



FORMER JOHN LEWIS DEPOT, LETCOMBE STREET, READING
(ALSO KNOWN AS JLP MILL LANE)

ECONOMIC BENEFITS ASSESSMENT

AUGUST 2024

savills

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1. Introduction and Summary

1.1. Purpose and Scheme

- 1.1.1. Savills has been commissioned by John Lewis Partnership BTR Ltd ('the Applicant') to assess the economic benefits of the Proposed Development at the former John Lewis Depot, Letcombe Street, Reading, RG1 2HN (also known as JLP Mill Lane and the 'Site'). The description of the Proposed Development is:

"Demolition of the existing building and redevelopment of the site comprising erection of a new building for up to 215 build to rent residential dwellings (Use Class C3) together with flexible commercial / community space (Use Class E/F1/F2), residents' facilities, landscaping, public realm, amenity space, cycle parking and disabled car parking."

- 1.1.2. We estimate that the proposal would generate significant local and wider economic benefits including increased employment opportunities, Gross Value Added (GVA) and new public sector revenues.

1.2. Method and Scope

- 1.2.1. The assessment of economic benefits follows the approach set out by relevant guidance including the Treasury Green Book, Homes and Communities Agency Additionality Guide (HCA, 2014) and Employment Density Guide 3rd Edition (2015). This includes the methods and approaches described to assess leakage, displacement and multiplier impacts of development projects.
- 1.2.2. Our work considers the economic benefits of the Proposed Development against the reference case which represents the Site in a 'no development scenario'. The assessment has utilised relevant local level data where available to consider the scale of the impact on employment, GVA, and revenues to local government. Given that the use of the building as a customer collection centre ended in 2021, we assume that the reference case has currently zero employment and without the redevelopment the building would cease operations. This is the reference case/no development scenario.

1.3. Economic Benefits Summary

- 1.3.1. The construction phase of Proposed Development, which is expected to last 29 months, is estimated to generate up to 120 full-time equivalent (FTE) gross direct construction jobs per annum. When taking into account the displacement, leakage and multiplier rates, the construction phase is anticipated to generate up to 60 net additional FTE jobs for residents of the local area.
- 1.3.2. During the operational phase it is estimated that the Proposed Development will generate around 70 FTE gross direct jobs. When taking into account the displacement, leakage and multiplier rate, the Proposed Development is estimated to generate around 75 FTE net additional on and off-site jobs for residents of the local area. The Proposed Development is expected to generate around £5.5 million net additional per annum in GVA once completed.

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- 1.3.3. Public sector revenues would be generated from the development. Once complete, we estimate Reading Borough Council (RBC) will receive around £400,000 per annum in council tax compared to the reference case. In addition, the Proposed Development is estimated to generate around £3 million in Community Infrastructure Levy (CIL). The cumulative income to local government over 20 years is estimated to be around £8.1 million net present value (NPV).
- 1.3.4. Overall the proposed scheme is considered to be beneficial for the local economy, as summarised in **Table 1.1** below.

Table 1.1 Summary of Estimated Economic Benefits

Outcome	Amount
Gross direct construction jobs (FTE) supported in RBC per year during construction	120
Construction GVA per year of construction	£4.3 million
Total net additional operational phase jobs FTE for RBC residents	75
Total residential expenditure per annum	£2.0 million
Total net additional GVA per annum upon completion	£5.5 million
Total net additional council tax revenue per annum for RBC	£400,000
Total New Homes Bonus for RBC	£900,000
20 year cumulative, discounted additional public sector income (NPV ¹) for RBC	£8.1 million

Source: Savills, 2024. Note: The figures are rounded.

1.4. Report Structure

- 1.4.1. This report is structured as follows:
- Section 2 – Site Context & Policy Context;
 - Section 3 – Economic Benefits Assessment;
 - Section 4 – Conclusion.

¹ Net Present Value at 3.5% HM Treasury discount rate

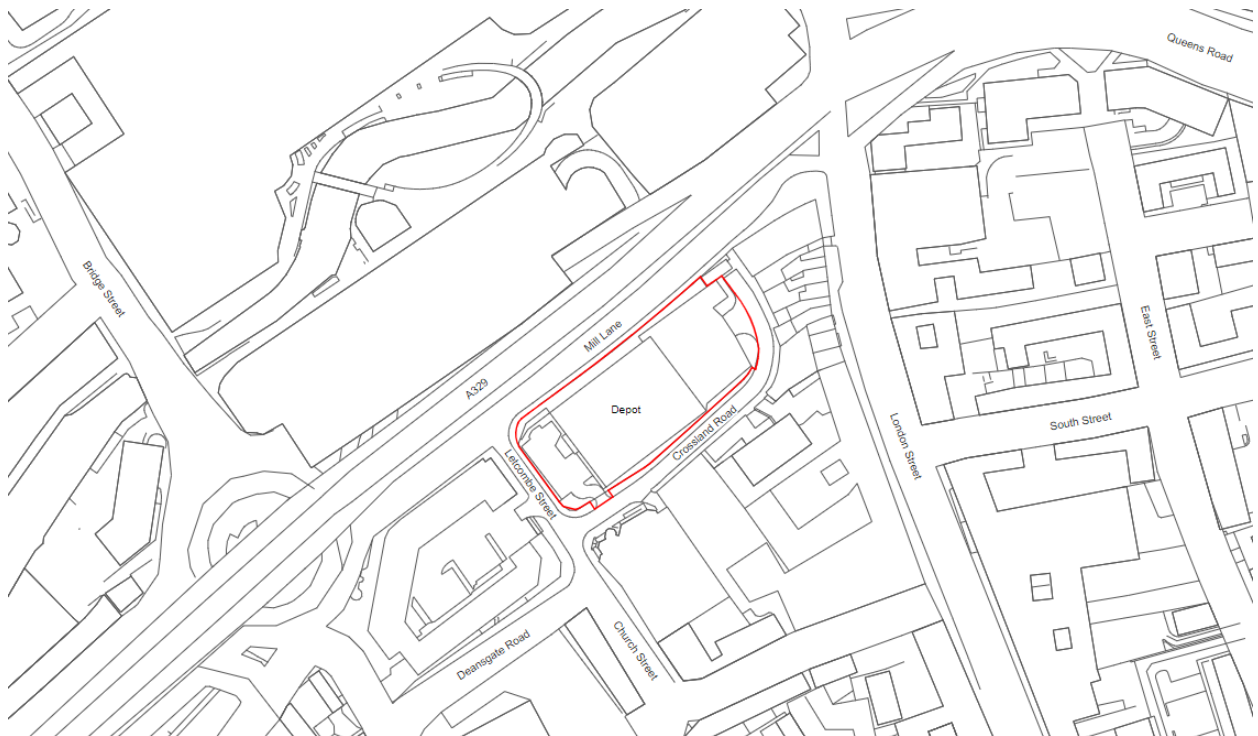
2. Site, Development & Policy Context

2.1.1. This section provides details of the Site, its existing uses, condition, and details of the Proposed Development. In addition this section summarises key messages of relevant policy.

2.2. Site Description

2.2.1. The Site is located at Mill Lane, within the urban area of Reading. **Figure 2.1** presents the Site.

Figure 2.1 Existing Site Location Plan (Planning Boundary)



Source: Carey Jones Chapman Tolcher, 2024.

2.2.2. The site is located on the edge of the town centre in Central Reading within close proximity of key local services and facilities including The Oracle shopping centre opposite, the Premier Inn hotel adjacent to the west and Reading railway station located approximately 1km to the north.

2.2.3. The site itself is bound by Mill Lane and the A329 to the north, Letcombe Street to the south-west and Crossland Road to the south-east, from which the Site is accessed. The site currently comprises the existing JLP warehouse building with associated car parking and servicing areas to the north-east and south-west of the building. The Site has an area of approximately 0.44 hectares (ha).

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2.3. Development Proposals

- 2.3.1. The Proposed Development description is as follows: “Demolition of the existing building and redevelopment of the site comprising erection of a new building for up to 215 build to rent residential dwellings (Use Class C3) together with flexible commercial / community space (Use Class E/F1/F2), residents’ facilities, landscaping, public realm, amenity space, cycle parking and disabled car parking.”
- 2.3.2. The applicant is seeking to submit a planning application for the redevelopment of the site to provide up to 215 residential units, all of which are BtR, and 74sqm of flexible commercial/community space (Use Class E/F1/F2). The Proposed Development is summarised in **Table 2.1** below.

Table 2.1 Proposals for the Site: Breakdown of Buildings

Existing Buildings	Gross Internal Area	Proposed Development	Amount
Existing Floor Area (Ground Floor and Mezzanine)	2,566sqm	Build to Rent Units	215 units
		Flexible Commercial/Community Space (Use Class E/F1/F2)	74sqm (GIA)
Total	2,566sqm	Total	19,659sqm (GIA)

Source: Savills, 2024.

- 2.3.3. This assessment considers the anticipated impacts of the Proposed Development against the reference case. The reference case represents what would likely happen to the site if it were not for the Proposed Development. The figures presented in this paper represent the additional benefits of the Proposed Development unless stated otherwise. Given that the use of the building as a customer collection centre ended in 2021, we assume that the reference case has currently zero employment and without the redevelopment the building would cease operations.
- 2.3.4. The above floorspace figures are the maximum floorspace/units for each land use. The employment impacts estimated in this assessment are derived from employment floorspace areas and established industry benchmarks.

2.4. Policy Context

- 2.4.1. We identify the relevant policy for the Proposed Development in economic terms. There are a range of planning policy and guidance documents relevant to BtR at the national, regional and borough-level. In particular, we review:
- National Planning Policy Framework (NPPF) (2023);
 - Reading Borough Local Plan (2019).
- 2.4.2. This section concisely outlines the key messages of these policy documents.

National Planning Policy Framework (NPPF), 2023

- 2.4.3. The revised National Planning Policy Framework (NPPF) sets out the Government's planning policies for England and how these should be applied. It provides a framework within which locally-prepared plans for development can be produced.
- 2.4.4. The NPPF promotes the importance of building a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity. Furthermore, the NPPF states that significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development (page 24).

Reading Borough Local Plan (2019)

- 2.4.5. The Development Plan is the Reading Local Plan (adopted November 2019). In summary, the key points of the Local Plan's vision are:
- *"Reading will continue to thrive as an internationally recognised economic centre, and the core of a wider, vibrant urban area and surrounding hinterland within other authorities, that makes a vital contribution to the UK economy;*
 - *The right infrastructure to enable Reading to continue to fulfil this role will be in place, and people will be able to easily move around the town with a comprehensive network of public transport, walking and cycling;*
 - *The centre will continue as a regionally important shopping and business location, but its role will be widened as a place for culture, leisure and entertainment, as well as a place to live."* (paragraph 2.1.8, page 13)
- 2.4.6. Policy H4 of the Local Plan sets out the criteria for BtR developments gaining planning permission. It states that planning permission will be granted for developments of self-contained, private rented homes which:
- *"Are secured in single ownership providing solely for the rental market for a minimum 20 year term with provision for clawback of affordable housing contributions should the covenant not be met;*
 - *Provide tenancies for private renters for a minimum of three years with a six month break clause in the tenant's favour and structured and limited in-tenancy rent increases agreed in advance;*
 - *Provide a high standard of professional on-site management and control of the accommodation;*
 - *Provide a commitment to high-quality rental arrangements, through meeting Reading Borough Council's voluntary Rent with Confidence Standards or equivalent measures;*
 - *Provide for a mix of unit sizes in accordance with Policy H2 or CR6;*
 - *Meet the standards of design set out in Policy H5;*
 - *Provide 30% on-site affordable housing, either in accordance with Policy H3 and any relevant Supplementary Planning Document; or in the form of Affordable Private Rent Housing as defined and set out in a relevant Supplementary Planning Document."* (page 79)

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- 2.4.7. Paragraph 4.4.29 of the Local Plan states that BtR developments serve as “*vehicles that it is hoped will be attractive to financial institutions. Financial institutions will be looking for large-scale, professionally managed developments. Such developments will bring new providers into the UK housing market (financial institutions play major roles on housing provision in much of Europe and North America), thus increasing competition. They will bring higher quality and better managed accommodation and associated services to the private rental market. They will operate with longer tenancies as the model seeks to retain occupants for as long as possible*” (page 80).

3. Economic Benefits

3.1. Introduction

3.1.1. This section provides an estimate of the economic benefits which could be generated from the Proposed Development. The economic impacts of the Proposed Development are presented net of the reference case impacts. To do this, we have assessed the economic impacts of two different scenarios which are:

- 'The Development Scenario' – this is based on the Proposed Development, includes the demolition and construction phase impacts and the operational phase impacts once the Proposed Development is completed.
- 'The No Development Scenario' – this is the reference case. These activities form the reference case which represents what would likely happen if the Proposed Development was not developed.

3.1.2. This assessment considers the impacts of the Proposed Development against the reference case. As noted above, Given that the use of the building as a customer collection centre ended in 2021, we assume that the reference case has currently zero employment and without the redevelopment the building would cease operations. This is the reference case/no development scenario.

3.2. Employment Impacts

3.2.1. The Proposed Development is expected to generate temporary jobs during the construction period and permanent jobs during its operational stage.

3.3. Construction Jobs – Up to 60 FTE Net Additional Construction Jobs per Year

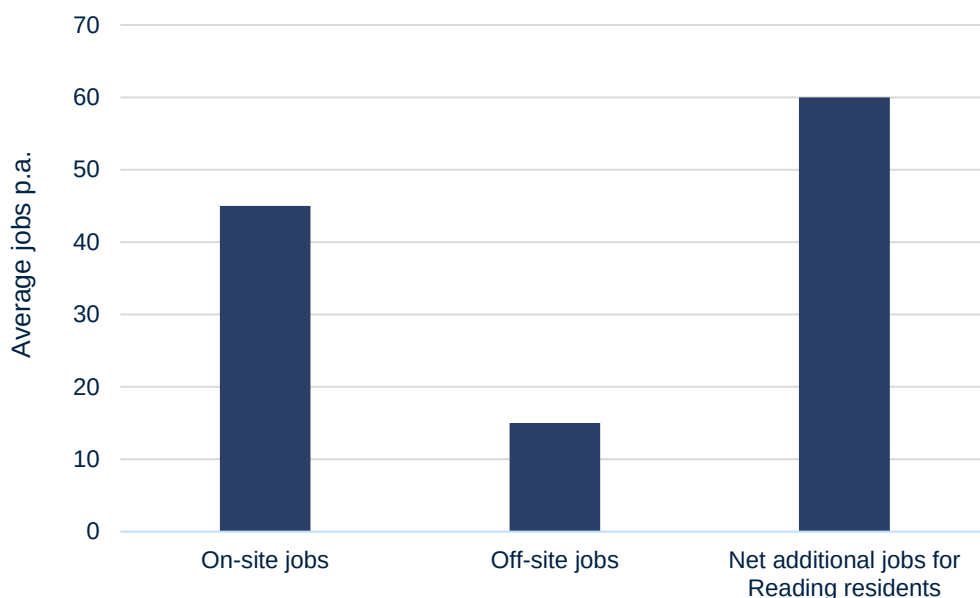
3.3.1. We estimate that the construction phase will generate around 280 job years of construction industry employment over the duration of the construction period. Using a 29-month construction programme, this equates to up to 120 FTE gross direct construction jobs per annum. The precise numbers will depend on the phase of work and specific construction activities on-site. During the peak of construction activities, the on-site workforce is expected to be larger.

3.3.2. We have also estimated how much of this employment is likely to be taken up by residents of Reading. Due to the location of the site, we estimate that there will be a high rate of construction workforce leakage from the local area. We assume that 63% of the construction workforce will live outside of RBC². We allow for a low level of displacement (25%) from existing construction projects. We then apply a supply chain multiplier effect of 1.80 which provides an estimate for the indirect construction employment effects (off-site benefits including employment supported in the supply chain).

3.3.3. **Figure 3.1** and **Table 3.1** presents the estimated total on and off-site construction jobs generated by the Proposed Development. In summary, the Proposed Development is expected to support up to 60 FTE net additional construction jobs per annum for residents of Reading, for the duration of the construction period.

² This assumption is based on the 'Distance Travelled to Work by Industry (Workplace Population)' based on Census 2011 data

Figure 3.1 Estimated Construction Phase Jobs



Source: Savills, 2024. Note: The figures are rounded.

Table 3.1 Estimated Average Annual Construction Phase Jobs

	Proposed Scheme (up to)
Gross Direct Construction Jobs per annum	120
<i>Leakage (63%)</i>	-70
On-site Jobs (for residents of RBC)	45
<i>Displacement (25%)</i>	-10
<i>Multiplier (1.80)</i>	25
Off-site Construction Jobs	15
Net Direct and Indirect Construction Jobs per Annum	60

Source: Savills, 2024. Note: The figures are rounded.

Construction Gross Value Added

3.3.4. GVA is an indicator of wealth creation. It measures the contribution to the economy of economic activity associated with the construction of the illustrative scheme. We base our estimates on the GVA generated per worker in the construction sector in the South East of England (£74,000)³ and the number of net additional jobs created by the construction process (60). The temporary construction jobs generated by the

³ Reported by ONS (Region by industry labour productivity: Output per job)

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construction of the Proposed Development is estimated to be up to £4.3 million per annum in GVA over the construction period (29 months).

3.4. Operational Jobs – Up to 75 FTE Net Additional Jobs

3.4.1. Operational employment generated by the Proposed Development was estimated by dividing the proposed employment floorspace by the standard employment densities as presented in the HCA Employment Density Guide⁴.

3.4.2. Once operational, the proposed floorspace is anticipated to generate around 70 gross on-site jobs FTE. We estimate that there will be around 5 on-site jobs associated with the operations of the proposed BtR residential units. These positions will cover a range of roles, including general manager, leasing manager, day/night resident services assistant, and maintenance operative, encompassing leasing, property management, and maintenance.

3.4.3. The Proposed Development is also expected to generate around 60 on-site jobs for homeworkers and 5 on-site jobs as a result of the provision of 74sqm flexible community/commercial floorspace. Once leakage, displacement and multiplier effects have been considered, the Proposed Development is estimated to generate up to 75 FTE net additional on and off-site jobs for residents of Reading.

3.4.4. **Table 3.4** summarises the estimated gross operational jobs created on-site and the net additional on-site and off-site jobs for residents of Reading.

Table 3.2 Estimated Operational Jobs

	Additional Operational Jobs (FTE)
Gross Direct Operational Jobs	70
<i>Leakage (0% for Homeworkers; 51% for BtR)</i>	-5
On-site Operational Jobs	65
<i>Displacement (0% for Homeworkers; 25% for BtR)</i>	0
<i>Multiplier (1.15 for Homeworkers; 1.13 for BtR)</i>	15
Off-site Operational Jobs	10
Net Direct and Indirect Operational Jobs	75

Source: Savills, 2024. Note: The figures are rounded.

⁴ HCA Employment Density Guide (2015)

3.5. Residential Expenditure: Up to £2.0m per annum

- 3.5.1. The Proposed Development is anticipated to generate an increase in residential expenditure within the Reading borough due to the provision of 215 BtR units. It is estimated that the scheme would result in a total of up to £2.0 million per annum in retail expenditure introduced to the RBC. This would result in a total of around 5 new jobs generated.

3.6. Gross Value Added: Up to £5.5m of GVA per annum

- 3.6.1. We have based our estimates on the GVA generated per worker in the South East of England⁵ and the number of operational jobs created by 215 BtR units. We estimate a net additional GVA of up to £5.5 million.

3.7. Public Sector Revenues

- 3.7.1. The Proposed Development will generate public sector revenues which can be re-invested in the community and local services. This section assesses the scale of potential revenues as a gross estimate (i.e. we do not discount for possible displacement effects elsewhere). The estimate provides figures based on current rates and values. The estimated revenues could be significantly higher in real terms given the anticipated growth of the economy over time.

Council Tax: Up to £400,000 per annum

- 3.7.2. Comparable BtR schemes in central Reading range between council tax bands A to D. Therefore, we have based our estimates on the average council tax bands A, B, C and D in Reading and the number of proposed residential units (215). Using an average of £1,880 per year, we estimate the Proposed Development will generate up to £400,000 net additional council tax revenue per year based on the average council tax bands in RBC.

Business Rates: Up to £2,500 per annum

- 3.7.3. To estimate business rates, we use the rateable values of comparable businesses in the region recorded by Valuation Office Agency (VOA). The Proposed Development is expected to generate a business rates income of £5,000 per annum. Therefore, the Proposed Development is expected to generate an additional income of £5,000 in business rates compared to the reference case.
- 3.7.4. These figures represent the total business rates generated, and only a percentage of the total business rate revenues will be retained by the local government. It is estimated that once the development is completed, RBC can expect to receive around £2,500 per annum in additional business rates income compared to the reference case. However, this figure depends on decisions on rate retention and re-appointment in the future.

⁵ Reported by ONS (Region by industry labour productivity: Output per job)

New Homes Bonus: £900,000

- 3.7.5. The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The aim of the bonus is to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth.
- 3.7.6. With the construction of the Proposed Development, RBC would receive further income via the NHB. The calculation of the NHB uses the average council tax rate of £1,880 (based on council tax bands A to D) in Reading. The estimated bonus is expected to be £900,000. The method for calculating NHB is currently being reviewed, and is therefore likely to change. Consequently, the estimate for NHB is indicative.

Community Infrastructure Levy: £3 million

- 3.7.7. The Proposed Development is located within CIL Charging Area 'Central Reading'⁶. Using RBC's CIL Charging Schedule (2015), residential floorspace would be charged £179.29 per sqm and Class E/F1/F2 floorspace would be charged £0 per sqm (both indexed as of 2024). As a result, we estimate the Proposed Development will generate around £3 million, using indexed CIL rates for 2024.

3.8. Section 106 Heads of Terms

- 3.8.1. Site-specific infrastructure requirements will be secured via a S106 agreement in line with the Planning Obligations for Infrastructure SPD (2015). In this regard, it is anticipated that a S106 agreement will be entered to secure planning obligations based on the following Heads of Terms:

- Affordable housing provision (subject to viability discussions);
- Public open space provision;
- Biodiversity Net Gain;
- Highways works;
- Education;
- Public realm improvements;
- Employment Skills Plan – construction and end-user phase;
- Community space; and
- Public art.

- 3.8.2. The Applicant will enter into further discussions with the Council as appropriate to establish the need for planning obligations to be secured via a S106 agreement.

3.9. Cumulative Public Sector Revenues: £8.1 million (NPV) over the next 20 years

- 3.9.1. **Figure 3.3** presents the potential additional cumulative public sector revenues which could be generated by the Proposed Development over the next 20 years. This indicates that by 2043, the Proposed Development could generate an additional £8.1 million net present value (NPV)⁷ in public sector revenues for RBC.

⁶ Reading Borough Community Infrastructure Levy Charging Schedule (January 2015)

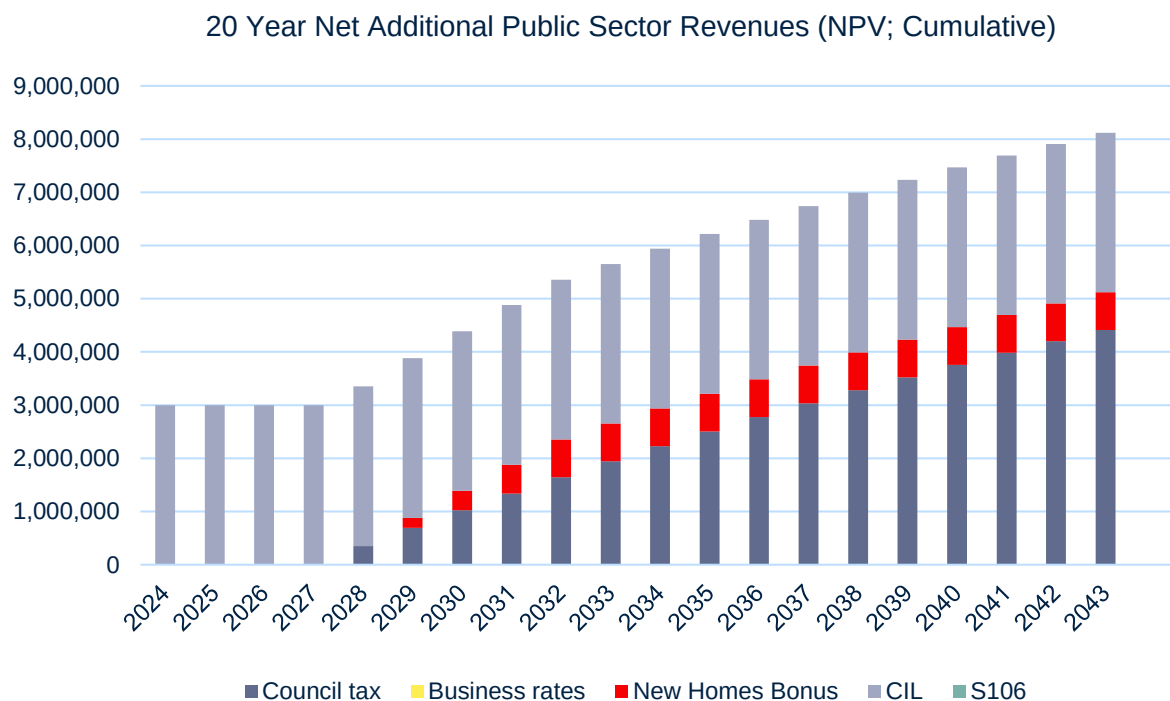
⁷ This discounts future revenues at a rate of 3.5% per annum.

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Figure 3.3 Cumulative Estimated Local Public Sector Revenue, NPV



Source: Savills, 2024.

4. Conclusion

- 4.1.1. The Proposed Development is estimated to yield economic benefits for the local economy and community.
- 4.1.2. The construction phase of Proposed Development, which is expected to last 29 months, is estimated to generate up to 120 full-time equivalent (FTE) gross direct construction jobs per annum. When taking into account the displacement, leakage and multiplier rates, the construction phase is anticipated to generate up to 60 net additional FTE jobs for residents of the local area.
- 4.1.3. During the operational phase, it is estimated that the Proposed Development will generate around 70 FTE gross direct jobs for residents of the local area. When taking into account the displacement, leakage and multiplier rate, the Proposed Development is estimated to generate around 75 FTE net additional on and off-site jobs. The Proposed Development is expected to generate around £5.5 million net additional per annum in GVA once completed.
- 4.1.4. Public sector revenues would be generated from the development. Once complete, we estimate Reading Borough Council (RBC) will receive around £400,000 per annum in council tax compared to the reference case. In addition, the Proposed Development is estimated to generate around £3 million in Community Infrastructure Levy (CIL). The cumulative income to local government over 20 years is estimated to be around £8.1 million net present value (NPV).
- 4.1.5. Overall the proposed scheme is considered to be beneficial for the local economy, as summarised in **Table 5.1** below.

Table 5.1 Summary of Estimated Economic Benefits

Outcome	Amount
Gross direct construction jobs (FTE) supported in RBC per year during construction	120
Construction GVA per year of construction	£4.3 million
Total net additional operational phase jobs FTE for RBC residents	75
Total residential expenditure per annum	£2.0 million
Total net additional GVA per annum upon completion	£5.5 million
Total net additional council tax revenue per annum for RBC	£400,000
Total New Homes Bonus for RBC	£900,000
20 year cumulative, discounted additional public sector income (NPV ⁸) for RBC	£8.1 million

Source: Savills, 2024. Note: The figures are rounded.

⁸ Net Present Value at 3.5% HM Treasury discount rate

Appendix 1: Glossary, Definitions and Accuracy

Glossary

BtR	Build to Rent
CIL	Community Infrastructure Levy
DCLG	Department of Communities and Local Government (now DLUHC)
DPD	Development Plan Document
FTE	Full Time Equivalent
GIA	Gross Internal Area
GVA	Gross Value Added
Ha	Hectare
HCA	Homes and Communities Agency
JLP	John Lewis Partnership
NHB	New Homes Bonus
NPPF	National Planning Policy Framework
NPV	Net Present Value
ONS	Office for National Statistics
PPG	Planning Practice Guidance
RBC	Reading Borough Council
S106	Section 106
SPD	Supplementary Planning Document
VOA	Valuation Office Agency

Definitions

Relevant concepts used in the analysis are:

Term	Definition
Leakage	'The proportion of output that benefit those outside of the intervention's target area or group'.
Displacement	'The proportion of intervention outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area'.
Multiplier effects	'Further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases'.
On-site Jobs	Jobs created on-site.

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Term	Definition
Off-site Jobs	Jobs in a supply chain and services. The result of multiplier effects after allowing for leakage and displacement.

Accuracy

By its nature estimation of employment and GVA benefits is subject to a range of uncertainties. Our estimates are based on good practice, guidance, data and estimates based on knowledge and experience. There will though remain a degree of uncertainty around estimates. We estimate that actual impacts are likely to be in a range of +/-20% of figures given.

Revenue figures are given based on current rates and values and could be significantly higher in real terms given the long timescale before completion and anticipated growth in the economy.

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