

Executive Summary

The Brief

The Council purchased North Weald Airfield (NWA) in 1980 from the Ministry of Defence, for the purposes of leisure and general aviation use. The airfield has a long history dating back to the First World War.

It is currently used for a range of aviation and non aviation activities. However the running costs of NWA are only just covered by income from non aviation activities (primarily the rent received from the Saturday market). The Council has also deferred spending monies at NWA until it is clear on how this asset will be used in the future.

Separately the Council has targets for allocating land to meet future housing and employment needs. This is difficult as a large proportion of the District falls within the Green Belt.

The Council therefore requires advice on the future use of NWA in particular advice on the deliverability of 3 Options namely:

Option 1: Assessment of solely aviation based development

Option 2: Assessment of solely non-aviation development

Option 3: Assessment of mixed use development to include aviation and non aviation uses

Our brief has been to develop these Options and test them against the following criteria:

- i). Technical feasibility
- ii). Financial viability
- iii). Market attractiveness
- iv). Community value
- v). Risk

The Council's brief emphasises the importance of maximising the value of NWA as an asset. This report has been prepared for the Council as landowner, mindful of obligations to optimise the contribution of its assets and achieve best consideration.

As a separate exercise the Council, acting in its capacity as Local Planning Authority, needs to consider the role that NWA could play within its on-going Local Plan review, particularly in the context of potential employment land and housing land requirements. Whilst these issues are not the principal focus of this report, they have formed important considerations in our Option development for NWA.

The full report is divided into a number of sections which consider:

- the current characteristics of NWA in particular those which will influence how the identified Options could be taken forward;
- the market conditions (aviation and non aviation) which will impact future development;
- the background to how the Options have evolved and
- how of the Options could be developed, our assessment of these under the set criteria and our advice on moving forward.

The report has regard to the previous studies carried out for the Council. This involves sense checking previous assumptions without reinventing the wheel or restating information that the Council already knows.

Current Position

NWA is used by a range of aviation and non aviation parties. Income covers costs but only just and the Council's requirement as contained in our study brief was that NWA should *"provide an economically viable long term return"*.

Whilst NWA is currently operating at a profit, a key risk to future profitability is the Saturday Market. The market has suffered from reducing patronage over the past few years. The rent from the existing lease is based upon a combination of fixed payments and a profit share mechanism.

Based upon current operational revenues and costs, removing the market income would result in NWA running at a significant loss. Whilst the Council could take steps to reduce the running costs of the airfield, a number of these are fixed and the scope for significantly reducing these, whilst maintaining obligations to the tenants is limited. In addition, although NWA is being marketed as suitable for a range of uses it is unlikely based on recent experience and the current facilities that the income from other sources could be grown quickly to, at best, meet any shortfall.

The revenue position does not reflect what the Council will have to spend on NWA in the near future. Uncertainty over the future of NWA has also meant that the Council has not made any significant investment. There are repairing and maintenance obligations placed on the Council in various leases which means the Council may need to spend significant monies in the near future. This capital cannot be recovered from the tenants.

The Council needs therefore to make decisions over the future of NWA to enable it to financially forward plan effectively; both in terms of revenue and capital spend. Local Authority budgets continue to be under pressure and will be for some time. Consequently, making effective use of the assets the Council owns is extremely important.

In considering the future Options for NWA there are a number of issues which need to be recognised and addressed.

Occupational interests

Whilst NWA is owned freehold by the Council, it is subject to a range of long ground leases, occupational leases and licences. Some of these are relatively short term, with others the Council has the ability to terminate or resist new leases, a number however run for a significant unexpired term. If the Council wished to relocate the tenants or redevelop their current premises they would need to do this through negotiation or through the use of compulsory purchase powers.

Four tenants have been granted leases which do not expire until 2057 and are held on very low rents. These parties also have the right to use the runway at no cost. The Council can terminate these licences subject to paying the tenants compensation for removal of these rights.

Planning policy

The planning situation of NWA and key planning issues play a crucial role in the ability to bring forward the site for different uses and the development Options identified by the Council.

The Green Belt allocation of NWA restricts the type and scale of development that will be permitted. Any proposals for significant redevelopment on the site beyond what is contained in the provisions of existing local policy would need to robustly demonstrate 'very special circumstances' to outweigh any harm caused.

It is likely that removal of all or a large part of NWA from the Green Belt will be required to enable significant redevelopment or intensification. The most appropriate route for removing land from the Green Belt is via a review of the development plan with robust justification.

The existing evidence base for current and emerging policy, and monitoring information, indicates a need for and shortfall in employment land and housing land provision in the District. This would suggest that a stronger case may be possible for Green Belt release if the proposals are for significant housing provision, the provision of employment land and the creation of jobs.

The benefits and impacts of the different Options for NWA and its total or partial release from Green Belt land will need to be weighed against the attributes, opportunity and constraints of other sites in the District. Should NWA or part of it be promoted for Green Belt release, the current opportunity for it to be progressed through the preparation or revision of the Local Plan should be utilised. Any significant release will be required to be supported by a robust evidence base to identify the need for proposed development Options and also an assessment of alternative sites and the Green Belt extents of the whole District.

Infrastructure requirements

The study includes a review of the transportation and infrastructure network to identify what would be required for each of the Options, by when and what would the potential costs be in order that these could be incorporated into the financial assessments.

On the transportation side, the report identifies a number of "hot spot" locations where works would be required, as well as the improvements required to public transport facilities.

A desk top review of the existing utilities has also been carried out to form an initial assessment of what works would be required and the potential costs of these.

Option Development

In terms of the Options significant masterplanning analysis has been carried out to assess the capacity of the site and how development could take place over time. . The Options all assume different scales and types of development, over a considerable time period, whilst at an early stage they can act as a foundation on which to develop scheme refinements. The Options only include the Council's ownership which is a somewhat irregular shape. We have commented more fully in the report on the merits of including adjoining land.

Alongside the masterplanning work, market research and analysis has been undertaken for both the aviation and non aviation Options.

The detailed aviation analysis for the aviation intensification (Option 1) has assessed the various aviation sectors considered the most suitable for NWA. It includes a full SWOT analysis and concludes that overall, North Weald's location is a key strength and the underlying characteristics of NWA could enable it to operate as a Business Aviation airport. However, considerable investment would be required to provide new and improved facilities.

There are also a number of significant risks associated with expansion, including likely airspace restrictions, the uncertainty regarding Stansted's future expansion prospects and the need for third party land to enable a runway in excess of 1400m to be licenced.

The business aviation market has been analysed to assess where NWA could position itself amongst competitors, how much revenue it could capture, over what timescale and how this could grow over time. Finally the works involved in bringing NWA up to this standard and what associated development NWA could support have been identified and costed.

In terms of non aviation uses, the brief was to consider a wide range of uses for the site providing these represented viable options and maximised value. This eliminated a wide range of uses which were either low value or would require cross subsidy. The site represents a long term development opportunity and this was also reflected in our considerations. Whilst a number of non viable/low value uses have been excluded this would not preclude the Council choosing to incorporate these at a later date subject to there being sufficient surplus to cross fund these and ensuring their inclusion did not fetter the Council's statutory obligations to secure best consideration.

Having regard to both the planning policy context and also the area's existing characteristics, a more detailed review was carried out focussing on the following core value generating uses:

- Offices
- Industrial
- Distribution and Logistics
- Residential

Of these residential and distribution and logistics were considered the key uses around which the non aviation Options should be developed (Options 2A residential and 2B distribution /logistics).

In terms of the mixed use option (Option 3), this was developed around the concept of allowing aviation to remain at its current level, so major investment costs were minimised. The land not required for aviation would be developed for the highest value generating uses to cross fund costs associated with this Option and maximise utilisation of the asset.

Each Option has been fully assessed to establish how much development could be accommodated, how this could be phased, what the associated costs would be (such as highway works), when these would be triggered and what other uses would be required e.g. schools and community facilities for significant housing development. The extent of open space and the impact on existing revenues was also considered.

We have assessed the Options on the basis of a 30 year cash flow which has incorporated the levels of return required by commercial investors/partners. The cash flows show receipts over time to the Council and we have discounted these receipts at the same rate of interest for all 3 options to provide the Net Present Value (NPV) for each Option.

The key issues arising from the development of the Options under the headings specified are seen to be:

Technical feasibility

In planning terms the strongest case for removal of the land from the Green Belt is likely to be for Option 2A due to its ability to meet housing requirements. We are not precluding being able to make robust cases for the other Options however these may not be as strong for various reasons detailed in the report.

All the Options require new infrastructure both for statutory services – electricity, drainage, gas etc and transportation infrastructure. The extent of this depends on the scale and type of development and the amount of traffic movements the uses generate. We have not assumed the actual provision of the infrastructure is a show stopper in terms of new development but the costs associated with the provisions will vary significantly. Although the costs vary so do the values generated from the uses under the various Options, what is more of an issue is the uncertainty over costs and the scope for these to increase significantly. Some of the more extensive transport infrastructure improvements will require additional land take where compulsory purchase powers may be required.

Option 1 has the lowest estimated likely services infrastructure upgrades and transportation infrastructure due to the low number of trips generated.

Unique to Option 1 is however the significant infrastructure improvements to the runway and operational facilities in order to attract Business Aviation flights.

Option 2A has by far the most extensive requirements in terms of services and transportation infrastructure both immediately serving the site and also on a wider strategic basis. In particular issues have been raised in the past about drainage provisions for which substantial allowances have been made.

Option 2B has a lower requirement due to lower trips generated by the employment provision and the difference in terms of services demand.

Option 3 assumes that some works would be required to formally separate the retained aviation use on the western side of the airfield from the anticipated redevelopment to the east together with improvements to the runway. These works however fall short of licensing the runway and do not envisage an intensification of aviation use. The reduced scale of development, compared to Option 2A, reduces somewhat the need for services and transportation infrastructure works in this Option however there are still some significant costs associated with this.

Option 1 assumes gaining a CAA licence for a runway that is appropriate for Business Aviation. This is likely to present additional challenges, including potential land acquisition. Gaining approvals in respect of airspace management is also likely to be a risk, based on Stansted's proximity and future expansion plans.

Financial feasibility

Based on the cashflows and the relative NPVs Option 2A provides a significantly higher NPV than 2B and 3 with Option 1 showing a small negative position.

The cashflow for Option 1 is the most sensitive as there is a wide variance of potential revenues, dependent on how successful the airfield is in capturing Business Aviation market share through time. The values which can be generated from the other Options are easier to assess.

In addition with Option 1, even though we have assumed some of the high up-front infrastructure costs, are offset by a limited land sale programme the low level of receipts during the initial build up of activity results in a negative balance for a significant period in the cashflow.

Whilst Option 3 shows a positive receipt this does mask the fact that to achieve the values from the non aviation land, restrictions will need to be placed on future flying activity. This means moving forward NWA is likely to operate at an increasing loss.

This is not a sustainable scenario particularly as running the airfield will result in future capital commitments in terms of repair and maintenance and without investment and long term certainty we question what future the aviation uses would have on the site.

Market attractiveness

We have held discussions with a number of parties who could potentially be interested in working with the Council on the various Options. We have also had regard to our experiences and knowledge of other similar opportunities.

For Option 1 North Weald's location means that it has the opportunity to break into the market. However, we believe that demand from users would increase incrementally from a relatively low base, as the airfield seeks to gain a reputation and improve its infrastructure and facilities. Based on experience elsewhere, this could take considerable time.

Whilst therefore we consider there would be demand from operators and users this would be based on minimising initial investment i.e. a nominal up front payment for the facility and having some certainty on the ability to recoup investment from adjacent development land.

For Option 2A the residential development potential of NWA is well known in the market and we have received confirmation from a number of developers that specialise in strategic developments of the nature envisaged in Option 2A, that the site is of interest.

The residential market is susceptible to volatility. However, the anticipated underlying housing requirements for the district, the potential scarcity of supply and the ability to create a new settlement with its own identity and facilities should help sustain demand over the medium to long term.

For Option 2B there is currently a shortage of prime, well located distribution space in the south east. Meanwhile, occupier appetite is strong, and there are a significant number of active requirements in the market. The types of developers who undertake these schemes are not as experienced on "strategic land" issues such as promoting removal from the Green Belt which could act as a deterrent.

The attraction of Option 3 to the market would be the residential potential with the continued aviation uses being seen more as a deterrent than a positive factor. Any developer will therefore wish to at best fix the aviation activity at the airfield to maximise their return and potentially seek assurances on longer term closure.

Community Value

The expansion of Business Aviation in Option 1 could act as a catalyst for the local economy, and provide opportunities for new employment uses on the site and for direct and indirect job creation. The historic value of the site can also be preserved and celebrated as part of this Option.

From the stakeholder feedback, we would expect a mixed response from local residents, with many likely to be positive about increasing aviation uses and making better use of the asset. However, other residents may object to increases in noise, disruption and environmental damage. Benefits resulting from local infrastructure improvements (particularly transport) are likely to be limited under this Option.

For Option 2A there would be a significant level of job creation during the construction phases, which is likely to be phased over a 20 – 25 year period. In addition, there would be opportunity for permanent on site employment, in respect of the land allocated for business use and also the anticipated community and leisure facilities. Option 2A delivers the most community facilities to serve the new residential development including schools and local infrastructure – shops etc.

Option 2A proposes the retention of the listed heritage assets on the site, including the control tower. The indicative masterplan also suggests creation of green corridors along the footprints of the existing runways. However, comprehensive redevelopment will inevitably result in a significant change in character of the airfield.

The employment focus of Option 2B presents a significant opportunity to increase the National Non Domestic Rates (NNDR) base for the district. Whilst the employment density of B8 Distribution is not as great as an office park development, the completed development still offers the potential to generate significant jobs once completed.

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Options 2A, 2B and 3 include and cross fund a new public leisure centre as part of the redevelopment and public open space.

Option 3 would help retain existing aviation related employment but offers limited scope for new job creation. It would impact upon the historic layout of the western side of the airfield. However, unlike Option 2 it could allow continued use of the runway, both for general/leisure aviation use and also for the various military heritage events that currently take place on the site.

Risk

There are some common risks associated with all the Options for example removal of all of NWA or part from the Green Belt. There are also some specific risks associated with each of the various Options

Option 1 has the highest risk associated with the business concept and assumptions underpinning this. In particular whether sufficient revenues could be generated to fund the high initial costs associated with bringing NWA up to the required standard. Whilst NWA has strengths particularly in terms of its location this may not be enough to capture the market share required to deliver this type of facility. At present the cashflows do not generate the required levels of return which operators would seek and this assumes no payments to the Council. The additional risk associated with this Option is the obtaining operational consents including CAA licence. As outlined in the full report there are issues which will need to be overcome to achieve these.

The main risk relating to Option 2A is the uncertainty over the costs associated with the delivery of the extensive infrastructure required. We have made initial allowances for these however the full costs will need further investigations and refinements.

For Option 2B the risks relate to the strength of case which could be made for Green Belt release, the costs associated with infrastructure bearing in mind the lower land values, together with the scale of development and how compatible this would be with existing uses. There are also some concerns over the extent and depth of market demand over the timescales envisaged as this could be satisfied in other locations in the Region.

In Option 3 there are risks associated with the compatibility of continued aviation and the other uses, particularly residential, which are required to generate value to fund the costs of this Option. It is likely that developers will require certainty over the extent of continued aviation use on the site and potentially how long this will continue for. The constraints this may impose on continued aviation use would not provide a resolution to the potential loss making situation regarding the running of NWA.

Next Steps

The next steps will depend on which Option the Council wishes to pursue. There are however a number of common issues which the Council will need to consider including:-

- The Council's attitude to risk and reward
- When to involve a partner(s)
- The partnership options available
- How to present the opportunity and what preparatory work is required.