



Cranbook Plan
Examination in Public
Matter 11
Hearing Position Statement

Boyer

CRANBROOK PLAN

EXAMINATION IN PUBLIC

MATTER 11: AFFORDABLE HOUSING

BOYER ON BEHALF OF MR & MRS PYLE / HARROW ESTATES PLC

REP ID: 144

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1. INTRODUCTION

- 1.1 This Hearing Statement has been prepared by Boyer (Development Economics) in relation to Matter 11, Issue 17 of the Examination of the Cranbrook Plan (CP), which relates to Policy CB11.
- 1.2 Boyer has been instructed jointly by Harrow Estates PLC and Mr and Mrs Pyle (Landowners, Treasbeare Farm) to review the proposed policy and its requirements for the provision of affordable housing (AH).
- 1.3 This submission reviews the policy and relevant supporting evidence and then concludes on our findings and respond where appropriate and relevant to the Inspectors questions on Affordable Housing.

2. PROPOSED POLICY CB11

- 2.1 Through the adoption of the Cranbrook Plan (CP), East Devon District Council (EDDC) is proposing (as part of Policy CB11) that no less than 15% of total dwelling numbers should be provided as affordable units. In addition, the mix sought is for 70% to be social and affordable rented accommodation and 30% as intermediate or another affordable tenure, though this can be adjusted on the grounds of viability where appropriate and justified.
- 2.2 It also states that where a proposal does not meet the 15% rate it will be necessary for an applicant to submit evidence to demonstrate why that level is not viable or appropriate.
- 2.3 This sits alongside the policy stating that an overage clause will be sought in respect of future profits to ensure that any 'under provision' is rectified. There is also wording within the policy that relates to the alternative provision of monies towards off-site contributions in lieu of on-site provision where appropriate, as well as that the minimum size thresholds that relate to Affordable Housing provision should be those set by the Government or the LPA where appropriate.

3. THE INSPECTOR'S QUESTIONS

3.1 The Inspector for the Cranbrook Plan has posed a number of questions in relation to Policy CB11, under Matter 11, Issue 17 of the Inspector's Draft Matters, Issues and Questions for Examination. The overall question is whether Policy CB11 is consistent with the East Devon Local Plan (EDLP) and with national policy on affordable housing. To answer this, they have set out a number of other queries that need to be answered (Question 142-147 and Additional Question 17):

- Q142. Cranbrook plan housing provision is at variance with the EDLP. The EDLP indicates 25% affordable housing whereas CB11 substitutes a lower 15% figure (70% of which are affordable rent and 30% intermediate or other tenure). Is this reduced affordable housing provision justified and consistent with national policy? How far do viability issues influence this departure; especially coupled with Cranbrook being CIL exempt?
- Q143. On what basis is a 15% affordable housing figure justified and effective?
- Q144. How will this level of affordable housing provision influence the provision of future infrastructure delivery and phasing?
- Q145. Should Policy CB11 reflect that 30% of AH is comprised "other affordable tenures" as defined within the Framework?
- Q146. Should Policy CB11 be updated with regard to intermediate housing given the more recent Framework wording?
- Q147. Would the requirements for affordable housing and other services and facilities impact upon the deliverability of housing expansion areas in the Plan?

3.2 Additional Question:

- AQ17. Are any Main Modifications proposed in relation to Issue 17?

3.3 Our clients, Harrow Estates and Mr and Mrs Pyle, are particularly interested in making representations in relation questions 143-147. On this basis, the following sections of this Statement will examine these questions, assess the relevant evidence, and direct the Inspector towards what our clients think may be appropriate amendments to this policy.

Questions 143, 144 and 147

3.4 This section looks at questions 143, 144 and 147, which, in summary, relate to the basis and justification for the 15% affordable housing figure; the influence the reduced affordable housing target will have on infrastructure delivery and phasing; and whether the requirements for affordable housing and other services/facilities impact upon the deliverability of the housing expansion areas.

- 3.5 The justification for the 15% AH provision is set out by the Council in its CIL Review and Cranbrook Plan DPD Viability Study (January 2019). This document states at paragraph 6.4.3 that based upon a 17.5% developer return, the provision of 15% Affordable Housing would be viable for Cranbrook, but if this Affordable Housing rate is increased to 20%, then it would become marginally unviable.
- 3.6 We note that the figure of 17.5% adopted as a developer return is within the 15-20% range specified in National Guidance and is therefore considered to be an appropriate level to be utilised for assessing viability.
- 3.7 However, flexibility should be permitted where economic uncertainty or greater risks emerge that would require a developer to adopt a greater 'buffer' into the profit requirement during the early stages of the development. Additionally, we have concerns regarding key cost and value inputs to the DPD Viability Study. These were covered in our previous Regulation 18 submission and we have made a further submission in response to the Inspectors Questions on Viability Issues.
- 3.8 In summary our main concerns relate to:
- Benchmark Land Value: The average adopted BLV of £200,000 per hectare (£81,000 per acre) reflects only 10 times agricultural values. Previous HCA guidance indicates a range of 10 to 20 times agricultural values. The adopted BLV is therefore at the lower end of this range and does not allow for circumstances where specific sites may be considered more valuable;
 - Sales and rental values: Our initial housing market review for homes currently being marketed at Cranbrook indicated that the average unit pricing adopted in the Three Dragons study are towards the higher end of the pricing range, if not beyond the price of equivalent house types currently available. As such, there is a risk the current pricing adopted in the viability study is too high;
 - Affordable housing values: Based on our own initial assessment we have calculated that the potential value for the 2 and 3 bedroom terraced houses may be over-stated in the Three Dragons study;
 - Self-Build plot values: Based on some of the assumptions stated in the Three Dragons study there is some concern that the plot values may be over-stated. This in particular relates to end values and the allowance of only 15% for developer return or self-builder equity;
 - Non-residential land values: We are of the opinion that the land values attributed for the employment sites are too high and would request clarity as to how a value of £800,000 per hectare has been derived;

- Build costs: Build costs are based on the BCIS lower quartile rates as at September 2018. While these cost rates would need to be adjusted to reflect current day rates, we are concerned that there may be insufficient allowances for external and site costs, abnormal costs (specifically topography in the case of Treasbeare) and any contingencies for unforeseen delays and resulting costs. As such, the cost allowances may be too low;
- Infrastructure costs: The infrastructure costs are to be spread across the four main sites. At an average of £27,145 per dwelling this reflects circa 25% to 35% on top of base construction costs for an average house type. There is also concern that infrastructure requirements are not fully costed or evidenced; and
- Developer profit: The Three Dragons study adopts a profit of 17.5% on GDV. We are aware that in the current market, with added market uncertainty and risk of economic slowdown, developers are targeting returns in excess of 20%.

3.9 The impact of the value and cost concerns identified pose significant issues in relation to the robustness and reliance that should be placed upon the DPD Viability Study findings in relation to the targeted 15% Affordable Housing threshold.

3.10 With regard to Affordable Housing influencing future infrastructure delivery, it should be noted that:

- Zero CIL is recommended to be levied in Cranbrook, as development in the area is providing significant infrastructure directly, as opposed to monies being levied to fund its delivery by other organisations. As the infrastructure is being directly funded and delivered, this level of Affordable Housing provision would not adversely impact or delay infrastructure from coming forward; and
- The Policy makes provision for viability reviews in relation to planning applications which can address any site/development specific costs that will impact upon delivery.

3.11 As the policy also states that affordable housing must be 'visually indistinguishable from open market housing' and 'pepper-potted' or dispersed throughout residential developments, the provision of affordable housing units in this way would not have a material impact upon the provision itself, or the timing / phasing at which infrastructure delivery occurs.

3.12 Alongside this, the in-built flexibility already present within Policy CB11 means that if costs etc. do rise, then it is possible for those providing infrastructure to submit suitable evidence to justify why a lower level of affordable housing should be acceptable. This will enable not only the planned for housing expansion (in the relevant areas), but also facilitate and not hamper the rollout of the required infrastructure alongside this.

3.13 The supporting text to the policy further fleshes out more qualitative reasons for this lower level of affordable housing provision, as at paragraph 3.69 of the Submission Draft of the Plan it states that:

'It is now appropriate that the scale and mix of houses is diversified. Part of this diversity can be driven by a lower affordable housing requirement which would allow a greater mix of house types and housing markets to be achieved with the consequential effects of helping to balance the community, social diversity and ultimately the sustainability that is enjoyed by current and future residents.'

- 3.14 Overall, the above information shows that the proposed level of 15% affordable housing provision within the Plan, via Policy CB11 is considered an appropriate target provided that the Council is committed to the level of flexibility set out in the policy to enable viability reviews to take place as and when required.

Questions 145 and 146

- 3.15 This section considers questions 145 and 146, which relate to the description/definition of affordable housing and compliance with the NPPF.
- 3.16 We consider that Policy CB11 should be updated to reflect the changes made to the descriptions of Affordable Housing tenures as set out in national guidance, particularly in light of the publication of the revised NPPF in 2019.
- 3.17 As currently drafted, Policy CB11 (and its supporting text) makes reference to 'intermediate' affordable housing, which is now outdated, as the NPPF no longer uses this term. The NPPF uses affordable housing 'for sale or rent', which complies with the definitions at Annex 2 (the Glossary). For consistency with national policy, we recommend that the policy refers to '30% other affordable tenure(s) as defined in the NPPF'.
- 3.18 The above proposed changes would bring the Policy up to date and compliant with national policy as set out in the NPPF.
- 3.19 Our clients therefore recommend that the policy be amended to reflect this.

4. CONCLUSION

- 4.1 We have reviewed the proposed Affordable Housing policy (CB11) of the Submission version of the Cranbrook Plan, produced by East Devon District Council having regard to the Inspectors questions.
- 4.2 Our review has concluded that the target of 15% provision of housing units as affordable is not fully justified by the Council's viability evidence base as we consider that there are issues with cost and value inputs to the viability work which mean that the 15% target could be challenging to deliver. However the zero CIL position and recognition within the Policy that viability reviews can be submitted to support alternative levels of Affordable Housing Provision addresses, in part, our concerns.
- 4.3 Despite this, we do not consider that the target of 15% Affordable Housing provision hampers the delivery of housing or infrastructure in the area, both in terms of financial viability, or its phasing and timing, the policy should be deemed effective, as well as having been justified by the Council. This should however, be caveated by the need for a reasonable level of flexibility to be included within the policy to enable viability reviews to be undertaken, to enable market conditions, for example, to be taken into account, in case this would render a development unviable.
- 4.4 Whilst the Council's approach to having an affordable housing level of 15% is sound, there are amendments that need to be made to the policy. This primarily relates to the reference to intermediate housing, which is no longer included in the NPPF (as revised in 2019). This part of the policy (and where appropriate, the supporting text) should be changed to reflect the new wording of housing for sale or rent instead, to ensure its compliance with national policy.