
Long Wittenham Village Hub

Confidential Draft



Contents

Introduction	2
Methodology	2
Summary of Responses	4
Implications of results	6
Relocation Land Value	6
Conclusions and Next Steps	8
Appendix 1 – Marketing Letter	10
Appendix 2 – Formal Responses	11

Introduction

Long Wittenham Parish Council are in the process of developing plans for the relocation of Long Wittenham Village Hall and Long Wittenham Primary School with the village. The costs of the relocation are intended to be met in part by the release of the existing Village Hall and Primary School sites (The Existing Sites) for open market residential development. Much work has already been undertaken on this project, and there is broad support from the local community and interest groups, and the Local Planning Authority (LPA).

The site for the relocation of the Village Hall and the Primary School has not been agreed, however we understand that there are several landowners who would in principle be willing to enter into formal discussions, with one site in particular that is favoured by the Parish Council.

The Parish Council would look to partner with a developer who would deliver the relocated village hall and primary school (the 'Village Hub') and any requirement for enabling housing development. The developer would be expected to extract the maximum values from the existing sites, and develop sufficient enabling housing to cover any funding shortfall.

In order to assess the likely level of development funding shortfall and the realistic funding available for the relocation, previous appraisals have been undertaken and studies created, however these can only speculate as to the value of the development receipts and the expenditure on the relocation buildings.

In order to assess the appetite in the marketplace to be involved in the development, and to better understand the financial mechanics of the project, Savills have been asked to undertake selective market testing, and this report outlines the methodology employed and the responses received. At the conclusion of this report we set out our interpretation of the responses and the impacts on the project model, and outline the next steps for the Parish Council.

Methodology

The project at present is at the early stages of what could comfortably be a 3-4 year period of planning, negotiation and development, and therefore the proposition for a potential developer is relatively immature, containing many variables. However, at this stage it is crucial to understand the parameters in order to progress the scheme.

In order to gain this understanding we have selected a number of development partners that we know and believe to be suitable for this project, and this list was communicated to the Parish Council. On the basis that there were no objections to the parties put forward, when then approached contacts internally within Savills and within the selected companies to ascertain the suitability at this stage in more detail. This initial list does not represent the full extent of potential development partners for this

Long Wittenham Village Hub

Primary School and Village Hall Relocation



project, and should a wider marketing exercise take place there would be other parties who may be interested and suitable for consideration.

The initial list of potential development partners were as follows:

[REDACTED]	[REDACTED]	[REDACTED]

After the initial discussion we did not talk through the details with the following parties due to geographical coverage, size and or value thresholds, or conflicts of interest:

- [REDACTED]

All other parties were contacted by telephone to ensure that they were interested in the scheme. At this point [REDACTED] and [REDACTED] advised that they would not be interested in further details. [REDACTED] and [REDACTED] advised that they would call back if this was of interest, which they did not.

To ensure that all parties received the same initial information a letter was sent to the key contacts outlining the proposals and inviting expressions of interest and offers for the scheme. Due to the large potential for the scheme to evolve into a wide variety of different schemes, we asked interest parties to comment and offer on the existing sites as the project is at present; that is to try to put a value on the existing sites on the basis that they come to the market for open market development, and to comment on the project financials as a whole.

This initial letter was followed up with phone calls to discuss the details further, and a site visit was arranged with [REDACTED]. Other parties advised that they would view the sites unaccompanied. Once all of the responses were received and follow up conversation completed the responses were collated, and are summarised in the next section.

Summary of Responses

Overall the informal response to the proposition was very positive, with all parties very keen to work both in Long Wittenham and with the Parish Council. The prospect of delivering the Village Hub did not cause concern in principle, although the question of timing was a factor, as will be discussed later. All of the parties showed sufficient enthusiasm to be considered as a development partner, with [REDACTED] and [REDACTED] in particular being very proactive. [REDACTED] were the first to request further details and discussions and a site visit.

After careful consideration [REDACTED] responded advising that whilst they are very interested and keen to be involved, at this stage the project is too small to expend the up-front work at risk needed to provide us with any ideas on value and their suggested approach. They have asked to be kept in the loop in the hope that they can become involved further down the line.

[REDACTED] and [REDACTED] were initially very interested in the scheme, however both advised that they would not be able to submit an offer due to prioritising larger or more mature projects at this point in time. [REDACTED] noted that their initial instincts on the project pointed towards requiring 20-30 new build houses to fund the village hub. Both expressed regret at not being able to submit, and I believe should be contacted again at the appropriate time as the project progresses.

After careful consideration and some amount of scheme design [REDACTED] [REDACTED] advised that they would not be interested in the scheme as the existing sites do not quite fit with their profile. They again have asked to be kept informed of the progress on this site, and it is our opinion that once the project is further along they would be more agreeable and [REDACTED] may well be a suitable development partner. [REDACTED] advised that they would value the existing sites at somewhere in the £900,000 to £1,000,000 range.

Positive responses

[REDACTED]
[REDACTED] have responded that they would be very interested in working with the Parish Council to deliver this project. They have outlined that assuming 0% affordable requirement on the existing site the residual land value would be in the region of £1.3M (£950,000 if 40% affordable was required). [REDACTED] also noted that they are currently working on 2 other sites where a school is being relocated or created and therefore consider themselves very suitable for consideration.

[REDACTED]
[REDACTED] advised that they are very interested in this project, and that the nature of the deliverables fits well with their ethos. They have written to Savills expressing their interest in the site, and are very willing to proceed a little further with the analysis in order to generate some initial figures, however at this point have not had a capacity to submit estimates for the existing sites. Informally discussions with [REDACTED] have suggested site values in the rough order of the other submission outlined in this report would be within their ranges also. We would consider [REDACTED] a very credible potential partner and

Long Wittenham Village Hub

Primary School and Village Hall Relocation



would recommend that if sufficient quantities of new housing is involved that they be given the opportunity to submit figures depending on the next steps for this project.

██████████
██████████ have estimated that the existing site value is in the order of £1.35M, and have outlined their interest in the project. They bring attention to recent examples of collaborative projects of this nature, including the relocation and development of Nettlebed primary school. ██████████ are well known to us and we believe they are very credible potential development partners.

██████████
██████████ have analysed the existing sites with indicative layouts, and consider that larger units on the school site would be the most efficient. They have estimated the existing sites value be in the range of £1.25M to £1.5M, depending on the planning permission obtained. They have pointed out that one of the partners in ██████████ was former Chairman at ██████████, a construction company that has wide experience in delivering commercial and public sector projects on large and small scales.

██████████
██████████ were the first to respond formally on this project, and expressed interest formally by letter, and we have informally discussed the site values. ██████████ estimate the existing sites to be capable to taking 10-12 units in total, and generating a residual land value of circa. £1.2M, however they are very keen to understand the full project specifications in order that they create a comprehensive financial forecast.

At this stage all of the respondents advised that the relocation housing land would be within the standard range of residential development land values of between £1.1M to £1.5M per acre depending on scheme design and abnormals.

Of key consideration to all of the respondents was the timings of the delivery of this project. The Village Hub, or at least the new Primary School, would need to be delivered in advance of any works to the existing Primary School site, and therefore it is likely that any financially enabling development would need to be possible at the same time or beforehand. The existing sites would then be delivered as a later stage. This may have planning impacts that would need to be explored further, however this issue will undoubtedly impact on the financing of the project, and this risk and cost would need to be reflected in the developers appraisal of any comprehensive scheme.

The responses are summarised as follows:

Developer	Suggested Existing Site Value (assuming no affordable units)
[REDACTED]	£1,300,000
[REDACTED]	£1,200,000 to £1,400,000
[REDACTED]	£1,350,000
[REDACTED]	£1,250,000 tot £1,500,000
[REDACTED]	£1,200,000

Implications of results

The developers' indications of site value are in line with our expectations, however in general assume that the sites are developed as a whole without providing for community space, and that there will be no affordable on site or affordable contributions. This gives us a useful input into the financial model of the scheme, and gives the opportunity to home in on the other variables.

None of the developers wanted to even verbally give an estimation of the costs of building the community hub, and this is not surprising given the loose nature of the specifications at present. We do however have a good understanding of ball-park build costs for this type of facility from our own cost team and the projects that we have been involved with.

Relocation Land Value

Our understanding is that one of the preferred sites for the relocation is that to the East of Didcot Road which is under the ownership of Mr Tony Edwards. It is our further understanding that Mr Edwards is in favour of the scheme and wishes to partner with the Parish Council in order to bring this project in fruition, however no formal discussions over land value have been undertaken recently.

This project is likely to require significant support from the LPA, the Village as a whole, and all of the stakeholders involved. It is also likely to be viable only with the inclusion of open market housing, which will be contrary to Policy.

In these situations the methodology that the LPA will use is to assess the scheme using practiced financial viability techniques, which are becoming more and more widespread. We have seen a common pattern emerging from Local Authorities in applying

Long Wittenham Village Hub

Primary School and Village Hall Relocation



a sensible land value when assessing whether a project is viable or not. If the Parish Council need to negotiate with the LPA that open market housing is required to fund this scheme, then they will need to ensure that the land value is not excessive.

This assessment is subjective, but is usually based on a price that would incentivise a landowner to sell the land to enable the development, but reflects the land's current value under existing policy. In this instance the land owned by Mr Edwards is outside of SODC's housing policies and therefore could be argued to be at existing use value levels. In reality it is recognised that for a development site to be viable the landowner needs to be willing, and therefore the values must reflect this, i.e. the landowner must be incentivised. The LPA's have attempted to quantify this incentive, both in assessing viability-led planning applications and also in the recent Community Infrastructure Levy rate setting exercise.

The recent primary school scheme at Bletchingdon used a figure of £125,000 per acre for Greenfield land as a starting point, and this methodology was accepted by the LPA, although the details of the recommendations are not known and therefore the level of the value can only be assumed as reasonable in this case. SODC instructed consultant BNP Paribas to assist with their CIL rate setting process, and as part of the report by BNP a Greenfield benchmark land value for residential analysis was used, equating to approximately £130,000 per acre to £150,000 per acre.

In order to understand the basic financial model we must make a few assumptions on revenue and cost, in order to arrive at a view on likely land value and land take required to make the scheme viable.

We can build a basic model to illustrate how the project financials might work on a subject to planning deal where a developer secures the site up front and runs the planning themselves. The model below provides a basis for looking at the scheme financials:

Reference Viability Land Value	£130,000	(Land Value that Local Authority would accept in viability argument)
Receipts from Existing Sites	£1,000,000	(Income generated from the release of the Village Hall and School Land)
Hub Construction Costs	£2,600,000	
Hub Site Acreage	2.5	(Land required to service the School / Hub only)
Hub Site Land Costs	£325,000	(Hub Land Cost based on reference value of £130,000 per acre)
Total Hub Costs	£2,925,000	
Funding Gap	£1,925,000	(Total costs of Hub less receipts from existing sites)
Residential Land Value per Acre	£1,100,000	(Typical land value paid by developers for residential development)
Net Land Value Output per Acre	£970,000	(Land proceeds after the reference land value has been deducted)
Total Housing Acres Needed	1.98	(Total number of housing acres required to generate funding gap above)
Total Land Needed	4.48	(Housing land plus Hub land)
Total Land Value	£582,989	(Total areas multiplied by the reference land value)

Long Wittenham Village Hub

Primary School and Village Hall Relocation



The above model assumes that no affordable or section 106 costs will be levied on the scheme, which whilst desirable is the best case scenario, and it would be wise to consider a more conservative position in terms of planning. The figures that are used in the above model for the residual land value are on the conservative side to provide some leeway should there be affordable or section 106 requirements.

The costs of the community hub are based on a 0.75 from entry JMI School over 1100sqm, with a 260sqm community hall and 160sqm community hub. A build cost of £1500 per sqm has been used with an additional 12.5% added for external works such as parking, playgrounds, sports pitches etc. The land take used is generous, however not out of keeping with the aspirations of the village and also reflects any necessary infrastructure and public open space required.

It must be noted that the model is only illustrative and not intended to be a valuation or accurate project appraisal.

What can be seen from the model is the ball-park land take that the scheme will require, and the value of that land using the approach that we expect from SODC in terms of acceptable land payments in a viability model. Models such as this are extremely sensitive to changes to inputs, therefore the resulting outputs may vary significantly as the financial model is built upon.

Conclusions and Next Steps

The initial response to the proposition has been very encouraging, despite what might appear to be a low bid rate, and there is clearly an appetite for a scheme of this nature in Long Wittenham. The prospect of delivering the Village Hub alongside the market housing is a model that has not precluded any of the developers from being interested, and in fact many of them have experience in precisely this type of project. The level of interest is higher than our expectations, and if a full marketing exercise was undertaken later in the project lifecycle we would anticipate further credible interest.

It is clear from the responses that, as expected, there is a hesitance to input a great deal of resource at this early stage, and therefore the responses present a range of detail, from simple expressions of interest to more formal offers. We interpret the relative low level of financial forecasting included in the responses as an indication that due to the potential of the scheme the parties do not wish to put their marker in the ground in terms of value until the scheme is further advanced. The responses do however give us a good understanding of the opinions of the site from a potential development partner's perspective.

Of the developers that responded affirming their desire to be involved in the project, we would consider all of them to be suitable and credible. In terms of differentiating the expressions of interest, the formal and informal ideas on existing site value are relatively constant, at £1.2M to £1.5M, however the approaches are not necessarily similar. [REDACTED] for example are keen to stay at a low density scheme, whereas [REDACTED] feel that smaller more affordable units would be a better option for the village. It should be noted again that all of the figures discussed are working on the assumption that no affordable units will be required on site, and in our experience these figures must be considered to be optimistic in order to gain interest and likely to be reduced once the project develops and constraints more fully understood.

Long Wittenham Village Hub

Primary School and Village Hall Relocation



None of the respondents felt able to comment on likely construction costs for the Village hub at this early stage, however this again is as expected due to the lack of specification. All of the respondents however felt they had at least sufficient experience in mixed used projects of this type in order to deliver the community facilities.

Our view is that there are 3 steps that need to be completed in order to progress this project over the next few months. The first is to obtain a view from SODC on the reference land value that they would accept in a viability-based application for this project, in order to agree a pricing mechanism for the relocation land. We would envisage agreement based on a fixed price per acre, with the final land take as decided through the planning process.

The next step would be a meeting between the Parish Council, SODC, and the Savills planning team to establish the best format of the planning application and likely timescales and costs involved. This would also require a piece of work from the Savills planning team to produce a report and cost schedule.

The 3rd step will be for the Parish Council to decide whether to partner with a developer at this stage to work up the project details, obtain planning, and deliver the scheme, or whether the Parish council wish to prepare and fund the planning process in advance of going to market with the packaged project.

In our view the Parish council are in theory likely to maximise the value of the scheme by running the planning process, however because of the significant differences in approach from potential developers towards the existing sites, the open market housing, and the hub construction, any planning permission gained by the Parish Council may not suit every developer, resulting in a lower offer or no offer from some parties.

Due to the complexity of the project we would recommend that the Parish Council carefully consider the option of entering into an agreement with a developer to deliver the planning and the final project. This will de-risk the project, at the cost of the Parish Council remaining fully in control of the process. If however the relocation land pricing mechanism is agreed and the deliverables sufficiently defined, this may well be the best option going forward.

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Appendix 1 – Marketing Letter



Appendix 2 – Formal Responses