

Brentwood Enterprise Park

Community Infrastructure Levy (CIL) Viability Evidence – Statement of Common Ground

1. This Statement of Common Ground (SoCG) establishes areas of agreement between St Modwen Properties and Brentwood Borough Council (BBC) regarding Brentwood Enterprise Park and the CIL Viability Assessment Update and to assist with the examination of the Brentwood Community Infrastructure Levy (CIL). It focusses on the matters which are relevant to the parties and is provided without prejudice to other matters of detail that the parties for the site may wish to make as part of the CIL Examination, which may not have been agreed and/or which do not form part of this SoCG.
2. Brentwood Enterprise Park is allocated in the Brentwood Local Plan 2016-2033 (the Local Plan) as a major employment site. St Modwen submitted a planning application in March 2022 for outline planning permission for M25 to B186 link road (Phase 2) and detailed planning permission for demolition of existing buildings and structures, ground works to enable creation of development plots; highways works including construction of new A127 overbridge, access from B186, site roads and construction of M25 J29 to B186 link road (Phase 1), erection of buildings for Class B8 (storage and distribution) and/or Class B2 (general industrial) use, with ancillary office space (within Class E); landscaping; infrastructure and enabling works including diversion of public rights of way. The application is being considered by Brentwood Borough Council.
3. The Council's *CIL Viability Assessment Update – August 2022* considered Distribution and Logistics uses, concluding that such uses should be subject to CIL at £140/m². Initially the *CIL Viability Assessment Update – August 2022* did not consider the Brentwood Enterprise Park as it was anticipated that it would be approved (and therefore not subject to CIL) before CIL was implemented by the Council. Whilst this is still the hope, this is a complex Strategic Site with substantial infrastructure requirements, it is recognised there may be further delays so the final iteration of the *CIL Viability Assessment Update – August 2022* briefly considered the Brentwood Enterprise Park.
4. This Statement of Common Ground has been prepared by the Council's (HDH Planning) and St Modwen's viability consultants (BNP Paribas) specifically to further consider the appropriate level of CIL for the Brentwood Enterprise Park:
 - It is agreed that the recent increases in interest rates has had a material impact on the values of very large Distribution and Logistics schemes.
 - Based on the consideration of the planning application, it is agreed that the allowance of £13,247,138 for strategic infrastructure and mitigation, used in the *CIL Viability Assessment Update – August 2022* should be considered with the wider site costs and may understate the total costs of constructing the development.
 - It is agreed that the development programme used in the *CIL Viability Assessment Update – August 2022* is overly optimistic, at least in part due to the complex strategic infrastructure and mitigation measures, and now based on the planning application can be revisited.

5. These points are now reconsidered.

Value

6. The value in the *CIL Viability Assessment Update – August 2022* was based on a rent of £150/m²/year, a yield of 4% and a rent-free period of two years. This was derived in March 2022, based on high level nationally available data.
7. Based on more granular information it is agreed that whilst £150/m²/year is appropriate on the smaller unit (B38), the assumption is too high on the larger units. A figure of £135/m² would be more appropriate on the larger units (B745 and B240), and £145/m² would be more appropriate on the mid-sized unit (B141).
8. The value of employment space is derived by considering the yield. With very large logistics ‘sheds’ this is closely linked to borrowing rates. These have changed significantly, and it is agreed a yield of 5% would be a more appropriate assumption to use.
9. It is agreed that the allowance of a 2 year rent-free period is too long and that 18 months would be more appropriate on the larger units (B745 and B240) and 12 months more appropriate on smaller units (B141 and B83). This is in part due to the more site-specific development programme being known, based on the planning application.
10. A gross development value of £287,688,796 (£2,557.87/m²) is agreed over the whole scheme.

Site costs and Strategic Infrastructure and Mitigation Costs.

11. It is agreed that the construction of the buildings should be based on the BCIS costs (£865/m²). It is agreed that in a plan-wide viability assessment a further allowance of 15% should be made for site costs and 5% should be allowed for abnormal costs on brownfield. Together these come to £20,185,000 on this site.
12. The actual costs are estimated (by St Modwen) to be about £38,000,000, based on the following assumptions:

SITE CLEARANCE	£1,626,948
DEMOLITION	£1,006,408
EARTHWORKS	£7,617,427
ON-SITE ROADWORKS	£6,333,116
DRAINAGE ON-SITE SURFACE	£5,216,029
DRAINAGE ON-SITE FOUL	£468,746
INCOMING SERVICES	£7,933,547
SERVICE DIVERSIONS	£3,582,414
STRUCTURAL LANDSCAPING	£4,103,577
ECOLOGY	£279,566
	£38,167,778

13. It is the Council's position that for the purpose of a plan-wide viability assessment, it is appropriate to consider the costs over £20,185,000 to be 'abnormal costs' that should be reflected in the Benchmark Land Value. St Modwen believe that the full £38,167,778 should be used.
14. Through the development management process a substantial amount of extra work has been undertaken concerning the access to the site. A significant amount of extra highway and strategic infrastructure work has been identified. The apportionment of the costs of this work is ongoing, however the proportion attributed to the Brentwood Enterprise Park allocation will be in excess of £40,000,000, but could be substantially more. The additional works include the following items:
- West Horndon Station Interchange improvements.
 - Improved Access to West Horndon Railway Station.
 - M25 Junction 28 improvements.
 - A127/ B186 Mitigation: B186 Warley Street Improvements and Additional Bridge over A127 & Highway Works north of A127 for BEP.
 - A127/ B186 Mitigation: Warley Interchange bridge and new link road connecting to M25 Junction 29. Cost excludes the new mini roundabout and additional bridge for BEP.
 - M25 Junction 29 improvements.
15. The above (ie £40,000,000) cost was derived by St Modwen and has been reviewed on behalf of the Council (by AECOM).
16. In the *CIL Viability Assessment Update – August 2022* the costs of strategic infrastructure and mitigation were taken to be £13,347,138 (being updated from the IDP). The updated equivalent figure is £11,177,492. As this is a strategic site, critical to the delivery of the plan, it is agreed that the additional £40,000,000 of strategic infrastructure and mitigation costs should be added to the assumption of £11,177,492.
17. For the purpose of assessing CIL on this site, it agreed that the site costs should be calculated as follows:
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|--|--------------------------|
| • Site Costs | 15% (of BCIS cost) |
| • Abnormal Costs | 5% (of BCIS cost) |
| • Strategic Infrastructure and Mitigation (s106) | £51,177,000 ¹ |

Development Programme


18. A revised programme has been used that allows for a 12 month preconstruction period and a 36 month build period. It is agreed that this may be optimistic.

¹ £40,000,000 + £11,177,492

Revised Appraisal

19. St Modwen and the Council have agreed to run a further appraisal (using Argus) with the revised income assumption (GDV of £287,688,796), the increased strategic infrastructure and mitigation costs (£51,177,000) and with the updated development programme.
20. This derives a Residual Value of about £14,078,048 (£310,000 per ha). This is less than the Benchmark Land Value of £65,462,000 (£1,440,000/ha). On this basis it is agreed that there is not capacity for CIL so this site should be zero rated for CIL.
21. Both the Council and St Modwen acknowledge that there is not full agreement with all the assumption in the appraisals, however it is agreed that the output of the updated appraisal is broad reflective and appropriate for this purpose.

Signatories

Signed on behalf of Brentwood Borough Council		
Name & position	Signature	Date
Jonathan Quilter Corporate Manager – Strategic Planning		15 th March 2023

Signed on behalf of St Modwen Properties		
Name & position	Signature	Date
Nick Kay Development Director		22 nd March 2023