



Additional Viability Note for LDP Examination – Gerald Eve LLP Response

Gerald Eve LLP have been instructed by Persimmon Homes and Strutt & Parker (who are representing Mr P. Dalby) to review the evidence base appraisals relating to Maldon District Council's Local Development Plan.

The particular Sites which we have been instructed to review are **Site S2 (e) off Holloway Road** and **Site S2f West of Broad Street Green** (also referred to as '**Additional Heybridge**' in the Council's 'Additional Viability Note for LDP Examination' and the remainder of this response note) and comment on **RE2 reserve site 'North of Scraley Road'** ["The Sites"]. See [Appendix 1] for a map of the Site Allocations.

Gerald Eve LLP have been instructed to review the appraisals for these Sites and comment on whether they can reasonably and viably support proposed policy.

Following the Maldon District Local Development Plan EIP on 3 February 2015, the Council were instructed to provide new Viability information on the North Heybridge and South Maldon allocations and demonstrate its reflective policies. This document outlines Gerald Eve LLP's response and conclusions in relation to this Viability Note and corresponding appraisals.

Gerald Eve LLP received Maldon District Council's 'Additional Viability Note for LDP Examination' ("The Viability Note") on 26th February 2015 and the appraisals were received on the 6th March 2015. Gerald Eve LLP accordingly reviewed the "Additional Viability Note for LDP Examination" alongside the live appraisals for the Sites.

Following our review of this information, we note that there are a number of site specific inputs we would disagree with, such as the appropriate land value, sales values, build costs and proposed housing mix/size. However, we recognise that the Inspector wishes to compare "apples with apples" and that the assessment has been done on an area wide basis. Therefore, we have focused our attention on ensuring that the evidence base modelling reflects proposed policy; rather than debating site specific issues.

To summarise, the tables overleaf outline our key findings:

Finding	Council Modelling	Comment
1. Average Unit Size	In accordance with the CIL Study 2013 ¹ – Average 85.72 sqm applied to all units in sites considered by GE ² .	Average unit size vary between scheme, but do not appear to have been adjusted to reflect the requirement for small units set out in the SHMA 2014
2. Affordable Housing Provision	A base of: 66.32% and 33.68% on floor area this ratio reflects 60:40 only assuming Market units at 105 sqm and affordable at 80 sqm – equating to an average unit size of 95sqm	Affordable housing policy is proposed at 60:40% by unit; equivalent proportion by floor space will vary depending on mix and is not always 66:34 if the average size of units does not reflect 95 sqm.
3. Affordable tenure Split	70 Rent:30 S/O	The SHMA14 proposes a mix of affordable tenure of 80:20
4. Affordable type	Affordable Rent : Shared Ownership	SHMA 14 proposed a split of Social Rent : Intermediate
5. Market Values	£2,800 psm – applied to each unit type	We accept for an area wide study an average value is reasonable – however build costs have been undertaken on a unit type basis.
6. Affordable Values	£1,300 psm – Affordable Rent	Values have been undertaken on a rate psm basis, however, no Social Rent has been assessed.

Through our analysis of the viability evidence, GE conclude that no more than 34% affordable housing has been demonstrated to be viable for sites S2(f) and S2(e). Additionally whilst not tested by the council, it may be possible that Site RE2 can achieve planning policy.

Site	Maximum Achievable Affordable Housing Percentage
S2f West of Broad Street Green (additional Heybridge)	Up to 34%
Site S2 (e) off Holloway Road	Up to 34%
RE2 reserve site 'North of Scraley Road	Up to 40%

The below sets out a more detailed explanation of our key findings:

1. Average Unit Size

1.1 It was assumed that the Council's Viability Appraisals would be carried out in line with **Policy H2** of the 'Pre Submission Local Development Plan 2014-2029.' Policy H2 refers to the required Housing Mix and states that; *"the Council will seek to ensure that new housing reflects the need and demand of the District's existing and future communities. ... As recommended by the latest SHMA update [2014], the Council will encourage a greater proportion of one and two bedroom properties to be development to meet the demand for owner occupied and intermediate housing"*. (5.15 -5.17).

1.2 However, we note the Viability Note suggests the size of a *"typical market unit is 105m2 and a typical affordable unit is 80m2."* Based on a 60:40 (66:34 by floor space) split this generates an average unit size of 95sqm. HDH suggest these sizes have come about

¹ Local Plan & Community Infrastructure Levy Liability Study – Post Consultation Update' November 2013'

² Sites SE and Additional Heybridge

from discussions with developers. We do not consider these averages are reflective of the September 2014 SHMA (SHMA14) as it seems unlikely that the encouragement of a greater proportion of 1 and 2 bedroom units would result in an average unit size of 95 sqm; as these are usually not larger than 65sqm and 75 sqm respectively.

1.3 However, whilst the above unit sizes do not appear to have been applied in the appraisal modelling reviewed; we note that the modelling applies the same average size unit for affordable and private units; although based upon a different housing mix than that identified in the SHMA14.

1.4 We note that for the Sites, the modelling applies an average of 85.7 m² for both the market and affordable housing. No distinction has been made for differences in mix between private and affordable units. The below table demonstrates the proportional split of this average unit size and how it is not reflective of the proposed mix identified in the SHMA14:

Table 1 – Summary of breakdown of units modelled compared to SHMA14

	Council Model	SHMA14		
		All units %	Private Unit %	Afford Unit %
1 bed	0%	60%	50%	50%
2 bed	30%		25%	30%
3 bed +	70%	40%	25%	20%

1.5 If the SHMA14 mix was applied to proposed units identified in the modelled Sites, the average size of all units would reduce from 85.72 sqm to c.81.32 sqm. Clearly this is smaller than that modelled and suggests that the SHMA14 mix has not been applied.

1.6 Furthermore, to achieve unit sizes to reflect average private units at 105m² and affordable units as 80m², as stated in the Viability Note, whilst maintaining the SHMA14 mix the market unit sizes would need to increase by 28% and affordable housing by 4% to that identified in the Council's modelling.

2. Affordable Housing Provision

2.1 We understand that it is a requirement that the affordable housing provision is in accordance with **Policy H1** within the 'Pre Submission Local Development Plan 2014-2029.' This policy states that the affordable housing requirement for the Sites is **40%**. *"Any relaxation of this requirement will only be considered where the council is satisfied, on a site by site basis, that such requirement will render any development proposals unviable. Affordable Housing should be provided on site....in accordance with the SHMA, the Council's adopted Affordable Housing Guide and relevant housing strategies of the Council."* It therefore seems reasonable to conclude that the modelling should test this scenario with the any variation being discussed on a site by site basis, at the time of the application.

2.2 In addition to the potential issue regarding the average size of unit assessed; the viability modelling appears to have been undertaken on 66% private 34% split on floor area. As previously stated this reflects a 60:40 split by unit if the private units average 105 sqm and the affordable 80 sqm. However, the modelling uses an overall average area applied to both private and affordable units. Therefore there is no apparent reason as to why

there should be any difference in affordable percentage when viewed on floor area or units basis no that it should reflect a 66:34 split. The two tables overleaf demonstrate this:

Table 2 – Showing Council’s approach to applying floor area to calculate affordable

	Viability Study – Nov13 (Table 8.2) relationship of affordable units and floor space (30:70 split)				
	Average unit size	Units	Area	% split by unit	% split by Floor space
Market	105	60	6300	60%	66.3%
Intermediate	80	12	960	12%	10.11%
Affordable	80	28	2240	28%	23.58%
Average	95	100	9,500		

Table 3 –Showing the impact an average size on calculating affordable as applied in the model

	Applied Council Modelling of the ‘Sites’ (30:70 split)				
	Average unit size	Units	Area	% split by unit	% split by Floor space
Market	85.72	66.3	5684	66.3%	66.3%
Intermediate	85.72	10.11	867	10.11%	10.11%
Affordable	85.72	23.58	2021	23.58%	23.58%
Average	85.72	100	8,572	100%	100%

1.7 It would appear, therefore, that the modelling has been undertaken on the assumption of 34% affordable housing and not 40% as proposed. The table overleaf sets out our estimation of average sizes of both private and affordable units using the Council’s modelled unit sizes, although accounting for SMAH mix (at 30:70 tenure split). Whilst achieving an average 60:40 housing split by unit and an average 85.72 sqm, the variation in sizes between private and affordable may resulting c.63:27 split by floor area; and not 66:34 as applied in the modelling. So it’s possible this ratio could be reasonably applied to the model which assesses on floor space.

Table 4 - showing impact of variation in private and affordable sizes on affordable percentages.

	Average unit size split by SMAH14 (assuming 30:70 tenure split)				
	Average unit size	Units	Area	% split by unit	% split by Floor space
Market	89.5	60	5370	60%	62.64%
Intermediate	80	12	960	12%	11.23%
Affordable	80	28	2240	28%	26.13%
Average	85.72	100	8,572	100%	100%

3. Affordable Housing Tenure Mix and Type

3.1 During the EIP in February 2015, it was confirmed that the SHMA14 is the most up to date document and that this standalone document overrides any previous versions. As was discussed at the February 2015 EIP, the SHMA14 update states; “*The tenure balance of new affordable delivery over the last three years detailed in the Council’s new build data has averaged 90% social rent and 10% intermediate housing. ...**Tenure mix is a key factor in site viability** and in the **2012 Updated Assessment** the recommended minimum tenure mix balance of **67:33 between social rent and intermediate housing** was suggested. The tenure mix target of 25% intermediate housing from affordable delivery helps to support the scale of interest expressed in the survey of 148 units over the next five years, around 30 a year on average. **A split of 80:20 should be considered to meet this need.**” (15.5.5-15.5.8)*

**Bold emphasis in the above quote applied by GE*

3.2 However, the Viability Note (page 7) states that; “*the affordable housing is provided as **70% Affordable Rent and 30% Shared Ownership.**” Having reviewed the Viability Note (Page 7, paragraph 1), we understand that the ‘Local Plan and CIL Viability Study, Post Consultation Update Nov 2014’ (doc EB040c) and the ‘Local Plan and CIL Development Viability Study May 2014 Update’ (doc EB040d) have been referenced to when referring to the proposed split between Affordable Rent and Shared ownership rather than the SHMA14. The SHMA14 proposes **80% social rent and 20% intermediate** tenure split [Point 15.5.8. page 175].*

3.3 The Viability Note acknowledges that ‘*the Council’s housing team have confirmed that the analysis should be based on Affordable Rent and not Social Rent.*’ However, this appears inconsistent in H1 Policy which indicates the mix should be informed by the SHMA14. It therefore seems that the most recent modelling may be inconsistent with Policy.

4. Sales Values & Costs

4.1 Whilst we recognise that this is an area wide study and therefore an average market sale value has been applied to the average unit; the build cost has been ascertained on a blend of unit types. Whilst the build costs are likely to be more accurate as a result, this approach may lead to a discrepancy in application of costs and values. As a minimum it is reasonable to assume that sales values on a sqm basis will differ for flats to houses.

4.2 Additionally we note that affordable rent values of £1,300 psm have been applied. This reflects circa 46% of market values. However, no values have been estimated or tested for social rent units (in fact the model includes £1,400 psm which we assume is an error). We anticipate that social rents would not exceed 35% of market values which equates to £980 psm. Therefore any schemes including Social Rent as identified in the SHMA14 will be less viable than those modelled.

5. Summary

5.1 The table below demonstrates the importance to understand the implications of the proposed policy relating to affordable housing. The table shows the impact on viability if the same inputs proposed by the Council are modelled in line with the SHMA14.

Table 5 : summary of modelling for site S2f West of Broad Street Green (additional Heybridge) and Site S2 (e) off Holloway Road

	Pri Mix	Aff Mix	Av Sqm	Market	Affordable	AR	SR	S/O	SV by unit (£)	SV* (£)	Viable
Additional Modelled ³	Modelled		85.72	66%	34%	70%	0%	30%	£1.9m	£1.9m	Y
Additional SHMA14 ⁴	89.5	80	85.72	60% (62.6%)*	40% (37.36%)*	0%	80%	20%	£1.15k	£1m	N
S2(e) Modelled ⁵	Modelled		85.72	66%	34%	70%	0%	30%	£1.31m	£1.31m	Y
S2(e) SHMA14 ⁶	89.5	80	85.72	60% (62.6%)*	40% (37.36%)*	0%	80%	20%	£562k	£399k	N

*% by floor space

5.2 It is evident that the principle factor affecting the appraisals is the tenure mix and the size of units assumed. The evidence proposed by the Council demonstrates that the Sites may be able to support up to 34% affordable housing, assuming a 70:30 split of Affordable rent and Shared Ownership units. As this the maximum position tested, it would be unreasonable to anticipate a higher percentage of affordable housing or social rent on these sites.

5.3 In our opinion site specific issues relating to these sites are likely to result in the achieved level of housing reducing further, if the current level of infrastructure, CIL and other S106 costs are maintained.

5.4 Whilst it would not appear to have been modelled as part of the latest Council assessment, Gerald Eve LLP has also considered the viability of RE2 if the same Council proposed average size of unit was applied. It would appear that 260 units could potentially be brought forward on a policy compliant basis. The discrepancy in viability between this site and S2 (F-additional Heybridge) and S2 (E) is part resultant on the additional infrastructure burden applied to these sites.

Table 5 : summary of modelling for site RE2 reserve site 'North of Scraley Road

	No. Units	Pri Mix	Aff Mix	Av Sqm	Market	Affordable	AR	SR	S/O	SV (£)	Viable
RE2 ⁷	260	As Site 'Additional'		85.72	60%	40%	80%	0%	20%	£4.3m	Y

5.5 In our opinion the approach adopted in the supporting modelling evidence for the Local Plan EIP is inconsistent with that of proposed policy and therefore does not support the proposed affordable housing levels, mix and tenure that can be achieved across the Authority. Furthermore the impact of additional infrastructure costs on the assessed allocated Sites will result in them not being able to achieve policy affordable housing when delivered.

³ Appendix 2 (a)

⁴ Appendix 2 (b) and (c)

⁵ Appendix 3 (a)

⁶ Appendix 3 (b) and (c)

⁷ Appendix 4

Appendices

Appendix 1 – North Heybridge Allocations Map showing Sites S2(e), S2(f) and RE2

Appendix 2 (a) – Modelled Appraisal - S2(f)'Additional Heybridge'

Appendix 2 (b) – SHMA14 Appraisal by unit- S2(f)'Additional Heybridge'

Appendix 2 (c) - SHMA14 Appraisal –by floor space S2(f)'Additional Heybridge'

Appendix 3 (a) – Modelled Appraisal – S2(e)

Appendix 3 (b) - SHMA14 Appraisal by unit - S2(e)

Appendix 3 (c) - SHMA14 Appraisal –by floor space – S2(e)

Appendix 4 – RE2



Appendix 1 – North Heybridge Allocations Map showing Sites S2(e), S2(f) and RE2

Appendix 2 (a) – Modelled Appraisal - S2(f)/'Additional Heybridge'



Appendix 2 (b) – SHMA14 Appraisal by unit- S2(f)'Additional Heybridge'

Appendix 2 (c) - SHMA14 Appraisal –by floor space S2(f)/'Additional Heybridge'



Appendix 3 (a) – Modelled Appraisal – S2(e)



Modelled
Site 6 S2(e)

Appendix 3(a) Site 6						
INCOME	Av Size m2	%	Number	Price £/m2	GDV £	GIA m2
Market Housing	85.7	66%	66	2,800	15,915,461	5,684
Shared Ownership	85.7	10%	10	1,960	1,698,593	867
Affordable Rent	85.7	24%	24	1,300	2,627,661	2,021
Social Rent	85.7	0%	0	1,400	0	0
Grant and Subsidy	Shared Ownership				0	0
	Affordable Rent				0	0
	Social Rent				0	0
SITE AREA - Net	2.50 ha		40	/ha	20,241,715	8,572
SITE AREA - Gross	3.80 ha		26	/ha		

Sales per Quarter	0
Unit Build Time	1 Quarters

	Whole Site	Per ha NET	Per ha GROSS
Residual Land Value	1,310,054	524,021	344,751
Alternative Use Value	95,000	25,000	
Uplift	20%	19,000	5,000
Plus /ha	300,000	1,140,000	300,000
Viability Threshold	1,254,000		330,000

Additional Profit	65,531	12
-------------------	--------	----

DEVELOPMENT COSTS			
LAND	Unit or m2	Total	
Land	13,101	65,503	1,310,054
Stamp Duty		0	
Easements etc.		0	
Legals Acquisition	1.50%	19,651	85,153
PLANNING			
Planning Fee		25,000	
Architects	6.00%	747,686	
QS / PM	0.50%	62,307	
Planning Consultants	1.00%	124,614	
Other Professional	2.50%	311,536	1,271,143
CONSTRUCTION			
Build Cost - BCIS Based	1,059	9,079,748	
s106 / CIL		0	
Contingency	5.00%	453,987	
Abnormals		2,927,691	12,461,427
FINANCE			
Fees		10,000	
Interest	7.00%	7,500	17,500
Legal and Valuation		7,500	
SALES			
Agents	3.0%	607,251	
Legals	0.5%	101,209	
Misc.		25,000	733,460
			15,878,736

Planning fee calc			
Planning app ft	dwgs	rate	
No dwgs	100		
No dwgs under	50	385	19,250
No dwgs over	50	115	5,750
		Total	25,000

Build Cost		
	/m2	
BCIS	859	
CISH	17	2.00%
Energy	11	
Over-extra 1	0	
Over-extra 2	0	
Over-extra 3	0	
Over-extra 4	0	
Infrastructure	172	20%
	1,059	

Stamp duty calc - Residual			
Land payment			
125,000	0%	1%	
250,000	1%	3%	
500,000	3%	4%	
1,000,000	4%	5%	
above	5%	5%	
		Total	65,503

Stamp duty calc - Add Profit			
Land payment			
125,000	0%	1%	
250,000	1%	3%	
500,000	3%	4%	
1,000,000	4%	5%	
above	5%	5%	
		Total	1,254,000

Pre CIL s106	0	£/m2	
		Total	0

Post CIL s106	0	£/Unit (all)	
CIL	0	£/m2	
		Total	0

Developers Profit			
	% of costs (before interest)		
	0.00%		0
	20.00%		4,048,343

RESIDUAL CASH FLOW FOR INTEREST	Year 1		Year 2				Year 3				Year 4				Year 5				Year 6					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24
INCOME																								
UNITS Started	15	30	30	15	10																			
Market Housing	2,387,319	4,774,638	4,774,638	2,387,319	1,591,546	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shared Ownership	254,789	509,578	509,578	254,789	169,859	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Affordable Rent	394,149	788,298	788,298	394,149	262,766	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Social Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant and Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INCOME	0	3,036,257	6,072,515	6,072,515	3,036,257	2,024,172	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXPENDITURE																								
Stamp Duty	65,503																							
Easements etc.	0																							
Legals Acquisition	19,651																							
Planning Fee	25,000																							
Architects	747,686	0																						
QS	62,307	0																						
Planning Consultants	124,614	0																						
Other Professional	311,536	0																						
Build Cost - BCIS Base	1,361,962	2,723,924	2,723,924	1,361,962	907,975	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
s106/CIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	68,098	136,196	136,196	68,098	45,399	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Abnormals	439,154	878,307	878,307	439,154	292,769	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Fees	10,000																							
Legal and Valuation	7,500																							
Agents	0	91,088	182,175	182,175	91,088	60,725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legals	0	15,181	30,363	30,363	15,181	10,121	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Misc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
COSTS BEFORE LAND INT AND P	1,373,796	1,975,483	3,975,966	3,950,966	1,975,483	1,316,989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
For Residual Valuat																								
Land	1,310,054																							
Interest	187,869	126,766	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit on Costs																								
Profit on GDV																								4,048,343
Cash Flow	-2,683,850	872,905	1,969,782	2,121,549	1,060,774	707,183	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-4,048,343
Opening Balan	0																							
Closing Balan	-2,683,850	-1,810,945	158,837	2,280,386	3,341,160	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	4,048,343	0

CASH FLOW FOR CIL ADDITIONAL PROFIT	As Above																							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24
INCOME																								
INCOME	0	3,036,257	6,072,515	6,072,515	3,036,257	2,024,172	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXPENDITURE																								
Land	1,254,000																							
Stamp Duty	62,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Easements etc.	0	0	0																					



Appendix 3 (b) - SHMA14 Appraisal by unit - S2(e)



Appendix 3 (c) - SHMA14 Appraisal –by floor space – S2(e)



Appendix 4 – RE2

