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Old Mills Extension - Enterprise Zone Report

On

Old Mills Industrial Estate - Employment Allocation

on behalf of

Bath and North East Somerset Council

Prepared by

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OLD MILLS EXTENSION – ENTERPRISE ZONE REPORT

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1. INTRODUCTION

1.1. BACKGROUND TO AND OBJECTIVES OF STUDY

The proposed Old Mills Industrial Estate extension comprises greenfield land in Paulton, located west of Midsomer Norton, Bath and North East Somerset. The land is currently allocated within Bath and North East Somerset Council's ('the Council') 2007 Local Plan as a site which has the potential to provide long term supply of new employment space.

The site has also been identified within the Council's emerging Placemaking Plan. This Placemaking Plan, when adopted, will set out the vision and design principles for key development sites in addition to setting the basis for a new set of updated planning policies. Once formally in place alongside the Core Strategy, the Placemaking Plan will form part of the statutory Development Plan against which planning applications will be determined.

The proposed allocation within this draft document totals 36.68 acres (14.85 hectares).

In addition to its proposed allocation, the site has been awarded Enterprise Zone status, being part of the new West of England Enterprise Zone, alongside an extension to the existing Bristol Enterprise Zone.

The Council have instructed Lambert Smith Hampton (LSH) to:

1. Provide an assessment of industrial supply and demand in the Somer Valley region;
2. Consider the evidence for the allocation within the Placemaking Plan, within the context of the award of Enterprise Zone Status; and
3. Provide initial considerations for a delivery strategy.

This report has two key outputs, which are as follows:

Somer Valley demand assessment - The report is required to consider the evidence base behind the proposed 36.68 acre allocation within the Placemaking Plan. This will draw on historic and current levels of demand and, drawing on this, provide a best estimate of future demand levels taking into account factors including:

- Enterprise Zone Incentives;
- Potential transport improvements (linked to the transport strategy) and any potential impacts of the West of England Devolution Agreement; and
- Impact of population growth in the region.

This analysis will primarily consider demand over the Placemaking Plan period, which is up to 2029. We have also considered the allocation up to 2040, which represents the period of the Enterprise Zone status.

It is important to note that any estimate of future demand is highly uncertain by its very nature due to the multitude of local, regional, national and international factors that will affect it. This report therefore considers the basis of what is an appropriate allocation given the evidence available at the time of reporting.

Considerations for a Delivery Strategy – the report provides an analysis of key factors relevant to delivery of the site, and recommends next steps. This will include:

- Details of any major delivery challenges and risks; and
- A review of potential interventions (including financing options).

Please note that this report and the valuation figures expressed herein do not meet the inspection, valuation and reporting requirements of the RICS Valuation – Professional Standards (Red Book) and this report should not be regarded as a formal valuation report.

1.2. LOCATION AND SITE

The site is located approximately 1.25 miles from the centre of Midsomer Norton, 0.5 miles from the towns' northern extent, within the Paulton Parish boundary. Midsomer Norton has a population of approximately 20,000 (2001 census). In addition to the urban area, the town serves a relatively affluent surrounding catchment area, popular with commuters to both Bath and Bristol. Nearby cities / towns include Bath (11 miles), Bristol (15 miles) and Weston-super-Mare (24 miles).

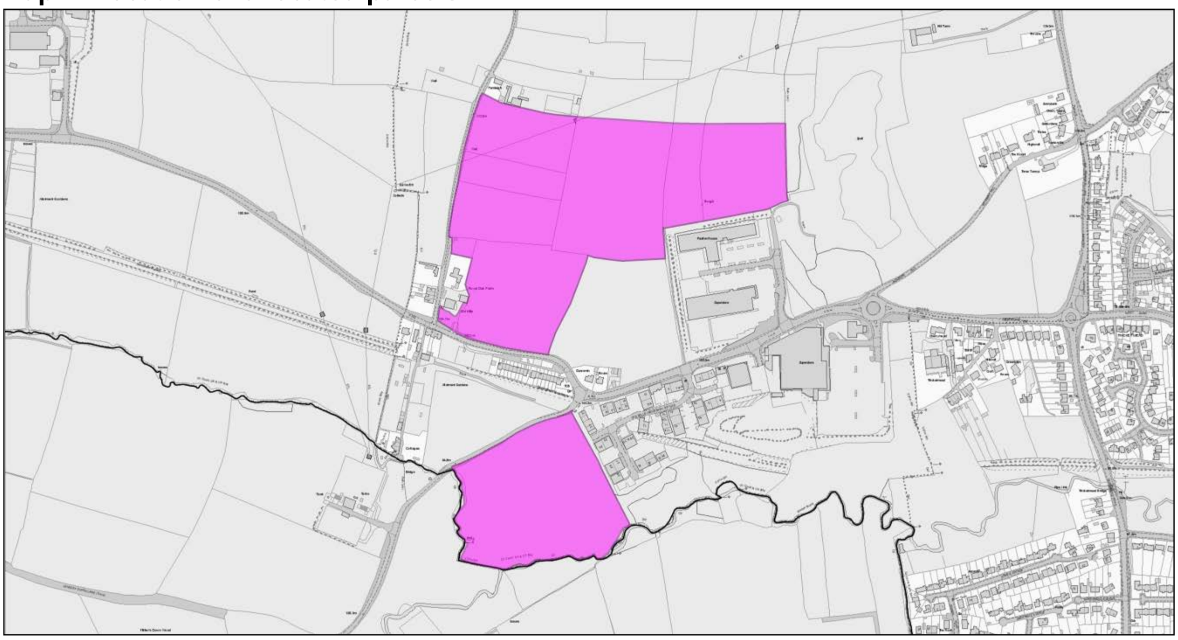
The immediate surrounds of the site comprises industrial and rural uses. The existing Old Mills industrial estate is located adjacent to part of the site, and contains a variety of smaller (sub 2,500 sq ft) industrial and trade counter units, catering to predominantly local and regional occupiers. Somer Valley Enterprise Park is also adjacent to the site, and includes a recently opened Wickes trade counter, in addition to a serviced office building. Other nearby uses include a Tesco superstore, in addition to a number of residential units and agricultural land and buildings.

The site, as currently proposed in the updated draft of the Placemaking Plan, is split into two parcels, which are not adjoining. The larger of these is located to the north of, and adjacent to the A362. This is greenfield land, which has a generally sloping topography from north to south. It is bounded by agricultural land to the north, Old Mills Lane to the west, the A362 to the south and Somer Valley Enterprise Park and a former coal mine to the east.

The smaller parcel to the south of the A362 is located a short distance to the south of the northern parcel, and adjacent to Langley Lane and Old Mills Industrial Estate. The land currently comprises undeveloped, greenfield land, which is being used for agricultural purposes. Wellow Brook runs adjacent to the south of this parcel. Location plans are detailed in Appendix 1.

The site is split into parcels which are detailed in the map below, as coloured pink:

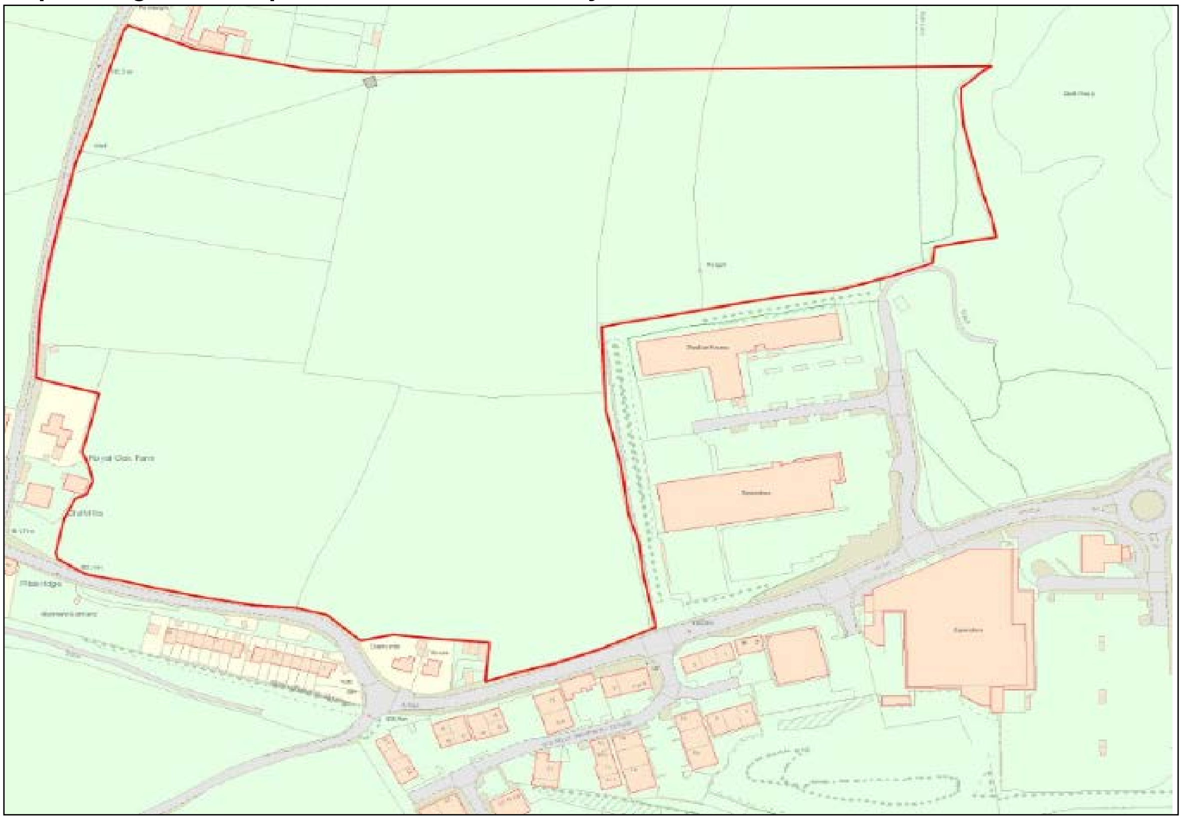
Map 1: Location of allocated parcels



Source: Bath and North East Somerset Council

The area allocated in the draft Placemaking Plan (Map 1) differs to that put forward as part of the Enterprise Zone bid (see map 2 below). We detail the boundary included within the latter below:

Map 2: Original Enterprise Zone Area Boundary



Source: Bath and North East Somerset Council

We understand that the exact boundary of the Enterprise Zone is yet to be confirmed, however for the purposes of reporting, we have been instructed to assume the area proposed within the Placemaking Plan. This totals 36.68 acres (14.85 hectares).

1.3. OWNERSHIP

The site to the north comprises four landowners, in addition to an unregistered plot. We understand that these parties have been approached previously in relation to purchasing the site as a whole, but that site assembly has proved to be a challenge to delivery.

We have not been provided with title information in relation to the southern parcel but have been informed that this parcel is under single ownership.

Having not held meetings with the landowner or completed a review of title at this stage, we have relied on the information provided in relation to this part of the subject site.

1.4. PLANNING CONTEXT

The Development Plan for Bath and North East Somerset currently comprises:

1. Bath & North East Somerset Adopted Core Strategy;
2. Saved policies from the Bath & North East Somerset Local Plan (2007); and
3. West of England Joint Waste Core Strategy (2011).

Core Strategy (Adopted 2014)

The Core Strategy document identifies a strategic issue as being:

'Recent incremental housing development and a decline in the manufacturing sector have led to an imbalance between jobs and homes. The area provides a high quality environment to live with good accessibility to services, particularly highly successful schools and open countryside. However in order for the Somer Valley to continue to thrive, it is necessary to create a more sustainable balance by enhancing economic activities and wealth creation'

The B&NES Economic Strategy therefore seeks to:

'*Improve the prosperity and well-being of Bath and North East Somerset residents through a more productive, competitive and expanded economy. It includes priority actions to bring forward new employment space in Midsomer Norton and Radstock centres and identifies a new strategic employment location in the Somer Valley''.*

Core Strategy Policy SV1 therefore states the Somer Valley Spatial Strategy as:

'Natural & Built Environment

- *Protect and enhance the distinctive character of the area including the landscape and built and historic environment: and*
- *Strengthen the green links between the two town centres via a cycle and walking link along the route of the former railway as part of the Town Park and Five Arches route proposals. Bath and North East Somerset Composite Core Strategy - Adopted 10th July 2014 80.*

Previously Developed Land

- *Prioritise development on brownfield sites focussing on Midsomer Norton and Radstock Centres (See Policies SV2 and SV3) and the redevelopment of vacant and underused industrial land and factories.*

Economic Development

- *Enable the delivery of around 900 net additional jobs between 2011 and 2029 and facilitate further jobs if economic circumstances allow.*
- *Encourage the retention and expansion of local companies and the growth of new businesses by making provision for the changes in employment floorspace set out below: Office floorspace: from about 31,000m2 in 2011 to about 33,700m2 in 2029 Industrial/Warehouse floorspace: from about 126,400m2 in 2011 to about 112,000m2 in 2029. New employment floorspace will be focussed at the Westfield Industrial Estates, Midsomer Norton Enterprise Park and Bath Business Park in Peasedown St John, Old Mills in Paulton (Local Plan Policy GDS.1 V4) and Midsomer Norton and Radstock Town Centres.*
- *Protect land in existing business use and, consider alternative use where there is no reasonable prospect of a site being used for that purpose and it does not lead to an unacceptable loss of employment land.*

Housing

- *Enable around 2,470 new homes to be built at Midsomer Norton, Radstock, Westfield, Paulton and Peasedown St John, by amending the housing development boundary as necessary and to reflect existing commitments. This will include affordable housing,* *providing more choices of housing to meet the needs of the local communities. (Policies RA1 and RA2 are applicable to the other settlements in Somer Valley.)*

<u>Shopping</u>

- *Strengthen the shopping offer in Midsomer Norton town centre to serve the Somer Valley by facilitating redevelopment and improving the public realm.*
- *Enable Radstock centre to continue to provide local needs and support specialist shops; and*
- *Protect and enhance the local centres at Westfield, Paulton, Peasedown St John and Timsbury.*

<u>Transport</u>

- *Implement necessary transport infrastructure to improve public transport links to major settlements and links within the Somer Valley and safeguard and extend sustainable transport routes; and*
- *Encourage Smarter Choices to facilitate increased movement by sustainable modes of transport. (Transport infrastructure and Smarter Choices measures are set Bath and North East Somerset Composite Core Strategy - Adopted 10th July 2014 81 out in the Infrastructure and Delivery section.)*

<u>Energy conservation and sustainable energy generation</u>

- *Encourage renewable and low-carbon energy generation schemes, particularly those led by local communities; and*
- *Facilitate district heating system in the centres of Midsomer Norton and Radstock.*

<u>Leisure</u>

- *Increase and enhance access to local heritage, woodlands and green spaces including implementation of the proposed Town Park in Midsomer Norton.*
- *Facilitate the provision of the proposed Town Park in Midsomer Norton as a recreational facility serving the Somer Valley; and*
- *Increase allotment provision where deficiencies have been identified.'*

Local Plan (Adopted 2007)

Under the second of these documents, the northern parcel of the site is allocated within Policy V4 (Old Mills, Paulton). This site is stipulated as being or requiring 'business use within uses B1, B2 & B8 of the Use Classes Order; major landscaping to mitigate the impact on the surrounding countryside and nearby residential properties; protection, diversion or undergrounding of overhead electricity lines; improvements to A362 including its realignment and associated traffic management measures to A362 & Langley's Lane to ensure safe access to the site; and provision of community facility to meet needs of workers'.

Placemaking Plan - Pre Submission Draft (December 2015)

The Placemaking Plan allocates Old Mills to provide a 'long term supply of new employment land'. The area includes firstly an extension of the existing Old Mills Industrial Estate to the south of the A362, and secondly a new industrial estate to the north of the A362.

The emerging development and design principles on the site are:

1. *'Development of light industrial, heavy industrial, warehousing (classes B1c, B2, B8), builders merchants and car show rooms (sui generis);*
2. *Major landscaping in order to mitigate the impact on the surrounding countryside and nearby residential properties;*
3. *Retention and enhancement of existing hedgerows along perimeter of site (with on-site replacement of any habitat lost in accommodating the access roads);*
4. *Protection, diversion or undergrounding of overhead electricity lines;*
5. *Improvements to the transport network to mitigate the impact of the scheme;*
6. *Provision of community facilities to meet the needs of workers;*
7. *Incorporation of SuDS as part of the surface water drainage strategy; and*
8. *Undertake a detailed historic environment assessment, and where necessary evaluation, in order to identify and implement appropriate mitigation.*

Additional development and design principles of the northern site are as follows:

9. *Minimise and mitigate impact on the Batch which is identified as an undesignated heritage asset, a Regionally Important Geological Site and a Site of Nature Conservation Interest;*
10. *Access from the A362 (west of Langley's Lane) and Paulton House / former Focus DIY access road;*
11. *Retention and incorporation of existing public rights of way into the scheme; and*
12. *Careful consideration of the appropriate position and scale of development to ensure impact on the surrounding landscape is minimised*

Additional development and design principles of the southern site are as follows

13. *Access from existing Old Mills Industrial Estate;*
14. *Flood mitigation measures along the southern and western boundaries of the site, which should also incorporate ecological improvements; and*
15. *Appropriate lighting strategy to incorporate dark corridors to mitigate impact on bats*

We would note that given the viability challenges detailed within this report, we have not currently allowed specifically for item 5 on the above list within our appraisals.

1.5. ENTERPRISE ZONE CONTEXT

In July 2015 the Government announced a new round of Enterprise Zones. These new Enterprise Zones focussed on ensuring that all places in England could benefit from the incentives offered, including a focus on smaller towns and districts in addition to rural areas.

Following submission of bids, the Government announced in November 2015, that 18 new Enterprise Zones would be created; with a further eight zones being extended. These 26 new and extended Enterprise Zones will cover 7,968 acres (3,226 hectares). 15 of these are in smaller towns or rural areas.

The Enterprise Zones primarily aim to 'remove barriers to private sector growth through reduced burdens for businesses, particularly in terms of lower tax levels, planning and other regulatory and administrative burdens'. Key to achieving this aim is simplified planning procedures in addition to business rates discounts. The approach focuses on the following:

- Opportunity - focusing on areas of genuine economic opportunity in order to maximise the positive effect;
- Long-term viability - involving business and local communities through local enterprise partnerships in the long-term success of the area beyond the initial period of the business rate subsidy. The uplift in business rates can be re-invested within the local enterprise partnership's boundaries;
- Strategic fit - local enterprise partnerships will have a key role in developing and implementing Enterprise Zones. There will be a menu of options on offer to Enterprise Zones to suit local economic needs; and
- Minimising displacement - Competition to attract foreign inward investment will be most highly valued, with the Government keen to avoid much more localised competition.

The 'menu of options' offered by the Government are detailed below:

- A business rate discount worth up to £275,000 per business over a five year period;
- The LEP to retain all business rates growth within the zone for a period of at least 25 years to reinvest locally;
- Government help to develop simplified planning approaches for the zone using, for example, Local Development Orders. These Orders allow development to be undertaken without the need for planning permission to be obtained from the local planning authority; and
- Government support to ensure that superfast broadband is rolled out throughout the zone.

Additional options are available including:

- Enhanced capital allowances for plant and machinery where there is a strong focus on manufacturing;
- Availability of Tax Increment Financing, enabling borrowing against future increases in business rate receipts to help fund the development of infrastructure; and
- UK Trade & Investment support for inward investment or trade opportunities in the zone.

2. BACKGROUND AND CONTEXT - SUPPLY AND DEMAND WITHIN THE SOMER VALLEY

2.1. INDUSTRIAL MARKET OVERVIEW

LSH completed an Industrial Market Review for the Council in 2015 and this has been used as the evidence base for this report. The following section summarises key elements of this review.

Bath and North East Somerset Industrial Overview

Supply

The Bath and North East Somerset industrial market is generally characterised by a higher than usual proportion of local and regional occupiers. We would consider this to be largely a reflection on larger national manufacturers and distributers reticence to re-locate to the area given the relatively poor access to the main road network.

Within the Bath and North East Somerset area, industrial supply currently stands at 643,372 sq m (approximately 6.9 million sq ft), which is spread across 1,450 industrial properties. This total space represents a contraction of approximately 8.5% since 2008, reflecting the closure of several major factories.

Table 1 (below) was reported in LSH's Industrial Market Review in 2015, and details district wide gains and losses in industrial floorspace:

Table 1: Gains and losses in industrial floor space between 2008 and 2015 (square metres)

Sub-area	Gains	Losses	Net change
Bath	802	-6,337	-5,535
Keynsham	925	-23,252	-22,327
Rural	912	-4,117	-3,205
Somer Valley	8,075	-23,560	-15,485
All district	10,714	-57,266	-46,552

Source: LSH Industrial Market Review, 2015

The type of industrial stock currently standing varies markedly across the area, depending on the location. For example Keynsham has a higher proportion of warehousing occupiers, while factories dominate stock in Somer Valley. The Bath surround has a more balanced mix of uses, with a majority share of the district's car showrooms, storage space and vehicle repair properties.

The vast majority (approximately 70%) of this stock is old and relatively poor quality, which is representative of a general lack of recent development. In this regard we would consider that there are only three modern schemes (equating to less than 5% of the total stock), with Bath Business Park being the only premium quality multi-unit industrial area in B&NES.

Regional competition is provided by a number of areas, including Chippenham, which provides competition for large occupiers due to its improved transport connectivity and access to the M4 corridor.

Availability
Across the district, availability is estimated at 9,985 (107,478 sq ft). This equates to just 1.6%, or 1.1 years of demand (based on average rates of take-up) which is considered a low rate of availability. We detail later within this report the availability for the Somer Valley area only, which possesses less than a year of supply.

Demand
Small units have an important role in accommodating businesses in the district, with those of below 200 sq m (2,153 sq ft) accounting for nearly 20% of take-up, but almost 60% of transactions.

The district is characterised by a large amount of secondary and tertiary stock, and therefore it is not surprising that over half of take-up is for accommodation which is poorer quality.

Despite making up less than 20% of transactions, the 500 sq m (5,382 sq ft) to 1,999 sq m (21,517 sq ft) size-band accounted for half of district take-up. This size band also has the highest churn rate, standing at 2.8% of district stock per annum, compared to 1.4% across all size-bands.

Demand for smaller, and in particular medium-sized units, is more consistent than it is for the larger units. The period from 2010 to 2015 recorded just a single transaction in excess of 2000 sq m (21,528 sq ft). This illustrates a lack of availability of larger buildings generally and the supply of more functional, modern buildings in more advantageous but competing locations with better transport links such as Chippenham.

This is largely as a result of Bath Business Park which has an annual churn rate of 24.1%, reflecting latent demand for Grade A space. This is compared with an average churn rate of just 1.6% in the Somer Valley area.

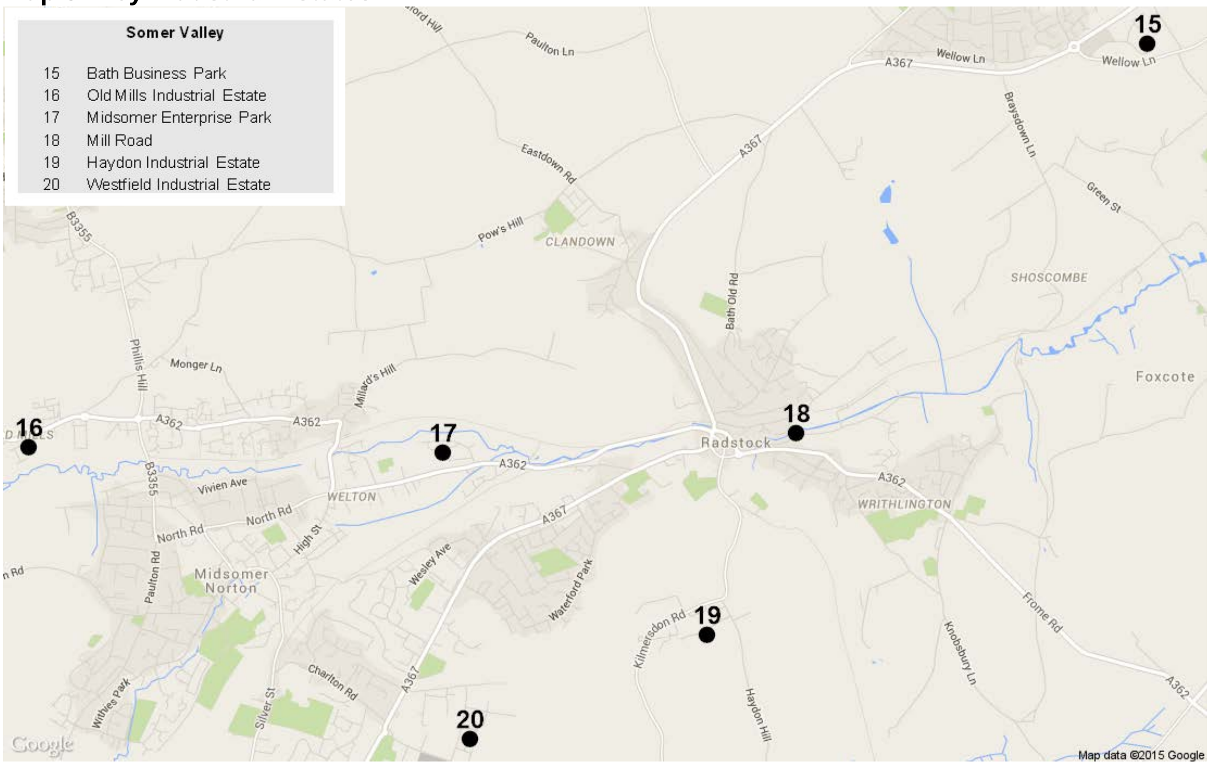
Somer Valley Industrial Overview

Supply
LSH's Industrial Market Review (2015) revealed that the Somer Valley has one third of the district's industrial stock, at 214,174 sq m (2,305,350 sq ft), or 33.3% of the district total.

When compared to the district stock, Somer Valley contains some of the better quality accommodation including Bath Business Park (Peasedown St John). In contrast, Westfield Industrial Estate (the largest industrial estate in the Somer Valley), Haydon Industrial Estate and Mill Road industrial estates are of lower quality. The largest percentage (at approximately 40%) of total floor space within the area is of Grade B quality.

Key industrial estates within Somer Valley are detailed in the map below:

Map 3: Key Industrial Estates



Source: LSH Industrial Market Review, 2015

It is notable that Somer Valley has recorded a net loss in stock of 15,485 sq m (166,679 sq ft) since 2008, largely reflecting closure of the Alcan site but partly offset by the development of Bath Business Park.

Existing industrial schemes within the immediate area tend to comprise mostly small units; albeit the average unit size is approximately 600 sq m (6,458 sq ft). This picture is heavily influenced by Westfield Industrial Estate and Mill Road, which are key locations for medium-sized occupiers. On the other hand, Old Mills Industrial Estate provides units up to 232 sq m (2,500 sq ft) which lend themselves towards smaller businesses. In contrast, Old Mills Industrial Estate adjacent to the subject site provides units exclusively of less than 232 sq m (2,500 sq ft).

Availability

Vacancy rates in Somer Valley are generally low, with the majority of stock being occupied by a wide range of local and regional businesses. Current availability in the Somer Valley amounts to approximately 2,000 sq m (21,528 sq ft) across four units, all of which are lower grade stock. This equates to an availability rate of only 0.9%. While three of the available units are at Westfield Industrial Estate, this large industrial area is nevertheless 98% occupied; although this could increase over the coming years if printing firms downsize as a result of structural change in the industry.

Demand

Between 2010 and 2014, the average annual take-up within the Somer Valley area is 3,529 sq m (37,986 sq ft) per annum. There have been 45 transactions in the Somer Valley in this period.

Table 2 details the percentage take-up of space within the Somer Valley, compared to the 'All B&NES' average.

Table 2: Percentage take-up

	Somer Valley		All B&NES	
Sq m	**Take-up**	**deals**	**Take-up**	**deals**
< 200	10%	42%	**18%**	**59%**
200 to 499	32%	36%	27%	24%
500 - 1,999	44%	20%	50%	16%
> 2,000	13%	2%	5%	1%

Source: LSH Industrial Market Review, 2015

Where there is availability, demand is generally strong, particularly for smaller units. At Old Mills existing estate, demand is almost entirely for units under 3,000 sq ft with circa 4,000 sq ft considered too large to meet occupational demand.

Discussions with local occupiers and developers suggest that a wide range of smaller units allows small businesses to grow organically into larger space without over stretching themselves. Occupiers come from a wide range of sectors with few recognisable patterns or reliance on a particular sector, which helps to limit risk. With a ready market for smaller units there should be more development in this size ranges to ensure local demand is met and is not forced to migrate elsewhere.

It is however notable, as detailed in Table 2 above, that occasional requirements do exist for larger buildings with occupiers drawn in by competitive rents or capital values. This is in comparison to more urbanised neighbouring areas such as Bristol which are able to offer a stronger supply of localised labour.

<u>Rental Tone</u>

The Somer Valley includes Radstock, Peasedown St John, and Paulton. The lowest rental levels tend to be in the Mill Road Industrial Estate in Radstock where rents can be as low as £4.00 per sq ft. Larger warehouses in the region tend to be £4.00 and £4.50 sq ft, while premium rents are focused around Bath Business Park at Peasedown St John £6.50 sq ft. We note that smaller units on Old Mills Industrial Estate (less than 1,000 sq ft), achieve up to £7.00 per sq ft, although lease lengths are generally short.

<u>Future supply and Viability Commentary</u>

As detailed in the Core Strategy, the Somer Valley faces a planned contraction of employment floor space, following the exit of major occupiers from the district that requires that new provision be planned for at Westfield Industrial Estate, Midsomer Enterprise Park and Peasedown St John, Old Mill, Paulton and Midsomer Norton and Radstock Town Centre to offset the overall loss.

Within the local market there has been a perceived reluctance of developers to undertake speculative commercial development. This has largely been due to viability gaps as a result of increasing build costs, while premium values achievable for new build units has remained relatively untested. This viability gap is exacerbated given that highest demand in the area is likely to be for units below 5,000 sq ft. These units are more expensive to build on a per sq ft basis than larger accommodation, with occupiers generally unwilling or unable pay premium rentals for these modern units.

Commercial developers have therefore remained passive in this area, considering the risks associated with developing new sites to be more substantial than potential rewards. To date this has been a major barrier to developers undertaking new commercial developments in the area on a speculative basis.

While vacancy rates are low in the Somer Valley area, any speculative development would have a risk associated with user demand. Phasing of any commercial development would be key with the potential to provide the development in stages. It is likely that any speculative development would incorporate units of sub 5,000 sq ft, to appeal to the majority of demand within the local area. Larger requirements could be undertaken via 'design and build' agreements, or alternatively serviced land plots could be sold to owner occupiers.

Somer Valley is a primarily rural location, and as such environmental impacts should be considered carefully prior to any development coming forward. This would be particularly the case in greenfield locations such as Old Mills. These impacts include, but are not limited to ecology, archaeology, noise, air quality and flooding.

The performance of any Enterprise Zone will be partially dependent on economic conditions and the ability of the Council to utilise incentives at its disposal. A rural location such as Somer Valley, with little connection to national road networks can be particularly sensitive to this and a downturn in the market is therefore likely to significantly affect a new build commercial development in the area.

2.2. OFFICE MARKET

Office properties would provide complementary uses to any industrial units on site. However we are of the opinion that the Somer Valley provides a weak office market, primarily due to its provincial location.

Indeed, the nearby Somer Valley Enterprise Park is likely to soak up the majority of existing demand for smaller office requirements in the area. Additionally, in the event of specific requirements, smaller industrial units may be tailored for office occupiers, subject to planning permission.

Therefore, at present we have not suggested any allocation specifically for B1 (a) uses, albeit should complementary clusters of industrial occupiers be drawn to the area, there may be a case for more managed workspace in the future. However at this stage we would not consider specific allocation to be appropriate.

2.3. RELEVANT FACTORS FOR CHANGE

Somer Valley Transport Strategy

The Somer Valley Transport Strategy is currently in draft form. When completed this will be an important document in the context of Old Mills, particularly in relation to addressing the areas challenges in attracting inward investment. Improved transport links would allow the Old Mills site to compete with other locations with closer proximity to motorways.

Particularly important to the subject site is improvements to the A37 (access to Bristol), the A362 (which gives access directly to the A37) and the A367 (access to Bath). By improving access to the wider transport links, larger industrial occupiers, manufacturers and distributors are more likely to consider the site, particularly alongside the benefits available within the Enterprise Zone.

We have been provided with the current draft of the Somer Valley Transport Strategy, dated June 2016. Within this Section 3.1 of this document states that:

'Clearly the Somer Valley has very different characteristics to the urban areas and transport issues are particularly important. A vision might cover the following:

To ensure that road access to the Somer Valley is as a safe as possible, that the transport services available to residents are reliable and address their needs and that people are appropriately connected to work and other facilities.'

Section 2.5.3 (Paulton Community Plan) states that within the Paulton Community Plan, consultation revealed that residents placed importance on improvement of transport links including:

- 99% of respondents would like improvements to the current traffic infrastructure;
- 87% would like a relief road for commuters to Bath and Bristol;
- 89% would like an improvement in access roads to nearby towns and cities.

We would note that this draft does not propose any major works to the A362, A367 or the A37. There is however a number of more minor points suggested to improve traffic flow.

Section 4.2 of the report refers to the impact of new employment sites, with Section 4.2.1 detailing the 'Impact of New Employment Sites at Old Mills'. This states the following:

- '*In terms of possible road/junction improvements, none are considered necessary to the main A362 route. Although there is a 'chicane' of two tight bends either side of the Langley's Lane junction, this section does not have a poor accident record. Indeed, no accidents were recorded at this junction or on the approaches over a recent five-year period*

- '*In terms of other junctions the A362/B3355 roundabout east of the Tesco roundabout currently experiences limited congestion at peak times. However, it is not clear if this is due to the capacity of the roundabout or other constraints, such as the traffic signal controlled crossings immediately south and east of the roundabout or queuing back from the signal-controlled one-lane section of the B3355 to the south. The potential to increase the capacity of the roundabout significantly on all arms is limited due to the constraints of properties to the south and east. There would appear to be scope to enlarge the roundabout slightly and provide longer flare lengths on the western and northern approaches within the highway boundary. Given that this would be a relatively expensive scheme, requiring changing the whole roundabout rather than just widening one or more approaches, the need for this would need to be confirmed as part of a Transport Assessment for the proposed development'*

Therefore the report does not identify any major external infrastructure works being required as a result of further development of the Old Mills site.

The report also reveals that relatively few residents travel to work by bus, minibus or coach (largely between 3-4%). Furthermore it is noted that regional bus journeys can be slow, with bus times often not being conducive to workplace start and finishes. It will therefore be important that public transport, including the location of bus stops, is considered, particularly due to the relatively low wage levels and therefore affluence of average employees within an industrial zone. Indeed lack of public transport could potentially have an impact on those occupiers with larger workforces, should they be considering re-location to Old Mills.

The improvement of public transports regionally, in addition to locally is imperative, should inward investment be targeted. Such improvements would create more sustainable commuting.

West of England Devolution Agreement

The document sets out the terms of a proposed agreement between the Government and Council Leaders of the West of England to devolve a range of powers and responsibilities to a West of England Combined Authority ('the Combined Authority'). Points within this agreement which may impact on the Old Mills delivery are as follows:

- The agreement references the key industries of creative, health, advanced, engineering, transport & aerospace, real estate, food & drink and insurance & financial. In the context of the Enterprise Zone these industries provide a basis for considering sector focus at Old Mills. Such focus is important to creating demand within the Zone.
- The agreement will give fiscal powers to the Combined Authority, creating a Single Investment Fund in order to 'unlock the economic potential of the West of England'. This will provide an additional £30 million per annum of funding for 30 years.
- The Government will work with the Combined Authority to achieve Intermediate Body status for the European Regional Development Fund and European Social Fund. This will allow the Combined Authority to select projects for investment.
- The Combined Authority will bring forward a Joint Transport Plan before the end of 2017, followed by a strategic infrastructure delivery plan. This will be important to providing additional infrastructure regionally which will allow the Somer Valley area to compete with other, currently more accessible locations.

The Core Strategy and Housing Supply

Within the Bath and North East Somerset area, the Core Strategy outlines a requirement for approximately 13,000 new dwellings over the plan period (to 2029), of which approximately one third is affordable. This requirement is primarily derived from an objectively assessed need in addition to a backlog of housing from the Local Plan1996-2011 period. This is detailed in the table below, taken from the Core Strategy:

Table 3: Housing need – Core Strategy

	A Local Plan Backlog 1996-2011	B Demographic Need 2011-2029	Sub - Total A+B	Total assessed needs
Market housing	757	6,075	6,832	9,646
Affordable housing	410	2,880	3,290	3,290
Total housing	1,167	8,955	10,122	12,956

Source: Core Strategy

Priority will be given to sustainable, brownfield sites, although *'in order to meet the housing requirement and facilitate economic growth in accordance with the objectives of the Core Strategy, some greenfield land is also required'*.

Further breakdown is provided below, which provides the total housing requirement within the Somer Valley area at 2,470:

Table 4: Housing requirement by area

	Total housing
Bath	7,020
Keynsham	2,150
Somer Valley	2,470
Rural Areas	1,120
Whitchurch Green Belt	200
Total	12,960

Source: Core Strategy

A growth in population may increase demand for provision of services and employment in the local economy, albeit it may also be the case that this increase could be accommodated in the wider region.

3. ENTERPRISE ZONE CASE STUDIES

3.1. CASE STUDIES

Following on from the Enterprise Zones created in the 1980's, plans were announced by the Government in 2011 to create 24 further Enterprise Zones. These Enterprise Zones were subsequently announced in 2012. These included the following:

- Black Country i54 and Darlaston
- Cornwall and Isles of Scilly Newquay Aerohub
- Derby, Derbyshire, Nottingham and Nottinghamshire Boots Campus
- Greater Birmingham and Solihull City Centre
- Greater Cambridge and Greater Peterborough Alconbury Airfield
- Greater Manchester Airport
- Humber Estuary Renewable Energy Super Cluster and Green Port Corridor
- Humber Green Port Corridor
- Lancashire Advanced Engineering & Manufacturing Enterprise Zone
- Leeds Lower Aire Valley
- Leicester and Leicestershire Mira Technology Park
- Liverpool Daresbury Science Campus
- Liverpool Mersey Waters
- London Royal Docks
- New Anglia Great Yarmouth and Lowestoft
- North Eastern River Tyne and Nissan Site
- Oxfordshire Science Vale UK
- Sheffield Modern Manufacturing and Technology Growth Area
- Solent Daedalus Airfield
- South East Midlands Northampton Waterside
- South East Sandwich and Harlow
- Tees Valley
- The Marches Hereford
- West of England Temple Quarter (Bristol)

The 2015 Spring Budget announced the creation of two further Enterprise Zones at Blackpool Airport and Plymouth. Later in 2015 the Autumn Statement announced the creation of a further 18 Enterprise Zones, in addition to extensions to eight existing zones.

Furthermore the 2016 Budget stated the intention to create new Enterprise Zones in Cornwall, Dudley, Loughborough and Leicester in addition to an extension of the Sheffield City Region Enterprise Zone.

In order to understand the successes and failures of Enterprise Zones we have researched a number of historical and current examples:

Great Yarmouth and Lowestoft Enterprise Zone	In 2011, the Great Yarmouth and Lowestoft Enterprise Zone was announced. The bid was developed by public-private partnership, the Norfolk and Suffolk Energy Alliance (NSEA), which includes: • Local Chambers of Commerce • East of England Energy Group • Great Yarmouth Borough Council • Norfolk County Council • Suffolk County Council

- Waveney District Council

The total area announced for the site was 121.7 hectares (301 acres). This includes six sites, two in Great Yarmouth and four in Lowestoft/Beccles. The Zone will be able to accommodate a minimum of 540,000 sq m of commercial floor space, over 90% of which will be new stock. 30% is proposed to be dedicated to offices and the remainder workshops.

The sites had a range of starting points, with a number being greenfield sites and others benefitting from infrastructure with some existing buildings. The site areas are detailed below:

Great Yarmouth

- South Denes – 58.8 hectares (145 acres)
- Beacon Park – 16.7 hectares (41 acres)

Lowestoft

- Mobbs Way – 4.7 hectares (12 acres)
- Riverside Road – 4.5 hectares (11 acres)
- South Lowestoft Industrial Estate – 20.0 hectares (49 acres)
- Ellough Business Park – 17 hectares (42 acres)

This Zone focused on the growth potential offered by the energy sector (including offshore wind), with 9,000 new jobs being forecast for the Zone by 2025, with a further 4,500 indirect jobs created, helping to reduce local unemployment.

An important part of the Zone's offering was that both towns are of equal size, with each having approximately half of the current energy supply chain of some 500 businesses, employing more than 10,000 staff directly. Both towns also have significant, complementary port facilities, used by businesses from both towns.

Both towns have substantial land development opportunities but also faced constraints, including having significant deprivation issues. Furthermore it was felt that failure to intervene could see the sector contract, placing further stress and disadvantage on the towns.

By 2015 it was expected that the Zone would be home to around 80 businesses, of which 60 will be as a result of expansion and 20 inward investors. Longer term it is expected that the Zone would be home to 150 - 200 businesses.

The site was opened in 2012, with around 40 companies now being based in the Zone. The site at Beacon Park has been particularly successful, with design and build opportunities aimed at the energy cluster being particularly effective. It is notable that this site had the benefit of infrastructure at the time of allocations.

In terms of funding, where the sites were owned by the Borough Council the initial infrastructure was funded internally using a combination of LGF and Tax Increment Finance. Where the sites were in private ownership the initial infrastructure was funded privately.

	Rates receipts were split into three separate pots using the repayments from the Treasury, set in regulation for 25 years: Pot A - This covers any rates perceived to be lost by the County Council. The percentage attributed to the Council is 10%. The Council were then able to spend this on what they wanted within the Council with no restrictions. Pot B - This extends to 35% of the total. This pot is held specifically to build out the Enterprise Zone. There are a number of further funding streams available to the Councils on the back of this which they have used to fund infrastructure related works including the following: • Local Infrastructure Funding – This was offered to private developers, although developer feedback was that many found the terms to onerous and did not continue with the application. • Pinch Point Funding – this was Government funding available to Local Authorities to assist with construction or upgrades to road infrastructure external to the Enterprise Zone. Pot C - This extends to approximately 55% of the total. This pot stays with the LEP and used to deliver other strategic economic development in the strategic plan. These pots are relatively fluid and can be adjusted to suit the requirements at the time. Where the sites were in multiple ownership, the LEP funded the site infrastructure using the Growth Deal. This fund was used for infrastructure and construction of units. The main focus of the Zone is ‘Energy’, however it does not encourage business solely of that genre. 75% of the 40 businesses in the zone do however fit that sector. A number of the sites do not have a sector focus at all. The majority of current occupiers are local companies that were looking to expand, with all occupiers being offered the business rate discount. There are also a number of new start-up companies which have been attracted following inward investment from a large Dutch company. The announcement of a large windfarm and the installation of an energy park proved to be the major event that triggered the success of the Zone. However the recent gas and oil crisis has affected the speed in which take-up has occurred. Links to port facility and to the North Sea were crucial to the attraction of the area. Some of the sites were more rural in nature and have taken longer to come to fruition. It is thought that these are still two to four years away, with an existing requirement for infrastructure. In these areas funding for both internal and external infrastructure is being sought through Tax Increment Funding. This is in response to viability issues.

	A further incentive for business was the LEPs 'Growing Business Fund' offering small or medium size businesses grants between £25,000 - £500,000 and 'Small Grants Scheme' of £5,000- £25,000. This is offered due to the site being within an area of Assisted Area Status, and is reported to have been successful in attracting small and medium sized firms to the area.
Key Findings	***Trigger events*** – the attraction of larger tenants can act as a catalyst for growth in the surrounding area. It therefore is important that any opportunities for larger occupiers are considered and actively followed. ***Provision of funding for infrastructure on greenfield sites*** – this example reinforces the viability challenges surrounding commercial sites in rural locations. Those sites without funding for infrastructure proved to be more difficult to deliver. ***Benefits of sector focus*** – the Zone utilised established links with the energy sector to put forward a targeted sector offering. This reaped benefits in relation to clustering of activities. ***Allocation of 'business rates pot'*** – allocating a significant pot to the Zone itself gave funds to re-invest directly towards the Zone, creating momentum, and reducing requirement for up front infrastructure.

Wirral Water Enterprise Zone	The £10 billion Mersey Waters project comprises Wirral Waters and Liverpool Waters, two of the UKs largest regeneration schemes led by Peel Holdings. Wirral Waters was granted planning permission in 2010 and includes mixed use office, residential and commercial schemes, advanced manufacturing and light industrial development with related training and education facilities. On the other side of the Mersey, Liverpool Waters will create a world class, mixed use waterfront quarter in central Liverpool reflecting the site's cultural heritage. Wirral Waters will provide a supply chain location that benefits from direct motorway and port access as well as additional financial benefits such as Enhanced Capital Allowances. The site will support supply chain growth for key 'Liverpool City Core' sectors including the strong automotive offer, and renewable energy linked to investment in wind farms in the Liverpool Bay and Irish Sea. It forms part of the largest regeneration project in the UK, which has been granted planning permission for 1.7 million sq metres of mixed commercial floor space including 13,000 sq metres of residential space in five phases. It is hoped that the scheme will provide 20,000 new jobs for the area, combined with major benefits for local workforce including training and skills. The Zone seeks to catalyse the LEPs vision to re-harness the water assets of the area – its Port, the River Mersey, the Manchester Ship Canal, the Irish Sea and the wider Atlantic – and for these, to be the drivers of jobs and growth whether through increased trade, logistics & connectivity, energy, advanced manufacturing and the visitor / creative economy for this genuinely distinct part of the UK. Wirral Council are providing £44 million funding for infrastructure including services and highways, borrowed against future business rates

	income. This is to be underwritten by Peel Holdings. Peel Holdings as the freeholder of the land will be the lead developer through the course of the development. They will manage and bring on finance and partners where necessary. It is understood that they have a desire for the investment to come from China with a correlating interest in bringing Chinese business and companies over to occupy. Wirral Met College has announced plans to build a new campus in the heart of Wirral Waters Enterprise Zone. Supporting by the Skills Funding Agency, the new Campus will be a dedicated Built Environment, Skills and Enterprise Centre. Although the scheme has not been specifically zoned into areas, it has a large master plan to ensure fluidity and maximisation of the scheme. The scheme includes residential which is unusual in an Enterprise Zone, however this site has a long history and all plans up to this date have included a residential element. It also provides the opportunity to house the increased workforce post development. Although the scheme is still in the early stages of development the blend of masterplanning with various architects and the public and government input displays the importance of these Enterprise Zones in some areas.
Key Findings	***Including residential accommodation*** – the scheme includes residential accommodation, which is not common but has the advantage of creating private developer interest and improved viability. ***Working with education*** – through working with Wirral Met the Zone aims to encourage employers seeking proximity to a skilled workforce, and encourage growth in start-up business through the Skills and Enterprise Centre.

Daedalus - Solent Enterprise Zone	The site was decommissioned from military activities in 1996 and was originally purchased from Cedar which was amalgamated into the HCA. It received statutory designation as one of 24 Enterprise Zones nationally in 2012. In 2015 approximately two-thirds of the site was sold to Farnborough Council. The site did not benefit from services. The Zone targeted marine and aviation sectors, in which Solent had proven strengths. It also had the goal of growing existing businesses, promoting new technologies and supporting enterprise. It aims to create 10,000 additional jobs by 2026. Initially the Solent LEP provided a short term loan of £8 million to provide the infrastructure to the entrance of the site with the land receipts as a payback provision. DCLG then provided a £7 million grant to provide the remaining infrastructure. The Zone has been packaged as an engineering zone with almost all of the planning permission within the B2 and B8 uses, with a view to adding some Class A uses later. A number of buildings have already been constructed including a £12 million college, which was funded through a combination of £3 million Hampshire County Council grant, £3 million schools LEP loan, £3 million College resources and £3 million from the schools fund. A £5 million

	college, 40,00sq ft client design and build and 25,000 sq ft speculative building were constructed. Other funding has been obtained in the form of a Prudential loan which has been underwritten by business rates, although they have minimised this funding due to the risk attached. It was commented that the premise of borrowing money against a non-existent funding stream was more risky than other options and they only used this as a secondary underwriting mechanism to drive down risk. The majority of enquiries to date from occupiers have come from the local area although there have been a few interested parties nationally and overseas. The zone has seen land prices rise 25% during their time on the site.
Key Findings	***Funding streams*** – The project utilised a number of different funding streams, with limited use of TIF due to the risks attached. ***Complementary education and enterprise*** – This zone used significant funding to attract educational facilities. Fareham College's Centre of Excellence in Engineering, Manufacturing and Advanced Skills Training (CEMAST) complemented its sectoral focus of growing businesses and new technologies

Swansea Enterprise Zone	In 1981 Swansea Enterprise Park became the first and largest Enterprise Zone in the UK with the first phase extending to 775 acres. Prior to allocation the site was contaminated following the occupation of the copper smelting industry. They were granted European Grant funding to cap the land in clay ready for development. At that time the majority of the buildings in Swansea had become functionally obsolete after being severely bombed during World War II and mass regeneration in 60/70s. Overall the scheme was considered a great success with strong up uptake and regeneration of the area. However the general opinion is that local office occupiers generally moved to the enterprise area leading to a decline in the City Centre occupation and subsequent investment. The scheme did not encourage any new development in the city centre area and the area suffered substantially as a result. A second phase was introduced in 1985 for an extra 300 acres but this was not deemed a success for a number of reasons: 1. The site was too big - The extra 300 acres rendered the site too unwieldy with more land available than demand required. 2. Greenfield site - Infrastructure was put into the site however it became obsolete when land wasn't occupied. 3. Flooding - The Welsh Government changed the Planning Policy statement prohibiting development of land in a flood zone of 1 in 1000 from 1 in 100. Flood mitigation works had already been undertaken. 4. Zoning - There was no specific zone planning which

	subsequently led to a general mix of uses with car showrooms, day nurseries, retail warehousing all in the same area. It is thought that a sector focus may have assisted. 5. Intervention from Welsh Government - This led to some disjointed thinking that rendered the land complicated and non-commercial. 6. Market perception - The slow development of this phase led to a loss of market confidence and perception. All in all aside from Phase II the scheme was considered a success at the time with high uptake and development in the Zone. There was good growth and stimulation of development inside the Zone whereas the outside stayed flat or didn't even exist and took 10 years to creep back up.
Key Findings	***Ensuring allocation is deliverable in the face of demand*** – Phase II was generally considered too large, with infrastructure becoming obsolete and a loss of market confidence as a result. ***Targeted infrastructure and public transport -*** A call centre was relocated into the Zone where the average worker was on minimum wage and was not a car owner. The location of the call centre was some distance from the city centre with restricted public transport. This led to issues with staffing levels. A masterplan for development would assist with the larger scheme element. ***Provide sectorial benefits*** – allow the business rate relief to be spent on grants towards training, or discounted transport to benefit the staff and employees and reduce the impact on the market rents and capital values. This in turn will help the surrounding area economically but increasing staff moral and employability. It was felt that the main benefits to the Enterprise Zone was targeted to business only and did not filter down.

Knights Park, Strood	This Enterprise Zone was allocated in 1983 and although it was allocated as a single zone it was developed in 3 separate areas. The site was historically used as part of a munitions factory. The development was completed in July 1985 and the Enterprise Zone benefits lasted until 1993. The Zone was largely considered a success with purely warehouse, production buildings and business units with pockets of office development. The scheme promoted development over a 10 year period and transformed the local area. The criticisms of the scheme are largely that the development of the scheme cannibalised demand from Medway City Estate which correlates with the issues in Swansea with relocations from the local area forming the majority of take up. The scheme was completed in a piecemeal fashion with a lack of co-ordinated management including the road structure.

Key Findings	***Co-ordinated management required*** – leadership and management are key to ensuring a joined-up, cohesive development.

Alconbury Weald Enterprise Zone	Alconbury Weald Enterprise Zone (150 ha) is a part of larger masterplan of the 575 ha former Alconbury Airfield site. The masterplan will deliver 5,000 low carbon homes; 283 hectares of green space; strong transport links, a school, retail community and leisure facilities. The site is in single ownership and is being brought forward for development by Urban & Civic. It lies on a key north-south, east-west axis of road and rail links, including the A1(M), A14, M11 and the East Coast Mainline, giving easy access to London, Cambridge, Peterborough, the Midlands and the North. There are close links to Stansted Airport and the port of Felixstowe. A new railway station at the site is planned as part of a major transport interchange with the Cambridge Guided Busway. A key factor is that the Campus is located in proximity to the innovation hub which exists at Cambridge. The Enterprise Zone offers office, research and development or production space ranging from 250 – 300,000 sq ft The Incubator was delivered in 2013 and provides flexible space from 615 – 3,772 sq ft (57.1 – 350.4 sq m), for research and development, production and office accommodation. The sectoral focus at Alconbury Enterprise Zone includes: • Advanced Manufacturing/Engineering • ICT • Industrial Biotechnology • Low Carbon Industry The scheme includes the GCGP Enterprise Partnership Office, University of Cambridge R&D spin-outs, Huntingdonshire Regional College – current Training Centre and planned £10m skills centre with University partners. Other supporting activities include: Edge: sharper skills for Enterprise jobs and skills one stop shop, local banks, business support and service, consultancy services (such as architects, consultants and project managers) and ICT support. Alconbury Weald applied in 2013/14 for up to £5 million of Enterprise Zone Capital Growth Fund funding for landscaping, demolition, infrastructure and utility works. Eleven other Zone's also applied during this round. Additionally, £10.5million capital funding that has been secured from the Greater Cambridge Greater Peterborough Local Enterprise Partnership's (LEP) Growth Deal to fund iMET, which is anchored by Huntingdonshire Regional College and will directly support the growth ambitions of companies on the Campus and in the local area. Working in partnership with the LEP, Urban&Civic, Huntingdonshire District Council and Cambridgeshire County Council, and a range of local and regional business groups, iMET will further support sustainable growth in the region and play a robust part in driving manufacturing and engineering skills forward and supporting improved productivity in industry. iMET will offer Advanced and Higher level apprenticeships,

	HNC/HND engineering courses, short specialist courses, digital technology training, sector leadership and management courses.
Key Findings	***Key transport links:*** The ability to attract businesses to Alconbury Weald is bolstered by its location and relative ease of accessibility. ***Cross subsidy through other uses:*** The majority of the Alconbury Weald scheme will deliver residential units, which drives value for the developer and enables an amount of cross subsidy for infrastructure provision and development in relation to the Enterprise Zone. ***Sectoral focus and clustering***: Alconbury Weald is located in close proximity to Cambridge, and the potential to leverage University spin-offs and higher value add uses is therefore increased. The scheme has a focus for creating clusters on site. ***Ability to provide for a range of accommodation:*** the location of Alconbury Weald (transport and innovation centres) provides the ability to provide a wide range of accommodation sizes, enabling start-up companies to move into grow on space and thus remain on site for many years, in addition to attracting larger scale occupiers. This diversity of scale allows for diversification of target markets.

3.2. LESSONS LEARNED

Site assembly

The majority of those sites detailed are under single ownership, or if not, plots are clearly defined and geographically separate. The subject site has a number of private ownerships, which may be a significant barrier unless these can be consolidated.

Readiness for development and ensuring that key infrastructure is in place

It is also important in the early life of a zone to ensure that some sites have been designated that do not suffer from extensive dereliction and thus need substantial up-front expenditure on land remediation and infrastructure before any development can start. Development should be encouraged in the most accessible sites. Once some early momentum has been achieved on relatively non-constrained sites it will then be possible to realise the potential of other more encumbered sites, as a result of development/ place creation and subsequent improved values.

While zones do suffer from dereliction, land contamination and poor quality infrastructure, and this is not necessarily the case for the Old Mills site, the infrastructure is lacking. It would be necessary for the zone managers to use public sector resources to overcome these problems so that the process of economic development could begin. It is unlikely that the private sector would fund this at an early stage of zone development. Ensuring that there is a process of resource planning that identifies where the required funding will be sourced is thus very important.

Seeking a clear commercial offering

The large majority of Enterprise Zone' have a clear sector focus which is usually based on existing sectoral clusters in the location or on emerging growth sectors. This clearly differentiates themselves from other sites and has the potential to increase demand through clustering. A clear strategy is required to inform a development proposition. Alongside improvements such as transport links this has a greater likelihood of encouraging inward investment in the chosen sector.

Avoiding fragmentation of sites

The size of a zone and the number of sites clearly influence the pace and pattern of land-use that can be achieved. The size of site designated should take some view of the possible capability of the areas to absorb development over the window of opportunity envisaged. Too large a designation can lead to distortion in local property markets or underutilised land.

Assistance with other forms of business support

A further factor that has varied extensively across zones in the past has been the extent to which there has been an integrated approach to assisting companies with training and access to finance. If the development is accompanied by targeted investment in skills and infrastructure there is the potential for a lasting growth. In the present context it is important that zone managers collaborate with the relevant partners in both the public and private sectors.

4. EVIDENCE BASE FOR ALLOCATION

We have initially analysed demand over the Placemaking Plan period, until 2029. However following the award of Enterprise Zone status, we also believe that it may also be prudent to consider demand over the period until 2040 (timeframe of the Enterprise Zone) when assessing allocation.

The Draft Placemaking Plan (December 2015) states that the main justification for the allocation of the site is in order to provide a 'long term supply of new employment land'. The acceptable uses for the site indicated in this document include light industrial, heavy industrial and warehousing (classes B1c, B2, B8), builders merchants and car show rooms (sui generis);

Given the above, we have initially considered demand within these uses over the period of the Placemaking Plan (to 2029).

On this basis we have formed an opinion of 'base' demand, using historic take-up, which has been witnessed within the region without the benefit of any incentives or transport improvements. To this we have added potential 'new' demand which may be created by factors including relocation of occupiers in Bath (where industrial stock is being lost), and achieving a healthy vacancy rate.

Further to this we have also identified a number of qualitative factors, which may create additional demand during the plan period.

Our approach to demand for currently acceptable uses is therefore summarised below:

1. Estimated 'base' demand, based on historic take-up in the area (Pre-EZ Demand);
2. Potential new quantifiable demand; and
3. Qualitative factors.

As an additional exercise, we have then considered further demand for these uses over the period until 2040, in addition to potential demand from alternative uses.

4.1. PRE-EZ EMPLOYMENT 'BASE' DEMAND UP TO 2029

Within Table 5 below are detailed the take up statistics for the Somer Valley in the period 2010 to 2014. These statistics, alongside qualitative information has informed our estimates over the plan period, to 2029. We have used a 12 year demand period, assuming that at least 18 months will be required for land acquisition and planning. Future demand will be influenced by a number of factors including the health national economy which is inherently uncertain not least due to the imminent EU referendum. It should therefore be noted that the period analysed was during the recovery following a previous recession which started in 2008.

Table 5: Take-up in Somer Valley 2010-2014

Area	Number of Deals	Take up (sq ft) 2010 - 2014	Average take up (sq ft) per annum
Somer Valley	47	193,474	48,369
Take-up of existing units (Somer Valley less Bath Business Park)	32	116,210	29,053
New Build Take-Up (Bath Business Park)	15	77,264	19,316

Source: Lambert Smith Hampton, Industrial Study 2015.

We have considered the following sources for industrial demand on the site:

Small business units (under circa 3,000 sq ft)

The robust demand for small units has been previously discussed and therefore the majority of demand, in terms of deal numbers, will come from this source. This has been confirmed by local developers, who have indicated that letting potential would be strong for these units.

Over the period detailed, take-up of existing stock under 3,000 sq ft made up approximately 75% of transactions, at an average of approximately 1,250 sq ft per transaction. This equates to an average of six transactions per year.

In relation to new build stock, Bath Business Park take-up equated to approximately 3.75 transactions per year, at an average size of 5,000 sq ft. This demonstrated demand for new build industrial premises.

As a result we have assumed that on average, six deals per year at 1,500 sq ft is achievable (including an element of pent up demand in this bracket). If demand continues on a straight line basis over the plan period and a successful Old Mills site attracts this demand, it would equate to 108,000 sq ft.

Using an assumption of a 40% site cover, and a 75% gross to net site ratio (taking into account internal highways, and other common areas), this equates to an appropriate net allowance of 6.20 acres, or a gross site requirement of 8.26 acres.

As a natural extension to the type of units at the existing Old Mills site, we feel these are best developed in the southern parcel. The majority of medium sized occupiers within the area are located on the 60 or so acres at Westfield. There are a range of buildings on the site, some of which will require development or substantial refurbishment as well as some undeveloped sites.

Mid-sized units (under circa 3,000 sq ft)

The total historic take-up for units between 3,000 sq ft and 20,000 sq ft was approximately 60,000 sq ft between 2010 and 2014 in seven transactions, with an average deal size of 8,700 sq ft. Given the lack of availability within the Somer Valley, we have assumed that one deal a year for the plan period is appropriate for the purposes of informing the allocation on the site, at an average size of 8,500 sq ft. This includes an allowance for trade counter uses outlined below.

Applying this approach would total 102,000 sq ft over 12 years. This takes into account the further potential for properties to become obsolete over the plan period. We have identified the parcel to the north as being an appropriate location for these medium sized or larger units, which benefit from superior access to the A362. Using the same assumptions as detailed within the small business units section, we consider it appropriate to allow for a net requirement of 5.85 acres, or 7.81 acres gross.

Trade Counter

Sitting within the 'medium sized units' bracket would be demand from trade counter operators given its location with main road frontage. There is evidence of recent demand from trade counter operators, with Wickes recently investing approximately £2.2 million refurbishing the former Focus store adjacent to the northern parcel. The building also incorporates a Plumbase at the western end of the building. The building is circa 35,000 sq ft with a split between true trade counter and more public DIY sales. This investment underpins the confidence in trade counter demand in the local area. Alongside this Wicks, the presence of a Tesco superstore and a local trade counter operator would suggest that the site has the potential to form a cluster for trade counter units.

Operators would require road frontage locations, and as such, we believe land adjacent to the A362 would be the most beneficial allocation for these operators.

It likely that these users would require between 4,000 and 5,000 sq ft and we consider it appropriate to attract between four and six occupiers, who would take a total of 25,000 sq ft. This figure sits within the 102,000 sq ft of demand for 'medium sized units'.

Major relocations

Following the relocations of Wilton Bibby Baron and Alcan, there are very few large occupiers within a circa five mile radius of the site. Five miles is considered a reasonable distance for occupiers to be considered as relocation within the local area and retain the majority of their existing staff. In our experience relocation from this area to Paulton is considered unlikely in the majority of cases, and we have therefore considered the potential relocation of a larger company within an all-encompassing figure for larger relocations, and additional demand due to population growth over the plan period. We have allowed a total of 25,000 sq ft for large relocations, which equates to circa 1.4 acres (net), or 1.9 acres (gross).

Car Showroom

Due to the subject site's frontage to the A362, it is considered that it holds potential for roadside uses, including car showrooms.

This market is considered relatively buoyant at present, with the motor dealership market in the UK improving in recent years, with dealers growing in confidence to invest and grow their businesses. This increasing desire for growth has led to increasing investment in property by dealerships. Advertised vehicle dealership properties were down from previous years, which is reflective of a lack of stock, rather than a lack of demand.

This growth is leading to competitive investment markets, with prime properties let to strong covenants for terms of 10 years and greater are currently achieving net initial yields approaching 4.50%. Well let secondary car dealerships are now selling at sub 6.50% yields. This is driven by institutional investors who require long-term leases and rental growth. By contrast older secondary stock often has lower demand, and is often sold for alternative use.

However it is significant that larger motor dealerships and manufacturer demand (who bring good quality covenants) is the main driver behind this yield compression. These occupiers generally require high quality, modern units in order to fit in with their brand. Associated costs of construction are therefore high, and developers often require high rents and longer leases to create viability.

We would consider that requirements for modern car showrooms are very localised. Indeed while Bath Business Park successfully attracted a number of larger manufacturers, including Audi and Mercedes, we would consider this to be a result of its closer proximity with Bath.

In contrast, the subject site is less likely to be attractive for high quality occupiers who will drive the viability of construction. We would therefore not consider it appropriate to make an allowance for demand from a car showroom at this stage.

Inward investment opportunities

Following the loss of several large occupiers within the immediate area the local economy must attract other larger occupiers to invest in the location and the availability of a local workforce will be a potential attractor. Attracting inward investment will be challenging due to the site's distance away from major transport connections. In order to make this possible however there must be high quality land available which is serviced and ready to provide the accommodation required. Without this availability attracting such relocations are highly challenging and the Somer Valley is not as attractive as other options that will be considered by companies. Evidence from previous Enterprise Zones where this has been successfully achieved highlights the important of a clear focus and therefore in order to identify inward investment opportunities it will be important for the Council to work alongside public and private sector partners to define potential offers.

Pre-EZ Allocation Total

On the basis of the average demand over previous years we estimate demand for the site over plan period to be as follows:

Table 6: Estimated 'base' demand over plan period

Demand Type	Average Yearly Future Demand per annum (sq ft)	Demand over plan period (sq ft)	Net site requirement - based on 40% site cover. (acres)	Gross site requirement (based on 25% of site being common area/infrastructure)
Small Units	9,000	108,000	6.20	8.26
Medium Sized Units	8,500	102,000	5.85	7.81
Other		25,000	1.43	1.91
TOTAL			13.49	17.98
ROUNDED TOTAL			**13.5 acres**	**18 acres**

This therefore totals a gross area of 18 acres.

4.2. POTENTIAL 'NEW' QUANTIFYABLE' EMPLOYMENT DEMAND UP TO 2029

In addition to historic 'base' demand in the region, we consider that there are a number of factors which may increase demand over the plan period. We have outlined the quantifiable factors below:

Demand due to reduction of space in Bath

The adopted B&NES Core Strategy plans for the contraction of industrial floorspace in Bath from 167,000 sq m in 2011 to 127,000 sq m in 2029 (40,000 sq m), with a number of site earmarked within the draft Placemaking Plan.

We would note that a number of these losses will not create additional future demand on the basis that redevelopment has begun, or that the site is currently vacant. We have however identified a number of sites, which if brought forward may produce further demand;

1. Pinesway Industrial Estate – A 33,508 sq ft (3,113 sq m) estate south of the River Avon, in the city centre. The site is earmarked within the Placemaking Plan for mixed use redevelopment. If redeveloped, tenants including Crown Paints, Screwfix and Magnet Kitchens/trade would be displaced.

2. Cheltenham Street – 29,999 sq ft (2,787 sq m). Planning permission has been granted for the demolition of existing employment buildings and the erection of 14 dwellings.

3. Onega Business Centre/Comfortable Place – This 26,727 sq ft (2,483 sq m) estate is identified within the wider Bath Riverside – North Bank area. Land use options suggested for the wider area including non-student residential redevelopment due to the group value of the sites not being sufficient to reallocate as a strategic employment site.

4. Roseberry Place/Stable Yard – 22,443 sq ft (2,085 sq m) - The Placemaking Plan identifies Roseberry Place as a possible location for remodelling. The adjoining Stable Yard is not identified within the Emerging Development and Design Principles proposal SB8. However, the Plan states that Stable Yard is a trade park occupied by a variety of businesses that perform an important role in the City's economy.

Below is detailed a table outlining the total sq ft within each estate, the approximate occupancy rates, and the net additional demand created if redevelopment occurs:

Table 7: Bath - Estate Analysis

Estate	Total Accommodation (sq ft)	Estimated occupancy rate	Potential Additional Demand (sq ft)
Pinesway Industrial Estate	33,508	100%	33,508
Cheltenham Street	29,999	100%	29,999
Onega Business Centre/Comfortable Place	26,727	100%	26,727
Roseberry Place/Stable Yard	22,443	91%	20,423
TOTAL	**112,677**		**110,657**

It is clearly the case that not all of this demand would be attracted to the Somer Valley, with locations such as Keynsham also providing viable alternatives. However should transport links be improved in the near future, we consider that relocations from Bath could form the source of additional demand. We would therefore consider it appropriate to allow for additional demand of approximately 55,329 sq ft, which equates to 3.18 acres net (4.23 acres gross), which is approximately 50% of this lost space.

Requirement for 'Healthy Vacancy Rate'

LSH's Industrial Review estimated that the vacancy rate in the Somer Valley is 0.9%. This rate is considered extremely low when compared to 'stronger' performing regional markets in the UK. This vacancy rate is considered sub-optimal, as potential demand may be discouraged from locating in the region due to a lack of options.

For example the overall South West region saw a vacancy rate of 3.2% in 2015, which was a record low in itself. A number of the best performing markets in the UK are testament to this, such as the South East market, which has a vacancy rate of 4.2%, while availability in the Midlands was largely between 4-7% (although these did drop as low as 2% and as high as 10% in certain areas). Overall, we would expect a `healthy' industrial market to achieve a vacancy rate of approximately 5.00% in order to enable flexibility of choice and encourage inward investment.

Taking into account the current and potential demand over the planned period, it is appropriate to allow for additional supply to achieve a higher vacancy rate that will provide sufficient choice and capacity for businesses to move around the district and accommodate inevitable growth and contraction. If this additional capacity is provided at the Old Mills site as the focus of new strategic industrial land in the Somer Valley then it would translate into an additional 271,503 sq ft, which equates to 6.23 acres (net), or 8.31 acres (gross).

4.3. FURTHER QUALITATIVE FACTORS

We also consider that further demand for accommodation is possible, based on the qualitative factors identified below. Namely that should improvements in transport links be undertaken successfully, this would, in addition to the benefit proposed in the Enterprise Zone, potentially increase demand. Furthermore increases in housing population may create further demand.

Increase in inward investment (Based on transport strategy/EZ status)

The industrial market in the Somer Valley generally serves the local demand, with larger industrial occupiers and manufacturers choosing other locations due to proximity to major road links.

Improvements in the areas transports links as a result of the Council's transport strategy would, if successful, improve the areas competitiveness with other towns across the South West. This would be coupled with the additional incentives within the Enterprise Zone such as business rates and capital allowances relief.

However, it is noted that the Core Strategy refers to 'limited opportunities for large scale interventions'.

Further demand due to increased population growth

As detailed with Section 1.4, the Core Strategy has identified 13,000 new dwellings being required across Bath & North East Somerset over the Plan Period, or 2,470 dwellings within the Somer Valley.

This further catchment population may increase the requirement for jobs and employment space in the area, albeit the potential for this demand to be absorbed regionally is also noted.

4.4. DEMAND SUMMARY TO 2029

Given the above, we have quantified the following potential demand which could form the basis of the allocation at Old Mills:

Table 8: Estimated potential 'base and new' demand over plan period

Demand Type	Demand over plan period (sq ft)	Net site requirement - based on 40% site cover. (acres)	Gross site requirement (based on 25% of site being common area/infrastructure)
Base Demand	235,000	13.50	18.00
Loss of Space from Bath	55,329	3.20	4.25
'Healthy' Vacancy Rate	108,601	6.25	8.30
TOTAL	**398,930**	**22.95**	**30.55 acres**
ROUNDED TOTAL	**400,000**	**23.00**	**30.50 acres**

The estimated quantifiable demand identified over the plan period, as detailed in Table 8 is 30.50 acres. However it is also noted that there may be further potential demand above this, provided by qualitative factors.

Therefore if these factors materialise, and the delivery challenges detailed later within this report are overcome, then we consider the current proposed allocation of 36.68 acres to be reasonable. It is notable that assuming a 12 year demand period, the additional allocation over and above estimated potential demand equates to just 0.5 acres per annum. Further, land take-up is enhanced by viewing demand over the Enterprise Zone life (2040) as detailed in Section 4.5 or by take-up from alternative uses as detailed in Section 4.6.

4.5. ADDITIONAL DEMAND UP TO 2040

It is also appropriate to analyse demand over the Enterprise Zone period, until 2040 given both the Enterprise Zone and Placemaking Plan form important strategic planning documents that need to be aligned where possible. In this scenario we have used a 23 year demand period, again assuming that at least 18 months will be required for land acquisition and planning.

We estimate the potential demand over this revised period to be:

Table 9: Estimated potential 'base and new' demand until 2040

Demand Type	Demand over plan period (sq ft)	Net site requirement - based on 40% site cover. (acres)	Gross site requirement (based on 25% of site being common area/infrastructure)
Base Demand	452,500	25.97	34.63
Loss of Space from Bath	55,329	3.20	4.25
'Healthy' Vacancy Rate	140,659	6.86	9.15
TOTAL	**627,305**	**36.03**	**48.03 acres**
ROUNDED TOTAL	**627,000**	**36.00**	**48.00 acres**

4.6. DEMAND FROM ALTERNATIVE USES

As a secondary consideration to demand from employment users, we have considered the following alternatives uses which are summarised below:

Table 10: Alternative Uses

Use	Potential Demand?	Acceptable in planning terms?	Inclusion within alternative scheme
Office	No	Not known	No
Out of Town Retail	Yes	Questionable	Yes
Residential	Yes	No	No
Supermarket	Yes	No	No
A3/A4/A5 users	Yes	Questionable	Yes

We provide further details of these uses below.

Office

Office properties would provide complementary uses to any industrial units on site. However we are of the opinion that the nearby Somer Valley Enterprise Park is likely to absorb any demand for smaller office requirements in the area, with the office market in the locality being limited. Additionally, in the event of specific requirements, smaller industrial units may be tailored for office occupiers, subject to planning permission.

We have therefore not allocated any space specifically to office properties at present. We note that should a cluster of industrial uses form which have natural synergies with office occupiers, that a managed Enterprise Centre may be appropriate at a future point.

Out of Town Retail

Midsomer Norton provides a range of local retail provisions to the town, nearby Radstock and the surrounding villages. Shoppers in the area will often travel to nearby Bath and Bristol for day shopping trips, whereas Midsomer Norton provides a convenient and essential style of shopping experience.

National retailer presence is limited within Midsomer Norton and the majority of occupiers comprise local individual businesses. The national retailers include the major high street banks, Thomson's Travel Agents, Lloyds Pharmacy, M & Co, various charity shops as well as Sainsburys and Lidl, both of which anchor the southern and northern ends of the High Street. Furthermore Church Lane Retail Park, in central Midsomer Norton provides for a limited retail warehousing offer, with tenants including Halfords and PamPurredPets Ltd.

Following informal discussions with Bath & North East Somerset Council's planners, we understand that bulky goods retail would be acceptable if sequential and impact tests were met.

We are not aware of any specific requirements from bulky goods retailers, however given the site's location adjoining the A362, the presence of the Tesco and Wickes in the vicinity, discussions with agents suggest there may be some interest from occupiers of this type, although given the sites provincial location, that there would only be a limited number of retailers with requirements.

This use would drive more value than many industrial uses and therefore if incorporated into a scheme on the site a potential demand for two units of approximately 7,500 sq ft over the plan period (total of 15,000 sq ft) could be allowed for.

Residential

The residential market is generally considered buoyant, and we understand there is a potentially large pipeline of residential accommodation in the locality over coming years.

We are however of the opinion that there is limited potential on the subject site, primarily due to its location, which is proposed to be largely industrial in nature. Furthermore discussions with Bath & North East Somerset Council's planning team suggested that there would be significant opposition to this use on the site.

As such we have not considered any residential accommodation as part of our scheme.

Supermarket

Traditional supermarket operators including Sainsbury's Tesco and Morrisons have largely put acquisition of larger out of town stores on hold, instead prioritising in town connivance stores.

However in contrast Lidl and Aldi are highly acquisitive for stores between 15,000 and 20,000 sq ft. These operators would consider either land purchase or leasing of units.

While we note that there may be demand within this sector, this use would not be acceptable from a planning perspective due to the potential impacts negative on the town centre. Sites in the town centre, including one allocated in the Placemaking Plan, are sequentially preferable and therefore, a supermarket has not been incorporated as an alternative use for the scheme'.

Sites in the town centre are therefore considered to be sequentially preferable, and have therefore not been incorporated as an alternative use for the scheme.

A3/A4/A5 users

Our investigations suggest there to be some requirements in the Midsomer Norton and Radstock areas for A3,A4 and/or A5 users.

The location of the subject site benefits from main road frontage which would appeal to these users, albeit the relatively small surrounding population, in addition to the sites position, which is somewhat detached from Midsomer Norton, is likely to be less attractive.

In planning terms it is notable that A3/A4/A5 uses are main town centre uses and therefore, would be subject to a sequential test.

We are however aware of requirements relating to out of town locations in Midsomer Norton/Radstock from both family pub/restaurant operators, and A3/A5 users. These users would seek sites of between 0.75 and 1.25 acres, and would be likely to purchase sites for approximately £500,000 per acre.

While we have established the general requirement, we have not been able to gain a firm statement that the subject site would be of interest at this stage, but rather that the locality would be worthy of further consideration.

As such we feel that there is potential demand for this use, and included one acre for this use, assuming demand from one operator.

5. VIABILITY AND DELIVERY

5.1. CHALLENGES WITH EZ DELIVERY AND VIABILITY

The delivery strategy for the site needs to recognise the physical, legal and commercial constraints relating to it. We have therefore detailed a number of key challenges with the site that form part of this strategy:

Ownership

The site is held under a number of third party ownerships. We have not been instructed to approach the landowners, however soft market testing has revealed that the fragmented ownership has been a barrier to development previously.

Furthermore a number of the funding opportunities described later within this section are not available to be used in relation to land assembly. Discussions with developers suggest that the number of landowners may well dampen developer appetite and will there need to be drawn together to bring the site forward for development.

The majority of Enterprise Zones are in single ownership, and we have considered routes for achieving this. However, the Council has the opportunity to affect a variety of delivery routes, involving a lesser or greater degree of interventions.

Local and Regional Transport Links

Transport links have been a barrier to inward investment to Somer Valley, in particular the journey time to the wider motorway network, and to larger conurbations.

The Draft Transport Strategy for the area tackles the potential to improve the A362, however significant works are not currently being proposed to the area in order to improve accessibility, with the Core Strategy eluding to the limited opportunities to do so.

It will be necessary to upgrade the road network within the Somer Valley are where possible, and additionally the wider connections such as the A37 in order to benefit from increased inward investment and competitiveness. This should be addressed not just within the Transport Strategy, but also through discussions on a regional level, within the West of England Regional Partnership.

Access and Infrastructure to Site

The site being considered has no existing road infrastructure. Access into the site is potentially costly to provide, particularly access from the A362.

Additionally the southern parcel is at present accessed via Langley's Lane, a small lane running to its northern border. This road would currently not be capable of supporting access to a significant industrial development. Any improvements on Langley's Lane would avoid the potential for a ransom situation with the owners of the current Old Mills site.

We are aware that the Council has previously required straightening works to the A362, in addition to other upgrades as part of s106 costs. This again has been sighted as reducing viability. We are aware of a number of funding streams that may be available in this regard to facilitate off-site infrastructure. These are detailed within Section 5.3 - 'Potential Interventions'.

The site itself is currently unserviced, and will require significant up-front capital expenditure. Whilst this affects viability on the site, discussions with developers has suggested that internal infrastructure is a cost that they may be willing to bear.

Abnormal Costs

The site has not been developed previously, but there are a number of factors which may lead to further abnormal costs being incurred by a developer. These include potential costs in relation to nearby mining activities, site levelling, ecology, flood prevention and drainage. Furthermore the draft Placemaking Plan identifies the following additional costs:

- Major landscaping to mitigate the impact on the surrounding countryside and nearby residential properties;
- Protection, diversion or undergrounding of overhead electricity lines;
- Improvements to A362 and including its realignment and associated traffic management measures to the A362 & Langley's Lane to ensure safe access to the site;
- Provision of community facility to meet the needs of workers.

We have not been provided with any estimates of costs, and have relied on those provided by GVA Old Mills Masterplan report, dated February 2011 (with appropriate uplifts for inflation). These costs do not include any allowance for any unidentified works in relation to ecology, flooding or provision of a community facility. If further cost items are identified then this will impact viability.

Occupier Demand

Soft market testing with local developers has suggested that occupier demand for small units would be strong at the current time and this is supported by our previous analysis of the local industrial market. However in order to appeal to medium and large scale occupiers, it is likely that access links would need to be improved as detailed earlier. Clearly occupier demand fluctuates over time and is influenced by macro and micro economic conditions. The delivery strategy will need to be continually reviewed in this regard over the plan period and particularly in light of potential key changes such as the upcoming EU referendum.

Viability

Viability is considered challenged for the site. The large majority of developers would not consider a speculative development in this location, unless there is a form of grant funding, or there is a significant pre-let agreed. Given the smaller units required, there are likely to be challenges around pre-lets. The Enterprise Zone status brings with it a number of funding opportunities that can be drawn upon to support viability.

Developer appetite

Due to the complexities outlined above, large upfront costs and the potential for slow but steady demand, developers may require an opportunity to purchase the site on a phased draw down basis in order to reduce up-front costs. We would expect this to be driven to a certain extent by separate landownership, with individual land owners likely to require sale of their plots in a single lot. This would sit beside the potential requirement to phase infrastructure appropriately for demand. This is exemplified by the approach at Westfield Industrial Estate, which saw the estate developed out in phases of circa 10 acre plots. The total site now extends to 60 acres, which has been taken up over the last 35 years.

5.2. SECTOR FOCUS

In addition to improvements in transport links and to any benefits offered within the Enterprise Zone, it is clear that many of the previous and proposed Enterprise Zones are targeting specific sectors. Through feedback detailed within Section 5.4 - 'Soft Market Testing', it is clear that while the incentives offered in the Enterprise Zones are a 'bonus' to occupiers, they would not on their own be significant enough to substantially increase inward investment into the area.

Given the challenges of the locality, particularly in terms of transport links, it is crucial that Old Mills provides a clear commercial offering. As per the case studies laid out earlier within this report, many Enterprise Zones have successfully leveraged current sector biases to create a unique selling point compared to surrounding locations. This has seen successes in terms of clustering of similar activities, which can be complemented by educational facilities focussed on skills required by those employers.

Regional and BANES Growth Sectors

Both Bristol and Bath Enterprise Zones target creative, high-technology, specialist engineering and low-carbon companies, which build upon the current strengths in these areas. Occupiers within these industries typically require limited floor areas within city centre locations, often being tied to higher education facilities.

The Bath and North East Somerset Council Economic Strategy 2014 - 2030 refers to the following growth targets by sector between these dates:

Table 11: BANES Growth by Sector

Employment by Sector (SIC 2007)	2010	2030	Net Change
Agriculture & fishing	700	500	- 200
Energy & water	1,100	1,200	100
Manufacturing	4,700	4,500	-200
Construction	4,100	5,300	1,200
Distribution, hotels & restaurants	21,800	24,800	3,000
Transport & Communication	6,600	9,500	2,900
Banking finance & insurance etc.	13,800	22,100	8,300
Public admin education & health	31,100	25,900	- 5,200
Other services	4,900	6,500	1,600
TOTAL	**88,800**	**100,300**	**11,500**

Source: Bath and North East Somerset Council Economic Strategy 2014 – 2030

Furthermore the following eight sectors have been identified as 'Priority Sectors'. Within this, four are identified as 'Core Sectors' due to them employing large numbers of employees currently, while key sectors are smaller in employment terms, but are higher value, and offer 'significant growth' potential:

Table 12: 'Priority Sectors within BANES

Core Sectors	Key Sectors
Tourism, Leisure, Arts and Culture	Creative and Digital
Retail	Information & Communication
Health and Wellbeing	Advanced Engineering & Electronics
Finance & Professional Business Services	Environmental & Low Carbon

Source: Bath and North East Somerset Council Economic Strategy 2014 – 2030

Furthermore the West of England devolution agreement references the key industries of creative, health, advanced, engineering, transport & aerospace, real estate, food & drink and insurance & financial.

Although many of these industries are more likely to flourish in a city centre location, in the context of Old Mills these industries, alongside specialisms in the Somer Valley should be considered as the starting point for potential sectoral focuses.

The Somer Valley Economy
In analyzing the Somer Valley economy, we have been provided with the Final Draft Version of Smart Growth Analytics BANES Growth Report, June 2011 and the Somer Valley Enterprise Centre Feasibility Study, dated November 2012.
We understand the former of the documents is in the process of being redrafted, however key points have been extracted, and utilized for the purposes of analyzing any potential growth sectors which may be utilized for a sectoral focus at the site.

The reports detail the Somer Valley area as being relatively sizeable economy, incorporating approximately 1,800 businesses registered for VAT and/or PAYE, and a further 3,000 self-employed enterprises. These provide total workplace employment for 17,300 jobs, and generate an estimated £585 million per annum in Gross Value Added (GVA). This totals 17% of the broader B&NES economy.

The main commercial GVA and employment generating sectors in the Somer Valley are:

- Manufacturing - 21% of GVA and 16% of employment;
- Wholesale and retail & repair of vehicles and motorcycles - 16% of GVA and 17% of employment;
- Construction - 21% of GVA and 11% of employment;
- Professional, scientific and technical activities - 10% of GVA;
- Education - 14% of GVA; and
- Health - 9% of GVA.

The main commercial strengths/specialisms/clusters within the region are Manufacturing, Transportation and storage; Construction; and, Agriculture.

Additionally Wholesale & Retail makes good employment and GVA contributions, but there is less evidence of a cluster activity when we analyse its business and enterprise representation.

Electricity, gas, steam and air conditioning supply has also been identified as making a relatively small contribution to business volumes and to employment, but is very high value added activity which makes a hugely significant contribution to GVA of the Somer Valley.

A more detailed analysis in the area shows that there are just a few specific activities / industries which account for approximately 39% of total the Somer Valley employment and almost half (47%) of its GVA output.

Historically Somer Valley has been an important centre for printing and packaging, although over the past 20 years there has been a closure of a number of larger occupiers due to re-location and/or rationalization. Although it remains an important part of the economy, this industry is considered to be contracting rather than expanding, and as such would not be appropriate to focus on for the purposes of the Enterprise Zone unless the digitization of the sector presents opportunities.

Alongside the above, other key industries in the region include construction, food and beverage services, architectural, engineering activities; tech testing / analysis; and, land transport.

Manufacturing clusters include: publishing, printing, fabricated metal products, and the manufacture of machinery and equipment.

In terms of ongoing demand levels the reports go on to state that;

‘Economic and employment forecasts for the Somer Valley to 2026 suggest that demand levels and demand types will be very much driven by Blue-Collar manual-based businesses, on the one hand, and by Business services businesses, on the other. More specifically:

- *Manufacturing Transport & communications*
- *Construction*
- *Business services*
- *Information & Communication Technology*
- *Creative Industries*

The more detailed sectoral analysis enables us to be a little more specific as to the likely nature of support from a potential Enterprise Centre. The findings suggest that any potential Somer Valley enterprise centre, which also seeks to support the Council’s Core Strategy and Economic Development Strategy, should consider the following sectors:

- *Manufacturing, particularly Printing and Rubber / Plastics*
- *Transport & communications*
- *Construction*
- *Business services*
- *Information & Communication Technology*
- *Creative Industries’*

However overall, we are of the opinion that with the exception of printing, the Somer Valley region does not have a ‘strong’ bias towards any particular sector, with the existing business base being diverse. With this in mind we identify below initial thoughts on the following potential sectors around which a commercial offering could be based:

- <u>Engineering</u> – The Somer Valley has been identified within the Core Strategy as having an engineering skills base. This is enhanced by Bath College’s Somer Valley Campus, which focuses on engineering. By focusing on engineering facilities, this would be complementary to the wider West of England Enterprise Zone. Such companies however would be likely to require more limited space in ‘business unit’ style properties, with high office components. Should such clustering prove a success, this could be tied to further managed enterprise space in the future.

- <u>Food and Drink</u> – The wider region has close ties with the food and drink sector. The South West is one of the strongest regional sectors, developing a reputation for producing quality, traditional food and drink. We understand that approximately 12% of England's food and drink manufacturing employment is in the south west. There is a potential to target the front end design and innovation in relation to this sector. It is notable however that Junction 21 Enterprise Area, which is located approximately 50 miles to the west of the site has targeted this sector with the 10 acre ‘South West Food and Drink Innovation Centre’.

- <u>Green Energy/Waste</u> – Energy conservation and sustainable generation would be consistent with stated Policy SV1 within the Somer Valley Spatial Strategy. We would consider that any focused on energy could be tied into waste

We would however strongly recommend that further work is undertaken on developing this proposition within a detailed business case.

5.3. POTENTIAL INTERVENTIONS

In terms of potential interventions available to the Council, or the LEP in ensuring successful delivery of the scheme, we have considered both interventions in increasing occupier developer demand. As discussed previously, there are a number of incentives offered as part of a ‘menu’ of options within Enterprise Zone status, with additional funding interventions available.
These interventions are detailed below:

Business Rates Discount

A business rates discount is provided worth up to £275,000 per business over a five year period. This is refunded by central Government. The relief would be of larger significance to mid-sized businesses, while smaller businesses in the area benefit to a lesser extent, particularly given the current 100% relief in place for companies with Rateable Values of £6,000 or less. This relief is also less significant for larger occupiers given the cap on the rates relief.

Capital Allowances

Companies qualifying for ECAs in Enterprise Zones will benefit from 100% during the first-year. In effect this will enable them to write off qualifying expenditure more quickly for tax purposes.

Super-fast Broadband

It will be ensured that all occupiers within the Enterprise Zone will have access to super-fast broadband. This is likely to be a differentiator when compared to other more dated estates in Somer Valley. This benefit is less significant for Old Mills due to proposed occupiers being industrial users. These occupiers would view super-fast broadband as being less important to their businesses than office users.

Simplified Planning Approach

Government can help to develop simplified planning approaches for the zone using, for example, Local Development Orders. These Orders allow development to be undertaken without the need for planning permission to be obtained from the local planning authority. We would expect this to have a positive impact on the subject site given that no planning permission is in place.

LEP to retain all business rates growth

The central Government is to reimburse a 100% discount for five years up to the maximum state aid de minimis threshold, for businesses that enter the zone before 31 March 2022, The LEP is to retain any business rates growth in the area, and can re-invest this into the local area. This may be used to reinvest into later phases of the subject scheme, in particular infrastructure.

Funding

There are a number of funding streams which may be available to the Council/LEP in bringing the site forward. Particularly given the viability challenges detailed within our financial appraisals, and details of our soft market testing with developers, these funding streams are likely to be important to bringing forward a scheme.

The following are potential funding streams which were understand are available at present (albeit we cannot comment on potential ‘headroom’ within these funds):

Tax Increment Financing – This financing enables borrowing against future increases in business rate receipts. The financing is available for infrastructure only, and relies on an increase in the generation of tax as a result of the Enterprise Zone. Other zones have suggested that given the risks involved, and the time period whereby repayment takes place, that other funding streams are preferable if possible.

Revolving Infrastructure Fund – The West of England Revolving Infrastructure Fund (RIF) is worth £56.7m and is made up of £16.9m from the Growing Places Fund and £39.8m from the Regional Growth Fund (RGF). The fund commenced in Spring 2013. This provides funding for infrastructure work, and would not be applicable to site assembly. Repayments are made as land value is released, the cash realised can be used to repay the funding provided for infrastructure.

Local Growth Fund - Growth Deals provide grant funding to LEPs for projects that benefit the local area and economy. This funding would be more desirable than the funding streams above due to it being grant funding. The fund could be utilised for infrastructure. We understand through the West of England Local Enterprise Partnership, that this could be utilised for a specific project. In particular we understand that funding requirements for external infrastructure could be met. We are advised that proposals are being prepared to bid for this funding by July 2016. It would therefore be advisable for the Council to prepare proposals.

JESSICA (Joint European Support for Sustainable Investment in City Areas) – This investment funding, which was utilised by Sheffield City Enterprise Zone is an initiative of the European Commission developed in co-operation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). It supports sustainable urban development and regeneration through financial engineering mechanisms. Funding gained can be used for the following proposes:

- Urban infrastructure - including transport, water/waste water, energy;
- Heritage or cultural sites - for tourism or other sustainable uses;
- Redevelopment of brownfield sites - including site clearance and decontamination;
- Creation of new commercial floor space for SMEs, IT and/or R&D sectors;
- University buildings - medical, biotech and other specialised facilities; and
- Energy efficiency improvements.

Although the funding is targeted at City Areas, Old Mills' ties to Bath through the joint Enterprise Zone may provide eligibility.

5.4. SOFT MARKET TESTING

To partially inform the advice put forward within this report, LSH have undertaken soft market testing with both developers and occupiers. The details of discussions are detailed below:

Occupier Feedback

Occupiers across Bath and North East Somerset and Wiltshire were questioned on the potential incentives being offered within the Enterprise Zone, and the extent to which, in principle, they would be a factor in the consideration of the Old Mills site over other rural sites. These occupier incentives included business rates relief, capital allowances and super-fast broadband.

Occupiers interviewed ranged from small to large companies. Reponses overwhelmingly suggested that these incentives would not, in isolation, drive the decision to re-locate, or indeed a choice of location. Indeed when questioned as to an 'in principle scenario' whereby new premises were being sought, such incentives were overwhelmingly considered a small part of any decision to locate on the basis that savings would be relatively small in comparison to other business costs and concerns. Instead being close to skilled staff and transport links provided was higher on the agenda and was a more compelling draw.

On the basis of these discussions we would consider that while these incentives were ‘nice to have’s’ they would form a relatively minor part of the decision making process for the majority of occupiers. These incentives can therefore be utilised as ‘conversation starter’ but must be offered as part of a larger offer for location at Old Mills, such as the potential to cluster with similar occupiers.

This is a view confirmed by a representative from the Department of Communities and Local Government, who stated that their own research had suggested that incentives were merely a bonus, and would not be the primary driver for a company choosing an Enterprise Zone in which to locate.

Developer Feedback

A number of developers were contacted and key feedback was:

- The industrial market in the Somer Valley is relatively buoyant at present with demand being very strong from smaller occupiers of less than 2,500 sq ft. However demand is very sensitive, with even a year previously being at a significant level.
- Locally, marketing of mid to large sized units/plots has proven more difficult, albeit they have had some interest from larger firms. This interest has been generally from companies with ties to the area. Inward investment of a large occupier will be a challenge due to poor access to wider road links. However they have had ‘a couple’ of enquiries from larger out of area companies which have not materialised.
- The capture of a larger occupier would be an important catalyst for development of the site, as demonstrated on other large industrial sites in the area.
- The site was potentially attractive, on the basis of a ‘long term hold’, in particular due to the experience of the high occupancy rates in the area.
- While previous developer interest has been shown in the northern parcel, the southern parcel is also attractive on the basis of ease of access, and single ownership.
- Historic interest on the site had faded on the basis of site acquisition costs.
- Viability was also historically aided by interest from a large occupier. However lack of infrastructure was part of the occupier’s decision to locate elsewhere. Viability was reduced as the large requirement no longer existed for the site.
- Requirements for additional external infrastructure are also a hindrance to viability.
- The development would need to be in several plots, with infrastructure provided prior for each plot.
- The site area identified within the plan would in principle be of interest, albeit the multiple land ownerships would present difficulties.

5.5. FINANCIAL APPRAISALS

We have provided financial appraisals on two options. Each option has a number of scenarios dependent on the level of funding. These options are both based on a total demand for the Placemaking Plan period. The options relate to the entirety of a 30.5 acre site, with development coming forward within the plan period.

Option 1

This provides viability of providing employment uses only:

Table 13: Option 1 Scenarios

Scenarios Reference	Scenario Description
1a	Employment Uses Only – no funding.
1b	Employment Uses Only – funding for external infrastructure.
1c	Employment Uses Only – funding for internal and external infrastructure.

The options have assumed that the developer would procure an option agreement with all landowners, but would purchase land on a phased basis. This would be more acceptable to a developer given the ability to draw down parcels in response to demand over the period, while also reducing finance payments on land purchase. The ability to align landowner and developer requirements is therefore an important assumption that would need to be secured through land assembly.

In appraising these options we have used the following key assumptions in relation to the capital value. This reflects that any leases entered into are likely to be short term, with many occupiers being of limited covenant strength. As such vacant possession values would underpin the values of individual units:

Table 14: Revenue Assumptions

Revenue Assumptions (Capital Value)	
Unit Type	**Assumption**
Small Units	£100 per sq ft
Trade Counter	£120 per sq ft
Mid-Sized Units (Build and Sell)*	£85 per sq ft
Mid-Sized Units (Land Sale)*	£350,000 per acre
Large Relocations	£300,000 per acre

* In relation to any mid-sized units (non trade counter), we assume a proportion of demand would be from owner occupiers who wish to construct their own premises, while others would require a pre-built unit to either lease or purchase. We have therefore assumed that 50% of the units are built out and sold by the developer, while the remaining half is sold as land plots to owner occupiers.

Table 15: Option 1 Cost Assumptions

Cost Assumptions	
Unit Type	**Assumption**
Acquisition Costs	£100,000 per acre
Site Preparation*	£21,500 per acre
Landscaping*	£10,750 per acre
Infrastructure/Utilities*	£107,500 per acre
External Infrastructure – A362	£763,250
External Infrastructure – Langley's Lane**	£250,000
Base Build Costs	£65-£70 per sq ft
Professional Fees	8.00%
Finance	6.00%
Profit on Cost	20%
Marketing Costs	£200,000
Sales agent and legal fees	1.75%
Planning	£200,000

Survey Fees	£100,000
Contingency	2.50%

*In reaching our cost assumptions for site preparation, landscaping and utilities/infrastructure, we have been instructed to rely on the scheme costs outlined in the GVA report, dated February 2011, where applicable. With the exception of acquisition costs, we have inflated these by 7.5% to reflect the increase in build costs between 2011 and the date of this appraisal.

**The GVA costs did not consider costs associated with improvements in Langley's Lane. We have assumed a figure of £250,000, but would emphasize that this figure is likely to require revision, following an opinion of a professionally qualified cost consultant.

We have not allowed for any further abnormal costs, over and above those detailed within the GVA report, dated 2011.

Taking into account current market conditions, in addition to the specific attributes and location of the site, we would consider that a private developer would require a profit on cost of at least circa 15% (although this is more likely to be 20%). That said, different parties will have differeing business models and this may be reduced if a developer was taking a developer / investor role and targeting long term returns from retention of investment assets.

The below table shows for each scenario the viability elements impacting a developer's decision, which costs a developer would be taking on and the potential viability of each option:

Table 16: Option 1 Viability Elements

Item (Will developer bear taking on risk/cost)	1a - Employment Uses Only – no funding.	1b - Employment Uses Only – funding for external infrastructure.	1c - Employment Uses Only – funding for internal and external infrastructure.
Occupiers Demand	Yes	Yes	Yes
Site Acquisition	Yes	Yes	Yes
External Infrastructure	Yes	No	No
Internal Infrastructure	Yes	Yes	No
Total Profit (Deficit)	(£2,668,843)	(£814,118)	£3,601,217
Profit on Cost (Negative)	(8.04%)	(2.60%)	13.66%

The above options are based on feedback from discussions with a variety of sources, which indicate the following:

- Occupier Demand – soft market testing with developers suggests that there is underlying demand from occupiers for industrial occupiers, particularly for smaller units.
- Site Acquisition – the site is currently under multiple ownerships. Feedback from developers suggests that alongside provision of infrastructure external infrastructure, the number of land ownerships has been a barrier to the development of the site. At this stage we are unaware of funding streams that could be used for site acquisition.

- External Infrastructure – works in relation to A362 improvements have also been a barrier to development, and as such we have assumed that funding could be obtained to facilitate the provision of this infrastructure.
- Internal infrastructure – soft market testing has suggested that there would be developer interest without the requirement for funding of internal infrastructure, particularly from developers who are looking for a 'long term hold', although it is noted that our calculations do not support this.

Based on the above, only when all infrastructure costs are funded does the scheme approach a viable development proposition.

Option 2

Given that Option 1 only approaches a viable proposition when external funding is identified on the basis of solely employment uses, we have also considered alternative uses which are summarised below and could support value and deliverability:

Table 17: Alternative Uses

Use	Potential Demand?	Appropriate location for use?	Acceptable in planning terms?	Inclusion within alternative scheme
Office	No	Yes	Not known	No
Out of Town Retail	Yes	Yes	Questionable	Yes
Residential	Yes	No	No	No
Supermarket	Yes	Yes	No	No
A3/A4/A5 users	Yes	Yes	Questionable	Yes

Additional Alternative Use Option Viability
We have therefore considered the following additional scenarios as below:

Table 18: Option 2 Scenarios

Scenarios Reference	Scenario Description
2a	Employment plus retail warehouse (bulky goods) and A3/A4/A5 users – no funding.
2b	Employment plus retail warehouse (bulky goods) and A3/A4/A5 users – funding for external infrastructure.
2c	Employment plus retail warehouse (bulky goods) and A3/A4/A5 users – funding for internal external infrastructure.

In addition to the assumptions used in Option 1 we have used additional costs relating to the larger land area of 35 acres (an additional 2.50 net and 3.30 acres gross of alternative demand). Furthermore we have also adopted the following revised revenue assumptions

Table 19: Alternative Use Revenue Assumptions

Use	Demand	Rent (psf)	Yield	Price (per acre)	Rent Free (months)
A3/A3/A5	1 acre	N/A	N/A	£500,000	N/A
Retail Warehouse	15,000 sq ft (1.5 acres)	£12.50	7.00%	N/A	9

The financial analysis of this option is set out below:

Table 20: Option 2 Viability Elements

Item (Will developer bear taking on risk/cost)	**2a - Employment plus retail warehouse (bulky goods) and A3/A4/A5 use– no funding**	**2b - Employment plus retail warehouse (bulky goods) and A3/A4/A5 use – funding for external infrastructure.**	**2c - Employment plus retail warehouse (bulky goods) and A3/A4/A5 use – funding for internal external infrastructure.**
Occupiers Demand	Yes	Yes	Yes
Site Acquisition	Yes	Yes	Yes
External Infrastructure	Yes	No	No
Internal Infrastructure	Yes	Yes	No
Profit (Deficit)	(661,864)	£894,269	£4,992,494
Profit on Cost (Negative)	(1.93%)	2.74%	17.46%

This analysis highlights that incorporating a wider mix of uses will generate additional value and support delivery of the site. Securing external project funding to support delivery is however still necessary to create a viable development proposition..

Viability Conclusion

Our developer soft market testing revealed that there is a reasonable prospect of the site being brought forward for development of employment space, albeit this will be dependent on the ability of the developer/Council to solve the various challenges, particularly in terms of site assembly and phasing.

Whilst our appraisal suggests that viability is challenged unless internal and external infrastructure is provided through funding external to the project, soft market testing points towards willingness of developers to bear the cost of internal infrastructure works, should land assembly be secured at a lower level, and external works be funded publicly. This is on the basis of a ‘long term view’ of the development cash flow. The Enterprise Zone status and access to funding streams will therefore be important to create viable and deliverable propositions for the market.

6. INITIAL CONSIDERATIONS FOR DELIVERY STRATEGY

6.1. DELIVERY STRATEGY CONSIDERATIONS

We have identified within previous section that the potential demand exists to support the allocation suggested.

We also consider that the site is deliverable, subject to addressing the challenges on the site and securing funding to support delivery. These challenges particularly include:

Land assembly – the Old Mills site is in multiple ownerships. Assembly of these ownerships is critical to ensuring a joined up, strategic approach in delivering the site.

Scale - as evidenced above, we consider that the strongest demand in this location will be from smaller scale occupiers. It will also be imperative to attract medium and larger occupiers, who can also act as catalysts, but also increase land take-up. This may be achieved through a variety of methods, including improvement of transport links or provision of a compelling commercial offer.

Viability - infrastructure improvements are required in order for Old Mills to be successful. As detailed above, viability is challenged, albeit we are aware that the site is of interest to local developers, particularly if challenges around land assembly and external infrastructure can be overcome. Viability can be improved through the inclusion of alternative uses if required.

Sectoral focus - as detailed within Section 5.2 we do not believe there is a strong sectoral bias within the Somer Valley at the present time, with the exception of printing and packaging. Given that this sector is likely to contract in the future, it is a challenge to identify a key sectoral focus within the zone. Doing so would be an integral part of creating a unique proposition, and creating demand through clustering of activities.

We consider that there is a range of options the Council could adopt in addressing the delivery of the Enterprise Zone, involving both high and low intervention strategies. Such strategies should be considered further as a next step, however key principals include:

Funding – there are a range of funding streams available given the site's Enterprise Zone Status. This can be drawn on to address infrastructure requirements particularly, which would support viability and scheme delivery. Obtaining funding would also show Council commitment to the scheme, leading to increasing market confidence.

Branding and marketing - The evidence from previous Enterprise Zone research was that one of the most significant advantages of the original zones was the value of the enterprise zone brand as a marketing and promotional tool. This may aid the attraction of businesses through creating a clear commercial proposition.

Business support- As with any proposition catering to smaller scale occupiers (such as Enterprise Centres) is important, including support for business on issues such as access to finance, guidance with innovation, international trade links, training for workforce, ICT infrastructure and e-business support. Notwithstanding this, the benefits of defining and building on sectoral based clusters means that smaller businesses can benefit from capitalising on existing supply chain links for example.

6.2. NEXT STEPS

We consider that the next steps to define the delivery strategy for the Council will include:

- Open initial discussions with landowners to initiative collaboration and discuss requirements and opinions of value;
- Consider various funding streams; and
- Define the development proposition and being clear about the commercial offer. Further detailed analysis is required as to establishing the business case for the Enterprise Zone in terms of sectoral focus, USP’s, differentiation from competition etc. The establishment of the development proposition will drive decisions as to delivery strategy, sectoral focus and inclusion of alternative uses, which will impact on the approach the Council adopts.

7. CONCLUSIONS & RECOMMENDATIONS

The purpose of this work is to establish potential supply and demand for the Old Mills site in the context of the granting of Enterprise Zone status. This demand is primarily assessed within the parameters set out in the emerging Placemaking Plan, over a period until 2029. However the demand over the longer Enterprise Zone period, up to 2040 may also be considered

Given that the site has faced historic challenges in being brought forward for development, we have also been instructed to advise on potential ways of mitigating any viability issues, including consideration of potential supplementary alternative uses.

In addition to assessing the potential demand, we have also outlined initial considerations in relation to a delivery strategy in order to bring the site forward at the earliest opportunity.

Assessment of demand

Any estimate of future demand is highly uncertain due to the multitude of factors that will affect it. This report therefore estimates an appropriate allocation given the evidence available at the time of reporting.

Historic 'Base' Demand

We have analysed historic take-up statistics in the region in order to assess potential demand in the location. This is summarised below:

Small business units under circa 3,000 sq ft - In terms of number of deals per annum, we would consider that the largest demand would be from occupiers of this size. We have assumed that on average, six deals per year at 1,500 sq ft is achievable (including an element of pent up demand in this bracket). Taken over the plan period this would equate to 108,000 sq ft over the plan period. This equates to an appropriate allowance of 6.20 acres, or a gross site requirement of 8.26 acres.

Medium sized units (3,000 – 20,000 sq ft) - These occupiers are likely to provide a lower number of deals on average. We have assumed that one deal a year for the plan period is achievable on the site, at an average size of 8,500 sq ft. This would total 102,000 sq ft over 12 years. This equates to an appropriate allowance of 5.85 acres, or 7.81 acres gross.

Trade Counter - Sitting within the 'medium sized units' bracket we would consider there to be potential for demand from trade counter operators, particularly given the frontage to the A362 and proximity to Wickes and Tesco. It is likely that these users would require between 4,000 and 5,000 sq ft and we would consider it achievable to attract between four and six occupiers, who would take a total of 25,000 sq ft. This use sits within the 102,000 sq ft of demand for 'medium sized units'.

Major relocations - we have allowed a further 25,000 sq ft over the plan period to allow for major relocations and population growth. This equates to an appropriate allowance of 1.4 acres (net), or 1.9 acres (gross).

Based on this estimate of demand we have allowed for an allocation of 18 acres over the plan period.

Additional 'New' Demand Factors

In addition we have considered a number of factors which, coupled with a strong commercial offering being put forward by the Zone, leading to potential increases in demand over and above those historic levels:

Demand due to reduction of space in Bath – we have analysed the major losses proposed within Bath, with resulting potential new requirements. This includes Pinesway Industrial Estate, Cheltenham Street, Onega Business Centre/Comfortable Place and Roseberry Place/Stable Yard. The LSH Industrial Market Review, 2015 estimated the total tenanted space within these areas being 110,657 sq ft. Assuming that there will be competition from alternative locations such as Keynsham, the Somer Valley may potentially (with s strong commercial offering) attract 50% of this space. This additional 55,329 sq ft equates to 3.18 acres net (4.23 acres gross).

Requirement for 'Healthy Vacancy Rate - LSH's Industrial Review, 2015 estimated vacancy rate at 0.9%. This rate is considered extremely low when compared to 'stronger' national market, and we would expect a healthy industrial market to achieve a 'healthy' vacancy rate of approximately 5.00% in order to enable flexibility of choice and encourage inward investment. Taking into account the current and potential demand over the planned period, it is appropriate to allow for additional supply to achieve a higher vacancy rate that will provide sufficient choice and capacity for businesses to move around the district and accommodate inevitable growth and contraction. If this additional capacity is provided at the Old Mills site as the focus of new strategic industrial land in the Somer Valley then it would translate into an additional 271,503 sq ft, which equates to 6.23 acres (net), or 8.31 acres (gross).

<u>Additional Qualitative Factors</u>

Increase in inward investment (Based on transport strategy/EZ status) - Improvements in the areas transports links as a result of the Council's transports strategy would, if successful, improve the areas competitiveness with other competing towns.

Further demand due to increased population growth – The need for 2,470 dwellings has been identified within the Somer Valley. This further catchment population may increase the requirement for employment space in the area, albeit the potential for this demand to be soaked up regionally is also noted.

<u>Total Allowance</u>

An appropriate allowance for this period is therefore estimated at 30.50 acres over the plan period.

The allocation of 36.68 acre is marginally above our opinion of demand over the plan period, albeit given the uncertain nature of future estimates, we would not consider the allocation to be unreasonable, particularly if alternative uses are considered on site alongside industrial space. We have identified bulky goods retailing and A3,A4 and A5 uses as potentially creating further demand, although planning acceptability is dependent on factors such as sequential testing.

Furthermore we have also discussed the additional demand which could be realised through assessing demand until 2040. By analysing demand over this period, it has been demonstrated that there may be demand for the size of allocation proposed.

Challenges and Solutions to Viability and Delivery

We would also consider that the site is deliverable, subject to addressing the challenges on the site. These challenges particularly include:

Ownership/Site Assembly – there are numerous owners on the site, with assembling these as a single development proposition being a potential hindrance to developers.

Transport links – in particular the lack of easy access to motorway networks and significant towns and cities will challenge inward investment into the area. Where possible the Transport Strategy should seek to identify more potential improvements to create accessibility in the region.

Access and Infrastructure to Site - the lack of existing infrastructure on the site necessitates a significant upfront cost for developers, which impacts on scheme viability. In addition soft market testing has suggested that developers may be reticent to bear the cost of the required transport routes such as the A362. Potential funding streams should therefore be considered.

Occupier Demand - Soft market testing with local developers has suggested that occupier demand for small units would be strong. However in order to appeal to larger scale occupiers, it is likely that access links may need to be improved or the commercial offering would need to be considered.

Viability and developer appetite – viability is challenged on the site, with our appraisals suggesting that alternative uses, and funding of infrastructure is required to create a viable proposition. We would however note that soft market testing has suggested that where developers are willing to look at the rental receipts over a long period of time, that viability may be achieved. We would therefore expect some developer interest in the site, particularly where funding could be facilitated for external infrastructure.

Sectoral focus - we do not believe there is a strong sectoral bias within the Somer Valley, with the exception of printing and packaging. This is not a growth sector, and therefore further consideration must be given to creating a sectoral focus, which would facilitate a unique offering.

Initial Considerations for Delivery Strategy and Next Steps

In order to overcome such challenges a robust delivery is required. This delivery strategy should be considered as a next step, but key principals include:

Funding – funding streams should be investigated further. Commitment of funding would assist with market confidence and viability

Branding/ marketing and creating a USP– Creating a clead commercial proposition is key to the delivery, including providing a clear, targeted branding/marketing message.

Business support – Business support can provide a key differentiator to other potential sites, and should be considered, particularly in view of the demand, which is largely from smaller local and regional occupiers

We have outlined the next steps as follows:

- Open initial discussions with landowners on site;
- Consider various funding streams;
- Confirm commercial offering through defining sectoral focus, USP's, differentiation from competition etc; and
- Establish a development proposition to drive decisions as to delivery strategy.

APPENDIX 1 LOCATION PLANS

Old Mills Industrial Enterprise Zone

Old Mills Industrial Estate Extension