

Maldon District Council

Viability Evidence Base Review February 2015

Prepared by:
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On behalf of:
Dartmouth Park Estates

9 March 2015

1. INTRODUCTION

- 1.1 This report has been prepared by Pioneer on behalf of Dartmouth Park Estates (“DPE”) (the promoters of S2b Wyke Hill North which forms part of the South Maldon Garden Suburb) to review the Additional Viability Note for the LDP Examination prepared by HDH Planning and development. HDH prepared their note to provide additional information to the Inspector following requests to update their May 2014 report (EB040d) to reflect a number of area changes.
- 1.2 A further component of this exercise was for HDH to identify whether, in light of this update, amendments were required to the affordable housing percentages in draft Policy H1. Where amendments were judged necessary the council and HDH were then to seek to agree these with the respective developers of the strategic allocation sites within the Maldon development plan.
- 1.3 This note considers the HDH viability note and is intended to provide clarity to the inspector on DPE’s position on viability and how this relates to draft Policy H1.
- 1.4 This report should be read in conjunction with the Infrastructure and Viability Evidence Base Review and representations prepared by Pioneer and submitted on behalf of DPE in response to the March 2014 CIL draft Charging Schedule consultation event (March 2013 Pioneer representations – PDCS020 – summary extract in Annex 1).

2. HDH PLANNING AND DEVELOPMENT ADDITIONAL VIABILITY NOTE

2.1.1 HDH has submitted their note to the Council who have in turn issued it to the Inspector. The note identifies that two main changes are recommended to draft Policy H1; firstly North Heybridge should be tested against a 30% target (up from 25%) and South Maldon site S2a should be tested to 30% affordable housing (down from 40%). These adjustments result from cost changes and site area adjustments which have amended the conclusions of the viability study. No adjustment is proposed in respect of S2b and this site will on this basis be tested to achieve 40% affordable housing.

2.1.2 It is DPE's contention that this viability note should have considered further the marginal position identified in respect of S2b (as illustrated by table 5 within the viability update note). It is evident from this table that the model indicates that S2b will potentially deliver a residual land value of £333k (i.e. only £3k above the HDH land 'threshold') where the scheme is delivering a 40% affordable housing package. HDH conclude on this basis that this represents a 'viable proposition' and one which should therefore be reflected in the target affordable housing proportion of policy H1.

2.1.3 DPE do not agree with this conclusion and are therefore unable to support the conclusions of HDH in their Additional Viability Note.

2.1.4 The document Viability Testing Local Plans Advice for Practitioners produced by the Local Housing Delivery Group in 2012 ("The Harman Report") is when it states at page 16 that;

"Given the clear emphasis on deliverability within the NPPF, Local Plan policies should not be predicated on the assumption that the development upon which the plan relies will come forward at the 'margins of viability'."

2.1.5 The Harman report continues on the same page in respect of the balance between delivery risk and seeking obligations;

"In making this local judgement, the planning authority will need to strike a balance between the policy requirements that it deems necessary in order to provide for sustainable development and the realities of economic viability."

2.1.6 This is reflected in the NPPG at paragraph 008 which additionally identifies that;

"Plan makers should not plan to the margin of viability but should allow for a buffer to respond to changing markets and to avoid the need for frequent plan updating."

- 2.1.7 It is this issue of plan making at the margins of viability and the need for a buffer which is a particular concern bearing in mind the conclusions of Table 5 within the HDH update note and how these apply to site S2b Wyke Hill North.
- 2.1.8 It is DPE's view that HDH should conclude, on the basis of their own evidence, that a 40% affordable housing target within draft policy H1 provides insufficient buffer in the plan, and as a result it is 'at the margin of viability' contrary to the NPPG. This is further compounded by three further aspects of the modelling which have each been considered in previous representations made on behalf of DPE (PDCS020).
- 2.1.9 These relate to the values, costs and threshold land value relied upon by HDH and the way this is applied to the outcomes of their model.
- 2.1.10 The NPPG is clear on the context of plan viability and states at paragraph 008;

“Current costs and values should be considered when assessing the viability of plan policy. Policies should be deliverable and should not be based on an expectation of future rises in values at least for the first five years of the plan period. This will help to ensure realism and avoid complicating the assessment with uncertain judgements about the future”.

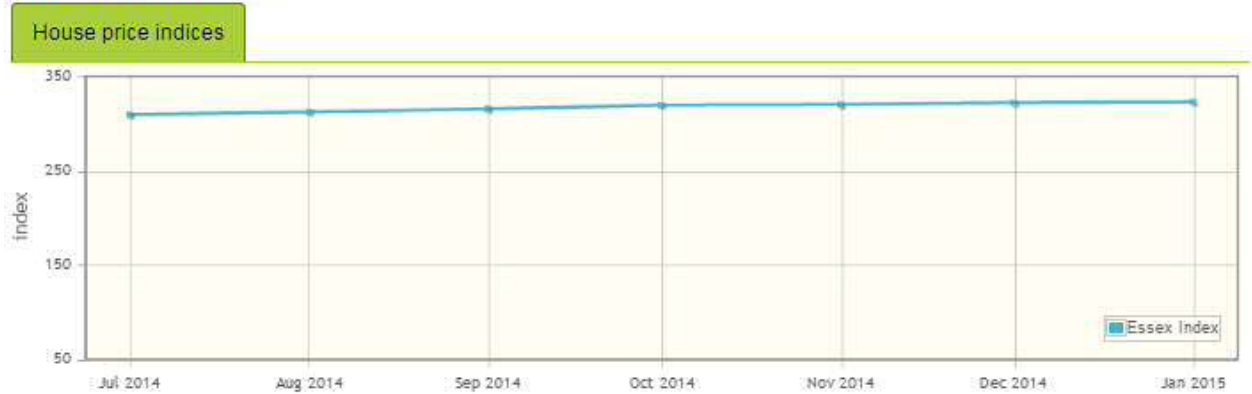
- 2.1.11 The HDH model assumes values of £2,900 per sq metre are achievable on the garden suburbs which includes site S2b Wyke Hill North. DPE's view is that these values will require market growth to achieve as current market expectations for this area lie close to £2,600 per sq m. Advice from a partner in Bidwells residential development team (Bidwells are an established firm of property advisors and agents with a local office in Chelmsford) was appended to the DPE's representations to the CIL charging schedule in July 2014 and this suggested the following conclusion;

“The evidence which I have considered suggests that sales revenues for a mixed housing development in the location proposed might currently achieve between £235 per ft -£250 per sq f. This is consistent with my own expectation of where the Maldon new homes market currently is, and Maldon's position relative to other towns and location in mid and east Essex.”

- 2.1.12 Their approach carefully considered both newbuild and secondhand property and drew conclusions accordingly. Evidence from the Land Registry house price index shows the relatively modest increase in average house price for the Essex region since the original Bidwells opinion from July 2014 which lends support to their advice remaining current

particularly as the index has moved less than 1% between Q3 and Q4 2014, this reflects the broadly flat market for England and Wales over the same period.

Index data for Essex



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Show entries

Date	Index
January 2015	321.93
December 2014	321.04
November 2014	319.18
October 2014	318.53
September 2014	314.4
August 2014	311.28
July 2014	308.37

2.1.13 On this basis it would appear that the HDS assessment is reliant on a 'future' market sales value to underpin their appraisals.

2.1.14 Build costs are currently rising following a period of suppression due to a weak economy within the sector. EC Harris, one of the respected QS practices who comments on annual cost increase and prediction, is suggesting the following position on inflationary pressure in tender prices through 2014, 2015 and into 2016.

Table 1 – EC Harris TPI – Forecast Annual % Movement

	London	UK-wide
2014	4.0%	2.2%
2015	6.1%	4.6%
2016	5.0%	4.4%

2.1.15 The BCIS regional Tender Price Index for the East of England region indicated a 4.2% increase for the year ending Q4 2014 (with an 8.7% rise in the last quarter) further illustrating the significant cost pressure in the build sector. This cost pressure which has occurred since the HDH CiL and Plan Viability study update of 2014 further narrows the ‘buffer’ within the HDH model as cost increases will always suppress residual land value deriving from the financial model. This is illustrated clearly in the following table of outcomes which have been populated using the HDH model template as applied to the S2b Wyke Hill North site.

TABLE 5					
FEBRUARY 2015 UPDATED Table 10.6 Base Appraisals. Residual Value compared to HDH Viability Threshold					
Indicative sensitivity outcomes of HDH model for S2b Wycke Hill North					
Version		Option	Affordable Housing %	HDH Viability Threshold	Residual Value
	HDH Revised Position			£/ha	£/ha
1	S2b Wycke Hill North	FEB 2015 HDH Update	40%	330,000	£333,331
	Value Changes				
2	S2b Wycke Hill North	As above Values to £2,600 (from £2,900)	40%	330,000	£75,000
3	S2b Wycke Hill North	As above Values to £2,750 (midpoint)	40%	330,000	£202,500
4	S2b Wycke Hill North	Values to Midpoint of £2,750	30%	330,000	£349,000
	Cost Changes				
5	S2b Wycke Hill North	Feb 2015 HDH Build Costs +5%	40%	330,000	£204,000
6	S2b Wycke Hill North	As above	30%	330,000	£364,000
	Combinations of Value and Cost				
7	S2b Wycke Hill North	Feb 2015 HDH Values to £2,750 Costs +5%	40%	330,000	£75,000
8	S2b Wycke Hill North	Feb 2015 HDH Values to £2,750 Costs +5%	30%	330,000	£221,000

Notes :

HDH have adjusted input values from £2,600 to £2,900 between iterations of the viability modelling. DPE maintain that £2,600 is the current market level so anything above that is contingent on value growth occurring.

Build costs are based on BCIS. The indices show ongoing volatility in the construction sector with both labour and materials rising. On this basis cost increases are a significant development risk area which materially affects residual land value.

The above is compared to the HDH land value threshold of £330,000. This is not a 'minimum position' above which sites will come forward. Adjacent councils have adopted figures for similar purposes well above HDH's 330k position (see Table x)

2.1.16 The above table illustrates the HDH conclusion about the residual land value for S2b Wyke Hill North in the top line. This has been progressively altered on behalf of DPE, firstly

through value adjustments, then cost increases and finally a combination of the two. What is evident is that reductions in value (which are needed to reflect the current market) make considerable changes to outturn residual land value. With Option 3 showing that a 30% position at £2,750 per sq m value is broadly equivalent to 40% affordable housing at the higher £2,900 per sq m value.

- 2.1.17 The move to 30% affordable housing target represents a more appropriate and therefore deliverable target as evidenced by the above table. Where values are modified to a midpoint between the current market position (of £2,600 per sq m) and the position advocated by HDH the scheme land value reaches c.£349,000 per hectare. The 30% target also introduces an important buffer on build costs which are under significant pressure. Overall this adjustment to affordable target represents a sensible and pragmatic way forward which has a better chance of delivery when the site comes forward for development. Retaining a 40% position is unrealistic given the evidence on cost and value which has been considered above, and particularly in light of the concerns around threshold land value which considered below. A reconsidered affordable target for S2b Wyke Hill North ensures that the policy is not planned to the margin of viability in accord with paragraph 008 of the NPPG.
- 2.1.18 The final issue which is of considerable concern to DPE relates to the threshold land value of £330,000 per hectare as selected by HDH. DPE is concerned that this is being depicted by both HDH and the council as being THE threshold above which developments can be objectively determined as being viable for the purposes of the plan. This is not the case as the land market does not operate against a specific 'threshold' in this way. Landowners are required to be made willing participants in development in accord with the NPPF and NPPG.
- 2.1.19 On this basis if they are not sufficiently incentivised then sites will not come forward and the plan delivery will be jeopardised. The following table illustrates the land value thresholds either adopted or being considered by councils in the vicinity of Maldon and it is evident that these are well above the figure proposed by HDH.

Adjacent Local Authority CIL Land Value Assumptions:

Local Authority	Viability Author	Greenfield Land Value Benchmark per Hectare
Colchester	Roger Tym and Partner october 2011	£500,000 per developable hectare
Braintree - yet to consider CIL	Three Dragons November 2009	LA yet to prepare a CIL Viability assessment - the Core Strategy viability assessment refers to a Stakeholder derived figure of £1 million per hectare for greenfield SUEs and refers to 30/40% of Gross Development Value
Chelmsford	In house February 2013 Update	£804,000 per hectare
Rochford	Three Dragons July 2010	£1.85 million per hectare)
Tendring	Peter Brett August 2013	£494,000 low value areas, £865,000 mid value areas and £1.235 million high value areas
South-end-on-Sea	BNP Paribas September 2013	Does not have a greenfield benchmark - other benchmarks ranging from £306,000 to £4.1 million per hectare are referred to
Castle Point	Peter Brett October 2013	£1.25 million per hectare low value areas and £2.2 million per hectare for high value areas
Brentwood	Level 2010 (draft Local Plan) and Nationwide CIL Services (NCS) for November 2013 CIL assessment	A benchmark is not clearly identified in the Level study and NCS use a formula of EUV (i.e. 20k a hectrae for agricultural) plus a 50% share in the uplift achieved as a result of achieving a residential permission.

2.1.20 DPE remain concerned that the low threshold relied upon by HDH is, in the same way as their approach to costs and values, placing the provisions of draft plan policy H1 at the margin of viability contrary to the direction of the NPPG. Policy H1 should be amended to provide a suitable buffer which better safeguards the delivery of the plan, to this end the affordable housing target for S2b Wyke Hill North should be revised to 30%.

ANNEX 1

Summary Extract of DPE representations PDCS20 (from Council 'summary of representations Document' CS03).

	<p>detrimental impact on the viability of development in Maldon District.</p> <p>The calculation of potential CIL income is outlined in section 16 of the IDP. This explains how estimated CIL revenue has been derived.</p> <p>The viability assessment outlines that LDP sites S2(d) and S2(e) can afford to address the site-specific S106 costs but cannot afford to pay a CIL charge resulting in the proposed rate of £0 per sqm. As explained below, discretionary exceptional circumstances relief cannot be established prior to approval of the charging schedule and could not offer the same certainty as zero-rating based on the viability effect of S106 requirements.</p> <p>Discretionary exceptional circumstances relief (Regs. 55, 56 & 57) cannot be applied to a site at the charging schedule stage; it is available only to developments which are liable to pay a CIL chargeable amount calculated by the authority under Reg. 40 in accordance with the authority's Charging Schedule. If the authority decides to allow claims for relief it must publish a statement of policy to that effect under Reg. 56 after the Charging Schedule is in place. A developer, who has been granted planning consent with a S106 attached, who would have to pay a CIL charge, and who considers the CIL would render their development unviable, may apply for the relief once they have been notified of the chargeable amount by the authority. Each claim must be considered on its own merits following the statutory procedure. The key criteria are:</p> <ul style="list-style-type: none"> • a section 106 agreement must exist on the planning permission permitting the chargeable development; and • the charging authority must consider that paying the full levy would have an unacceptable impact on the development's economic viability (this must be based on an independent assessment paid for by the liable party); and • the relief must not constitute a notifiable state aid. <p>For relief not to be notifiable State Aid, giving it to the developer must mean that the developer would not have received more than €200,000 of similar reliefs across the whole of the EU in any rolling three-year period. This limit would apply to the aggregate not just of CIL reliefs, but of any form of public grant or relief which would constitute State Aid, such as certain tax reliefs etc.</p> <p>Proposed pooling arrangements outlined in the IDP and LDP are based on the Council's understanding of CIL Regulation 122(2), where sites have been allocated to pay for infrastructure which is considered to be directly related to the development.</p>
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Ref no.	PDCS020
Qu 1	<p>Concerns raised on the reliability of the evidence used in the Local Plan and CIL Viability Study.</p> <p>It is apparent that in seeking to introduce a CIL charge the Council have had insufficient 'regard' to the expected costs of infrastructure (and, in particular, have failed to assess what represent 'essential' items of infrastructure necessary to enable planned development) and to the impact of the proposed CIL rates in conjunction with other cost burdens upon the economic viability of development.</p>
Qu 2	

	<p>The economic appraisals within the Viability Study are based on artificially low 'benchmark' land values.</p> <p>The assumptions made in the Council's viability evidence base regarding what will incentivise a willing landowner are unrealistic and spurious. It is therefore likely that sites will be prevented from being released within the timescales assumed by the Council in the LDP.</p> <p>Concern regarding the viability of sites within the South Maldon Garden Suburb to provide required infrastructure and policy burdens (affordable housing policy H1) in the LDP. It is recommended that the site can only be viably delivered at 20%, however it will still be impossible to address through developer contributions / CIL alone.</p>
Qu 3	<p>Concern regarding the viability of development in Maldon District given that essential infrastructure items have not been identified / prioritised and the full costs of infrastructure have not been assessed. Even with significantly reduced affordable housing contributions the full extent of these essential infrastructure items will be impossible to address through developer contributions / CIL payments alone.</p> <p>The draft CIL PDCS is not considered to be justified, effective or consistent with national guidance, or in accordance with statutory regulation.</p>
Qu 4	<p>The Council should introduce an instalments policy to ensure a spread of costs for the phased delivery of the Garden Suburbs and Strategic Allocations, based on the size of each phase of each development.</p>
Qu 5	<p>The Council should introduce discretionary relief from CIL.</p>
Qu 6	<p>The CIL Charging Schedule should also take into account the efficacy of cost sharing amongst the promoters. For example, Essex Highways traffic modelling demonstrates that the SMGS & NHGS are expected to have similar percentage traffic impacts on the South Maldon Relief Road and very different impacts on the North Heybridge Relief Road, but the cost apportionment in the Pooled S106 (IDP Tables 21, 23 & 24) does not reflect this evidence at all.</p>
Attached additional information	<p><u>Infrastructure and Viability Evidence Base Review – Pioneer Property Services</u></p> <p>As the Viability Study was published in November 2013, and the IDP Update in December 2013, the report questions whether the Council's viability evidence base fully explores the deliverability of the LDP.</p> <p>The IDP does not fully consider distribution of growth allocated in the Pre-Submission LDP. This has not allowed the Council to 'strike an appropriate balance' between the level of funding to be sought through CIL and the potential impact on the economic viability of development in the area.</p> <p>Concern that the final infrastructure costs and fully requirements are not yet known for the South Maldon Garden Suburb. Therefore, the impact on the economic viability of the site based on 40% affordable housing and section 106 contributions.</p> <p>Based on scenario 1 and scenario 2 in the IDP, the sites within the South Maldon Garden Suburb are required to provide the same level of infrastructure, even though the number of dwellings on the site has declined within scenario</p>

2.

The IDP Update, which should be prepared to inform both draft Local Plan policies as well as CIL rate setting, does not appear to robustly review the level of planning obligations achieved historically. This is of significant concern particularly with regards to affordable housing delivery.

Based on evidence of previous delivery of affordable housing in the District since 2010, it is considered that the delivery of 40% affordable housing without grant funding would be 'extremely unlikely to be achievable in the foreseeable future, and certainly within the early part of the plan'.

Viability evidence

It is unclear that the Council's evidence base is of sufficient detail and accuracy to support the amendment to the housing numbers in the South Maldon Garden Suburb applied to the Pre-Submission LDP - it would appear that significant additional work should be undertaken to assess the impact on the infrastructure requirements associated with the strategic sites in question, the costs of these requirements, and how this affects scheme viability.

A £2,900 per square metre open market value is applied in respect of the Maldon strategic sites, and this is described as a revised position (up from £2,600 per square metre) on the basis of consultation feedback. However, it is unclear whether the majority of those consulted (including landowners) considered this to be the position, and whether it is appropriate for the Viability Study Update (VS Update) to apply the higher values ignoring its own range evidence and surveys which suggest a lower value.

The VS Update confirms that to reflect draft LDP Policy H1 'Affordable Housing' it assumes that all rented housing is provided for Affordable Rent at 80% of local market rents. However, when considering the likely revenues that may flow from an Affordable Rent dwelling it is unclear that the VS Update revenues reflect the fairly prescriptive approach to affordability and rent setting for this tenure set out within the Maldon District Tenancy Strategy (to which Registered Providers should have regard) published in October 2012.

The VS assumes that developers will achieve 70% of open market values for Intermediate Sale products. The evidential basis for this is acknowledged to be scant. The VS does not suggest that it has based the 70% conclusion on information provided by Registered Providers operating in the area – additional work should be undertaken (such as contacting Registered Providers) to ensure an accurate assumption is being applied. The accuracy of this assumption is of particular importance given that the VS assumes a 30% Intermediate tenure split proportion in its baseline modelling, and thus will have a significant impact on the revenues in the VS appraisals and the viability outputs.

As CIL is being consulted upon, it is currently uncertain if the Council will be introducing an instalment approach to CIL payments. Clearly this matter has implications for any modelling of the likely impact of CIL charges upon scheme viability and the approach to be taken should be determined ahead of viability testing.

The VS Update states that the VS assumed a s106 contribution per dwelling of

£2,500 apparently on the basis of the Council's 'past record in collecting s106 contributions'. The VS Update reduces this assumption to £1,000 per dwelling when modelling the 'effect of CIL on viability' (see paragraph 7.14 of the Viability Study). However, it is not clarified that this is agreed with Stakeholders as being realistic and the background data informing the conclusions on past contributions and the apparently arbitrary reduction from £2,500 to £1,000 per dwelling is not presented in the VS, the VS Update or the IDP Update. It is therefore unclear that this assumption has been robustly tested.

In Chapter 7 the VS Update states that it reduces costs assumed in its modelling for environmental standards from 6% (as in the VS) to 2% over and above BCIS. It appears to suggest that this reduction is on the basis that schemes will comply with 2013 Building Regulations which 'have more modest cost implications' as a result of seeking 'a significantly lower degree of improvement compared to the 2006 Code trajectory'.

The VS Update refers to the recent Housing Standards Review consultation ("HSR") and the possibility of the non-energy efficiency elements of the Code for Sustainable Homes being 'shelved'. Where costs are assumed on such a basis it is reasonable to expect that policies should not be introduced requiring schemes to achieve environmental standards in excess of those tested (i.e. the 2013 Building Regulations).

However, draft Local Plan Policy D2 is noted by the VS Update at page 33 to require all new residential homes to be constructed to achieve Code for Sustainable Homes Level 4 – as such it is not clear that the VS Update environmental cost assumptions adequately reflect the costs associated with course the Council intend to take through draft Policy D2, or vice versa.

It is of significant concern that a 2% allowance is being applied in the VS Update, despite acknowledging that the Council will seek Code for Sustainable Homes Level 4 – the costs associated with achieving these standards range beyond the energy element of the updated Building Regulations and the HDH 2% allowance is not demonstrated to reflect the full costs associated with these matters as experienced in the real world.

Referring to preferences expressed by the Council requiring that Registered Providers ensure that 15% of all new affordable housing is provided as 'older peoples' homes'. The VS Update assumes that this will add nil additional costs to the scheme on the basis that Lifetime Homes Standard costs are already accounted for in the VS Update response to draft LDP Policy D2, and that the restriction of the dwellings to older people will not necessitate any additional standards over and above Lifetime Homes to be applied.

However, this fails to assess whether or not the enforcement of this occupation restriction will result in any decrease in the revenues payable by Registered Providers. The approach also fails to reflect that whilst draft LDP Policy D2 seeks all new homes to be built to Code for Sustainable Homes Level 4, this does not impose a mandatory Lifetime Homes Standards requirement, and it is unclear that the BCIS +2% assumption applied by the VS Update reflects the full costs associated with constructing to Code for Sustainable Homes Level 4 or Lifetime Homes Standards.

The VS Update acknowledges in respect of affordable housing that 'the

particular need is for 1 bedroom units'. The VS Update does not test a specific affordable housing mix but applies an approach that makes the broad assumption of an average 80m² floor-area per affordable dwelling. It is unclear that the VS Update modelling fully reflects the requirement within proposed Policy S4 of the Pre-Submission Local Plan, which seeks 'a significant proportion' of dwellings in a tenure and form 'appropriate for meeting the housing needs of an older population'. A mix of housing sought by the Council that results in alternative floor areas to those modelled in the VS Update will result in different cost / revenue assumptions.

Land Value Benchmark

The land value viability thresholds (against which modelled Residual Land Values are compared) within the VS Update are based on those derived in Chapter 6 of the VS. In Chapter 10 the VS (and the VS Update) assume a gross £330,000 viability threshold per hectare for all of the strategic sites. This is derived by taking a £25,000 per hectare agricultural land value, uplifting it by 20% to £30,000 and then adding a premium of £300,000. However, it is unclear that this accurately reflects the values that will be necessary if 'willing' land owners are to be incentivised to release land for housing development.

Instead of making the real-world assumption that a land owner will wish to maximise their return as a function of the proposed end use of the site and to secure as large a proportion of gross development value as possible the VS Update and earlier VS proceed on the false premise that a 'premium' over existing use will be sufficient thus enabling them to determine the level of the premium with the over-arching objective that land values must be driven down to accommodate CIL charges and the other obligations sought.

Such self-satisfying and circular logic allows the VS Update and earlier VS to dictate what such a premium will be irrespective of the value of the development on the land or the location of such land and, thus, it is inevitable that their determination of viability is an artificial exercise and it cannot be said that it will, as recommended by the Local Housing Delivery Group:-
 "...provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan."

To suggest that land owners will calculate the value of an asset with reference to its current use rather than its contribution to potential development value is self-evidently naïve and completely undermines the analysis in the VS Update and earlier VS. No owner-occupier would sell an individual dwelling on such a basis and the imposition of an arbitrary 'premium' as a benchmark value is unlikely to incentivise landowners to willingly release sites.

It is therefore of great concern that the VS Update author believes that a 20% premium above existing use value⁵⁴ will provide a competitive return and comply with the requirements of the NPPF. The benchmark values set out cannot be regarded as representing the views of landowners, assume that landowners will accept land values being driven down to accommodate CIL, and are based on similarly flawed assumptions made in the earlier VS study.

Furthermore, the VS refers to Valuation Office Agency (“VOA”) bulk land per hectare values for the Norwich and Cambridge areas (£1,600,000 and £2,900,000 per hectare respectively) as at 2011.⁵⁵ The 2011 VOA figures are acknowledged to reflect affordable housing and planning gain costs in line with market expectations for the locality in question.

The VS suggests that the VOA figures reflect the inclusion of Homes and Communities Agency grant funding, which is now extremely limited. The VS suggests a £1,000,000 residential land value per net hectare ‘to be an appropriate assumption’ in Maldon district. However, whilst this clearly exceeds the artificially low land value benchmarks assumed by the VS when appraising Greenfield land, it is not necessarily sufficient to meet landowner expectations / sufficient to provide a competitive return to incentivise and secure the release of land for housing.

However, the VS does not quantify the likely impact on the VOA values of lower grant levels, and equally the VOA Property Market Report does not identify whether or not an element of grant funding is included in the published land values. In addition the VOA values will not reflect the impact of the introduction of the Affordable Rent tenure, so it is unclear that the decrease suggested can reliably be assumed.

Furthermore, any such purported reduction in the VOA residual figures (as a result of reduced grant funding and / or increased affordable housing targets / introduction of CIL) has to be weighed against observations by organisations such as Knight Frank and Savills, where both have reported increases in land values.

Whilst information is not available in the Knight Frank or Savills reports at a District / regional level it is reasonable to suggest that without in depth recent research having been undertaken by the author of the VS it would be inappropriate to assume an arbitrary reduction to the VOA residual residential land valuations to reflect a lack of grant.

Landowners are likely to seek to obtain a residual value in line with wider market expectations where land achieves a residential permission, and the £330,000 per gross hectare land value benchmark (i.e. broadly £550,000 per net hectare) will be insufficient for many.

The VS / VS Update low land value benchmark is not supported by the residual residential land values for the nearest comparable locations suggested by 2011 VOA data⁶³ for permitted Greenfield sites of between £1,600,000 and £2,900,000 per hectare.

Simply i) setting unrealistic targets and relying on site by site viability testing to exhort maximum levels of affordable housing provision, and, ii) concluding that landowners will have to accept reduced land values to reflect the contributions sought by the Council (i.e. to reflect 40% affordable housing and any CIL or s106 contributions) is disingenuous.

Whilst there are some initial signs of an improving economy, cumulative burdens which act to reduce land values and / or returns below levels acceptable to a willing land owner and a willing developer will continue to impact negatively on overall housing delivery and economic growth contrary to

Government objectives.

With this in mind, and in the absence of a robust and thorough review having been undertaken by the VS / VS Update author to determine what is likely to represent an appropriate uplift to incentivise landowners in the area to release land in Maldon District for residential development, it is entirely reasonable to apply a sense check to the outputs of the VS Update by comparing the residual land values modelled in respect of large greenfield sites to the net £1,000,000 per hectare⁶⁴ permitted residual residential land value suggested by the VS⁶⁵ (and which the VS appears to arrive at despite having considered the £1.6 to £2.9 million per hectare VOA residual residential greenfield land value data).

Whilst this net £1,000,000 per hectare represents an increase over the artificially low benchmark applied within the VS /VS Update, is not necessarily sufficient to meet landowner expectations / sufficient to provide a competitive return to incentivise and secure the release of land for housing.

Using information provided on net and gross site areas within Appendix 2 of the Viability Study, it is estimated that the gross per hectare benchmark for the majority of sites is £600,000 per hectare (the calculation for this is included in appendix 1 of the Pioneer Report). Whilst this gross £600,000 per hectare viability threshold represents an increase over the artificially low benchmark applied within the VS /VS Update, is not necessarily sufficient to meet landowner expectations / sufficient to provide a competitive return to incentivise and secure the release of land for housing.

Based on the level of CIL proposed for the South Maldon Garden Suburb, the Limebrook Way Site S2a will be subject to a CIL cost of £100,800 per gross hectare. Where this additional cost is factored in alongside a £600,000 per gross hectare land value threshold it suggests that Site S2a Limebrook Way will be marginal where 20% affordable housing is sought and unviable at 25% (based on tables 10.7 and 10.8 of the Viability Study Update). Indeed, under Scenario 2 the viability of site S2a Limebrook Way would be marginal at 20% affordable housing.

The £600,000 per gross hectare land value threshold is not considered to be sufficient to meet landowner expectations and sufficient to provide a competitive return to incentivise and secure the release of land. Therefore, when reasonable land value expectations and CIL costs are taken into consideration, the South Maldon Strategic sites (S2a, b, and c) viability is under pressure even at 20% affordable housing.

Summary on land value benchmarks

- Landowners are likely to seek a residual land value in line with wider market expectations where land achieves a residential permission. The £330,000 per gross hectare is therefore considered to be insufficient to secure the release of such land.
- Viability decreases further if proposed CIL charges and likely comparable residential land values based on VOA data are taken into account, suggesting that 20% affordable housing is likely to be the maximum level that the Council should seek if an appropriate balance is to be struck between CIL contributions, site specific planning obligations, and economic

	<p>viability.</p> <p>Appendix 2 of the Pioneer Report reviews section 106 pooling arrangements for highways infrastructure in Maldon and Heybridge, and recommends an alternative contributions approach based on the percentage impact of each development. In particular, it is suggested that this approach should be undertaken in relation to the South Maldon relief road, where it is estimated that 49% of South Maldon traffic and 52% of Heybridge traffic would use the proposed road.</p>
Officer comments	<p>Many of the concerns raised in the representation relate to information which is not yet known regarding infrastructure costs, and indeed exact infrastructure requirements for each site. Consultation has been undertaken with developers, landowners, councils, agencies, and other relevant stakeholders through workshops and questionnaires to seek to ensure that the information within the Viability Study and IDP provided the best known and available information at the time of production. Government and PINS accept that not all information can be available when required during the production of a plan, therefore the Council is required to use the best available information at the time of production. The Council is not required to continually stop the production of the Plan to wait for new information to become available.</p> <p>It is acknowledged that the IDP and the Viability Study updates were produced at a time when the Council was considering an alternative growth scenario between sites at South Maldon and North Heybridge. In some cases infrastructure costs could not be updated at the time of production to accurately reflect proposals within both scenarios 1 and 2. The information within the IDP and Viability Study therefore reflects the best available information at the time of production. This provided the Council with sufficient information to make an informed decision on appropriate levels of growth across the Maldon and Heybridge Garden Suburbs.</p> <p>The Viability Study Update and the IDP were produced at the same time during October and November 2013. The publication date of the IDP Update 2013 reflects the fact that MDC were completing final sections of the document during December 2013 which were unrelated to the Viability Study. All work on IDP Update which could have an impact on the Viability Study was produced in November 2013 in collaboration with the Council's viability consultant.</p> <p>The Council's viability consultant is comfortable with the benchmark land values and the 'EUV plus' approach, although in relation to the new CIL guidance and NPPG some further explanation will be provided to support the DCS.</p> <p>The correct type of affordable housing has been modelled, as outlined from the first study and considered through consultation on the studies.</p> <p>The Viability Study tested the sites based on the enhanced building regs / part CfSH Level 4 as set out in Chapter 7 of the Viability Study update.</p> <p>The Viability Study modelled updated 2013 Building Regulation standards. The Council's viability consultant has advised that Policy D2 of the LDP moves away from reference to specific CFSH standards.</p> <p>There are no concerns regarding the assessment of older people's homes.</p>

	<p>The Council would prefer any housing specifically allocated for older people to be flexible and not specially designed only for older people. Therefore the modelling in the Viability Study reflects this.</p> <p>Comments on the instalments policy and discretionary relief from CIL are noted.</p> <p>Due to the nature of highways modelling the outcomes can be substantially different depending on the inputted assumptions. Therefore, the approach that has been adopted to pooling s106 contributions and distributing costs across sites is straightforward and represents the most reasonable apportionment of costs for highway schemes. It is therefore considered that the pooling approach proposed is reasonable.</p> <p>The level of planning obligations achieved historically in Maldon District has been considered within the Viability Study (August 2013). Historical information on planning obligations was not considered relevant to be included in the IDP, as this reflects a level of growth and infrastructure requirements that is very different to that proposed within the LDP.</p>
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Ref no.	PDCS021
Qu 1	No comments
Qu 2	
Qu 3	
Qu 4	
Qu 5	
Qu 6	
Officer comments	

Ref no.	PDCS022
Qu 1	Greater information should be provided in regard to how the viability evidence is used to establish the CIL rates proposed.
Qu 2	<p>It would appear that residential sales prices are higher than expected in parts of the District.</p> <p>It would also be helpful if further information could be provided on retail rents, given the apparent lack of comparable evidence from local transactions.</p>
Qu 3	There is concern that the proposed CIL rates could frustrate the delivery of employment opportunities. Further information which demonstrated the links between the evidence base and the proposed CIL rates would be appreciated.
Qu 4	Such a policy would assist in delivery, which would be naturally welcomed.
Qu 5	
Qu 6	<p>Residential densities used in the Viability Study are too high given current trends in scheme designs.</p> <p>It appears to have been difficult to establish some rates given the lack of comparable evidence.</p> <p>Incentives to bring land forward are perhaps underestimated.</p>
Officer comments	The proposed rates in the CIL PDCS are based on the economic viability of certain types of development. Rates related to commercial development, such as supermarkets, retail warehouses, and hotels, are based on assessments within the viability study. No evidence has been provided to suggest that these