

**Wyre Forest District – Local Plan
Pre-Submission Viability Note**

Scope and Introduction

- 1.1 This note has been prepared by HDH Planning & Development Ltd (HDH), prior to the submission of the Local Plan to the Secretary of State for examination in public (i.e. after the Regulation 19 consultation). The purpose of this note is to:
- a. consider the changes to the National Planning Policy Framework, Planning Practice Guidance and CIL Regulations.
 - b. consider the effect of new RICS Guidance.
 - c. assess the impact of the updated information concerning the Strategic Sites to be included in the Plan (including the impact of the Council's policy changes).
- 1.2 HDH has produced two reports for WFDC:
- a. *Local Plan Viability Assessment (with CIL scoping), May 2017* (the 2017 Viability Assessment). The purpose of this study was to inform the plan-making process and to assess and test the policies contained within the draft Local Plan and to advise on the scope for Community Infrastructure Levy (CIL).
 - b. *Local Plan Viability Assessment UPDATE, October 2018* (the 2018 Viability Update). This update considered the new National Planning Policy Framework (2018 NPPF) and replaced sections of the Planning Practice Guidance (PPG) that relate to viability and to consider the deliverability of the development sites in the emerging Plan, to consider how the development environment may have changed.
- 1.3 This note does not update the above documents, rather has been prepared to assist with the finalisation of the Local Plan.

National Planning Policy Framework, Planning Practice Guidance and CIL Regulations

- 2.1 After the 2017 Viability Assessment was published the Government published new National Planning Policy Framework (2018 NPPF) and replaced sections of the Planning Practice Guidance (PPG) that relate to viability. These changes were considered in the 2018 Viability Assessment. The NPPF and PPG were further updated in February 2019, although those changes did not relate to plan-wide viability testing.
- 2.2 In May 2019 a range of further changes relating to viability were made to the PPG. The main changes related to establishing the Benchmark Land Value (BLV). A particular change has been in relation to the starting point of the assessment. This is now defined as only being the Existing Use Value (EUV), with most references to Alternative Use Value (AUV) removed.
- 2.3 These recent changes do not impact on the 2017 Viability Assessment or the 2018 Viability Update, rather they confirm the shift in emphasis in viability testing. Under the 2012 NPPG the test was (as set out in paragraphs 173 and 174) that:

... the sites and the 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. To ensure viability, the costs of any requirements likely to be applied to development, ... provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable. Local planning authorities ... should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, ... and policies ..., when added to nationally required standards. In order to be appropriate, 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.

- 2.4 The purpose of viability testing was to ensure that cumulative impact of the policy requirements do not put implementation of the Plan at serious risk, in the context of providing a competitive return to a willing landowner and willing developer. Now, under the updated PPG, (paragraph 10-010-2018072) viability testing is to ensure that the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission has been met.

In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.

- 2.5 In May 2019 the CIL Regulations were further amended¹. These changes do not directly impact on the setting of CIL or how to undertake a viability assessment. The principle practical change for WFDC now is that CIL Regulation 123 is to be deleted. As a result, the requirement for an authority that introduces CIL to publish a Regulation 123 List has been removed. Key for Wyre Forest (who do not have CIL) is that the s106 pooling restrictions are likely to be lifted from September 2019.

Financial viability in planning: conduct and reporting. 1st edition, May 2019

- 3.1 HDH is a firm regulated by the Royal Institution of Chartered Surveyors so it is necessary to have regard to RICS Professional Standards and Guidance. The appropriate guidance at the time of the 2017 Viability assessment and the 2018 Viability Update was *Financial Viability in planning (1st edition), RICS guidance note 2012*.
- 3.2 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (May 2019). As part of the updating *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published on 28th May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms.
- 3.3 Whilst 2017 Viability Assessment and the 2018 Viability Update were published well before *Financial viability in planning: conduct and reporting. 1st edition, May 2019*, this opportunity is taken to confirm as follows:

¹ **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **2014 No. ###** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) Regulations 2014 Made - - - - - ***. Coming into Force 1st September 2019.

- 3.4 HDH confirms that in preparing the 2017 Viability Assessment and the 2018 Viability Update the firm has acted with objectivity, impartially and without interference, and with reference to all appropriate available sources of information.
- 3.5 The HDH confirms it had no conflicts of interest in undertaking the 2017 Viability Assessment and the 2018 Viability Update. HDH confirms that in preparing the 2017 Viability Assessment and the 2018 Viability Update, no performance-related or contingent fees were agreed.
- 3.6 The presumption is that a viability assessment should be published in full. HDH has prepared the 2017 Viability Assessment and the 2018 Viability Update on the assumption that they will be published in full (and they have been published in full by the Council).
- 3.7 HDH confirms that a non-technical summary has been provided in the form of Chapter 12 of the 2018 Viability Update which was written as a stand-alone summary. Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is firmly recommended that the 2017 Viability Assessment and the 2018 Viability Update report only be published and read in full.
- 3.8 The derivation of the BLV is set out in Chapter 6 of the 2017 Viability Assessment and the 2018 Viability Update. This is in accordance with the requirements of the PPG.
- 3.9 The 2018 Viability Assessment includes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.
- 3.10 Consultation with the development industry formed part of the 2017 Viability Assessment. Both the 2017 Viability Assessment and the 2018 Viability Update have been subject to formal consultation through the 'Regulation 18' and 'Regulation 19' stages of the WFDC plan-making process.
- 3.11 Both the 2017 Viability Assessment and the 2018 Viability Update are dated but do not include a formal sign off. This opportunity is taken to confirm that the final versions of both reports were approved by RS Drummond-Hay MRICS ACIH in his capacity of a director of HDH and as an experienced and appropriately qualified professional in the field of undertaking plan-wide viability assessments.
- 3.12 The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed the 2017 Viability Assessment and the 2018 Viability Update (and this note) has been provided by WFDC, some of which had been provided to them by others (such as Worcestershire County Council, and other statutory providers). This information was not provided in a subcontractor role, and in accordance with HDH's instructions this information has not been challenged or independently verified.

3.13 HDH confirms that ample time was allowed for to undertake both the 2017 Viability Assessment and the 2018 Viability Update.

Strategic Sites

4.1 The 2018 Viability Update considered the following Strategic Sites:

Table 4.1 Strategic Sites for Testing – 2018		
Site Reference	Name	No of Dwellings
Kidderminster East		
OC/13	Land at Stone Hill North	900
OC/6	R/O Offmore	300
Kidderminster North		
WFR/WC/15	Lea Castle Hospital	600
WFR/WC/32	Lea Castle East	360
WFR/WC/33	Lea Castle West	470
WFR/WC/34	Lea Castle North	0 - Employment Allocation
Kidderminster Town		
BW/1	Churchfields	300
BW/2	Limekiln Bridge	80
Stourport		
AKR/20	Carpets of Worth	170
MI/38	School Site Coniston Crescent	100
Bewdley		
WA/BE/1	Stourport Road Triangle	100
WA/BE/3	Catchems End	76
Total		3,456

Source: Table 3.1, 2018 Viability Update

4.2 The best estimate of the strategic infrastructure and mitigation costs at that time was:



Table 4.2 Strategic Sites s106 Costs - 2018			
	No of Dwellings		Cost Per Dwelling
Kidderminster East			
Land at Stone Hill North	900	£12,534,791	£13,928
R/O Offmore	300	£4,996,562	£16,655
Kidderminster North			
Lea Castle Hospital	600	£7,075,751	£11,793
Lea Castle East	360	£4,836,575	£13,435
Lea Castle West	470	£6,126,982	£13,036
Kidderminster Town			
Churchfields	300	£2,501,266	£8,338
	2,930	£38,071,927	£12,994

Source: Table 7.1, 2018 Viability Update

- 4.3 These costs were officers' best estimates as at July 2018.
- 4.4 The Council has now refined the list of strategic sites to be taken forward into the Local Plan, and with this the strategic infrastructure and mitigation costs have also been updated.

Table 4.3 Strategic Sites for Testing – 2019		
Site Reference	Name	No of Dwellings
Kidderminster East		
OC/13N	Land at Stone Hill North	1,100
OC/6	R/O Offmore	300
Kidderminster North		
WFR/WC/15	Lea Castle Hospital	600
WFR/WC/32	Lea Castle East	300
WFR/WC/33	Lea Castle West	400
WFR/WC/34	Lea Castle North	100
Total and Averages		2,800

Source: WFDC May 2019

- 4.5 The site WFR/WC/15, Lea Castle Hospital, has been granted planning consent, but is included now for completeness.
- 4.6 The updated best estimate of the strategic infrastructure and mitigation costs is now:

Table 4.4 Strategic Sites s106 Costs - 2019			
	No of Dwellings		Cost Per Dwelling
Kidderminster East			
Land at Stone Hill North	1,100	£22,391,869.44	£20,356.24
R/O Offmore	300	£6,776,939.65	£22,589.80
Kidderminster North			
Lea Castle Hospital	600	£7,967,918.83	£13,279.86
Lea Castle East	300	£4,408,698.42	£14,695.66
Lea Castle West	400	£5,785,585.22	£14,463.96
Lea Castle North	100	£1,653,234.81	£16,532.35
	2,800	£48,984,246.37	£17,494.37

Source: WFDC May 2019

4.7 On a per unit basis there has been a notable increase in the costs for some sites:

Table 4.5 Change in Strategic Sites s106 Costs – 2018 to 2019				
	2018	2019	Difference	
Kidderminster East				
Land at Stone Hill North	£13,928	£20,356.24	£6,428.24	46%
R/O Offmore	£16,655	£22,589.80	£5,934.80	36%
Kidderminster North				
Lea Castle Hospital	£11,793	£13,279.86	£1,486.86	13%
Lea Castle East	£13,435	£14,695.66	£1,260.66	9%
Lea Castle West	£13,036	£14,463.96	£1,427.96	11%
Lea Castle North		£16,532.35	N/A	

Source: May 2019

4.8 The modelling and analysis set out in the 2018 Viability update has been updated based on the above information. All other inputs have been held, unchanged as in the 2018 Viability Update. The following tables are directly comparable to those in the 2018 Viability Update.

4.9 The Lea Castle East element of the Kidderminster North site includes 7ha of employment space. This area has not been included in the modelling. As in the 2018 Viability Update the modelling is based on the assumptions of a density of 35 units/net ha and a net developable area of 60%. The effect of modelling on the basis of a 65% and 70% net developable area are also considered later in this note.

Table 4.5 Strategic Sites Modelling Assumptions - 2019				
	No of Dwellings	Gross Area 60% net	Net Area 35/ha	Total Site Area
Kidderminster East				
Land at Stone Hill North	1,100	52.38	31.43	57.10
R/O Offmore	300	14.29	8.57	28.36
Kidderminster North				
Lea Castle Hospital	600	28.57	17.14	48.40
Lea Castle East	300	14.29	8.57	19.90
Lea Castle West	400	19.05	11.43	24.50
Lea Castle North	100	4.76	2.86	11.50
	2,800	133.33	80.00	189.76

Source: WFDC May 2019

4.10 Several other changes have been made within the emerging Plan, so this opportunity is taken to update the modelling to ensure that these changes are reflected in the analysis.

- a. Development is now required to include electric charging points for cars. Several years ago such points cost in the region of £1,000/unit, however, the costs have dropped substantially, and are now a little under £300/unit. This cost has been modelled.
- b. There is a new policy requirement that new development ‘... *should incorporate the energy from renewable or low carbon sources equivalent to at least 10% of predicted energy requirements ...*’.

WFDC is not specifically seeking standards that are over and above those set out in National Building Regulations, these requirements do not specifically require construction to increased standards. This policy has been interpreted on a Fabric First basis – whereby building to higher standards, a 10% reduction in usage above the requirements of current Building Regulations is achieved. This is a relatively modest requirement that can be met through a range of solutions, including additional insulation, the installation of solar panels, or the use of district heating schemes.

It is timely to note that building to higher standards that result in lower running costs does result in higher values².

The Government produced regular updates on the costs of building to these increased standards up to when they were cancelled at the time of the Summer 2015 Budget. In this study a cost of £1,750 /dwelling has been modelled in this regard.

- c. In the 2017 Viability Assessment it was assumed that all new development would be to Lifetime Homes standards. This policy requirement has been updated ‘... *all major*

² See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013)



housing development proposals to contribute towards providing 20% of the total housing requirement to meet the higher access standards of Part M Building Regulations (Access to and use of buildings), (Category 2 M4(2), accessible and adaptable dwelling); and a further 1% of the overall number of housing units to meet Category 3 M4(3), wheelchair user dwellings standards ...'.

The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4³) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)⁴ reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility
- Category 2 – Dwellings which provide enhanced accessibility and adaptability
- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair.

The additional cost of a wheelchair adaptable dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be £10,111 per dwelling⁵. The additional cost of Category 2 is taken to be £521⁶ (this compares with the £1,097 cost for the Lifetime Homes Standard).

The modelling has been updated to reflect this changed requirement.

- 4.11 Before presenting the results, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this update are one of a number of factors that the Council will consider, including the Council's track record in delivering affordable housing.
- 4.12 As in the earlier work, the appraisals use the residual valuation approach – they are designed to assess the value of the site after taking into account the costs of development, the likely income and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for the Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin.
- 4.13 The initial appraisals are based on the full policy requirements, including the 30% affordable housing requirement. A range of scenarios are then tested.

³ <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf

⁵ Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

⁶ Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

4.14 As set out above, for each development type the Residual Value is calculated. The results are presented per gross hectare to allow comparison between sites. In the tables in this chapter the results are colour coded using a simple traffic light system:

- a. **Green Viable** – where the Residual Value per hectare exceeds the indicative Benchmark Land Value (BLV) per hectare (being the EUV +).
- b. **Amber Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
- c. **Red Non-viable** – where the Residual Value does not exceed the EUV.

4.15 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined – and on what basis.

Base Appraisals – full current policy requirements

4.16 The initial appraisals are based on the full policy requirements of the emerging Local Plan. The main assumptions are summarised as follows:

- a) Affordable Housing 30% (10% as Intermediate to Buy and 20% Social Rent).
- b) Environmental Standards 20% Accessible and Adaptable, 1% Wheelchair accessible.
Car Charging Points
10% Carbon Reduction
- c) CIL and s106 As follows for the Strategic Sites:

Name	Total	£/unit
Kidderminster East		
Land at Stone Hill North	£22,391,869.44	£20,356.24
R/O Offmore	£6,776,939.65	£22,589.80
Kidderminster North		
Lea Castle Hospital	£7,967,918.83	£13,279.86
Lea Castle East	£4,408,698.42	£14,695.66
Lea Castle West	£5,785,585.22	£14,463.96
Lea Castle North	£1,653,234.81	£16,532.35



Table 4.6 Residual Values
30% Affordable, s106 £2,000/unit / from IDP.

2018 Viability Update													
					Units	Existing Use Value		Benchmark Land Value		Residual Value (£)			
						£/ha	£ site	£/ha	£ site	Gross ha	Net ha		
Site 1	Land at Stone Hill North												
Site 2	R/O Offmore	Kidderminster East	Green	Agricultural	900	20,000	857,143	374,000	16,028,571	76,182	126,970	3,264,933	
Site 3	Lea Castle Hospital	Kidderminster East	Green	Agricultural	300	20,000	285,714	374,000	5,342,857	154,585	257,642	2,208,362	
Site 4	Lea Castle East	Kidderminster North	Mixed	Mixed	600	350,000	10,000,000	420,000	12,000,000	-11,184	-18,640	-319,543	
Site 5	Lea Castle West	Kidderminster North	Green	Agricultural	360	20,000	342,857	374,000	6,411,429	200,291	333,818	3,433,559	
Site 6	Churchfields	Kidderminster North	Green	Agricultural	470	20,000	447,619	374,000	8,370,476	95,108	158,513	2,128,610	
		Kidderminster Town	Brown	PDL	300	450,000	5,125,500	540,000	6,150,600	4,680	6,219	53,302	
June 2019													
					Units	Existing Use Value		Benchmark Land Value		Residual Value (£)			
						£/ha	£ site	£/ha	£ site	Gross ha	Net ha		
Site 1	Land at Stone Hill North												
Site 2	R/O Offmore	Kidderminster East	Green	Agricultural	1,100	20,000	1,047,619	374,000	19,590,476	-54,055	-90,092	-2,831,467	
Site 3	Lea Castle Hospital	Kidderminster East	Green	Agricultural	300	20,000	285,714	374,000	5,342,857	34,731	57,886	496,163	
Site 4	Lea Castle East	Kidderminster North	Mixed	Mixed	600	350,000	10,000,000	420,000	12,000,000	-45,396	-75,661	-1,297,040	
Site 5	Lea Castle West	Kidderminster North	Green	Agricultural	300	20,000	285,714	374,000	5,342,857	184,522	307,536	2,636,025	
Site 6	Lea Castle North	Kidderminster North	Green	Agricultural	400	20,000	380,952	374,000	7,123,810	66,313	110,521	1,263,099	
		Kidderminster North	Green	Agricultural	100	20,000	95,238	374,000	1,780,952	55,434	92,390	263,970	

Source: HDH (June 2019). This table is directly comparable with Table 10.1 in the 2018 Viability Update



Table 4.13b Residual Values – Varied Affordable Housing and Developer Contributions (£/ha) (65% Affordable Rent / 35% Intermediate Housing)

Varied Developer Contributions		EUV	BLV	Residual Value	20%	£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	
AFFORDABLE %																	
Site 1	Land at Stone Hill North	20,000	374,000	481,712	438,111	394,510	350,908	307,307	263,705	220,104	175,837	131,168	86,499	41,830			
Site 2	R/O Olifmore	20,000	374,000	654,241	607,400	560,454	513,508	466,562	419,616	372,670	325,724	278,778	231,832	184,886			
Site 3	Lea Castle Hospital	350,000	420,000	376,592	331,364	286,137	240,909	194,766	148,435	102,105	55,774	9,444	-39,066	-88,003			
Site 4	Lea Castle East	20,000	374,000	652,927	606,085	559,139	512,193	465,247	418,301	371,355	324,409	277,463	230,517	183,571			
Site 5	Lea Castle West	20,000	374,000	511,950	466,538	421,125	375,713	330,300	284,887	239,475	194,062	147,541	100,987	54,433			
Site 6	Lea Castle North	20,000	374,000	580,585	530,404	480,223	430,043	379,862	329,681	279,501	229,320	179,139	128,958	78,773			
Varied Developer Contributions		EUV	BLV	Residual Value	25%	£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	
AFFORDABLE %																	
Site 1	Land at Stone Hill North	20,000	374,000	431,508	387,906	344,305	300,703	257,102	213,501	169,254	124,585	79,916	35,247	-10,084			
Site 2	R/O Olifmore	20,000	374,000	596,845	549,899	502,953	456,007	409,061	362,115	315,169	268,223	221,277	174,331	126,609			
Site 3	Lea Castle Hospital	350,000	420,000	327,230	282,003	236,775	190,737	144,407	98,076	51,746	5,318	-43,293	-92,446	-142,618			
Site 4	Lea Castle East	20,000	374,000	595,531	548,585	501,639	454,693	407,747	360,801	313,854	266,908	219,962	173,016	125,294			
Site 5	Lea Castle West	20,000	374,000	459,277	413,864	368,452	323,039	277,626	232,214	186,801	140,276	93,722	47,168	101			
Site 6	Lea Castle North	20,000	374,000	525,276	475,095	424,915	374,734	324,553	274,373	224,192	174,011	123,831	73,650	22,453			
Varied Developer Contributions		EUV	BLV	Residual Value	30%	£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	
AFFORDABLE %																	
Site 1	Land at Stone Hill North	20,000	374,000	381,303	337,702	294,100	250,499	206,897	162,671	118,002	73,333	28,664	-16,991	-64,524			
Site 2	R/O Olifmore	20,000	374,000	539,344	492,398	445,452	398,506	351,560	304,614	257,668	210,722	163,776	115,936	67,760			
Site 3	Lea Castle Hospital	350,000	420,000	277,868	232,641	186,709	140,378	94,048	47,717	1,093	-47,520	-96,890	-147,061	-197,232			
Site 4	Lea Castle East	20,000	374,000	538,030	491,084	444,138	397,192	350,246	303,300	256,354	209,408	162,462	114,621	66,446			
Site 5	Lea Castle West	20,000	374,000	406,603	361,191	315,778	270,366	224,953	179,540	133,010	86,456	39,902	-7,523	-56,952			
Site 6	Lea Castle North	20,000	374,000	469,968	419,787	369,606	319,426	269,245	219,064	168,883	118,703	68,522	17,073	-35,580			

Source: HDH (June 2019)



Table 4.14b Residual Values – Varied Affordable Housing and Developer Contributions (£/ha) (50% Social Rent / 50% Intermediate Housing)

Varied Developer Contributions		EUV	BLV	Residual Value	20%	£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	
AFFORDABLE %																	
Site 1	Land at Stone Hill North	20,000	374,000	461,399	417,798	374,197	330,595	286,994	243,392	199,790	155,061	110,392	65,723	21,054			
Site 2	R/O Olifmore	20,000	374,000	632,356	585,410	538,464	491,518	444,572	397,626	350,680	303,734	256,788	209,842	162,896			
Site 3	Lea Castle Hospital	350,000	420,000	355,465	310,238	265,010	219,493	173,163	126,832	80,501	34,171	-13,121	-61,734	-111,412			
Site 4	Lea Castle East	20,000	374,000	631,042	584,096	537,150	490,204	443,258	396,312	349,366	302,420	255,474	208,528	161,582			
Site 5	Lea Castle West	20,000	374,000	490,707	445,295	399,882	354,469	309,057	263,644	218,232	172,352	125,798	79,244	32,690			
Site 6	Lea Castle North	20,000	374,000	554,669	504,488	454,307	404,127	353,946	303,765	253,585	203,404	153,223	103,042	52,862			
Varied Developer Contributions																	
AFFORDABLE %		EUV	BLV	Residual Value	25%	£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	
Site 1	Land at Stone Hill North	20,000	374,000	406,116	362,515	318,914	275,312	231,711	187,953	143,284	98,614	53,945	9,276	-37,334			
Site 2	R/O Olifmore	20,000	374,000	569,358	522,412	475,466	428,520	381,574	334,628	287,682	240,736	193,790	146,614	98,439			
Site 3	Lea Castle Hospital	350,000	420,000	300,821	255,594	210,064	163,733	117,403	71,072	24,741	-23,015	-71,628	-121,708	-171,879			
Site 4	Lea Castle East	20,000	374,000	568,044	521,097	474,151	427,205	380,259	333,313	286,367	239,421	192,475	145,300	97,124			
Site 5	Lea Castle West	20,000	374,000	432,723	387,310	341,898	296,485	251,073	205,660	159,650	113,096	66,542	19,988	-28,418			
Site 6	Lea Castle North	20,000	374,000	492,881	442,700	392,520	342,339	292,158	241,978	191,797	141,616	91,436	40,929	-11,538			
Varied Developer Contributions																	
AFFORDABLE %		EUV	BLV	Residual Value	30%	£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	
Site 1	Land at Stone Hill North	20,000	374,000	350,834	307,232	263,631	220,029	176,175	131,506	86,837	42,168	-2,822	-49,930	-98,242			
Site 2	R/O Olifmore	20,000	374,000	506,360	459,414	412,468	365,522	318,576	271,630	224,684	177,738	130,307	82,132	33,956			
Site 3	Lea Castle Hospital	350,000	420,000	246,178	200,634	154,304	107,973	61,643	15,312	-32,909	-81,833	-132,004	-182,175	-232,346			
Site 4	Lea Castle East	20,000	374,000	505,045	458,099	411,153	364,207	317,261	270,315	223,369	176,423	128,992	80,817	32,642			
Site 5	Lea Castle West	20,000	374,000	374,739	329,326	283,914	238,501	193,088	146,949	100,395	53,841	7,102	-41,884	-92,244			
Site 6	Lea Castle North	20,000	374,000	431,094	380,913	330,732	280,551	230,371	180,190	130,009	79,829	28,936	-23,717	-76,369			

Source: HDH (June 2019)

4.35 In considering the above it is necessary to consider the level of the full strategic infrastructure and mitigation costs. As set out earlier, in this note, the worst case scenario of s106 costs lies in the range of £13,000/unit to £23,000/unit. Looking at the 25% affordable housing scenario the mix where the affordable housing for rent is delivered as Affordable Rent rather than Social



Rent generates higher Residual Values. This change increases the ability of a scheme to make developer contributions by £2,500/unit or so, compared where the affordable housing for rent is provided as Social Rent. The results are broadly similar where the mix is 50% Social Rent / 50% Intermediate Housing, as to where the mix is 65% Affordable Rent / 35% Intermediate Housing.

- 4.36 Whilst a tenure changes on their own are not sufficient to ‘tip’ any of the sites from unviable to viable, it does show that some flexibility in this regard can greatly assist in improving the viability of the sites.
- 4.37 As set out above, the results do give rise to some concerns about the delivery of the sites, if they are to be expected to bear their full s106 costs. Whilst these results are from high level appraisals, carried out under the 2019 NPPF and updated PPG, the Council should be cautious about proceeding with sites unless there is further evidence to demonstrate the deliverability of the schemes.

25% Affordable Housing Targets

- 4.38 In the 2018 Viability Update it was recommended that the overall affordable housing target be reduced to 25%. The base appraisals have been rerun with a 25% housing requirement. The updated appraisals are based on the full policy requirements of the emerging Local Plan. The main assumptions are summarised as follows and the results are directly comparable to those in Tables 4.6 and 4.7 at the start of this chapter.:

- a) Affordable Housing 25% (35% as Intermediate to Buy and 65% Social Rent).
- b) Environmental Standards 20% Accessible and Adaptable 1% Wheelchair accessible
Car Charging Points
10% Carbon Reduction
- c) CIL and s106 As follows for the Strategic Sites:

Name	Total	£/unit
Kidderminster East		
Land at Stone Hill North	£12,534,791	£13,928
R/O Offmore	£4,996,562	£16,655
Kidderminster North		
Lea Castle Hospital	£7,075,751	£11,793
Lea Castle East	£4,836,575	£13,435
Lea Castle West	£6,126,982	£13,036
Kidderminster Town		
Churchfields	£2,501,266	£8,338



Table 4.13 Residential Development – Residual Values

25% Affordable, s106 from IDP.

2018 Viability Update												
				Units	Existing Use Value		Viability Threshold		Residual Value (£)		Site	
					£/ha	£ site	£/ha	£ site	Gross ha	Net ha		
Site 1	Land at Stone Hill North	Kidderminster East	Green	900	20,000	857,143	374,000	16,028,571	154,619	257,698	6,626,522	
Site 2	R/O Offmore	Kidderminster East	Green	300	20,000	285,714	374,000	5,342,857	239,993	399,988	3,428,469	
Site 3	Lea Castle Hospital	Kidderminster North	Mixed	600	350,000	10,000,000	420,000	12,000,000	67,466	112,444	1,927,612	
Site 4	Lea Castle East	Kidderminster North	Green	360	20,000	342,857	374,000	6,411,429	284,672	474,454	4,880,097	
Site 5	Lea Castle West	Kidderminster North	Green	470	20,000	447,619	374,000	8,370,476	173,980	289,966	3,893,833	
Site 6	Churchfields	Kidderminster Town	Brown	300	450,000	5,125,500	540,000	6,150,600	99,168	131,777	1,129,518	
June 2019												
				Units	Existing Use Value		Viability Threshold		Residual Value (£)		Site	
					£/ha	£ site	£/ha	£ site	Gross ha	Net ha		
Site 1	Land at Stone Hill North	Kidderminster East	Green	1,100	20,000	1,047,619	374,000	19,590,476	16,003	26,671	838,228	
Site 2	R/O Offmore	Kidderminster East	Green	300	20,000	285,714	374,000	5,342,857	110,631	184,386	1,580,448	
Site 3	Lea Castle Hospital	Kidderminster North	Mixed	600	350,000	10,000,000	420,000	12,000,000	23,785	39,641	679,566	
Site 4	Lea Castle East	Kidderminster North	Green	300	20,000	285,714	374,000	5,342,857	258,661	431,101	3,695,152	
Site 5	Lea Castle West	Kidderminster North	Green	400	20,000	380,952	374,000	7,123,810	136,584	227,640	2,601,603	
Site 6	Lea Castle North	Kidderminster North	Green	100	20,000	95,238	374,000	1,780,952	128,176	213,626	610,361	

Source: HDH (June 2019) This table is directly comparable with Table 10.10 in the 2018 Viability Update

4.39 In the following table, the Residual Value is compared with the Benchmark Land Value.



Table 4.14 Residential Development – Residual Values Compared to Benchmark Land Value					
25% Affordable Housing (35% Intermediate / 65% Social Rent), s106 as per IDP.					
			Alternative Use Value	Benchmark Land Value	Residual Value
2018 Viability Update					
Site 1	Land at Stone Hill North	Kidderminster East	20,000	374,000	154,619
Site 2	R/O Offmore	Kidderminster East	20,000	374,000	239,993
Site 3	Lea Castle Hospital	Kidderminster North	350,000	420,000	67,466
Site 4	Lea Castle East	Kidderminster North	20,000	374,000	284,672
Site 5	Lea Castle West	Kidderminster North	20,000	374,000	173,980
Site 6	Churchfields	Kidderminster Town	450,000	540,000	99,168
June 2019					
Site 1	Land at Stone Hill North	Kidderminster East	20,000	374,000	16,003
Site 2	R/O Offmore	Kidderminster East	20,000	374,000	110,631
Site 3	Lea Castle Hospital	Kidderminster North	350,000	420,000	23,785
Site 4	Lea Castle East	Kidderminster North	20,000	374,000	258,661
Site 5	Lea Castle West	Kidderminster North	20,000	374,000	136,584
Site 6	Lea Castle North	Kidderminster North	20,000	374,000	128,176

Source: HDH (June 2019) This table is directly comparable with Table 10.12 in the 2018 Viability Update

- 4.40 If these Strategic Sites are to be expected to bear their own full s106 costs and 25% affordable housing, none of the sites generate a Residual Value above the Benchmark Land Value. Whilst a lowering of the affordable housing requirement from 30% to 25% on its own is not sufficient to ‘tip’ any of the sites from unviable to viable, it does show that some flexibility in this regard can greatly assist in improving the viability of the sites.

Development Density

- 4.41 In the run up to this note the Council has continued its deliberations around open space requirements. The above modelling is based on the assumption of a 60% net developable area. This is a reduction from 65% used earlier in the plan-making process (and a change that has the impact of reducing viability). In this context paragraph 122 of the 2019 NPPF is relevant.

Achieving appropriate densities

122. *Planning policies and decisions should support development that makes efficient use of land, taking into account:*
- a) *the identified need for different types of housing and other forms of development, and the availability of land suitable for accommodating it;*
 - b) *local market conditions and viability;*

- c) *the availability and capacity of infrastructure and services – both existing and proposed – as well as their potential for further improvement and the scope to promote sustainable travel modes that limit future car use;*
- d) *the desirability of maintaining an area’s prevailing character and setting (including residential gardens), or of promoting regeneration and change; and*
- e) *the importance of securing well-designed, attractive and healthy places.*

4.42 It is clear that one of the factors to determine the density of planned development is viability.

4.43 The following analysis shows the results of a further set of appraisals run with a 65% and a 70% net developable area. In this analysis the number of units and net development area is unchanged.

Table 4.15 Effect of a greater net developed area
25% Affordable Housing (35% Intermediate / 65% Social Rent), s106 as per IDP.

30% Affordable Housing		NET DEVELOPABLE AREA		EUV	BLV	Residual Value	65%	70%
Site 1	Land at Stone Hill North	Kidderminster East		20,000	374,000	-54,055	-58,560	-63,064
Site 2	R/O Offmore	Kidderminster East		20,000	374,000	34,731	37,626	40,520
Site 3	Lea Castle Hospital	Kidderminster North		350,000	420,000	-45,396	-49,179	-52,962
Site 4	Lea Castle East	Kidderminster North		20,000	374,000	184,522	199,899	215,275
Site 5	Lea Castle West	Kidderminster North		20,000	374,000	66,313	71,839	77,365
Site 6	Lea Castle North	Kidderminster North		20,000	374,000	55,434	60,053	64,673
25% Affordable Housing		NET DEVELOPABLE AREA		EUV	BLV	Residual Value	65%	70%
Site 1	Land at Stone Hill North	Kidderminster East		20,000	374,000	16,003	17,336	18,670
Site 2	R/O Offmore	Kidderminster East		20,000	374,000	110,631	119,851	129,070
Site 3	Lea Castle Hospital	Kidderminster North		350,000	420,000	23,785	25,767	27,749
Site 4	Lea Castle East	Kidderminster North		20,000	374,000	258,661	280,216	301,771
Site 5	Lea Castle West	Kidderminster North		20,000	374,000	136,584	147,966	159,348
Site 6	Lea Castle North	Kidderminster North		20,000	374,000	128,176	138,857	149,538

Source: HDH (June 2019)

4.44 A 5% increase in the net developable area results in an increase in Residual Values of about 8% and 10% in the net developable area results in an increase in Residual Values of about 16.5%. Whilst this change on its own is not sufficient to ‘tip’ any of the sites from unviable to viable, it does show that some flexibility in this regard can greatly assist in improving the viability of the sites.



Impact of Change in Values and Costs

- 4.45 It is important that, whatever policies are adopted, the Plan is not unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 10.08% over the next 3 years⁷. We have tested a scenario with increases in build costs.
- 4.46 As set out in Chapter 4, we are in a current period of uncertainty in the property market. We have tested five price change scenarios, minus 10% and 5%, and plus 15%, 10% and 5%. In this analysis, we have assumed all other matters in the base appraisals remain unchanged. It is important to note that, in the following table, only the costs of construction and the value of the market housing are altered.

⁷ See Table 1.1 (Page 7) of in *Quarterly Review of Building Prices* (Issue No 149 – June 2018)

Table 4.16 Impact of Price and Cost Change
25% Affordable Housing (35% Intermediate / 65% Social Rent), s106 as per IDP.

		BCIS	EUV	BLV	Residual Value							
		Residential Values			+15%	+10%	+5%	-5.00%	0.00%	+5%	+10%	+15%
60% Net Developed Area												
Site 1	Land at Stone Hill North	Kidderminster East	20,000	374,000	-405,323	-256,641	-118,381	-290,989	16,003	-134,348	296,331	434,388
Site 2	R/O Offmore	Kidderminster East	20,000	374,000	-303,224	-160,991	-22,213	-210,594	110,631	-46,020	411,878	561,949
Site 3	Lea Castle Hospital	Kidderminster North	350,000	420,000	-429,475	-269,941	-121,097	-291,614	23,785	-131,107	315,195	458,560
Site 4	Lea Castle East	Kidderminster North	20,000	374,000	-139,579	-1,548	130,326	-49,161	258,661	107,638	558,803	708,725
Site 5	Lea Castle West	Kidderminster North	20,000	374,000	-281,712	-136,538	4,593	-170,944	136,584	-12,049	426,004	570,158
Site 6	Lea Castle North	Kidderminster North	20,000	374,000	-307,299	-157,993	-12,104	-197,856	128,176	-31,222	439,900	595,762
65% Net Developed Area												
Site 7	Land at Stone Hill North	Kidderminster East	20,000	374,000	-439,100	-278,028	-128,246	-315,238	17,336	-145,544	321,026	470,587
Site 8	R/O Offmore	Kidderminster East	20,000	374,000	-328,493	-174,407	-24,065	-228,143	119,851	-49,855	446,201	608,778
Site 9	Lea Castle Hospital	Kidderminster North	350,000	420,000	-465,264	-292,436	-131,189	-315,915	25,767	-142,033	341,461	496,773
Site 10	Lea Castle East	Kidderminster North	20,000	374,000	-151,210	-1,677	141,187	-53,257	280,216	116,608	605,370	767,786
Site 11	Lea Castle West	Kidderminster North	20,000	374,000	-305,188	-147,916	4,976	-185,190	147,966	-13,053	461,505	617,671
Site 12	Lea Castle North	Kidderminster North	20,000	374,000	-332,908	-171,159	-13,113	-214,344	138,857	-33,824	476,558	645,408
75% Net Developed Area												
Site 13	Land at Stone Hill North	Kidderminster East	20,000	374,000	-472,877	-299,415	-138,111	-339,487	18,670	-156,740	345,720	506,786
Site 14	R/O Offmore	Kidderminster East	20,000	374,000	-353,762	-187,823	-25,916	-245,693	129,070	-53,689	480,524	655,607
Site 15	Lea Castle Hospital	Kidderminster North	350,000	420,000	-501,054	-314,931	-141,280	-340,216	27,749	-152,959	367,727	534,986
Site 16	Lea Castle East	Kidderminster North	20,000	374,000	-162,842	-1,806	152,047	-57,354	301,771	125,578	651,936	826,846
Site 17	Lea Castle West	Kidderminster North	20,000	374,000	-328,664	-159,294	5,359	-199,435	159,348	-14,058	497,005	665,184
Site 18	Lea Castle North	Kidderminster East	20,000	374,000	-358,516	-184,326	-14,121	-230,832	149,538	-36,426	513,216	695,055

Source: HDH (June 2019) This table is directly comparable with Table 10.14 in the 2018 Viability Update



- 4.47 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan.

Conclusions on Strategic Sites

- 4.48 Inevitably the increase in strategic infrastructure and mitigation costs has caused the viability of these Strategic Sites to worsen. There are several policy changes that could be made that would improve viability.

- a. To consider increasing the numbers on units on the sites – although this will also impact on the infrastructure and mitigation requirements.
- b. To consider other sources of funding (for example from HIF bits)
- c. Reconsider the preference for social rent rather than affordable rent.
- d. Reconsider the strategic infrastructure and mitigation requirements.
- e. Reconsider the overall affordable housing requirements.
- f. Reconsider the density requirements.

- 4.49 It is beyond the scope of a viability assessment to recommend which of these, either individually or in combination may be appropriate in the Wyre Forest situation.

- 4.50 In any event, as in the earlier work, it is recommended that the Council continues to engage with the owners in line with paragraph 10-006-20190509 of the updated PPG.

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies...

- 4.51 Similar advice is set out in the Harman Guidance (page 23):

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.