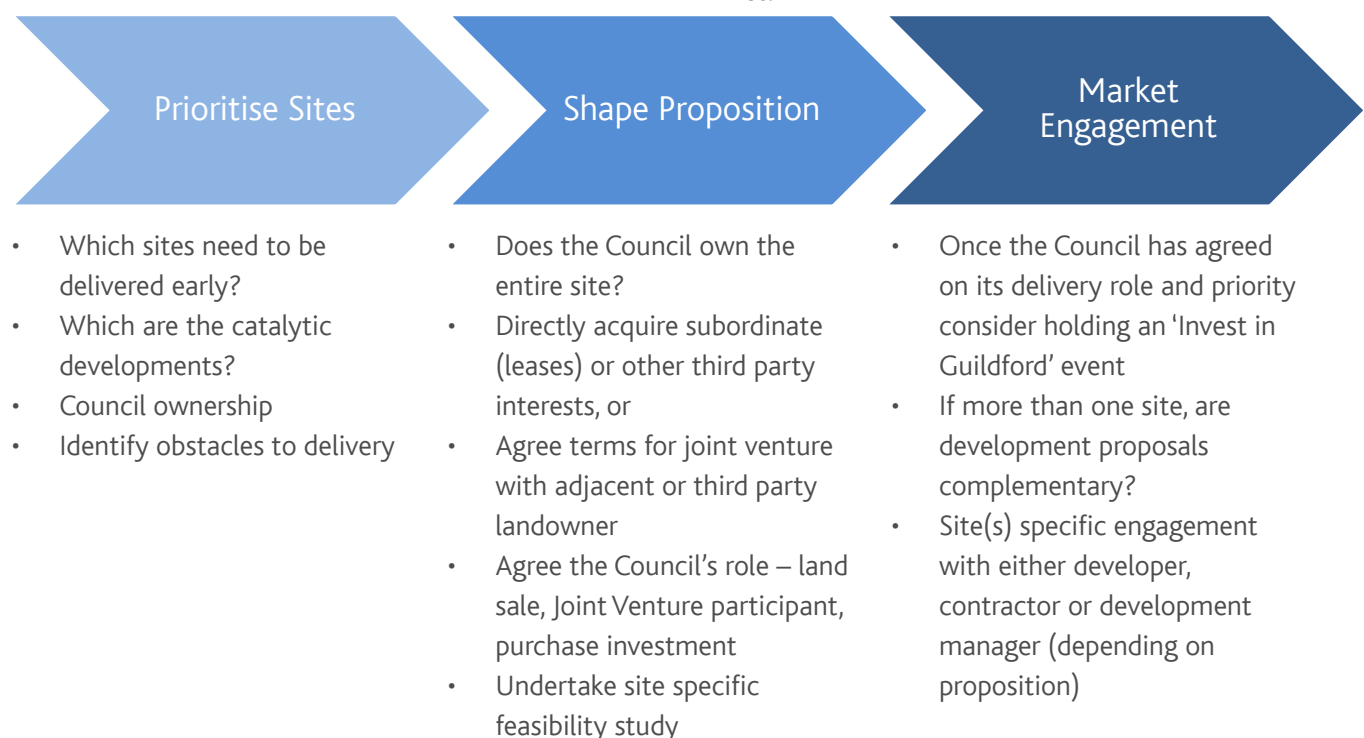
As identified through the market analysis in section 2, Guildford is in an enviable position in that most developers (residential or commercial) or investors will look at opportunities in the town centre due to the strong profile of the town's catchment and demographics. However, a number of barriers to delivery have been identified which in the past have precluded development, including in the case of offices, insufficient value to encourage development, and in all cases a lack of development sites and a limited delivery focus. The preceding viability analysis has found that the proposals in the masterplan are viable, including for all the uses proposed, and the plan itself represents a strategic framework to communicate to market the scale of ambition now proposed for the town centre, and the proposed distribution of land uses. What is required next is the identification of key sites, formation of site specific propositions, and targeted engagement.

Before the 2007/08 financial crisis and resulting recession, many local authorities in towns with strong fundamentals were content to let the market drive delivery of projects within the context of an over-arching plan. Now, post-recession, many are taking a much more proactive approach by facilitating key aspects of town centre masterplans. Through a combination of utilising their land ownership, land assembly powers,

and potentially finance ability, authorities are helping to drive those development opportunities that are seen as strategically important or catalytic, that is, once a scheme is delivered it will lead to the market viewing adjacent or other development opportunities more favourably.

In helping to identify who to engage with in the market for a particular site and the role of the Council itself, the approach in the illustration below should be followed.

In order to assist in this process, analysis of all of the development sites proposed in the masterplan has been undertaken to assess the likely timescales for promotion and delivery. Broadly, those sites in single ownership and with a low value existing use can be expected to be promoted first. Factors which may delay the promotion of a site may include fragmented ownership, multiple leasehold occupation, lengthy unexpired lease terms, existing uses which are difficult to relocate, physical site constraints or a reliance on preceding interventions to release the site. The various steps to delivery for each site, including necessary commitments to development and owner engagement, occupier relocation, enabling infrastructure or development, and delivery partner procurement, have been considered and fed into the estimated timescales. The table on the following page summarises timescales for delivery, with sites listed in estimated order of delivery. The sites are organised into brackets of delivery which correspond with those used in the NPPF definitions of deliverability and developability. Whilst there are other elements to these definitions, timing is a key part and hence these estimates could be used as a basis for local policy allocation and forecasting, provided the other requirements of the definitions are met.



Approach to delivery strategy

ESTIMATED DELIVERY TIMESCALE (YEARS)	PLOT	RESIDENTIAL UNITS	A1 RETAIL FLOORSPACE (SQM GEA)	A3 / A5 FOOD AND BEVERAGE RETAIL FLOORSPACE (SQM GEA)	OTHER NON-RESIDENTIAL USES - FLEXIBLE SPACE INCLUDING NEW OFFICES, LEISURE (D2) AND HOTELS (SQM GEA)	NOTES ON OTHER USES
0-5	M	211	780	-	3,072	Car park
	P	-	-	-	3,072	
	V1	-	-	1,272	1,272	
	AF	19	-	-	-	
	K	197	-	-	-	Car park
	Z	75	-	-	-	
SUB-TOTAL (0-5 YRS)		502	780	1,272	7,416	
6-10	H	125	-	-	-	
	AE	21	250	-	-	Car park
	X	66	-	-	-	
	E	241	-	-	-	
	AJ	TBC	C. 43,000 *	TBC	TBC	
	G	81	-	-	-	
	B	344	-	-	-	
	R	-	-	-	-	Car park
	T	-	-	4,762	9,216	
	L	186	-	-	-	
	A	428	-	-	-	
	U	-	-	3,316	2,656	
	Q	-	-	-	13,824	
	S	251	-	-	-	
J	-	-	-	-		
SUB-TOTAL (6-10 YRS)		1,743	43,250	8,078	25,696	
11-15	AB	38	378	-	-	
	N	-	-	-	11,136	
	AA	21	1,484	-	1,170	
	AG	13	-	-	-	
	W	-	0 OR 2,880	1,647 OR 2,880	0 OR 2,880	Cultural
	V2	63	-	2,027	-	
SUB-TOTAL (11-15 YRS)		135	1,862 OR 4,742	3,674 OR 4,907	12,306 OR 15,186	
16+	F	83	-	-	10,240	
	Y	88	-	-	-	
SUB-TOTAL (16+ YRS)		171	0	0	10,240	
TOTAL (0-15 YRS ONLY)		2,380	45,892 OR 48,772*	13,024 OR 14,257	45,418 OR 48,298	
TOTAL (ALL YEARS)		2,551	45,892 OR 48,772*	13,024 OR 14,257	55,658 OR 58,538	

Indicative delivery timescales

It is important to highlight that this table is a current estimate and a working draft of delivery timescales. It will be updated when further information has been received from landowners during the consultation process. It will also evolve in relation to the progression of planning applications on due course. The relative timing of individual sites is explained on pages 129/131. Figures marked with asterisk (*) should be read in conjunction with the notes on page 77 in relation to the potential capacity of the North Street site. Please note the variation in floorspace for site W (and the associated sub-totals) relates to the gyratory scenarios outlined on page 40 - the first figure relates to scenario 1 and the second relates to scenario 2.

It should be noted that whilst specific floorspace uses are identified in this table and earlier in this report, the intention is that this masterplan is flexible in order to secure delivery. Therefore, it may be possible for sites with identified retail capacity to contain A1 or A3/A5 uses, or more likely a mixture of the two.

The table identifies a column for other non-residential uses. This is intended to be flexible floorspace for a range of uses including new offices, leisure uses (e.g. cinema) and hotel space. It should be noted that this figure is gross new floorspace. It is assumed that a proportion of this would replace old, inefficient office space with modern state of the art premises. It might also include replacement civic office facilities in relation to displaced uses in the masterplan area including the Council offices and the courts / police station.

The floorspace allocations, whilst identified as appropriate from an urban design and place-shaping perspective, and considered to be financially viable, are not necessarily prescriptive.

This analysis of Council site ownership, steps to delivery and estimated timescales allows the identification of key sites, interventions which could catalyse the delivery of the masterplan.

SHORT TERM OPPORTUNITIES

In the short term, plot V1 could be delivered in relatively short order with a suitable car parking strategy to confirm that the loss of spaces at the site is sustainable within the context of the wider town centre and planned modal shift, and the requisite Council resolution to release the site. This would provide new public green space in the town centre and would re-engage residents with the riverfront in a more central location than presently. As the site is in Council ownership, the Council could also have a role in dictating exemplary design standards in the procurement of a developer, which would set a precedent for the broader plan. The same can also be said of sites K and Z, where Council resolution is also required and where there is an opportunity to dictate standards. These are some of the 'early wins' which can set the standard for the remainder of proposals.

LONGER TERM OPPORTUNITIES

In the longer term, the Council can play a key facilitating role at Sites T, U, Q, A, B and AJ. Here the Council has freehold ownership, but there is a requirement to manage existing occupation through dialogue and asset management. There is also the potential for the Council to facilitate delivery where it has no land ownership through acquisition of properties should they become available, or the use of compulsory purchase powers,

though the intention would remain to acquire existing interests by agreement or to promote sites in partnership with landowners. Promoting a compulsory purchase order (CPO) would be a fall-back option for large sites where comprehensive redevelopment is proposed across a number of existing property interests.

Further, where the Council has no ownership interest, it can generally facilitate discussion between landowners and other stakeholders, across any of the masterplan sites. The Council is in contact not only with individual landowners but also landowner groups, and resident and community interest groups. All these, in addition to the public in general, are stakeholders in the masterplan and the Council can have a role in promoting discussion between them. This will ensure that development is of a form that is welcomed by as many people as possible, and that unnecessary delays due to opposition or a lack of communication and information are minimised. This includes the reduction of planning risk for developers as clarity on the aspiration for sites can be provided at an early stage. In this way the Council can also promote its vision for the town centre to those who will most directly shape it. This will be particularly important for the proposals in the Walnut Tree Close area, and where there are existing pre-application discussions already taking place, and at site L, where the Council has no ownership but there is a need to coordinate the interests of a number of public sector parties and to secure the pedestrian link over the station.

The Council is also itself one of the occupiers affected by the masterplan proposals. The Council, in conjunction with other public sector partners in the town centre, will therefore review its own occupational requirements over the life of the masterplan in order to expedite delivery. This may include the potential to co-locate with other public sector occupiers within the new development, or could enable potential surplus space to be let to create new revenue as well as allowing flexibility in its own occupational requirements. In particular, there is the potential for the creation of a new 'civic hub' at sites Q and T to include the Council. Such a move would release Site Y for development, but could also catalyse Site Q for example, by utilising the Council's strong public sector covenant to de-risk development through pre-letting, improving viability.

A significant component of the masterplan is the provision of infrastructure – principally the creation of the new riverside park and the highway alterations. To deliver the infrastructure, the Council will need to consider a cocktail of funding including: the use of CIL, pooled Section 106 contributions (noting the new legislative limit that exists), and bids to M3 Local

Enterprise Partnership which has been devolved the budget for major highway work and awarded a second tranche of Local Growth Fund and a Public Works Loan Board funding facility. Were the Council to participate in development through joint venture, proceeds from this participation could also potentially be recycled.

Scheme direct infrastructure would be addressed as part of individual planning applications with individual landowners or developers incrementally delivering infrastructure related to the scheme being promoted.

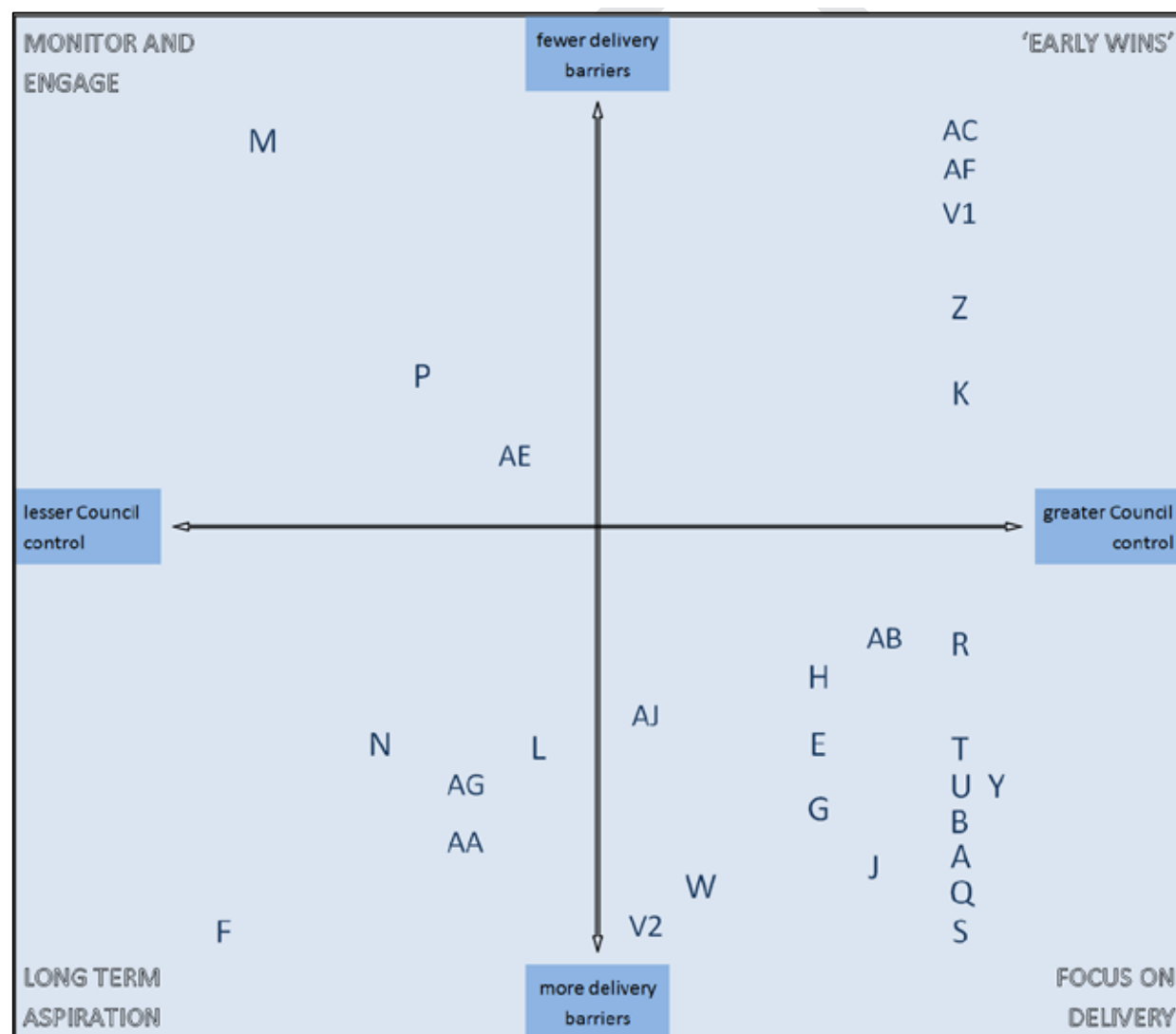
The parkland in particular will require a strategy for on-going maintenance. In many cases, open space may be directly managed by owners of adjacent development land, or the arrangements set up by them, as an integral part of that development. This may be the case at Sites B, Q, T and V, for example. In other cases, where open space is less clearly attributable to adjacent development, management may need to be undertaken by the Council through adoption, or it could explore Trust options like a Community Land Trust. This could be afforded a dowry from CIL or S106 payments to cover set up costs and maintenance for a number of years, or could receive ground rental income from benefiting development, where identifiable. The precise arrangements will vary by site and will be developed as part of more detailed feasibility work and stakeholder discussion.

SUMMARY OF SITE DELIVERY ANALYSIS

The delivery matrix diagram, which is set out below provides a visual illustration of the preceding analysis.

Sites are shown within a matrix according to the degree of Council control over promotion, and the extent of barriers to delivery, or the number and complexity of the steps to delivery identified above.

Sites identified as 'early wins' are those with relatively few barriers to delivery from a commercial perspective, and where the Council has a high degree of control. These should form the immediate priority for the Council in order to kick-start delivery of the masterplan. Other sites where there are more barriers to delivery but there remains a high degree of Council control or an important role for the Council, should form the focus for delivery in the medium term. Key amongst these are the Bedford Wharf sites of T, U, Q and S, delivery of which will require concerted efforts of engagement, consultation and feasibility work, but would also prove the most transformative for the town centre if secured.



Delivery matrix

POTENTIAL DELIVERY STRUCTURES

There are a number of potential mechanisms for the delivery of the schemes envisaged in the masterplan. Sites may be delivered by individual developers, or by groups of developers and landowners in partnership. Where sites have been shown to be potentially viable where developed with adjacent landowners, then these would lend themselves to being delivered potentially through joint venture to facilitate equalisation across the relevant sites.

Where comprehensive development is necessary then a developer partner could take a coordinating role to assemble and promote sites. This could include coordinating a CPO process and negotiations in partnership with the Council as acquiring authority, if necessary, and/or coordinating and monitoring the design of proposals with reference to an agreed design code. Where the Council has ownership it should consider facilitating delivery through discussion with its leaseholders. A number of the sites are currently surface car parks. As these are a source of revenue income for the Council, it will need to consider how replacement revenue can be created as part of the redevelopment. As part of a town centre car park strategy, it will also need to explore the extent to which car park usage would relocate to other car parks, thereby protecting the current revenue stream.

Broadly, where the Council has freehold ownership of a site, its delivery options are a straight disposal of a site with an accompanying planning allocation or development brief either through:

- Informal tender or more likely a development agreement with a private developer; or
- Where it is minded to participate in delivery, then the creation of a joint venture, or possibly direct self-delivery.

Each of these options results in sequentially increasing risk, but also potential reward.

NEXT STEPS

Following publication, community consultation will be important as well as detailed discussions with affected landowners and occupiers. This will be essential to facilitate discussion between landowners and developers and to assist in securing vacant possession of sites. It will also help to informally steer proposals towards conformity with the overall strategic vision for the town centre.

The Council should also begin to seek the necessary resolutions required to achieve development on sites where it has freehold ownership, including commitments to dispose of sites and to the permanent or temporary loss of revenue, and to align the interests of the masterplan with asset management, investment and accounting activities, particularly in the case of the 'early win' sites. The Council should also begin to identify alternative locations for existing businesses likely to be displaced by the masterplan proposals, albeit that the majority of these sites are intended to be medium to long term propositions. There are also site-specific feasibility studies required in some cases, including in relation to flooding at Bedford Wharf and car parking capacity for a number of the Council sites.

The Council may wish to consider internal structural reorganisation or assignment of responsibility for delivery of the masterplan proposals. Whilst the Council will continue to shape development through plan-making, policy formation, development control and stakeholder engagement as it does currently, the creation of a dedicated team within the Council focussed on delivery could do much to accelerate the realisation of the masterplan vision. The formation of a group of individuals in the Council from across planning, regeneration, property and technical departments could help ensure a joined-up approach to delivery, and coordinated engagement with local interest groups and the private sector.

The Council should begin to consider what its appetite

is for participation in the development envisaged by this masterplan. There is a range of options potentially open to the Council depending on its attitude to risk and reward, including direct sale, development agreement and joint venture as identified above. The Council may also itself directly develop for retention, perhaps of affordable housing units. The various options have implications for financial and human resources, as well as potentially for the form of development itself. Further detailed work should be undertaken to establish the scale of potential returns under different options, and hence the Council's preferred route. Following this, a proposal can be put to market and a development partner sought.

Catch and steer

It is acknowledged that proposals for some town centre sites will evolve in advance of the adoption of the masterplan or the Local Plan. Development interest is welcomed, but the Council will seek to adopt a "catch and steer" strategy to provide constructive feedback and advice to developers. This would help to ensure that proposals contribute to the overarching vision for the town centre, ideally at the pre-application stage.

Potential workstreams

The following workstreams are recommended to progress the masterplan:

- Preparation of site specific development briefs.
- Preparation of town centre specific policies, guidance and allocations drawing on the final masterplan and other evidence base material.
- Consideration of a detailed movement and transport implementation strategy building on the principles identified in this document in relation to the gyratory, phasing of movement interventions, car parking location and feasibility, circulation and servicing and public transport including buses.
- Further consideration of the Council's role and wider mechanisms in the delivery of the masterplan proposals as noted above.

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