

Representations on the East Devon Draft Affordable Housing SPD Submissions

On behalf of Cranbrook LVA LLP

Prepared by

Richard Sturt, MRICS, FRGS, MSc, BSc (Hons)

9th May 2019

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STURT & COMPANY LTD, THE COACH HOUSE, UPHAM FARM, UPHAM, HAMPSHIRE. SO32 1JD

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1.0 INTRODUCTION

- 1.1 Sturt & Company has been requested to provide formal representations on the proposed East Devon Draft Affordable Housing SPD on behalf of Cranbrook LVA LLP.

Qualifications

- 1.2 This report has been prepared by Richard Sturt and Malcolm Barber who are both Directors of Sturt and Company.

Richard Sturt MRICS, FRGS, MSc, BSc (Hons)

- 1.3 My name is Richard Sturt and I am a Member of the Royal Institution of Chartered Surveyors and have been active in the national development market for over nineteen years. Key clients have included the Homes & Communities Agency, Grainger, several charities and Local Primary Care Trusts.¹ I am a RICS Registered Valuer and I assess candidates for the RICS Planning and Development Faculty in the role of Chairman of the APC panel.
- 1.4 I hold a degree in Real Estate management and am a Fellow of the Royal Geographic Society. Prior to setting up Sturt & Company I worked for Savills in their national Mixed-Use Development team. I also worked for the King Sturge South Coast Commercial Agency Team based in Southampton. I also worked for several years at Heritage Property Group who were developers specialising in Historic Town Centre Mixed Use Regeneration schemes across the country.
- 1.5 My experience includes working with both the public and private sector in East Devon and the surrounding Local Authorities.

Malcolm Barber DipArb MRICS MCI Arb

- 1.6 My name is Malcolm Barber and I am a Member of the Royal Institution of Chartered Surveyors, Registered Valuer and Member of the Chartered Institution of Arbitration. I have been active in providing valuations for commercial and residential property in Southern England for over 30 years.
- 1.7 I joined Sturt & Company Ltd in April 2016, having previously worked for over 25 years for Jones Lang LaSalle (formerly King Sturge) where I was Head of the Professional Consulting Team in JLL's Southampton Office.
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¹ Now known as Clinical Care Commissioning Groups.

1.9 I have acted for a wide range of public sector organisations including the HCA (and formally the Regional Development Agencies), DIO², Ordnance Survey Ministry of Justice and Land Registry as well as Local Authorities to provide strategic development assessments and valuation advice on a diverse range of both commercial and residential assets.

2.0 METHODOLOGY

2.1 Sturt & Company attended the Working Group in July 2017 at Exeter Airport and made written submissions concerning viability at the time. A copy of these historic submissions are enclosed as **Appendix 1**.

2.2 Further submissions were made in the spring of 2019 regarding both the CIL Review and Cranbrook Plan DPD submissions. Many of the issues raised in these earlier submissions are directly relevant to the East Devon Affordable Housing SPD as it relies on the appraisals and methodology contained in the CIL review. A copy of our full CIL Review submissions are attached as **Appendix 2** and form part of these further submissions.

2.3 These latest submissions include further commentary on a number of areas which have a direct impact on the viability and workings of the residential development in East Devon.

2.4 Our major concerns include the following:

- Original Three Dragons Viability Appraisal does not reflect the proposals made in the Draft Affordable Housing SPD;
- Three Dragons Viability assessment on Cranbrook does not reflect the Draft Affordable Housing SPD in terms of housing mix. The appraisal needs to be amended to establish if the scheme is still viable.
- Outdated BCIS Costs that almost 18 months out of date;
- GDVs that do not reflect market sales and size of units;
- Inappropriate use of BCIS Index to lower quartile figures;
- Ambitious housing trajectory figures and implications for cash flow;
- Insufficient profit margins to take into account the high costs and risk of major schemes such as Cranbrook;
- Insufficient Benchmark Land Value;

² Defence Infrastructure Organisation

2.5 Due to the continued refusal to co-operate by not providing a copy of the electronic Excel Three Dragons Toolkit, we reserve our position on making further representations on all the key residual inputs, calculations and their impact on the viability of development and affordable housing in East Devon.

3.0 THREE DRAGONS EXCEL TOOLKIT

3.1 In relation to both this submission and our earlier submissions, we have requested on a number of occasions copy of the Three Dragons Excel Toolkit but have been refused access. The three documents out for consultation are inextricably linked. Without access to the Excel sheet behind the Three Dragons' Appraisal, it is impossible to interrogate how the appraisal and identifying inputs that conflict with either normal for the market or their stated assumption.

3.2 We have requested a copy of their Excel model, together with the files used in the assessment but were refused by the Planning Department. See **Appendix 3** for copies of correspondence.

3.3 We have concerns over the use of a non-industry standard Excel appraisal (that has not been disclosed to key stakeholders) for setting CIL and Affordable Housing SPD. Failure to disclose the toolkit questions the Local Authority's Statured Duty to Co-operate.

3.4 In assessing the viability of development schemes, almost all Local Authority Consultants use either ARGUS or (and to a lesser extent now) the Homes & Community Agency Development Appraisal Tool. Using person appraisal spreadsheets is discouraged, as it reduces the potential for external scrutiny

4.0 GROSS DEVELOPMENT VALUE (GDV)

Market Sales

4.1 Our concerns about the Private Sector sales prices and rate have been set out in our previous reports. Incorrect GDV will have a significant effect on any residual appraisals used to set policy. It is vital that only correct and up to date assumptions are used.

Affordable Housing - GDV

4.2 Reviewing the Three Dragons Technical Annexe, from their appraisal they have used an average GDV for the total Affordable of £1,920 sq m (178.40 sq ft) on the Cranbrook Appraisal (This is based on £1,855 sq m (172.33 sq ft) for Equity Share and £2,098 sq m (194.90 sq ft) for Shared Ownership). This average is high compared to actual contracts agreed with RPs in the area for a 70/30 (Affordable/Shared Ownership) tenure mix proposed in the SPD

4.3 We have spoken to a number of stakeholders and other parties active in the delivery of affordable housing within East Devon. Set out below are the analysis of four recently agreed contract prices for the delivery of affordable housing in East Devon.

	Affordable Rent		Shared Ownership Values	
	Sq m	Sq Ft	Sq m	Sq Ft
Scheme 1 ³	£1,769	£164.35	£1,982	£184.11
Scheme 2	£1,252	£116.33	£1,894	£175.96
Scheme 3	£1,198	£111.37	£1,689	£156.89
Scheme 4	£1,193	£110.82	£2,239	£208.04

4.4 As can be seen these figures are substantially lower than those used for the calculation of Affordable Housing Policy and the background documentation in the Technical Annexe. We can provide further details of these four schemes but have not included in this report as it is a public document. We are happy to disclose it directly to Three Dragons, East Devon DC or the Inspector on a confidential basis if requested.

4.5 As you can see from the Technical Annexe of the Three Dragons CIL Viability work, they have used higher affordable housing figures which do not reflect recent contract prices. The differential needs to be reviewed in the on-going viability work prior to any Policy being adopted. It appears that the draft Policy is based on unrealistic affordable housing prices which do not reflect the market place.

4.6 Based on the proposed tenure mix of 70/30 (Affordable/Shared Ownership), the average based on the above transactions is £1,532 sq m (£142.37 sq ft). This is some 20% lower than the GDV that Three Dragons model for Cranbrook. If the correct figure is used in the Three Dragons Appraisal for Cranbrook, there is a reduction in GDV of affordable from £88,635,000 to £70,730,000, a reduction of £17,905,000 or 20%. This results in a reduction in the Net Residual Value of 30%. This reduction in Net Residual Value cannot be accommodated as no margin has been allowed in the Benchmark Land Value used.

4.7 The Local Authority have not interpreted the Three Dragons Viability Assessment correctly. The Local Authority are proposing a tenure mix of 70/30 (Affordable Rent/Shared Ownership). However, from the CIL Review and Cranbrook Plan DPD Technical Annexe, it can be seen that Three Dragons have not applied this tenure mix. Their spreadsheet clearly shows that they have allowed for no Social or Affordable Rent and have allowed a tenure mix of 70% Equity Share and 30% Shared Ownership. Although the 30% Shared Ownership is clearly correct and accords with the Draft Affordable

³ Scheme 1 comprises an edge of Exeter site which had high market values and in an area of high demand with limited supply. Accordingly, it could be considered an outlier when compared to the other schemes.

Housing SPD, 70% Equity Share is incorrect as it should be Affordable Rent. Equity Share Tenure achieves a higher GDV than Affordable Rent.

5.0 COMMENTARY ON AFFORDABLE HOUSING SPD

EDDC Viability Guidance

- 5.1 The Strategic Housing Market Assessment (SHMA) 2014/15 is significantly out of date and only identifies a housing need of 272 dwellings per year. It is expected that more housing will be required and the SHMA needs to be updated.

Rest of East Devon Affordable Housing Targets

- 5.2 The target of 50% of all dwellings to be Affordable is very high compared to adjoining local communities which are only set at 25%. It is extremely unlikely that the scheme comprising 50% affordable housing will be viable in an area such as East Devon where the differential in values between the two areas is relatively modest.

Suitably Qualified Professional

- 5.3 In relation to Paragraph 3.10 of the Draft Affordable Housing SPD, we would request that any professional providing advice on viability for either the Local Authority or an applicant should be a Chartered Surveyor with experience of valuing land.

Existing Use Value Plus Premium

- 5.4 Paragraph 3.11 of the SPD states that the premium should only be 20% of the Existing Use Value (EUV) to incentivise landowners to release a site for development. This approach is used appropriate for valuing previously development sites that have a high EUV. It does not reflect the multiplier required when assessing the Benchmark Land Value of a Greenfield site. There well documented professional guidance that sets out how this should be assessed.⁴

- 5.5 Although 20% may provide sufficient incentives for a vacant commercial building, it does not provide enough of an incentive for a commercial occupier or investor to relocate. Consequently, more flexibility is needs to ensure a wide range of sites can come forward for development.

Affordable Units Mix and Size

- 5.6 It is unclear whether or not the 70% rented element is Social Rent or Affordable Rent. This needs to be clarified. It should be Affordable Rent rather

⁴ RICS Professional Guidance – Financial Viability in Planning 2012 and The Viability Testing Local Plans – Advice for Practitioners prepared by The Local Housing Delivery Group and often referred to as The Harman Report.

than Social Rent, which would lower values further. The price differential between social and affordable is significant and this differential should be addressed at the drafting of the SPD after it has been assessed in the Viability Valuation. This is not the case so far.

- 5.7 The SPD identifies that the need for Social and Affordable Rented Houses are primarily one or two bedroom units, with 50% needing one bedroom properties and 40% for two bedroom properties. Only 10% is required for three and four bedroom units.
- 5.8 This, however, contradicts the valuation assumptions used by Three Dragons. In their appraisal, they have made no allowance for one bedroom units and they have allowed 25% for three bedroom houses. This contradiction needs to be clarified so that Three Dragons can re-run all their appraisals to reflect the Local Authority's target accommodation mix.
- 5.9 The Draft Affordable Housing SPD needs to make it explicit that there will be no local rent caps imposed on the Affordable Rent units. The definition of Affordable Rent is nationally accepted and any departures have a bearing on value that Registered Providers can pay. If local amendments are proposed, these need to be reflected in the original viability assessment before it can be adopted.

Design Standards

- 5.10 The addition of Local Plan Strategy 36 and the requisite to meet part M4(2) of the Building Regulations in relation to accessible and adaptable dwellings, will add a significant cost to the standard cost of construction. These additional costs need to be taken into account.
- 5.11 Quite correctly, the Draft Affordable Housing SPD requires "high quality buildings and places" as well as referring to "Build for Life" to assess and improve design of developments. This requirement has not been factored into Three Dragons Viability Assessment. They have based their build cost on the lowest build cost achievable (BCIS lower quartile) for larger schemes. Inevitably, by adopting the lowest build cost, these essential design requirements are not going to be achievable without a reduction in the targeted affordable housing levels.
- 5.12 In any event, Three Dragons should assess their appraisal based on the assumptions within the Draft Affordable Housing SPD which we do not consider that they have.
- 5.13 As we have not been provided with the Three Dragons appraisal model, it is not possible for us to establish whether any allowance in their viability has been made to reflect the design standards which are being proposed. This has to be established before Three Dragons viability can be accepted.

Rural Exception Sites

- 5.14 The adoption of a set figure of 66% of all housing having to be affordable does not provide for the flexibility of the assessment of rural exception sites. It should be based on an open policy which allows for the minimum number of private dwellings to justify the delivery of affordable housing rather than a target of 66%.
- 5.15 There is no clear guidance on how Benchmark Land Values are to be assessed for Rural Exception Sites. Inevitably, policies set for larger agricultural sites are not appropriate, as Rural Exception Sites by their nature are generally small edge of village sites which will be in strong demand, greatly elevating their value per acre above general agricultural land. For example, any valuation has to take into account their semi-urban nature or the value pony paddocks.
- 5.16 In any event, most landowner would expect a return based on the number of units and therefore providing a Benchmark Land Value per plot is the most appropriate and commonly used when considering sites of this nature.

6.0 STANDARD SECTION 106 AGREEMENT

- 6.1 Despite the SPD providing a draft Heads of Terms for a Section 106 Agreement in Appendix 3 of the SPD, there is no reference of any overage or examples of how it would work. At this stage and as a legal document, it is insufficient for any meaningful discussion. As part of this SPD, the Local Authority are seeking future reviews of affordable housing based on assessing a scheme's actual incurred costs, together with sales values achieved. If additional profit is made, then the Local Authority will clawback 50% of any margin.
- 6.2 These overage documents must be subject to a separate consultation with input from lawyers and valuers acting for both the private and public sector. At this stage of the drafting of the SPD as they form a fundamental part of the policy. We would recommend that draft overages are also assessed from both a legal and banking perspective as course, it is expected that they will run with the land and thus, they must be able to work with commercial mortgages and other forms of financial instruments which are a prerequisite of property finance.
- 6.3 Sites that are subject to a Section 106 Overage/Viability Reappraisal have come to the market and are having a bearing on sales outcomes. The issue with overages is that there is, in reality, elevated risk and cost that need to be accounted for. They can affect bank finance as lenders see an overage as a potential extra cost or charge that needs to be allowed for. In addition, profit outcomes are more uncertain as surplus from one site will be reduced and therefore unable to subsidise other sites that do not achieve the anticipated profit target. This has to be reflected in the initial viability appraisal which Three Dragons have not done. Three Dragons have so far used a reduced profit margin by comparison to many other Area Wide Assessments in the locality,

yet the development risk is more onerous. The profit allowed in Three Dragons Appraisal, therefore has to be increased to reflect any Overage once a full drafted clause has been published

- 6.4 The introduction of this clawback has not been factored into the profit levels used in the viability assessment. Should the Local Authority have the ability to reassess Market Value and clawback additional monies from a developer, it is highly likely that the developer will seek an additional profit incentive or contingency to insulate them from unknown market forces. This will need to be reflected in the original Three Dragons assessment. It is critical that this negative feedback is assessed in both the CIL Viability and the Affordable Housing DPD.
- 6.5 Should the Local Authority have the ability to clawback monies on costs, this should be on an open-ended basis so that if costs escalate (or values are lower) then there can be future reductions in affordable housing on future phases.

Mortgagee In Possession Clause

- 6.6 It is paramount that the '*Mortgagee In Possession*' clause of any Section 106 complies with both the requirements of the Registered Providers and of course, the financial institutions that lend money on development. We would recommend that the draft clause is circulated to a number of commercial banks for their input so that there are not unnecessary delays in the redrafting of the '*Mortgagee in Possession*' clause and risk delivery targets. As it is drafted, it is not certain that it meets the requirement for lending institutions, and this risks the delivery of schemes.

7.0 CONCLUSION

- 7.1 The Draft Affordable Housing SPD has set out a number of policy proposals that have not been reflected in the original viability assessment carried out by Three Dragons. Taken together the reduction in revenue and increase in costs makes the Cranbrook scheme undeliverable based on the Draft Affordable Housing SPD proposals.
- 7.2 As referred to in our previous reports, we have significant concerns about the original viability modelling and the resulting outcome prepared by Three Dragons. Relying on the Three Dragons assessment in its current form will result in subsequent policies being unachievable.

Appendix 1

2017 Working Group Submissions



S T U R T
& C O M P A N Y

Ref: RAS/gw

27th July 2017

Keith Lane Esq
East Devon District Council
Planning Policy Department
Knowle
Sidmouth
EX10 8HL

Dear Keith

Formal Submissions for East Devon CIL Viability Study

Further to the recent presentation and circulation of the meeting notes, I set out below confirmation of our submissions relating to the CIL consultation:

- At various stages in the notes there is reference to Total Development Costs (TDV). This is not a recognised term and we suggest that it is replaced with Gross Development Value (GDV). This would then reflect best practice and RICS guidance.
- 15% for externals is appropriate however this does not include a separate contingency element. I.e. It should be 15% for externals AND 5%-10% for contingencies. 5-10% contingency should be applied to actual build and external costs. I am not clear why they have been included in the same item as this is not best practice in terms of valuation methodology.
- 6% for professional costs is far too low and up to 10% would be more appropriate. I note that the HCA model allows for professional costs of up to 12% although this may be less for larger schemes.
- Sales rates of 40 units per year is reasonable on the very best performing sites close to major motorway network connections but is not appropriate on more isolated or rural developments where sales are significantly slower. We suggest that this is made clear that sales rates are only up to this level for the best sites.

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- I am concerned about EPC data being used to analyse house sales as it is not accurate compared to actual marketing details. We would recommend that an additional amount of work is undertaken as EPC details are not subject to either the 1967 Misrepresentations Act or the Estate Agents Act and should not be relied on for the measurement of a dwelling.
- Interest rates of 5.5% are low and do not include any arrangement or exit fees. A minimum of 6% should be considered and possibly more.
- There is no assessment for the land values of sheltered or retirement housing, quite often these are on constraint and centre sites that have higher threshold land values than green field sites. The retirement sites are often less than 0.5 hectares in size.
- Retirement housing should be reviewing schemes of approximately 35-50 units.
- The construction costs for CIL Viability look low. We know that current BCIS for sheltered housing in East Devon is £1,310 per sq ft. without any allowance for any externals at 15%.

We must highlight Three Dragons have used similar assumptions to ours in neighbouring Local Authorities including North Devon. For example, their Exmoor National Park Authority Viability Study sets out the following assumptions:

- Professional fees 10% of build cost
- Finance 6% of development costs.

We can also provide you with additional CIL Viability Studies both by Three Dragon and other consultants to support our evidence if that assists in setting your CIL parameters correctly.

Yours sincerely



Richard Sturt
MRICS, FRGS, MSc, BSc (Hons)

Cc Cris Neale, Devonshire Homes
Daniel Stephenson, LDT

Appendix 2

Previous East Devon CIL and Cranbrook Submissions

Representations on the East Devon Cranbrook Plan Submission

On behalf of Devonshire Homes and Cranbrook LVA LLP

Prepared by

Richard Sturt, MRICS, FRGS, MSc, BSc (Hons)

23rd April 2019

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2. East Devon CIL Review Submissions
3. Recent BCIS Data from April 2019
4. Copy of Correspondence
5. Appeal Decision

1.0 INTRODUCTION

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2.0 METHODOLOGY

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2.2 Further submissions were made in March 2019 regarding the CIL Review and Cranbrook Plan DPD. Many of the issues raised in these earlier submissions are directly relevant to the Cranbrook Plan Consultation as it relies on the appraisals and methodology contained in the CIL review. A copy of our full CIL Review submissions are attached as **Appendix 2** and form part of these further submissions.

2.3 These latest submissions include further commentary on a number of areas which have a direct impact on the viability and workings of residential development in East Devon and Cranbrook. These observations include the following:

- Analysis of the input assumptions for the residual appraisals
- Review of Three Dragons CIL submissions in different Local Authorities, highlighting inconsistencies between their working assumptions and methodology
- Commentary on Benchmark Land Value
- ARGUS appraisal of 30 unit scheme using Three Dragons inputs
- ARGUS appraisal using industrial standard inputs
- Commentary on the Cranbrook Allocation and implications on viability

2.4 Due to the limited timescales and the continued refusal to co-operate by not providing a copy of the electronic Excel Three Dragons Toolkit, we reserve our position on making further representations on all the key residual inputs, calculations and their impact on the viability of development in East Devon.

² Defence Infrastructure Organisation

3.0 CRANBROOK DPD TESTING SCENARIOS

- 3.1 Based on the above factors, there are significant implications that risk the viability and thus delivery of the entire Cranbrook allocation, should the Local Authority rely on the current Three Dragons testing results.
- 3.2 Our client's site in Cranbrook (Farlands) is subject to a number of site specific costs which have not been accurately taken into account. These matters are well known and require accurate costs based on quotes from utility companies etc. Both our clients and ourselves reserve our position on making further representations regarding the Local Authority's submissions, including assumed S106 and site specific costs.
- 3.3 The specific comments in the Draft CIL Review relating to Cranbrook rely heavily on the inputs and variables used by Three Dragons in their ongoing CIL Review DPD and their generic Toolkit appraisals. As outlined elsewhere in this report, many of these assumptions are incorrect and do not reflect industry standard. On this basis, should these policies and associated costs be adopted, they will jeopardise the delivery of Cranbrook and other housing sites in East Devon. This is especially pertinent in the requirement for 15% Affordable Housing.
- 3.4 Having reviewed references to Cranbrook in the Draft CIL Review, there are a number of errors and inconsistencies in the analysis. This includes East Devon aiming to fund the infrastructure by way of Section 106 contributions which have not been fully costed nor taken into account. Depending upon the final costings, this may have further implications for affordable housing. It is likely that with full and accurate costings these would need a downward adjustment to the 15% provision currently being suggested. On this basis, we object to this high threshold for affordable housing.

4.0 THREE DRAGONS EXCEL TOOLKIT

- 4.1 We have requested a copy of the Three Dragons Excel Toolkit but have been refused access. Without access to the Excel sheet behind the Three Dragons' Appraisal, it is impossible to interrogate how they have derived such a high land value or to challenge their DFC. Thus, we have had to input the raw data into an ARGUS appraisal (see Appendix 7 of our earlier submissions contained in **Appendix 2** for a copy).
- 4.2 We have requested a copy of their Excel model, together with the files used in the assessment but were refused by the Planning Department. See **Appendix 4** for copies of correspondence.
- 4.3 We have concerns over the use of a non-industry standard Excel appraisal (that has not been disclosed to key stakeholders) for setting CIL and specific planning required policies at Cranbrook on an area-wide basis. Failure to disclose the toolkit questions the Local Authority's Statutory Duty to Cooperate.

4.4 In assessing the viability of development schemes, almost all Local Authorities use either ARGUS or (and to a lesser extent now) the Homes & Community Agency Development Appraisal Tool. In our professional opinion, we do not think the Three Dragons Excel Toolkit is sufficiently robust or capable of dealing with the cash flow implications of a multi-phase 4,000 unit development site.

5.0 BCIS BUILD COSTS

5.1 Three Dragons have used BCIS as their source for construction costs but they have then applied their own adjustments. They provide no supporting justification nor precedent for their adjustment. This does not reflect industry norms when assessing viability. It appears they have manipulated the data to improve the overall viability, to justify a significant rise in CIL across the plan area.

5.2 In the assessment of viability, it is normal to use the mean or median of BCIS and we do not see the need to artificially manipulate the data any further depending on the size of the scheme and typology because BCIS have already made the necessary adjustments. This manipulation of BCIS is not common practice. When these figures are tested in a Public Inquiry (or other appeal situations) these artificial adjustments have in the past been found unacceptable.

5.3 Table 4.9 of the East Devon CIL Review sets out Three Dragons BCIS inputs. They have varied the BCIS rate for every single case study including adopting “Lower Quartiles” results and then further weighting them individually. They do not use the 5 year median of BCIS, which is the incorrect use of the index. It is common industry practice to use the median BCIS cost. As outlined in the RICS Guidance Note for Financial Viability in Planning, it is not appropriate to weight costs by individual developers. Many of the criteria set out in Three Dragon’s individual case studies are actually addressed by the BCIS Index itself.

5.4 It is very poor methodology to manipulate the BCIS costs further as the BCIS database automatically does this for practitioners. BCIS data deals with different types of development i.e. Estate Housing, Individual Houses or Small Developments and is specifically weighted to allow for the location and nature of Estate Housing, so no further adjustments are needed.

Changes to BCIS Data

5.5 Three Dragons have used BCIS data from September 2018 for their entire Local Plan research including the Cranbrook Plan DPD. The index is approximately 9 months out of date and does not reflect current costs or inflation over the interim period. At the time of the consideration by the Planning Inspectorate, the costs could be 12 – 18 months out of date. See

attached as **Appendix 3**, a copy of the most recent BCIS data which shows substantial increases.

5.6 Set out below is a summary of the differential between the costs used by the Local Authority and the latest BCIS Index.

Typology	BCIS September 2018 as used by Three Dragons	BCIS April 2019	% Increase
Estate Housing Generally - Mean	£1,213	£1,312	8.16%
Estate Housing Generally - Lower Quartiles	£1,038	£1,095	5.49%

5.7 As outlined in our previous submissions, we have concerns about Three Dragons using outdated BCIS costs. We have already submitted BCIS figures for March 2019 and set out in **Appendix 3** are the latest April 2019 BCIS Indices. As you can see, even from the March 2019 Index, there continues to be an upward trend on the cost of construction. This has not been factored into any of the appraisals provided by the Local Authority. It is poor methodology to use out of date costs when preparing plan viability and we request that the Three Dragons Excel Toolkit is remodelled to take into account the latest BCIS costs.

Appropriate BCIS Index

5.8 With regards to build costs, the full range of accommodation has not been considered. Even on their own adjustments, flats have an elevated price per sq m than houses. In addition, when allowing for the cost of delivering flats it is normal to add an additional allowance to reflect that all flats require communal space, for example, entrance halls, landings and stairways. This is normally accounted for by either allowing an increase in floor area of the flats to accommodate the extra space or allowing a premium to the build costs before applying it to the floor areas of individual units.

5.9 The proposal for Cranbrook includes a proportion of flats yet Three Dragons have not made an allowance for the elevated cost that flats require.

5.10 The basis of the costs are absolutely critical to the scheme. Three Dragons have used Lower Quartiles estate housing being £1,038 sq m. It would be industry standard, and in accordance with other area wide, to use the median which equates on their table in September 2018, to £1,151 sq m. The overall difference in base build cost is just over £43 million. This is almost as much as the Benchmark Land Value used by Three Dragons so effectively wipes out any viability.

- 5.11 This is why it is critical to use the most current costs published by BCIS. The table below shows the difference in cost by using different indices and dates by comparison to the £1,038 sq m used in the Three Dragons appraisal.

Estate Housing General BCIS Index/Date	Price Sq M	Increase over Three Dragons base input cost of £1,038 Sq M
Sept 2018 Median	£1,151	£43,006,105
Sept 2018 Mean	£1,213	£66,602,375
April 2019 Lower Quartile	£1,095	£21,693,345
April 2019, Median	£1,226	£71,549,980
April 2019, Mean	£1,312	£104,280,290

- 5.12 In addition to the base cost as mentioned above, an allowance has to be incorporated for the elevated cost of flats relative to houses. Even on Three Dragons chosen inputs, their costs for flats are 33% above the cost of their base build for estate housing.

Adjustment to BCIS Index

- 5.13 When assessing costs, Three Dragons have adjusted the cost given in the BCIS Index but in reality costs do not decrease in the manner they have suggested. Effectively, Three Dragons are arguing that when more than 200 units are delivered, there is a cost discount of 4% and almost 15% less than the BCIS Index for Estate House General. This is not reflected on the market or how costs are generated. Firstly, BCIS Estate Housing already reflects a variety of scheme sizes and they have a separate table for small schemes which should be used rather than adjusting Estate Housing Generally.

- 5.14 Secondly, there are no increasing discounts in build cost when a scheme gets larger than 100 units. In effect, any major scheme will be done in phases and there are no additional cost savings once a scheme has reached a critical mass. To some extent, the reverse can occur because maintaining a very large work force on a single site can have extra cost implications by comparison to a smaller site that does not need to absorb so many trades from a large area. In any event, the BCIS Estate House General Index accounts for these variables and is the industry norm for area wide assessments.

Appeal decision App/B1740/W/18/3209706

- 5.15 The importance of using the correct methodology for the assessment of BCIS costs has recently been tested by PINS. See Planning Appeal (**APP/B1740/W/18/3209706**). New Forest District Council tried to argue that it was appropriate to use different methodologies including the micro adjustment of BCIS. Much like Three Dragons methodology, these

adjustments included overriding the 5 year median and using the 15 year average instead.

- 5.16 When tested by PINS, the departure from the use of the default 5 year median was deemed to go against accepted practice.
- 5.17 This clear position was supported by documentary evidence from the Head of Viability at the DVS and clearly identifies our concerns with Three Dragons relying on a non-standard approach to BCIS costs. Please see attached as **Appendix 5**, a copy of the recent Appeal Decision and we draw your attention to paragraphs 15-18.

*“In addition to this, the DVS has confirmed, in an email from its Head of Viability to the appellant, that it uses **the 5 year data for all residential projects.**”*

- 5.18 We argue that the Cranbrook Plan will need to be remodelled to reflect changes in build costs and the correct use of BCIS median inputs together with a number of sensitivity models to demonstrate the robustness of the modelling.
- 5.19 Three Dragons have an inconsistent approach to the use of BCIS as many of their viability reports for other Local Authorities happily use Median as the chosen index. For example, previous Three Dragons research for the New Forest District Council and Basingstoke have used the median BCIS Index.
- 5.20 Failure to address this could result in additional rounds of consultation and delays including additional professional costs depending on the findings of the CIL Consultation and subsequent intervention from PINS.

6.0 PYLONS

- 6.1 The cost for undergrounding the pylons has been massively underestimated. The Three Dragons Appraisal of Cranbrook assumes a cost of only £4.9 million. Persimmon have obtained a quote from Western Power for the undergrounding of both cables at approximately £8 million in total. This will need to be reflected in the draft consultation.

7.0 CB20 PLUG IN AND ULTRA LOW EMISSION CHARGING

- 7.1 Whilst there are increasing numbers of electric vehicles in the UK, they still only comprise 1.9% of the market. The final design and specification of such facilities are not known. The sale of electric vehicles only makes up 2.4% of the total new car sales and is behind government targets.
- 7.2 It must be noted that Cranbrook is relatively rural location compared to London and the South East of the UK. There will have to be a degree of flexibility in the requirement to deliver such infrastructure and this should reflect future

technological change which may make such provision obsolete. In any event, Three Dragons allow us extra cost to facilitate any provision.

8.0 GROSS DEVELOPMENT VALUE (GDV)

Market Sales

- 8.1 In their appraisals for the Cranbrook Scheme, Three Dragons have used a price for market units of £2,911 sq m (£270 sq ft).
- 8.2 All area wide assessments are inevitably a snapshot in time but the current market uncertainties necessitate inputs are up to date, otherwise policy will be unsustainable as soon as it is adopted.
- 8.3 Due to market uncertainty, prices in the locality which had, over a sustained period, been increasing and were therefore able to accommodate the general increase in build costs, have recently fallen.
- 8.4 According to Land Registry in East Devon District, house prices have fallen by 1.5% between January and February 2019. Most other commentators, including the RICS, have reported that they consider from anecdotal evidence this has continued, but clearly it is too soon to have current data.
- 8.5 Because the GDV of a scheme is the largest single input into any appraisal, it is critical that this is accurately reassessed.
- 8.6 Relative sensitivity of GDV compared to land value in this case is absolutely critical. In the appraisal undertaken by Three Dragons, total Net Residual Value only equates to 2.57% of GDV. This is very low and a change in GDV by only a few base points completely undermines the delivery of the scheme. Consequently, this most recent fall, even if it is only by a few percent, needs to be reflected in the equation as any changes in value, even by a few base points, can completely wipe out the landowner's return.
- 8.7 When reviewing the GDVs used by Three Dragons for house prices in Cranbrook, they do not follow market norms. Based on their current assumed GDVs, they have assessed one and two bedroom flats to have a lower value per sq m than the three, four and five bedroom detached units which are much larger. It is our experience of the market in the locality that values per sq m for larger units, even if they are detached, will have a lower value per sq m than much smaller flats. However, this is not reflected in their assessment.
- 8.8 Three Dragons, when preparing their view on Gross Development Value, have used Land Registry as their primary input. We have undertaken the same exercise and when reviewing new build houses recorded by Land Registry since September 2018, it comes out with a materially different input. This shows an average of £2,550 sq m as opposed to £2,911 sq m, used by Three Dragons. As mentioned, even a tiny change in GDV has a massive effect on

viability as the landowner's return makes up some of the proportion of the totality.

Market Sales Incentives

- 8.9 It does not appear that financial sales incentives have been used in the assessment of GDVs. The usual CEML allowances should be included, in line with HMRC guidelines.

Affordable Housing - GDV

- 8.10 Reviewing the Excel appraisals in the Three Dragons Technical Appraisal, it appears that they have used an average GDV of £1,920 sq m on the Cranbrook Appraisal. This appears high compared to actual contracts agreed with RPs in the area.

9.0 IMPACT OF SERVICE CHARGES

- 9.1 There are growing concerns over the cost of supporting the infrastructure in the Cranbrook area which is having a negative impact on the scheme. Radio 4 You and Yours publicised concerns over increasing costs of living in this area on the 25th March 2019. The programme highlighted additional costs for the maintenance of open spaces, above the usual Council Tax Charges, which were being put onto residents. A link to the BBC programme is shown below. This will potentially suppress GDVs as residents will have to pay this surcharge on top of both their County Council and Local Authority tax.
<https://www.bbc.co.uk/sounds/play/p01gvqhp>
- 9.2 The impact of these surcharges on sales rates and values will need to be carefully monitored going forward.

10.0 HOUSING TRAJECTORY

- 10.1 The housing trajectory outlined in Section 6.2.5 and Table 6.5 is overly optimistic in terms of delivery. It should be highlighted that with a reduced Housing Association element of approximately 15%, together with the increase in self build units, it is unlikely that these targets will be achieved.
- 10.2 This is because there are additional private units, which of course take time to sell rather than the "golden brick" approach of up to 20-40% of the scheme which is common elsewhere in the country. Due to this we would recommend that these targets are extended with a slower period of delivery which takes into account the additional private units. This will also have significant impact on the cash flow of the scheme.
- 10.3 We also question the 'on site start date', especially as the consultation is still ongoing and the Inspector is not expected to review the Local Plan Policies and DPDs until October 2019. This of course will be further delayed should

the Council request a complex collaboration or equalisation agreement between the landowners, which may take 18 months or more to agree.

- 10.4 Overall, the delivery of units is too fast and we would recommend that this be extended.
- 10.5 Whilst Cranbrook is already partially under construction, this should not justify the assumption of a lower profit margin as outlined by the Local Authority in Paragraph 6.4.3 of the Cranbrook DPD, due to the size of the scheme. There is considerable uncertainty together with huge site specific costs of over £985,314,000 that will require the normal or even higher levels of profit to be taken into account.³

11.0 CASH FLOW

- 11.1 Cash flow assumptions and inputs are critical in the assessment of viability. Three Dragons have assumed a finance cost of £38,992,108 based on a total GDV of over £1 billion. This appears very low but without the Toolkit it is impossible to assess this key variable.
- 11.2 We would also require the chance to interrogate the cash flow and timescale assumptions in their Excel Toolkit model. Due to the failure to provide a copy of this, it has not been possible to explore these assumptions. We therefore reserve our position on making further submissions in the second round of consultation regarding these areas.

12.0 PROFIT

- 12.1 Three Dragons have modelled the whole of Cranbrook on the basis that it has come forward as a single scheme, yet they have used many inputs which reflect much smaller schemes. In particular, they believe the site has been de-risked and therefore a developer would accept a profit of only 17.5%. This is completely contrary to the market which, the larger the scheme, the greater the incentive need to attract a developer. This is because the timeframe for delivering a scheme elevates the risk as it is impossible to predict with any certainty what the development returns and costs would be, many of which would not be incurred for many years. There are also far fewer developers willing to accept such a large commitment, which is reflected on their bidding, resulting in the need for a higher return or profit.
- 12.2 A higher profit margin is required for a number of reasons in order to incentivise a developer to commit to the scheme.
- Long Time Period. The scheme is programmed to last 13 years and without reviewing the cashflow, it is impossible to confirm, but it is likely that the first return / profit would only be reached many years into the

³ Based on Three Dragons Appraisal.

scheme. By comparison to smaller scheme developments which get their return on completion of the scheme after 1 or 3 years, on a scheme of 100 or 300 units.

- The risk associated with such significant infrastructure works will have cost and time considerations and they will require substantial initial cost before any units can be sold. The additional holding cost require greater return that the profit of smaller schemes.
- Difficulty of predicting future price and cost movements requires additional margin.

12.3 None of these matters are properly accounted for in Three Dragons appraisal. If the profit was to remain the same as much smaller schemes, a significant increase in buffer has to be incorporated in the form of elevated contractor return or contingency. This is not the case in their appraisals.

12.4 On a scheme of this nature, if modelled on a 4,000 unit scheme, we would anticipate a profit of 25% and not the 17.5% used by Three Dragons, which is similar to what they have used on much smaller schemes which can be delivered in a single year.

13.0 BENCHMARK LAND VALUE

13.1 The list of comparables used in the assessment of Benchmark Land Value seem very low compared to actual sales. The CIL Review uses CoStar which is a website that collates the raw data of land sales from Land Registry. This source does not take into account many of the variables to allow for the true assessment of the site value including:

- Planning costs
- Premiums previously paid
- Promoter's margins
- Ransom strips or other land or easements required

13.2 On this basis, it would not be appropriate to use such a basic source without significant further analysis, which has not been done.

13.3 It is entirely normal that the price quoted on the Land Registry Title is often less than the Benchmark Land Value as it does not take into account the above factors. Often there are additional payments or deductions from Market Value and it is paramount that any Chartered Surveyor quoting these comparables undertakes further research before drawing on them in any assessment.

13.4 Only a RICS qualified surveyor or Registered Valuer would be in a position to assess the true Benchmark Land Value taking into account these additional factors. At this stage, this has not been done.

- 13.5 Within the appraisal that Three Dragons consider is viable, they have allowed a Benchmark Land Value of £243,000 per ha (£98,500 per acre).
- 13.6 This is based on the gross land required to deliver the development so it includes development land, ancillary space used for schools, public buildings as well as SANG land.
- 13.7 When assessing Benchmark Land Value, it is unrealistic to expect a farmer to sell land for community use and/or SANG for less than their Benchmark Land Value for other elements of a scheme. The perception of any landowner is that the sale will facilitate development and therefore Benchmark Land Value will be the same, irrespective of which element the developer chooses to put houses or the school.
- 13.8 Benchmark Land Value, in accordance with the NPPF and PPG. Neither gives guidance as to the level of landowner's premium but say that it should be driven by market evidence for other Benchmark Land Values.
- 13.9 There is guidance from the RICS and other sources, that for agricultural land, the landowner's premium is generally 10 to 20 times.
- 13.10 The Benchmark Land Value adopted on the Cranbrook Scheme by Three Dragons, is below landowner's expectation and falls outside the guidance in terms of multipliers. In addition, it is materially below the Benchmark Land Value established in other neighbouring areas. In our opinion this is below what is required to deliver the scheme.

Benchmark Land Value SANGS Land

- 13.11 It appears that the Cranbrook DPD assumes that any SANGS will be capable of being purchased at only a small margin above its agricultural Existing Use Value. It is common practice when land is identified as SANG land that the landowner will want a premium similar to land that forms part of the residential development. This is because both have to be defined as part of the scheme so the Benchmark Land Value is not dissimilar to the other parts of the scheme.

14.0 VALUATION OF GYPSY/TRAVELLER SITES

- 14.1 Whilst there is a requirement in the Local Plan for gypsy and traveller pitches, we do not agree with the viability and financial appraisal in the document. Whilst there may be a small capital receipt for the sale of plots, this money does not take into account the negative impact on nearby house prices, mortgage availability and viability.
- 14.2 Our clients have submitted evidence from L&G on this matter which highlights the concerns over mortgage availability on schemes that include such allocations. It is expected that the decrease in GDVs in the immediate locality will have an impact on the overall viability of the scheme.

- 14.3 It also does not take into account the cost of infrastructure provision, externals and other site servicing costs that need to be provided to the individual plots.
- 14.4 A similar issue was raised by the Planning Inspector in the assessment of Dacorum Borough Council – Site Allocations DPD, where the Inspector required an update to the Development Viability Testing to take into account the impact of Gypsy and Traveller pitches on the valuation of a large development site. A similar process will have to be undertaken in this case and further evidence will have to be submitted by key stakeholders including the Local Authority.

15.0 POLICY CV7 / PHASING OF DEVELOPMENT

- 15.1 In terms of phasing, there has to be greater flexibility for the expansion areas to come forward on an individual basis, although contributing to the infrastructure and other site specific requirements as needed. Failure to allow for flexibility in the delivery of the scheme in the early stages will have a considerable impact on the housing trajectory figures as outlined already in
- 15.2 It may take many years to get binding legal agreements between all the landowners and this has not been taken into account in the predicted timeline of delivery. If the Local Authority were to continue to require full co-operation, equalisation and an agreed phased housing delivery, we would expect a period of 18-24 months for all the parties to agree binding collaboration agreements, phasing and delivery figures. This, of course, will significantly delay the delivery of the Cranbrook Project and risk undermining the 5 year housing supply for East Devon.
- 15.3 The Policy should allow flexibility to allow each individual site to be considered on an individual bases in response to market demand.

16.0 PROVISION OF SCHOOL

- 16.1 Our clients object to the requirement to deliver a school before the 30th dwelling is occupied in any of the four expansion areas. This is a very early delivery of a major piece of infrastructure that will have an impact on the viability of the scheme.

17.0 CB12 SELF BUILD HOUSING

- 17.1 The self build housing market is an extremely small part of the delivery for the national house building target.
- 17.2 There are concerns over the enforceability of Section 106 and design criteria obligations on self-build plots. There would be significant problems and a detriment to the overall scheme if self build purchasers were to breach an

agreed Design Code or Section 106 obligation and fail to deliver the design that was required for Cranbrook. It may also have a negative effect on nearby residential dwellings should any unit not meet the exact requirements of the Cranbrook Plan.

- An element of the development has to be for self-build. To sell self build plots these will have to be fully serviced and therefore there is a cost to the main developer of providing services, roads and landscaping the immediate vicinity. Three Dragons have allowed no cost for this. This is because they have based their external cost on the build cost of the units. This build cost clearly does not include the self build element.

17.3 At this time, all the land is currently under the control of either major national or regional housebuilders and this will ensure delivery in a timely manner that reflects market demand.

18.0 CB17 AMENITY OF FUTURE OCCUPIERS

18.1 Due to the scale of the expansion area, it is not appropriate to use the Nationality Described Space Standards (NDSS) for all units across the scheme. The NDSS significantly increases the size of the units which will have an impact on viability that has not been assessed in the Three Dragons report.

18.2 House builders often have to build to the specific market requirements of an area in terms of price pointing that reflects combined salaries of purchasers. Building larger units and simply applying the same GDV per sq ft may not result in a viable proposition as purchasers may not be able to afford the dwelling at that size.

18.3 For example, if the Local Authority were to insist on the NDSS and this was to result in a price moving above key Stamp Duty thresholds, this would impact on both GDV and sales rates. It is better to allow the house builders to price their units by both size and reference to financial thresholds to ensure the maximum uptake and speed of delivery. Should the Local Authority rely on the NDSS, then this will have a corresponding effect on both GDVs and sales rates across the scheme.

18.4 There should be a specific allowance to vary unit sizes to enable smaller units that allow affordability for local residents.

19.0 CB21 PARKING

19.1 Any integral garages should be taken into account in the assessment of the car parking spaces across the scheme.

20.0 BIKE STORAGE

- 20.1 The insistence on one cycle space per bedroom is too large for a rural site such as Cranbrook. There will also be additional cost implications for the construction of cycle stores, especially for terraced and apartment buildings which will need dedicated and secure bike stores in a separate location. These additional site-specific costs have not been reflected in the Three Dragons Appraisal and we request further information on the costs of such provision.

21.0 JUNIOR SPORTS PITCH

- 21.1 The inclusion of the Junior Sports Pitch next to residential development in Farlands will adversely affect the viability. It will affect sales and impact on values in the immediate area and should be attached to the main sports hub to benefit from supporting facilities and reduced maintenance.

22.0 CLAWBACK/PROFIT LEVELS

- 22.1 We note that the Local Authority are seeking future reviews of affordable housing based on assessing a scheme's actual incurred costs together with sales values achieved. If additional profit is made then the Local Authority will seek 50% of any margin.
- 22.2 The introduction of this clawback has not been factored into the profit levels used in the viability assessment. Should the Local Authority have the ability to reassess Market Value and clawback additional monies from a developer, it is highly likely that the developer will seek an additional profit margin or contingency to insulate them from unknown market forces. This will need to be reflected in the original assessment. It is critical that this negative feedback is assessed in both the CIL Viability and the Affordable Housing DPD.
- 22.3 Should the Local Authority have the ability to clawback monies on costs, this should be on an open-ended basis so that if costs escalate (or values are lower) then there can be future reductions in affordable housing on future phases.

23.0 COMMERCIAL ELEMENTS

- 23.1 We also object to the commercial elements being spread across Farlands and the Persimmon land. These should be capable of being delivered on a standalone basis rather than spread across a number of landowners in a single phase.

24.0 SENSITIVITY ANALYSIS

24.1 When assessing viability, it is best practice to undertake a Sensitivity Analysis on the key variables to assess the robustness of the valuation. On a residential scheme, it is common to adjust the following variables:

- Build Costs
- GDV
- Sales Rate

24.2 The smallest differences in these variables can make a significant difference to viability which is especially pertinent as the land value attributed to the scheme is less than 5.22% of the GDV. Set out below is a table demonstrating the impact of changes in the costs on land value.⁴

Variable	Percentage Change	Cost Change	Comments
BCIS Build Costs	1%	£4,715,296	This equates to 8.5% of Residual Land Value. This is on base cost only. Any increase will also increase fee, external and contingency but these have not been adjusted.
Total Development Cost	1%	£9,853,148	This equates to 17.75% of Residual Land Value.
GDV	-1%	£10,630,000	This equates to 19% of Residual Land Value. Reflecting recent price falls

24.3 It is common to undertake a Sensitivity Analysis for both increase and decrease in these key variables to test the robustness of the model. This is not possible without access to the Three Dragons Excel toolkit.

24.4 With such a small margin attributed for Benchmark Land Value, it is highly likely that even the smallest change in costs will wipe out any land value and will jeopardise the delivery of the entire allocation.

⁴ Please note that these are relatively simplistic as we do not have access to the Three Dragons Toolkit and have not been able to reflect these changes in their cash flow assumptions.

25.0 CONCLUSIONS

- 25.1 It is of vital importance to the delivery of housing in East Devon and specifically at Cranbrook to adopt policies that realistically reflect the performance of the residential market. If the CIL rate is set too high or there are unreasonable policies in place relating to Cranbrook including the adoption of S106 costs of £27,000 per dwelling and 15% Affordable Housing, land will not come forward for development. This will have a significant impact on the Local Authority's housing land supply targets and the functioning of the market.
- 25.2 The adoption of policies set out in the draft Cranbrook DPD are likely to lead to market failure as they will effectively stifle residential development due to the requirement for 15% of Affordable Housing and high Section 106 payments. On a wider bases, taken together with policy compliant affordable housing provision, it is extremely unlikely that even greenfield sites with low site specific-costs will come forward.
- 25.3 The concerns on impact regarding housing delivery are clearly acknowledged in the DPD Viability Report which states:
- “CIL rates should be set so they do not threaten the viability of the sites and scale of development identified in the Local Plan.”⁵*
- 25.4 Important elements of the appraisal should be updated to reflect current costs. In particular, GDV and build cost have changed over the intervening nine months since the research was undertaken. Although inevitably area-wide assessments are a snapshot in time, there are particular circumstances that justify a reassessment. In particular, build costs have continued to increase but house prices have recently fallen and these need to be reflected in the ongoing assessment.
- 25.5 Benchmark Land Value should be based on Gross Land not Net Developable. Any farmer that is selling land for development does not perceive the difference for selling part of their land on a Net Developable basis, excluding playing fields, schools or landscaping/SANG areas. Effectively, they perceive the sale is to enable residential development and therefore their perception of a landowner's return is identical. Three Dragons have used a Benchmark Land Value of only £243,000 per ha (£98,500 per acre). This is not sufficient to allow for the Existing Use Value plus a landowner's premium as set out in the NPPF.
- 25.6 We reserve both our own and our client's position on making further submissions and request that the key assumptions are fully tested as part of the ongoing consultation. This will include further analysis on GDVs and Benchmark Land Values.
- 25.7 It is clear that the failure to disclose the Three Dragons Excel Toolkit documents is not in line with the NPPF which clearly encourages that there

⁵ See paragraph 2.1.14 of the East Devon CIL and Cranbrook DPD Viability Report.

should be a collaborative approach in agreeing viability so any appraisals must be disclosed.

- 25.8 Due to the serious errors and inconsistencies, we suggest there is a further round of consultation before final submissions are made to the Planning Inspectorate in order to have more detailed discussion on the inputs and to review the Excel Toolkit.
- 25.9 Individual sites must be able to argue viability on a site by site basis, that allows for the early delivery of housing across the scheme.
- 25.10 A mere 10% reduction in the provision of affordable housing will not fund the combined infrastructure and site-specific costs across the scheme. The insistence on the proposed site specific costs for Farlands will risk the delivery of the scheme.

Appendix 1

2017 Working Group Submissions



S T U R T
& C O M P A N Y

Ref: RAS/gw

27th July 2017

Keith Lane Esq
East Devon District Council
Planning Policy Department
Knowle
Sidmouth
EX10 8HL

Dear Keith

Formal Submissions for East Devon CIL Viability Study

Further to the recent presentation and circulation of the meeting notes, I set out below confirmation of our submissions relating to the CIL consultation:

- At various stages in the notes there is reference to Total Development Costs (TDV). This is not a recognised term and we suggest that it is replaced with Gross Development Value (GDV). This would then reflect best practice and RICS guidance.
- 15% for externals is appropriate however this does not include a separate contingency element. I.e. It should be 15% for externals AND 5%-10% for contingencies. 5-10% contingency should be applied to actual build and external costs. I am not clear why they have been included in the same item as this is not best practice in terms of valuation methodology.
- 6% for professional costs is far too low and up to 10% would be more appropriate. I note that the HCA model allows for professional costs of up to 12% although this may be less for larger schemes.
- Sales rates of 40 units per year is reasonable on the very best performing sites close to major motorway network connections but is not appropriate on more isolated or rural developments where sales are significantly slower. We suggest that this is made clear that sales rates are only up to this level for the best sites.

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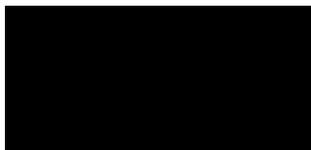
- I am concerned about EPC data being used to analyse house sales as it is not accurate compared to actual marketing details. We would recommend that an additional amount of work is undertaken as EPC details are not subject to either the 1967 Misrepresentations Act or the Estate Agents Act and should not be relied on for the measurement of a dwelling.
- Interest rates of 5.5% are low and do not include any arrangement or exit fees. A minimum of 6% should be considered and possibly more.
- There is no assessment for the land values of sheltered or retirement housing, quite often these are on constraint and centre sites that have higher threshold land values than green field sites. The retirement sites are often less than 0.5 hectares in size.
- Retirement housing should be reviewing schemes of approximately 35-50 units.
- The construction costs for CIL Viability look low. We know that current BCIS for sheltered housing in East Devon is £1,310 per sq ft. without any allowance for any externals at 15%.

We must highlight Three Dragons have used similar assumptions to ours in neighbouring Local Authorities including North Devon. For example, their Exmoor National Park Authority Viability Study sets out the following assumptions:

- Professional fees 10% of build cost
- Finance 6% of development costs.

We can also provide you with additional CIL Viability Studies both by Three Dragon and other consultants to support our evidence if that assists in setting your CIL parameters correctly.

Yours sincerely



Richard Sturt
MRICS, FRGS, MSc, BSc (Hons)

Cc Cris Neale, Devonshire Homes
Daniel Stephenson, LDT

Appendix 2

East Devon CIL Review Submissions

Representations on the East Devon CIL Review and Cranbrook Plan DPD Viability Study

On behalf of Devonshire Homes and Land Value Alliances

Prepared by

Richard Sturt, MRICS, FRGS, MSc, BSc (Hons)

21st March 2019

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1.0 INTRODUCTION

1.1 Sturt & Company has been requested to provide formal representations on the proposed East Devon CIL Review and Cranbrook Plan DPD Viability Study on behalf of Devonshire Homes and Land Value Alliances.

2.0 QUALIFICATIONS

2.1 My name is Richard Sturt and I am a Member of the Royal Institution of Chartered Surveyors and have been active in the national development market for over nineteen years. Key clients have included the Homes & Communities Agency, Grainger, several charities and Local Primary Care Trusts.¹ I am a RICS Registered Valuer and I assess candidates for the RICS Planning and Development Faculty in the role of Chairman of the APC panel.

2.2 I hold a degree in Real Estate management and am a Fellow of the Royal Geographic Society. Prior to setting up Sturt & Company I worked for Savills in their national Mixed-Use Development team. I also worked for the King Sturge South Coast Commercial Agency Team based in Southampton. I also worked for several years at Heritage Property Group who were developers specialising in Historic Town Centre Mixed Use Regeneration schemes across the country.

2.3 My experience includes working with both the public and private sector in East Devon and the surrounding Local Authorities.

3.0 METHODOLOGY

3.1 I attended the Working Group in July 2017 at Exeter Airport and made written submissions at the time. A copy of these historic submissions are enclosed as **Appendix 1**.

3.2 These updated submissions include commentary on a number of areas that have a direct impact on the viability of residential development. This includes the following:

- Analysis of the input assumptions for the residual appraisals
- Analysis of other Three Dragons CIL submissions in different Local Authorities highlighting inconsistencies between their assumptions and methodology
- Commentary on Benchmark Land Value
- ARGUS appraisal of 30 unit scheme using Three Dragons inputs

¹ Now known as Clinical Care Commissioning Groups.

- ARGUS appraisal using industrial standard inputs
 - Commentary on the Cranbrook Allocation and implications on viability
- 3.3 Due to the limited timescales and the refusal by the East Devon Planning Department to provide a copy of the electronic Three Dragons Toolkit, I reserve our position on making further representations on all the key residual inputs together with their effect on the viability of development in Devon and the Cranbrook Allocation.

Three Dragons

- 3.4 The principal authors of the CIL Viability Study are neither qualified Chartered Surveyors nor Registered Valuers so are not under a professional duty to act as an Expert.
- 3.5 The RICS Guidance Note for Financial Viability in Planning (1st edition 2012) gives clear advice on the experience of practitioners.
- 3.6 As you can see from our submissions made on 27th July 2017, many of the criticisms of Three Dragons inputs have not been addressed by the 2019 Viability Study. These include the following incorrect working assumptions:
- No contingency being applied to build costs
 - Low professional costs and fees
 - Low interest rates
 - Concerns over the use of EPC data to analyse sales values per sq ft
- 3.7 These incorrect assumptions have skewed the results of the CIL Viability Study.
- 3.8 The concerns on the impact regarding housing delivery are clearly acknowledged in the DPD Viability Report which states:
- “CIL rates should be set so they do not threaten the viability of the sites and scale of development identified in the Local Plan.”²*
- 3.9 It should also be noted that the Local Authority have effectively had 20 months since the Developer Workshops in July 2017 to prepare the Viability Study. However, East Devon have only granted the private sector and other key stakeholders one month to provide written feedback on these submissions. This is not enough time and on this basis, our clients and ourselves reserve our position in making further submissions and highlighting other areas of concern which we have not had sufficient time to address at this stage.

² See paragraph 2.1.14 of the East Devon CIL and Cranbrook DPD Viability Report.

4.0 OBSERVATIONS ON RESIDENTIAL INPUTS

4.1 Set out below is a summary of the input assumptions by Three Dragons, together with observations and commentary on normal and accepted industry standards.

	Three Dragons Input	Industry Standard	Comment
Profit	15-20%	20%	20% required for bank financing and other independent banking assessment ³
Contractor's Return	5-6%	6%	Identical
Professional Fees	6-8%	10%	Very low and below other similar and previous Three Dragons assessments
Finance	6%	7%	Rates have risen in 2017 - since the date of the workshop
Marketing Fees of GDV	3%	3%	Identical
External Works	10-15%	15%	Three Dragons' External allowance includes a contingency element which is not correct
Contingency	0%	5%	No contingency allowed for in Three Dragons
BCIS (Based on 1 st September 2018)	Variable – lower quartile to mean, £110.23 per sq ft	Mean (Average) Thus higher than lower quartile	7 months out of date and require updating with 2019 Index.
Garages	£7,500	£15,000+	For double garage. Some 3 bed units will need a single garage

BCIS costs

4.2 These assumptions do not reflect industry standards and they have manipulated the data to fit the need for a significant rise in the CIL rate. In

³ For example, The Housing Growth Partnership (a joint venture between Government and Lloyds Bank) requires minimum of 20% profit before they will build.

the assessment of viability, it is quite usual in the development industry to use the mean (average) of BCIS and I do not see the need to artificially manipulate the data any further depending on the size of the scheme and typology. This is not common practice and when these figures are tested in a Public Inquiry or other appeal situations these artificial adjustments would not be found to be acceptable in evidence.

- 4.3 It is very poor methodology to manipulate the BCIS costs further as the BCIS database already does this for practitioners. BCIS data deals with different types of development i.e. Estate Housing, and is specifically weighted to allow for the location and nature of Estate Housing.

Changes to BCIS Data

- 4.4 Three Dragons have used BCIS data from September 2018, which is already 7 months out of date. Attached as **Appendix 2** is a copy of the most recent BCIS data which shows substantial increases of between 5% to 8%. Set out below is a table with some of the changes which should be reflected in any forthcoming review of CIL⁴:

BCIS Typology	September 2018	March 2019	% Increase
Housing Mixed	1,208	1,280	6%
Estate Housing, generally	1,213	1,306	7.5%
Estate Housing, 2-storey	1,153	1,224	6.5%
Estate Housing terraced, generally	1,288	1,391	8%
Flats, generally	1,423	1,493	5%

- 4.5 Table 4.9 of the East Devon CIL Review sets out Three Dragons BCIS inputs. They have varied the BCIS rate for every single case study including adopting “lower quartile” results and even weighting them individually. Very few of the case studies even use the mean (average) of BCIS which is an incorrect use of the BCIS index. It is common industry practice to use the average BCIS cost. As outlined in the RICS Guidance Note for Financial Viability in Planning, it is not appropriate to weight costs due to the individual developer. Many of the criteria set out in their individual case studies are actually addressed by the BCIS index itself.

⁴ It is noted that Three Dragons have not even used the unadjusted BCIS figure.

- 4.6 As outlined in the RICS Guidance Notes for Financial Viability in Planning, it is not appropriate to adjust costs to be developer specific. They should be costs that are achievable by the average housebuilder. Accordingly, it is wrong to assume the lower quartile which is not achieved on the majority of development schemes. It should therefore be either the mean or median which are used in the vast majority of all area-wide viability assessments prepared for Local Authorities. Looking at the guidance notes, we consider the mean is the most appropriate in this circumstance.
- 4.7 Having selected their preferred database, Three Dragons have then adjusted it downward to reflect the size of the development. This is inappropriate because BCIS have a methodology that accounts for this. Consequently, estate housing assessment makes an allowance for both the location and the fact that it is an estate scheme i.e. a large scheme. You will notice in assumptions for very small sites (of up to three units) has a substantial premium over estate housing. Consequently, by making a further adjustments is wrong and this is not adopted in other similar area-wide assessments.

Funding

- 4.8 Over the period of drafting the CIL submissions, development finance has increased with a rise in interest rates and it is not appropriate to still use the lower interest rate of 6%. Their 2013 submissions allowed 7.5%. There is no acknowledgment of fees charged by lending institutions on setting up bank loans or exit fees. I would normally allow valuation fees of approximately £10,000 plus VAT for a medium sized scheme.

Contingency

- 4.9 It also appears Three Dragons have not applied a separate contingency to any of their appraisals. It is normal that 5% is allowed over all build costs to allow for contingency on sites. This contingency has not been applied to any of the appraisals in the East Devon CIL. However, Three Dragons and of course other Local Authorities have applied it elsewhere when preparing area-wide viability assessments.

Planning

- 4.10 Three Dragons have only allowed a very low provision for professional fees, of approximately 6-8%. At the same time, they have not allowed any costs whatsoever for obtaining the planning permission and fees to the Local Authority. In my professional experience, I do not think that a scheme of 30 dwellings could be planned, delivered and constructed with a professional fee budget of only £297,000. This does not reflect market practice.

GDV/Sales Values

- 4.11 The GDVs used for the appraisal seem high for the local market. The 30 unit case study uses an average of approximately £382 per sq ft for the market housing, which is not reflected in other new home schemes in the area. This is a critical variable for the assessment of the market and there should be an

independent assessment of new home schemes in the area. This must of course include, Land Registry/HMRC compliant discounts, void costs and other sales incentives which are required to sell new build properties.

- 4.12 Three Dragons have used EPCs as a source of data to analyse sales values. This is poor methodology and Chartered Surveyors would be better advised to utilise marketing particulars with the areas of the properties being sold. This is far superior as, of course, the vendor has to conform to the Estate Agents Act and other misrepresentation legislation to ensure the sales area of the property is correct. This allows for a true assessment of market sales compared to EPCs which are not reliable.
- 4.13 There are also concerns over reducing sale prices over the period of the study. Whilst BCIS has increased between 5-8% since the date in September 2018, GDVs have fallen by approximately 1% on a national basis.⁵ This means that land values will fall accordingly and this needs to be taken into account of any assessment of viability.
- 4.14 There are a number of anomalies between what the CIL Review states are the adopted inputs and those actually used in the appraisals in the Technical Annexe.
- 4.15 At the next stage of the consultation, I would request that the Technical Annexe and DPD documentation is reviewed by a firm of Chartered Surveyors on behalf of the Local Authority, who have the expertise and qualifications to undertake Development Appraisals.
- 4.16 We also reserve our position regarding the GDVs as on the toolkit summary we have analysed, this appears to be higher than normal market comparable data.
- 4.17 As you can see, the proposed assumptions of the CIL Review are significantly more optimistic than industry standards. Some of them are neither accepted practice in the marketplace nor are reflected in other Three Dragon CIL viability reports. The weighting of the standard BCIS and absence of any contingency are fundamental errors.

5.0 OTHER THREE DRAGON'S CIL SUBMISSIONS

- 5.1 These non-standard assumptions are highlighted by other work undertaken by Three Dragons. Three Dragons have prepared other local plan CIL submissions recently that use widely different assumptions. At this stage, I have only referenced a small sample of their work.⁶ I note that Three Dragons have proposed different assumptions in nearby districts where they have published CIL Viability Reports. These variations cannot be justified by change to geographic location.

⁵ See RICS House Price Survey March 14th 2019..

⁶ Further examples of different CIL submissions are available.

Exmoor CIL Viability

5.2 I have reviewed the Three Dragons CIL submissions for Exmoor National Park and there is a marked difference in the input variables. Attached as **Appendix 3** is a copy of the final report for Exmoor National Park Authority Whole Plan Viability Study. The assumptions are very different to those of the East Devon CIL Review. In their formal adopted CIL Report, Three Dragons accepted the following inputs:

- 10% of build costs for professional fees
- 15% for externals
- 5% contingency
- BCIS 5 year median plus externals

Waverley CIL

5.3 I have reviewed a recent CIL Viability Study prepared by Three Dragons in Waverley, which was published in July 2018. See **Appendix 4** for a copy of the submissions. Three Dragons used different assumptions which vary again with those being stated as acceptable by Three Dragons in East Devon.

5.4 Three Dragons have submitted CIL representations as part of Waverley's Assessment which uses very different assumptions. The Waverley CIL Report, which was published in January 2019, uses professional fees of 10% which is very different to the proposals in East Devon which are between 6-8%. For example, they also adopted 10% professional fees in Section 5.14 of the London Plan Viability Review.

New Forest CIL Submissions

5.5 Three Dragons also undertook a CIL Viability Study in the New Forest National Park. The assumptions there are very different to those they are proposing in East Devon and a copy is attached as **Appendix 5**. As you can see they use substantially different input assumptions which reflect industry standards far more closely. This is again inconsistent.

Previous East Devon CIL Review

5.6 I have also reviewed the historic 2013 CIL Submissions for East Devon and attached in **Appendix 6** is a summary of the previous input assumptions. These variables reflect industry standards far more closely than those now being proposed and we do not see why there is such a large adjustment in the intervening years. Set out below is a table highlighting the differences.

5.7 The report was also authored by Three Dragons in conjunction with Peter Brett Associates, but it appears that whilst they have changed their methodology in East Devon, they have not in any of the other Local Authority areas in which they are working. This is clearly inconsistent.

	2019 Three Dragons Inputs	2013 Three Dragons Inputs
Profit	15-20%	20%
Contractor's Return	6%	6%
Professional Fees	6-8%	10%
Finance	6%	7.5%
Marketing Fees of GDV	3%	3%
External Works	10-15%	15%
Contingency	0%	5%
BCIS (Based on 1 st September 2018)	Variable – lower quartile to mean	Median

5.8 Set out below is a summary of the inconsistencies with other Three Dragon Viability Report prepared for other Local Authorities:

	East Devon Three Dragons Submission	Waverley Three Dragons Submission	Exmoor Three Dragons Submission	New Forest Three Dragons Submission
Profit	15-20%	20%	20%	20%
Contractor's Return	6%	6%	6%	6%
Professional Fees	6-8%	10%	10%	12%
Finance	6%	7%	6%	7.5%
Marketing Fees	3%	3%	3%	3%
External Works	10-15%	15%	15%	15%
Contingency	0%	n/k	n/k	n/k
BCIS	Median/ Lower quartiles reduced	Medium (<i>sic</i>) quartile costs ⁷	Mean (5 year unadjusted)	Median (unadjusted)

⁷ See paragraph 4.1.9 and 4.1.10 of 2017 Waverley Report.

	further by discounts			
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- 5.9 These inconsistencies do not reflect best practice and is contrary to the RICS Guidance Note on Financial Viability in Planning.
- 5.10 I can see no justification for Three Dragons departing so materially from other area-wide assessments they have done for other local authorities. When providing Expert Opinion, this should be consistent, particularly regarding basic methodology inputs. Three Dragons have made no attempt to explain why their chosen inputs depart from what they have used in other areas and what is being used by adjoining authorities. The outcome of these material changes from accepted good practice is that there is an artificially inflated viability which will result in scheme specific assessments not being able to achieve this. This undermines the credibility of the whole assessment.

6.0 THREE DRAGONS GENERIC ARGUS APPRAISAL

- 6.1 Due to the very short timescales provided by East Devon for submissions, we have only selected one of the summary results of the testing. We have used the 30 dwelling scheme based on a 50:50 delivery of private and affordable housing. Despite adopting the Local Authority's own inputs, our appraisal is very different to that provided in the Three Dragons Report. I have calculated the corresponding Land Value to be £2,330,505 which is a £431,706 differential. See **Appendix 7** for a copy of the appraisal. This questions the veracity and programming of their toolkit.
- 6.2 I have analysed the residual appraisals set out in the Technical Annexes of the CIL Draft Submissions. Upon first analysis, it appears there are a number of anomalies in the Excel program.
- 6.3 I have assessed an identical scheme using the same inputs as Three Dragons using ARGUS⁸, but with a difference in the eventual Land Value. I do not agree with the Land Value but am merely pointing out the anomalies in the outcome.
- 6.4 I have requested a copy of the Three Dragons Excel Toolkit but have been refused. Without access to the Excel sheet behind the Three Dragons' Appraisal, it is impossible to interrogate how they have derived such a high land value or to challenge their DFC. Thus, I have had to input the raw data into an ARGUS appraisal.
- 6.5 I have concerns over the use of a non-industry standard Excel appraisal for setting CIL on an area-wide basis. Almost all Local Authorities now use either ARGUS or historically (and to a lesser extent now) the Homes & Community Agency (Development Appraisal Tool). I do not think that the Three Dragons

⁸Three Dragons Toolkit

Toolkit is sufficiently robust nor capable of dealing with cash flow implications of a multi-phase development site.

7.0 INDUSTRY STANDARD ARGUS APPRAISAL

7.1 Having input the Three Dragons' Assumptions into ARGUS, there are a number of anomalies and inconsistencies which are not obvious using their toolkit. This includes the following:

- It appears a 5% Contractor's margin has been used and not linked to GDV (TBC)
- No garages
- No void costs
- No Legal Fees on affordable sales
- No Legal Fees on private sales

7.2 I have prepared a separate ARGUS appraisal for a 30 unit scheme using industry standard inputs. A copy is attached as **Appendix 8**. This shows a different outcome with a reduced Land Value of only £1,488,305 (approximately £1,273,906 differential in Land Value). This is a very substantial differential which cannot be explained without access to their Excel model.

8.0 BENCHMARK LAND VALUE

8.1 The CIL Review uses CoStar which is a website that collates raw data of land sales from Land Registry. This source does not take into account many of the variables to allow for the true assessment of the site value including premiums already paid, planning costs, promoters margins, ransom strips or other discounts. On this basis, it would not be appropriate to rely on them without significant further analysis, which has not been done.

8.2 It is completely normal that the price quoted at the Land Registry Title is often less than the Benchmark Land Value as it does not take into account the above factors. Often there are additional payments or deductions from Market Value and it is paramount that any Chartered Surveyor takes quoting these comparables undertakes further research before using them in any assessment.

8.3 Only an RICS qualified surveyor would be in a position to assess the true benchmark land value and take in to account these additional factors. At this stage this has not been done. I can provide further examples of comparables providing a very different benchmark land value from that being proposed by in CIL submissions.

9.0 CRANBROOK DPD TESTING SCENARIOS

- 9.1 Based on the above factors, there are significant implications that risk the viability of the entire Cranbrook allocation should the Local Authority rely on the testing results.
- 9.2 My client's site in Cranbrook (Farlands) is also subject to a number of specific onsite abnormalities which have not been taken into account in any of the appraisals. Both our clients and ourselves reserve our position on making further representations regarding the Local Authority submissions and the implications of the S106 costs.
- 9.3 The specific comments in the Draft CIL Review relating to Cranbrook rely heavily on the inputs and variables used by Three Dragons and their generic ARGUS appraisals. As outlined elsewhere in this report, many of these are incorrect and do not reflect industry standards. On this basis, should the findings of the CIL Viability study be adopted, it could jeopardise the delivery of this larger allocation.
- 9.4 Having reviewed references to Cranbrook in the Draft CIL Review, there are a number of errors and inconsistencies in the analysis. This includes the following:
- SANGS – it is unlikely that owners of land to be used as SANGS will release their land at the figures being suggested and there is clear market evidence to support this.
 - I am concerned that East Devon are aiming to fund the infrastructure by way of Section 106 contributions which have not been either fully costed nor taken into account. Depending upon the final costings they may have further implications for affordable housing needing further downward adjustments to the 15% provision.

10.0 CONCLUSIONS AND IMPLICATIONS

- 10.1 It is of vital importance to the delivery of housing in East Devon for the Local Authority to only adopt a CIL that reflects the current performance of the residential market. If the CIL rate is set too high, land will not come forward for development. This will have a significant impact on the Local Authority's housing land supply targets as well as the functioning of the market.
- 10.2 The proposed rate of CIL £150 per sq m is likely to lead to market failure as it will effectively stifle residential development due to the high cost of CIL and Section 106 payments. Taken together with policy compliant affordable housing provision, it is extremely likely that even greenfield sites with low abnormalities would not come forward.
- 10.3 I reserve both our and our client's position on making further submissions and request that the CIL Viability Review and key assumptions is fully tested as

part of the ongoing consultation. This will include further analysis on GDVs and Benchmark Land Values.

- 10.4 It is clear that the failure to disclose the Three Dragons Toolkit and Excel documents is not in line with the latest NPPF published in February 2019, which clearly states that there should be a collaborative approach in agreeing viability and that any appraisals must be publicly disclosed.
- 10.5 Due to the serious errors and inconsistencies, I suggest there is a further round of consultation (with adequate time for all parties) before final submissions are made to the Inspectorate in order to have more detailed discussion on the inputs and to reduce costs for all parties.

Appendix 1

2017 Working Group Submissions



S T U R T
& C O M P A N Y

Ref: RAS/gw

27th July 2017

Keith Lane Esq
East Devon District Council
Planning Policy Department
Knowle
Sidmouth
EX10 8HL

Dear Keith

Formal Submissions for East Devon CIL Viability Study

Further to the recent presentation and circulation of the meeting notes, I set out below confirmation of our submissions relating to the CIL consultation:

- At various stages in the notes there is reference to Total Development Costs (TDV). This is not a recognised term and we suggest that it is replaced with Gross Development Value (GDV). This would then reflect best practice and RICS guidance.
- 15% for externals is appropriate however this does not include a separate contingency element. I.e. It should be 15% for externals AND 5%-10% for contingencies. 5-10% contingency should be applied to actual build and external costs. I am not clear why they have been included in the same item as this is not best practice in terms of valuation methodology.
- 6% for professional costs is far too low and up to 10% would be more appropriate. I note that the HCA model allows for professional costs of up to 12% although this may be less for larger schemes.
- Sales rates of 40 units per year is reasonable on the very best performing sites close to major motorway network connections but is not appropriate on more isolated or rural developments where sales are significantly slower. We suggest that this is made clear that sales rates are only up to this level for the best sites.

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- I am concerned about EPC data being used to analyse house sales as it is not accurate compared to actual marketing details. We would recommend that an additional amount of work is undertaken as EPC details are not subject to either the 1967 Misrepresentations Act or the Estate Agents Act and should not be relied on for the measurement of a dwelling.
- Interest rates of 5.5% are low and do not include any arrangement or exit fees. A minimum of 6% should be considered and possibly more.
- There is no assessment for the land values of sheltered or retirement housing, quite often these are on constraint and centre sites that have higher threshold land values than green field sites. The retirement sites are often less than 0.5 hectares in size.
- Retirement housing should be reviewing schemes of approximately 35-50 units.
- The construction costs for CIL Viability look low. We know that current BCIS for sheltered housing in East Devon is £1,310 per sq ft. without any allowance for any externals at 15%.

We must highlight Three Dragons have used similar assumptions to ours in neighbouring Local Authorities including North Devon. For example, their Exmoor National Park Authority Viability Study sets out the following assumptions:

- Professional fees 10% of build cost
- Finance 6% of development costs.

We can also provide you with additional CIL Viability Studies both by Three Dragon and other consultants to support our evidence if that assists in setting your CIL parameters correctly.

Yours sincerely



Richard Sturt
MRICS, FRGS, MSc, BSc (Hons)

Cc Cris Neale, Devonshire Homes
Daniel Stephenson, LDT

Appendix 2

Recent BCIS Data



Average prices

Results

[Rebased to East Devon \(103; sample 16 \)](#) [Edit](#)

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.**Last updated:** 16-Mar-2019 00:47Maximum age of results: ▼

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (5)	1,280	788	1,128	1,237	1,391	2,961	381
810.1 Estate housing							
Generally (5)	1,306	744	1,103	1,234	1,401	4,448	319
Single storey (5)	1,579	932	1,256	1,559	1,753	4,448	53
2-storey (5)	1,224	744	1,071	1,194	1,334	2,127	252
3-storey (5)	1,443	951	1,147	1,359	1,560	2,633	11
4-storey or above (5)	2,894	2,209	-	2,398	-	4,075	3
810.11 Estate housing detached (5)	2,232	1,397	1,565	2,125	2,262	4,448	7
810.12 Estate housing semi detached							
Generally (5)	1,261	744	1,111	1,216	1,393	2,187	95
Single storey (5)	1,486	980	1,281	1,487	1,613	2,187	18
2-storey (5)	1,212	744	1,103	1,185	1,333	1,912	75
810.13 Estate housing terraced							
Generally (5)	1,391	839	1,135	1,277	1,459	4,075	52
2-storey (5)	1,288	839	1,130	1,260	1,398	1,909	44
3-storey (5)	1,716	1,095	1,359	1,692	1,803	2,633	5
816. Flats (apartments)							
Generally (5)	1,493	838	1,223	1,376	1,693	5,109	256
1-2 storey (5)	1,457	909	1,214	1,375	1,640	2,409	72
3-5 storey (5)	1,453	838	1,223	1,367	1,676	2,787	166
6+ storey (5)	2,004	1,098	1,490	1,753	1,908	5,109	18
818. Housing with shops, offices, workshops or the like (5)	2,064	1,051	1,645	2,033	2,421	3,342	26
820.1 'One-off' housing detached (3 units or less)							
Generally (5)	2,316	934	1,534	2,071	2,964	5,288	45
Single storey (5)	1,689	1,172	1,314	1,459	1,670	3,038	6
2-storey (5)	2,208	934	1,567	2,058	2,686	4,158	24
3-storey (5)	2,605	1,236	1,729	2,747	2,990	4,752	12
820.2 'One-off' housing semi-detached (3 units or less) (5)	1,830	1,074	1,548	1,879	2,154	2,235	16
843. Supported housing							
Generally (5)	1,606	848	1,283	1,486	1,966	2,857	37
Single storey (5)	1,861	1,486	1,623	1,966	1,976	2,256	5
2-storey (5)	1,652	1,131	1,406	1,480	1,910	2,378	11
3-storey (5)	1,414	848	1,252	1,322	1,602	2,048	15
4-storey or above (5)	1,785	1,042	1,184	1,471	2,453	2,857	6
843.1 Supported housing with shops, restaurants or the like (5)	1,710	1,343	1,507	1,570	1,658	2,624	10
852. Hotels (5)	2,324	1,832	-	2,190	-	3,083	4

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
856.2 Students' residences, halls of residence, etc (5)	1,796	1,209	1,599	1,858	2,005	2,192	17

[PREVIOUS](#)

Define - 1. Basic parameters

[NEXT](#)

Download

Address:BCIS
Parliament Square
London
SW1P 3AD**Contact:**

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Appendix 3

Final Report for Exmoor National Park
Authority Whole Plan Viability Study

EXMOOR NATIONAL PARK AUTHORITY WHOLE PLAN VIABILITY STUDY

Final Report

**Three Dragons and
Rural Housing
Solutions**

May 2016



This report is not a formal land valuation or scheme appraisal. It has been prepared using the HCA DAT and is based on National Park level data supplied by ENPA, consultation with the development industry and quoted published data sources. The HCA DAT provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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EXECUTIVE SUMMARY

1. National planning policy and guidance emphasise that local plans must be deliverable and are economically viable.¹ To ensure this for its Local Plan, Exmoor National Park Authority sought evidence on the viability of its plan policies to inform the forthcoming examination of the draft Plan.² This report provides the necessary evidence. The report will also inform more detailed housing guidance to be set out in a future Exmoor housing supplementary planning document.
2. The draft policies with direct impact on viability are those relating to housing. The draft Plan seeks to maximise the delivery of affordable housing to meet the significant local need for housing at costs below market values (for sale and rent) at levels local households in housing need, can afford. In the absence of public subsidy, viable schemes will require market housing to provide a cross subsidy unless alternative funding can be found. The draft Plan permits the introduction of market housing in specific circumstances but this is to be the minimum amount required to achieve viable and deliverable development. The market housing that is permitted must provide a Principal Residence for the occupier and, in the case of specialist housing for older people and other vulnerable people, will only be available to occupants with a local connection.
3. The testing undertaken for this study uses a residual value approach³. Residual value is the value of the development less the development costs, including the building costs, professional fees, finance costs, a return to the developer and the costs of land⁴ (with a plot value of £10,000 allowed, which, although slightly above recent historic values achieved in the Park on rural exception sites, reflects current expectations and is in line with current land values agreed at the developer workshop). The value of the scheme includes both the value of the market housing (as a Principal Residence and/or with a local connection) and affordable housing.⁵
4. Costs and values used in the testing were taken from published sources wherever possible and discussed with the development industry, both at a workshop⁶ and through other interviews.⁷ An important issue that emerged was a divergence of views on the appropriate build costs to use. Some consultees argued that costs were higher in the National Park than in surrounding areas while others believed that this is not the case. This led to the testing of alternative build costs.

¹ Para 173 NPPF <http://planningguidance.communities.gov.uk/blog/policy/achieving-sustainable-development/plan-making/>

² Publication Draft Exmoor National Park Local Plan 2011-2031

³ See page 25 of the Guide for Planning Practitioners – “We recommend that the residual land value approach is taken when assessing the viability of plan-level policies and further advice is provided below on the considerations that should be given to the assumptions and inputs to a model of this type.”

⁴ Full details are shown at Annex 1 Testing Assumptions

⁵ See chapter 3 for a full definition of affordable housing

⁶ Full details are shown at Annex 2 Development Industry Workshop

⁷ Housing associations active in the area were surveyed directly.

5. Consideration was given to the costs and benefits of developing housing at Passivhaus standards. Passivhaus has much higher standards of energy efficiency than included in building regulations. Recent research shows that this can result in energy costs savings to occupiers of about £500 per annum but that build costs are significantly higher than average.⁸
6. The National Park Authority identified a series of case studies for testing which reflect the policies in the draft Plan and sites representative of the scale and nature of development typical of the National Park. Case studies ranged from 2 to 10 dwellings and each had its own mix of types of affordable housing. The affordable housing tested was social rent (the lower level of rented affordable housing), Affordable Rent (with rents at up to 80% market rents) and two forms of low cost home ownership – Exmoor Discounted Sale Model (EDSM) with an initial purchase cost of 65% of the market value of a typical recent new build home in the Park and a ‘Starter Home’ modelled as the proposed 2015 DCLG model at 80% of the same open market value.
7. The viability analysis showed that:
 - Schemes of Starter Homes only, as proposed by DCLG in 2015, would be viable. However, schemes using the Exmoor Discounted Sale Model and at 65% market value would require a small amount of Principal Residence market housing to be viable;
 - Schemes of accessible and adaptable market homes only (dwellings built to higher accessibility standards) and with a local tie, are viable and therefore have some potential to provide cross subsidy for affordable housing, consistent with the policy approach in the Local Plan;
 - But rented affordable housing (both social and Affordable Rent) require subsidy from Principal Residence market housing. This cross subsidy can be as high as 60% Principal Residence housing;
 - There is a trade off to be made between providing social rent versus Affordable Rent and the amount of Principal Residence housing needed to ensure viability. For example, a scheme of 6 *Affordable* Rent homes needs 6 Principal Residence market housing to be viable but the same scheme of 6 *social* rent units needs 8 Principal Residence market houses to ensure viability;
 - Some developers may be deterred from developing in the National Park if they are unable to develop at the lower level of (build) costs others can achieve;
 - The additional costs of Passivhaus mean that it cannot be developed without significant subsidy either as grant and/or from market housing (most likely without any restrictions);
 - Self build units will only go ahead when they can fund themselves – it is assumed that self build is not required to subsidise other development and that cross subsidy should

⁸ Wimbish Passivhaus Development: Performance Evaluation Executive Summary Hastoe Group, UAE, Martin Ingham, Linktreat Ltd. July 2014 <http://www.wimbishpassivhaus.com/Wimbish-Performance-Evaluation-Executive-Summary.pdf>

not be required to enable self build. Self-build properties are to be, “....*affordable by size and type to local people and will remain so in perpetuity...*”⁹;

- The policies in the Local Plan are deliverable but, unless there are changes to public subsidy or other forms of funding for affordable housing, many if not most schemes needing to have a substantial element of Principal Residence market housing to ensure viability.

⁹ Exmoor National Park Local Plan, Publication Draft, policy HC-D5

1 INTRODUCTION

- 1.1 The viability evidence provided in this report is to assist Exmoor National Park Authority in preparing its Local Plan and will form part of the evidence base for the forthcoming examination of the draft Plan. The viability assessment will also inform more detailed housing guidance to be set out in a future Exmoor Housing supplementary planning document.
- 1.2 The research which has been drawn on for the analysis includes:
- A review of the types of sites planned for development in the local plan;
 - A review of the policies in the local plan and central government guidance that may have implications for development viability;
 - Desk research to form initial views on the values and costs of residential development in the National Park;
 - Consultation with the development industry active in the National Park through a workshop. A note of the workshop discussions is shown at Annex 2. Subsequently, Three Dragons contacted a number of participants to explore specific points raised at the workshop;
 - A survey of registered providers (RPs) conducted by Three Dragons to obtain detailed advice on affordable housing costs and values;
 - Use of the Homes and Communities Agency Development Appraisal Toolkit (HCA DAT) to undertake the viability testing set out in this report.

2 CONTEXT FOR THE ANALYSIS

National Policy Context

- 2.1 The National Planning Policy Framework (NPPF) paragraph 173 sets out how Government expects viability to be considered in planning:
- 'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.'*¹⁰
- 2.2 Planning Practice Guidance¹¹ (PPG) provides further detail about how the NPPF should be used. PPG contains general principles for understanding viability and that, in order to understand viability, a realistic understanding of the costs and the value of development is required and direct engagement with development sector may be helpful¹². Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability, with further detail where viability may be marginal or for strategic sites with high infrastructure requirements¹³. However not every site requires testing and site typologies may be used to determine policy¹⁴. For private rented sector, self build and older people's housing, the specific scheme format and projected sales rates (where appropriate) may be a factor in assessing viability.¹⁵
- 2.3 For an area wide viability assessment, a broad assessment of costs is required, based on robust evidence which is reflective of local market conditions. All development costs should be taken into account, including infrastructure and policy costs as well as the standard development costs¹⁶.
- 2.4 Land values should reflect emerging policy requirements and planning obligations and provide a competitive return to willing developers and land owners. Where possible land values should be informed by comparable, market-based evidence but excluding transactions above the market norm¹⁷.

¹⁰ DCLG, 2012, NPPF Para 173

¹¹ DCLG, Planning Practice Guidance

¹² PPG Paragraph: 004 Reference ID: 10-004-20140306

¹³ PPG Paragraph: 005 Reference ID: 10-005-20140306

¹⁴ PPG Paragraph: 006 Reference ID: 10-006-20140306

¹⁵ PPG Paragraph: 018 Reference ID: 10-018-20150326

¹⁶ PPG Paragraph: 013 Reference ID: 10-013-20140306

¹⁷ PPG Paragraph: 014 Reference ID: 10-014-20140306

- 2.5 Developer returns should be proportionate to risk¹⁸. The return to the landowner will need to provide an incentive for the land owner to sell in comparison with the other options such as current use value or policy compliant alternative use value¹⁹.
- 2.6 Guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – “*Viability Testing Local Plans - Advice for planning practitioners*”²⁰.
- 2.7 The approach to viability testing adopted for this study follows the principles set out in the Advice which re-iterates that:
“The approach to assessing plan viability should recognise that it can only provide high level assurance.”
- 2.8 The Advice also comments on how viability testing should deal with potential future changes in market conditions and other costs and values and, in line with PPG, states that:
“The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values”. (page 26)
But that:
“The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented.....”(page 26)
- Local Plan Policies**
- 2.9 The NPPF is clear that viability testing should take into account, ‘...*the costs of any requirements likely to be applied to development,...*’ (Para 173).
- 2.10 The most important policies in this context in the draft Local Plan are those for affordable housing policies. These are summarised in the following table which was also presented to the development industry workshop.

¹⁸ PPG Paragraph: 015 Reference ID: 10-015-20140306

¹⁹ PPG Paragraph: 015 Reference ID: 10-015-20140306

²⁰ The guide was published in June 2012 and is the work of the Local Housing Delivery Group, chaired by Sir John Harman, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.

Figure 2 – 1: Draft Local Plan Affordable Housing Policies

Policy	Locations to which policy applied	Type of housing allowed
HC – S1 New build and conversions/ redevelopment	Local service centres and villages but not Porlock Weir for new build	Mixed tenure scheme Affordable housing + Principal residence market housing –solely to make viable
HC-S1 New build and conversions/ redevelopment	Local service centres and villages	Mixed tenure scheme Affordable housing + Accessible and adaptable²¹ housing for older people and other vulnerable people (Principal Residence and local connection) - solely to make viable
HC- S1 New build and conversions/ redevelopment	Porlock Weir only	100% affordable – local occupancy No market housing (except for conversions to make viable – Principal Residence)
HC – D5 New build and conversions	Local need affordable housing in local service centres, villages, Porlock Weir and within rural communities in the open countryside.	Self/custom build

2.11 Policy HC-S2 of the draft Local Plan states that new housing should include, “....flexible standards that enable dwellings to be adapted to the needs of people over their lifetime.” To take this into account in the testing, ENPA advised what percentage of dwellings should be built to meet Category M4 (2) Accessible and Adaptable Homes

²¹ The term ‘accessible and adaptable’ has been adopted to reflect government introduction of new nationally described space standards and optional technical standards which allow authorities to require sites to provide additional technical standards such as Requirement M4(2) (accessible and adaptable dwellings), and / or M4(3) (wheelchair user dwellings), of the Building Regulations
<http://planningguidance.communities.gov.uk/blog/guidance/housing-optional-technical-standards/>

standards. All other housing has been assumed to meet nationally described space standards.²²

- 2.12 ENPA has advised that there are no other policies in the Plan that have a direct bearing on the development economics of new housing development. However, some workshop participants commented on the additional build costs they find in developing in Exmoor. This was explained in part by the perceived higher quality (in design and materials used) sought by the Authority when dealing with individual applications, the higher costs associated with the relative remoteness of the Park, the small number of development sites and the limited numbers of developers willing to develop in the Park. These views were not shared by all developers consulted (either at the workshop or in other research we undertook) nor evidenced by schemes presented to the Authority. However, to test the implications of the higher costs some have put forward, we have undertaken two sensitivity tests – one which has higher build costs and one which increases the developer return (reflecting an overall higher risk).

²² DCLG (2015): Technical housing standards - nationally described space standards

3. AFFORDABLE HOUSING

National Policy

- 3.1 The definition of affordable housing, social rented housing and affordable rented housing is taken from the National Planning Policy Framework Annex 2 (Glossary)²³ and as set out below

Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

- 3.2 National policy has moved away from the provision of social rented housing. The Homes and Communities Agency set this out in the prospectus for the 2015-18 Affordable Homes Programme which states that, “...it is not expected that local authority priorities will include a preference for social rent over Affordable Rent – the intention of the programme is to provide new Affordable Rent homes ...” and, “Social rent provision will only be supported in very limited circumstances. For example, social rent could be considered where decanting existing social tenants into new homes is necessary.”²⁴ Furthermore, the Autumn Statement has reserved all new government funding for low cost home ownership from 2018 - e.g. Starter Homes, Rent to Buy, Help to Buy and Shared Ownership.²⁵

²³ <http://planningguidance.communities.gov.uk/blog/policy/achieving-sustainable-development/annex-2-glossary/>

²⁴ Affordable Homes Programme 2015 -18 Prospectus, Homes and Communities Agency, January 2014 - See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343896/affordable-homes-15-18-framework.pdf

²⁵ Para 6.6 <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents/spending-review-and-autumn-statement-2015>

Housing Association Activity in Exmoor National Park

- 3.3 As part of this study, we interviewed housing associations that have developed in and around the National Park in the recent past – none are currently developing in the Park. The housing associations explained that developing in the Park had become increasingly difficult with relatively high costs while the availability of grant funding has reduced. The extra costs of developing in the Park were said to arise from a combination of factors including the costs of meeting the high design requirements, costs of delivery to more remote locations, lack of contractors willing to work in the Park and the small-scale nature of schemes. Land supply was also highlighted as an issue for associations who might still want to develop in the Park but were struggling to find opportunities that could be delivered quickly and would be viable.
- 3.4 The housing associations provided information about the economic factors that influence how much they can pay for new properties and these are set out in full in Annex 1. Specifically, the associations were asked about rents charged for social and Affordable Rent properties (noting that it is the latter that associations would seek to build in the future). Given the limited amount of development in recent years, information about rent levels for new homes is slim and we blended the information from the associations with data from West Somerset Council and Local Housing Allowance (LHA) rates. The rent levels used in the testing are set out in the table below along with LHA rates (which set the maximum amount that can be paid via housing benefit in the private sector and, from 2018, for new affordable tenancies signed after April 2016²⁶). The National Park is within two Broad Rental Market Areas (BRMA) with slightly different LHAs.

Figure 3 – 1: Weekly Social and Affordable Rents and Local Housing Allowances

	Social Rent	Affordable Rent	Local Housing Allowances by BRMA	
			North Devon	Taunton and West Somerset
1 bed flat/house	£75	£87	£92.05	£92.05
2 bed bungalow	£95	£110	£115.07	£120.82
2 bed house	£95	£110	£115.07	£120.82
3 bed house	£105	£135	£138.08	£145.67
4 bed house	£115	£155	£168.46	£184.11

²⁶ Para 1.125 Spending Review and Autumn Statement 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU186_5_Web_Accessible.pdf

Affordability

- 3.5 A combination of relatively high house prices and low wages leads to a significant housing affordability problem in Exmoor.
- 3.6 The Park Authority has prepared a Housing Topic Paper²⁷ which reports that average gross household income in the National Park is between £28,000 and £29,000 with many on lower incomes. Comparing average and lower quartile incomes to social and Affordable Rents, the table from the Topic Paper below highlights that homes at social rent levels are much more affordable than both Affordable Rent and rents in the private sector. What the table does not take into account is the availability of housing benefit that would overcome some of the affordability issues highlighted.

Figure 3 – 2: Extract from the Housing Topic Paper (June 2015) illustrating affordability of rented properties.

Table 2.2 Affordability of Rents compared with Local Incomes ²⁶			
No. Bedrooms	Average Rent (£/month)	Rent as % of gross income	
		£16,000 p.a.	£28,000 p.a.
Private Rental Sector			
1	405	30.4	17.4
2	495	37.1	21.2
3	690	51.8	29.6
4	805	60.4	34.5
Social Rental Sector			
1	244	18.3	10.5
2	287	21.5	12.3
3	328	24.5	14
4	390	29.3	16.7
Affordable Rentals			
1	324	24.3	13.9
2	396	29.7	17
3	552	41.4	23.7
4	644	48.3	27.6

Affordable
Borderline
Unaffordable

- 3.7 Some forms of low cost home ownership may be affordable by households on lower/average incomes. Taking a sale price of £205,000 for a 3 bedroom terrace (as in a recent development) the income required for a mortgage to purchase this property (with a 25% deposit) would be about £44,000. This is well above the average income in the National Park.²⁸ Given an estimated average income of £29,394 (taken from the 2014 SHMA), the 3 bedroom terrace shown above, could be purchased at about £129,000 (with a 25% deposit and mortgages). This is about 63% of the open market value. For a 2 bedroom terrace (at an estimated value of £184,000), the discount required to make the property affordable would be about 30% (70% of open market value). In the testing we have modelled a discounted sale property and used a 35%

²⁷ Exmoor National Park Publication Draft Local Plan - Housing Topic Paper, June 2015

²⁸ It is assumed that the household can borrow 3.5 times its income.

discount as a reasonable estimate of the level of discount required to provide sale housing that is affordable by the 'average' household. There will still be many households on below average incomes for which this is not an option, where social rented housing will be the most affordable solution.

Community Land Trusts

- 3.8 Community Land Trusts (CLTs) are legal entities set up by communities to own and manage assets for the social, economic and environmental benefit of the community. The number of CLTs that have provided affordable housing have increased significantly over the last five years, supported by a number of measures in the Localism Act and a bespoke capital funding programme within the Government's Affordable Homes Programme that was available between 2011 and 2015. Communities in the South West have been particularly successful in setting up CLTs, drawing on these resources and the technical support provided by Wessex Community Land Trust. CLTs can provide the full range of housing with the requirement that any proceeds from sales are used to meet the legally defined purposes of a CLT. Primarily their focus has been on the provision of affordable housing in the form of Affordable Rent and shared ownership homes. As they have been largely funded by Government grant the affordability of these homes is the same as that offered by housing association properties of the same tenure. In some cases the CLT has provided discounted market sales with a re-sales covenant that restricts future sale prices to a percentage of open market value. There are also examples of CLTs offering equity share housing, whereby the CLT retains ownership of part of the home and the resident owns the remainder. Unlike shared ownership, no rent is paid on the outstanding share.
- 3.9 The mechanisms used by CLTs to deliver affordable housing are variable. Some are completely free standing, raising all the capital finance, managing the build contract and having the ownership and management of the completed properties. Others have worked in partnership with a housing association. The CLT owns the homes and leases them on a long term lease, typically 125 years, to a housing association. For their part the housing association raises the capital funding, manages the build contract and the completed homes and pays a small annual ground rent to the CLT.
- 3.10 Whichever route is adopted the same financial viability considerations that apply to other forms of affordable housing delivery will determine whether a CLT can provide affordable housing. As such the conclusions of this report are equally applicable to CLT developments.

4. VIABILITY TESTING

Principles and approach

4.1 The Advice for planning practitioners summarises viability as follows:

*'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.'*²⁹

4.2 As is standard practice,³⁰ we have adopted a residual value approach to our analysis. Residual value is the value of the completed development (known as the Gross Development Value or GDV) less the development costs, including the cost of the land. The value of the scheme includes both the value of the market housing and affordable housing. Scheme costs include the costs of building the development, plus professional fees, scheme finance and a return to the developer as well as any planning obligations.

Testing assumptions

4.3 Details of the assumptions used for testing are set out in Annex 1. Two types of assumption are important to note and are relatively unusual in viability testing – reflecting the particular circumstances of the National Park.

4.4 The land value assumed was the same across the National Park and was based on a single plot value that all schemes should achieve. This was set at £10,000 per dwelling, (whatever the existing use value) reflecting the exceptional circumstances of development in the National Park and that market housing is only permitted to allow the development of affordable housing. The figure of £10,000 per plot represents about £300,000 per hectare³¹ or approximately 15 times agricultural land value³². Larger developments with a greater number of plots would result in higher values to the landowner overall. The £10,000 value per plot is consistent with, and in many cases above, recent historic plot values achieved but reflects current expectations and was broadly accepted by the development industry attending the workshop as a reasonable starting point for the development being allowed in the Park³³.

²⁹ P 14 Viability Testing Local Plans: Advice for Planning Practitioners Harman 2012

³⁰ See page 25 of Viability Testing Local Plans: Advice for Planning Practitioners Harman 2012 – “We recommend that the residual land value approach is taken when assessing the viability of plan-level policies and further advice is provided below on the considerations that should be given to the assumptions and inputs to a model of this type.”

³¹ Based on a density of 30 dwellings per hectare

³² The estimate of agricultural land value has been drawn from two recent publications - Market Survey UK Agricultural Land, Savills 2014 (with values for the South West) and Land value estimates for policy appraisal, DCLG 2015, with one value for England

³³ This plot value is broadly comparable to plot values for affordable-led/rural exception developments elsewhere.

- 4.5 Sale prices for new build market housing were reduced from their full market value to reflect the restrictions on sales imposed by the draft Local Plan policies as follows:
- For ‘Principal Residence’ criteria – open market value reduced by 5% (based on workshop discussion)
 - For ‘local connection’ criteria – open market value reduced by 20% (based on feedback from other National Park Authorities and workshop comments).
- 4.6 Other assumptions which are highlighted are:
- The build costs used were taken from the Building Cost Information Service (BCIS). This shows that for schemes of 3 or fewer dwellings, build costs are higher than for larger developments. However, 2015 research published by the Federation of Small Businesses using BCIS data indicates that small developments have significantly higher build costs; one explanation put forward for this is an inability to achieve economies of scale. Subsequent correspondence between Three Dragons and BCIS has confirmed that it is single dwelling developments that are likely to have significantly increased build costs, rather than all small sites. Therefore build costs have not been increased for the case studies, all of which are more than one dwelling;
 - The testing assumed that grant would not be available to help fund the affordable housing. This follows the guidance from the Homes and Communities Agency which states that, “*Our expectation is that S106 schemes will be delivered at nil grant input for both Affordable Rent and for affordable home ownership*” and that it is only ‘*very exceptionally*’ that the HCA will consider funding s106 schemes and only then with evidence to demonstrate, “*....that this will result in provision of additional affordable housing which would not otherwise be delivered* “. ³⁴ Furthermore the Autumn Statement has reserved all new government funding for low cost home ownership from 2018 - e.g. Starter Homes, Rent to Buy, Help to Buy and Shared Ownership. ³⁵
 - In response to draft Local Plan policy HC-S2, the testing includes some case studies with Part M4(2) standards. ³⁶ Part M4(2) is broadly equivalent to the former Lifetime Homes standard and we have allowed an additional cost of £2,000 per dwelling to cover the additional costs. This allowance is informed by the Housing Standards Review Cost Impact Assessment 2014 undertaken by EC Harris on behalf of DCLG. The Impact Assessment indicates that costs may vary by dwelling size and tenure

³⁴ Affordable Homes Programme 2015 -18 Prospectus, Homes and Communities Agency, January 2014 - See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343896/affordable-homes-15-18-framework.pdf

³⁵ Para 6.6 <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents/spending-review-and-autumn-statement-2015>

³⁶ Building Regs Part M (2015) <http://www.planningportal.gov.uk/buildingregulations/approveddocuments/partm/adm/admv01>

from £1,100 per dwelling to £2,700 per dwelling (see Annex 1 for details of this) and the £2,000 per dwelling used in this study is a conservative assumption which is sufficient to cover most dwelling types and tenures. The allowance for Part M4(2) standards is used for 20% of all dwellings for developments of five or more dwellings (including affordable dwellings), as advised by ENPA³⁷, and this covers many of the case studies. In addition, one of the case studies (Case Study 7 with three accessible and adaptable bungalows) has Part M4(2) standards applied to all of the three dwellings;

- Planning authorities also have the option to require higher accessibility standards for wheelchair user housing, as set out in Part M(4) 3 (adaptable) and Part M(4) 3 (accessible). The costs for these two accessibility standards is significantly higher than Part M4(2) e.g. approximately £17,000 per dwelling for a for Part M(4) 3 (adaptable) two bedroom terrace and approximately £30,000 per dwelling for a Part M(4) 3 (accessible) two bedroom terrace. Planning Practice Guidance states that Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating that dwelling. ENPA has advised that these higher accessibility standards may only be required where there is a specific need, on a case by case basis. These higher accessibility standards have not been included as part of the viability testing.

Passivhaus development

- 4.7 The Authority asked that the study also considered the viability implications of developing Passivhaus in the Park. Passivhaus provides very high levels of energy efficiency and cost savings to occupants being of particular benefit to lower income households. It is for this reason that Hastoe Housing Association, one of the principal providers of rural affordable housing in the south of England has pioneered using this form of development on small rural schemes. A recent study of their Passivhaus scheme in Wimbish in Essex found that gas bills were, on average, around £500 a year (excluding VAT) below the Ofgem medium (i.e. typical consumption)³⁸.
- 4.8 Construction costs for Passivhaus are higher than those for dwellings that simply meet Building Regulations. Another research study last year concluded that, “...an average capital cost of £1,800/m² - £1,850/m² of GIFA (gross internal floor area) is achieved, normalised to Q4 2014. This represents a 15-20% uplift compared to the CFSH 4 (Code for Sustainable Homes level 4) standard which is widely used across the UK.”³⁹ We consider the implications of this when we report on the sensitivity analysis of higher build costs noted above.

³⁷ This is consistent with 2011 Census data for the National Park (20.9% of people who have day-to-day activities limited a lot or a little)

³⁸ Wimbish Passivhaus Development: Performance Evaluation Executive Summary Hastoe Group, UAE, Martin Ingham, Linktreat Ltd. July 2014 <http://www.wimbishpassivhaus.com/Wimbish-Performance-Evaluation-Executive-Summary.pdf>

³⁹ Passivhaus Capital Cost, Research Project, Sponsored by AECOM, January 2015: <http://www.passivhaustrust.org.uk/UserFiles/File/Technical%20Papers/150128%20PH%20Capital%20Costs.pdf>

Case studies

- 4.9 The ENPA identified a series of case studies for testing which reflect the policies in the draft Plan. These are set out in the table below. In the table the Exmoor Discounted Sale Model (EDSM) is a model of low cost purchase considered by the National Park to meet local need with an initial purchase cost of 65% open market value⁴⁰, 'Starter Home' is modelled as the proposed 2015 DCLG scheme at 80% open market value.

⁴⁰ Based on the price of a three bed terrace home against an average household income on Exmoor of around £28-29K.

Figure 4 – 1: Case studies

<i>Key</i> <i>b – bed; t – terrace;</i> <i>f – flat; s – semi-</i> <i>detached; bb – bed</i> <i>bungalow;</i> <i>p – person</i>	Dws	Social Rent						Affordable Rent						Starter Home 20% discount		Exmoor Discounted Sale Model (EDSM) 35% discount		Adaptable home with local tie M4(2)	
		1bt 2p	1bf 2p	2bf 3p	2bt 4p	3bt 5p	4bt 6p	1bt 2p	1bf 2p	2bf 3p	2bt 4p	3bt 5p	4bt 6p	2bs 3p	3bs 5p	2bs 3p	3bs 5p	2bb 3p	3bb 4p
Case Study 1 a	2										1	1							
Case Study 1 b	2				1	1													
Case Study 1 c	4										1	1			1	1			
Case Study 2 a	4								1		2		1						
Case Study 2 b	4		1		2		1												
Case Study 3 a	6							6											
Case Study 3 b	6	6																	
Case Study 4 a	6								3			3							
Case Study 4 b	6		3			3													
Case Study 5a	10								4		4	1	1						
Case Study 5b	10		4		4	1	1												
Case Study 6 a	4													2	2				
Case Study 6 b	4															2	2		
Case Study 7	3																	2	1

4.10 For ease of reference the case studies are summarised in the following table.

Figure 4 – 2: Case study summary

Case study	Dwellings	Description
1a	2	All Affordable Rent
1b	2	All social rent
1c	4	Affordable Rent and EDSM
2a	4	All Affordable Rent
2b	4	All social rent
3a	6	All Affordable Rent
3b	6	All social rent
4a	6	All Affordable Rent
4b	6	All social rent
5a	10	All Affordable Rent
5b	10	All social rent
6a	4	Starter Homes (DCLG)
6b	4	EDSM
7	3	Adaptable homes (local tie)

4.11 No testing of self build units has been undertaken. Self build are to be, “...affordable by size and type to local people and will remain so in perpetuity...”⁴¹. They are treated as a ‘stand alone’ product that could be taken up when a self/custom builder finds them to be economically realistic. It is assumed that self build is not required to subsidise other development and that cross subsidy should not be required to enable self build.

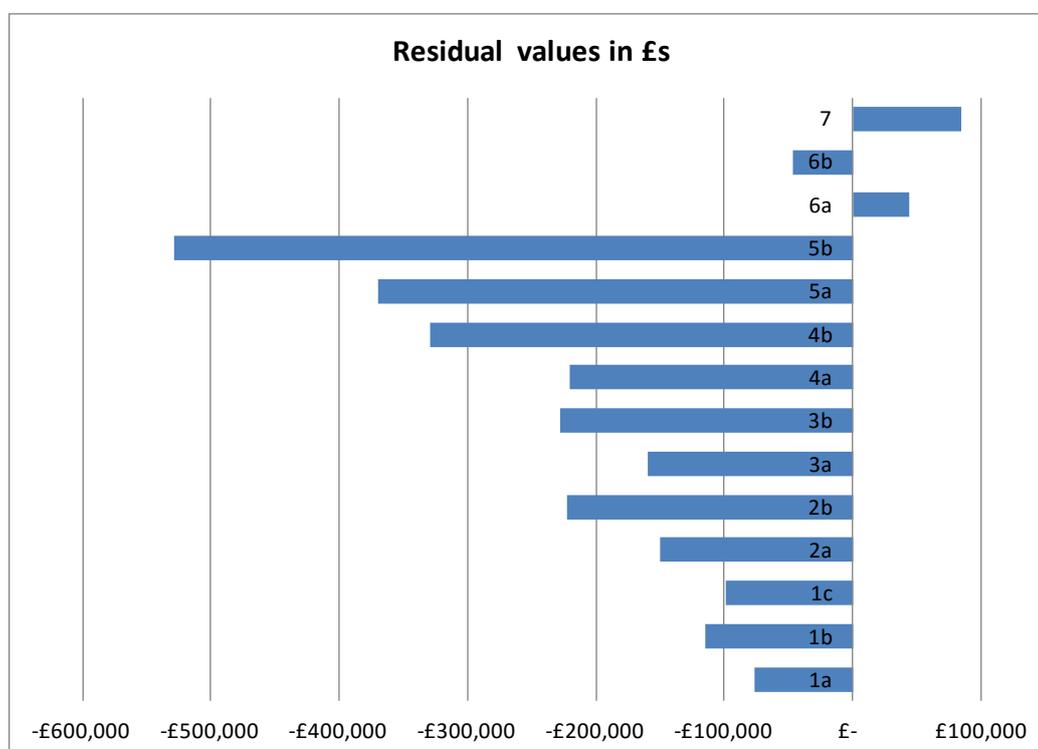
Testing results

4.12 The results of the initial modelling show that only two case studies have a positive residual value – case studies 7 and 6a. These are both case studies with low cost market housing and no rental affordable housing. Case study 7 has 3 bungalows which are all adaptable homes sold to households with a local tie. Market values are modelled at 20% below full market value and costs are increased by about £2,000 per dwelling to reflect development as adaptable homes but there is still enough value in the scheme to generate a residual value of over £300,000, which could be used to help cross subsidise the delivery of local affordable homes (as required by policies in the draft

⁴¹ Exmoor National Park Local Plan, Publication Draft, policy HC-D5

Plan). Case study 6a is 4 (2 and 3 bed) houses at 80% market values – Starter Homes. None of the other case studies has a positive value as the chart below shows.

Figure 4 – 3: Residual value of the case studies – base case



- 4.13 Where the same schemes are replicated with one alternative being Affordable Rent and one being social rent (e.g. 1a and 1b), consistently the scheme with social rent generates a much lower residual value – in the case of 1a and 1b (2 dwellings) the difference is £39,000 and in the case of 4a and 4b (6 dwellings), £109,000.
- 4.14 The scheme using the Exmoor Discounted Sale Model (case study 6b) and at 65% market value is also not viable.
- 4.15 The next step in the testing was to supplement schemes which were not viable with market housing until they became viable (i.e. their residual value just became positive). The market housing introduced was as 'Principal Residence' market housing at 5% below the notional full open market value.
- 4.16 Principal residence housing was added one unit at a time until the tipping point to a positive RV was reached. The sequence in which Principal Residence units were added replicates the most likely market preferences-drawing on recent planning applications and feedback from the development industry workshop to arrive at the order. It was as follows:
- One X 3 bed semi
 - One X 4 bed detached
 - Second 3 bed semi
 - Second 4 bed detached

- One X 2 bed terrace
- Repeat sequence if necessary.

4.17 The table and graphs below show the number of Principal Residence houses that were required to achieve a viable scheme. This is then shown as a percentage of Principal Residence housing across the whole scheme. So, for example, if 4 Principal Residence houses were required to make a 6 unit case study viable, the percentage of Principal Residence housing required would be $4/(6 + 4) = 40\%$.

Figure 4 – 4 Additional Principal Residence housing to make viable

	Description	Base case - no of dws	To make viable	
			Additional market dwellings	% market housing
1a	All Affordable Rent	2	2	50%
1b	All social rent	2	3	60%
1c	Affordable Rent and EDSM	4	3	43%
2a	All Affordable Rent	4	4	50%
2b	All social rent	4	6	60%
3a	All Affordable Rent	6	4	40%
3b	All social rent	6	6	50%
4a	All Affordable Rent	6	6	50%
4b	All social rent	6	8	57%
5a	All Affordable Rent	10	9	47%
5b	All social rent	10	13	57%
6a	Starter Homes (DCLG)	4	0	0%
6b	EDSM	4	2	33%
7	Adaptable homes (local tie)	3	0	0%

Figure 4 – 5 Additional Principal Residence housing to make development viable

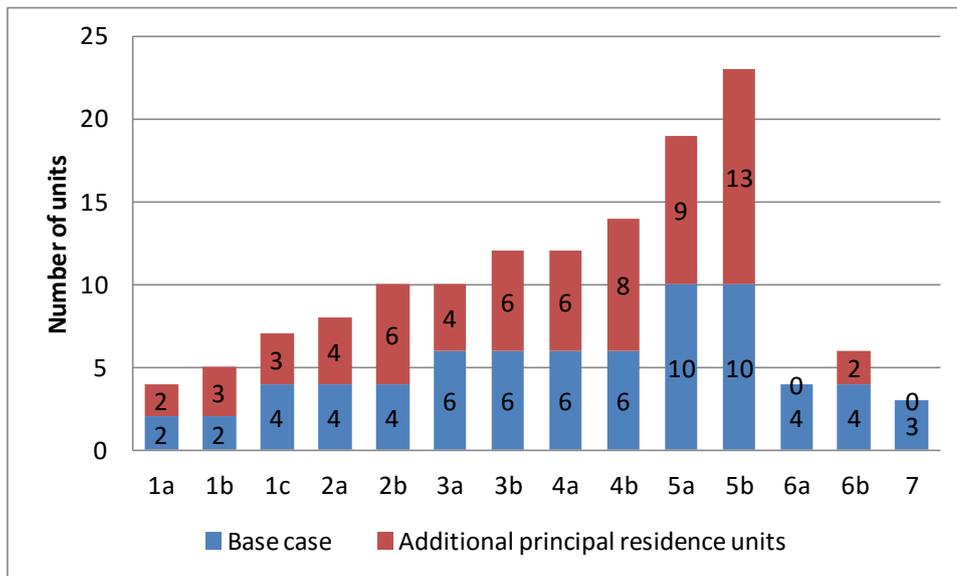
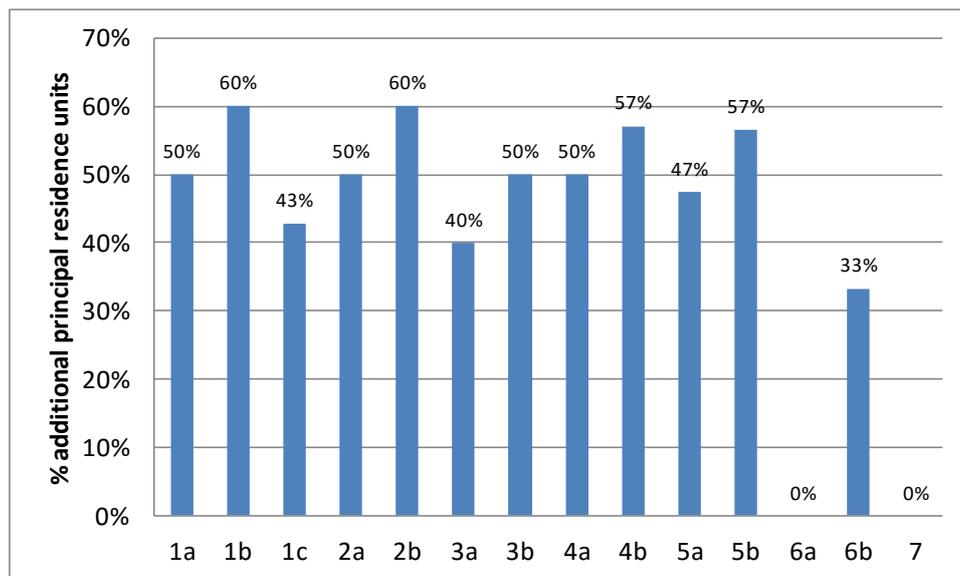


Figure 4 – 6 Proportion of Principal Residence housing to make viable



4.18 Most of the case studies required between 40% and 60% Principal Residence market housing to deliver viable development. Case studies 1b and 2b required most Principal Residence market housing for viability – these are schemes with social rent affordable housing. With the affordable housing as Affordable Rent, the need for Principal Residence housing is reduced. This reflects the lower value of social rented property compared to Affordable Rented property (in the absence of grant funding). For example, case study 2a (4 houses – all Affordable Rent) requires 4 Principal Residence houses to be viable but 2b (4 houses all social rent) requires 6 Principal Residence houses to be viable.

- 4.19 The minimum number of additional dwellings needed to make a scheme viable, have been calculated as whole numbers of dwellings – as would be required practically to provide a viable development. In most cases, this produces a small scheme surplus but in some cases, the surplus may be quite substantial.
- 4.20 Annex 3 provides further detail of the results of the viability testing undertaken.

Sensitivity Testing

- 4.21 The final set of tests assessed the impact of higher build costs and return on development. For the former, build costs were increased by 20%⁴² and for the latter a 20% return on value was assumed across both market and affordable housing. (The base tests assumed 20% return on value for the market housing and 6% return on costs for the affordable housing). Sensitivity tests were carried out with case studies 2a and 6b. The results are stark. In the case of 2a (four Affordable Rent dwellings), at 20% higher build costs, 13 Principal Residence houses would be required to make a viable scheme; therefore we did not test the added impact of the higher developer return. In the case of 6b (four Exmoor Discounted Sale Model dwellings), the higher build costs negated any value and so the testing was stopped.
- 4.22 The sensitivity tests strongly suggest that where developers face the level of build costs some proposed, it is unlikely they would consider developing in the National Park in the first place.
- 4.23 The higher build costs used in the sensitivity tests were still significantly below those for development to Passivhaus standards (at around £1,800 per sq m). We did not undertake any modelling at this level of cost as it is clear that such development would not be viable without significant levels of subsidy – either as grant or through, for example, the introduction of open market housing (probably at quite high levels) and this would be contrary to the draft Local Plan.

Summary of key findings

- Schemes of Starter Homes only, as proposed by DCLG in 2015, would be viable. However, schemes using the Exmoor Discounted Sale Model and at 65% market value would require (a small amount of) Principal Residence market housing to be viable;
- Schemes of adaptable market homes only (bungalows built to higher accessibility standards) and with a local tie, are viable and therefore have some potential to provide cross-subsidy for affordable housing, consistent with the policy approach in the Local Plan;
- But rented affordable housing (both social and Affordable rent) require subsidy from Principal Residence market housing. This can be as high as 60% Principal Residence housing;

⁴² The costs used were £1,344 per sq m for houses and £1,556 per sq m for flats

- There is a trade off to be made between providing social rent versus Affordable Rent and the amount of Principal Residence housing needed to ensure viability. For example, a scheme of 6 Affordable Rent homes needs 6 Principal Residence market housing to be viable but the same scheme of 6 social rent units needs 8 Principal Residence market houses to ensure viability;
- Some developers may be deterred from developing in the National Park if they are unable to develop at the lower level of costs others can achieve;
- The additional costs of Passivhaus mean that it cannot be developed without significant subsidy either as grant and/or from (unrestricted) market housing;
- Self build units will only go ahead as a stand alone product: it is assumed that self build is not required to subsidise other development and that cross subsidy should not be required to enable self build.
- The policies in the Local Plan are deliverable but with many if not most schemes needing to have a substantial element of Principal Residence market housing (up to 60%).

Conversions

4.24 The testing undertaken related to the development of new properties but some new dwellings are provided through the conversion of existing buildings e.g. a redundant hotel. Conversions vary enormously in terms of the costs of the work and the value of completed units. It is therefore not realistic to subject conversion to the same testing as for new builds. However, a number of principles for conversions can be taken from the findings of the testing of new build. These are that:

- Conversions to single dwellings can be treated as self build units for local people unable to meet their housing needs on the open market;
- The starting point for multi dwelling schemes is that they should provide 100% affordable housing. Thereafter the minimal amount of principle residence housing can be acceptable to provide a viable scheme;
- Where a commuted sum is acceptable⁴³ it should be calculated on the basis of the difference between the value of a 100% market scheme compared with a viable scheme with the maximum amount of affordable housing.

⁴³ i.e. This would only be acceptable where the conversion would deliver more local need affordable homes than needed locally

Annex 1

Testing assumptions

New Build Market values

One base set for whole ENP area. Then use following adjustments depending on policy being tested:

- For 'Principal Residence' criteria – reduce OMV(Open Market Value) by 5% (based on workshop discussion)
- For 'local connection' criteria – reduce OMV by 20% (based on feedback from other National Park Authorities and workshop comments)

Market values (with and without discounting) are set out in the table below

	Flats		Bungalows			Terraces					Semis		Detached
	1bf 2p	2bf 3p	1bb 2p	2bb 3p	3bb 4p	1bt 2p	2bt 3p	2bt 4p	3bt 5p	4bt 6p	2bs 3p	3bs 5p	4b 7p
Affordable sq m	50	61	50	61	74	58		79	93	106	70	93	
Market sqm		61		61	74		70					93	115
OM Values		£130,000		£220,000	£250,000		£184,000				£190,000	£220,000	£302,000
OM Values/sq m		£2,100		£3,600	£3,400		£2,600				£2,700	£2,400	£2,600
Principal residence discounted (5%)		£124,000		£209,000	£238,000		£175,000				£180,50	£209,000	£287,000
Local connection (discounted by 20%)		£104,000		£176,000	£200,000		£147,000				£152,00	£176,000	£242,000

Floor areas compliant with National space standards

OMV based on Land Registry data checked with workshop.

Bungalow values estimated post workshop based on rightmove using bungalows in Exmoor and the surrounding area. Inevitably these are mainly older stock sales. Sq m from floorplan estimates/EPC certificates.

Development costs

Type	Cost	Explanation
<u>Build costs</u>		
Flats (1 to 2 storey)	£1,297	sq m includes 15% for external works
Houses – general (2 storey)	£1,120	sq m includes 15% for external works
Single dwellings	£1,850 ⁴⁴	sq m includes 15% for external works
Bungalows	£1,329	sq m includes 15% for external works
<u>Other development costs</u>		
Professional fees	10%	of build costs
Finance	6%	of development costs
Marketing fees	3%	of Gross Development Value (GDV)
Developer return (Principal Residence – market)	20%	of GDV (applies to all market housing – Principal Residence and local restricted)
Contractor return (affordable)	6%	of build costs
Residual s106	£1,000	£1,000 per dwelling (all tenures)
Agents and legal	1.75%	

Build costs are BCIS 5 year median values (+15%). North Devon values are used as the best proxy for the National Park (which is not shown separately by BCIS).

Land values

Assume £10k per plot for all testing, for all tenures

⁴⁴ Corrected from workshop note in line with BCIS data

Affordable Housing

Rents per week in £s

	Social Rent	Affordable Rent
1 bed flat/house	£75	£87
2 bed bungalow	£95	£110
2 bed house	£95	£110
3 bed house	£105	£135
4 bed house	£115	£155

Calculation of the revenue from social and Affordable Rent housing follows the guidance from the HCA which states that, “*For Affordable Rent, our assumption is that the price paid will be no more than the capitalised value of the net rental stream of the homes.*”

Given the limited amount of development in recent years, information about rent levels for new homes is slim and we blended the information from the associations with data from West Somerset Council and Local Housing Allowance (LHA) rates. The rent levels used in the testing are set out in the table above.

Management/maintenance costs etc

Management and maintenance	£1,500
Voids/bad debts	3.00%
Capitalisation	5.5%

The HCA model uses a percentage of rent for management and maintenance costs. To achieve the fixed figure of £1,500 as above, we adjusted the % in the model to get the best fit. In some cases this meant using a slightly different figure than £1,500 but the differences are small and do not affect the overall results.

Intermediate/starter homes

Model as an equity share product with 2 options:

- Base model - ‘Exmoor Discounted Sale Model’ (EDSM) at 65% MV
- Sensitivity test at 80% MV – government Starter Homes model

Treat as market dwellings for development assumptions

Adaptable homes with local tie

Market housing and affordable housing with a local tie to meet Category M4(2) Accessible and Adaptable dwellings.

Also testing to include 20% Part M(4)2 for developments of 5 and above dwellings. Standard to be applied to the affordable element to meet known local needs.

Tenure	House type	Cat 2 costs/house type
AH	1bf	£ 1,662
AH	2bf	£1,629
AH	2bt	£1,967
AH	3bt	£2,687
AH	4bt	£2,687
Mkt	1bf	£1,229
Mkt	2bf	£1,196
Mkt	2bt	£1,101
Mkt	3bt	£1,387
Mkt	3bs	£1,387
Mkt	3bd	£1,386
Mkt	4bd	£1,386
Mkt	5bd	£1,386
Mkt	2bb	£1,101
Mkt	3bb	£1,387
Assumptions		
3bt and 4bt are the same as a 3bs		
3bd and 5bd are same as a 4bd		
2bb is the same as a 2bt		
3bb is the same as a 3bt		

On basis of above, assume an average of £2,000 per dwelling to meet to meet Category M4(2) Accessible and Adaptable dwellings.

ANNEX 2

Workshop Notes

Development Industry Workshop 26th November 2015

Exmoor House, Dulverton

Introductions

Workshop attendees were welcomed.

The purpose of the study and the workshop was explained as providing the necessary viability testing for the emerging local plan.

Ruth McArthur from ENPA provided an update for the local plan programme.

- Consultation summer 2015
- Now considering reps and national changes then onto submission and examination during 2016

Approach to viability analysis

Lin Cousins (LC) of Three Dragons set out the overall approach Three Dragons are proposing as follows:

- Local Plan policies require careful analysis
- Basic viability testing 'as usual' but specific issues to address:
 - Minimal 'market housing' - for cross subsidy only
 - Market housing – Principal Residence restriction – what impact on value?
 - Site by site assessment of affordable housing needed

LC also noted that the viability testing will need to take into account:

- Housing and Planning Bill currently at committee stage, including how the new starter home scheme will be taken forward. The approach to testing by Three Dragons will assume there is no change on current national policy. As soon as any details are known, this approach will be reviewed.
- The Chancellor's autumn statement – and implications for the funding and delivery of housing.

It is acknowledged that developments in the National Park are small-scale. Testing will reflect draft Local Plan policy, new government guidance, and local characteristics, including Principal Residence. The key issue being tested is how much market housing will be required to maximise delivery of affordable housing?

Comments

A definition of affordable housing and terms being used in the draft Local Plan was requested.

These are shown below.

Affordable Housing is defined by central government (in the National Planning Policy Framework) as being:

“Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered.”⁴⁵

Principal Residence is a term being used in the Local Plan and is defined as *“Principal residence housing is a form of market housing controlled by a mechanism which ensures it can be lived in by anyone but only as their Principal Residence.”⁴⁶* This will be applied through a planning condition. ENPA have had Counsels’ opinion and checked with mortgage lenders. ENPA used to making these judgements (e.g. holiday lets, agricultural dwellings). Impact will differ by location as proportions of holiday homes vary.

Local needs affordable housing is a term used in the draft Local Plan– *“Affordable housing (see definition above) which is intended to meet the needs of the local community. On Exmoor this includes a local connection to the National Park through residency and includes people who need to live close to their place of work.”⁴⁷* Policy HC-S3 provides the criteria, which, for those considered as having a local connection through residency, starts with the requirement for 10 years’ residency in the parish/adjoining parish but is flexible to include other parts of the National Park and/or district through various steps if no local people meet the criteria.

In terms of shared ownership, ‘staircasing’ is limited to 80% of the property

⁴⁵ Draft Local Plan Section 15 Glossary

⁴⁶ Draft Local Plan Section 15 Glossary

⁴⁷ Draft Local Plan Section 15 Glossary

Self-build register

Self-build register – can it be linked to local needs? ENPA with Dartmoor NP was a custom self-build vanguard working with DCLG. ENPA has set up a register with the Rural Housing Project. Has had some expressions of interest, as well as potential land. Current policies allow self-build but the draft Local Plan also requires that self-builders meet local tie criteria and the new homes are kept affordable in perpetuity.

Local Plan Policy LC provided a summary of the draft Local Plan policies as follows:

- Limited opportunities as few sites
- Principal need is affordable housing
- Principal residence market housing to make schemes viable (grant for affordable housing much reduced)

She also noted that in the past there has been 100% affordable delivered with grant from the Homes and Communities Agency (HCA) in order to facilitate delivery. Now working on basis of no grant (to be checked with HCA following Autumn Statement). So market housing replaces grant in order to deliver the affordable housing.

LC then showed a slide which summarised the draft Local Plan policies in the following table.

Policy	Sites affected	Type of housing allowed	Questions for viability testing
HC- S1 New build and conversions/ redevelopment	Porlock Weir only	100% affordable – local occupancy No market housing (except with conversions to make viable – Principal Residence)	What tenure/size dwellings? What plot value to assume? Scheme type – no of units, dwelling type? Dwelling size - assume national standards?
HC – S1 New build and conversions/ redevelopment	Local service centres and villages but not Porlock Weir for new build	Mixed tenure scheme Affordable housing + Principal residence market housing – solely to make viable	<i>How much Principal Residence market housing required to ensure viability?</i> <u>Technical details</u> What tenure/size dwellings for the AH? What plot value to assume? Scheme type – no of units, dwelling type? Dwelling size – national standards
HC-S1 New build and conversions/ redevelopment	Local service centres and villages	Mixed tenure scheme Affordable housing + Specialist housing for older people and other vulnerable people (Principal Residence and local connection) - solely to make viable	<i>How much Principal Residence specialist market housing required to ensure viability?</i> <u>Technical details</u> What tenure/size dwellings for the AH? What plot value to assume? Scheme type – no of units, dwelling type? Dwelling size – national standards
HC – D5 New build and conversions	Local need affordable housing	Self/custom build	Not a viability issue – no testing – but note limited to 90 sqm

Comments

- It was clarified that self-build dwellings will not be part of the testing, although some of the testing may include self-build plots.
- It was also clarified by ENPA that Porlock Weir is a special case, with one landowner and dwellings affected by coastal change, so need to allow replacement of affected stock. This will be 100% affordable so will need grant – except for conversion.
- Workshop participants suggested that Principal Residence and local tie narrows market. Local connection criteria is onerous. May scare off developers unless occupiers already identified, particularly for specialist homes – e.g. known downsizer who will buy off-plan. Questioned whether specialist housing was required as developers could meet demand through Principal Residence housing.
- Will be very small scale.
- Workshop comments suggested that housing for older persons could mainly be single storey which will have implications for build costs and land take.
- Demand (for local need housing) is very low in real terms so may be difficult to find buyers despite evidence of demand from surveys – but translation into effective demand can be very limited maybe because of cost or other factors.
- What safeguards will there be to lift restriction if no local demand comes forward? Will be important and measures to lift thresholds is something that is seen elsewhere. Also concern about selling on of these specialist properties with these restrictions.
- Is there a volume of real demand for the affordable homes– and let-ability implications?

A workshop participant asked ‘what is the minimum % of affordable housing that will be acceptable?’ He quoted the example of 18 Passivhaus on a site within the Dartmoor National Park that was dependent on funding from elsewhere. He had experience of a 60% affordable housing scheme that didn’t work although initial viability evidence indicated the scheme would be viable. There were unexpected costs e.g. contaminated land and groundwater and too few market dwellings to spread extra costs (plus the risk of rising build costs). Small schemes with a high % of affordable housing are very unpredictable and risky. He explained that where there is a ‘fixed price’ agreed with the housing association for the affordable housing, the risk becomes too great and so rural exception sites are very risky for the developer. There are also issues about scheme valuation for rural exception sites.

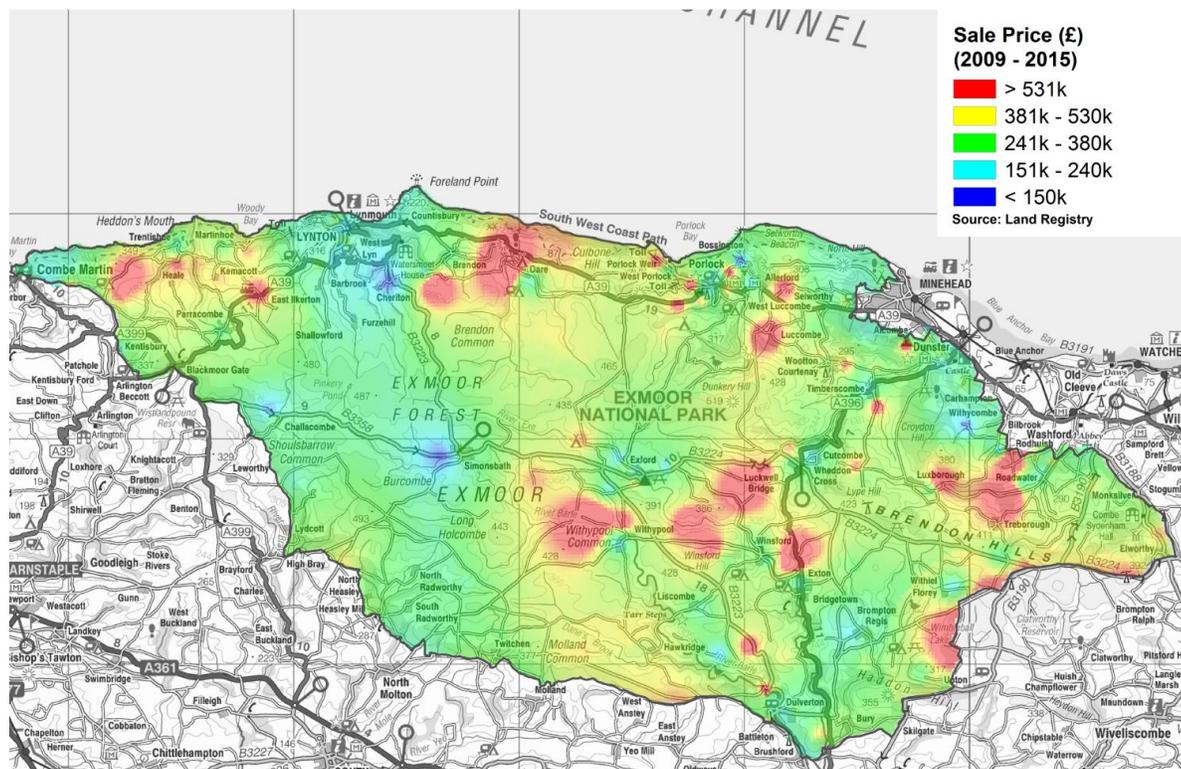
However, not all participants agreed with this point and others indicated that small rural schemes with a high % of affordable housing could be developed successfully.

Dominic Houston of Three Dragons (DH) noted that the testing will need to reflect the access standards required by the draft Local Plan policy and national standards which are as follows:

- Building Regulations Part M4(1) – required for all buildings
- Building Regulations Part M4(2) – broadly comparable to lifetime homes
- Building Regulations Part M4(3) – splits into wheelchair adaptable and wheelchair accessible

Housing Market

- LC asked for views on current market performance – what is selling well? Which areas give highest values? LC showed the following map.



Comments

Open market is slow on Exmoor. 328 dwellings currently for sale on Right Move. 27% conversion rate for properties under offer overall. 34% for £0-£0.5m. Not rising but there is some demand. House price increase is 1-3% pa. Prices of new homes haven't increased by much.

However the conversion rate for £0.5m + is only 9%.

- North Molton (note that this Parish is mainly outside the National Park) cheaper than Porlock and Dulverton. Porlock values strengthened by drier weather and access to employment in Minehead. Seemingly little interest in recent N Molton development, demand low, values low.
- Simonsbath also expensive and desirable for second homes
- Lynton and Lynmouth values are between Porlock and N Molton
- Market demand is made up mainly of semi-retired, retirees and 2nd homes

Common values for houses are in the range £200k – £250k – £300k for 2 to 3 beds depending on location.

Broadband speeds too low to work from home. Affects sales. Also other infrastructure deficiencies such as roads affect the market. Future BT and microwave systems will increase access to superfast broadband which will be helpful.

N Devon has seen stronger increases in market values compared to Exmoor.

Younger residents move away, wages very low particularly in West Somerset. Very few 1st time buyers. Talent retention is very poor.

South Molton developments will attract potential working residents, which affects the Exmoor market – as it will mop up some demand from working households.

Post Meeting Consultation

Post meeting consultation was undertaken to further explore whether there are separate value areas on Exmoor that should be applied in the testing. This post meeting consultation suggested that:

- There are picture postcard villages and as expected traditional cottages in these locations have good values.
- However, these locations tend to have few or no services and therefore they are more likely to be of interest to second home/holiday cottage purchasers.
- Families and people looking to access jobs, hospitals, shops, etc. are more likely to look in the settlements. This is why Wheddon Cross development was successful.
- Therefore, **for new build** it may be best to use a single value structure across the moor in a way that would be less appropriate for older traditional cottages with holiday home appeal (where there would be better differentiated value areas).

Market value - estimates

LC presented the following indicative market values for discussion. She explained that there was limited data and the values shown were based on Land Registry data for actual sales in 2014 and 2015 (which were almost exclusively second-hand sales)

	Det (4 bed)	Semi (3 bed)	Terrace (2/3 bed)
Dulverton	£325,000	£185,000	£205,000
Lynton	£280,000	£190,000	£180,000
Porlock	£322,000	£232,000	£187,000

Comments

Are values representative?

General agreement – yes Lynton is lower market as different housing stock – terraces and flats. Also access to work is poor and more rainfall.

Market values – estimates for new build homes

LC then represented estimates of indicative market values for new build housing as follows

- Very little recent evidence (c30 sales recorded by Land Registry 2009-today)
- Evidence available indicates c£2,800 per sq m so:
 - £322,000 for a 115 sq m house – say a 4 bed house
 - £250,000 for a 90 sq m house – say a small 3 bed semi
 - £224,000 for a 80 sq m house – say a 2 bed terrace
- But Principal Residence restriction – what impact on value (5%)

Comments

3 beds are £200k-£220k e.g. resale in Cutcombe was £215k following initial new build sale at £218k/£219k.

Suggest 4 and 3 beds might be bigger (125 sq m for 4 bed) and 2 beds smaller (70-75 sq m).

(LC confirmed that the testing will use national space standards and suggested that these national standards were more akin to the London space standards guidance.)

LC asked about any impact on values of the Principal Residence restriction?

- It will be site sensitive. Higher impact on smaller villages and other locations with high proportion of holiday homes. Less impact on cheaper areas. Holiday lets are in old traditional buildings. So less impact on new build.
- Suggest 5% in lower value and 10% in higher value areas.
- Other views that new build has few 2nd home owners (no second homes in the recent Cutcombe development for example) so maybe the Principal Residence restriction will have no impact. Discussion about impact on mortgage brokers. Also evidence that some properties have been sold with this Principal Residence restriction.
- Some evidence that lenders will restrict the number of loans they make with a scheme if all the purchases are limited and if there is disproportionate exposure to any one particular scheme. May be exacerbated by further restrictions on market sales through Principal Residence etc.

Approach to viability testing

LC explained the approach to viability testing to be taken by Three Dragons as follows:

- Residual value approach
- Testing is to find the minimum amount of market housing to achieve viable development

Total development value
<i>Minus</i>
Development costs (incl. build costs and return to developer)
=
Gross residual value
<i>Minus</i>
Planning obligations (including AH)
=
Net residual value (available to pay for land)

She noted that:

- The variation from a more typical approach to this type of testing is that we have an assumed plot value as an input, in order to assess the amount of market housing required to maximise delivery of affordable housing.
- Developer return will need to be attractive to incentivise limited pool of small scale developers.

Comments

There were no comments from the workshop on the overall approach to viability testing

Residential Testing – selection of case studies

LC explained that the testing will use a series of case studies to illustrate typical sites likely to come forward over the life of the Local Plan. These had been drawn from and analysis of the authority's Strategic Housing Land Availability Assessment.

- Different sizes of sites – based on SHLAA
- Low density schemes – 25 dwellings per hectare – or less?
- Greenfield sites
 - 75 dwgs
 - 25 dwgs
 - 15 dwgs
 - 8 dwgs
 - 4 dwgs
 - 3 dwgs
 - 2 dwgs
 - 1 dwg
- Consider conversions
- Include a mixed scheme with specialist market housing, main residence market housing and affordable housing

Build costs can be higher for very small sites

Comments

- At 25dph, market houses will be 4 and 3 bed detached.
- Do not include the 75 dwelling development – too large for Exmoor (even though it is a SHLAA site, it would be phased).
- Request for flexibility through negotiation on % of market housing if unexpected costs occur.
- Density? Has been higher e.g. Cutcombe was 30dph. So vary between development in towns and other locations. (3D to discuss with ENPA).
- Note gross to net will affect value to landowner.
- Large detached for the market element? May have some smaller market units as well as bungalows for specialist housing/downsizers. Suggest that 3 bed semis may be good as part of market mix although note that development will seek to maximise value.

Development costs

LC presented the following development costs Three Dragons propose to use in the testing for feedback by the workshop.

Type	Cost	
Houses – general	£1,120	sq m includes 15% for external works
Single dwellings	£1,950	sq m includes 15% for external works
Professional fees	10%	of build costs
Finance	6%	of development costs
Marketing fees	3%	of GDV - but is this needed if local occupancy??
Developer return (Principal Residence – market)	20%	of GDV (but this applies to local restricted housing??)
Contractor return (affordable)	6%	of build costs
Residual s106	£1,000	£1,000 per dwelling for local children's play/greenspace and minor local transport mitigation.
Agents and legal	1.75%	

Comments

- Some views that build costs are too low and should be nearer £1,300-£1,400 for 10-15 dwelling developments. Some of the higher build costs result from individual builders striving for high quality developments as part of professional reputation.
- But other views in the workshop that the costs shown are about right or lower and being achieved in the area. (Three Dragons noted that they are seeking views from as many sources as possible and information collected to date mirrors the mixed picture at the

workshop.) Noted that building in the NP will require expensive finishes. This is not accounted for in BCIS. See ENPA design guidance and Local Plan for requirements. Also comments that small sites are intrinsically more expensive.

- Workshop participants were asked for evidence from specific schemes, to be treated on a confidential basis. Depending upon what evidence comes in, the viability testing may have to treat higher build costs as a sensitivity test.

Other costs:

- Professional fees – bit high. But keep as is to include all professional/planning costs as about right. Bigger scheme would be nearer 7% or 8%.
- Finance 6% is right for the average. Set up fees? But assume 100% financed so therefore generous and this will cover additional costs. Agreed that generally some equity is a part of most developments.
- Marketing fees? OK (with 5% quoted as a composite for marketing, agents and legal fees).
- Developer return. 20% is OK. But 6% on the affordable element is riskier and therefore on an affordable led scheme (i.e. all the Exmoor ones) the return is more of an issue. But some view that this is OK. Agreed to do a 20% return overall as a sensitivity test.
- £1k per dwelling for s106 Payments - Don't expect to see s106 on affordable. Acceptable overall across market and affordable.
- Agents and legal fees? No comment

Land values

LC set out a plot value of £10,000 proposed for the testing. This equated very approximately to £300,000 per hectare or £100,000 per acre based on 30 dwellings per hectare density.

Comments

- Agricultural land values - currently £10k/acre close to villages but less in more remote locations on Exmoor.
- Acceptability of a development value of £10k per plot will depend on landowners.
- There is evidence of £5-£8k per plot for exceptions sites accepted in recent years. This is less than outside the NP where there are higher expectations. Noted that there have not been problems getting enough development sites at £5k-£8k/plot.
- Noted that £10k per plot is a reasonable uplift on agricultural but for attractive sites there has been bidding battles between housing associations with values of £15k/plot achieved outside the National Park when the market was at its peak (in 2007), but this was based on grant being available for affordable housing.
- Noted that landowners may have aspirations other than straight land values (e.g. new house for themselves).

Affordable Housing

LC noted the following points:

- Detailed discussions required with housing associations

- What housing associations pay is based on calculation of what they can borrow against the rent
- Will assume £0 grant but checking with HCA
- Waiting for more details re Starter Homes (Housing and Planning Bill and the proposed changes to NPPF)

Comments

- Agreed that testing should not assume availability of grant (although the team will be checking grant availability with HCA after autumn statement) and that correct to assume that payments from housing associations for affordable housing should be limited to what the HA can borrow against the rent it receives.
- Unclear whether self-build can be part of a mixed tenure scheme? (3D and ENPA to discuss). Self-build for landowner may be part of the incentive for land coming forward and cross subsidy for the affordable housing - should be included in the testing. It may be that provision of serviced self-build plots could form part of a scheme.

LC thanked everyone for attending the workshop and for their contributions to the discussions. She explained that the workshop notes would be circulated as soon as possible giving workshop participants a further opportunity for comment – which could be made on a confidential basis if that is helpful.

ANNEX 3

Viability testing results – supporting data

Residual value – base case

Case study	Description	Base case - no of dws	Base case - residual value in £s
1a	All Affordable Rent	2	-£76,000
1b	All social rent	2	-£115,000
1c	Affordable Rent and EDSM	4	-£99,000
2a	All Affordable Rent	4	-£150,000
2b	All social rent	4	-£222,000
3a	All Affordable Rent	6	-£160,000
3b	All social rent	6	-£228,000
4a	All Affordable Rent	6	-£220,000
4b	All social rent	6	-£329,000
5a	All Affordable Rent	10	-£370,000
5b	All social rent	10	-£529,000
6a	Starter Homes (DCLG)	4	£44,000
6b	EDSM	4	-£46,000
7	Adaptable homes (local tie)	3	£85,000

Addition of Principal Residence – number of Principal Residence to make viable and surplus residual value with this addition

Case study	Description	Base case - no of dws	Additional Principal Residence to make viable	Surplus residual value when positive
1a	All Affordable Rent	2	2	£50,113
1b	All social rent	2	3	£4,151
1c	Affordable Rent and EDSM	4	3	£19,444
2a	All Affordable Rent	4	4	£28,170
2b	All social rent	4	6	£19,662
3a	All Affordable Rent	6	4	£20,283
3b	All social rent	6	6	£13,904
4a	All Affordable Rent	6	6	£22,196
4b	All social rent	6	8	£3,605
5a	All Affordable Rent	10	9	£20,756
5b	All social rent	10	13	£15,076
6a	Starter Homes (DCLG)	4	0	£0
6b	EDSM	4	2	£42,301
7	Adaptable homes (local tie)	3	0	£0

Final Report – May 2016.

Appendix 4

Three Dragons CIL Viability Study -
Waverley

Waverley Borough Council

Waverley CIL

**Viability Toolkit
Summary Reports**

**(70% Affordable Rent/ 30% Shared
Ownership)**

18th July 2018

Three Dragons



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Res5 14 dwellings, 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results									
Site Details	Waverley	Site Address	14 dwelling Scheme, 30%AH			Site Reference	Blackwater BRMA		
Scheme Description		Notes				Application No			
						Date Saved	08/03/2018		
Site Details		Dwellings		GIA (sq m)					
Gross Area	0.35 ha	Total	14.00		1,310.0				
Net Area	0.35 ha	Market Housing	10.00		1,000.0				
Net to Gross Ratio	100.0%	Affordable Housing	4.00		310.0				
Density	40.00 dwgs per net ha	% Affordable Housing	28.57%						
Scheme Revenue									
	Total	Market	Affordable Housing						
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Total No of Dwellings	14.00	10.00	-	2.88	-	-	1.20		
Total GIA (sq m)	1,310.0	1,000.0	-	217.8	-	-	93.0		
Tenure Split (by % dwellings)		71.4%	0.0%	20.0%	0.0%	0.0%	8.6%		
Total Revenue	5,775,208	5,048,000	-	432,998	-	-	296,250		
Average Revenue per unit	412,515	504,600	-	154,628	-	-	246,875		
Average Revenue per sq m GIA	4,409	5,046	-	1,995	-	-	3,185		
Total Capital Contributions	-								
Total Commercial Elements	-								
Total Scheme Revenue	5,775,208								
Scheme Development Costs									
	Total	Market	Affordable Housing				Per dwelling	per sq m	
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Build Cost	2,006,920	1,532,000	-	332,444	-	-	142,478	143,351	1,532
Additional Dwelling Standards	4,608	3,290	-	921	-	-	395	329	4
Professional Fees	200,692	153,200	-	33,244	-	-	14,248	14,335	153
Marketing Costs (market housing)	151,380	151,380	-	-	-	-	-	15,138	151
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-
Exceptional Development Costs	88,708	49,076	-	13,741	-	-	5,889	4,908	52
Planning Obligations Costs	32,200	-	-	-	-	-	-	3,200	25
Commercial Elements Costs	-	-	-	-	-	-	-	-	-
Community Infrastructure Levy	-	-	-	-	-	-	-	-	-
Developer's Return for Risk and Profit									
Developer's Return (Market housing)	1,009,200	-	-	-	-	-	-	100,920	1,009
Contractor's Return (All housing)	31,345	-	-	21,941	-	-	9,403	7,836	101
Total Development Costs	3,585,049							250,361	2,678
Total Operating Profit	2,270,160							162,154	1,733
Finance Costs and Residual Value									
DCF Period	N/A	years							
Debit Interest Rate	N/A								
Credit Interest Rate	N/A								
Annual Discount Rate	N/A								
Revenue and Capital Contributions	5,775,208								
Total Development Cost	3,505,049								
Finance Cost	120,892								
Annual Discount Rate Cost	-								
Total Dev Cost, Finance Cost & ADR Cost	3,625,740								
Gross Residual Value	2,149,468								
Agents Fees	35,911						1.75% residual value (post SDLT)		
Legal Fees	-						0.20% residual value (post SDLT)		
Stamp Duty	98,950						Based on HMRC SDLT rates		
Net Residual Value	2,016,607								
per gross ha	5,761,735								
per net ha	5,761,735								
per dwelling	144,043								
per market dwelling	207,661								
Notes: (Use Alt+Enter to start a new line)									

Res6 26 dwellings, 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results									
Site Details	Waverley	Site Address	26 dwelling Scheme, 30%AH			Site Reference	Blackwater BRMA		
Scheme Description		Notes				Application No			
						Date Saved	08/03/2018		
Site Details		Dwellings		GIA (sq m)					
Gross Area	0.55 ha	Total	26.00		2,432.0				
Net Area	0.55 ha	Market Housing	18.00		1,800.0				
Net to Gross Ratio	100.0%	Affordable Housing	8.00		632.0				
Density	40.00 dwgs per net ha	% Affordable Housing	30.77%						
Scheme Revenue									
	Total	Market	Affordable Housing						
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Total No of Dwellings	26.00	18.00	-	5.80	-	-	2.40		
Total GIA (sq m)	2,432.0	1,800.0	-	442.4	-	-	189.6		
Tenure Split (by % dwellings)		69.2%	0.0%	21.5%	0.0%	0.0%	9.2%		
Total Revenue	10,596,270	9,888,000	-	893,457	-	-	814,813		
Average Revenue per unit	407,549	504,889	-	150,546	-	-	258,172		
Average Revenue per sq m GIA	4,357	5,049	-	2,020	-	-	3,243		
Total Capital Contributions	-								
Total Commercial Elements	-								
Total Scheme Revenue	10,596,270								
Scheme Development Costs									
	Total	Market	Affordable Housing				Per dwelling	per sq m	
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Build Cost	3,725,824	2,757,800	-	677,757	-	-	290,467	143,301	1,532
Additional Dwelling Standards	8,954	5,922	-	1,842	-	-	790	329	4
Professional Fees	372,582	275,760	-	87,776	-	-	29,047	14,330	153
Marketing Costs (market housing)	272,640	272,640	-	-	-	-	-	15,147	151
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-
Exceptional Development Costs	128,818	89,182	-	27,745	-	-	11,591	4,955	53
Planning Obligations Costs	59,800	-	-	-	-	-	-	2,300	25
Commercial Elements Costs	-	-	-	-	-	-	-	-	-
Community Infrastructure Levy	-	-	-	-	-	-	-	-	-
Developer's Return for Risk and Profit									
Developer's Return (Market housing)	1,817,600	-	-	-	-	-	-	100,975	1,010
Contractor's Return (Aff housing)	63,903	-	-	44,732	-	-	19,171	7,988	101
Total Development Costs	6,448,721							248,066	2,852
Total Operating Profit	4,146,548							159,483	1,705
Finance Costs and Residual Value									
DCF Period	N/A	years							
Debit Interest Rate	N/A								
Credit Interest Rate	N/A								
Annual Discount Rate	N/A								
Revenue and Capital Contributions	10,596,270								
Total Development Cost	6,448,721								
Finance Cost	224,063								
Annual Discount Rate Cost	-								
Total Dev Cost, Finance Cost & ADR Cost	6,673,784								
Gross Residual Value	3,922,486								
Agents Fees	65,367						1.75% residual value (post SDLT)		
Legal Fees	-						0.00% residual value (post SDLT)		
Stamp Duty	185,600						Based on HMRC SDLT rates		
Net Residual Value	3,671,499								
	per gross ha								
	per net ha								
	per dwelling								
	per market dwelling								
Notes: (use Alt+Enter to start a new line)									

Res7 40 dwellings, 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results																
Site Details	Waverley			Site Address	40 dwelling Scheme, 30%AH, 5k/dwg opening up costs, 40dph mix			Site Reference	Blackwater BRMA							
Scheme Description				Notes				Application No								
								Date Saved	08/03/2018							
Site Details				Dwellings		GIA (sq m)										
Gross Area	1.00	ha		Total	40.00		3,733.6									
Net Area	1.00	ha		Market Housing	28.00		2,850.4									
Net to Gross Ratio	100.0%			Affordable Housing	12.00		883.2									
Density	40.00	dwgs per net ha		% Affordable Housing	30.00%											
Scheme Revenue																
		Total		Market		Affordable Housing										
						Social Rent		Affordable Rent		Shared Ownership						
								Intermediate Rent		Equity Share						
Total No of Dwellings	40.00	28.00	-	8.40	-	-	-	-	-	3.60						
Total GIA (sq m)	3,733.6	2,850.4	-	618.2	-	-	-	-	-	265.0						
Tenure Split (by % dwellings)		70.0%	0.0%	21.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%						
Total Revenue	16,282,176	14,212,520	-	1,223,881	-	-	-	-	-	845,775						
Average Revenue per unit	407,054	507,590	-	145,700	-	-	-	-	-	234,938						
Average Revenue per sq m GIA	4,361	4,986	-	1,980	-	-	-	-	-	3,192						
Total Capital Contributions	-															
Total Commercial Elements	-															
Total Scheme Revenue	16,282,176															
Scheme Development Costs																
		Total		Market		Affordable Housing				Per dwelling		per sq m				
						Social Rent		Affordable Rent		Intermediate Rent		Equity Share		Shared Ownership		
Build Cost	5,808,522	4,403,395	-	983,589	-	-	-	-	-	421,538	145,213	1,556				
Additional Dwelling Standards	13,160	9,212	-	2,764	-	-	-	-	-	1,184	329	4				
Professional Fees	580,852	440,339	-	98,359	-	-	-	-	-	42,154	14,521	156			10.0% build costs	
Marketing Costs (market housing)	426,376	426,376	-	-	-	-	-	-	-	-	15,228	150			3.0% market revenue	
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-	-	-	-			0.0% affordable revenue	
Exceptional Development Costs	396,834	277,784	-	83,335	-	-	-	-	-	35,715	9,921	106				
Planning Obligations Costs	92,000	-	-	-	-	-	-	-	-	-	2,300	25				
Commercial Elements Costs	-	-	-	-	-	-	-	-	-	-	-	-				
Community Infrastructure Levy	-	-	-	-	-	-	-	-	-	-	-	-			£0 per market sq m	
Developer's Return for Risk and Profit																
Developer's Return (Market housing)	2,842,504	-	-	-	-	-	-	-	-	-	101,518	997			20.0% market revenue	
Contractor's Return (Aff housing)	92,738	-	-	64,917	-	-	-	-	-	27,822	7,728	105			6.0% aff build & prof fees	
Total Development Costs	10,252,986										256,325	2,746				
Total Operating Profit	6,029,190										150,730	1,615				
Finance Costs and Residual Value																
DCF Period	N/A	years														
Debit Interest Rate	N/A															
Credit Interest Rate	N/A															
Annual Discount Rate	N/A															
Revenue and Capital Contributions	16,282,176															
Total Development Cost	10,252,986															
Finance Cost	349,301															
Annual Discount Rate Cost	-															
Total Dev Cost, Finance Cost & ADR Cost	10,602,287															
Gross Residual Value	5,679,889															
Agents Fees	94,630															1.75% residual value (post SDLT)
Legal Fees	-															0.00% residual value (post SDLT)
Stamp Duty	273,550															Based on HMRC SDLT rates
Net Residual Value	5,311,708															
	per gross ha	5,311,708														
	per net ha	5,311,708														
	per dwelling	132,793														
	per market dwelling	189,704														
Notes: (use Alt+Enter to start a new line)																

Res9 150 dwellings 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results										
Site Details	Waverley	Site Address	150 dwelling Scheme, 30%AH, 60%affordable opening up costs, 35dph mix			Site Reference	Blackwater BRMA			
Scheme Description		Notes				Application No				
						Date Saved	08/03/2018			
Site Details		Dwellings		GIA (sq m)						
Gross Area	5.35 ha	Total	150.00		14,786.4					
Net Area	4.28 ha	Market Housing	105.00		11,474.4					
Net to Gross Ratio	80.0%	Affordable Housing	45.00		3,312.0					
Density	35.05 dwellg per net ha	% Affordable Housing	30.00%							
Scheme Revenue										
		Affordable Housing								
	Total	Market	Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership			
Total No of Dwellings	150.00	105.00	-	31.50	-	-	13.50			
Total GIA (sq m)	14,786.4	11,474.4	-	2,318.4	-	-	993.6			
Tenure Split (by % dwellings)		70.0%	0.0%	21.0%	0.0%	0.0%	9.0%			
Total Revenue	65,792,618	58,831,468	-	4,589,554	-	-	3,171,696			
Average Revenue per unit	438,617	552,860	-	145,700	-	-	234,938			
Average Revenue per sq m GIA	4,450	5,057	-	1,980	-	-	3,192			
Total Capital Contributions	-									
Total Commercial Elements	-									
Total Scheme Revenue	65,792,618									
Scheme Development Costs										
	Total	Market	Affordable Housing				Per dwelling	per sq m		
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership			
Built Cost	22,907,882	17,833,654	-	3,888,459	-	-	1,580,788	152,886	1,549	
Additional Dwelling Standards	49,350	34,545	-	10,364	-	-	4,442	329	3	
Professional Fees	2,290,288	1,763,365	-	368,846	-	-	158,077	15,269	155	
Marketing Costs (market housing)	1,740,942	1,740,942	-	-	-	-	-	16,580	152	
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-	
Exceptional Development Costs	1,661,228	1,162,960	-	348,858	-	-	149,511	11,075	112	
Planning Obligations Costs	345,000	-	-	-	-	-	-	2,300	23	
Commercial Elements Costs	-									
Community Infrastructure Levy	-								£0 per market sq m	
Developer's Return for Risk and Profit										
Developer's Return (Market housing)	11,806,280							110,536	1,011	20.0% market revenue
Contractor's Return (Aff housing)	347,769	-	-	243,438	-	-	104,331	7,728	105	6.0% aff built & prof fees
Total Development Costs	48,943,739							272,958	2,769	
Total Operating Profit	24,848,871							185,659	1,881	
Finance Costs and Residual Value										
DCF Period	2 years									
Debt Interest Rate	6.0%									
Credit Interest Rate	0.0%									
Annual Discount Rate	3.5%									
Revenue and Capital Contributions	65,792,618									
Total Development Cost	48,943,739									
Finance Cost	-									
Annual Discount Rate Cost	1,652,184									
Total Dev Cost, Finance Cost & ADR Cost	42,595,923									
Gross Residual Value	23,196,687									
Agents Fees	385,829	1.75% residual value (post SDLT)								
Legal Fees	-	0.00% residual value (post SDLT)								
Stamp Duty	1,148,334	Based on HMRC SDLT rates								
Net Residual Value	21,661,524									
per gross ha	4,048,893									
per net ha	5,061,704									
per dwelling	144,410									
per market dwelling	206,300									
Notes: (use Alt+Enter to start a new line)										

Res10 250 dwellings 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results										
Site Details	Waverley	Site Address	250 dwelling Scheme, 35dph mix, £7,500 per dwelling infrastructure/ opening up costs			Site Reference	Blackwater BRMA			
Scheme Description		Notes				Application No				
						Date Saved	06/03/2018			
Site Details		Dwellings		GIA (sq m)						
Gross Area	8.33 ha	Total	250.00	24,644.0						
Net Area	7.14 ha	Market Housing	175.00	19,124.0						
Net to Gross Ratio	80.0%	Affordable Housing	75.00	5,520.0						
Density	35.00 dwgs per net ha	% Affordable Housing	30.00%							
Scheme Revenue										
	Total	Market	Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership			
Total No of Dwellings	250.00	175.00	-	52.50	-	-	22.50			
Total GIA (sq m)	24,644.0	19,124.0	-	3,884.0	-	-	1,636.0			
Tenure Split (by % dwellings)		70.0%	0.0%	21.0%	0.0%	0.0%	9.0%			
Total Revenue	109,654,358	86,719,000	-	7,649,258	-	-	5,286,094			
Average Revenue per unit	438,617	552,680	-	145,700	-	-	234,938			
Average Revenue per sq m GIA	4,450	5,057	-	1,980	-	-	3,192			
Total Capital Contributions	-									
Total Commercial Elements	-									
Total Scheme Revenue	109,654,358									
Scheme Development Costs										
	Total	Market	Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership	Per dwelling	per sq m	
Built Cost	38,171,489	29,389,423	-	6,147,432	-	-	2,634,614	152,686	1,549	
Additional Dwelling Standards	82,250	57,575	-	17,273	-	-	7,403	329	3	
Professional Fees	3,817,147	2,938,942	-	614,743	-	-	263,461	15,269	155	10.0% built costs
Marketing Costs (market housing)	2,901,570	2,901,570	-	-	-	-	-	16,580	152	3.0% market revenue
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-	0.0% affordable revenue
Exceptional Development Costs	3,143,714	2,260,600	-	680,180	-	-	262,934	12,575	128	
Planning Obligations Costs	575,000							2,300	23	
Commercial Elements Costs	-									
Community Infrastructure Levy	-									£0 per market sq m
Developer's Return for Risk and Profit										
Developer's Return (Market housing)	19,343,800							110,536	1,011	20.0% market revenue
Contractor's Return (Aff housing)	579,615			405,731	-	-	173,885	7,728	105	6.0% aff built & prof fees
Total Development Costs	68,614,585							274,458	2,784	
Total Operating Profit	41,039,785							184,150	1,865	
Finance Costs and Residual Value										
DCF Period	3 years									
Debit Interest Rate	6.0%									
Credit Interest Rate	0.0%									
Annual Discount Rate	3.5%									
Revenue and Capital Contributions	109,654,350									
Total Development Cost	68,614,585									
Finance Cost	1,060,516									
Annual Discount Rate Cost	3,900,250									
Total Dev Cost, Finance Cost & ADR Cost	73,595,340									
Gross Residual Value	36,059,010									
Agents Fees	599,665	1.75% residual value (post SDLT)								
Legal Fees	-	0.00% residual value (post SDLT)								
Stamp Duty	1,792,451	Based on HMRC SDLT rates								
Net Residual Value	33,666,895									
	per gross ha									
	per net ha									
	per dwelling									
	per market dwelling									
Notes: (use Alt+Enter to start a new line)										

Res11 400 dwellings 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results									
Site Details	Waverley		Site Address	400 dwelling Scheme, 35dph mix, £7,500 per dwelling infrastructure/ opening up costs		Site Reference	Blackwater BRMA		
Scheme Description			Notes			Application No			
						Date Saved	06/03/2018		
Site Details			Dwellings	GIA (sq m)					
Gross Area	15.24	ha	Total	400.00	39,430.4				
Net Area	11.43	ha	Market Housing	280.00	30,598.4				
Net to Gross Ratio	75.0%		Affordable Housing	120.00	8,832.0				
Density	35.00	dwgvs per net ha	% Affordable Housing	30.00%					
Scheme Revenue									
	Total	Market	Affordable Housing						
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Total No of Dwellings	400.00	280.00	-	84.00	-	-	36.00		
Total GIA (sq m)	39,430.4	30,598.4	-	6,182.4	-	-	2,649.6		
Tenure Split (by % dwellings)		70.0%	0.0%	21.0%	0.0%	0.0%	9.0%		
Total Revenue	175,446,960	154,750,400	-	12,238,810	-	-	8,457,750		
Average Revenue per unit	438,617	552,680	-	145,700	-	-	234,938		
Average Revenue per sq m GIA	4,450	5,057	-	1,980	-	-	3,192		
Total Capital Contributions	-								
Total Commercial Elements	-								
Total Scheme Revenue	175,446,960								
Scheme Development Costs									
	Total	Market	Affordable Housing				Per dwelling	per sq m	
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Build Cost	61,074,351	47,023,077	-	9,835,892	-	-	4,215,382	152,686	1,549
Additional Dwelling Standards	131,600	92,120	-	27,636	-	-	11,844	329	3
Professional Fees	6,107,435	4,702,308	-	983,589	-	-	421,538	15,269	155
Marketing Costs (market housing)	4,642,512	4,642,512	-	-	-	-	-	16,580	152
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-
Exceptional Development Costs	5,029,942	3,520,959	-	1,056,288	-	-	452,695	12,575	128
Planning Obligations Costs	920,000							2,300	23
Commercial Elements Costs	-								
Community Infrastructure Levy	-								
Developer's Return for Risk and Profit									
Developer's Return (Market housing)	30,950,080							110,536	1,011
Contractor's Return (Aff housing)	927,384		-	649,169	-	-	278,215	7,728	105
Total Development Costs	109,783,304							274,458	2,784
Total Operating Profit	65,663,656							164,159	1,665
Finance Costs and Residual Value									
DCF Period	4 years								
Debit Interest Rate	6.0%								
Credit Interest Rate	0.0%								
Annual Discount Rate	3.5%								
Revenue and Capital Contributions	175,446,960								
Total Development Cost	109,783,304								
Finance Cost	1,317,498								
Annual Discount Rate Cost	8,272,199								
Total Dev Cost, Finance Cost & ADR Cost	119,373,001								
Gross Residual Value	56,073,959								
Agents Fees	932,413	1.75% residual value (post SDLT)							
Legal Fees	-	0.00% residual value (post SDLT)							
Stamp Duty	2,793,198	Based on HMRC SDLT rates							
Net Residual Value	52,348,348								
per gross ha	3,434,931								
per net ha	4,580,309								
per dwelling	130,871								
per market dwelling	186,958								
Notes: (use Alt+Enter to start a new line)									

Res12 2600 dwellings 30%AH, 70% Affordable Rent 30% Shared Ownership

Summary Results									
Site Details	Waverley	Site Address	Dunfold 2600 dwelling Scheme, 30%AH, 10.6k a106 per dwg, 30m OUC			Site Reference	Gulford BRMA		
Scheme Description		Notes				Application No	based on 011Nov17 version		
						Date Saved	06/03/2018		
Site Details		Dwellings		GIA (sq m)					
Gross Area	133.75 ha	Total	2,000.00	256,297.6					
Net Area	80.25 ha	Market Housing	1,620.00	198,889.6					
Net to Gross Ratio	60.0%	Affordable Housing	780.00	57,408.0					
Density	32.40 dwgs per net ha	% Affordable Housing	30.00%						
Scheme Revenue									
	Total	Market	Affordable Housing						
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Total No of Dwellings	2,600.00	1,828.00	-	546.00	-	-	234.00		
Total GIA (sq m)	256,297.6	198,889.6	-	40,185.6	-	-	17,222.4		
Tenure Split (by % dwellings)		70.0%	0.0%	21.0%	0.0%	0.0%	9.0%		
Total Revenue	1,121,424,340	986,857,868	-	81,562,865	-	-	53,863,875		
Average Revenue per unit	431,317	541,790	-	149,272	-	-	230,188		
Average Revenue per sq m GIA	4,375	4,958	-	2,028	-	-	3,128		
Total Capital Contributions	-								
Total Commercial Elements	-								
Total Scheme Revenue	1,121,424,340								
Scheme Development Costs									
	Total	Market	Affordable Housing				Per dwelling	per sq m	
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership		
Built Cost	355,876,240	273,948,511	-	57,349,410	-	-	24,578,319	136,875	1,380
Additional Dwelling Standards	855,400	598,780	-	179,634	-	-	76,986	329	3
Professional Fees	28,470,099	21,915,881	-	4,587,953	-	-	1,968,265	10,950	111
Marketing Costs (market housing)	29,581,734	29,581,734	-	-	-	-	-	16,254	149
Marketing Costs (aff housing)	-	-	-	-	-	-	-	-	-
Exceptional Development Costs	34,083,248	23,858,274	-	7,157,482	-	-	3,067,492	13,109	133
Planning Obligations Costs	50,960,000	-	-	-	-	-	-	19,600	199
Commercial Elements Costs	-	-	-	-	-	-	-	-	-
Community Infrastructure Levy	-	-	-	-	-	-	-	-	-
Developer's Return for Risk and Profit									
Developer's Return (Market housing)	197,211,960	-	-	-	-	-	-	108,258	992
Contractor's Return (Aff housing)	5,308,917	-	-	3,716,242	-	-	1,592,675	6,896	92
Total Development Costs	702,347,198							270,134	2,740
Total Operating Profit	419,077,142							181,184	1,835
Finance Costs and Residual Value									
DCF Period	14 years								
Debit Interest Rate	6.0%								
Credit Interest Rate	0.0%								
Annual Discount Rate	3.5%								
Revenue and Capital Contributions	1,121,424,340								
Total Development Cost	702,347,198								
Finance Cost	3,436,121								
Annual Discount Rate Cost	158,865,567								
Total Dev Cost, Finance Cost & ADR Cost	864,648,886								
Gross Residual Value	256,775,454								
Agents Fees	4,260,075	1.75% residual value (post SDLT)							
Legal Fees	-	0.00% residual value (post SDLT)							
Stamp Duty	12,628,273	Based on HMRC SDLT rates							
Net Residual Value	239,878,108								
	per gross ha	1,791,986							
	per net ha	2,985,643							
	per dwelling	92,784							
	per market dwelling	131,891							
Notes: (use Alt+Enter to start a new line)									

Appendix 5

New Forest CIL Submissions

Other costs

Type	Cost	Comment
Flats (1-2 storeys)	£1,537.6	sq m includes 15% for external works
Flats (3-5 storeys)	£1,579.0	sq m includes 15% for external works
Houses	£1,327.1	sq m includes 15% for external works
2 to 3 houses	£1,393.5	sq m includes 15% for external works (5% increase over standard house build cost)
Single house	£2,205.7	sq m includes 15% for external works
Bungalows	£1,596.2	sq m includes 15% for external works
Sheltered Housing	£1,654.9	sq m includes 15% for external works (assume 3 storeys)
Professional fees	9%-12%	10 units or less – 12% 11 – 50 units – 10% 51 – 100 units – 9%
Finance	6%	of development costs (net of inflation)
Marketing fees	3%	of market GDV – all market units except sheltered / extra care for which a figure of 6% is used.
Developer return	20%	of market GDV
Contractor return	6%	of affordable build costs
s106/278	£2,500	Residual S106 to cover open space & some site specific
Habitat Contributions	£4,000	Per dwelling
Strategic infrastructure costs/ opening up	>55 units 75k/net ha >100 units £100k/net ha	net ha for larger sites
Void costs	£50,000 £100,000	Smaller sheltered and extracare schemes Sheltered / extracare 50+
Agents and legal	1.75%	

Densities

Median density - 30dph

Net to gross ratios: varies between 100% and 77% depending on site specifics

Build out rate / DCF period

2 years CS11

3 years CS10, CS11a

4 years CS12

All other sites 1 year

4. Benchmark Land Values

NFNPA	Value per gross hectare	RES
All areas	£2m	£10K per plot
Alternative – more likely to be applicable in Brockenhurst on smaller sites	£2.5m	

Appendix 6

East Devon 2013 CIL Submissions

- 5.1.6 For (large-scale) greenfield development we assume between 10 to 20 times agricultural value – using £20,000 per hectare as agricultural land value in Devon. The higher multiples will apply in higher value areas. For the case studies, we put forward indicative benchmark values based on this range but note that higher or lower values may apply.
- 5.1.7 Site acquisition costs, which include Stamp Duty Land Tax, fees and land holding costs have been allowed. These vary, depending on the scale and type of development from 2% to 10%.
- 5.1.8 Two types of testing have been undertaken:
- A notional 1 hectare site (at a range of densities from 20dph to 50dph);
 - A series of 12 case studies ranging in size from 1 to 400 dwellings and a large-scale strategic site modelled at 1,250 dwellings. The case studies are representative of development in the district and are based on information provided by the Council. Annex 5 sets out the details of the case studies.

5.1.9 Key assumptions used in the analysis of residual values for both the 1 hectare and case study sites include:

- Build Costs
 - Flats - £1,090 per sq m, houses - £980 per sq m. These figures are based on BCIS data. They are adjusted for East Devon and include a 15% additional cost for external works (e.g. local roads, pavements, incidental landscaping).
- Other Development Costs
 - Professional Fees – 12%
 - Internal Overheads – 5%
 - Interest Rate – (Market and Affordable Housing) – 7.5%
 - Marketing fees – 3%
 - Developer's Return – 17%
 - Contractor's return – 6%

Total return to the developer (for market housing) approximates to around 20% (i.e. internal overhead plus developer's return).

- 5.1.10 In addition to the CIL levy, it is assumed that there will be a residual s106 payment of £3,500 per dwelling for planning obligation costs not covered by CIL (e.g. on-site provision of open space, play areas, allotments, community buildings, cycle routes, flood prevention, travel requirements, art, renewable energy and biodiversity mitigation). A further £1,000 per dwelling is also allowed to achieve compliance with the changes to the Building Regulations¹⁰ which, we understand, will be introduced during 2013. Further changes may be introduced to Building Regulation for 2016 but their scale and scope is unclear. If substantial additional costs were to be introduced in 2016, the Council will need to consider

¹⁰ <http://www.communities.gov.uk/documents/planningandbuilding/pdf/2077834.pdf> page 26 Table 3 – Fees plus efficient services

Table 3-3 Build Costs

Use	Build cost per sqm
B1 – town centre office	£1,262
B1 – edge of Exeter business park	£1,214
B1c/2 – industrial 1500 sqm	£680
B2 - industrial edge of Exeter 5000 sqm	£680
B8 – warehouse edge of Exeter 5000 sqm	£553
Retail – warehouse style	£680
Retail – out of town centre convenience retail	£1,112
Retail – town centre	£786
Multi leisure parks (cinemas, gambling etc)	£1,398
Health and fitness centres (gyms etc)	£1,108
Budget hotel	£1,282
Care homes	£1,316

Source: PBA research and industry workshop⁵.

3.2.6 Lastly, for other development costs we have assumed standard industry assumptions using viability guidance (including the recently published Viability Testing Local Plans (June 2012)) in addition to discussion with, and feedback from, agents, developers and other development industry stakeholders.

Table 3-4 Other Costs

Costs	Assumptions
External works	10% of build costs
Project/design team fees	12% of all construction
Developer contributions (non-CIL)	£0-£100 / sqm depending on the development
Finance	7.5% of build costs
Marketing & sales fees	4% of gross development value (GDV)
Developer's profit	22% of GDV of market units

Land for Non-Residential Development

3.2.7 Establishing the existing use value (EUV) of land, and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability, can be a complex process. There are a wide range of site specific variables which effect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

3.2.8 Therefore as a starting point for non-residential development, we have looked at VOA data for serviced industrial land in areas in and around East Devon as well as any available transaction or sale price data. We are also informed by discussion at the development industry workshop, although this noted that in the past some land has been purchased at

⁵ We also used information from TRI/BDRC, 2007, Budget Hotels 2007 UK for build costs for budget hotels.

Appendix 7

ARGUS Appraisal 30 Unit Scheme –
Three Dragons Input

Generic 30 Unit Three Dragons Inputs
East Devon CIL Representations

**Generic 30 Unit Three Dragons Inputs
East Devon CIL Representations**

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Open Market Housing	15	16,980	382.16	432,600	6,489,000
RSL Housing	<u>15</u>	<u>12,345</u>	164.22	135,150	<u>2,027,250</u>
Totals	30	29,325			8,516,250

NET REALISATION **8,516,250**

OUTLAY

ACQUISITION COSTS

Residualised Price (2.22 Acres 1,049,776.93 pAcre)		2,330,505			2,330,505
Stamp Duty				106,195	
Agent Fee		1.25%		29,131	
Legal Fee		0.50%		11,653	
					146,979

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Open Market Housing	16,980	110.23	1,871,705	
RSL Housing	<u>12,345</u>	110.23	<u>1,360,789</u>	
Totals	29,325		3,232,495	3,232,495

Externals/Contingency	15.00%	280,756		280,756
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Other Construction

Exceptional Development Costs			91,493	
Planning Obligation Costs			51,048	
Externals and Contingency	15.00%	204,118		
				346,659

PROFESSIONAL FEES

Professional Fees	8.00%	297,390		297,390
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DISPOSAL FEES

Marketing Cost	3.00%	194,670		194,670
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FINANCE

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				266,556

TOTAL COSTS **7,096,009**

PROFIT **1,420,241**

Performance Measures

Profit on Cost%	20.01%
Profit on GDV%	16.68%
Profit on NDV%	16.68%
IRR	32.31%
Profit Erosion (finance rate 6.000)	3 yrs 1 mth

Appendix 8

ARGUS Appraisal 30 Unit Scheme –
Industry Standard Inputs

Generic 30 Unit Industry Standard
East Devon CIL Representation

**Generic 30 Unit Industry Standard
East Devon CIL Representation**

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Open Market Housing	15	16,980	382.16	432,600	6,489,000
RSL Housing	<u>15</u>	<u>12,345</u>	164.22	135,150	<u>2,027,250</u>
Totals	30	29,325			8,516,250

NET REALISATION **8,516,250**

OUTLAY

ACQUISITION COSTS

Residualised Price			1,634,714	
Residualised Price (Negative land)			(146,409)	
				1,488,305
Stamp Duty			71,236	
Agent Fee		1.25%	20,434	
Legal Fee		0.50%	8,174	
Town Planning Fees and Costs			50,000	
				149,843

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Open Market Housing	16,980	121.33	2,060,183	
RSL Housing	<u>12,345</u>	121.33	<u>1,497,819</u>	
Totals	29,325		3,558,002	3,558,002

Contingency		5.00%	204,585	204,585
-------------	--	-------	---------	---------

Other Construction

Exceptional Development Costs			91,493	
Planning Obligation Costs			51,048	
Externals		15.00%	309,028	
7 Garages			84,000	
Externals		15.00%	224,673	
				760,241

PROFESSIONAL FEES

Professional Fees		10.00%	417,570	417,570
-------------------	--	--------	---------	---------

DISPOSAL FEES

Sales Agent Fee		3.00%	194,670	
Sales Legal Fee		0.50%	42,581	
				237,251

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				279,259

TOTAL COSTS **7,095,058**

PROFIT **1,421,192**

Performance Measures

Profit on Cost%	20.03%
Profit on GDV%	16.69%
Profit on NDV%	16.69%
IRR	37.74%
Profit Erosion (finance rate 7.000)	2 yrs 8 mths

Appendix 3

Recent BCIS Data from April 2019



Average prices

Results

▶ Rebased to East Devon (103; sample 16) Edit

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.**Last updated:** 13-Apr-2019 00:45

Maximum age of results: 5 years ▼

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (5)	1,284	800	1,134	1,244	1,403	2,979	364
810.1 Estate housing							
Generally (5)	1,312	749	1,095	1,226	1,441	4,475	273
Single storey (5)	1,588	937	1,275	1,566	1,752	4,475	55
2-storey (5)	1,221	749	1,057	1,174	1,347	2,161	207
3-storey (5)	1,494	957	1,152	1,405	1,702	2,649	9
810.11 Estate housing detached (5)	2,257	1,405	1,590	2,160	2,287	4,475	7
810.12 Estate housing semi detached							
Generally (5)	1,268	749	1,101	1,206	1,427	2,201	80
Single storey (5)	1,500	1,007	1,294	1,510	1,622	2,201	19
2-storey (5)	1,199	749	1,081	1,163	1,343	1,924	60
810.13 Estate housing terraced							
Generally (5)	1,336	844	1,101	1,271	1,462	2,649	41
2-storey (5)	1,269	844	1,092	1,249	1,377	1,890	36
3-storey (5)	1,817	1,101	-	1,758	-	2,649	4
816. Flats (apartments)							
Generally (5)	1,495	843	1,233	1,380	1,667	5,195	240
1-2 storey (5)	1,458	923	1,222	1,376	1,561	2,424	69
3-5 storey (5)	1,459	843	1,233	1,377	1,646	2,804	156
6+ storey (5)	2,049	1,105	1,438	1,666	1,949	5,195	15
818. Housing with shops, offices, workshops or the like (5)	2,135	1,057	1,662	2,179	2,472	3,363	23
820.1 'One-off' housing detached (3 units or less)							
Generally (5)	2,354	939	1,560	2,131	3,019	5,321	43
Single storey (5)	1,695	1,179	1,315	1,454	1,680	3,057	6
2-storey (5)	2,258	939	1,611	2,094	2,845	4,145	22
3-storey (5)	2,625	1,244	1,753	2,778	3,002	4,781	12
820.2 'One-off' housing semi-detached (3 units or less) (5)	1,841	1,080	1,568	1,891	2,167	2,249	16
843. Supported housing							
Generally (5)	1,617	853	1,291	1,512	1,978	2,874	37
Single storey (5)	1,876	1,512	1,633	1,978	1,988	2,270	5
2-storey (5)	1,661	1,149	1,414	1,490	1,912	2,393	11
3-storey (5)	1,425	853	1,260	1,331	1,607	2,061	15
4-storey or above (5)	1,799	1,048	1,195	1,488	2,468	2,874	6
843.1 Supported housing with shops, restaurants or the like (5)	1,814	1,496	1,553	1,590	1,933	2,640	7
852. Hotels (5)	2,337	1,807	-	2,218	-	3,102	4
856.2 Students' residences, halls of residence, etc (5)	1,811	1,230	1,609	1,869	2,017	2,205	17

[PREVIOUS](#)

[Define - 1. Basic parameters](#)

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Appendix 4

Copy of correspondence



S T U R T
& C O M P A N Y

Ref: RAS/es

17th April 2019

Keith Lane Esq
East Devon District Council
Planning Policy Department
Knowle
Sidmouth
EX10 8HL

Dear Keith

East Devon Affordable Housing SPD

Further to the above consultation we are requesting a copy of the Three Dragons Excel toolkit that has been used to assess the SPD and supporting residual appraisals.

Without access to these Excel spreadsheets it is not possible to fully test your SPD. I must remind It is normal for both parties when testing viability to disclose their appraisals in an open manner that allows for the assessment from both other professionals and of course members of the public. Paragraph 57 of the NPPF makes this clear.

*“All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and **should be made publicly available.**”*

You have previously refused access to these Active Valuation model/spreadsheets and we see no reason why this information cannot be released.

Yours sincerely



Richard Sturt
MRICS, FRGS, MSc, BSc (Hons)

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Appendix 5

Appeal Decision



Appeal Decision

Inquiry held on 12-15 February 2019

Accompanied site visit made on 14 February 2019

by Alex Hutson MATP CMLI MARborA

an Inspector appointed by the Secretary of State

Decision date: 8th April 2019

Appeal Ref: APP/B1740/W/18/3209706

Land next to School Lane, Milford on Sea, Lymington SO41 0TU

- The appeal is made under section 78 of the Town and Country Planning Act 1990 (the Act) against a refusal to grant planning permission.
 - The appeal is made by Pennyfarthing Homes against the decision of New Forest District Council.
 - The application Ref 17/10606, dated 18 April 2017, was refused by notice dated 19 July 2018.
 - The development proposed is 42 dwellings comprised: 17 detached houses; 8 semi-detached houses; 11 terraced houses; 6 flats; garages; parking; landscaping; estate roads; junction access; footpaths; open space; play area; 5 allotments; and cycleway.
-

Decision

1. The appeal is allowed and planning permission is granted for development of 42 dwellings comprised: 17 detached houses; 8 semi-detached houses; 11 terraced houses; 6 flats; garages; parking; landscaping; estate roads; junction access; footpaths; open space; play area; 5 allotments; and cycleway at land next to School Lane, Milford on Sea, Lymington SO41 0TU in accordance with the terms of the application, Ref 17/10606, dated 18 April 2017, subject to the attached schedule of conditions.

Application for costs

2. At the Inquiry an application for costs was made by Pennyfarthing Homes against New Forest District Council. This application is the subject of a separate Decision.

Preliminary matters

3. The application originally sought planning permission for development to include 46 dwellings. However, during the course of the application, this was amended to 42 dwellings. This is reflected in the description of the proposed development in the banner heading above and I have considered the appeal on this basis.
4. The application and appeal form suggest that the appellant, Pennyfarthing Homes, is the main landowner. However, during the course of the appeal, it became apparent that this information was given in error and furthermore, that the appellant had not served the relevant notice on the main landowner as is required. Nevertheless, prior to the opening of the Inquiry, I was provided with a statutory declaration to confirm that the main landowner was aware of

the planning application and appeal and has no comments to make other than to support the proposal. On this basis, I am satisfied that the interests of the landowner have not been prejudiced and that the appeal can proceed.

5. The Government's updated revised National Planning Policy Framework (the Framework) and the Housing Delivery Test 2018 were published on 19 February 2019, subsequent to the close of the Inquiry. The main parties have been given the opportunity to comment on these matters and I have had regard to those comments in my determination of the appeal.
6. A completed Unilateral Undertaking (UU) pursuant to section 106 of the Act was submitted subsequent to the close of the inquiry. The UU deals with matters relating to land transfer, starter homes, affordable housing, open space, a children's play area, allotments, a car park, highway works, a cycleway, habitat mitigation and financial contributions in respect of some of these matters. I have taken note of the statement of compliance with the Community Infrastructure Levy Regulations 2010, as amended (CIL Regulations), which was submitted with evidence. On the basis of the contents of the UU and the compliance statement, I am content that all matters conform to the CIL Regulations and that the UU can be taken into account in my determination of the appeal.
7. Subsequent to the close of the Inquiry, an interested party indicated that they wished to speak on its final day as they were unable to attend the previous three days but, due to some miscommunication, I was not fully aware of this at the time. The interested party has provided some representations in writing and has requested that I consider them in light of this. Given the circumstances, I consider it reasonable for me to accept the representations and have regard to them. The appellant takes the same view and has been given the opportunity to comment on the representations.

Main issue

8. The main issue is whether the proposal would provide an acceptable level and mix of affordable housing.

Reasons

9. Policy CS12 of the New Forest District outside the National Park Core Strategy 2009 (Core Strategy) sets out that sites will be identified to allow for housing to address identified local need for affordable and low cost market housing which will not otherwise be met, including up to about 30 dwellings at Milford on Sea. This policy also sets out that development will be permitted subject to the affordable housing contribution requirements contained in Policy CS15(b) of the Core Strategy. Policy CS15(b) of the Core Strategy requires that on greenfield sites released to meet an identified local need for affordable housing which would not otherwise be met, the target will be a minimum of 70% affordable housing (40% social rented housing and 30% intermediate affordable) with the remainder of the site developed for low cost market housing, which could include starter homes. However, Policy CS15 of the Core Strategy also makes provisions for a lower level of affordable housing to be provided where it can be demonstrated that the target level is not economically viable.

10. The appeal site is located on the edge of the settlement of Milford on Sea and comprises part of a large agricultural field. Its southern part lies within the defined settlement boundary and its northern part within Green Belt. It is allocated under Policy MoS1 of the New Forest District outside the National Park Local Plan Part 2: Sites and Development Management 2014 (Local Plan) to provide residential development for local housing needs in accordance with Policies CS12 and CS15(b) of the Core Strategy, and for public open space. Policy MoS1 of the Local Plan requires, amongst other things, the provision of a maximum of 30 dwellings on the southern part of the site, which was removed from the Green Belt on the adoption of the Local Plan, and for 70% of dwellings provided to be affordable housing.
11. The proposal would provide 42 dwellings on the southern part of the appeal site and playing fields, a children's play area, allotments and a car park on the northern part. The proposal would also make provisions for footpaths and cycleways. Of the 42 dwellings, 6 would be for affordable rent, 6 would be for shared ownership and 7 would be starter homes. The remaining 23 dwellings would be for sale on the open market.
12. Whilst the Framework recognises starter homes as a form of affordable housing, there is dispute between the main parties relating to whether they can be defined as such in the context of the abovementioned local planning policies. Nevertheless, even if starter homes were to be included within the affordable housing offer, the overall provision would fall below the 70% affordable housing target level set out in Policy CS15(b) of the Core Strategy and Policy MoS1 of the Local Plan. Consequently, it should be demonstrated that to develop the appeal site to meet this affordable housing target level would not be economically viable.
13. The Council raises no concern in respect of the development of the appeal site with a greater level of housing than that set out within Policy CS12 of the Core Strategy and Policy MoS1 of the Local Plan. It also accepts that, by way of its own viability assessment (VA) as part of the appeal, to develop the appeal site to provide 70% affordable housing with the remainder low cost market housing would not be viable. It is, however, the Council's view that, on the basis of its own VA, a further 6 units of affordable housing (3 x affordable rent and 3 x shared ownership) could be provided. The appellant, on the other hand, contends that the VA it has undertaken as part of the appeal demonstrates that, similarly to the one undertaken as part of the original planning application process in liaison with the District Valuer Service (DVS) who act as independent property specialists, to provide more affordable housing than that proposed would not be viable.
14. There is no dispute between the main parties that there is an acute need for affordable housing in Milford on Sea and the District in general. Nevertheless, the main parties agree that viability lies at the heart of the appeal. Moreover, they take the view that if I favour the Council's VA, then the appeal should be dismissed for this reason and conversely, if I favour the appellant's VA, the proposal, in terms of the level, mix and tenure of housing proposed would be acceptable. The differences between the Council's and the appellant's VAs and the reasons for such differences is thus the key factor to my consideration of the main issue.

15. On this matter, the areas of difference are narrow. Furthermore, most areas of difference do not materially change either the appellant's or the Council's case and are thus not decisive. I therefore need not consider them in any further detail. The one area of difference on VA matters which is decisive relates to build costs. In respect of this, the appellant and the Council have used data for the New Forest District taken from the Building Cost Information Service (BCIS) of the Royal Institute of Chartered Surveyors. BCIS provides cost and price information for the construction industry and I understand that to use it in VAs is standard practice. The difference is that the Council has used the BCIS default median build cost data (default data), which includes data from the last 15 years, whilst the appellant has used BCIS median build cost data from the last 5 years (5 year data). The notable variance between using the default data and 5 year data can be seen in the construction costs of the proposed detached dwellings. The default data indicates a noticeably lower cost of constructing such dwellings than is indicated by the 5 year data. It is for this reason that the Council's VA suggests that a greater number of affordable dwellings could be provided, whilst still achieving a residual land value similar to the agreed benchmark land value, defined as a price for land which would incentive the landowner to sell for development, whereas the appellant's VA does not.
16. The Council's written evidence does not address why it prefers the default data. However, through cross examination, the Council viability witness indicated that although the 5 year data was more recent, it was not as representative as the default data given the small sample size and that the data is taken from building projects around the country, albeit adapted for local circumstances.
17. However, the sample size of the default data is also not extensive and it is my understanding that it too comprises data taken from house building projects around the country, albeit adapted for local circumstances. The appellant's written evidence sets out that the 5 year data has been used as it is more reflective of the current market and draws upon more relevant and recent house build projects which reflect current specifications and new build standards which were not applied historically. I was also informed that to prevent any build cost anomalies from abnormally distorting the 5 year data, the upper and lower 25% build cost figures are excluded and that, normally, if BCIS was not content with the sample size for a specific type of dwelling, it would not populate the relevant part of the table with any build cost data. I have no substantive reasons to consider otherwise. In addition to this, the DVS has confirmed, in an email from its Head of Viability to the appellant, that it uses the 5 year data for all residential projects. Moreover, that this data was used in the VA which accompanied the original planning application for the proposal and for VAs associated with other applications for residential development on sites allocated under policies of the Local Plan in the District which have been granted planning permission¹. It is also my understanding that the 5 year data has been used in the consideration of viability for proposed site allocations in the Council's emerging Local plan by the consultants tasked to undertake this.

¹ Including sites at: land north of Alexandra Road, Lymington (Policy LYM2 of the Local Plan); land south of Gore Road, New Milton (Policy NMT1 of the Local Plan); and land in Whitsbury Road, Fordingbridge (Policy FORD1 of the Local Plan).

18. Having regard to the above factors and having carefully considered all the written and oral evidence on matters relating to viability, it seems to me that for the appellant to adopt the 5 year data in its VA as part of the appeal is a reasonable approach to take. I therefore favour the appellant's VA over the Council's.
19. It is also worth noting here that numerous other sites allocated under Local Plan policies² which set out a 70% affordable housing target have not achieved this where planning applications have been approved by the Council, based on viability evidence, and where in some cases starter homes have been included in the mix of housing. The affordable housing levels approved on these sites, if starter homes are to be included within the figures, range between 35% and 50%, according to the evidence. If starter homes were to be included in the affordable housing offer in the proposal, the figure would be around 45%, so within a similar range. It is my understanding that the single exception to this relates to a site³ which was developed by a housing association. I have no compelling evidence before me to indicate that any such organisation would be interested in the purchase and development of the appeal site in a similar manner or could do so in a viable way. I am also aware that there are a number of other sites allocated under Local Plan policies⁴ which set out a 70% affordable housing target which have not progressed beyond this. Whilst it is not conclusive that viability is a factor in this, given the unknown reasons for this, it cannot be ruled out.
20. I therefore conclude that the appellant has demonstrated to an adequate degree through its viability evidence that the proposal would provide an acceptable level and mix of affordable housing in this instance, albeit that it would not fully address local need for such housing.
21. On the basis that the target level of affordable housing as set out in Policy CS15(b) of the Core Strategy and Policy MoS1 of the Local Plan would not be met, the proposal would conflict with the relevant parts of these policies. It would also conflict with Policy CS12 of the Core Strategy where it requires development to be subject to the affordable housing requirements set out in Policy CS15(b) of the Core Strategy, albeit that this policy is not specifically referenced on the Council's decision notice. Nonetheless, given the Council's own viability evidence indicates that the affordable housing target levels of these policies cannot be met, I afford such conflict limited weight. I also afford limited weight to conflict between the total number of dwellings proposed on the appeal site and any references to 30 dwellings contained within these policies, given that the Council has no objection to this and to set a maximum figure would be inconsistent with the aims and objectives of the Framework which seeks to significantly boost the supply of homes. Moreover, in light of my findings in respect of the appellant's viability evidence and the proposed level and mix of affordable housing, the proposal would comply with Policy CS15 overall, given that this policy makes allowances for the level of affordable housing provision based on economic viability. This is the overriding policy consideration given the interrelationship between the abovementioned development plan policies.

² Including those set out in Table 5 of the appellant's planning proof of evidence

³ Referred to orally by the Council's planning witness as being allocated under Policy HYD1 of the Local Plan and planning permission approved in November 2015

⁴ Including those set out in Paragraph 4.39 of the appellant's planning proof of evidence

Other matters

22. The appeal site lies within the zone of influence of the New Forest and Solent Coast European Nature Conservation Sites (European sites). In relation to these European sites, increased recreational visits associated with new housing development may lead to disturbance to the habitat of ground nesting birds, overwintering waders and wildfowl which contribute to their designation. Consequently, in the absence of mitigation, the proposal would, either alone or in combination with other plans or projects, be likely to have a significant effect on the European sites. In accordance with the Conservation of Species and Habitats Regulations 2017 (Habitats Regulations), as the competent authority, I have therefore undertaken an Appropriate Assessment (AA) of the implications of the proposal on these European sites.
23. The Habitats Regulations require that consultation is made with the appropriate nature conservation body, in this case Natural England (NE). NE has commented on the scheme and in relation to the Council's AA, and clearly states that there would be no need for further consultation provided appropriate mitigation proposals are incorporated. I am content that this satisfies the purposes of Regulation 63(3).
24. The Council's adopted Mitigation Strategy for European Sites Supplementary Planning Document 2014 (SPD) sets out the process for securing measures to mitigate the effect of housing development on the European sites. This includes a requirement for a financial contribution towards non-infrastructure access and visitor management and monitoring which would be secured through the submitted UU. It also includes measures to deflect potential visits away from the European sites through, for example, new areas of green space and the enhancement of existing green space and footpaths/rights of way.
25. The Council has a CIL Charging Schedule in place and the funding for mitigation aspects of the SPD which involve infrastructure, would, in most cases, be included within the CIL payment. However, this would not occur where development is CIL exempt, such as in the case of affordable housing. As affordable housing is not exempt from the provision of habitat mitigation, both the appellant and the Council agree that to adequately mitigate the effect of CIL exempt dwellings on the European sites, a negatively worded planning condition should be used to secure the appropriate mitigation. The Council has provided a detailed explanation as to why it considers this to be a suitable approach to take, having regard to Regulation 123 of the CIL Regulations and advice contained within the Planning Practice Guidance (PPG).
26. This explanation suggests that mitigation may be secured through mechanisms including a legal obligation, the provision of suitable land or for the developer to carry out works directly. In my view, all such approaches are likely to result in the submission of a legal undertaking or other agreement. Indeed, the Council's explanation itself accepts that in the majority of cases a planning obligation which seeks contributions is the most practical way of meeting the terms of the condition.
27. However, the PPG sets out that the use of such a condition to secure a planning obligation or other agreement is unlikely to be appropriate in the majority of cases. It goes on to require that a condition be used only in exceptional circumstances and in the case of more complex and strategically important

development where there is clear evidence that the delivery of the development would otherwise be at serious risk.

28. In this case, I am satisfied that, given the restrictions of the current framework for securing planning gain where there is the need for housing developments to provide mitigation for potential harm to European sites and due to the scale of development proposed, the circumstances can be considered as exceptional. Furthermore, on the evidence presented to me, I find that the scheme, when considered as a site allocated for housing against which the pressing need for affordable housing across the district is to be delivered, represents a sufficient level of complexity and strategic importance. To conclude otherwise would lead to an inference that the mitigation could not be secured by a negatively worded condition and my AA would find that the harm to the European sites would not be mitigated. This would put the delivery of the proposed development at serious risk.
29. Therefore, having considered all the evidence for this case carefully, I consider that the circumstances set out in the PPG are satisfied and that the suggested approach to take is a reasonable one to ensure the appropriate mitigation is secured. I therefore consider that taken together, the mechanisms to secure necessary mitigation are sufficient to ensure that harmful effects on the European sites can be avoided.
30. An ecological appraisal of the appeal site has identified the presence of some protected species. However, I am satisfied that its conclusions and recommendations demonstrate that any effects on these can be mitigated and that this can be secured through the use of an appropriately worded planning condition. The proposal would involve the removal and alteration of some hedgerows, including for the purposes of siting a new cycleway, which have been shown to support dormice, a European Protected Species (EPS). In accordance with the Habitat Regulations, I must consider the proposal against the three relevant tests to ascertain the likelihood of NE granting an EPS licence to carry out such works.
31. In this respect, I consider there to be a reasonable prospect of this as: (a) the proposal is in the public interest as the appeal site is allocated in the Local Plan and a number of new dwellings would be provided in an area where there is an agreed shortfall, as well as other benefits, including facilities for outdoor sport and recreation; (b) given the allocation of the appeal site in the Local Plan and the constraints to accommodate a cycleway, there is no satisfactory alternative; and (c) that the works authorised would not be detrimental to the maintenance of the population of dormice concerned given the mitigation measures proposed, which include the timing of the works, other precautionary measures and the provision of replacement hedgerows. Though some hedgerow works already appear to have been undertaken, this does not alter my view on this matter and the implications of this, insofar as any breach of the law is concerned, lie outside of my remit.
32. I have had regard to the concerns raised by interested parties, including in respect of Green Belt, more suitable brownfield land to develop, pressure on local services including the adjacent school, pressure on sewage systems, trees, access to services and facilities, light pollution, flood risk, noise, odour, pollution, character and appearance, tourism impact, safeguarding of school pupils, bathrooms with no windows, siting of the proposed car park, highway

- safety, crime, second homes and the prioritisation of affordable housing for local residents.
33. Paragraph 143 of the Framework sets out that inappropriate development is, by definition, harmful to the Green Belt and should not be approved except in very special circumstances. Paragraph 145 of the Framework sets out that the construction of new buildings within the Green Belt should be regarded as inappropriate, with an exception to this being the provision of appropriate facilities (in connection with the existing use of land or a change of use) for outdoor sport, outdoor recreation, cemeteries and burial grounds and allotments, as long as the facilities preserve the openness of the Green Belt and do not conflict with the purposes of including land within it. Paragraph 146 of the Framework sets out other forms of development which are not inappropriate in the Green Belt provided they preserve its openness and do not conflict with the purposes of including land within it, including material changes in the use of land (such as changes of use for outdoor sport or recreation, or for cemeteries and burial grounds).
34. With regard to the proposed dwellings, these would not be sited within the Green Belt. The change of use of the northern part of the appeal site for playing fields, a children's play area, allotments and footpaths and thus for outdoor sport and recreation, would, in my view, preserve the openness of the Green Belt and would not conflict with the purposes of including land within it, in accordance with Paragraph 146 of the Framework. The proposed car parking area in the northern part of the appeal site would primarily provide a facility in connection with the change of use of the land that I have just referred to, would be modest in size and any cars parked on it would be transient in nature. Thus, such a facility would, in my view, preserve the openness of the Green Belt and would not conflict with the purposes of including land within it, in accordance with Paragraph 145 of the Framework. Though I recognise that the proposed car park would at times also be used for school pick ups and drop offs, this does not alter my conclusions on this matter.
35. Though there may be some brownfield land or other land suitable for development in the area, this is somewhat immaterial given the allocated status of the appeal site for, amongst other things, housing. There is no substantive evidence to demonstrate that any services would be put under any undue pressure and I note that Hampshire County Council consider that the adjacent school would not be oversubscribed as a result of the proposal. Nor is there any compelling evidence to indicate that sewage systems would be overloaded. On this matter, Southern Water raise no objections and consider that foul water management could be dealt with by way of a suitably worded planning condition. I have no substantive reasons to take a different view.
36. I am satisfied, as is the Council's Tree Officer, that the submitted arboricultural report and associated tree protection plan show how trees to be retained will be protected throughout the development and a suitably worded planning condition could be imposed to ensure this. The southern part of the appeal site is located within the settlement boundary and thus any future occupiers of the proposed dwellings would be likely to have a reasonable level of access to local services and facilities within Milford on Sea, in a manner similar to the occupiers of other nearby housing development. In any event, the principle of housing development on the appeal site has been established through its allocation in the Local Plan.

37. Some lighting is likely to be required as part of the proposal. However, this is not unusual for development within an established settlement. In addition, the details of such could be secured through a planning condition to ensure sensitivity to its surroundings. The appeal site lies within a low flood risk zone and any surface water would be managed through a sustainable drainage system, the details of which I am satisfied, as are the Council, could be secured by way of a planning condition. The proposal, given its uses, is unlikely to generate any harmful levels of noise or odours.
38. No substantive evidence of pollution levels in the vicinity of the appeal site has been provided and, in any case, the additional car usage associated with a proposal of this scale would be unlikely to affect current or future pollution levels to a significant degree. Though the proposal would inevitably alter the character of the appeal site this would be seen in the context of the existing settlement of Milford on Sea and has been accepted through the allocation of the appeal site. Moreover, the Council considers that the proposal would create a distinctive place to live and would respond positively to local character and context. Having regard to the submitted plans, supporting images and my own observations of the appeal site and its surroundings, I would concur with this view and consider that the proposal, overall, would represent good design. Having regard to this, any tourists would be unlikely to see Milford on Sea as a less attractive place to visit.
39. The proposed dwellings which would be closest to the adjacent school have been arranged in a way that would avoid any significant overlooking of the playground areas. Also, pupils are likely to be supervised when using these areas and the school is also likely to have secure boundary fences. The proposal is therefore unlikely to raise any safeguarding issues for pupils of the school. Moreover, it is not unusual for residential development and schools to share boundaries. I note that some of the proposed dwellings are shown with bathrooms with no windows. Nonetheless, bathrooms are not main habitable rooms and natural lighting to them is therefore not so critical. Also, there are other ways to ventilate a bathroom and this matter is likely to be subject to building regulations.
40. The proposed car park would be only a short walk, along a pavement, from the school entrance and thus would be in a reasonable location to serve any pupil drop offs or pick ups should parents or carers wish to use it. It is also my understanding that the majority of parents or carers come from the north when dropping off or picking up pupils and thus any use of the proposed car park for such a purpose would be likely to reduce any congestion at the front of the school during these times. In addition, the proximity of the proposed dwellings to the school would encourage any travel to it by any of its future occupiers by means other than a car. On the basis of the evidence before me, I am also satisfied, as is the Council and the Highways Authority, that the access to the proposed car park would be provided with adequate sight lines to ensure the safe entrance and egress of vehicles from and to Lymington Road and that the local highway network would be able to accommodate safely any additional traffic movements that would arise from the proposal.
41. There is no substantive evidence to demonstrate that the proposal would increase crime in the area. It also appears to me that the proposed public spaces within the housing area would have a good level of natural surveillance by virtue of the dwellings which would front them. Furthermore, the

orientation of an open street towards the children's play area, and the siting of this facility close to the housing area, would provide a sense of safety to and natural surveillance of it. I acknowledge the concern that the proposed open market dwellings could be bought as second homes. Nevertheless, there is no compelling evidence that would lead me to believe that this would inevitably be the case. With regard to the allocation of affordable dwellings, it is my understanding that this would be undertaken via the normal Council procedures which include geographical location of residents with affordable housing needs as a factor.

42. I therefore consider that the concerns raised by interested parties do not weigh against the proposal.

Conditions

43. I have had regard to the conditions suggested by the Council. I have amended some of these for clarity and conciseness. In addition to the statutory time limit condition, a condition specifying the relevant drawings is necessary as this provides certainty. Those conditions relating to materials, landscaping, hedgerows, tree protection, lighting and slab levels are necessary in the interests of character and appearance. A condition relating to the recommendations of the ecological appraisal is necessary in the interests of biodiversity. A condition relating to a scheme to minimise any impact of construction activity on certain bird species is necessary for the same reason. A condition to secure appropriate mitigation is necessary to avoid adverse effects on European sites. A condition relating to mineral extraction is necessary in the interests of the beneficial use of natural resources. A condition relating to phasing is necessary in the interests of the appropriate delivery of development. Those conditions relating to archaeology are necessary in the interests of heritage. Conditions relating to parking, turning areas and construction management are necessary in the interests of highway safety. Conditions relating to foul and surface water drainage are necessary in the interests of the appropriate management of foul and surface water.
44. The Council considers, and the appellant agrees, that the size of certain plot sizes justifies the removal of some permitted development rights in the interests of character and appearance. I am satisfied that, on this basis and having regard to the submitted plans, exceptional circumstances have been demonstrated for such a condition.
45. I am also satisfied that those conditions which are pre-commencement are necessary to ensure the satisfactory layout of development, its appropriate phasing, biodiversity protection, the beneficial use of natural resources, archaeology protection, highway safety and appropriate water management. The appellant has confirmed acceptance of the pre-commencement conditions in writing.

Planning balance and conclusion

46. As I have identified, there would be some conflict with some of the policies of the Core Strategy and Local Plan. However, having regard to my findings on viability and thus the overall compliance with Policy CS15 of the Core Strategy, and that I find no other harm, the proposal would broadly comply with the development plan when read as a whole. Moreover, the Council accepts that it cannot demonstrate a 5 year housing land supply and that the shortfall is

considerable. The presumption in favour of sustainable development as set out in Paragraph 11 of the Framework is thus relevant and an important material consideration. On this matter, there would be no adverse impacts of granting planning permission that would significantly and demonstrably outweigh the benefits, which includes much needed affordable and market housing of an ratio to enable a viable scheme, when assessed against the policies of the Framework taken as a whole.

47. Accordingly, for the reasons set out above and having regard to all other matters, I conclude that the appeal should be allowed.

Alex Hutson

INSPECTOR

APPEARANCES

FOR THE APPELLANT:

Gary Grant, of Counsel

Instructed by Pennyfarthing Homes

He called:

James Stacey BA (Hons) DipTP
MRTPI

Director, Tetlow King Planning

Timothy Cann DIP MBA (Est.Man)
FRICS

Senior Director, BNP Paribas Real Estate

Jacqueline Mulliner BA (Hons)
BTP (Dist) MRTPI

Director, Terence O'Rourke Ltd

FOR THE LOCAL PLANNING AUTHORITY:

Paul Brown, of Queens Counsel

Instructed by New Forest District Council

He called:

Tim Davis MSc Cert CIH

Housing Development and Strategy
Manager, New Forest District Council

Gary Jeffries BSc MBA FRICS

Regional Managing Partner, Vail Williams
LLP

Ian Rayner MRTPI

Principal Planning Officer, New Forest
District Council

INTERESTED PARTIES:

Susan Whitlock
James Cain MRTPI

On behalf of Milford on Sea Parish Council
Planning Base Ltd on behalf of SLAM (School
Lane and Manor Road)

Patricia Banks

On behalf of Milford on Sea Parish Council
and as a Local Resident

Andrew Hallows
David Hodgson

On behalf of SLAM and as a Local Resident
Local Resident

DOCUMENTS SUBMITTED AT THE INQUIRY

1. Tree Protection Plan Ref 16283-BT6
2. List of agreed conditions and agreement in writing from the appellant in respect of pre-commencement conditions
3. Extracts from Planning Practice Guidance relating to viability
4. Opening and closing statements on behalf of the Council, the appellant, Milford on Sea Parish Council and SLAM (School Lane and Manor Road)
5. LPA1: Table of building costs differences between the main parties
6. A1: Email from Orion Heritage to Pennyfarthing Homes dated 1 February 2019
7. A2 and A3: Emails between Pennyfarthing Homes and the District Valuer Services dated between 1 February 2019 and 5 February 2019
8. A4: Comparison table of housing registers
9. A5: Email from i-Transport to Pennyfarthing Homes dated 14 February 2019
10. Appellant's costs application and the Council's response

DOCUMENTS SUBMITTED AFTER THE INQUIRY

1. Comments from the Council and the appellant in respect of the updated revised National Planning Policy Framework February 2019, updates to Planning Practice Guidance and the Housing Delivery Test 2018
2. Representations from an interested party and comments from the appellant in respect of those representations
3. Completed Unilateral Undertaking

SCHEDULE OF CONDITIONS:

- 1) The development hereby permitted shall be begun before the expiration of three years from the date of this permission.
- 2) The development hereby permitted shall be carried out in accordance with the following approved plans: LP.01 REV B; SL01 REV G; DBML01 REV G; CSE.01 REV B2; HT.403-A.e REV C; HT.403-A.p REV C; HT.403-B.e REV C; HT.403-B.p REV C; HT.1650.e.1 REV C; HT.1650.e.2 REV C; HT.1650.p REV C; HT.AND-A.e REV C; HT.AND-A.p REV C; HT.AND-H-A.e REV B; HT.AND-H-A.p REV B; HT.FLET.H.e REV C; HT.FLET.H.p REV C; HT.NORTH.e REV C; HT.NORTH.p REV C; HT.NORTH-H.e REV A; HT.NORTH-H.p REV A; S-GAR.01.pe REV C; D-GAR.02.pe REV C; T-GAR.03.pe REV B; SHED.pe REV C; CAR PORT.pe REV A; P.5.e REV B; P.5.p REV A; P.6-7.e REV A; P.6-7.p REV A; P.8.e REV A; P.8.p REV A; P.9-10.p REV C; P.9-10.e REV C; P.11-14.e REV A; P.11-14.p REV A; P.15-17.e REV B; P.15-17.p REV B (black and white version); P.18-23.cpe REV G; P.24-27.e1 REV D; P.24-27.e2 REV D; P.24-27.p REV D; P.28-29.p REV B; P.28-29.e REV B; P.30.e REV B; P.30.p REV B; P.38-39.p REV B; and P.38-39.e REV B.
- 3) Notwithstanding the submitted plans, no development shall take place until a detailed scheme of landscaping and a tree planting schedule for the site have been submitted to the local planning authority for its written approval. This scheme shall include:
 - (a) the existing trees and shrubs which have been agreed to be retained;
 - (b) a specification for new planting (species, size, spacing and location);
 - (c) details of the planting system to be used for trees within the hardstanding areas;
 - (d) details of the areas for hard surfacing and the materials to be used;
 - (e) details of the boundaries of the site and all other means of enclosure;
 - (f) a detailed design for the children's play area, with details of the play equipment to be installed;
 - (g) a precise specification of the proposed levels across the areas of proposed public open space;
 - (h) a precise specification of the playing field surface and the associated below surface drainage measures based on a full drainage survey; and
 - (i) a method and programme for its implementation, and the means to provide for its future management, including a watering scheme and maintenance.

No development shall take place above damp course level unless these details have been approved and then only in accordance with those details.

- 4) All planting, seeding or turfing comprised in the approved details of landscaping shall be carried out in the first planting and seeding seasons following the occupation of the development hereby permitted or its completion, whichever is the sooner. Any trees or plants which within a period of 5 years from the completion of the development hereby

permitted die, are removed or become seriously damaged or diseased shall be replaced in the next planting season with others of similar size or species.

- 5) No development shall take place until details of the methodology for the realignment and reinforcement of the boundary hedge to the Lymington Road frontage, where it is required to facilitate the provision of the approved cycleway, have been submitted to and approved in writing by the local planning authority. The methodology shall include the following specific details:
- (a) the extent of hedgerow that will be affected;
 - (b) a methodology for undertaking the works;
 - (c) mitigation measures that will be put in place to safeguard ecological interests (including birds and dormice); and
 - (d) if a suitable hedge realignment methodology (that would ensure the health and long-term survival of this hedge) under (b) is not achievable, details of proposals for a replacement hedge.

Works shall be undertaken in strict accordance with the agreed methodology, under professional ecological supervision.

- 6) No development shall take place until a hedgerow management plan has been submitted to and approved in writing by the local planning authority. This management plan shall include details of the methodology for any hedge removal approved as part of this development and the future maintenance/management of all retained hedges. The methodology and management as agreed shall be undertaken in accordance with the approved details under professional ecological supervision.
- 7) No development shall take place until a plan for the incidental extraction of mineral deposits from the site has been submitted to and approved in writing by the local planning authority. The plan shall consist of a written statement outlining:
- (a) a method for ensuring that minerals that can be viably recovered during the development operations are recovered and put to beneficial use; and
 - (b) a method to record the quantity of recovered mineral (re-use on site or off site) and to report this data to the local and minerals planning authorities.

Development shall only proceed in accordance with the approved plan.

- 8) No development shall take place until a phasing plan, setting out the detailed phasing of the construction of all aspects of the development hereby permitted, has been submitted to and approved in writing by the local planning authority. Development shall thereafter be implemented in full accordance with the approved phasing plan.
- 9) No development shall take place until a programme of archaeological work including a Written Scheme of Investigation has been submitted to and approved in writing by the local planning authority. The scheme shall include an assessment of significance and research questions; and:
- (a) the programme and methodology of site investigation and recording;

- (b) the programme for post investigation assessment;
- (c) details of provision to be made for analysis of the site investigation and recording;
- (d) details of provision to be made for publication and dissemination of the analysis and records of the site investigation;
- (e) provision to be made for archive deposition of the analysis and records of the site investigation; and
- (f) nomination of a competent person or persons/organisation to undertake the works set out within the Written Scheme of Investigation.

Development shall not take place other than in accordance with the approved Written Scheme of Investigation.

- 10) No dwelling shall be occupied until the analysis, publication and dissemination of the results of the approved Written Scheme of Investigation and archive deposition has been secured and the details made available to the local planning authority.
- 11) No development shall take place until a Construction Management Plan (CMP) has been submitted to and approved in writing by the local planning authority. The CMP shall include the following details:
 - (a) a programme and phasing of construction work;
 - (b) the provision of long-term facilities for contractor parking;
 - (c) the arrangements for deliveries associated with all construction works;
 - (d) methods and phasing of construction works;
 - (e) access and egress for plant and machinery;
 - (f) protection of pedestrian routes during construction; and
 - (g) the location of temporary site buildings, compounds, construction materials and plant storage areas.

Development shall be implemented in accordance with the approved CMP.

- 12) No development shall take place until details of the means of disposal of foul water from the site have been submitted to the local planning authority for its written approval. No above ground construction shall take place until these details have been approved, and then only in accordance with the approved details.
- 13) Notwithstanding the submitted details, no development shall take place until surface water drainage works have been submitted to the local planning authority for its written approval, and the development hereby permitted shall not thereafter be occupied until the approved surface water drainage works have been fully implemented. Before any details are submitted to the local planning authority an assessment shall have been carried out of the potential for disposing of surface water by means of a sustainable drainage system, having regard to Defra's non-statutory technical standards for sustainable drainage systems (or any subsequent version), and the results of the assessment shall then be provided to the local planning authority with the proposed scheme of surface drainage works. Where a sustainable drainage scheme is to be provided, the submitted details shall:
 - (a) provide information about the design storm period and intensity, the method employed to delay and control the surface water

- discharged from the site and the measures taken to prevent pollution of the receiving groundwater and/or surface waters;
- (b) include a timetable for its implementation; and,
 - (c) provide a management and maintenance plan for the lifetime of the development which shall include the arrangements for adoption by any public authority or statutory undertaker and any other arrangements to secure the operation of the scheme throughout its lifetime.
- 14) No development shall take place until proposals for the mitigation of the impact of the development hereby permitted on the New Forest and Solent Coast European Nature Conservation Sites have been submitted to and approved in writing by the local planning authority, and the local planning authority has confirmed in writing that the provision of the proposed mitigation has been secured. Such proposals must:
- (a) provide for mitigation in accordance with the New Forest District Council Mitigation Strategy for European Sites Supplementary Planning Document 2014 (or any amendment to or replacement for this document in force at the time), or for mitigation to at least an equivalent effect; and
 - (b) provide details of the manner in which the proposed mitigation is to be secured. Details to be submitted shall include arrangements for the ongoing maintenance and monitoring of any Suitable Alternative Natural Green Spaces which form part of the proposed mitigation measures together with arrangements for permanent public access thereto.

The development shall be carried out in accordance with and subject to the approved proposals.

- 15) No development shall take place above damp course level until samples of the facing and roofing materials to be used have been submitted to and approved in writing by the local planning authority. The development shall be implemented in accordance with the approved details.
- 16) Before development commences in respect of any dwelling hereby permitted, the proposed slab levels in relation to the existing ground levels, set to an agreed datum, shall be submitted to and approved in writing by the local planning authority. Development shall be implemented in accordance with the approved slab levels.
- 17) No dwelling shall be occupied until the areas for the parking of cars and cycles associated with that dwelling have first been provided and made available in accordance with the approved plans. These areas shall be retained and made available for their intended purposes thereafter.
- 18) The development hereby permitted shall not be occupied until the areas for the turning of vehicles have been provided and made available in accordance with the approved plans. These areas shall be retained and made available for their intended purpose thereafter.
- 19) The 36 unallocated parking spaces in the northern part of the site that are designed to provide parking for the open space, allotments and school drop offs/pick ups shall be provided and made available before the occupation of any dwelling hereby permitted. These spaces shall be retained and made available for their intended purpose thereafter and at

- no time shall any of these spaces be allocated to any of the dwellings hereby permitted.
- 20) No development shall take place between 1st October and 31st March inclusive unless a mitigation scheme to minimise the impact of construction activities on wintering Brent geese and waders has been submitted to and approved in writing by the local planning authority. Development shall be implemented in accordance with the approved mitigation scheme.
- 21) No external lighting shall be installed until a detailed scheme of lighting has been submitted to and approved in writing by the local planning authority. The scheme shall include a detailed specification of lighting columns/fixtures, designs and locations. Development shall only proceed in accordance with the approved details.
- 22) The trees/hedges on the site which are shown to be retained on the approved plans shall be protected during all site clearance and building works in accordance with the measures set out in the Barrell Tree Consultancy Arboricultural Assessment and Method Statement (Ref 16283-AA5-DC) dated 10th June 2018 and the Barrell Tree Protection Plan (Ref 16283-BT6) and in accordance with the recommendations set out in BS 5837: 2012. The tree protection measures that are installed shall be maintained and retained for the full duration of the works or until such time as agreed in writing with the local planning authority.
- 23) The works hereby approved shall be undertaken in strict accordance with the Ecological Appraisal and Phase 2 Surveys undertaken by Lindsay Carrington Ecological Services dated June 2018 and the supplementary letter dated 8 June 2018.
- 24) Notwithstanding the provisions of the Town and Country Planning (General Permitted Development) Order 2015 (or any re-enactment of that Order), no extension otherwise approved by Classes A, B and C of Part 1 of Schedule 2 to the Order, or garage or other outbuilding otherwise approved by Class E of Part 1 of Schedule 2 to the Order, shall be erected or carried out in respect of plot numbers 11, 12, 13, 14, 15, 16, 17, 24, 25, 26 and 27 without express planning permission first having been granted.

Appendix 3

Copy of Correspondence



S T U R T
& C O M P A N Y

Ref: RAS/es

17th April 2019

Keith Lane Esq
East Devon District Council
Planning Policy Department
Knowle
Sidmouth
EX10 8HL

Dear Keith

East Devon Affordable Housing SPD

Further to the above consultation we are requesting a copy of the Three Dragons Excel toolkit that has been used to assess the SPD and supporting residual appraisals.

Without access to these Excel spreadsheets it is not possible to fully test your SPD. I must remind It is normal for both parties when testing viability to disclose their appraisals in an open manner that allows for the assessment from both other professionals and of course members of the public. Paragraph 57 of the NPPF makes this clear.

*“All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and **should be made publicly available.**”*

You have previously refused access to these Active Valuation model/spreadsheets and we see no reason why this information cannot be released.

Yours sincerely



Richard Sturt
MRICS, FRGS, MSc, BSc (Hons)

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