

BICESTER GATEWAY PHASE 1B: USE RATIONALE

29 MAY 2020

The purpose of this paper is to answer questions raised by the local planning authority around Use Class B1 and, more generally, how the proposed innovation community contributes to achieving knowledge economy objectives for Bicester. There is, in addition, a related point around whether the proposed innovation community would prejudice the achievement of employment objectives, notably in relation to the three tests in Policy SLE1.

Why an Innovation Community?

By way of background, Bloombridge has been involved with Bicester 10 since 2012 (Promised Land Farm, being Phase 2, and the two frontage plots comprising Phase 1), where the original idea came out of our work with the Cherwell team on Oxford Technology Park (and Silverstone Circuit). We were responsible for the allocation of Bicester Gateway in the Local Plan for “knowledge economy employment development within Use Classes B1 business uses/hi-technology industries”.

We have been actively marketing the site for B1a, B1b and B1c uses since 2014 but, like Bicester Office Park, we have been unable to attract any corporate occupiers to the town. We were close to securing DAF for their new UK HQ training facility in 2016 but, in the end, they decided to remain in Haddenham to retain key staff that were unwilling to travel to Bicester. Other than DAF, there have been few corporate requirements for the Bicester area for B1 employment space despite Phase 1B being one of very few sites in Oxfordshire that could offer an occupier a self-contained site fronting a major highway. It is clear that users for B1 space are focussed on the Oxford market and Bicester has not been able to attract the necessary inward investment to date. VSL & Partners provided a market report (dated 4 June 2019) as part of our current innovation community planning application, and this provides an expert opinion on the local market and what marketing has been undertaken to date.

The Directors of Bloombridge were formerly Main Board Directors of Goodman (now Arlington again), specialising in the creation and development of some of the largest and most successful business parks throughout the UK, achieving a fund value of over £800m. We are therefore fully aware how difficult it can be to establish new business parks in towns that are already home to major corporate occupiers so doing this in a market that is looking to establish a knowledge economy, effectively from scratch, is highly challenging. A step change is required, and most economists would agree that this can only be achieved through innovation and, perhaps to a lesser degree, place-making. Granting a planning permission does not instantly create a market that didn't previously exist (as evidenced by Bicester Office Park). But looking to the future, the way people live, work and play is changing and, post Covid-19, this is likely to change at a faster rate than previously anticipated – positively and negatively. It is therefore even more apparent that providing places that allow people to conveniently mix and balance work with their social life is going to be key. This is consistent with our innovation community concept.

In order to respond to the changing world, Bloombridge set about exploring how Bicester Gateway might respond to the emerging way we live and work to accelerate the lack of inward investment in the Bicester knowledge economy sector. It became clear through the marketing of the site that

'employers' are not wanting to relocate their businesses to Bicester. We therefore commissioned Ramidus Consulting to produce a paper entitled *Bicester Gateway: Knowledge Economy Catalyst* to explore our thinking about providing the next generation of places to live and work. The report sets out the background and raison d'être for our current planning application on Phase 1B. In short, Bloombridge will bring the employees to Bicester Gateway in an environment geared towards 'flexible working and living' that will then encourage employers to consider Bicester as a suitable business location by targeting key employees as a factor of location in the 'war for talent'. Flexible living and working environments, as well as employers locating close to employees (to avoid long-distance commuting), is a growing market and is likely to further accelerate as a result of Covid-19. Phase 1B Bicester Gateway has the opportunity to be at the forefront.

What B Use Class Development has been considered?

We have considered all B1 Use Class development in the marketing campaign led by VSL and Bidwells – ie B1a, B1b and B1c. Our preference has been to target B1a, as the highest employment generator, given the challenging job generation guidelines set out in Policy Bicester 10 (ie 3,500 jobs). Moreover, the 'front line' of the knowledge economy is generally driven by the B1a element and, to a lesser extent, B1b, because these contain the high value-add components – ie people. This is reflected in the job density calculations, being:

- B1a – 1 job per 12 sq m
- B1b – 1 job per 40 to 60 sq m
- B1c – 1 job per 47 sq m

We have had no approaches from B2 and B8 operators, probably because other sites within Bicester already serve this market well.

It is worth noting that most knowledge economy B1 mixes tend to have quite a high B1a content, say more than 30% in the 'shed' model, and more than 50% in the science park model. We have not contemplated 'sheds' for the place-making reasons explained more fully below.

Approaches for uses other than use class B1a

The VSL market report submitted with our application records strong interest from the following:

- Car showrooms
- A3 restaurants/coffee shops, including drive thru
- Other food and beverage
- High end retail

We have also had an approach from a museum/tourism facility on part of the site, attracted by Bicester Gateway's high profile location. More recently we have received expressions of interest from a self storage business and a drive thru KFC.

Have any uses been discounted?

None of the above uses has been discounted, but nor have any progressed to an offer to rent/buy.

In terms of the mix proposed on Phase 2, principally B1b and B1c in an 'industrial shed' format, we accept that this could comprise a knowledge economy mix (among a much wider market for this sort of built product), but such a format was never anticipated as being suitable to meet the other aspects of Policy Bicester 10, being the place-making potential of this important 'gateway' to Bicester and, moreover, job generation rates. In particular, the mix proposed on Phase 2 of ground plus one floor, probably with some open yards, is not appropriate for a gateway location, where it has been accepted (including at Committee in April 2017) that the Phase 1 frontage merits more height and high quality architecture [noting our emphasis in bold,below]:

8.2 Policy Bicester 10 allocates an area of land (as shown in the Policies Map) to the southwest of Bicester (described as Bicester Gateway) for the provision of Class B1 (office, R&D, light industrial) development based on high-tech knowledge industries. The policy suggests that approximately 3500 jobs could be delivered through such development on the site. **The supporting text to Policy Bicester 10 explains that the site has the potential to be a major high quality employment area at a critical gateway into the town and that there is an opportunity to encourage the knowledge economy associated with Oxford to locate to Bicester.**

8.34 **Policy Bicester 10 requires development on the site to be of high quality, modern design and finish with careful consideration given to architecture and layout and with care given to building heights to reduce overall visual impact.** Policy Bicester 10 also requires development on the site to provide structured open spaces and planting that provides a strong landscape setting. Policy ESD15 of the CLPP1 is also material and requires new **development to respect its context and for it to take the opportunities available to improve the character and appearance of the area and the way it functions.** These development plan policies are consistent with national planning policy in the NPPF which places great weight on the importance of good design in achieving sustainable development.

8.40 However, whilst the proposals are not necessarily sympathetic to local landscape character and would be visually prominent in immediate views, the site has been allocated for development and landscape harm is an inevitable consequence of that. Indeed such harm would have been balanced against the benefits associated with new employment development as part of the decision to adopt Policy Bicester 10 in the CLPP1. The principle of it has therefore already been established. Furthermore, **officers are receptive to the notion that a modern business park on this new gateway into Bicester should create a sense of arrival and therefore contain buildings of some scale, architectural merit and presence.** That being said, officers do continue to have some concerns that the amount of development proposed on the site is pushing at the limits of what could be appropriately accommodated on the site having regard to the character and appearance of the area. On balance however officers have concluded that development of the scale proposed through a contemporary and high quality design could outweigh concerns regarding wider visual impact and therefore be able to be satisfactorily accommodated on the site in a manner that is visually appropriate and thus in accordance with the requirements of Policies Bicester 10 and ESD15 of the CLPP1.

In short, it is possible that B1b and B1c (and for that matter B2 or B8) occupiers would be interested in Phase 1B, but in our eight years working on Bicester Gateway no local stakeholder has suggested that 'sheds' of this nature would be acceptable in design and scale at this location nor, in themselves, contribute anything material to the knowledge economy locally, including in terms of job generation. We accept that B1b could achieve the necessary design standards as a standalone research building, but in this format there is little difference, if any, from a B1a building (in design and market demand terms). This flexibility of building use is a fundamental, driving characteristic of business parks, where what are essentially 'office' buildings can be used for B1a and B1b, with 'sheds' used for a wide range of B1c, B2 and B8 occupiers (but with ancillary B1a). That is now the fundamental difference between Phase 1B and Phase 2. They appeal to different markets.

So we would say that 'shed' style uses (B1c, B2 and B8) have been discounted as standalone units or single planning units. However, this is not to say that B2 or B8 could not form an ancillary part of a larger planning unit, probably driven by B1a as the primary use. But the lack of B1a demand means that there is a corresponding lack of ancillary B2 or B8.

Why is the use of the site for the existing or another employment use not economically viable?

This question was addressed in the VSL market report, 4 June 2019. The key problem is the difference between a relatively low rent for B1a or B1b compared with the build costs associated with constructing a high quality and high functioning office building, notably in relation to much cheaper construction costs for 'sheds'. The key extract from VSL's report is as follows:

There is clearly a very small existing office base in Bicester and limited demand. Whilst demand is likely to grow with Bicester's expansion and infrastructure improvements, it is of course essential first to establish the conditions that make a market. The scale of further provision then needs to be placed into context with the realistic annual take up of space and the scale of extant office planning permissions within Bicester.

Office rental levels in Bicester are still relatively low compared with other A34 locations and typically between £15.00 and £18.00 per sq. ft. Whilst in some ways this can be viewed as a positive by stimulating relocation demand from higher cost locations, it is undoubtedly a deterrent to viable development (owing to build and infrastructure costs). Build costs for offices are high and, whilst we have not undertaken a detailed viability exercise, it is interesting to note that within the last decade new office development in Oxfordshire has only been delivered in core locations with office rents in excess of £24.00 per sq ft and in the last 2-3 years this has risen to £27.00- £30.00 per sq ft. This means that speculative development in Bicester, deployed by developers to offer 'oven ready' accommodation to prospective occupiers and thereby drive take-up, is not an option.

There is a further, dynamic dimension to the build cost versus rent equation. This is that developers typically push take-up rates by building speculatively in order to have buildings readily available to accommodate occupier requirements (rather than occupiers having to wait 18 months for a building to be constructed). This is risky, because of the cost of finance in particular, and normally speculative development is only contemplated in an established market. Typically on a business park, about a third of development will be built speculatively, with the remaining two thirds built on a pre-let and bespoke basis to a known occupier. As an aside, pre-lets tend to deliver high quality buildings as the specification does not need to be generic.

VSL conclude:

The target sector has been B1 office and technology (including partial R&D) with a minimum threshold of 30,000 sq ft. As explained, the latent demand is for smaller unit sizes of 2,000 – 15,000 sq ft but our instruction is not to pursue this multi-let scenario - on viability grounds but also in terms of how smaller units reduce master planning flexibility and generally set a low-quality benchmark for this gateway site.

We would add that the smaller building, multi-let scenario, whilst potentially viable, would also greatly decrease efficiency (site coverage) and the jobs yield.

In short, a viability case could be made for 'sheds' on Phase 1B (B1c, B2 and B8), but this would not meet the place-making and job generation requirements of Policy Bicester 10. It would not be gateway development. In contrast, our strategy is to use our innovation community concept to attract meaningful B1a or B1b occupiers, looking for a high quality building (at 1 job per 12 sq m), as explained in the Ramidus Report.

As an aside, retail, self storage, A3 or a care home would be viable, and whilst these will generate employment, we have previously been advised that they are not policy compliant at Bicester Gateway.

Would the loss of the land for residential uses have the effect of limiting the amount of land available for employment at Bicester?

There is plenty of B1 employment land in Bicester to meet market demand for many years to come – but there is probably an under supply of B8. The VSL Report provides the following statistics:

The Bicester office market has been modest for many years, serving only the local business community. By illustration, using the Valuation Office Agency website VSL & Partners has calculated a total built stock of office floorspace of 143,000 sq ft (units over 3,000 sq ft) in the town (including Heyford Park). To put this figure into context, the comparable sized town of Abingdon (including Abingdon Business Park but excluding Milton Park) has some 496,000 sq ft of built office stock (over 3,000 sq ft), so is nearly 3.5 times the size of the market in Bicester.

No new office schemes have been speculatively developed in Bicester since 2000 when Avonbury Business Park on Howes Lane was constructed. It is useful to note that even this scheme was developed with mixed office/industrial units (ground plus first floor) rather than pure office buildings. Only the new Tesco has been constructed at Bicester Office Park, first consented for 60,000 sq m of B1 in 2006. These are sure signs of very challenging conditions for office development in Bicester.

Over the last two years VSL and Partners has registered a total office take up of just under 6,000 sq ft (lettings over 3,000 sq ft) in Bicester. Over the same period this compares with just over 100,000 sq ft in Abingdon and 170,000 sq ft at Milton Park, Didcot.

At 600 sq m per annum take up in Bicester, the remaining c50,000 sq m of B1 at Bicester Office Park alone offers c80 years supply. There is the Bicester Gateway Phase 2 in addition, and it is very helpful that the former chicken farm has been added to this and made available for B1 employment. The resolution to grant Phase 2 was supported on the basis that "high tech comes in a wide variety of built forms" (including 'sheds'), which we agree with, but the trade off is a lower jobs yield. Our strategy is

to keep the jobs yield and building quality high by using the residential and hub component to build a sense of place that will be attractive to knowledge economy workers. We would add that this approach to Phase 1B is complementary to Albion's Phase 2 (and the Office Park), generally building activity and reasons for employers to locate in Bicester. Our one reservation is that steps are put in place to ensure Phase 2 is master planned to properly integrate with Phase 1B and, in particular, its frontage onto Wendlebury Road has strong architectural and landscape treatment, best dealt with through B1a frontage buildings. This can be addressed through the 'Development Framework Plan' for Phase 2, which the Committee Report for 21 May 2020 requires as a pre-commencement condition.

Policy SLE1 Tests

Policy SLE1 states *that existing employment sites should be retained unless:*

- *The applicant can demonstrate that an employment use should not be retained, including showing the site has been marketed and has been vacant in the long term.*
- *The applicant can demonstrate that there are valid reasons why the use of the site for the existing or another employment use is not economically viable.*
- *The applicant can demonstrate that the proposal would not have the effect of limiting the amount of land available for employment.*

Maddox Associates have written to explain how our planning application meets these tests, accepting that there is room for interpretation. The key point of possible contention appears to be the first bullet point, where the latest response from the Policy Team states: : "there is provision in the Plan to consider other uses on employment sites, but this is only when they have remained undeveloped in the long-term and there is no reasonable prospect of the site being used for that purpose." We consider that the site has remained undeveloped in the long term (more than 5 years is a long time) and, whilst we question whether Policy SLE1 includes a 'no reasonable prospect test', it is plainly apparent that take-up of knowledge economy space in Bicester, especially the highest job-yielding B1a, is very low when compared with the amount of land allocated (see the quotes above from the VSL Report).

So far as the extant consent is concerned, we would observe that this expires in 2022 and we do not see any evidence that would suggest any B1a employers materialising before then without supporting steps being put in place. Our innovation community is positioned as providing these supporting steps, building a community, and building a set of economic assets, along with the hotel and Phase 2, that will kick start the knowledge economy in Bicester – there is currently no quaternary employment of substance in the town. This pre-supposes that the residential element of the innovation community is delivered ahead of, and as an attractor for, the B1a element.

We have also demonstrated that the existing or another employment use on Phase 1B is either non-viable or unattractive and not policy compliant. These are matters of planning judgement and balance, as well as policy.

On SLE1, we conclude that our proposals for Phase 1B can either be considered to pass the three policy tests, on balance, or that the areas of non-compliance are either minor or insignificant when balanced alongside other planning objectives and benefits. Above all, especially with Phase 2 now progressing,

there is an opportunity to build a modern, knowledge economy in Bicester, an objective that has been around, but unattained, since Bicester was first allocated for growth by the Structure Plan nearly 40 years ago.

Are there other planning objectives that would outweigh the value of retaining the site in an employment use?

The main residential element of the innovation community is on ‘white land’. **It is not on the employment allocation (Bicester 10)**. But we have retained the proportion of employment on a pro rata basis, so that 37% of the application site comprises the employment allocation, and 37% of the consented employment development (160,000 sq ft) is c60,000 sq ft, being the B1 element of the current planning application. So there is no employment land lost in relation to the allocation. There is therefore no material conflict with Policy Bicester 10. So far as the 33 units are concerned, these are above the B1a units so will only be constructed if the B1a units are constructed and if the B1a is not of a scale that requires 3 or 4 storeys (2 or 3 storeys is most likely). The 33 units could be removed from the application, but that would serve no planning purpose because they are not replacing employment development.

The planning objectives that count against retaining the consented but unallocated part of the employment development on Phase 1B are well summed up by Chesterton Parish Council in their objection to Phase 2:

We have, as a Parish Council, had regular meetings with Richard Cutler & Bruce Usher from Bloombridge and we fully support the concept of an ‘innovative community’ and its emphasis on a high quality knowledge economy that will highlight Cherwell’s commitment to this kind of growth in the Bicester area. It is fair to say that Bloombridge have both listened to the views of the Parish Council and amended plans accordingly.

Our plans for an innovation community have received similar positivity from a range of local economic stakeholders, including the LEP, Bicester Village and the Growth Board. The place-making and knowledge economy aspects of our application are particularly strong – the Local Plan sets out clear objectives in this regard, which are met by the innovation community. The concept appeals to both small scale and large scale quaternary employment, which might also act to encourage higher education stakeholders to take an interest in Bicester.

We do not consider that B1c, B2 or B8 ‘sheds’ would be consistent with the place-making aspirations for this Gateway site (ie Phase 1), as set out in Bicester 10, and as confirmed by the Committee decision on the extant permission in April 2017, eg paragraph 8.40 quoted above – a “sense of arrival”, containing “buildings of some scale, architectural merit and presence”. Hence our proposal for B1a or possibly B1b/R&D ‘offices’, which have the added benefit of a achieving a high jobs yield.

In short, something needs to be done to move Bicester up the ‘value chain’. We do not believe ‘sheds’ alone (Phase 2) achieve this but, equally, it is clear that a market for the B1 ‘office’ element of the knowledge economy is not going to materialise on its own – principally, without being proactive around innovation and place-making. Our innovation community delivers to that agenda. In addition, the residential element will help Cherwell address its 4.4 year housing land supply (AMR, January 2020) when that becomes a pressing issue in 2021; and this can be achieved, given the employment land (over) supply position in Bicester, without any material loss that might give rise to economic harm.