

Sent by email to: ldf@maidstone.gov.uk

30/09/2019

Dear Sir/ Madam

Response by the Home Builders Federation to the Local Plan Review consultation

Thank you for consulting the Home Builders Federation (HBF) on the review of the Maidstone Local Plan. The HBF is the principal representative body of the housebuilding industry in England and Wales and our representations reflect the views of discussions with our membership of national and multinational corporations through to regional developers and small local housebuilders. Our members account for over 80% of all new housing built in England and Wales in any one year.

We welcome the decision by the Council to begin the review process early to ensure that a new plan that meets needs in full can be adopted as soon as possible. Set out below are our comments on those matters relating to the approach taken to housing delivery and if you have any questions regarding these please contact me.

Plan period

The Council state that this review is a rolling forward of the current local plan and not a wholly new plan. We would disagree. The local plan review is separate to the plan itself. The review is undertaken to identify whether the Council needs to update its local plan either wholly or in part. The evidence presented by the Council indicates that it will need to amend its current local plan in order to meet its housing needs. Given the scale of the uplifts this will require substantial revisions that will in effect create a new plan even if some policies remain unaltered from the previous plan. Therefore, in order to be consistent with national policy the plan would need to cover a period from the point at which the local housing needs assessment is calculated and the plan submitted for examination, not the proposed date of adoption.

On the basis of the Council's expectation in chapter 6 that the Council expect to submit the plan in March of 2021 the we would expect the plan period to run from 2020 the likely year in which the evidence on housing needs is based. This would be consistent with paragraph 2a-008 and 2a-004 PPG which state respectively that the local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination and that the current year should be used as the starting point from which to calculate growth over that period. Given a start date of 2020 the end date will need to be the be 2037



or later if the plan is to run for the minimum period of 15 years post adoption as required by national policy.

Meeting housing needs in full

Housing needs

The consultation document recognises that the local housing needs assessment required in paragraph 60 of the National Planning Policy Framework (NPPF) is the minimum number of homes that the Council is required to deliver. As such the Council must consider whether there are:

- a) Any unmet needs occurring in neighbouring areas which the Council are required to account of when planning for the amount of housing to be delivered;
- b) Whether the uplift is required to the Council's housing requirement in order to better meet the need for affordable housing in the area as suggested in paragraph 2a-024 of Planning Practice Guidance.

The Council will need to consider both these matters very carefully before submitting a plan for examination. In particular the Council will need to have thorough and detailed discussions with the authorities in neighbouring areas as to their capacity to meet their own needs. This discussion should include considering the request of the Mayor of London for willing partners in order to address the 10,000-home shortfall in housing delivery set out in the London Plan. We would draw the Council's attention to paragraph 2.3.7 of the draft New London Plan, currently at examination, which states:

“Collaboration with willing partners can help alleviate some of the pressure on London while achieving local ambitions in the WSE for growth and development, recognising that this may require further infrastructure. The Mayor will work with willing partners, including local authorities, Local Enterprise Partnerships, Subnational Transport Bodies, the National Infrastructure Commission and Government, to explore strategic growth opportunities where planning and delivery of strategic infrastructure (in particular public transport) improvements can unlock development that supports the wider city region.”

However, in addition to this recognised unmet need we are also concerned that many outer London Borough's will struggle to meet the higher levels of housing delivery expected by the new London Plan. It will therefore be necessary for the Council to engage with London Boroughs in the South East of London and discuss their ability to meet housing needs. Whilst we recognise that these Borough's do not adjoin Maidstone, we would argue that the Capital is a neighbouring area. In particular the improved rail links between the capital and Maidstone have resulted in strong migratory and commuting links between the two areas that would support Maidstone increasing housing delivery to meet the unmet needs of London.

Housing delivery

In order to deliver the number of homes required to meet the local assessment of housing needs the Council must ensure it has a healthy land supply that delivers beyond its requirement. We are therefore pleased to note that the Council is proposing to include a 10% contingency in its housing land supply for the plan period. However, we would suggest that this contingency may not offer the necessary flexibility required by paragraph 11 of the NPPF and would recommend that the Council seeks to allocate sufficient sites to deliver 20% more homes than its housing needs assessment.

The reason for a higher uplift is to ensure that there is sufficient certainty that the local plan's housing requirement is delivered given that many of the new homes that will potentially come forward on strategic sites and a new garden village. The HBF welcomes the allocation of such sites but we also recognise that delivering large strategic sites and new communities comes with significant challenges that can delay their delivery. It is therefore necessary to ensure that there is a sufficient buffer of smaller sites that will enable the Council to continue to meet their housing needs across the plan period. Such a buffer also has the added benefit of ensuring that if there are delays in housing delivery the Council have the security of having a 20% buffer in their land supply should delivery fall below 85% of its housing requirement as calculated using the Housing Delivery Test (HDT).

Spatial strategy

We cannot comment in detail on where the Council should focus its growth however, we would recommend an approach that delivers a wide range of sites both in terms of size, type, and market location.

We appreciate that the NPPF requires the Council to adopt a brownfield first approach to development and the Council must fully explore its options with regard to this policy and the densities that can be achieved on such sites. However, we would suggest some caution in expecting significantly higher densities to be deliverable on all its brownfield sites. In many cases the context of such sites will mean higher densities are inappropriate. However even where higher densities are considered appropriate the additional costs of building upwards can mean that expectations with regard to the delivery of affordable homes and infrastructure will make some schemes unviable. It will be important for viability to be thoroughly tested on such sites.

Away from the Council's brownfield land we would suggest that the Council looks to provide a range of green field sites when meeting its housing needs. The Council should not look solely to larger greenfield sites to meet needs but allocate a range of small and medium sized sites that will allow a range of different products to be delivered providing the widest possible choice to the public. In particular we would expect to see the Council allocate sites that will ensure a flat housing trajectory that seeks to meet current needs in the next five years, and not push delivery toward the end of the plan period.

Homes for older people

On page 36 the Council ask how they can best plan for the different types of housing that will be needed. With regard to older people we would suggest that the Council works with specialist developers to identify appropriate sites and allocate these in the local plan. Too often delivery of accommodation for older people is identified for strategic sites when provision is best met within existing communities with good access to the services they provide. In addition, we would recommend that the Council identify a specific target for the number of homes for older people and for this to be set out in polciy. This would provide some impetus to the delivery of such homes and ensure the Council's delivery can be effectively monitored

Viability

The NPPF 2019, at paragraphs 34 and 57, places significant emphasis on the testing of viability during the preparation of the Local Plan and the expectation that the cumulative impact of policies should not make the plan undeliverable and that decision makers can assume that planning applications that comply with all the policies in the local plan are viable. This position is reinforced by PPG which states at paragraph 10-002 that:

“The role for viability assessment is primarily at the plan making stage. Viability assessment 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.”

The importance to be placed on Plan stage viability has never been more critical. The Government considers that this emphasis on viability at the plan making stage will inevitably mean the need for negotiation on an application by application basis will be reduced and will only occur where there has been a change in circumstance.

Given this focus on viability testing at the plan making stage the Government have set out in PPG a recommended approach, including standardised inputs, that should be undertaken to support plan making. This provides a simple methodology to follow where a series of evidenced inputs steered by general parameters lead us to a residual land value where the range of local policy requirements are considered to be viable. If this is wrong or some of the key inputs are inappropriate it simply undermines the entire plan making process casting doubt on the deliverability of chosen allocations, creating further opportunities for speculative proposals, prolonged debate at EIP, delay and poorer planning. Having reviewed the Council's viability study commissioned by the Council we have the following observations.

Developer engagement

The Council will need to show that it has engaged with the development industry and landowners in line with paragraph 10-006 of Planning Practice Guidance to secure

evidence on costs and values. Whilst we recognise that there is national data on such costs it will be important to understand the actual costs of developing in Maidstone to ensure development will come forward as expected.

Benchmark land values

Given the limited scope for negotiation outlined in the NPPF it is important that a cautious approach is taken with regard to benchmark land values in the viability study. PPG sets out that the benchmark to land value should be established on the basis of the existing use value of land plus a premium to the landowner - referred to in PPG as EUV+. The premium should be established on the basis of the minimum return at which a reasonable landowner would be expected to sell their land. The difficulty in assessing what is considered a reasonable return to the landowner is an issue that has been faced by the development industry for a number of years and one that is not helped by the restraints placed on the development of land by successive Governments. The nature of the planning system itself severely constrains the availability of development land which, as it would in any market, leads to the value of this asset increasing. In such a market the price at which a reasonable landowner is willing to release land, and in particular agricultural land, for development will be substantially higher than the existing use value. The Viability Study must acknowledge this position and that land will just not come forward for development if land values are substantially reduced due to planning contributions and local plan policies.

Development costs

PPG recommends using the Building Cost Information Service (BCIS) data in relation to construction costs. It should be noted that the BCIS cost is only the cost of the house itself and is based upon a flat site with standard foundation, it does not account for all of the plot works nor any costs associated with more complex ground / gradient conditions. We would suggest that 20% is added to base build costs for external works. The Council must also recognise the differential costs in providing homes for older people. Such developments provide a significant amount of common areas that do to provide any additional value which must be recognised.

PPG also requires viability assessments to reflect the implications of abnormal costs to development. However, the very nature of abnormal costs is that they are impossible to cost accurately prior to work commencing on site. It is important to acknowledge that such costs could be significantly higher than this figure and will need to be taken into account in decision making.

Fees and finance

We recognise that such costs will fall within a range depending on the nature of the scheme. However, given that paragraph 57 of the NPPF reduces the ability to negotiate planning permissions we suggest that the upper end of any costs associated with fees should be used. We would recommend the costs are adjusted with regard to the following fees:

- legal fees are generally between 0.75% and 1.5% depending on complexity. We would suggest a cautious approach is taken and the higher percentage is necessary; and
- marketing costs will be between 3% and 5% depending on the strength of the market;
- Professional fees can be up to 20% of build costs for more complex sites;
- General finance costs will depend on the risk profile of a particular development and the nature of the lender. As such we would suggest that viability studies use a rate 6.5% and 7%; and
- Agent fees to take account of transactions are usually between 1% and 2%.

Profit

Paragraph 10-018 of PPG suggests a total return of between 15% and 20%. Allowing for 35% affordable housing on major sites will mean that return on Gross Development Value is well below 20%. The HBF continues to recommend that a cautious approach is taken to profit, and that the developer return on market homes is increased to ensure that the return is closer to 20% of Gross Development Value. This ensures that the overall profit reflects the long-term risks faced by the house building industry in bringing land forward for development.

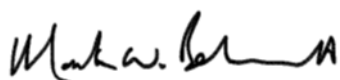
Policy requirements

Once the Council are aware of the full policy costs these will need to be included within the plan. Whilst the most significant policy burden relates to the provision of affordable housing the Council must carefully consider the cost impacts of all its policies. For example, electric vehicle charging points rarely take account the increase in the demand on the local electricity supply infrastructure which could require further sub stations to provide the necessary capacity. Therefore, whilst we recognise the requirements on the Council to develop plans that will allow for improvements in air quality, biodiversity, and a range of other issues the full cumulative impact of these costs must be taken into account and reflected not only in the viability assessment but within the plan's policies.

Conclusion

We hope these comments are helpful in taking forward the review of the local plan. If you have any comment please contact me. We would be happy to discuss how we can support the Council in engaging with our members in taking forward the review of the local plan.

Yours faithfully



Mark Behrendt MRTPI
Planning Manager – Local Plans
Home Builders Federation
Email: mark.behrendt@hbf.co.uk
Tel: 020 7960 1616