SUPPLEMENTARY REPORT

TO THE PLANNING COMMITTEE

25th April 2017

Agenda item 6 **Application ref. 16/00796/OUT & 16/00798/LBC**

Former Orme Centre, Orme Road, Newcastle

The main agenda report indicated that at the time of writing officers were awaiting a report by an independent valuer setting out his appraisal of the development's viability. That report has been received and considered.

The valuers, to assess the assertion by the applicant's valuer that the scheme does not generate surplus profits in order to meet the Section 106 contributions for the scheme, have undertaken their own viability appraisal of the scheme in order to draw their own conclusions as to its ability to support the financial contributions. In order to account for the uncertainty surrounding costings at this early stage of the scheme they have produced three appraisals to allow them to consider the viability of the scheme under their worst case and best case scenarios for the build costs for the proposed development.

- The first appraisal, Version 1, assumes a worst case scenario in relation to the build costs, adopting the highest level of construction costs and shows a deficit of £1,009,868 would be made after deducting the minimum acceptable level for developer's profit at 15% of Gross Development Value.
- The second appraisal, Version 2, assumes the best case scenario in relation to the build costs, adopting the lowest level of construction costs and shows a deficit of £323,317 would still made after deducting the minimum acceptable level for developers profit at 15% of Gross Development Value.
- The third appraisal, Version 3, also assumes the best case scenario in relation to the build costs, adopting the lowest level of construction costs and shows that the highest level of profit that could be expected by the developer under the best case scenario is 9.2133% of Gross Development Value before the scheme would generate a deficit.

None of these appraisals make any allowance for the payment of any Section 106 sums.

The Valuer's conclusion is that as the scheme could not support the minimum acceptable level of developer profit (a figure incidentally which is less than that normally assumed by the DV), they are of the opinion that the scheme will not generate sufficient surplus in order to support any Section 106 contributions.

The methodology followed by the independent valuer is not the same as that recommended by the RICS guidance on Financial Viability appraisals in that no comparison is made with the existing use value of the site. In allowing for the cost of acquiring the site the appraisal assumes what was actually incurred (in November 2015) and the Valuer is of the opinion that the figure also reflects the current market value of the site. Given the degree to which the scheme falls short of being able to "afford" any such contributions no clear purpose would be served by requiring a change in the type of appraisal methodology.

Evidence has accordingly been submitted that this development cannot support policy compliant contributions. In this case that means that money would not be available to address the additional demands upon open space that would result, would not be available to fund any monitoring of the Travel Plan and would not be available to fund the putting in place of a Traffic Regulation Order should the development lead to additional onstreet parking in the area. In your officer's view the overwhelming consideration in this case is that the scheme facilitates and enables the retention and long term use of a Listed Building which has both been empty for some time and is an increasingly poor state of repair. The building would be considered to be “at risk”. Its appearance significantly detracts from this important junction site, on the edge of the town centre and in these terms the development will be beneficial to the area. Given the importance attached here to the conversion and that the appraisal has been undertaken on a single project basis it is considered appropriate that there should be a phasing of works condition included within any consent.

The application will still need to be the subject of a planning obligation which would secure a financial viability reappraisal mechanism, should a substantial commencement of the development not occur within 12 months of the date of any decision on the application, and then payment of appropriate contributions, if the site were to found capable of financially supporting these features. It is suggested that in such an event any such residual land value should be proportionally allocated.

Since the preparation of the main agenda report revised plans to secure the successful retention of the ash tree on this site have been received, together with additional arboricultural information, commented upon by the Landscape Development Section, and further adjusted. Members are advised that an acceptable scheme (in terms of tree retention) has been received indicating 20 car parking places. Some further adjustment (to remove a parking space forward of the building line and its replacement with landscaping) is considered appropriate, but these matters can be dealt with by condition. With the previous scheme having provided 6 car parking spaces, noting the highly sustainable location of the development, and conditions concerning cycle parking and the implementation of a Travel Plan, it is considered that the second reason for refusal of planning permission for the previous scheme relating to a lack of onsite parking has been overcome..

The first part of the RECOMMENDATION with respect to the planning application is accordingly amended to read as follows

Subject to the applicant (providing they first agree in writing, by noon on 28th April to extend the statutory determination period to the 9th June 2017) entering into a Section 106 obligation by agreement by 6th June 2017 to secure a review mechanism of the scheme’s ability to make a policy compliant contributions to public open space, travel plan monitoring and on street parking controls, if the development is not substantially commenced within 12 months from the date of the decision, and the payment of such a contributions if found financially viable, PERMIT the application subject to conditions relating to the conditions set out in the report and additional conditions to reflect a phasing requirement, and the revised parking layout and the provision of 19 car parking spaces.