

Report

Subject : Review of Phase 2 Housing Allocations :
Assessment of Marketing of Station Works Site Tisbury

Report to : The Cabinet

Date : Wednesday 28 February, 2007

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Cabinet Member for Planning & Economic Development : Cllr Mrs Brown

Prelude

An exempt report has also been provided to members of Cabinet for consideration which sets out commercially sensitive information about site valuations and offers for site purchase. Legal advice has indicated that, if openly published, this information may prejudice a fair sale of the Station Works site at a date in the future.

1.0 Purpose of Report:

- 1.1 At their meeting on 7th June, 2006, Cabinet resolved to delay decision making about the release of the allocated site at Hindon Lane, Tisbury to assess the outcome of a marketing exercise at the Station Works site. The marketing exercise, which was undertaken between 1st August 2006 and 31st January 2007, aimed to assess whether there was a market for an alternative employment use at the Station Works – a matter that had been unresolved in two prior planning applications for redevelopment of the site. This matter was seen as critical in making a choice between the release of the allocation previously made at Hindon Lane, or, as an alternative, to release the Station Works if no market existed for its ongoing employment use.

2.0 Background

- 2.1 During the process of preparing the current Local Plan, the council (in line with Planning Policy Guidance (PPG3: Housing)) was required to divide the development period 2001-2011 into two phases. This 'phasing' of the plan period would enable the council to assess whether the supply of housing land was adequate to deliver the district housing requirement of 5,500. As a result, the release of three greenfield housing allocations at Downton, Tisbury and Wilton were delayed until 1st April 2006. The purpose of this delayed release was to allow the council to assess whether these sites were still needed at that time to meet the district housing requirement.
- 2.2 In light of the information set out in the review paper presented to members on 7th June 2006, Cabinet were left in no doubt that the supply of housing from the sites was needed and decided to release the sites at Downton and Wilton.



Awarded in:
Housing Services
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- 2.3 In respect of Tisbury, a potential brownfield alternative to the site allocated in the Local Plan at Hindon Lane was promoted - the Station Works site. In light of this, members delayed making any decision making about the release of the Hindon Lane site for 6 months until a full marketing exercise was undertaken to determine whether there were tenants or buyers interested in taking the Station Works site on for employment uses.

3.0 The Station Works site

- 3.1 The Station Works site lies on the south eastern side of Tisbury, detached from the main built up area of the village by the River Nadder and the Exeter-Waterloo railway line. A plan of the site is attached at appendix A. The site extends to an area of 3.8 hectares, although around a third of this is made up from structural landscaping, reducing the usable area to 2.4ha. A collection of wide span industrial buildings occupy the site which have been developed over the past 40 years to meet the needs of PJ Parmiter & Sons - an agricultural machinery manufacturer. The buildings presently extend to around 120,000 sq ft (including nearly 6,000 sq ft of office space) and are in varying states of repair.
- 3.2 In 2001, in light of falling demand for its products, the Parmiter company cut back production and sold the site to a holding company of St Modwen Properties plc with a lease back arrangement which continued until 2004 when the company moved to alternative premises. Since that time, the new site owners have let around half the space to Universal Body Services (UBS) who undertake repairs and refits of commercial vehicles and employ between 40 and 60 people. An existing lease arrangement with Wiltshire County Council for part of the office building has also been maintained.
- 3.3 During this period, St Modwen Properties plc pursued two separate planning applications for a mixed use redevelopment of the Station Works, including around 60 houses and 0.4ha of redeveloped employment space. Both were refused by Western Area Committee. The principal reason in both cases was the lack of evidence provided (through effective and transparent marketing) regarding the supposed unviability of the site for ongoing employment use.

4.0 The Marketing Exercise

Overview

- 4.1 The basis for the marketing exercise has been drawn from policy E16 of the Local Plan, which seeks to safeguard employment creation opportunities. This is supported by the general objectives of the plan, as expressed in policy G1, which seek to achieve a balance of land uses (i.e. providing housing jobs and local services together), in order to reduce the need to travel. National and emerging regional guidance also support the need for employment sites to be assessed to determine their ongoing contribution to the local economy.
- 4.2 The key test in policy E16 is the ongoing viability of the employment site. Proving viability has always been difficult for the council to assess. In general, owners of sites tend to play down the ongoing suitability of their asset because of the financial gains to be had from the grant of planning permission for higher value end uses. Under policy, the onus is on the applicant to demonstrate that employment uses are no longer viable and applicants are generally advised to undertake an effective and transparent marketing exercise to identify whether there are alternative buyers or tenants who are willing to take the site on for employment uses at a reasonable price and under reasonable terms and conditions. This approach is proactive in that it acts to identify investors/businesses interested in the site. If, at the conclusion of the exercise, there are no buyers or tenants within the market, the council can be satisfied that the release for other uses is appropriate.
- 4.3 Following the resolution of Cabinet in June 2006, agents for the site met with officers to agree a marketing strategy. In order to assist in this, the council commissioned an independent commercial property agent from the Salisbury branch of Myddelton and Major to inform discussions around this matter and ascertain appropriate terms for lease or sale of the site. The scope of the marketing exercise is set out at appendix B.

Limitations

- 4.4 Whilst the scope of the marketing was agreed with officers taking independent advice, one of the key issues which encumbered the exercise was the unwillingness of the owner to offer the site for sale unfettered. Whilst officers accepted that the exercise was not an opportunity for one speculative developer to be replaced by another, the imposition of a 20 year uplift clause (which would see 90% of any future non-employment redevelopment value conveyed to the current owner) has acted as a negative influence on the marketing. Furthermore, with regard to letting, the inability of the site owner to offer any guarantees to potential tenants about the security of their lease, should redevelopment take

place, has inevitably led to uncertainty amongst interested tenants, in turn denting confidence for business investment.

- 4.5 A further issue to be established was the value of the site. During the first 6 weeks of marketing, the freehold sale was advertised on an “any offers” basis. This approach did not represent a positive means to offer the site as interested parties had no guide price to work from. In September, broad discussion fixed £1.5m as a guide price – not an upper or lower figure – which would at least give interested parties a feel for the site value. However, subsequent to this, no agreement could be reached as regards a reasonable valuation for the site. This matter is considered further in paragraphs 6.2-6.5 below.
- 4.6 Setting these issues aside, the marketing of the site has proceeded as planned, with an appropriate level of advertising and ongoing discussions with the site owners and their agents throughout the six month period, which ran between 1st August 2006 and 31st January 2007.

5.0 Results of the Marketing Exercise

- 5.1 The marketing exercise attracted 253 requests for the site particulars. In terms of interest, around a third of these requests were made by speculative property developers, 18 were actual end users and 9 were commercial property developers. The nature of the remaining 100 or so interested parties is unknown. After receiving the site particulars, about 20 interested parties undertook further discussions with the site agents and 11 pursued the matter further by undertaking site visits.
- 5.2 Subsequently, offers from three parties to purchase the site were made. In terms of letting, there appears to have been no formal approaches.
- 5.3 At the time of writing, it is understood that all offers for the site have been rejected by St Modwen on the basis of price. Nevertheless, it is understood that two of the offers made remain ‘on the table.’

6.0 Appraisal of Marketing Undertaken

Overview

- 6.1 In the first instance, the marketing exercise has uncovered interest in taking the site on in its current form which, in light of the restrictions imposed on the offer for sale, is a positive outcome and would suggest that employment use is viable. However, given the rejection of the offers by the site owners, it is critical that this exercise seeks to understand whether those offers were reasonable.
- 6.2 As indicated in paragraph 4.5, the agreement of a value for the site has not been possible throughout the marketing exercise. St Modwen made it clear from early on in the process that they had a valuation which would be applied. However, it has been conceded by the site owner that the likelihood of the whole complex of buildings being taken on by one occupier is doubtful, given the scale of the buildings in this location, and so the origin of their optimistic valuation had no firm basis.

Independent Advice on Site Valuation

- 6.3 In light of the value placed on the site, the independent advisor commissioned by the council to oversee and advise on the marketing exercise was asked to identify:
 - a) likely types of takers for the property;
 - b) the most optimal configuration of the buildings for ongoing employment use;
 - c) the effect on value of the 20 year uplift clause;
 - d) what has become termed a “reasonable” valuation (or price) of the site based on its existing use, the constraints imposed and the likely demands of the market discussed under a) and b).In light of these matters, it was also requested that the most valuable offer received in respect of the site be commented upon to assist in the preparation of this report.
- 6.4 The findings of this piece of work were that:
 - a) Interest in the site would be most likely to come from either
 - i) a developer – someone taking the site on and dividing the premises into more appropriately sized units for the local market.
 - ii) An owner occupier/developer – someone wishing to develop or relocate a business on part of the site whilst retaining existing tenants and undertaking subdivision of remaining floorspace for the local market.

- b) That given a single occupier for the site is unlikely to be forthcoming, around 35,000 sqft of the existing space would need to be demolished to enable effective subdivision of the units to take place (i.e. the creation of units with appropriate access and external service areas). Furthermore the subdivision of units and the need to provide basic services to each unit (i.e. WCs, power, water) would impose costs which are not taken on board in the valuation outlined by the site owner.
 - c) That the imposition of the 20 year uplift clause would act to depress the site value by at least 5% and up to 10%.
 - d) That, taking into account the investment needed to reconfigure the existing buildings and the impact of the 20 year uplift clause, a “reasonable” value for the site, based on its existing use and layout could be established.
- 6.5 The final matter upon which the independent advisor was asked to comment was the suitability of the most valuable offer for the site in light of the “reasonable” valuation therefore justifying a conclusion that employment use remains viable. Comment on this matter indicates that the offer made is well within the valuation range. Furthermore, given the independent valuation of the site, an offer by a second party is also considered reasonable.

Nature of the uses proposed on the site by potential buyers.

- 6.6 Whilst offers made can be seen to be “reasonable” based on the appraisal undertaken above, it is also important that the offers made are considered in terms of their suitability in this location. Clearly, any offer for uses that would be unacceptable in planning terms can be rejected.
- 6.7 The most valuable offer involves the relocation of a business from existing premises in West Sussex. The company, which would occupy around a third of the available floorspace, is understood to import watersports clothing and goods from overseas and distribute them, based on orders received from along the south coast and down into the south west peninsula. In terms of traffic movements, it is understood that one container of goods is received on site on a monthly basis, with distribution being undertaken via one or two courier van pick ups per day. The business typically employs between 15 and 20 people. An additional 10 staff are also taken on to meet seasonal peaks. Of the core staff, around half are expected to move, which would suggest that 10 full and 10 part time jobs would be created locally. In terms of operating hours, there is no intention to work outside normal working hours.
- 6.8 In addition to the relocation of the existing business, it is proposed that the current UBS and WCC tenants would be retained on site and that the income stream would be used to subdivide the remaining floorspace for business units suitable to the local market.
- 6.9 The credibility of the company offer has also been tested by the commissioned independent advisor through a company and credit check, which indicates the company is sound and has the assets in place to undertake the transaction.
- 6.10 The other offer made for the site involves investment for employment use, again retaining the existing tenancies and sub-dividing the remaining space for business units to let in the local market. The credibility of business behind this offer has also been confirmed.
- 6.11 The third offer received has not been investigated further, on the basis that the offer is well below the “reasonable” value established.

Strategic Context

- 6.12 Aside from the marketing of the site, it is also reasonable that this appraisal also looks beyond the basic demand for the site to examine briefly the underlying situation with regard to employment land in this part of the district.
- 6.13 Tisbury, for the purposes of service delivery and in the context of the Local Plan, is a local centre within the district acting as a focal point for the surrounding parishes. It was ultimately on this basis that the allocation at Hindon Lane was made, to provide a modest level of housing growth and employment development, commensurate with the function of the settlement. PPS7 continues to promote the concentration of employment and service provision in local centres as a means to support the economic robustness of local rural economies
- 6.14 In terms of employment land supply, the Tisbury community area has around 43 hectares of employment land, although 34.9ha of this consists of specialist underground storage near Fovant at

Dinton Woods, making use of a former MOD munitions store. The remaining 8.1 hectares of general employment land is spread throughout the area, with concentrations at Berwick St Leonard, Chilmark and Fonthill Bishop. Tisbury itself provides 3.8ha of this total on 3 sites:

- Station Works – 2.4ha
- Place Farm – 1.10ha - a recently converted farm complex offering office and small workshop accommodation, which has been fully occupied since becoming available.
- Station Yard – 0.31ha – a small area on the northern side of the railway line (adj. Station car park) which is occupied by a number of small business premises. A recently granted consent for an office development use exists, however officers involved with that case remained concerned that the applicant will not be able to meet an access related condition as it will require Network Rail to give up a number of already scarce station car parking spaces. (*By means of comment, in an ideal world, a deal involving the relocation of this proposal on to the Station Works site and the giving over of the existing site for station car parking would be beneficial.*)

- 6.15 In terms of market demand, the recent experience at Place Farm (described above) and Chaldicotts Farm at nearby Semley, indicate that there is demand for employment space locally and that floorspace of a more modest value – which could be offered through unit subdivision at the Station Works – would be in demand.
- 6.16 In essence, the Station Works site represents around 30% of the employment land available in the local area and over half of the supply in Tisbury itself. For this reason, members must carefully consider the implications of the loss of the site in light of policies expressed at national, regional and local level. Additionally, and far more relevantly at the local level, members must bear in mind the opportunities the site provides in terms of promoting greater self containment of activities within the area, in turn reducing the need to travel.

7.0 Conclusions:

- 7.1 National, regional and local planning policies do encourage the reuse of previously developed land. However, judgements about the release of such sites must be based on an understanding of the ongoing potential of sites, particularly those in employment use.
- PPS3, published in November 2006 states in paragraph 41 “*When identifying previously-developed land for housing development, Local Planning Authorities and Regional Planning Bodies will, in particular, need to consider sustainability issues as some sites will not necessarily be suitable for housing.*”
 - The emerging RSS states in para 3.7.9 that “*Local Authorities should consider the potential of previously developed land in terms of the best future use and appropriateness in relation to the development needs of individual settlements. This may not necessarily imply residential use in all cases, particularly in places where land for economic uses is in relatively short supply*”
 - The adopted Wiltshire Structure Plan states in paragraph 4.24 “*At all settlements the redevelopment of previously developed land for housing should not take place at the expense of the supply or range and choice of employment sites locally...*”.

In rural areas where the supply of employment land is relatively scarce, as is the case in this situation, it is essential that effective understanding of the role and function of the settlement informs decision making about the release of sites.

- 7.2 Strategically, Tisbury is a local centre within the context of the district and the Station Works site accounts for over half of the general employment land in Tisbury and a third of the supply in the community area. Loss of this resource in this location undermines the ability of the settlement to provide a balance of land uses and functions which are commensurate with the spatial role it performs.
- 7.3 In terms of testing the market for ongoing employment use at the Station Works, the exercise undertaken over the past 6 months has uncovered two “reasonable” offers for the purchase of the site despite the limitations imposed on the terms of sale (as discussed in paragraphs 4.4 and 4.5 above). This indicates that an employment use continues to be viable.
- 7.4 Given that the offers made for the site have been rejected by the site owners on the basis of price, officers have had to examine whether those decisions over price are consistent with the existing use value of the site. On this point, independent advice establishes a “reasonable” valuation which takes into account a more realistic appraisal of how the site should be used as an employment use in coming years. The valuation of the site by St Modwen’s agent is based upon the premise that the full extent of the floorspace in its current form would be taken by a single buyer which is entirely unrealistic.

- 7.5 Both valid offers received seek to adapt a considerable proportion of the existing premises to provide smaller business units to let, which are recognised to be in demand within the local market. The existing tenancies on the site are to be maintained under both proposals and, in the case of the most valuable offer, the relocation of an established business is proposed. In essence, both offers provide positive opportunities for employment generation, the diversification of the economic base of Tisbury and can offer a follow on resource for emerging businesses in the surrounding rural hinterland.

8.0 Implications:

- 8.1 This section seeks to outline the implications of the decisions members may choose to take in considering this matter. The commentary is informed by advice from Legal and Property Services

- a) **Acceptance of the recommendation** – this decision would see the early submission of an outline planning application for the Hindon Lane site as framed by the Development Brief adopted in December 2006. Depending upon the details of the application and subsequent reserved matters approval, development on the site could commence as early as Spring 2008.

At the Station Works, there would be a choice for the site owner to make between

- i) disposing of the site, or
 - ii) investing in the site to make it more attractive to the local market, or
 - iii) submitting a new planning application in respect of the site. However, any application would still need to overcome the principal issue of the loss of employment land which has been at the heart of this report.
 - iv) promoting the site through the LDF process. Given the strategic importance of the site in providing employment land locally and the demand implied from this exercise, its promotion would not be straightforward. Should this fail, the alternatives would revert to i) and ii) above.
- b) **Rejection of the recommendation** – this decision, which would give ‘in principal’ support to the submission of a Planning Application for the redevelopment of the Station Works site, could be legally challenged by CG Fry and Sons, unless members can identify defensible reasons in reaching their decision. Alongside this, it is likely that CG Fry & Sons would submit a planning application in respect of Hindon Lane, which, subject to the decision of Western Area Committee (and potentially Planning and Regulatory Committee) would probably end up at appeal if refused. In light of the housing shortfall identified in the previous Phase 2 allocations report of June 2006, it would be difficult to defend the site on oversupply grounds.

In relation to the Station Works, Cabinet are advised to set out a requirement for a formal development brief to be prepared which will set out key planning obligations which should be sought from any redevelopment of the site. This approach would ensure that there is control and local input into the design of the scheme.

A further point of significance is the precedent the decision would set in the application of policy E16 for development control purposes. Marketing exercises are generally required in relation to a number of Local Plan policies (eg policy PS3 (*protection of rural services*) and H29 (*agricultural occupancy conditions*)). Establishing the perception that the rejection of reasonable offers for unproven sites is acceptable will undermine the effectiveness of policy application as well as to edge genuine end users out of the market for sites, particularly in rural areas where the supply of sites is already eroded.

9.0 Recommendations: that

- a) Note the full content of this report.
- b) Confirm the release of the allocated site identified within the second phase of the adopted Salisbury District Local Plan at Hindon Lane, Tisbury for development to meet the district housing requirement.

10.0 Background Papers:

Draft Regional Spatial Strategy for the South West 2006-2026 (2006)

Wiltshire Structure Plan (2006)

PPS3 – Housing (2006)

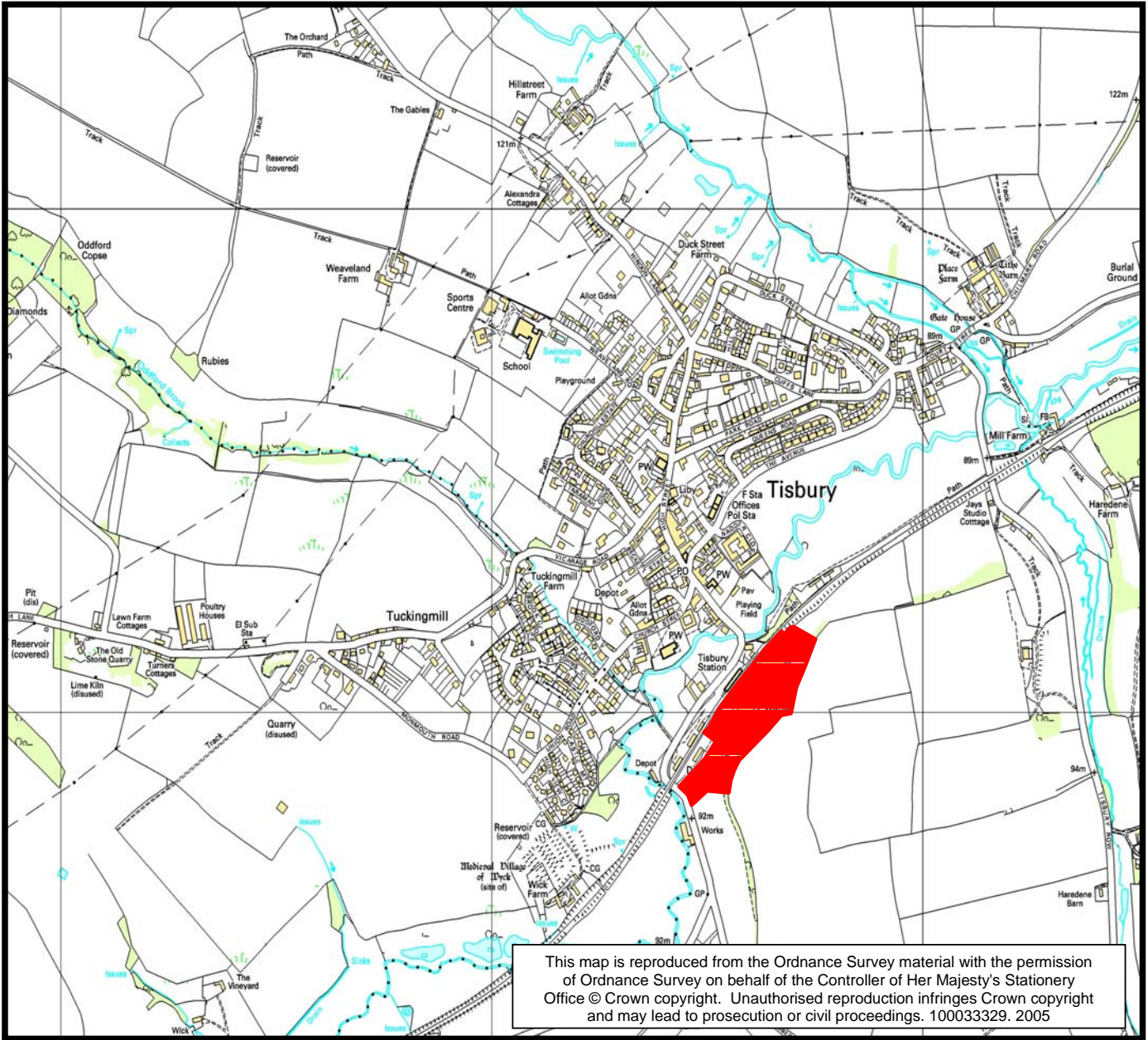
PPS7 - Sustainable Development in Rural Areas (2006)

Salisbury District Local Plan (2003)

10.0 Implications:

Financial	: None
Legal	: As set out in the report
Human Rights	: No implications provided there are sound planning reasons for the decision..
Personnel	: None
Community Safety	: None
Environmental	: None at this stage
Council's Core Values	: Excellent Service, Thriving Local Economy, Fairness and equal opportunity for Working together to develop a better, more sustainable district,
Wards Affected	: Tisbury.

Location Plan of the Station Works site



Scope of the Station Works Marketing Exercise

As outlined in final confirmation letter to Humberts dated 15/8/06

- A six month marketing period - 1st August 2006 to 31st January 2007
- The offer of the site for freehold sale
 - A 20 year uplift clause would be applied whereby 90% of increased value would be clawed back by St Modwen in the event of non-employment redevelopment taking place.
 - Establishment of a fair price – to be agreed by the end of September at latest in light of meetings/correspondence between Humberts, SDC and advisors to the council. In the interim, the site would be advertised on an “any offers” basis.
- The offer of the site for letting.
 - Typically units of 6,000 sq ft minimum would be offered, although units of 4,000 sq ft would be made available if there was demand from 5 or more separate occupiers/ businesses seeking units of this size.
 - Setting of rent at £2.75/sq ft with a discounted rate where demand relates to a substantial area of the floorspace available
- Particulars
 - Documentation available should set out the details of the premises in line with the terms set out above for purchase or for letting.
 - Inclusion of a site plan indicating the subdivision of the site and buildings as well details relating to access, available servicing and external space.
- Advertising
 - Commercial Press - quarter page adverts in the Estates Gazette at 2 monthly intervals
 - Local Press – quarter page adverts on a monthly basis in the Salisbury Journal, Blackmore Vale Magazine and Western Gazette.
 - Regional Press – bi-monthly quarter page adverts in the Daily Echo (Southampton), Western Daily Press (Bristol), Bournemouth Echo
 - Internet - Entries on the Humberts, EG Property Link and WCC Relocation website.
- Contact
 - Notification and/or issue of particulars to previously interested individuals.
 - Issue of particulars to all new interested parties.
- Marketing Boards
 - 2 marketing boards on site – one on side of building visible from Tisbury station platform, one on the entrance to the site
 - marketing board at the junction of the A30 and the route to Tisbury via Ansty
 - marketing board on the B3089 at either the Teffont or Fonthill Arch junctions to Tisbury.
- Recording and Evaluation
 - Retention of relevant press pages on which advertisements were placed or confirmation of orders to place advertisements
 - Full recording – i.e. with contact details – of interested parties and the nature of their interest and a brief summary of proactive measures undertaken to encourage take-up
 - Printout of website “hits” with details as appropriate
 - Bi-monthly output of recorded information to SDC for interim appraisal by independent consultant and a full summary by the end of the first working week in February.
- General
 - Approval of particulars by SDC Economic Development Manager prior to release on 1st August.
 - Overall, a positive and proactive follow up of interested occupants as was the indicated intention by St Modwen
 - A commitment to openness and adaptability (in light of monitoring) throughout the process to ensure that all sources of interest are tapped into.