

HOUNSLOW LOCAL PLAN EXAMINATION STAGE 1 HEARING SESSIONS IDENTIFIED BY THE INSPECTORS

ON BEHALF OF SEGRO (RESPONDENT 098, 099) – MATTER 6 VIABILITY AND POLICY REQUIREMENTS

Question 1 - Is the Council's viability evidence proportionate and up-to-date having regard to relevant national policy and guidance, and has it taken full account of and influenced the policy requirements of the Plan?

1. We consider SEGRO's concerns regarding the Plan's current approach to affordable workspace at Policy ED1 are proposed to be considered under Matter 4 Question 12, although they are repeated here should it be relevant to the Inspector's Question 1 (above).
2. The relevant requirements of policies can be summarised as follows.

Table 1: Requirements of Policy

Source	Requirement
NPPF	In order to be sound, policies should be justified, effective and consistent with national policy .
	Policy should help create the conditions in which businesses can invest, expand and adapt (paragraph 85).
PPG	Requires viability to be assessed at the plan-making stage to ensure that policies are realistic and the cumulative impact of proposed policies does not undermine the deliverability of the plan. The aim is to minimise the need for viability at application stage.
London Plan	Detailed policies should be supported by local evidence of need and viability .

3. As it stands, Policy ED1 is not supported by proportionate evidence of need or viability. Without clear justification for the scale and locations proposed, it is not shown to be justified, effective, or deliverable. As such, it has not been demonstrated to be consistent with national policy or in general conformity with the London Plan.
4. It is important to note that the emerging position on the new London Plan seeks to exclude B2/B8 from affordable workspace requirements altogether. Industrial sites present challenges for providing affordable workspace given their scale and format, including difficulties in subdividing large warehouses and external spaces. Furthermore,

industrial / logistics schemes on brownfield sites contribute significantly to job creation, training opportunities, and economic growth, outweighing the feasibility of providing affordable workspace.

Viability - Proportionate Testing

- The Local Plan Viability Assessment (LPVA) (EBV1) tests the affordable workspace requirement on a number of specific site allocations that incorporate office / warehouse / industrial floorspace. No typologies are tested. Only two schemes are entirely industrial; the remainder are mixed use, with residential floorspace accounting for 53-96% of the total GIA.
- Table 6.3.3 of the LPVA presents viability results based on the assumption that existing land is secondary industrial (the lowest-value non-vacant land). 7 of the 12 schemes are unviable before any affordable workspace provision is applied, including both entirely industrial sites. The LPVA assumes £6.7m/ha for secondary industrial land which are significantly lower than a realistic level for current estates. Based on land at c.£15m/ha, meaning viability is even more challenging than indicated which aligns with their experience that viability of industrial development is becoming increasingly challenging.

Figure 1 : LPVA Extract (Table 6.3.3)

All appraisals assume 35% AH (where relevant)

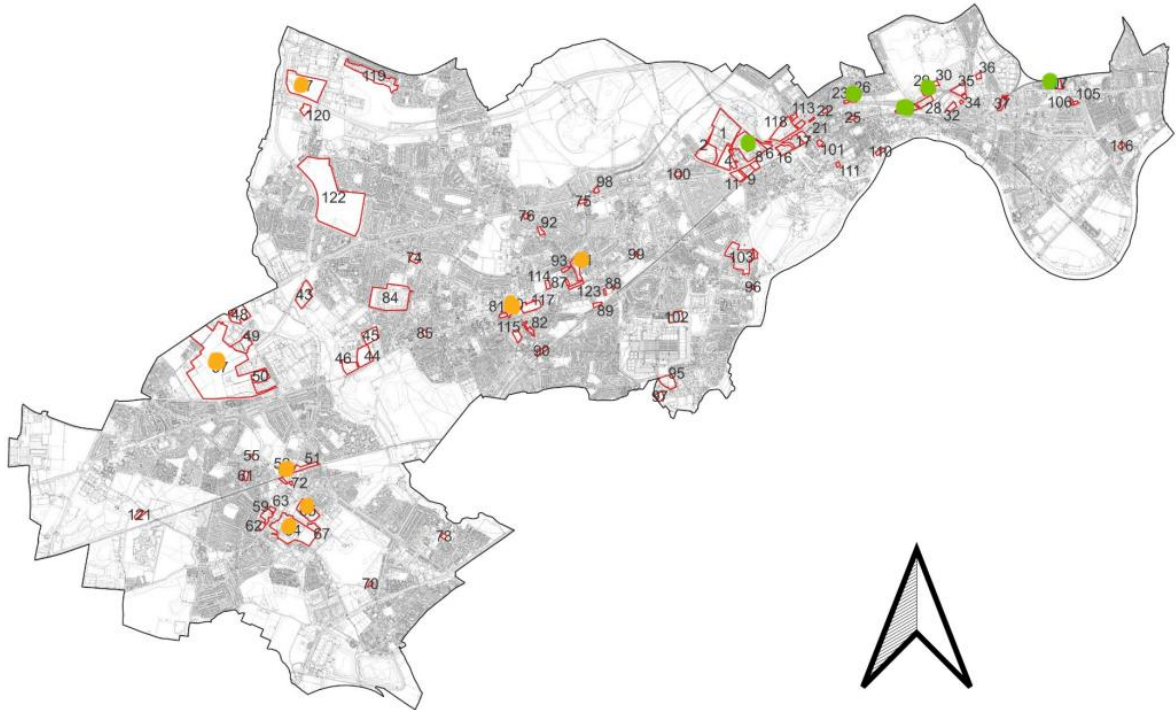
£6,710,000										
LP Ref	Site	Industrial and logistics (sqm GIA)	Office floorspace (sqm GIA)	Other non-res floorspace (sqm GIA)	No residential of units	Site area ha	BLV	Starting residual (no discount)	10% FS, 45% discount	10% dis
37	West Cross Industrial Estate	55,070	-	1,810	1,800	9.30	£62,403,000	£68,167,968	£64,358,432	£63
38	Phoenix Business Park	17,480	-	-	260	1.60	£10,736,000	£21,970,879	£20,411,026	£20
39	Kew Bridge District Centre	6,550	6,550	-	750	1.89	£12,681,900	£15,390,465	£13,912,027	£13
40	EMC Tower	-	13,230	-	420	1.50	£10,065,000	£14,283,138	£12,307,905	£12
41	Lidl Feltham	-	-	2,450	220	0.70	£4,697,000	£7,370,382	£7,692,411	£7
42	Land at Hatton Fields	63,450	-	-	-	56.40	£378,444,000	£51,064,593	£45,873,632	£45
43	MOD Feltham	-	4,340	-	1,370	14.10	£94,611,000	£20,681,876	£20,145,064	£20
44	Leisure West	-	480	15,060	310	4.50	£30,195,000	£18,563	£228,000	
45	Land south of West International	34,760	-	-	-	14.40	£96,624,000	£28,370,526	£25,096,481	£24
46	34 Staines Road	-	-	1,240	120	0.50	£3,355,000	£2,522,298	£2,367,705	£2
47	Hounslow Bus Garage	-	1,610	12,310	830	1.10	£7,381,000	£24,443,591	£24,688,351	£24
48	Sainsburys Chiswick	-	-	5,300	300	1.80	£12,078,000	£16,598,488	£15,923,078	£15

- It is also important to note that the LPVA likely underestimates the full commercial liability of the affordable workspace, primarily because there is no resultant discount to the investment yield. In reality the yield should be adjusted to reflect the increased risk associated with letting the affordable workspace. The viability impact is therefore understated by BNPP.

8. BNPP acknowledge that “some” sites are unviable but contend that this is not relevant to testing policies, stating that the purpose is to compare the ‘discount’ and ‘no discount’ scenarios¹. Firstly, given that viability is clearly already challenging for the **majority** of commercial schemes – not just a small number of outliers – this cannot just be disregarded.
9. Secondly, the RLV reductions average at 7% across the tested sites, ranging up to 14% (and likely to be understated). BNPP conclude this is insignificant and “unlikely to prevent schemes from coming forward, when considered in isolation from other policy requirements, all other factors being equal” (emphasis added). PPG makes clear that viability at plan making stage should be used to ensure **that the total cumulative cost of all relevant policies will not undermine deliverability** of the plan (002 Reference ID: 10-002-20190509). The LPVA has not tested the cumulative impact of policy burdens.
10. As noted within the 2017 GLA Affordable Housing & Viability SPG (paragraph 3.46), a premium above Existing Use Value is required to incentivise the release of sites for redevelopment. The guidance sets this premium at 10-30%. Where schemes are viable, a 7% RLV reduction plus the cumulative total of other policies would entirely eliminate the premium (i.e. incentive to release land) at the lower end of the range. Where schemes are already unviable – as most are – there is no such ‘headroom’ and the introduction of policy is highly likely to result in a direct reduction in delivery.
11. Furthermore, (as raised in SEGRO’s previous representations) there is a clear demarcation in viability between schemes in the Great West Corridor (GWC) and the rest of the Borough (see Figure 3.1 which depicts the viability of tested sites). There is an absence of justification and proportionate viability evidence for the affordable workspace requirements on all commercial and employment developments within the Borough as a whole.

Figure 2: Tested Scheme Viability

¹ More generally, viability testing must consider RLV against BLV, not simply RLV versus RLV, in order to establish the ‘headroom’ available for cumulative policy burdens. Although in this case, many schemes have no such ‘headroom’ at all.



Need

12. London Plan Policy E3(C) requires Boroughs to consider evidence of both local need and viability. It also highlights affordable workspace should be focused in areas with established creative clusters, such as Creative Enterprise Zones (CEZ).
13. The Council's own evidence identifies the GWC CEZ as the area where creative industries already concentrate and there is a need for affordable workspace. The evidence available does not demonstrate a defined need in the west of the Borough.

PIL Calculation

14. The proposed PIL calculation reflects 15-years of rent discount (i.e. a series of future financial obligations). Standard valuation practice requires multi-year amounts to be converted into present-day terms using an appropriate discount rate to reflect the time value of money and the risks inherent over that period. The calculation must allow for a

discount rate: without this, the calculation overstates the financial value of the obligation.

Conclusion and Recommendation in relation to Question 12

15. A blanket policy that applies uniform floorspace and discount requirements across all relevant commercial development is **not justified, effective, or compliant with national policy**. Policy ED1 presents a serious risk in undermining the deliverability of the plan and **should be revised to apply to the Great Western Corridor only**.

Table 2: Assessment of Policy

Source	Requirement	Satisfied?
NPPF	In order to be sound, policies should be justified, effective and consistent with national policy .	X
	Policy should help create the conditions in which businesses can invest, expand and adapt (paragraph 85).	X
PPG	Requires viability to be assessed at the plan-making stage to ensure that policies are realistic and the cumulative impact of proposed policies does not undermine the deliverability of the plan. The aim is to minimise the need for viability at application stage.	X
London Plan	Detailed policies should be supported by local evidence of need and viability .	X