

Wyre Forest District Local Plan 2016-2036

Viability Topic Paper

June 2020

Wyre Forest District Council

Contents

Content	Page Number
1. Introduction	3
2. Background	3
3. Key Issues	5
4. Conclusion	7

1. Introduction

Purpose of the Viability Topic Paper

1.1 The purpose of this topic paper is to summarise the strands of viability work that has been undertaken as part of Wyre Forest District Council's Local Plan preparation. The viability evidence includes several documents prepared by HDH Planning & Development Ltd.

- a. Local Plan Viability Assessment (with CIL scoping). May 2017 (document IFT07)
- b. Local Plan Viability Assessment - UPDATE. October 2018 (document IFT06)
- c. Pre-Submission Viability Note. June 2019 (document IFT05)

1.2 In addition to these plan-wide assessments there have also been two site specific viability assessments undertaken in collaboration with the relevant site owners / developers on the Strategic Sites at Lea Castle and Kidderminster Eastern Extension.

2. Background

2.1 HDH have considerable experience in undertaking this type of work, having carried out similar studies across Worcestershire and the rest of England. The site specific Local Plan Viability Assessments have been undertaken by Cushman and Wakefield, who are the Council's procured provider of viability assessments on development sites and who have acted for the Council for many years on specific sites.

2.2 The 2017 Viability Assessment was undertaken to inform the plan-making process and to assess policies contained within the draft Local Plan. It also considered the scope for CIL. The work was undertaken in line with the requirements of the 2012 NPPF, 2014 PPG and followed the Harman Guidance. The purpose of the study was to quantify the costs of the Council's various policies on development and to assess the effect of these and then make a judgement as to whether or not land prices were squeezed to such an extent that, in the context of the 2012 NPPF, the Development Plan is put at 'serious risk'.

2.3 The study was based on running financial appraisals, the output of which is the Residual Value. The Residual Value is the maximum that a developer could pay for a site and still make an adequate return. For a site to be viable the Residual Value must exceed the Existing Use Value (EUV) by a sufficient margin for to induce the landowner to sell (so called EUV+).

2.4 A range of typologies were modelled to reflect the expected future development (based on current use, size and geographic distribution, etc). In addition, 12 potential strategic sites were modelled, based on estimates of their strategic infrastructure and mitigation requirements provided by WCC. It is acknowledged that modelling is never totally representative, however the aim of the work was to broadly test development viability of sites likely to come forward over the plan period and to inform the selection of sites.

2.5 As the plan advanced, more detailed s106 costs came to light (worst case scenarios were used) and some market changes occurred.

2.6 Overall, the vast majority of sites represented by the Typologies were shown as deliverable and the Council can be confident that they will be forthcoming. The exceptions were some of the Brownfield sites including Lea Castle but with a degree of policy flexibility most sites were deliverable. The work sensitivity tested a number of different scenarios around affordable housing percentages, the tenure split within affordable housing and social versus affordable rent and these, coupled with the Housing Needs Study 2018, helped to settle the policy position of 25% affordable housing with a 65:35 split between rented and intermediate types of home ownership.

2.7 The 2018 Viability Assessment built on the previous study, considering the deliverability of the preferred sites in the emerging Plan and ensuring compliance with the new 2018 National Planning Policy Framework (NPPF) and updated Planning Practice Guidance (PPG). This document should be read as an annex to the 2017 Viability Assessment.

2.8 The viability sections of the Planning Practice Guidance (PPG) (Chapter 10) were completely rewritten in 2018. The changes provide clarity and confirm best practice, rather than prescribe a new approach or methodology. Having said this the emphasis of viability testing changed significantly. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF which said:

173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

174 ... 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...

2.9 The test was whether or not the policy requirements were so high that development was threatened. Paragraphs 10-009-20190509 and 10-010-20190509 radically change this:

... ensure policy compliance and optimal public benefits through economic cycles...

10-009-20190509

... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.

10-010-20190509

2.10 The purpose of viability testing is now to ensure that ‘*maximum benefits in the public interest*’ has been secured.

2.11 The Pre-Submission Viability Note was published in June 2019 to assist with the finalisation of the Local Plan. It considered further changes to the NPPF (Feb 2019), PPG (May 2019), CIL regulations and the new RICS guidance (May 2019). It also updated information concerning the strategic sites and the Council's policy changes. At the time this work was undertaken, there was some more detailed estimates of the strategic infrastructure costs for both strategic sites that had been included in the updated Infrastructure Delivery Plan (based on the worst case scenario) and these were included in the Pre-Submission Viability Note.

2.12 The strategic infrastructure and mitigation costs did cause viability to worsen and the report therefore proposes policy changes to potentially improve viability. This included increasing the numbers on sites, pursuing other sources of infrastructure funding and reconsidering strategic infrastructure, affordable housing and density requirements. All these options were considered by the Local Plan Review Panel and officers will continue to look for alternative sources of funding for infrastructure or to reduce requirements where this still leaves the development acceptable.

2.13 It is important to note that by June 2019 part of the Lea Castle site had already received planning consent and site specific viability assessment had been undertaken which confirmed s106 contributions of £4.99m and an affordable housing contribution of 15%.

3. Key Issues

3.1 As shown above the new Local Plan includes some brownfield and the two large strategic housing sites where viability is challenging (but the delivery of any large housing site is challenging). However Officers have worked with the two strategic site owners/developers to agree what is acceptable in policy terms and ensure the sites are deliverable during the lifetime of the plan. This has ensured the duty to co-operate has been followed and the relevant parties have signed a Statement of Common Ground.

Lea Castle

3.2 Viability assessment work was undertaken initially by Gerard Eve in 2017 on behalf of Homes England and reviewed by Cushman and Wakefield on behalf of the council. This viability assessment was undertaken to support the planning application process for just part of the Lea Castle site that incorporates the original hospital buildings and a network of underground tunnels (in effect the brownfield element of the larger site).

3.3 The development of a new urban village of over 1,400 dwellings does require considerable infrastructure including the provision of a school and new highways infrastructure and this, coupled with the brownfield nature of part of the site, meant it was accepted by the Council that this part of the site would potentially have some high infrastructure and abnormal costs.

3.4 The Local Plan Viability Assessment undertaken by HDH in October 2018 identified that the Lea Castle Hospital site would only be deliverable with less than 5% affordable housing contribution and £2,000 s106 per unit. However, once the site specific detailed costings and subsequent modelling work was undertaken by Cushman and Wakefield an affordable housing contribution of 15% was agreed for the site along with all other policy obligations / s106 contributions (around (£8500 per unit) and the s106 agreement was signed in 27/06/2019 to this effect.

Kidderminster Eastern Extension

3.5 The Local Plan Viability Assessment undertaken by HDH in October 2018 identified that overall the Eastern Extension sites (Land at Stone Hill North and Rear of Offmore) would be deliverable with 15% affordable housing contribution and £2,000 s106 contribution per unit.

3.6 During 2020 more site specific viability assessment work has been undertaken to inform the Local Plan and Statement of Common Ground. This work has been undertaken by Bridgehouse Property Consultants and reviewed by Cushman and Wakefield on behalf of the Council.

3.7 The proposed allocation area is under option to Taylor Wimpey. Taylor Wimpey is committed to delivering development in this location and a number of pre-application meetings have already been held prior to the submission of an outline application involving many partners including WCC Highways, WCC Children First, NHS South Worcestershire CCG, Sport England and representatives from all relevant WDFC teams.

3.8 Based upon current identified developer contributions identified within the latest IDP, emerging policy requirements and current appraisal assumptions it is agreed, by Taylor Wimpey, that the site can support the delivery of 15% affordable housing and approximately £20,000 s106 contribution per unit. However as this assessment has been undertaken at Local Plan making stage there are a number of unknown costs and estimations included at this stage and so the viability assessment suggests a range of affordable housing contribution between 10 and 25% dependant on more detailed work being undertaken at planning application stage and throughout the build period for the site if required. The range will fluctuate due to site wide infrastructure costs (including abnormals). It is also anticipated that there will be changes to the expected s106 contributions as well as the potential for wider changes in the market and so the final contributions (both s106 and affordable housing) will continue to be refined through the production of detailed engineering and cost evidence submitted by TW as part of the development management process.

4. Conclusion

4.1 Overall the HDH viability assessment takes a cautious approach and uses averages and the best cost estimates available at the time but still identifies that the Local Plan sites are deliverable. The Taylor Wimpey and Homes England viability assessments, that include more detailed work around benchmark land value, site costs and market sales rates confirm the sites are viable with all s106 requirements including a 15% affordable housing contribution and this bodes well for the other sites included in the original typologies that they can be delivered at full policy compliant levels.