



High Peak Borough Council  
*working for our community*

## HIGH PEAK LOCAL PLAN VIABILITY TEST INCORPORATING SITE VIABILITY & DELIVERABILITY APPRAISAL

---

# Methodology & Assumptions Consultation Document



[www.keppiemassie.com](http://www.keppiemassie.com)

## **The Study – 4 Key Elements**

- Housing and Employment Site Viability and Deliverability Appraisal
- Impact of proposed CIL rates
- Strategic Flood Risk Assessment Level 2
- Whole Plan Viability Test

Prepared in accordance with NPPF and good practice guidance – Viability Testing Local Plans



## **The Purpose of this Document**

To invite comments from Stakeholders regarding

- The Approach to the Study
- The Viability Appraisal Methodology
- The Viability Appraisal Assumptions



## Purpose of the Viability Assessment

- Introduction of High Peak Local Plan
- Inform Planning Policy in the Borough for next 15 years
- Emerging Local Plan includes site allocations for range of land uses including housing and employment
- The NPPF emphasises the importance of delivering 'sustainable development'

*"Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision making. Plans should be deliverable. Therefore the sites and scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened."*

**Viability is now a key consideration in plan making**



## **Purpose of the Viability Assessment**

- Study assesses the economic viability of new development in High Peak
- Considers Site Allocations as well as Policies
- Policy Costs and their impact on development
- Part of evidence base to inform the Local Plan and potential CIL tariff

## Local Plan Allocations

- 40 plus housing sites – strategic, major and small
- Greenfield and Brownfield
- Industrial legacy sites
- 7 new employment allocations

The aim of the study is to consider the viability and deliverability of Plan based on proposed site allocations and plan policies

# Methodology



## Methodology - Guidance

### **'Viability Testing Local Plans' – Local Housing Delivery Group**

*"The approach to assessing plan viability should recognise that it can only provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability. It cannot guarantee that every development in the plan period will be viable, only that the plan policies will be viable for the sufficient number of sites upon which the plan relies in order to fulfil its objectively assessed needs."*



## Methodology - Guidance

- **RICS Guidance Note 'Financial Viability in Planning'**
- What is viability?

*"an objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the land owner and a market risk adjusted return to the developer in delivering that project."*

## Methodology – The Sites

- Broad mix of sites to be tested – size and location
- 3 main geographical areas – Glossopdale, Central and Buxton
- Greenfield and Brownfield
- Hypothetical development mix for each site based on Local Plan evidence base and an analysis of recent planning permissions
- Form of development tested typical of development likely to be built in High Peak in the future

## **Methodology - Approach to Viability Testing**

- Residual Approach
- Calculate the developers profit
- Establish a baseline position
- Test the effect of policy options
- Consider effect of local plan policies on developers profit

## Methodology – Residual Approach

<b><i>Gross Development Value (value of the completed development scheme)</i></b>
<i>Less</i>
<i>Cost of Development (inclusive of build costs, fees, finance, 'threshold' land cost)</i>
<i>Less</i>
<i>Other Costs (inclusive of Local Plan Policy Obligations)</i>
<i>= Developers Profit Return</i>

## **Questions & Feedback:**

(1a) Do you consider that any changes are required to the residual methodology that has been adopted?

(1b) If so, what are these changes and why do you believe that they are necessary?



## Methodology – Site Allocations

- Emerging Local Plan currently allocates 50 sites - Strategic Development Sites, Other Major Housing Allocations, Smaller Housing Sites and Employment Allocations
- There are also a number of sites allocated as Industrial Legacy Sites
- The breakdown of sites is contained in the table below:

Category	No of Sites
Strategic Development Sites	17
Other Major Housing Allocations	9
Smaller Housing Sites	17
Employment Allocations	7

## Methodology – Site Allocations

- The Planning Advisory Service in the note Successful Plan Making – Advice for Practitioners suggests that:-

*'under the NPPF, authorities need to test the whole plan and all its policies together to show its impact on viability; however, separate viability testing of strategic sites is also recommended if they are key to the delivery of the plan.'*

- The strategic sites and major housing sites allocated are significant to the delivery of new housing and employment land
- Site specific viability assessments of all strategic sites and major housing allocations have been carried out except where planning applications are already submitted or where viability work has been previously undertaken
- For the smaller housing sites we adopted a sample of sites reflecting broad typologies
- Viability assessments have been prepared for 35 individual sites

## **Questions & Feedback:**

(2a) What are your views regarding the sample of sites that have been tested?

(2b) Is the sample sufficiently broad and representative?

(2c) If you believe further site testing is required, what form should this take and why do you believe it is appropriate?





## Methodology - Residential Development Scenarios

- Significant number of development forms
- Site for 12 up to 338 dwellings
- Predominantly houses, limited apartments
- Density at 30dph reflecting Local Plan Policies and Housing Yields
- Dwelling size has regard to recent planning permissions, Housing Quality Indicators and recent viability studies
- The table below contains details of the mix and dwelling sizes adopted for testing:

No Bedrooms	1	2	3	4+
% Overall Mix	5%	30%	45%	20%
Dwelling Size (m <sup>2</sup> )	51	70	88	116
Affordable Housing Mix	7%	33%	60%	

## **Questions & Feedback:**

(3a) Do you have any comments regarding the overall dwelling mix and assumed house size?

(3b) Do you feel that any variation is required and, if so, what variation and why?



## **Methodology - Residential Development Scenarios**

- Adopted the gross site areas, net developable areas and dwelling yields from the site summaries prepared for the purpose of informing the Strategic Housing Land Availability Assessment (SHLAA)
- Reductions in gross site area have been made to allow for matters such as access requirements and gradients to achieve a net developable area
- These gross and net site areas are then used to inform the land acquisition costs and also the cost of external works

## Methodology – Employment Development Scenarios

- We have considered typical development footprints in comparison with site area for other new developments to arrive at a typical built footprint for each site tested
- We have assumed the following built areas for the employment allocations tested:

Site	Allocation (gross)	Built Area (m <sup>2</sup> )
Waterside, Hadfield	1.6ha	9,000
Land off Wren Nest Road, Glossop	2.5ha	15,000
Hoffman Quarry, Harpur Hill, Buxton	3.6ha	20,000
Staden Lane extension, Buxton	1.6ha	8,000
Tongue Lane extension, Buxton	4.0ha	25,000

## **Questions & Feedback:**

(4a) What are your views about the built areas that have been assumed?

(4b) In your view are any adjustments required and, if so, why?



## Methodology - Local Plan Development Management Policies

For the allocated sites that we have tested, summarised below are the key policies that impact on viability and how these have been addressed in our testing:

Requirements	Viability Consideration	Policy
<b>Code for Sustainable Homes</b> <b>BREEAM</b> <b>Building for Life 12</b>	Specific costs associated with these items have been included within the construction costs assessments. Testing for employment assumes BREEAM good.	EQ 1 – Climate Change EQ 5 – Design and Place Making H 4 – New Housing Development
<b>Design Standards</b>	The form of development tested reflects the design standards laid down in the plan policies and SPDs. The construction costs assessed are therefore reflective of these requirements.	EQ 2 – Landscape Character EQ 5 – Design and Place Making EQ 6 – Built and Historic Environment

## Methodology - Local Plan Development Management Policies

Requirements	Viability Consideration	Policy
<b>Sustainable Urban Drainage Systems (SUDs)</b>	The form of development tested and in particular the inclusion of open spaces addresses this requirement, and the costs assessments make provision for all associated SUDs costs.	EQ 9 – Pollution and Flood Risk
<b>Affordable Housing</b>	Testing has been undertaken at both Policy compliant and alternative thresholds of affordable housing. In accordance with the emerging Policy we have assumed a target of 80% social rent with the balance intermediate. We have also considered the impact of the new affordable rent tenure by substituting this for social rent.	H 4 – New Housing Development H 5 – Affordable Housing

## Methodology - Local Plan Development Management Policies

Requirements	Viability Consideration	Policy
<b>Local Infrastructure Provision</b>	The viability assessments have been prepared to reflect the site specific requirements of the Highways Authority. In addition our appraisals are inclusive of any contributions required to education as outlined in the Local Plan/IDP. We have also undertaken specific testing having regard to the proposed CIL charging rates.	CF 3 - Local Infrastructure Provision CF 7 – Planning Obligations and Community Infrastructure Levy.
<b>Open Space Provision</b>	The development typologies for each site reflect any relevant requirements for public open space, and therefore the construction cost assessments are reflective of this.	CF 4 – Provision of Open Space and Recreational Facilities. EQ 9 – Pollution and Flood Risk



## **Questions & Feedback:**

(5a) Do you have any comments/observations about our approach to considering the impact of Local Plan Development Management Policies?

(5b) Do you think any adjustments to the approach are required and, if so, why?



## Methodology – Site Testing Overview

- Inspection of each site
- Highways and access requirements provided by Derbyshire CC
- Development specification reflecting design quality requirements
- Allowances for remediation and levels
- Preparation of QS cost assessment for each site
- Consideration of other infrastructure requirements ie electricity and gas
- Compilation of appropriate evidence base – property and land values
- Individual site viability appraisals
- Impact of Code
- Affordable Housing – different amounts and tenures

# **Analysis and Assumptions**

## **Appraisal Assumptions**



## **Property Market Evidence Base**

### Information Sources:

- Internal database, knowledge and experience
- Land Registry
- EGI/EIG Transaction Databases
- Rightmove, Net House Prices etc
- Agents/House builders
- Agents Reports
- Valuation Office Agency Market Reports



## Residential Appraisal Assumptions

Land Registry House Price Index (July 2013):

Area	Detached	Semi - Detached (£)	Terraced (£)	Maisonette/Flat (£)	All (£)
Derbyshire	£194,314	£99,987	£77,635	£111,368	£118,772
East Midlands	£194,940	£105,553	£81,807	£88,278	£124,395
England & Wales	£257,413	£155,244	£124,620	£155,174	£164,098



## Residential Appraisal Assumptions

Summary of new developments considered:

Development Scheme	Developer	Location	Average Price per ft <sup>2</sup>
<b>The Heathers</b>	Jones Homes	Glossop	£215
<b>Otters Brook</b>	Taylor Wimpey	Buxton	£211
<b>Foxlow Rise</b>	Persimmon/Charles Church	Buxton	£196
<b>Burbage Heights</b>	Amos Developments	Buxton	£190
<b>Compton Gate</b>	Ben Bailey Homes	Buxton	£248



## Residential Appraisal Assumptions

Analysis of Re-sales of Modern Dwellings typical Values  
(2010 onwards)

Location	Average Prices (per ft <sup>2</sup> )
Glossop	£192
New Mills	£177
Whaley Bridge	£161
Chapel-en-le-Frith	£185
Buxton	£191



## Residential Appraisal Assumptions

### Range of net values adopted by market area

Actual figure adopted dependent on location and marketability of site assessed

Location	Value Range (per ft <sup>2</sup> )
Glossopdale	£175 - £220
Central	£180 - £220
Buxton	£190 - £200





## **Questions & Feedback:**

(6a) What are your views regarding the data sources that we have considered?

(6b) Is there any other information regarding values that you believe we need to consider, if so, what is this?

(6c) Do you feel that any variations are required to the range of residential values that we have adopted?

(6d) If so, what are these and why?



## Residential Appraisal Assumptions

### Affordable Housing

The values that have been assumed for the affordable units are based on the likely bid by a Registered Provider. In this respect we have assumed average bid prices for the different tenure options based on the following percentages of market value.

- Social Rent                      40%
- Affordable Rent                50%
- Intermediate                    60%



## **Questions & Feedback:**

(7a) Do you have any comments regarding the values assumed for the affordable dwellings?

(7b) Are any changes required and, if so, why?



## Residential Appraisal Assumptions

### Land Values

'Threshold land value' – NPPF/Viability Testing in Local Plans

- Based on a premium over current use and credible alternative use values
- The NPPF requires local authorities to provide a buffer of 5% in relation to their supply of sites to ensure choice and competition in the market for land
- Landowners will have to compete in the market to sell sites so sites will have to be competitively priced
- Unrealistic expectations of value then developers will acquire a more competitively priced site elsewhere
- The overpriced site will remain undeveloped

## Residential Appraisal Assumptions

### Land Values

- Account for fact that future plan policy requirements will have an impact on land values
- Input Threshold Land Values (per acre)
  - Town Centre: £400,000
  - Previously developed: £325,00 - £350,000
  - Greenfield beyond settlement boundary: £200,000 - £300,000

Specific 'threshold land value' adopted dependent on site location and characteristics



## **Questions & Feedback:**

(8a) Having regard to appropriate guidance on the matter of 'threshold land values' do you believe that any variations are required to the figures that we have adopted?

(8b) If so, what are these changes and why do you believe them to be appropriate?

## Residential Appraisal Assumptions

### Costing Methodology

- Site specific construction cost assessment prepared by Tweeds Quantity Surveyors (Part of WYG Group)
- Costs are based on current building regulation requirements
- Inclusive of substructures, super structures, all external works, incoming services and drainage, preliminaries, fees and a contingency.
- Allowance for Code Level 3 and 4
- Based on specific characteristics of each site tested, allowance for abnormal development costs - levels, poor ground, demolition, contamination and site access
- costs of providing on site public open space included as necessary



## Residential Appraisal Assumptions

### Costing Methodology

- Reflective of the standard of construction within the Residential Design and Landscape Character SPDs the cost assessments that have been prepared based on a build quality matrix
- The majority of the site allocations have been tested assuming a medium quality specification
- For the more sensitive sites, particularly those in conservation areas or those visible from the National Park, the higher quality of build has been assumed



## Residential Appraisal Assumptions

### Costing Methodology

#### Build Quality Matrix

	Medium Quality	High Quality
<b>Walls</b>	Reconstituted stone with some Artstone detailing	Natural stone with some natural stone detailing
<b>Windows</b>	Coloured uPVC	Painted timber
<b>External doors</b>	uPVC or composite	Painted timber
<b>Roof</b>	Slate or stone tile appearance concrete or composite tiles	Grey Slate or Stone flag tiling
<b>External boundaries</b>	Some additional walls in recon stone; stained fences	More walls; all in natural stone; stained fences
<b>External pavings</b>	Some coloured concrete and some stone pavings; black tarmacadam to parking areas	Natural stone pavings generally; coloured tarmacadam to parking

## **Questions & Feedback:**

(9a) Do you have any observations regarding the construction cost methodology adopted and the Building Quality Matrix?

(9b) If you believe any adjustments are required, what are these and why do you consider they are necessary?



## Residential Appraisal Assumptions

### Costing Methodology

Overall Inclusive Build Cost Ranges (variations due to site characteristics, size and assumed build quality)

Code Level	Min (per m <sup>2</sup> )	Max (per m <sup>2</sup> )
3	£1,077	£1,366
4	£1,119	£1,412

## **Questions & Feedback:**

(10a) Do you have any comments regarding the overall build cost ranges assumed?

(10b) If you think that any adjustments are required then please explain why?



## Residential Appraisal Assumptions

### Other Inputs

- Acquisition Costs - 1.75% plus SDLT
- Finance - 7%
- Disposal and Marketing - 3.5% of GDV
- Developers Profit
  - 15% GDV small schemes
  - 20% GDV large schemes
- Sales rates 3 dwellings per month
- Education Contribution - £2,279.80 per dwelling as identified
- CIL - £45 per m<sup>2</sup>



## **Questions & Feedback:**

(11a) What are your views on the other appraisal variables that we have adopted?

(11b) In your view are adjustments required to any of the inputs and, if so, why is this?



## Non-Residential Appraisal Assumptions

### Capital Values

<b>Industrial</b>	£60 - £65 per ft <sup>2</sup>
<b>Offices</b>	£140 per ft <sup>2</sup>
<b>Retail</b>	£188 per ft <sup>2</sup>



## **Non-Residential Appraisal Assumptions**

### **Threshold Land Values**

Input land values assumed at £150,000/acre - £200,000/acre dependent on end use and location of development





## **Questions & Feedback:**

(12a) Are any adjustments required to the capital values and land values that have been adopted for non-residential development?

(12b) If so, please explain why?

## Non-Residential Appraisal Assumptions

### Costing Methodology

- Site specific construction cost assessment prepared by Tweeds Quantity Surveyors (Part of WYG Group)
- Costs are based on current building regulation requirements
- Assume BREEAM good standard
- Inclusive of substructures, super structures, all external works, incoming services and drainage, preliminaries, fees and a contingency
- Having regard to the specific characteristics of each allocated site tested, allowance for abnormal development costs - levels, poor ground, demolition, contamination and site access



## Non-Residential Appraisal Assumptions

### Costing Methodology

Overall Inclusive Build Cost Ranges

Use	Min (per m <sup>2</sup> )	Max (per m <sup>2</sup> )
Industrial	£435	£614
Offices	£1,300	£1,575
Retail (Warehouse)	£1,060	£1,060

## **Questions & Feedback:**

(13a) Do you have any comments regarding the costing methodology and build cost ranges assumed for the commercial developments?

(13b) If you believe that changes are required, please explain what these are and why?



## **Non-Residential Appraisal Assumptions**

### **Other Inputs**

- Marketing/sales costs - 20% on letting, 1.75% on sale
- Land acquisition fees - 1.75%, plus SDLT
- Finance Rates - 6.0%
- Developers profit - 20% of cost
- CIL - £10 per m<sup>2</sup>



## **Questions & Feedback:**

(14a) Do you have any observations regarding the other appraisal inputs?

(14b) If so, please provide details and a supporting explanation.



# Initial Results Overview



## Initial Results Overview (Housing)

- Allocated sites broadly viable
- Greenfield sites more viable than brownfield
- Relaxation of some Policies may be required on Brownfield and larger strategic sites
- Achieving Code Level 4 will impact on viability
- Notwithstanding viability delivery may be an issue for several key sites
- Timing?



## **Initial Results - Glossopdale**

- Local Agents report improving housing market
- Limited recent new build
- Timing adjustments for several sites?
- For example Dinting Road sites likely to be a phased development with commencement of Museum site reliant on other sites first coming forward.

## Initial Results - Central

- 3 large New Mill sites significant to delivery of Plan housing numbers (394 dwellings)
- Contributions to education provision would be required
- Achieving overall viability may require some relaxation of Policy requirements in relation to affordable housing and Code Level 4 particularly if CIL implemented
- Number of smaller sites with good viability

## Initial Results - Buxton

- Future delivery principally reliant on 3 strategic sites (677 dwellings)
- Delivery of 339 dwellings needs the new A6 link road
- Viability issues for some of the early phase Brownfield sites may require relaxation of Policy requirements
- Landowners value aspirations may impact on delivery of one large early phase site

## Employment Allocations

- Unviable on a speculative basis
- Will come forward for owner occupation or with public sector funding support

## Conclusions and Next Stages

- Consider proposed amendments to Local Plan and Allocations
- Review viability testing feed back received
- Refine results of testing
- Determine prospects for site delivery and developability in accordance with NPPF
- Review timescale for development of allocated sites
- Draw conclusions and recommendations about overall Plan delivery and the introduction of CIL

## CONCLUSIONS & NEXT STAGES

---

**Deadline for responses to this document is by:**

**5.00pm 10 February 2014**

**Feedback provided in the response forms should be sent to:**

**[highpeakresponses@keppiemassie.com](mailto:highpeakresponses@keppiemassie.com)**



**[www.keppiemassie.com](http://www.keppiemassie.com)**