



Project Delivery Advice

Uttlesford District Council



Report

June 2016

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1.0 INTRODUCTION

1.1 Uttlesford District Council has commissioned the BE Group to undertake this Project Delivery Advice to provide Council with a series of strategies to bring forward commercial development in the District in the near term. It follows from the Commercial Workspace Study, prepared in 2015 by the BE Group to assess the supply and demand for commercial workspace in Uttlesford in the next five years.

Background

1.2 The Commercial Workspace Study found that the supply of office, industrial and warehouse space in the District is tightly constrained. While in the market towns the market for commercial space is low and localised, opportunities for businesses to relocate premises or enter the market is very limited. There are effectively no options for industrial/warehouse premises in Saffron Walden and Great Dunmow and office space is limited to very small, town centre options, which only serve a portion of the market that seeks office space. There is further built commercial stock with capacity at Stansted Airport, although there are restrictions limiting the use of premises to aviation related enterprises.

1.3 The Commercial Workspace Study identified projects in the development pipeline that could alleviate these supply constraints. These projects are at different stages in the development process and are summarised in Table 1 below, with commentary as to the statuses of the project at the time of the Commercial Workspace Study and the latest updates available.

Table 1: Projects Identified in the Commercial Workspace Study

Project	Location	2015 Status	2016 Status
Ashdon Rd Commercial Centre	Saffron Walden	Outline approval granted	Stage 1 Ridgeons store nearing completion
TriSail Towers	Elsenham	Outline approval granted	Groundwork construction commenced
Mantle Estates/Great Dunmow Estates Ltd	Great Dunmow	Outline approval granted	No change
North Side, Stansted Airport	Stansted	Provisions in Airport's Sustainable Development Plan 2015 – Land Use	No change

Source: Commercial Workspace Study, 2015, updates from UDC and BE Group 2016

- 1.4 Key concerns raised in the Commercial Workspace Study were whether these projects would be delivered to the market within a short timeframe in order to relieve the current tightness and whether these projects are appropriate to meet the needs of the local market. At the time of the Commercial Workspace Study there did not appear to be an urgency by the developers, in particular for the projects in Saffron Walden and Great Dunmow, to bring the commercial developments forward for the market towns. It was recognised in the Study that the likely markets for TriSail Towers and North Side will be more regional and not service the local market towns. This creates an opportunity for Uttlesford to attract businesses otherwise not considering the District, although does not address the shortage of space for local businesses.

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- 1.5 This follow-up work investigates the above and any other projects in the development pipeline and means of delivering them within a reasonable timeframe. The study has consulted with representatives of the developers and commercial agents to gather updates of the development intentions in Uttlesford and understand any constraints to bringing developments forward.
- 1.6 A workshop was held at Council offices, which brought together development and commercial property representatives active in the District. The purpose of the workshop was to inform the attendees of the Commercial Workspace Study work undertaken thus far and to gather information and ideas in regards to bringing further commercial projects to the market.
- 1.7 This Project Delivery Advice brings together the information gathered through the consultations and workshop, complemented by desktop research on the local property sector, to provide Council with a series of actions that it can implement in the short term in order to encourage development of appropriate commercial premises in the District. This delivery strategy provides Council with means of intervening in the market to ensure that sufficient spare capacity is returned to the market to enable businesses to expand or establish a local presence.
- 1.8 This study also provides Council with an estimate of the potential business rates income that would be received if the commercial projects were developed and fully occupied.

2.0 DEVELOPMENTS IN THE PIPELINE

2.1 This chapter provides a summary of the commercial developments in the pipeline in Uttlesford District. The list of projects has been compiled by a review of development applications, consultations with developers and input from Council officers.

2.2 Table 2 is a summary of the development pipeline projects with a commercial component, including commentary on the progress of each project.

Table 2 – Proposed Commercial Development Projects in Uttlesford

Project	Location	Proponent	Proposed Employment Uses	Planning Status	Comments
Ashdon Rd Commercial Centre	Ashdon Rd, Saffron Walden	Ridgeon Properties Ltd	B8 1.25ha B1(a) 0.47ha B1 0.4ha B1/B2/B8 1.16ha A1/A3/A4/C1 0.86ha	Outline approval granted Nov 2014. Approval of subsequent applications to discharge conditions.	Stage 1 is new Ridgeons store and construction is near completion and due to open 2016.
TriSail Towers	Hall Rd, Elsenham	Cheergrey Properties Ltd	Floorspace: B1 6,978 sqm Retail, café, spa 1,394 sqm	Approved with conditions Apr 2012. Approval of subsequent applications to discharge conditions.	Groundwork construction commenced, due for shell of building completed by end of 2016.
Great Dunmow Estate	Chelmsford Rd, Great Dunmow	Crest Nicolson (Eastern) & Great Dunmow Estate (Mantle Estates)	B1/B2/B8 2.1ha	Approved with conditions Nov 2014.	Delayed, awaiting resolution of internal issues. Proponent stated that all units likely to be developed for B2, B8 uses
North Side, Stansted Airport	Bury Lodge Ln, Stansted Airport	MAG Property	Unknown, but probable intents for manufacturing and warehouse uses (B2, B8) on 18 ha site	No current application, though pre-application received 2015. Airport's Sustainable Development Plan 2015 – Land Use notes an intent to secure planning permission by the end of 2015.	2015 Plan states development opportunities from late 2016, although this is likely to be optimistic
Chesterford Research Park	Great Chesterford	Churchmanor Estates	Proposed expansion of B1(c) uses	Outline approval allows for about 22,000 sqm of further space on top of existing buildings	Further growth would be research and allied services.
Thremhall Park	Dunmow Rd, Start Hill, Stansted	Jackson Management (Mantle Estates)	Floorspace: Offices 1,673 sqm, café 121 sqm, function room 151 sqm, gym 151 sqm.	Approved with conditions Jun 2016.	Proponent has given indication that they wish to develop soon after approval.

Project	Location	Proponent	Proposed Employment Uses	Planning Status	Comments
Vision Stansted	3 Dunmow Rd Stansted	Marshgate Developments	Floorspace: B2/B8 9653 sqm	Approved	Currently under construction, near completion.
Land at Tile Kiln	Dunmow Rd Stansted	Marshgate Developments	B2/B8, floorspace unknown. Site area 5-8 acres	Pre-application consultation	Some concerns regarding trees on site. Potential TPO may be served
Stansted Courtyard	Parsonage Rd, Takeley	Rose Builders	Floorspace: B1(a) 2,560 sqm	Current application	Extension of existing Stansted Courtyard for similar office units.
Plextek	Ickleton Rd, Great Chesterford	Plextek Ltd	Floorspace: B1 1,667 sqm	Approved with conditions	For Plextek's own expansion needs – therefore not available to general market.
Walpole Farm	Cambridge Rd Stansted	Haydn/ Trevor Payne/ Faulkner	Floorspace: B1 600 sqm	Approved with conditions Apr 2014	Commercial component small part of housing development.

Source: UDC's online planning searches, UDC officers, BE Group, 2016

2.3 The table shows that there is a range of projects in the development pipeline in Uttlesford, including several that are approved. The majority of projects are in the south of the District, around Stansted Airport and the A120 corridor. The table below summarises the floorspace by B-class use. Where the floorspace is unknown, an estimate has been made using the size of the site.

Table 3: Summary of Project Floorspace by B-Class Use (sqm)

	B1	B1(c)	B2/B8	Total
Known floorspace	13,478	22,300	9,653	45,431
Estimated floorspace	3,393	0	100,269	103,662
Approved floorspace	14,391	22,300	27,242	63,853
Total floorspace	16,871	22,300	109,922	149,093

Source: BE Group, 2016

2.4 At present there is approximately 64,000 sqm of approved B-class floorspace in Uttlesford, which is either under construction or yet to be constructed. About one-third of this space is additional floorspace allowed under the outline approval at the Chesterford Research Park. The B2/B8 space is split between Ashdon Road Commercial Centre, Vision Stansted (both of which have components under construction) and Great Dunmow Estates. Some 85,000 sqm of additional floorspace has yet to be approved but has developer interest, either through a current application or pre-application. About three-quarters of this stock would be industrial or warehousing floorspace, the majority of which would be at the North Side site at Stansted Airport (estimated at 70,200 sqm).

2.5 The following table summarises floorspace by location. It clearly demonstrates the developer interest in the areas around Stansted Airport and the A120 corridor.

Table 4: Summary of Project Floorspace by Location (sqm)

	B1	B1(c)	B2/B8	Total
Great Chesterford	1,667	22,300		23,967
Saffron Walden	3,393		9,399	12,792
Stansted Airport and surrounds (Elsenham, Takeley, Stansted)	11,811		92,333	104,144
Great Dunmow			8,190	8,190
Total	16,871	22,300	109,922	149,093

Source: BE Group, 2016

2.6 A further consideration is the availability of these premises to the wider market. If just considering the approved floorspace of about 64,000 sqm, some of this space is committed for the use of the proponent themselves, rather than to be available to other businesses. These include:

- About 4,900 sqm for the Ridgeons warehouse store; and
- 1,667 sqm for Plextek's expansion.

2.7 Therefore such space should be discounted from the overall level of *realistic* supply of approved floorspace in the District, which is reduced to about 57,500 sqm.

3.0 CONSULTATIONS WITH DEVELOPMENT COMMUNITY

3.1 A core facet of this study has been the consultation with local property developers and agents, to understand the local, current issues regarding property development in Uttlesford and to discuss timings of developments of the approval commercial projects in the pipeline in the district.

3.2 The consultation was undertaken through a two-pronged approach – a workshop at Council offices and one-on-one consultations with developers or their representatives. This chapter is a summary of the key outcomes of the consultations.

Workshop

3.3 A workshop was held at Council offices in April 2016. Commercial property agents and developers with active projects in the District were invited to attend the workshop. The objectives of the workshop were to:

- Present the findings of the 2015 Commercial Workspace Study;
- Discuss any obstacles to development of commercial projects in Uttlesford;
- Discuss delivery options for the approved but undeveloped projects in Uttlesford; and
- Present Council’s Discretionary Rate Relief Policy.

3.4 Table 5 below summarises the key themes and findings of the workshop, by broad topic:

Table 5 – Key Outcomes of the Workshop

Topic	Comments
Commercial Workspace Study, 2015	<ul style="list-style-type: none"> • Broad agreement and acceptance of findings of Commercial Workspace Study • Agreement that demand in market towns is for small stock. Also comments that there is a regional focussed market in the south around Stansted Airport and A120 for larger premises. • Some attendees stated that the market is even tighter now than in 2015 – lack of supply of vacant stock is constraining property transactions.
General comments on the local commercial market	<ul style="list-style-type: none"> • Overall there was reasonable confidence and optimism in the level of demand in the local market, particularly in the south of Uttlesford. • Some attendees cited examples of speculative projects in and around Uttlesford as evidence of improved optimism in the market.

Topic	Comments
	<ul style="list-style-type: none"> • General agreement regarding the demand for small stock in the market towns. Some comments that Great Dunmow and Saffron Walden have differing market dynamics – Great Dunmow is more industrial with a focus towards the A120 and Saffron Walden is an isolated, localised market. • General agreement that there is tightness in the supply of built stock in Uttlesford. • There is a solid level of rents being achieved, however cost of development has grown significantly and therefore some projects remain difficult to deliver feasibly. • There is solid developer interest in the south of the District, around Stansted Airport and the A120. There was discussion about southern Uttlesford's role in relation to Harlow, Bishop's Stortford and Braintree. • There is potential for larger operators to locate along the A120 corridor. • Comparison was made by one of the attendees between the timelines for new build of premises and businesses' more immediate needs for new premises. Often businesses do not look sufficiently far ahead to pre-let unbuilt stock.
Obstacles to developing commercial projects in Uttlesford	<ul style="list-style-type: none"> • Attendees did not seem overly concerned about project delays in Uttlesford. • Reasons cited for any development delays were internal to the projects (e.g. legal, finance) rather than market conditions. • A developer cited that they were prepared to develop speculatively, once they were ready to proceed. • Comments from MAG Property representative and commercial agents that restrictions on use of land to aviation-related uses at the Airport slows take-up.
Delivering approved developments	<ul style="list-style-type: none"> • Great Dunmow Estates (Mantle Estates) – need to resolve internal development issues and will proceed with development of housing and commercial components. Will build commercial units speculatively. • Ashdon Road Commercial Centre (represented by agent) – Ridgeons warehouse is proceeding. Other units will not be built speculatively. Considers that there is only a narrow market for units. Developer will wait for pre-commitments. • Stansted Airport (MAG Property) – proceeding with growth of Airport in line with Sustainable Development Plan. Would like to see on-going discussion on policy to exclude non-aviation uses.
Discretionary Rate Relief Policy	<ul style="list-style-type: none"> • Some awareness of policy, though not from all attendees. • Positive response to presentation of the policy.
Council's role in stimulating development	<ul style="list-style-type: none"> • Attendees generally receptive to idea of Council taking an active role in the market to stimulate development. • There were some cautious responses, asking whether it would be necessary and what sort of role might Council take. • Understanding and support of Council investigating options.

Source: BE Group, 2016

3.5 While there was agreement regarding the current tightness of supply of commercial stock in Uttlesford at present, the workshop did not reveal a particular overarching issue or concern within the direct control of Council. There was general optimism regarding the commercial market, particularly for southern areas of the District. Saffron Walden was considered a more isolated and localised market, not as much on the radar of commercial developers as the southern areas. There was in-principle support for Council taking an active role in stimulating development in the market.

Individual Consultations

3.6 Individual consultations were also undertaken with active developers in the District, to complement the workshop discussions and broaden the inputs to this study. The table below provides the summaries of the individual consultations.

3.7 The consultations were undertaken via telephone and comprised a semi-structured conversation on the general commercial market in Uttlesford, specific projects that the consultees are involved with and the potential role of Council. The comments summarised in the table below are the opinions of the representatives of the organisations interviewed.

Table 6 – Summary of Individual Consultations

Topic	Comments
Mantle Estates	<p>Mantle Estates has two projects in the development pipeline in Uttlesford – an expansion of Thremhall Park and Great Dunmow Estates, a mixed use development at Great Dunmow. Mantle is keen to proceed with both projects.</p> <p>Mantle has lodged an application for the expansion of Thremhall Park and at the time of the consultation was optimistic of an imminent decision. The respondent stated that there was a chronic shortage of office space in the locality and a strong need to build quickly. Occupancy of the existing units at Thremhall Park is very high and achieving very good rents and the respondent is aware of high occupancy elsewhere in this corridor. Mantle would be looking to proceed with construction as soon as possible after approval. The respondent cited the Vision Stansted project nearby as a speculative industrial project and further evidence of confidence in the market in this area.</p> <p>The Great Dunmow Estates project is a mixed housing and commercial development and has been approved. The B-class units would all be B2/B8 units and would be built speculatively. The project has been delayed due to internal issues, not related to the commercial components of the development. Mantle has received about six offers to buy the commercial land by businesses that want to design and build premises for their own use. The respondent states that the prices have been attractive but Mantle are keen to build themselves and lease the units.</p> <p>The respondent considers that Mantle does not need to partner</p>

Topic	Comments
	<p>with another organisation to proceed with either project. Mantle has considered partnerships with local authorities in the past, but the finance and collateral arrangements have not been attractive, relative to the cheap finance available in the open market.</p> <p>Mantle has a positive relationship with Council and has had no issues in past dealings. The respondent stated that the Council had always been relatively quick with decision making and advice.</p>
Cheergrey Properties	<p>Cheergrey Properties have approval to develop 6,978 sqm of B1 office space plus ancillary uses at TriSail Towers at Elsenham. Phase One groundworks are well underway and the respondent is hopeful of the shell and core of the buildings to be complete by the end of 2016. Cheergrey is looking to submit an application for a hotel, conference centre and sports clinic in mid 2016 for construction in 2017.</p> <p>Cheergrey is developing TriSail Towers speculatively but has had very good interest for office space for 500-3,000 sqm occupancies. Interest has included a Swedish medical group relocating their UK headquarters to TriSail from Milton Keynes. The respondent reported that interest has been from a wide area, including relocating from London. Businesses are attracted to the attractive workplace, collocation with Stansted Airport and the high quality corporate image.</p> <p>The respondent stated that a partnership with Council would not be necessary for this project.</p> <p>The respondent commented that there has been a significant change in culture in Council since Cheergrey first applied for approval in 2008, and considers that Council is much more business focussed than previously. The Council is more focused in helping development. While it would always be useful for speedier planning, the respondent has noticed significant improvement with this aspect.</p>
Marshgate Developments	<p>Marshgate Developments are currently constructing Vision Stansted on the B1256, a speculative industrial/warehousing development. Construction is expected to be completed by October 2016. Marshgate has a further site nearby proposed for further industrial/warehousing uses, which is currently at pre-application stage.</p> <p>The respondent stated that the majority of developer interest in the area is for housing, which is taking employment land and unused sites that could potentially be developed for employment. It is simply down to economics, with house builders able to pay a higher amount for land. Therefore, there has been tightness in the commercial market.</p> <p>The respondent commented that there were several mixed-use developments, comprising housing and commercial, in the region, proposed by housing developers. It was his opinion that these developers are only interested in the housing component of such developments and would be looking to convert the commercial use to a housing use at a later stage. Furthermore, any commercial uses developed would not be B-class uses, rather it would be retail, restaurant, medical clinics, pubs, etc. Offices would not be built speculatively and industrial would be difficult to develop alongside housing.</p> <p>The respondent commented that under the NPPF developers</p>

Topic	Comments
	<p>could sit on the commercial components, and then say to councils that there is no demand so as to convert to housing. This results in a lack of commercial developments being built. It is important to try to change the mind-set of housing builders.</p> <p>It was noted that there is a significant supply of land for industry in the south of the district – citing their Vision Stansted project, their further site at pre-application stage and spare land at Stansted Airport. Further land at Stansted Airport could be brought forward immediately if policy restrictions were removed. The respondent noted that Stansted Airport appeared to just be sitting on the North Side site, rather than bringing it forward.</p> <p>The respondent supports the idea of Council becoming involved in development. It was suggested that a panel of commercial developers (commercial was emphasised) be brought together by Council, from which Council can select partners for its programme of projects. It was noted that commercial developers and Council would have aligned interests – to bring forward more commercial stock.</p> <p>The key method that Council can influence the timing and development of projects is through the planning process. Conditioning projects to ensure that delivery of the commercial component occurs within a reasonable timeframe is critical for Council. The conditions should link the building of the commercial to the timing of building the housing. The conditions should include penalties if not adhered to. For approved projects without such conditions, the “horse has bolted”.</p> <p>The respondent noted that for smaller industrial units (<3,000 sqm), tenants are unlikely to pre-let unconstructed stock. Prospective tenants want to walk around the built unit. Therefore speculative build is required for this market.</p> <p>When looking at the market, Marshgate Developments considers the market for the Vision Stansted project is County-wide, particularly along the A120 corridor. Uttlesford specifically is a more localised market, particularly the northern areas, such as Saffron Walden. Any industrial scheme in Saffron Walden is likely to be a small 1-2 acre scheme.</p>
Rose Builders	<p>Rose Builders have an existing scheme, Stansted Courtyard at Parsonage Road, and has a current application to extend the scheme by 2,560 sqm.</p> <p>The respondent considers that there is considerable demand for offices in this corridor, citing full/near full occupancy nearby, including the existing Stansted Courtyard and another scheme under their control in Braintree. Demand is driven by the location, near the Airport and the M11. The respondent noted the strong residential growth in the area and the loss of commercial sites as generating demand for alternative employment sites for the growing population.</p> <p>Rose Builders are keen to begin construction as soon as possible upon approval of the scheme. They do not need to enter into a partnership with Council or another entity to bring the project forward.</p> <p>The respondent noted that many councils are entering into development partnerships to bring commercial projects forward. Some reticence was raised in considering whether Rose Builders would enter into such partnerships, not being sure how it would work in practice.</p>

Topic	Comments
	<p>The respondent noted that development costs have risen, though have flattened out recently. The cost of land is the key factor regarding feasibility of projects. Commercial projects in the current market should be feasible if councils are not too onerous in CIL or BREEAM charges, as commercial projects do not “have the fat to cut from it”. Councils should be supportive to encourage the “flickers of light” coming into the commercial market.</p> <p>The respondent noted that their dealings with Council have always been good, including the pre-application stage for their current application.</p>

Source: BE Group, 2016

Summary

- 3.8 The consultation phase, through the workshop and individual consultations, of this study has shown a reasonable degree of optimism in the property market, particularly in relation to the southern areas of Uttlesford. Some developers are keen and happy to proceed upon approval of their projects, considering that market conditions are sufficient to build in the short term. There are industrial and office projects in the southern areas of Uttlesford that have developers building or prepared to build speculatively.
- 3.9 The development community is supportive of Uttlesford District Council taking an active role in the market to encourage commercial development in the District. Some respondents were cautious in regards to entering into a formal partnership with Council for their projects and none of the respondents actively asked for a partnership or assistance to deliver their projects. However, the principle of partnerships between councils and developers was generally supported.
- 3.10 The feedback regarding the consultees’ previous dealings with Council were positive.

4.0 STRATEGIES TO DELIVER PROJECTS

4.1 From a review of the progress of the identified projects and the consultations with representatives of the development community in Uttlesford, it is apparent that several of the projects are likely to proceed within a reasonably short timeframe, regardless of interventions from Council. However, there is the potential for targeted interventions from Council to assist in bringing forward projects that may not proceed in the short term. The review of the development projects in the pipeline thus far has demonstrated that there is a reasonable level of choice of premises under construction or approved in the southern areas of Uttlesford, but more limited options coming forward in the northern areas, particularly around Saffron Walden.

4.2 Table 7 below provides commentary on the potential deliverability of approved and proposed projects in Uttlesford. The table also provides comments on the potential markets for the units within each site.

Table 7 – Deliverability of Proposed Commercial Development Projects in Uttlesford

Project	Potential Markets	Deliverability
Ashdon Rd Commercial Centre	Overflow of Shire Hill Industrial Estate. Local, small manufacturing, maintenance and engineering firms. Auto-servicing, construction supplies, rural engineering services. Small office based businesses seeking business park location, rather than Saffron Walden town centre.	<p>Stage 1 (Ridgeons store) is under construction and will open in 2016. Other B-class units will only be developed with pre-commitments. However, small firms are less likely to commit to pre-leases for undeveloped units, particularly in sufficient mass to warrant commencement of construction.</p> <p>It is likely that following the Ridgeons being built, the focus of the development will be on the housing components, with the commercial given a lower priority. Furthermore, there is a risk that the approved B-class uses will not be developed in the short to medium term and that the proponent will seek to alter the approval for further housing.</p> <p>The B-class uses have a low probability of being developed without a significant commitment of pre-leases, which may require a single entity commitment, rather than several small firms committing.</p>
TriSail Towers	TriSail Towers offers larger floorplates and is being marketed on its position close to Stansted Airport. It will have a very high level of fit-out, targeting an upper corporate market. Potential occupiers would be regional headquarters or offices with strong European links, requiring excellent airport access. Some potential to attract businesses from London on lifestyle, cost and location reasons.	Groundwork construction has commenced and project will be delivered in 2017.

Project	Potential Markets	Deliverability
Great Dunmow Estate	B-class components of this project likely to be developed for B2 or B8. Likely markets would be similar to that in nearby industrial estates, small manufacturing and engineering firms, auto-servicing, construction supplies, etc. Low impact businesses with links to the Great Dunmow community.	Proponent reports delays in the overall project, but remains confident of delivering the employment uses in the short to medium term. Proponent states that they are prepared to deliver commercial units speculatively. Strong interest in the commercial land by potential occupiers suggests that even if the proponent on-sells this land that it would be taken-up and developed in a short timeframe. Regular monitoring of this project is recommended to ensure delays are not overly long and that the development of the commercial land is not being proceeded in an attempt to convert to residential.
North Side, Stansted Airport	Key strategic site for warehousing uses, with links to the Airport or wanting a high profile position at the M11/A120 intersection. Likely to be regional warehousing of national brands.	Site requires remedial actions to bring to the market including demolition of older buildings and access improvements. Masterplanning of the site is required to identify development yield of the site. An application has yet to be lodged on this site. Site is deliverable in the medium term, with the proponent having significant long-term development experience and will be a long-term owner of the Airport. The proponent would be prepared to wait for an opportune development window for the site.
Chesterford Research Park	Potential further businesses for the Chesterford Research Park would be similar to current occupiers – research operators, mostly with a life-science focus. Would attract small to mid-level operators, unable or unwilling to pay premiums of locating in Cambridge.	Chesterford Research Park has steadily grown over several years. Further growth would continue in a similar manner, taking design and build opportunities for larger premises and smaller operators locating in pre-built laboratory stock. The proponents of the research park appear to have a solid programme of growth and delivery of stock.
Thremhall Park	Key markets are SMEs seeking an amenable business park location. Relocations from Bishop's Stortford and other town centre locations for a more amenable location. Likely to be professional services.	Recently approved. Likely to be developed in the short term. Sufficient local demand suggests high deliverability.
Vision Stansted	Mid-sized manufacturing or small distribution firms, servicing the A120/M11 corridors. Overflow from industrial estates in Bishop's Stortford reaching capacity. Some businesses may have operational links to the Airport.	Currently under construction, near completion.
Land at Tile Kiln	Similar to Vision Stansted, with markets likely to be mid-sized manufacturing or small distribution firms. Likely to be positioned as second stage of Vision Stansted, with similar build and branding.	No approval on this site, with proponent at pre-application stage. Trees on site may reduce yield on this site. Resolution of this issue would be a key component of the approvals process on this

Project	Potential Markets	Deliverability
		site. Assuming the trees issue is resolved, and planning is resolved, the site could be delivered in the medium term, offering further options for growth in this corridor.
Stansted Courtyard	Key markets are SMEs seeking an amenable business park location. Relocations from Bishop's Stortford and other town centre locations for a more amenable location. Likely to be professional services.	Current application. Assuming approval of this application, the project appears deliverable in the short term, with no obvious obstacles or difficulties to development.
Plextek	Understood to be for Plextek's own expansion plans	Deliverable as required by Plextek. If this proponent does not proceed with the development and on-sells the site, it is unlikely to be developed.
Walpole Farm	Office based SME's seeking amenable, affordable and small office units.	Potential for the commercial component to be given a low priority in the development, with the focus on the roll out of the residential development. Risk of the commercial component not proceeding. May require monitoring or intervention to deliver.

Source: BE Group, 2016

4.3 The Commercial Workspace Study found that there was tightness in the supply of commercial premises in the market towns, Saffron Walden and Great Dunmow, particularly for small industrial units. The projects in the pipeline, both approved and promoted, do provide a potential relief for this tightness, though some of the projects would service more of a regional market than a local market. However, the review of the likely deliverability of these projects suggests that there remains some level of concern. As such, the outcomes for the two market towns and Uttlesford District Council's options are considered below.

Saffron Walden

4.4 While there is a current approval (Ashdon Road Commercial Centre) that would provide further supply of B-class units to the Saffron Walden market, there appears to be considerable doubt as to the deliverability of these units in the short to medium terms. As such it is considered that Council take proactive steps to help deliver the B-class units within this project.

4.5 Engagement of the developer is important at an early stage, clearly articulating Council's preferred outcomes:

- Development of the B-class units in as short a timeframe as possible;
- Preferred unit sizes;
- Development options.

4.6 It should be clearly stated that Council would be prepared to be an active partner in the development in order to bring the project forward.

4.7 As such, Council would need to consider the options available to it as part of a development partner. Council should consider the following:

- **Committing to a head-lease on the units:** By Council committing to pre-leasing a portion of the units, the proponent has a reduced risk and would be able to demonstrate the required level of pre-commitments to access finance and thus proceed with the development. Taking the head-lease would be conditional upon the project proceeding within an agreed timeframe. Some of the risk is transferred to Council as the leaseholder, which would then need to secure sub-lessees to occupy the units in order to recover the rent. If the units remain unoccupied, the Council has the burden of the on-going rent.
- **Purchasing the site:** By purchasing the site, most likely only the portion of the site for the employment uses, the Council acquires control of the development and can develop on their terms. The development risk is solely taken by the Council, which would then need to find means of developing the units and secure occupiers of the units. The development may be undertaken solely by the Council or in partnership with a developer.
- **Joint venture partner for the development:** The Council could enter into formal joint venture arrangements with a developer. This could be done with the existing proponent or, upon purchasing the site, with another commercial developer. A joint venture arrangement is a contract to share the cost, risk and returns of the development, and may take several forms, which are explained in Table 8 later in this chapter. Joint ventures are useful where the individual stakeholders are not in a position to proceed with the development themselves, either because of finance or resource constraints, but can proceed with a pooling of resources.
- **Direct Public Support:** The Council or other public agencies (e.g. LEP) may wish to simply provide funding for infrastructure or other components of the project in order to assist the project coming forward. The funding can be conditional on the development proceeding within a given timeframe. Such arrangements are generally for more regionally significant projects or for key projects in which it has been demonstrated that there are particularly high infrastructure costs, which does not appear to be the case in this instance.

- 4.8 It is recommended that at this stage Council pursues the option of taking a head-lease on units in the development, conditional that it is developed in a particular timeframe, such as within 18-24 months of the agreement. This should provide sufficient impetus to bring further stock to the market, without the higher expense and risk associated with purchasing the site and taking full control of the development. It is considered that local demand in Saffron Walden for small industrial/warehousing units is sufficient that the risk associated with taking the head-lease is manageable.
- 4.9 Terms and conditions to resolve during the negotiation of taking the head-lease would be:
- The scale of floorspace and units to take;
 - The number of years of the lease;
 - The unit price, which would need to factor in the cost of subleasing the premises;
 - Building specifications;
 - Management and maintenance;
 - Release clauses.

Great Dunmow

- 4.10 Current options to relieve the tightness in the industrial market in Great Dunmow are the development of the Great Dunmow Estates project, or by relying on the stock out of town, closer to the Stansted Airport (e.g. Vision Stansted). Neither option is ideal for those seeking space in Great Dunmow.
- 4.11 There have been assurances from Mantle Estates that the commercial component of the Great Dunmow Estate project will proceed speculatively in a reasonably short period of time. At this stage, this probably remains the most likely option to develop commercial space in Great Dunmow in the shortest timeframe. Regular monitoring and engagement with the proponents by Council is recommended to ensure that the project is being moved forward. Council may be able to act in a facilitator role to help the proponent proceed with the project.
- 4.12 If it emerges that the project continues to be unduly delayed, then Council may seek to have a more active role in the project, similar to the Ashdon Road Commercial Centre project. However, this is not recommended at this stage.

General Strategies to Encourage Delivery of Commercial Projects

4.13 While the above strategies seek to relieve the current stresses in the market, a preferred longer-term approach would be to prevent the stresses in the first instance, by ensuring that there is a sufficient rolling supply of commercial premises in Uttlesford.

- **Higher emphasis on timing of commercial projects during planning approvals:** Particularly in regards to mixed use projects involving housing and commercial, it is imperative to condition the approval of the project to link the development of the commercial components to the development of the housing. This can be done through clauses such as stating that the commercial units must be built/commenced within a given timeframe after the first house, or that the commercial uses must be built/commenced by the nth house. It is recommended that such conditions become standard practice in mixed use projects.
- **Council can increase its stock of council-owned commercial premises:** Council can take on the developer role, bringing new commercial stock to the market independently, which it can lease to businesses. This stock can be targeted to areas with limited supply, but that are not receiving developer interest.
- **Panel of commercial developers for joint ventures:** Council should establish a list of preferred commercial developers, from which it could readily engage in joint venture projects. This would shorten the tendering process for key projects that Council seeks to bring forward in a short time period.
- **Review systems of monitoring approved projects:** Monitoring the status and progress of approved projects will help Council to identify early if projects are not proceeding as anticipated during the approval process. A list of approved projects should be readily available for Economic Development officers such that they can engage with the proponents and understand any issues or obstacles to development. A protocol of engagement with proponents should be established, that would set the nature, objectives and regularity of engagement.

4.14 While the above strategies would reduce the shortages of supply in the market, the nature of the development market is that there are periods of inactivity and low developer confidence, which periodically will reduce the supply of stock. Table 8

provides a description of potential project delivery mechanisms that Council may employ in the future to bring forward key projects.

Table 8 – Delivery Mechanisms

Mechanism	Description
Private Sector Led/Private Sector Funded	Assumes a development is financially viable and has a willing developer. Public sector input will be limited to positive engagement by planning and economic development officers, to ensure a smooth delivery of the relevant property mix.
Revised Development Mix	Assumes a development viability gap, but no direct public sector intervention. Rather council officers and the developer negotiate a revised development mix which includes a stronger element of higher value uses to offset the gap. This does not automatically mean housing but could include retail or leisure uses, appropriate to the location, which can also improve values. Pubs/restaurants, a gym or hotel are examples of uses that both generate reasonable returns for developers and can improve the offer and attractiveness of a business park scheme.
Low Level Public Support	Public sector support does not always mean large scale investment. Sometimes a landowner may simply be unaware of the full potential of his site, level of market demand or how site constraints can be overcome. An increasingly common approach therefore is for local authorities to assume some of the initial research costs, producing for example a planning brief or masterplan to show the owner/developer what is possible and prompt development. Support on site/area marketing may also be welcome.
Acquisition	Council buys the land to undertake direct development or in partnership.
Joint Venture Agreement	<p>A defined agreement between public sector agencies and private developer partners. It is most commonly used where land is, at least in part, owned by the public sector. The public sector can then support development by inputting the land at low or nil value or by seeking out infrastructure funding.</p> <p>Such a Joint Venture partnership can take a number of forms:</p> <ul style="list-style-type: none"> • Contractual Partnership – Normally a short term arrangement where the parties enter into a contractual arrangement where one party, usually the developer, will deliver. It would relate to the most straightforward developments. • Joint Venture through formation of a limited company formed through share issue - A common arrangement where each party will put in an element of cost and risk, and the return reflects the share. Uttlesford Council may put in land and/or capital, the developer will often meet development costs. The arrangement may see proceeds distributed in different ways. This could be a revenue share, or a share on sale of the investment. The party taking the greater level of risk will normally have first call on the profit. • Company limited by guarantee – Tends to be more for non-profit making arrangements, and can introduce a number of partners to the company. This arrangement is more likely to be suitable for marketing and promotion of regeneration schemes rather than a Joint Venture to deliver development.
Direct Public Support	This may be in the form of direct development funding or funding infrastructure. It may also be through rental guarantees or other forms of security.
Annuity Rent	This is also increasingly used to support investments by pension funds and other major financial institutions into developments. The institution will fund

Mechanism	Description
	the development in exchange for a lease of circa 35 years and an annuity rent payed by a secure covenant such as Council acting as developer. This would be a low but secured rent over the time period with agreed uplifts. The developer can then sub-let at market value to obtain a profitable rent. At the end of the 35 years the property will revert to the developer for £1 and the developer retains the long-term asset value.
Revolving Infrastructure Fund	A method for paying for supporting infrastructure development on sites with otherwise good development potential. The public sector may use a range of funding such as prudential borrowing to provide funds in exchange for a long-term payback of Business Rates, land receipts or associated income uplift. Where development is BREEAM Excellent, 100 per cent of business rate levied can now be retained by the borrowing agency.

Source: BE Group, 2016

5.0 POTENTIAL BUSINESS RATES

5.1 This chapter provides an estimate of the business rates that could be generated from businesses occupying the additional space.

5.2 Business rates are calculated using the following formula:

$$\text{Business Rates} = \text{Rateable Value} \times \text{Multiplier}$$

5.3 The multiplier is set by the Valuation Office Agency (VOA). For England in 2016/17 the standard multiplier is 49.7 percent and the multiplier for small businesses is 48.4 percent. Eligibility for small business rates is determined by the Council.

5.4 The VOA defines the rateable value as “*the open market annual rental value of a business/non-domestic property.*” That is, it is the rent that would be achieved on the property if it was let at the valuation date. The rateable value is calculated by the VOA by looking at actual rates in the surrounding locality and establishing a price per square metre (£/sqm). The rateable value for a property is the £/sqm multiplied by the net internal area (NIA) of the property.

5.5 In order to estimate the potential rateable values and thus business rates from the proposed projects in Uttlesford, information on the rateable values of the surrounding businesses has been gathered from the VOA website. The table below summarises the median £/sqm values for specific premises types, gathered from the VOA data available.

Table 9 – Median £/sqm Values for Uttlesford Locations

Location	Median Unit Price (£/sqm)		
	Offices	Warehouse	Factory
Saffron Walden	118	34	33
Great Dunmow	94	35	38
Stansted	188	79	48
Elsenham and Hatfield	208	45	38

Source: BE Group analysis of VOA data on www.2010.voa.gov.uk

5.6 Within these localities there are differences in the VOA’s £/sqm for single use types, representing the range in quality and specifications that exist in a local market, resulting in price differentiations. For an individual property, the data published by the VOA includes an unadjusted £/sqm and in several instances an adjusted value,

depending on the specifics of the unit being valued. Allowances have also been made for additions, such as car parking provisions of the property, which may influence their actual rental value. The median prices provided in Table 9 have been calculated based on the final rateable values for premises in each area, thereby incorporating the adjusted values and any further allowances.

- 5.7 The potential business rates for the proposed projects have been calculated based on the following assumptions:

Table 10 – Assumptions for Business Rate Calculations

Assumption	Commentary	Implications/Sensitivity
Full occupancy of the units	In reality, all projects are unlikely to be fully let all the time. However, being new units in a tight market it is expected that they will achieve high occupancy levels.	This assumption will overestimate the actual business rate returns.
NIA is 85% of gross floor area	Applied where gross floor area has been quoted for the proposed schemes. This can vary between 80-90% depending on the use type, layout, shared facilities, lifts, etc.	A higher assumed NIA will result in a higher level of business rates. 85% is considered a reasonable midpoint.
Multiplier adopted will be the standard multiplier for England 2016/17	The standard multiplier is 49.7%, compared to the small business multiplier of 48.4%. The Saffron Walden and Great Dunmow projects are likely to attract businesses that may qualify for the lower rate.	This assumption will overestimate the actual business rate returns. Multipliers vary from year to year, impacting upon the business rates charged. However, these changes will be relatively minor.
Median unit price adopted	As the projects will be new stock, the premises may attract above median rent levels, which would be adopted in the unit price for the business rates.	This would underestimate the total business rate collected.

Source: BE Group 2016

- 5.8 Table 11 summarises the estimated business rates of the projects if they were open and fully occupied during the 2016/17 period. It is a calculation of the business rates generated from the B-class uses only, rather than other employment uses contained within some of the mixed use projects, such as retail. The calculations are also dependent on the assumed mix of B-class uses, where the approval is for B1/B2/B8 as the three use types have different unit prices and thus would yield different business rates.

Table 11 – Potential 2016/17 Business Rates

Project	Assumed B-Class GIA Floorspace (sqm)	Business Rates at Full Occupancy (£)
Ashdon Rd Commercial Centre	12,792	255,000
TriSail Towers	6,978	612,000
Great Dunmow Estate	8,190	131,000
North Side, Stansted Airport	70,200	2,100,000
Chesterford Research Park	22,300	2,000,000
Thremhall Park	1,673	147,000
Vision Stansted	9,653	284,000
Land at Tile Kiln	12,480	367,000
Stansted Courtyard	2,560	225,000
Plextek	1,667	83,000
Walpole Farm	600	35,000
Total 2016/17		6,239,000

Source: UDC's online planning searches, VOA, BE Group analysis, 2016

- 5.9 **If fully developed and occupied in 2016/17, the projects in the pipeline would yield approximately £6.2 million in business rates.** The North Side site at Stansted and the full development of Chesterford Research Park would provide the biggest contributions to this business rates income.
- 5.10 If all units within the smaller projects attracted the small business rate level, rather than the standard rate, the total business rate income would be about £6,164,000, a reduction of 1.2 percent.

6.0 CONCLUSION

- 6.1 This Project Delivery Advice has reviewed the current property market, in particular the projects in the development pipeline. The Advice includes commentary on the most appropriate areas for targeted Council intervention.
- 6.2 The review of projects suggests that the southern part of the District has a reasonable range of development options in the pipeline including projects under construction or approved and unbuilt. There is less choice away from the Stansted Airport and M11/A120 locality. In particular Saffron Walden appears to have limited choice of commercial projects, wither approved or in the planning process.
- 6.3 The development community appears to be relatively optimistic about growth conditions in the District. There is optimism and more of an appetite for speculative development than was apparent in undertaking the Commercial Workspace Study in 2015. However, it is considered that there are still areas in the market that would benefit from Council intervention and investment.
- 6.4 It is recommended that Council target its intervention efforts around Saffron Walden, in particular taking a proactive role in trying to bring forward the commercial components of the Ashdon Road Commercial Centre (other than the Ridgeons store under construction).
- 6.5 There are more general practices that Council could implement that would help prevent tightness in the market in coming years, including through the planning approvals process, increasing its own stock of commercial premises and establishing a panel of preferred commercial developers that could be development partners.
- 6.6 It is estimated that if all of the proposed projects were fully developed and occupied in 2016/17 they would generate a business rate income of some £6.2 million.