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**BRIEFING NOTE**

**SEFTON LOCAL PLAN**

**POLICY MN5 LAND SOUTH OF FORMBY INDUSTRIAL ESTATE**

**COMMENTS RELATING TO SUBMISSION BY DPP AND COLLIERS INTERNATIONAL**

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**February | 2016**

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### 1.0 INTRODUCTION

- 1.1 As a result of discussions that took place at the Local Plan Examination Hearings DPP and Colliers International have prepared a submission relating to the viability of the above site and in particular the minimum level of enabling development, in the form of retail, that they consider is required to support new sports facilities and employment uses in the site.
- 1.2 We have previously prepared viability assessments in relation to this site both in the original Local Plan Economic Viability Study (LPEVS) and a subsequent briefing note (EX23) which reflected the updated policy for the site.

### 2.0 BACKGROUND

- 2.1 In preparing the viability assessment that was contained in the LPEVS the form of development tested was informed by the viability assessment previously undertaken by consultants on behalf of the site promoter. Our assessment assumed a form of development broadly in accordance with the promoter's viability assessment including the provision of 11,802 sq.m (127,000 sq.ft) of enabling development in the form of retail.
- 2.2 The results of the viability testing on this basis showed that the development was viable and indeed given the level of surplus there was scope to reduce the level of retail enabling development.
- 2.3 Following the publication of the LPEVS further modifications to the policy occurred in particular to reflect the form of sports facilities that were proposed on the site. Based on this modified policy we prepared an updated financial assessment and Briefing Note that was submitted as EX23. The updated financial appraisal carried forward enabling development in the form of retail provision and assumed the same quantity of retail as in the earlier testing, reflecting the capacity of the balance of the site (2.25ha).
- 2.4 We noted at EX23 that the financial appraisal did not include any grant funding towards the sports facilities that the site promoter might be able to secure. The amount of enabling retail floor space was the maximum amount that we considered could be accommodated based on the size of the balance of the site. We also considered two options in terms of the operation of the football club facility based on a voluntary sector related operation and also a more commercial concern.
- 2.5 The results of our appraisals showed that once a developers profit and payment to the land owner for the site has been taken into account, there was a surplus remaining as follows:-  
  
Community Operator £3,614,843  
  
Commercial Operator £4,397,098
- 2.6 This amount of surplus showed that in each case the development was viable and the extent of enabling retail development could be reduced from the maximum amount of 11,802 sq.m (127,000 sq.ft) that had been assessed.

2.7 The Briefing Note (EX23) was based on the maximum amount of retail floor space that could be accommodated on the balance of the site, which was broadly in accordance with the earlier viability assessment prepared by the site promoter's consultants. We noted that further specific viability testing would be required to allow the extent of enabling development to be refined.

### **3.0 DPP/COLIERS – VIABILITY SUBMISSION**

3.1 DPP and Colliers have now prepared and submitted a Viability Assessment for the site Ref: Formby Viability Submission (EX93) that builds on the work that we have previously undertaken. In particular following the Inspectors question at the Examination Hearings it seeks to identify the actual amount of enabling development that may be required, and what form and use that this may take.

3.2 Within this new assessment information has been provided about the likely availability and amount of grant funding for the sports facilities which previously was not available to us. As a result the assessment includes additional funding of £2m comprising grant and match funding from St Modwen.

3.3 With the benefit of greater detailed knowledge about the actual form and required facilities for the Football Club and associated pitches, DPP and Colliers in the submission have been able to adjust the WYG cost assessment to remove elements of the ancillary facilities that are not required. As a result the construction costs have reduced accordingly.

3.4 St Modwen has clearly undertaken significant market testing to identify likely demand and types of occupier. DPP and Colliers have had the benefit of this information to inform this new viability assessment and have been able to refine some of the appraisal assumptions as a result. In terms of the employment uses the extent of anticipated demand has presumably led Colliers to slightly increase the rent which would be payable for the accommodation from that contained in our assessment.

3.5 In terms of the retail development we adopted a broad approach to value reflecting a potential mix of open and restricted uses. Colliers have now been able to refine this and adjust the values to reflect a specific mix of open and restricted uses. They have also identified a number of direct plot sales to food and drink operators.

3.6 In terms of the sports facilities Colliers have assumed that the new entity will be a viable going concern that is capable of paying a market rent. They have adopted a rent assumed at £25,000 per annum which is capitalised at 8%. It should be noted that at EX23 we had assumed that this level of rent would be appropriate to a more public sector run community facility and that with a more commercially orientated operator it might be possible to achieve a higher rent.

### **4.0 CONCLUSION**

4.1 We have considered the Submission and associated new Viability Assessment that has been prepared by DPP and Colliers on behalf of the site promoter. The assessment reflects new information about the level of grant funding that might be available for the site, format of the sports facilities and also the recent market testing that has been carried out by St Modwen as developer of the site. We have specifically considered the changes that have made to the appraisal based on this new information and are content that the revised appraisal is a reasonable basis on which to assess the viability of the allocation proposals.

- 4.2 As with our previous viability assessments the appraisal submitted by DPP/Colliers generates a surplus sum (residualised price). This is £2,240,594 and based on the methodology in the LPEVS and EX23 is the amount that is left once an appropriate land value has been paid to the landowner for the site and a 15% profit on cost paid to the developer. The surplus indicates that prospects may exist to reduce further the amount of enabling retail development that is required. The value of the football club facility is based on a more public sector run operation. As noted in EX23 if ultimately this was taken on by a commercially orientated operator then it could be possible for a higher value to be realised, improving the viability position.
- 4.3 Having reviewed the Viability Assessment prepared by DPP/Colliers we note their conclusion that enabling development in the form of retail is required to support the development proposals. This retail development would comprise (5,574 sq.m) 60,000 sq.ft with a use restriction and a further 1,858 sq.m (20,000 sq.ft) of open retail use. Based on this amount of enabling development the submission identifies a surplus sum of £2,240,594, which could allow the level of retail development proposed to be reduced further. At this early stage of the development process however any viability assessment undertaken is based on high level assumptions. As the proposals for the site progress and are refined a more detailed viability assessment can be prepared. Ultimately if the viability testing that is undertaken to accompany any future planning application shows that better returns can be made then it is likely that the amount of enabling development can be reduced further from that currently identified.

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**5 FEBRUARY 2016**