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Planning Policy,
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27/05/2016

Dear Mr Megson

EDEN LOCAL PLAN EXAMINATION - 2015 Economic Viability Assessment

1. The following provides the considered comments of the Home Builders Federation on the '2015 Refresh of DTZ 2009 Economic Viability Assessment for Eden District Council' (examination document EB033), hereafter referred to as the 2015 Viability Assessment. This document was not available for comment prior to the submission of hearing statements for the Eden Local Plan Examination. It was agreed at a meeting with the Council (10th May 2016), and confirmed upon day 2 of the examination that due to the late submission of this important element of the evidence base that interested parties could submit comments by no later than close of business 27th May 2016.
2. The following comments are generally set out in conformity with the headings within the 2015 Viability assessment.

General Comments

3. Prior to the publication of the document the Council referred to the 2015 Viability Assessment as a 'Whole Plan Viability Assessment' unfortunately the document produced is simply a refresh of earlier work undertaken in 2009 by DTZ. This earlier work was undertaken without the benefit of the National Planning Policy Framework (NPPF) or accompanying Planning Practice Guidance (PPG), as such neither the 2009 work, nor the 2015 refresh (2015 Viability Assessment) take full account of national policy. In particular the NPPF, paragraph 174, identifies that such evidence;

"... should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence."

4. The 2015 Viability Assessment does not include a cumulative assessment. It solely considers the implications of the rate of affordable housing contributions, outlined in Policy HS1. There is no assessment of the likely cumulative impacts of other policies contained within the plan, such as Policies DEV5, HS5, ENV5 and COM2. Furthermore there is no assessment of the scale of obligations likely to be applied to development across Eden. Paragraph 3.67 of the 2015 Viability Assessment notes;

"...it is difficult to sensibly come up with a 'one-size fits all' per unit contribution allowance applicable across the District..."

5. This is despite the presence of the 2013 Cumbria County Council *Planning Obligation Policy*. To overcome this issue the 2015 Viability Assessment utilises a range of potential contributions. However, without having a reasonable assumption upon the likely level of obligations being sought, it is impossible to assess where within this range viability is likely to lie.
6. These fundamental issues call into question the validity of the 2015 Viability Assessment and its conclusions.

Proposed Sites, Site Sizes and Site Densities

7. The 2015 Viability Assessment continues to utilise the density assumptions provided within the earlier 2009 DTZ study, these were;

Penrith

- High density – 40dph;
- Medium density – 35dph;
- Low density – 30dph

All other areas

- Medium density – 35dph;
- Low density – 30dph

8. The HBF consider these densities to be on the high side when considered against the Council's own evidence, provided in the *Land Availability assessment – Housing Sites* (October 2015) document (examination document EB020). This document, within appendix 6, identifies the densities achieved on a range of sites across Eden. These are summarised below;

Location	Type	Size	Average density
Town Centre	Predominantly Flats	All sizes	117
Town	Predominantly Houses	Over 2ha	22.67
Town	Houses	0.4 to 2ha	31.36
Town	Houses / Mixed	Under 0.4ha	45.85
Village	Houses	Over 2ha	17.95
Village	Houses	0.4 to 2ha	23.42
Village	Houses	Under 0.4ha	29.25

9. A significant proportion of the development is therefore likely to be come forward on densities of 30dph or less. This should be reflected in the study.

Planning and Abnormal Costs

10. The 2015 Viability Assessment makes no allowance for abnormal costs. Whilst it is acknowledged that these will vary significantly from site to site, the 2012 report by the Local Housing Delivery Group '*Viability Testing Local Plans*' (page 35) advises that;

"...The planning authority should include appropriate average levels for each type of site unless more specific information is available. Local developers should provide information to assist in this area where they can, taking into account commercial sensitivity."

11. The HBF agree with this advice, particularly in districts such as Eden where issues such as topography and drainage will be prevalent upon a significant number of sites.

Developer Return (Profit)

12. The HBF agrees with paragraph 3.14 of the 2015 Viability Assessment in that developer profits are variable dependent upon the business model, operating costs and risks involved with individual businesses, funders and sites. We do not however agree that 18% GDV for large sites and 17% GDV for small sites is an appropriate assumption (paragraph 3.17). In this and many other cases the 2015 Viability Assessment is biased towards the lower end of the identified range. The problem with such an approach is that it will always push towards the margins of viability, contrary to the advice contained in the PPG ID10-008. To ensure that Eden remains attractive to the development industry it is recommended that a higher profit level be factored into the analysis. A figure of 20% GDV has been widely accepted in a wide number of appeals and local plan examinations. It should also be noted that development at any scale, particularly in poorer market areas, carries inherent risks. The HBF therefore also does not agree with the 17% assumption for smaller developments.
13. The continued use of 6% for affordable housing is also contested. This is largely due to the uncertainties associated with the Government announcements upon welfare reforms. The impact upon private developers is that many social providers are now either reluctant to commit to sites or are pulling out of agreements. This makes the provision of affordable housing significantly more risky and as such a higher return is required.
14. In this context the HBF recommend that the profit provided be increased and that a blended 20% profit on GDV for both market and affordable housing be utilised across all developments. The HBF is currently undertaking work upon this issue which may be available prior to the next series of hearing sessions.

Land Value (Competitive return to a willing landowner)

15. Paragraph 3.35 identifies that the study takes;

“...the view that a *willing land owner* will require a land value of at least 90% of this benchmark figure in order to reach the decision to sell a potential development site (i.e. £292,500/net developable acre or circa £725,000/net developable hectare).”
16. This figure of £292,500/ net developable acre is then utilised in appendix 2 to indicate viability. However, the table at paragraph 3.29 identifies that only one of the sites identified fell below this figure. The other 10 sites were all above this figure and indeed the average of the identified sites is in excess of £380,000/ net developable acre. The reliability of the assumption in paragraph 3.35 that the majority of development sites will come forward at this lower amount is therefore highly questionable.
17. Based upon the information provided a minimum figure closer to £400,000/ net developable acre would appear more appropriate to ensure that the majority of land owners would be willing to sell. It should, however, be noted that this is based solely upon the information provided within the study, further research may increase this figure.

Build Costs

18. Paragraph 3.42 of the study identifies a 4% discount upon BCIS figures for Eden (December 2015). It is unclear why this discount has been applied or the credibility of this discount. The HBF agrees with the Local Housing Delivery Group which identifies that BCIS should only be adjusted where there is good evidence for doing so. The 2015 Viability Assessment does not provide such reasoning. The PPG also advises the use of BCIS (ID 10-013).
19. The HBF does agree with paragraph 3.43 in that BCIS does not take into account of the full range of build costs such as highways infrastructure, utilities etc. and as such additional allowances should be added.
20. Paragraph 3.44 of the 2015 Viability Assessment suggests professional fees of 6% build cost for small developments and 7% on large sites. This is considered low, in comparison the Local Housing Delivery Group states;

"..Figures for fees relating to design, planning and other professional fees can range from 8 -10% for straightforward sites to 20% for the most complex, multi-phase sites..." (page 45).

It is therefore recommended these fees be uplifted.

Other Developer Contributions

21. These relate to other Section 106 and Section 278 costs, besides affordable housing. As previously discussed the 2015 Viability Assessment does not provide any benchmark for the scale of such costs and instead utilises a range of differing figures. These figures of between £1,000 and £10,000 would not only need to bear the cost of other Section 106 / 278 costs but also abnormal site costs and other policy requirements. The study should provide a view on the likely cumulative impact of such costs and provide examples of actual costs where possible.

Other Assumptions

22. The 2015 Viability Assessment utilises a 2.5% costs on GDV for sales and marketing. This sits below the range identified within the Local Housing Delivery Group document (3 to 5%). It is, however, worth considering that the 3 to 5% costs for sales and marketing are intended to cover the national picture and are representative of the fact that some markets are stronger than others and as such less marketing is required. Given that Cumbria is not the strongest market nationally it is considered that 5% would be more appropriate and reflective of local circumstances.

Brownfield Sites

23. Paragraph 4.7 of the study acknowledges that brownfield site scenarios were not subject to the refresh. Whilst the HBF acknowledge that the majority of sites will come forward on greenfield sites the plan places a strong emphasis upon brownfield redevelopment and within smaller villages and hamlets effectively prioritises such use (plan policies LS1 and HS2). This is therefore considered a significant omission from the study.

Conclusion

24. The study is considered to have a significant number of flaws both in its methodology and the assumptions utilised. Importantly it does not represent a plan wide viability assessment which considers the full cumulative impacts of all policies and obligations as required by paragraph 174 of the NPPF. The assumptions utilised within the 2015 Viability Assessment are considered to either be below or at the bottom end of the ranges identified in recognised guidance. In this regard it

is considered that the study is likely to over-estimate viability across much of the plan area.

25. To ensure that viability is not being compromised by the plan and to provide the correct policy framework which will ensure that the plan delivers against its housing requirement it is recommended a new viability assessment be undertaken. To ensure any future study is based upon robust assumptions it is recommended that the housing industry be invited to comment and provide evidence at an early stage of its production.

Yours sincerely,

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