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| <p>Lisa Rawlinson</p> <p>Eastbourne Borough Council</p> <p>68 Grove Road</p> <p>Eastbourne</p> <p>BN21 1DF</p> <p>May 18, 2016</p> <p>Doc. Number ID-8</p> | <p style="text-align: right;">Eastbourne Borough Council Employment Land Local Plan Examination</p> <p style="text-align: right;">Inspector Inspector Robert Mellor BSc DipTRP DipDesBEnv DMS MRICS MRTPI</p> <p style="text-align: right;">PROGRAMME OFFICER: Mrs Claire Jones-Hughes c/o 6 Brading Road Brighton East Sussex</p> <p style="text-align: right;">Tel: 01273 381518 Mobile: 07737 786425 Email: bankssolutionsuk@gmail.com</p> |
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Dear Ms Rawlinson,

The Viability of Office Development in the Town Centre

Context

Policy EL3 of the submitted Local Plan seeks the provision of 3,000sq m of B1 office floorspace in the town centre to be located on Development Opportunity Sites 2 and 3 in the adopted Town Centre Local Plan. Those sites are identified in the Town Centre Plan for mixed use development including housing and retail space as well as business space.

The Council has proposed a modification to the Policy that would increase the office space provision to 4,500sqm. This is to compensate for the proposed loss of 1,500sqm from the Policy EL4 allocation of 20,000sqm B1 floorspace at Sovereign Harbour in order to accommodate a community centre there on Site 7a.

Sovereign Harbour Ltd has submitted representations that seek a further increase in office floorspace in the Town Centre to 8,900sqm in order that other forms of development may be accommodated on Site 7a.

Viability

One of the tests of soundness for the Examination is that the Plan should be effective in that it should be deliverable over its period. Paragraph 173 of the National Planning Policy Framework requires careful attention to viability in plan-making.

Current Evidence on Viability

The Council has provided Document SD/28 *Eastbourne Office Deliverability Assessment to Support the Sustainability Appraisal (September 2015)*. Table 3 sets out a high level viability assessment by Bilfinger GVA of Town Centre and 'Out of Town' [Centre] office development. It uses standard assumptions applicable to speculative commercial development. It concludes that both locations would be unviable for office development with losses of £839 per sq m in the town centre and £385 per sq m outside the town centre and with no return to the landowner. In both cases the assumed rents were £161 per sq m (£15 per sq ft).

In January 2016 Sovereign Harbour Ltd submitted alternative viability evidence prepared by Stiles Harold Williams and which are included in Document SD/14. Using different figures for rents, fees, demolition costs, site servicing costs and contingency sums it concluded at Table 3a that town centre office development would lose £1,440 per sq m and out of town [centre] development would lose £1,515 per sq m. The assumed rents in both locations were £125 per sq m (£11.60 per sq ft).

Notwithstanding the above theoretical assessments there is some evidence that out of centre office development is being carried out at Chaucer Business Park by a commercial developer for an identified main occupier and at higher rents than assumed in the above assessments. Speculative office development has also been carried out at Pacific House in Sovereign Harbour by SeaChange Sussex who use a different development model. It is letting in accordance with its business plan projection and also at higher headline rents (£16.50-£17 per sq ft) than were assumed in the above assessments, albeit on flexible terms. SeaChange told the hearing that they will seek to carry out another similar development and will otherwise develop at Sovereign Harbour for identified occupiers but that they are unlikely to be involved in town centre development.

The Council submitted with its hearing statements a further *Eastbourne Office Market Report* (April 2016) (Document EBC-EL-04). That indicates a recent strengthening in current average office rents to about £11 per sq ft. However that would reflect a blend of typically poor quality second hand space in the town centre together with some of the high quality Grade A office space that has been let at Sovereign Harbour. It does not provide a clear guide to future rents of Grade A office space in either location.

At the hearing it was suggested that there may be scope for some cross-subsidy of office space within mixed-use developments in the town centre to address the viability issue.

The Inspector also drew attention at the hearing to a recent government initiative to support developments of housing and employment on Network Rail land at railway stations. The Government is seeking 20 locations including at York, Swindon and Taunton. In Eastbourne, Site 2 is mainly owned by Network Rail.

The Need for Further Evidence

The current viability evidence indicates that it would be improbable that a commercial developer would opt to include any speculative office space within a mixed use development of either sites 2 & 3, particularly as neither the draft EELLP Policy EL3 nor the Town Centre Local Plan make any B1 provision mandatory.

Secondly, if the development of office space would be loss-making and reliant on cross-subsidy from other forms of mixed development, the more office space that has to be included as a proportion of the total, the less likely is it that the development would be viable overall.

The questions that the further evidence from the Council therefore needs to address are:

- a) What level of rent for office floorspace would be needed for commercial office development to be viable in the town centre without cross subsidy and how likely is it that rents would rise to those levels within the plan period, having regard also to changes in construction costs?
- b) What would be the cost implications of the need to replace the existing station car park on-site in a decked structure?
- c) What is the scope for cross-subsidy of office development from other forms of development?
- d) How much office space could realistically be provided on which site (3,000, 4,500, 8,900 sq m or another figure) and in combination with what forms of other development?
- e) Would the current criteria in the Town Centre Local Plan impede delivery (eg the provision that ground floor space be reserved for retail use)?
- f) What policy changes would be needed to Policy EL3 to require the inclusion of a minimum proportion of office space if it is less profitable than the other forms of development which the policy encourages?
- g) What would be the implications for the provision of starter homes and other forms of affordable housing that also depend on cross-subsidy?
- h) Would development include the retention or replacement of some or all of the Enterprise Centre on Site 2 and the Post Office building on Site 3?
- i) Could the Government initiative to support development at railway stations bridge a viability gap?
- j) When could delivery be expected within the plan period?

The evidence is needed by Tuesday 14 June in time for discussion at a hearing in the week commencing 27 June.

Yours sincerely,

Mr R Mellor

Inspector