

RPS

DC

81

EMPLOYMENT SITE VIABILITY ASSESSMENT

FORMER CONEYGRE MINE

TIPTON

DC / 08 / 49278

RECEIVED

20 MAY 2008

PLANNING SECTION

**RPS Planning & Development
Highfield House
5 Ridgeway
Quinton Business Park
Birmingham B32 1AF**

Telephone: 0121 213 5500 Fax: 0121 213 5502

Planning Inspectorate Ref:

Local Authority Ref:

RPS Ref:

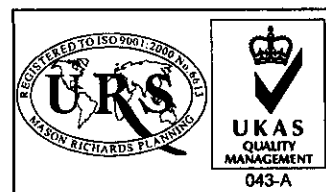
JBB7537.B4831

Date:

16 May 2008

Authorised by.....

Date 16 May 2008



CONTENTS

1. INTRODUCTION	1
2. INFILLING AND STABILISATION WORKS.....	2
3. ROAD CONSTRUCTION/JUNCTION COSTS/SERVICES PROVISION	3
4. 3 RD PARTY LAND COSTS – ACCESS PROVISION.....	4
5. CANAL WALL AND SITE COMPACTION.....	5
6. PROFESSIONAL COSTS	6
7. COMMERCIAL SITE VALUATION.....	7
8. CONCLUSION	8

APPENDICES

1. Site development costs appraisal
2. Bulleys Chartered Surveyors Marketing Report

Plan

1. Site Plan

1. INTRODUCTION

- 1.1 This site viability assessment report accompanies the employment land report submitted by RPS Planning and Development to Sandwell MBC in support of the planning application (DC/08/49278) for residential development and the associated infilling of the former limestone mine workings at the former Coneygre Mine site.
- 1.2 The purpose of the report, following discussions with officers at SMBC, is to provide a financial appraisal and information demonstrating there is no reasonable prospect (as required by Sandwell UDP Policy E2 Business Zone) of the site's current employment designation being implemented over the plan period, or indeed in the longer term.
- 1.3 Given the complexities of developing this particular site, it has been necessary to obtain financial information from a variety of different authoritative sources. As will be observed the costs of developing the site for employment purposes are substantial and relate to a variety of development sources and technical issues. In certain cases it has been possible to obtain very precise costs information, whilst in other areas the costs are based upon the best available knowledge of the issue. For example it is estimated that the volume of limestone workings is 300,000 Cubic metres, although the precise volume will await further detailed investigations. However, whilst a summary of the costs are provided in Appendix 1 and a description of the information provided in the relevant sections below, there is also a separate substantial body of supporting information to indicate how these costs have been derived. If required this supporting information can be provide to the LPA.
- 1.4 The costs and viability information has been provided from the following sources:
- Ove Arup: Infilling and stabilising Limestone and Coal Mine Workings and Shafts
 - Sladen Associates: Infilling Limestone Workings (additional estimate)
 - Ove Arup: Road Construction (entrance only), junction and services
 - Bea Landscape: Canal wall construction
 - Ove Arup: Made ground vibro-compaction
 - RPS Planning and Development: Client costs
 - Bulleys: Commercial site valuation

2. MINE INFILLING AND STABILISATION WORKS

- 2.1 Submitted with the planning application is a full technical appraisal document of the works associated with the mine workings in the form of the Sladen Associates Ground Conditions and Mine Stabilisation Report. This report indicates the extensive area covered by the former limestone and coal mines and the extent of the work required to infill them in order to stabilise the land and make it suitable for future development purposes.
- 2.2 Within this category, as indicated at Appendix 1, the infilling of the former limestone workings represents the most significant development cost for the whole site. Whilst the Sladen Associates Report outlines the costs associated with this at £5.7m (being the lower of their estimate), the preliminary and much earlier Ove Arup estimate of these costs indicated a lower figure of £2.8m. As indicated in the Sladen Associates Report, whilst the costs for this work will clearly be substantial, the precise costs will only be known following further detailed exploratory examination of the work involved. Therefore, for the purposes of this exercise the mid point between the lower Sladen Associates estimate and the Ove Arup estimate of **£4.2m** has been used.
- 2.3 In addition to infilling of the mine workings, as detailed in the Sladen Report, stabilisation of the Thick Coal and Brooch Coal seams and mineshafts is an essential component of the resolving the existing ground conditions prior to any above work taking place. As detailed in Appendix 1 these costs amount to a total of **£651,472**.
- 2.4 Therefore the total costs for this element of the work amounts to **£4,851,472**.

3. ROAD CONSTRUCTION/JUNCTION COSTS/SERVICES PROVISION

- 3.1 Costs for highway construction, including footways at £125sqm of the road have been calculated, for the first 300m of highway. The total length of highway serving the whole development area is clearly well in excess of 300m however, the specification of this for an industrial / commercial use of the site can only be determined through a further detailed master planning exercise. Therefore, these road construction costs are to be viewed as a baseline figure. However, using an average highway width of 7.3m for this section of highway would result in construction costs of **£281,250**.
- 3.2 As detailed in the Transport Assessment, access into the site off Burnt Tree requires a new road layout, with the provision of a signal controlled junction. This requirement relates to either a residential or industrial use of the site. The cost for this new signal controlled junction is **£200,000**.
- 3.3 Discussions have taken place with service and utility operators. Whilst there does not appear to be any in principal capacity or provision issues this clearly represents a development cost that has to be borne in delivering a serviced and available site. The cost of providing services to the site which includes gas, electricity and telephone amounts to **£255,940**.
- 3.4 Therefore the total costs for this element of the work amounts to **£737,190**.

4. 3RD PARTY LAND COSTS – ACCESS PROVISION

- 4.1 Whilst the site has the benefit of a potential existing access point through Coneygre Industrial Estate, the work undertaken for the Transport Assessment has demonstrated this to be severely below current day access and highway specifications for the proposed development. The need for enhanced access provision would be further compounded if the site were used for industrial / commercial uses, with the associated increased HGV and all vehicle movements, requiring a higher specification than proposed.
- 4.2 Whilst all potential access options have been fully investigated, as indicated on the application site plan (existing), it has been necessary to purchase three industrial units (and land) at the site entrance with Burnt Tree, in order to provide sufficient land to construct a 7.3m road entrance and 'open up the site'. As indicated in Appendix 1, the cost of purchasing these three units amounts to **£3,332,000**.

5. CANAL WALL AND SITE COMPACTION

- 5.1 Whilst the land fronting the canal is within the control of the applicant, the boundary between the land and water has seriously eroded over the years. Whilst this is not surprising given the site's former heavy industrial use, the planning application would see this situation rectified with the historical line of the canal restored. However, the historical use and current situation has resulted in there being a total absence of any defined edge to the canal along the northern boundary with the site.
- 5.2 To enable development to be constructed on the site in proximity to this boundary and thereby making the best use of potential development land (in accordance with national planning guidance) necessitates extensive engineering works involving pile driving along its entire length.
- 5.3 The length of canal frontage is 84m and the associated engineering costs, as calculated by BEA Landscapes, based upon £670 per m, amount to **£56,280**.
- 5.4 Whilst the majority of the existing foundry sand on the site will be used beneath ground level for the mine stabilization works, the remainder will be used for the provision of the site bund between the residential and industrial units. The site will then be regarded, sloping gently towards the canal. Given the presence of this made ground over the whole of the site, industrial / commercial development could not take place without significant compaction of the land where the industrial units are to be located. Based upon work undertaken by Ove Arup, taking a conservative estimate that 40,000 sqm of employment land which could be developed, would entail vibro-compaction costs of **£600,000**.
- 5.5 Therefore the total costs for this element of the work amounts to **£656,280**.

6. PROFESSIONAL COSTS

- 6.1 The work associated with land assembly and obtaining planning permission (and other regulatory consents) clearly necessitates the employment of specialist professional consultants.
- 6.2 Whether the site is used for employment or residential purposes requires the provision of a substantial evidence base to support the process. Much of this work is evidenced through the current planning application submission documentation and comprises significant costs associated with the following disciplines: Legal (Site Assembly and negotiations); Transport (TA); Engineering (Mine Stabilisation); Town Planning (Policy Assessment and Project Management); Urban Design (Master planning); Surveyors (Land Valuation); Noise Assessments; Air Quality Assessments; and Flood Risk Assessment.
- 6.3 Whilst this list does not cover every aspect of professional costs, it provides evidence of the extent of work which has been necessary for the redevelopment of this heavily constrained site, which would be required if the land were developed for either residential or commercial uses.
- 6.4 The total costs associated with this work have been estimated by RPS to be **£200,000**.

7. COMMERCIAL SITE VALUATION

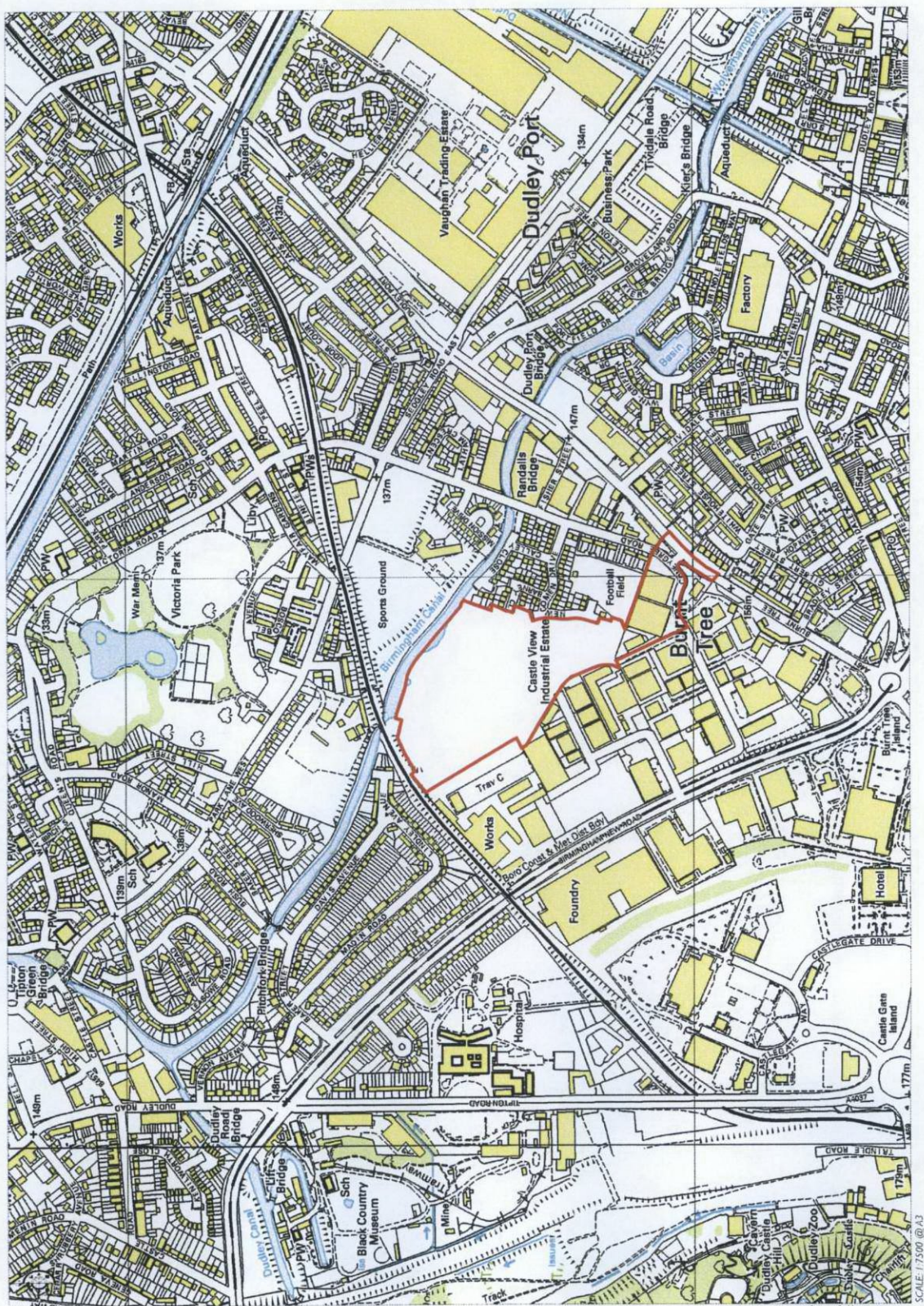
- 7.1 As stated in Section 1 above, this report has been prepared to provide an indication of costs associated with providing a serviced and available employment site. The principal costs associated with this have therefore been provided above. However, in order to form a view on the financial viability of the site for industrial/commercial uses necessitates the preparation and production of a site valuation and marketing report.
- 7.2 Following discussions with LPA Officers, the applicant instructed Bulleys Chartered Surveyors, leading specialist in industrial and commercial site valuations. The full report is attached at Appendix 2 to this report.
- 7.3 This report, confirms the findings of the RPS employment land report that the site is not a prime or high-profile employment site, given the existing and proposed access arrangements, the congestion on the A461 and the location adjacent to the existing Coneygre Industrial Estate.
- 7.4 The Bulleys report has therefore valued the site at £200,000 to £250,000 per acre. This is based upon the site being sold to a single purchaser, fit and ready for development, with no abnormal development costs. This is also based upon there being no restrictions for use, i.e. B1 (light industrial), B2 (general industrial) and B8 (warehousing) use all have an extant planning consent on the site.
- 7.5 Therefore taking the most optimistic view, the value of this land as an employment site amounts to **£4,695,000**.

8. CONCLUSION

- 8.1 Appendix 1 indicates the total costs of providing an accessible, serviced and available employment site. The total costs associated with this amount to some **£9.7million**. As established from the land valuation undertaken by Bulleys Chartered Surveyors, the most optimistic employment land value for the site is **£4.7 million**.
- 8.2 This assessment has therefore categorically demonstrated that the site has a negative employment land value of **-£5 million**. This financial viability assessment conclusively supports the RPS employment land assessment report submitted with the planning application and demonstrates the site is clearly not economically viable, even taking the most optimistic view on land values and costs. This provides conclusive proof of why the land has remained undeveloped over many years and will continue to do so unless a more valuable and viable land use is realised.
- 8.3 In accordance with existing UDP and RSS policy, development of the site for employment purposes is not a realistic possibility now, or in the foreseeable future and therefore the site must not be regarded as part of the Council's employment land portfolio.

Plan1

Site Location Plan



Appendix 1

Site Development Costs Summary Information

Work	Source	Final Costs £
Infilling limestone workings		Average
Ove Arup	Ove Arup = 2,795,779.43	
Sladen Associates (lower costs)	Sladen Associates = 5,737,500.00	4,266,639.00
Stabilising Thick Coal	Ove Arup	419,542.29
Stabilising Brooch Coal	Ove Arup	82,019.36
Stabilising Mine Shafts	Ove Arup	150,000.00
Road Construction	Ove Arup	281,250.00
Signal controlled Junction	Ove Arup	200,000.00
Services Relocation	Ove Arup	255,940.53
Access Purchase – Unit 7a	Birlee Industrial RBS	300,000.00
Access Purchase – Unit 8	BA Property Management	1,750,000.00
Access Purchase – Unit 9	Revelan Estates	1,282,000.00
Construction of Canal Wall	Bea Landscapes	56,280.00
Vibro-Compaction on 40,000sqm of made ground	Ove Arup	600,000.00
Professional Costs (all)	RPS	200,000.00
Total Costs		9,693,671.18

Appendix 2

Bulleys valuation and marketing report

BULLEYS

CHARTERED SURVEYORS

bulleys.co.uk

MARKETING REPORT

FOR

LAND AT THE REAR OF
CONEYGRE INDUSTRIAL ESTATE
TIPTON

PREPARED BY:

**BULLEYS
BIRCHLEY HOUSE
CBIRCHLEY ISLAND
BIRCHFIELD LANE
OLDBURY
WEST MIDLANDS
B69 1DT**

MAY 2008

Introduction

At the request of Mr J. Hurst of Mintworth Transport Limited, we have been asked to provide a valuation for marketing purposes of the land to the rear of Coneygre Industrial Estate, Tipton as identified on the enclosed plans.

The Site

Land to the rear of Coneygre Industrial Estate

Tipton

The above site provides approximately 18.78 Acres, hatched in green on the enclosed plan.

We are advised that the site will be accessed via a new roadway constructed off Burnt Tree Road on the site of the three industrial premises also shown on the plan, hatched blue.

Assessment and Considerations

The Black Country

The Black Country is located at the heart of the United Kingdom forming part of the West Midlands. It covers approximately 35,600 hectares and comprises of the three metropolitan boroughs of Walsall, Dudley, Sandwell and the City of Wolverhampton.

Market

The Black Country industrial property market has over the last few years experienced a stable but steady period on leasehold industrial property. Freehold industrial property has however experienced a strong level of interest and growth over the same period, however, since mid-2007 the market has changed and become significantly quieter with leasehold premises remaining on the market longer and less interest in freehold properties as it becomes more difficult to secure finance for a purchase with less competitive banking terms available to borrowers.

Land prices have also fallen back in the last nine months as speculative development has fallen sharply with developers being risk adverse at this time. This has affected their willingness to bid and the level of bids that are received on sites.

Typically new building rentals are from £4.50 to £5.50 per sq.ft in the current market. The Black Country is generally seen as an attractive alternative when compared to alternative prices in the general Birmingham market i.e. £5.50 - £6.00 p.s.f.

Land values have risen sharply over the last few years from £200,000 per acre to £500,000 per acre for prime, high-profile sites. However, your site which is bounded by the existing industrial units to the West, the canal and railway to the North and North-East and the residential to the East / South-East cannot be described as prime or high-profile due to the existing and proposed access arrangements. The A461 can at peak times be notoriously traffic bound as it approaches the Burnt Tree Island and this has affected the marketability of units on the Coneysgre Business Park.

Also of concern for any industrial development on the site would be the effect of any hours of use restrictions or noise limits on operations by manufacturing or logistics users. This is particularly of concern along the boundary with the existing and recently constructed residential adjoining the site.

A number of relevant examples, one of a prime site disposal would be the sale of Citadel Junction, a 16.37 acre site accessed and positioned between the A41 Black Country New Road and the A463 Black Country Route, approximately 1 mile from junction 10 of the M6 which we sold in early 2007 based on a price of just over £500,000 per acre. This can be considered a sale at the height of the market on a site which was exceptionally well positioned and located to the local dual carriageway and national motorway network.

A 9.4 acre site was acquired by Mucklows from a partnership of Dudley Metropolitan Borough Council / Advantage West Midlands in late 2006 price was understood to be based on a net figure of £150,000 per acre.

A 13 acre site comprising the former Thompson Chassis works at Millfields Work, Wolverhampton was sold in 2005 to developers based on a net price of £240,000 per acre. Again the site was positioned prominently to a main road, Millfields Road at it's junction with Spring Road.

Another more recent example would be a site which we are currently marketing of 3.5 Acres of back land in Wolverhampton where we have been let down several times since September last year from owner occupiers failing to secure finance to developers getting cold feet and becoming less willing to undertake speculative development. The site currently has a guide price of £200,000 per acre but no sale is imminent despite a large amount of interest earlier in 2007. The site also suffers from some topography issues and drainage problems and I note that this is something which would have to be addressed as well on your site.

Marketing Valuation

Given the above examples I would suggest that in the current market, assuming that a suitable access road was constructed to link in with the A461 Dudley Port, a valuation for marketing purposes of £200,000 per acre (two hundred thousand pounds) to £250,000 per acre (two hundred and fifty thousand pounds). This assumes that the site is sold to a single purchaser, fit and ready for development, that there are no abnormal development costs in relation to ground conditions, contamination, diversion of services e.t.c. and assuming the topography of the site was level. The site would have an unrestricted planning permission for B1 light industrial, B2 general industrial and B8 warehousing and distribution consent with no onerous restrictions such as limitations on hours of use.

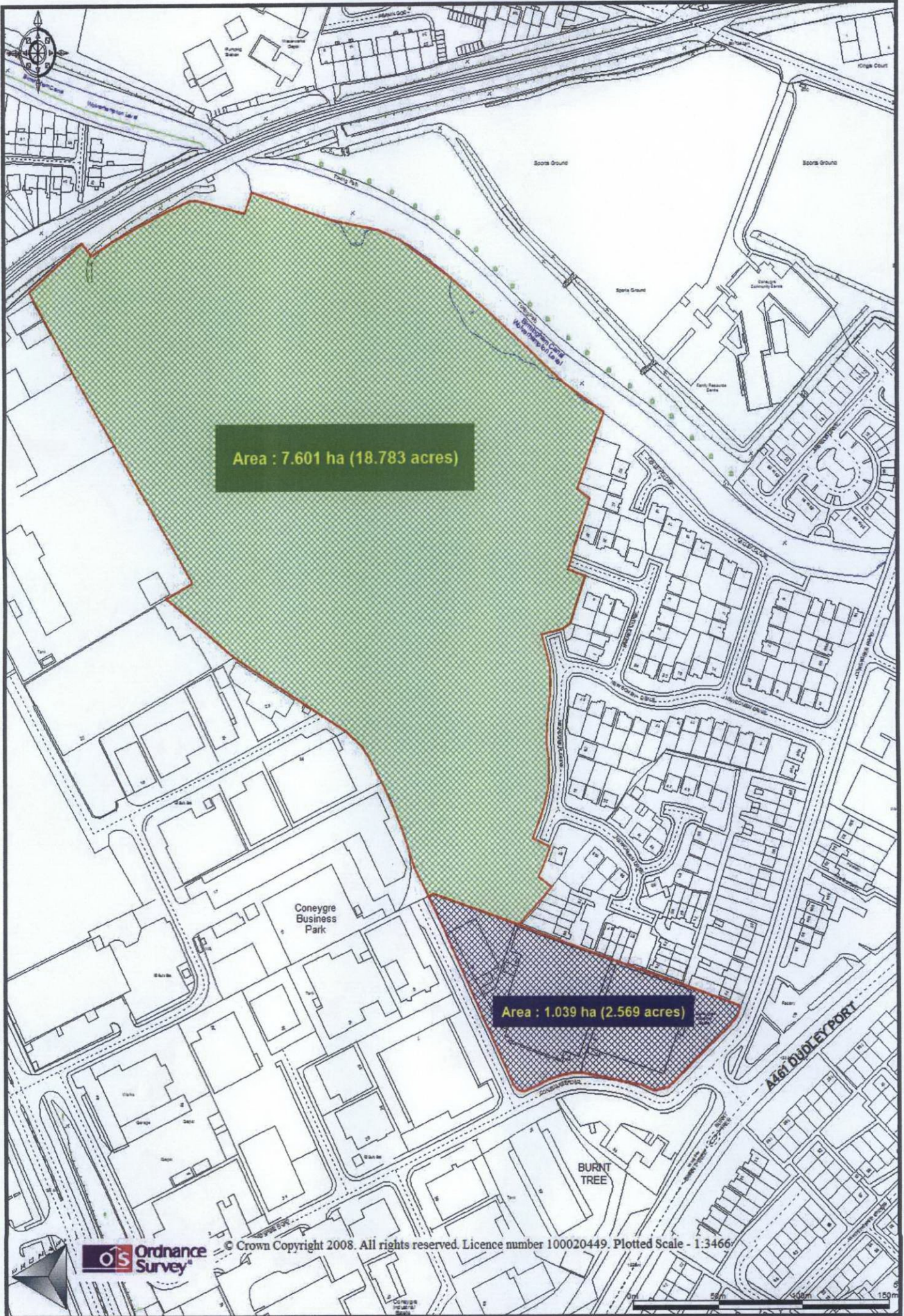
Caveats and basis of valuation for marketing purposes

Please note that my valuation is for marketing purposes only and is not a RICS "Red Book" valuation for mortgage or lending purposes. The valuation figure within our report is our opinion of the figure that the site should be placed on the open market at the current time under prevailing market conditions assuming suitable proactive marketing initiatives are undertaken including a budget for advertising and marketed for a suitable period of time having regards to the market and the site's nature and assuming a sale to a single purchaser.

They are a guideline to achieve interest and to facilitate a sale as close to this figure following negotiations. Such sale price is assumed to be gross of any appropriate deductions following details, surveys / site investigations. These figures should not be relied upon for formal valuation or lending purposes as an RICS defined "Red Book" valuation has not been carried out at this stage. As you are aware we have only had limited access to the site and not been made aware of any previous reports. These figures must therefore be regarded as approximate until a more formal inspection and assessment can be undertaken.

Appendix I

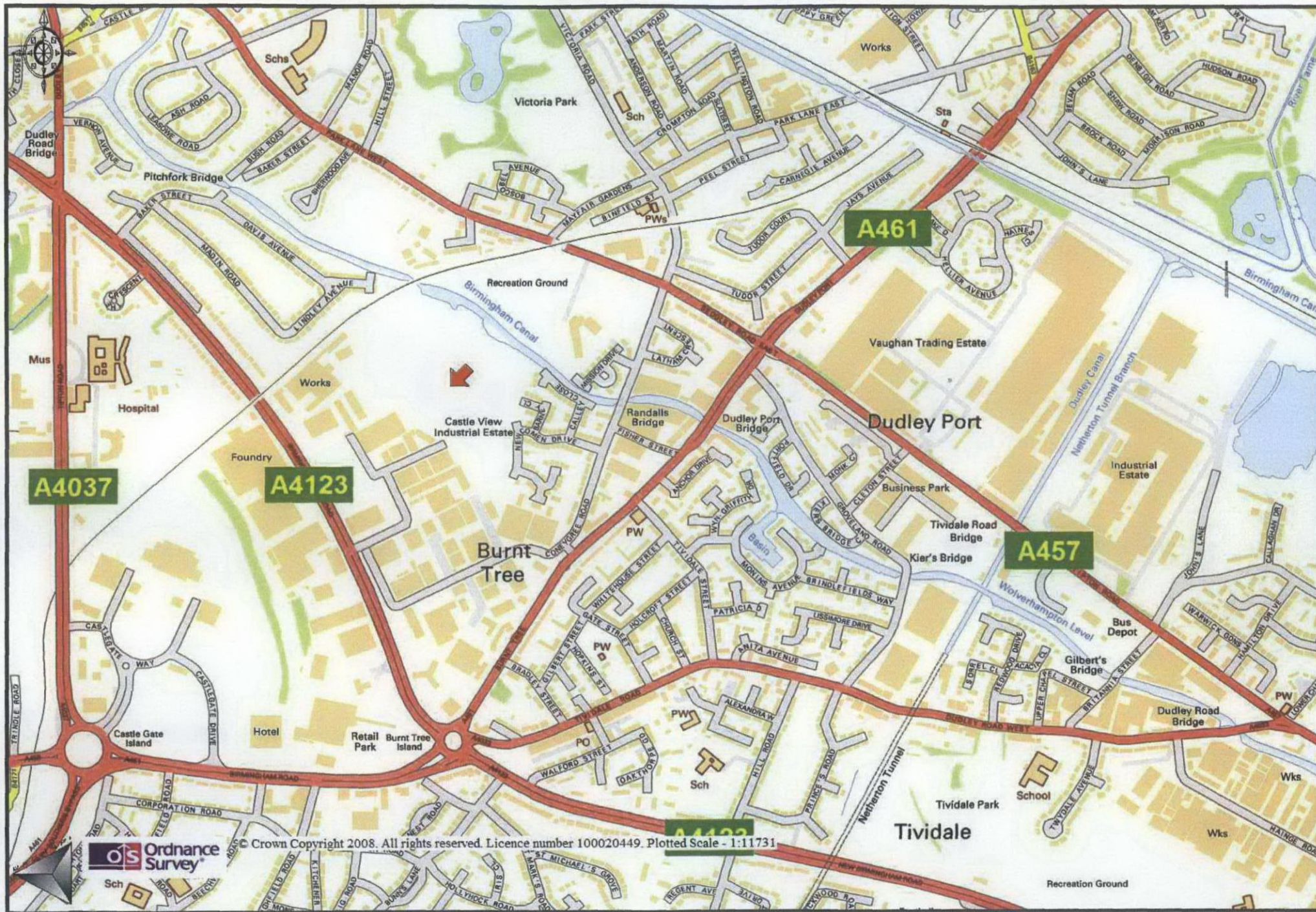
Site Plan



Area : 7.601 ha (18.783 acres)

Area : 1.039 ha (2.569 acres)

Appendix II
Location Plan



Ordnance Survey

© Crown Copyright 2008. All rights reserved. Licence number 100020449. Plotted Scale - 1:11731