



Cranbrook Plan Examination in Public

Matter 15

Hearing Position Statement

Boyer

CRANBROOK PLAN

EXAMINATION IN PUBLIC

MATTER 15: VIABILITY

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

REP ID: 144

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1. INTRODUCTION

- 1.1 This statement has been prepared by Boyer in relation to Matter 15 Issue 21 of the Examination of the Cranbrook Plan (CP), which relates to Viability. East Devon District Council (EDDC) is producing this Local Plan document.
- 1.2 Boyer's Development Economics Team has been instructed jointly by Harrow Estates PLC and Mr and Mrs Pyle (the Landowners) to review the approach to viability across various points of the Plan, particularly in relation to land values, and how this may affect the Infrastructure Delivery Plan etc.
- 1.3 This statement considers the relevant supporting evidence and then advises whether the approach taken by the Council to viability is appropriate and justified.

2. THE INSPECTOR'S QUESTIONS

2.1 The Inspector for the Cranbrook Plan has posed a number of questions in relation to viability, under Matter 15, Issue 21. The overall question is whether the assumptions made regarding land values is fully justified in respect of the viability / Infrastructure Delivery Plan. To answer this a number of other related questions need to be considered (Questions 166 - 179 and Additional Question 21).

2.2 Our clients Harrow Estates and Mr and Mrs Pyle are particularly interested in making representations in relation the Viability related questions and below we set out response based upon the evidence being presented and our professional experience of these matters.

Question 166: What evidence is there that the viability assessments reflect the recommended approach in Paragraph 57 of the Framework?

2.3 NPPF paragraph 57 relates to decision-making, however, its main emphasis is to concentrate viability assessments to the plan making stages and limit the need for viability assessments at the individual planning application stage. The final sentence of Paragraph 57 states:

'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'.

2.4 The NPPG section relating to viability advises alongside setting out a policy for Affordable Housing contributions, plans should also make clear what is expected in terms of the provision of infrastructure (for example, education, health and transport) and clarifies that any viability assessment should take into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106 requirements.

2.5 Policy requirements should be clear so that they can be accurately accounted for in the price paid for land by developers.

2.6 Viability assessments should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. Drafting of plan policies should be informed by engagement with developers, landowners and affordable housing providers.

2.7 To be in compliance with paragraph 57 of the NPPF, the viability assessments will need to reflect the above guidance from the NPPG. It will need to 'answer' the following questions;

- Does it make clear what is expected in terms of the provision of infrastructure, e.g. education, health, transport, flood and water management, green and digital infrastructure etc.?

- Has it taken into account all relevant policies, and local and national standards, including the cost implications of the CIL and section 106?
 - If sites have been assessed, have typologies that take account of location, whether it is brownfield or greenfield, the size of site and current and proposed use or type of development been used?
- 2.8 Having reviewed the Council's 2019 Viability Report, it is clear that they have set out a number of areas in which the Council expects infrastructure to be provided (Table 6.1, p.36). This includes education contributions, a community building, the provision of formal open play space and allotments, sports facilities and the provision of business space. This sits alongside space being set aside for rail improvements and contributions towards sustainable transport, as well as the enhancement of London Road and a footbridge.
- 2.9 The tables in the report (6.2 and 6.3) set out in more detail these requirements, both in terms of land take, as well as the financial implications. It can therefore be concluded that the Viability Report has met the NPPG guidelines in respect of making clear what is required in terms of infrastructure for the area.
- 2.10 One of the items listed in Table 6.3 is s106 payments, whilst the report recommends a £0 rate for CIL. As such, the report can be considered to have taken these into account. Alongside this, the report also considered the impact of local policies (paragraph 2.1.29) and national standards (see Table 6.1). On this basis, the report is also meeting this requirement from national guidance.
- 2.11 The report also looks at a variety of types of site for both residential and older persons housing, including looking at small, medium and large sites. This does, however, focus primarily upon Affordable Housing contributions and whether an area can make CIL payments, as opposed to wider viability, and does not seem to provide a more detailed breakdown. On that basis, whilst the report has looked into different types of sites in terms of size, the level of detail this involved is not as in-depth as it could be.
- 2.12 As an alternative approach, the Viability Report looks at a series of hypothetical 'case studies', for different types of development in varying locations across East Devon. It cites Cranbrook as a specific case study, but there is no detailed site typology assessment. Therefore, the report is not detailed enough by the omission of a series of site typologies to meet this element of the national guidance.
- 2.13 One aspect we would question is the suggestion by Three Dragons that 17.5% developer return is reasonable due to the "reduced level of risk" resulting from Cranbrook Phase 1 already being underway. In the current market and given ongoing economic uncertainty we are of the view that a 20% return should be the minimum level applied in the viability appraisals to reflect economic risk. The adoption of 20% return on residential development would also address the inconsistency with non-residential development which is assessed with a 20% developer return.

- 2.14 Overall, whilst we consider that the Viability Report generally meets NPPF and NPPG expectations, it could have provided more detail relative to site typologies (particularly in relation to Cranbrook). This would have enabled a closer level scrutiny of viability to be undertaken for this area.

Question 167: Should Travel Planning be listed as critical rather than important in relation to the priority attributed to it? How would this impact on the viability of its delivery?

- 2.15 From the NPPF's weighting towards highways matters (e.g. paragraph 108), it is clear that significant impacts from the development on the transport network (in terms of capacity and congestion), or on highway safety, are acceptable as long as they can be effectively mitigated to an acceptable degree. NPPF paragraph 109 states that:

'Development should only be prevented or refused on highways grounds if there would be an unacceptable impact on highway safety, or the residual cumulative impacts on the road network would be severe'.

- 2.16 Based upon the above, it is clear that Travel Planning should not be listed as critical. This is due to the requirements only needing to be 'cost effectively mitigated to an acceptable degree'. In these terms, development should only being refused on highways grounds if the impacts would be severe or have adverse effects upon highway safety. This does not require Travel Planning and thus it should remain an 'important' consideration instead.
- 2.17 The retention of Travel Planning at an 'important' level of priority as opposed to critical should not affect its viability or delivery, as this represents no change in the current position. Travel planning is essential component of good design and planning in general does not therefore require escalated priority to be given adequate consideration in the planning process.

Question 169: How is the Section 106 allowance of £16,828 per plot arrived at? Does it reflect the actual cost of contributions?

- 2.18 The Three Dragons Viability Report sets out contributions estimated by WWA with a total per dwelling cost of £20,928.08. Upon further review by the Council we understand this average cost was reduced to £16,828 per dwelling.
- 2.19 However, this only accounts for infrastructure to be delivered jointly across all four sites and excludes the cost of infrastructure to be delivered directly on individual sites. Once all costs are accounted for the average cost equates to £27,145 per dwelling, with a disproportionate direct cost attributable to Treasbeare (CB3). In view of this, we would request that the Council provides a formula that fairly calculates financial contributions to be collected from all other landowners/developers that achieves a satisfactory equalisation of infrastructure and s106 costs across the whole Cranbrook expansion area.

- 2.20 This equalisation mechanism is required as without it, Treasbeare is providing proportionately more directly delivered infrastructure than the other allocations.

Question 170: Is a breakdown of disaggregated assumed abnormal costs available and how has it featured in the costs per dwelling figure?

- 2.21 Annex I of the Viability Report sets out site-wide abnormal costs (£5,762.59 per dwelling) to cover requirements such as earthworks, retaining walls and ecological mitigation etc. The Annex also includes a series of plot abnormal costs, which vary from plot to plot, for example only 600 dwellings are due to have garages built as part of them (at £,7650 each), whereas 4,000 dwellings need an additional £1,250 spent on building deeper foundations. These plot-specific abnormal costs come to a total of £16,990,000.

- 2.22 The derivation and detail of these costs is considered to require further explanation and justification.

Question 171: What is the justification for deviation from the same benchmark rate across the development (e.g. SANGS)?

- 2.23 We do not consider that there should be any deviation in benchmark value, the benchmark rate should be reflective of land value based upon net developable area, with the comparable evidence that is being used to support benchmark land value being subject to adjustment to reflect a £/net developable area. The benchmark land value should be applied across all developable areas and there should be no reduction for SANG land.

- 2.24 The approach being taken by the Council and its consultant with regard to SANG land applying a significantly lower benchmark land value has not been justified.

Question 172: What is the risk associated with a blended benchmarking rate regarding delivery of infrastructure serving Cranbrook?

- 2.25 The critical or high priority infrastructure is considered necessary to support the development of Cranbrook. This includes provisions that benefit the four expansion areas equally. As such, the equalisation of infrastructure costs is considered appropriate.

- 2.26 The main risk is likely to be the timing/phasing of delivery. For example, CB2 Bluehayes Expansion and CB3 Treasbeare Expansion Policies both make reference to provision of a primary school. However only one primary school is required but there is no certainty as to which allocation will provide the school. The combination of removing the option of the school being provided on either site and putting in place a mechanism or formula that achieves a satisfactory equalisation of infrastructure and s106 costs across the whole Cranbrook expansion area would address this point and reduce the risks associated with infrastructure delivery.

Question 173: What evidence is there to support the land values used in the assessment?

- 2.27 Evidence used to support the land values used in the Viability Report is set out in the Annexes associated with the main Viability Report. This is a combination of data from CoStar and Land Titles information.
- 2.28 Whilst some of this information is relatively recent (2016 and 2017), much, particularly the Land Titles information is old (e.g. 2001). Furthermore, the amount evidence (in terms of absolute numbers) is limited, especially that taken from CoStar.
- 2.29 The age of the land value information used raises questions about its validity and applicability, particularly as even the most recent values are now approaching three years old. Furthermore, no account has been taken for the changes / inflation in land prices, particularly for the older comparables.
- 2.30 Overall, the evidence presented is not particularly extensive, and much of it out of date. So whilst the correct method and approach to data collection may have been undertaken, we have concerns about how accurate and appropriate the land values in the assessment are and thus any conclusions based upon this must be treated with caution.

Question 174: What evidence is there to support the index used for the assessment? Does it reflect current costs or inflation over the interim period?

In terms of the indices used in the report, these have been based upon the BCIS All In Tender Price Index (see paragraph 1.1.3) in relation CIL (as required by the CIL regulations). When calculating property values, the Land Registry House Price Index has been utilised (with the detailed information in relation to this in Annex B to the Viability Report). Both approaches are acceptable.

- 2.31 However, what needs to be clarified is whether Three Dragons have simply utilised the overall index rate and applied this to all property types or if each property type was indexed using the rate for its own house type. Depending on which approach has been taken, this could affect the indexation rate and thus the price per square meter.

Question 175: Does the GDV [Gross Development Value] used by Three Dragons follow market norms?

- 2.32 Having reviewed Annex I of the Viability Report, whilst the methodology follows market norms, the GDV's applied across all classes are in our view based on evidence reflecting values at the higher end of achieved past sales rather than an achievable average based on all unit types and are therefore considered too high based upon our own analysis of comparable evidence.

- 2.33 Furthermore, the GDV's in the latest Three Dragons Report are somewhat higher compared to their 2018 work. The market has not in our view moved forward to the extent that is suggested and the reality is that Three Dragons are over-stating viability by using over-optimistically high GDV assumptions.

Question 176: Has any sensitivity testing been undertaken in respect of the figures used in the housing trajectory?

- 2.34 In terms of sensitivity testing in relation to the housing trajectory in the report (see Table 6.5 on p.41), there does not seem to have been any undertaken, or if it has, it has not been published as part of the evidence base.
- 2.35 If the Council has produced any, this should be published in an addendum to this report, to enable different scenarios to be investigated. If this is not the case then the figures in Table 6.5 need to be treated with caution, as they are simply the single projection of the Council, without any other potential delivery rates etc. being tested.

Question 177: How does the plan adequately acknowledge the value of residential development land lost to infrastructure?

- 2.36 The Viability Report notes at paragraph 6.2.1 that residential areas make up 66% of the development area, with the remainder going for a variety of other infrastructure uses.
- 2.37 With regard to SANG land the Viability Report makes a value adjustment by significantly reducing the benchmark value for SANG compared to residential land. With regard to other infrastructure (e.g. education, the sports hub and open spaces), no specific value is given to these areas of land so that they cannot be compared to residential land values, and thus enable a 'cost' or comparison to be made. Based on this lack of detailed information, it is not possible to draw a full and adequate comparison for the land 'lost' from residential development to provide the required infrastructure for the area.
- 2.38 We have already commented earlier (Q171) that the benchmark value should be consistently applied to development land parcels as the overall value is reflective of net developable areas i.e. land required for infrastructure etc.

Question 178: What justification is there for the trajectory of housing delivery at Cranbrook in comparison to the actual delivery of units since 2011?

- 2.39 No comment.

Question 179: To what extent does the higher projection affect the delivery of the overall volume of housing at Cranbrook in relation to housing delivery?

- 2.40 No comment.

3. CONCLUSION

- 3.1 Our review has indicated that, overall, many aspects of the viability research and evidence is sound, however we do have a number of observations and suggestions relating to viability aspects of the Plan.
- 3.2 In terms of land values, it is felt that the quantum of evidence presented is not particularly extensive, and much of it is out of date. So whilst the correct method and approach to data collection may have been applied, there are questions to be asked as to how appropriate the land values in the assessment are and the impact this has upon viability and delivery.
- 3.3 Alongside this, despite the GDV used following market norms, compared to the previous report from 2018, it is felt that many of the figures used are too high, thus inflating the expected returns on the overall development.
- 3.4 Three Dragons have adopted a 17.5% developer return in their financial viability appraisals for residential development, this is inconsistent with their approach on non-residential development where a 20% return is applied. We would suggest, given current economic uncertainty and potential risks that a 20% developer return should be applied to both residential and non-residential appraisals.
- 3.5 Whilst s106 cost per dwelling have been considered, these only account for infrastructure to be delivered jointly across all four sites and excludes the cost of infrastructure to be delivered directly on individual sites. We would request that the Council provides a formula that fairly calculates financial contributions to be collected from all other landowners/developers that reflects fully directly delivered infrastructure and achieves a satisfactory equalisation of infrastructure and s106 costs across the whole Cranbrook expansion area.