

SUBMISSION DRAFT WYRE LOCAL PLAN JANUARY 2018

STATEMENT OF CONSULTATION

APPENDIX 18

LOCAL PLAN AND SITE ALLOCATIONS – VIABILITY STUDY

1.0 INTRODUCTION

1.1 With reference to the responses received as a result of the consultation undertaken in relation to the Publication Draft of the Local Plan Keppie Massie have been asked to respond to the following points:-

- Electric Charging Points - Policy CDMP6 requires development which includes parking provision shall also make appropriate provision for standard charge Electric Vehicle Recharging points. The Viability Report does consider the impact of this on viability.
- The source of residential land values is not clear and as such there is no evidence that they are realistic and justified.
- Figures in table 5.5 are based on adopted sale prices and asking prices resulting in higher net sales prices which are not robust or justified.
- Assumptions as to likely bids by Register Providers is low. The figures are low which is not evidenced or justified.
- Assumptions on profit returns (15% - 20%) are unacceptable, because of developers' high risk.
- No allowance for contingencies, professional fees, sale costs and legal fees is made.
- 30% affordable housing in Garstang is not viable

- Whether the viability assessment includes an allowance for abnormal costs?

1.2 We have responded to each of these points in turn below:-

2.0 ELECTRIC VEHICLE CHARGING POINTS

2.1 The Plan Policy states that development which includes parking shall also make appropriate provision for standard charge Electric Vehicle Recharging points. The wording of the policy is not prescriptive in terms of the requirement. Our viability testing is not inclusive of a specific cost for electric vehicle recharging points as the cost of this provision in the context of the overall development cost is in our experience limited.

2.2 In considering plan policies elsewhere with specific requirements for the provision of EV Charging Points to all dwellings WYG have calculated the cost of these points to be in the region of £220 per dwelling. The average dwelling size in the generic typologies that we adopted for our viability testing ranged from 87 to 101 sq.m. Based on these average dwelling sizes a cost of £220 per dwelling for an EV Charging Point would lead to a reduction in the level of development surplus in the range of £2.53 to £2.18 per sq.m. The impact on viability of applying these requirements is minimal and is has a limited impact on overall viability.

3.0 SOURCE OF RESIDENTIAL LAND VALUES

3.1 At Appendix 1 of our Viability report we have provided details of transactions relating to the sale of land with residential consent. The information regarding the price paid for the land and the date of the transaction has been obtained from Land Registry Searches. The source of information relating to the net site area is noted at Appendix 1 and this is either from the plans uploaded with the planning application or from measurements taken using pro-map.

- 3.2 At Appendix 6 we have provided details of commercial land transactions. This information has been obtained from Co-Star together with sales agent's particulars and in some cases Land Registry data.
- 3.3 Appendix 6 also includes details of asking prices for agricultural land. This information has been obtained from the selling agents.
- 3.4 Paragraphs 5.02 to 5.20 of the Viability Report explain our approach to the assessment of appropriate benchmark or 'threshold land value' for the residential viability testing. As noted at 5.05 we have adopted the approach advocated in the document Viability Testing Local Plans. This good practice guidance states that the 'threshold land value' should represent the value at which a typical willing landowner is likely to release land for development, before the payment of taxes. The guidance suggests that threshold land value needs to take account of the fact that future plan Policy requirements will have an impact on land values and landowner expectations, and therefore using a market value approach as a starting point carries the risk of building in assumptions of current Policy costs rather than helping to inform the potential for future Policy. As a result it suggests that market values can be a useful 'sense check' and suggests that the threshold land value is based on a premium over current use values and credible alternative use values. The latter would be most appropriate where there is competition for land among a range of alternative uses such as in town centres.
- 3.5 To arrive at an assessment of an appropriate 'threshold land value' we have therefore firstly considered current and alternative use values. Given the nature of the sites within Wyre the majority of the sites that will be developed over the plan period are likely to be in agricultural use with a value in the order of £12,500 - £50,000 per hectare (£5,000 - £20,000 per acre) or less. Taking the figure at the higher end of the range we have adopted a multiplier to the current use value of 10 in the low value areas and 12.5 in the higher value areas.

- 3.6 In terms of brownfield sites we would expect current values for previously developed land in the settlement areas with extant planning consents for commercial development to be in the range of £370,500 per hectare (£150,000 per acre) to £617,500 per hectare (£250,000 per acre). We have adopted a 'threshold land value' of £617,500 per hectare (£250,000 per acre) for the low value areas which is an uplift of 66% over current use values at £370,500 per hectare (£150,000 per acre). In the higher value areas the figure of £988,000 (£400,000) is an uplift of 60% over a current use value of £617,500 per hectare (£250,000 per acre).
- 3.7 In accordance with good practice we have then 'sense checked' these figures against the prices paid for land with residential planning consent outlined in Appendix 1 of the Viability Report. With reference to paragraph 5.20 we noted that the prices paid for land with residential planning permission range from £487,000 per net hectare (£197,000 per net acre) for a greenfield site in Hambleton to £1,549,000 per net hectare (£627,000 per net acre) for a greenfield site in Cloughton on Brock. The majority of transactions are at land prices of £864,500 per net hectare (£350,000 per net acre) or less, and more recent transactions appear to be towards the lower end of this range.
- 3.8 In undertaking Local Plan and CIL Viability Studies elsewhere we have adopted this approach as it accords with best practice and it has been found sound. Recently the Inspector in his decision in relation to Cheshire West and Chester CIL commented that:-
- "Whilst there is a significant difference between the BLVs adopted by the Council and market prices for residential land, the guidance in the RICS report on Financial Viability in Planning (2012) acknowledges that site value will normally be less than current market prices for land on which planning permission has been secured and planning obligations are known. This was the status of the sites provided as evidence of the market price for residential land in Appendix 1 to the EVS. Ultimately what matters is that the land value assumed for testing is sufficient to incentivise a land owner to sell*

their land for development. The Harman report is clear that this value can be very different to the headline value a developer might pay for a fully serviced, permitted parcel of land.”

3.9 He concluded that:-

“The BLVs adopted by the Council are set at a premium above current use value. Although below market values, I am satisfied that market values have been taken into account by the Council as a useful ‘sense check’, but rightly do not provide the starting point for determining the threshold values for the purposes of viability testing. This is in line with the guidance in the Harman report and in general terms accords with the advice in the RICS report. It is also consistent with the findings of other examinations. Accordingly, is it a reasonable and justified approach to the use of BLVs.”

4.0 SALES PRICES

4.1 With reference to the Table 5.5 of the Viability Report which contains both sales and asking prices it has been suggested that the interchanging of the two different datasets has resulted in a high net sales price which is not justified or robust.

4.2 Table 5.5 contains details of average sales prices that have been achieved for new dwellings in the Borough. To provide a comprehensive picture of market activity we have however also included details of current asking prices for the newly commenced schemes where no sales have yet taken place. We are aware however that these are asking prices and in accordance with the RICS Information Paper Comparable Evidence in Property Valuation fall below actual selling prices in the hierarchy of comparable evidence. The Guidance notes that asking prices cannot by themselves provide reliable evidence of value and should be treated with some caution. When interpreted with care they can however provide some guidance as to current market sentiment and trends in value.

- 4.3 We have therefore used our professional judgement in the weight to be apportioned to asking prices and in arriving at the assessments of net sales prices have predominantly used evidence taken from actual sales.
- 4.4 For example, with reference to table 5.5, in Fleetwood we have noted in our comments that the sales price that we have adopted in our testing at £1,830 per sq.m (£170 per sq.ft) reflects the sales prices that have been achieved at Harbour Village which are actually slightly higher at £1,916 per sq.m (£178 per sq.ft).
- 4.5 The net sales prices that we have adopted in the medium value zone at £2,045 per sq.m (£190 per sq.ft) have been informed by the sales prices at Thornton Fields (£2,125 per sq.m/£197 per sq.ft) and Ashdell Gardens (£2,097 per sq.m/£195 per sq.ft).
- 4.6 In the High Value zone we have acknowledged the much higher asking prices being sought for the Pavillions development at £2,589 per sq.m (£241 per sq.ft) however we have adopted a net sales price for our testing at £2,260 per sq.m (£210 per sq.ft). This is in line with the sales prices for the Pastures development and the now slightly historic sales evidence from Highcross Park.
- 4.7 In the Prime Value area we have adopted a net selling price of £2,368 per sq.m (£220 per sq.ft). This is supported by evidence of sales prices from Bowland Gardens (£2,444 per sq.m/£231 per sq.ft), Canal View (£2,664 per sq.m/£248 per sq.ft), and Bowland View (£2,441/£227 per sq.ft) which are all in excess of the sales price that we have adopted.

5.0 AFFORDABLE HOUSING

5.1 It has been suggested that the values that we have adopted for the affordable units are too low. We have assumed bid prices based on 35% of market value for the affordable rented units and 70% of market value for the intermediate units. The valuations are based on our experience of likely bids from RPs in the area. No information or evidence has been provided by the respondent to support their comments and if they wish to submit evidence to substantiate higher bid prices then we will certainly consider this. If we were to increase the values for the affordable units then this would serve to improve the viability position.

6.0 DEVELOPERS PROFIT

6.1 We have adopted a profit return based on 20% of GDV for the generic and site specific viability assessments that we have undertaken. The smaller housing schemes of 5 and 10 dwellings carry a reduced level of risk and in our experience it would not be appropriate to apply a similar profit to that for a large scale housing scheme. Our viability testing for the two smallest schemes is therefore based on a profit of 15% of GDV.

6.2 The respective profit returns have been applied to both the market and affordable houses.

6.3 We have undertaken viability assessments to support Local Plans which have been found sound on this basis. For undertaking high level viability assessments in relation to the larger housing schemes 20% is a recognised as a typical level of profit to be adopted in relation to market housing.

7.0 CONTINGENCIES, PROFESSIONAL FEES, SALE COSTS AND LEGAL FEES

7.1 It has been suggested that no allowances have been made for contingencies (2.5%), professional fees (10%), sales costs (2-2.5%) or legal fees.

7.2 This statement is not correct. With reference to the WYG report contained at Appendix 7 it is noted that at **2.2 Costing Methodology – Houses** a contingency has been included at 5% this is based on all construction related costs not just the dwelling subs and super structure costs. Also noted at 2.2 is the fact that fees for design, planning etc are included in the construction costs based on a % of the construction costs. The notes on page 19 of the report state that fees are included as a declining percentage from 7.5% ie. the percentage level of fees reduces with an increase in the scale of development.

7.3 In terms of sales costs and legal fees it is assumed that this is a reference to the sales and legal costs that would be incurred on the sale of the dwellings. With reference to paragraph 5.43 of the Viability Study Report we have included sales and legal fees on disposal as follows:-

“Disposal costs, including sales and marketing expenses, have been assumed at a rate of 3.5% of the Gross Development Value of the market housing. This is in line with typical development industry rates for housing development. We have included an allowance of £500 per unit for the costs associated with the transfer of the affordable homes to a registered provider.”

8.0 30% AFFORDABLE HOUSING IN GARSTANG IS NOT VIABLE

8.1 It is understood that one representation objects to the requirement for the provision of 30% affordable housing on both brownfield and greenfield sites in Garstang. The same representation contained points 2-6 above and as a result of these points they consider that evidence base used to inform the Local Plan and Housing Allocations

Viability Report (October 2017) is neither evidenced nor justified. We have addressed these comments in our responses to points 2-6.

- 8.2 They also state that the imposition of a 30% affordable housing figure is considered to be neither evidenced nor justified and could render sites unviable. The study evidence base and viability testing shows that the provision of 30% affordable housing is viable in Garstang. Excluding the 5 unit scheme that is below the affordable housing threshold, our viability testing shows that of the 36 typologies tested, 28 were viable at 30% affordable housing provision. This included all of the greenfield sites and the brownfield sites tested at a higher density are viable. In relation to the more limited number of unviable typologies then the policy as drafted contains an element of flexibility with a test of viability to deal with these exceptional cases.

9.0 ABNORMAL DEVELOPMENT COSTS

- 9.1 With reference to the cost report prepared by WYG at Appendix 7 of the Viability Study costs have been included for abnormal ground works on brownfield sites. In relation to the specific allocations that have been tested costs are included for abnormal items on a high level basis based on site information that has been made available to us.

10.0 OTHER MATTERS

- 10.1 We have also been asked to comment on the response received stating that the Local Plan and Site Allocation Viability Report (October 2017) does not identify Site SA1/16 as making provision for land to accommodate a new primary school, let alone consider consequences of this requirement in terms of viability.
- 10.2 As noted at paragraph 3.13 of the Viability Study Report we adopted the approach to testing detailed in the document Viability Testing Local Plans. This suggests that viability testing of Local Plans does not require a detailed viability appraisal of every site anticipated to come forward over the plan period. As a consequence of the

potentially widely different economic profiles of sites within the local area, it suggests:-

‘A more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies.’

10.3 Following this approach we didn’t therefore test every proposed allocation in the Local Plan and instead tested a range of appropriate site typologies with reference to the various locations in the Borough. In the context of Garstang we therefore prepared viability assessments for SA/17 (53 dwellings) and SA/18 (105 dwellings) to provide a test of viability for the differing sizes of allocations identified in Garstang.

10.4 This was considered a sufficient to test 2 of the 3 proposed housing allocations in Garstang. In addition we also tested the mixed use site SA3/2.

10.5 In terms of site SA1/16 we understand that the allocation is sufficient to accommodate the capacity identified and land for the school. Furthermore we understand that the land made available will be used to offset any contributions towards education.

Keppie Massie

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KEPPIE MASSIE

Date: 12 December 2017