ROF Featherstone
Land Value Uplift
Staffordshire County Council
14 August 2018
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Document history

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<th>Originated</th>
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<th>Staffordshire County Council</th>
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1. Introduction

This technical note sets out the land value impacts, which have been calculated for the proposed ROF Featherstone development site in South Staffordshire. The former ROF Featherstone site is a longstanding “brownfield” employment site, which has been included in the South Staffordshire Local Plan for several years, and has been the subject of various planning applications. It is currently owned by private sector developers, The Saint Francis Group. Historically, poor access to the site has constrained the development of the site.

To help overcome some of the access constraints referred to above, Staffordshire County Council intends to support the Saint Francis Group by providing a suitable access to the site and in May 2016 a Cabinet decision outlining the County Council’s support for the site was approved. Hence, Staffordshire County Council has followed a full “WebTAG” compliant appraisal process, which narrowed down nine theoretical access options to two identified access options through a Stage 1 Options Assessment Report (OAR). Throughout this document this project will be referred to as the Scheme.

The two access options, identified, are now subject to further appraisal through the Stage 2 process. Therefore, Staffordshire County Council, require the calculation of land value Impacts of the Scheme to support their case for its construction. This note explains the methodology for the calculation as well as a summary of the results.

2. Methodology

Staffordshire County Council has provided Atkins with outputs from the VISUM modelling undertaken for the scheme. The analysis and report concentrates on Options 7 and 9 as they are the most viable options. It is important to note the land value uplift can be attributed to a scheme if and only if the development of the land is dependent on the scheme. Staffordshire County Council are not sure on the percentage of the development dependent on the scheme options. Hence, we have presented results for the following range of scenarios to demonstrate the potential of the scheme.

1. Land value uplift forecast is made on the assumption that 100% of the development site is dependent on the scheme.
2. Land value uplift forecast is made on the assumption that 90% of the development site is dependent on the scheme.
3. Land value uplift forecast is made on the assumption that 75% of the development site is dependent on the scheme.
4. Land value uplift forecast is made on the assumption that 50% of the development site is dependent on the scheme.

Furthermore, the nature of the development site is not yet fully confirmed. Hence, this note presents the results for the following scenarios:

- Forecast 1 has assumed that a total of 24ha of land on the site will be developed and consists of: B1 (25%), B2(25%) and B8(50%);
- Forecast 2 has assumed that a total of 24ha of land on the site will be developed and consists of: B2(50%) and B8(50%); and
- Forecast 3 has assumed that a total of 24ha of land on the site will be developed and consists of: B2(20%) and B8(80%);

Table 1 presents the information provided by Staffordshire County Council on the modelling outputs from the VISUM modelling undertaken for options 7 and 9. The analysis required the total travelled vehicle kilometres for the following scenarios:

- Scenario 1: Without the new development in place but with the transport scheme; and
- Scenario 2: with the new development in place and with the transport scheme.
These were then used to calculate the ‘Transport External Cost of Land Use Development’ (TEC) using a Marginal External Congestion Cost (MECC) methodology as described in WebTAG. The TEC was then netted off against the land value uplift.

Table 1 VISUM model outputs

<table>
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<th>SCENARIO</th>
<th>2018</th>
<th>2021</th>
<th>2032</th>
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<tr>
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<td>AM</td>
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<td>Option 7 \— Without the new development in place but with the transport scheme.</td>
<td>175,706</td>
<td>195,635</td>
<td>183,247</td>
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<td>Option 7 \— With the new development in place and with the transport scheme.</td>
<td>176,176</td>
<td>196,190</td>
<td>184,585</td>
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<tr>
<td>Option 8 \— Without the new development in place but with the transport scheme.</td>
<td>175,639</td>
<td>195,589</td>
<td>183,170</td>
</tr>
<tr>
<td>Option 8 \— With the new development in place and with the transport scheme.</td>
<td>176,114</td>
<td>196,143</td>
<td>184,434</td>
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</table>

Source: Staffordshire County Council

Land value uplifts have been assessed as part of the scheme and have been calculated using WebTAG guidance Unit A2-2. This reflects the impact of development being ‘enabled’ as part of the ROF Featherstone scheme. It is considered that without the transport scheme (options 7 or 9), it would not be possible to enter/exit the development site.

Land value uplift measures the difference between the price of land in its new and former uses and represents the private gain to land owners and is only applicable where the development is dependent on the scheme. It is important to note that the land value uplifts calculated here are only to be used for a strategic context and should not be used to calculate benefit to cost ratios (BCRs).

In summary, the following methodology was applied.

1. It was assumed that the former use for the ROF Featherstone site is industrial. Land values were taken from the UK Government estimates. The land values assumed were for ‘out of town’ in the Wolverhampton area as this was the closest region to the site, for which data was available.

2. The Valuation Office Agency guidance concerning valuing property which has stood vacant, following case law, draws a distinction between:
   - properties which are vacant, when there are similar properties nearby which are in use; and
   - properties which, due to their nature have become ‘intrinsically valueless’.

   Without improved access any large-scale development at the ROF Featherstone site would not be feasible and so realising the potential value of the land would be impossible. The majority of the land would likely remain vacant until such a time as sufficient investment is made to enable access to support development. As a result the land should be considered in this latter category as essentially valueless in its present state.

   While the land does have some value for its development potential, as demonstrated by its recent purchase by St Francis Group developers, work carried out by St Francis Group has confirmed there is a high cost – estimated to be some £5 million – to decontaminate the site to a standard that would be appropriate for employment development. This excludes the costs associated with the provision of a new access into the site.

3. The land value gains were calculated by multiplying the difference in value per hectare by the size (area) of the site. It was assumed that the development site consisted of 24ha of development area as well as another 12ha of landscaping area. It is assumed that the future use of the development site consisted a mix between B1 (commercial out of town office), B2 (industrial) and B8 (industrial).

4. The land values were quoted in 2017 prices. These values were adjusted to reflect current market prices using the Housing Price Index (HPI). The index chosen was for the Wolverhampton area and prices were increased from April 2017 to the latest Index available May (2018).

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1 WebTAG: TAG unit A2-2 induced investment, May 2018

2 https://www.gov.uk/government/collections/land-value-estimates

3 https://www.gov.uk/guidance/rating-manual-section-3-valuation-principles/part-4-valuing-vacant-property

4 https://www.gov.uk/government/collections/uk-house-price-index-reports#about-the-uk-hpi
5. The prices were then converted to 2010 prices using the GDP deflator from the WebTAG Databook May 2018.

6. Transport External Costs of land use development were calculated using the MECC methodology and netted off the land value uplifts in accordance with WebTAG Unit A2-2.

7. Transport External Cost of land use development were calculated for a 60-year appraisal period, with the opening year taken to be 2018, in line with WebTAG guidance unit A1-1.

8. The land value uplift is assumed to be a single year benefit and is assumed to occur in scheme opening year (2018). It was discounted to 2010 in accordance with WebTAG guidance to present values as Present Value Benefits (PVBs).

3. Results

Atkins developed spreadsheets to apply the methodology discussed above and calculate the potential land value uplifts due to the scheme, while taking account of TEC.

The results have been separated to demonstrate the land value impacts, separately, for each of the two transport options introduced above. Furthermore, the results for each forecast have been separated by the employment mix scenarios.

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5 WebTAG: TAG unit A1-1 cost-benefit analysis, May 2018