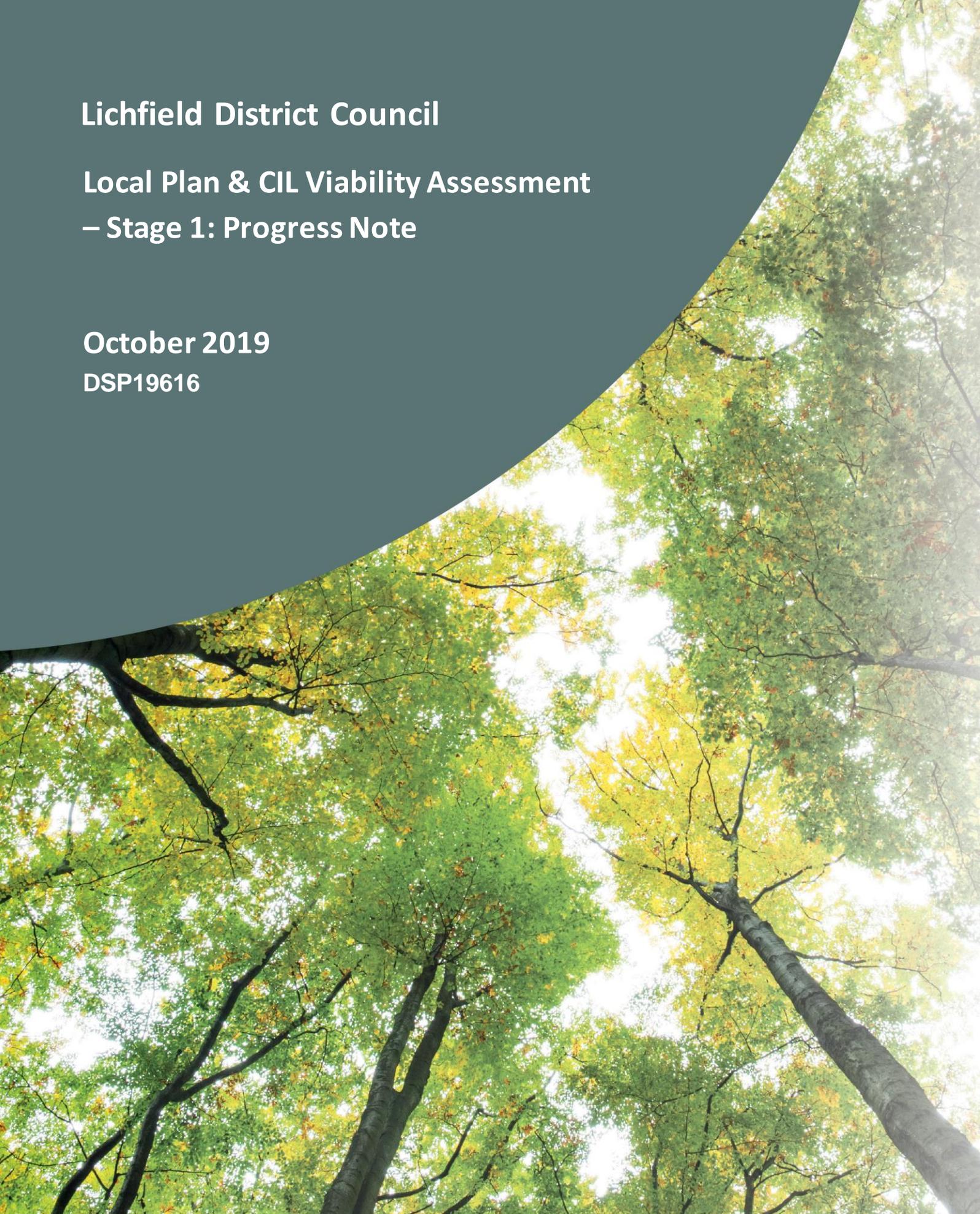


Lichfield District Council

**Local Plan & CIL Viability Assessment
– Stage 1: Progress Note**

October 2019

DSP19616



Dixon Searle Partnership
Elm House, Tanshire Park,
Shackleford Road, Elstead, Surrey, GU86LB
www.dixonsearle.co.uk



Stage 1: Progress Note

Outline of work to date

Information Review / Research Phase

- 1.1. Following the initial project inception meeting, we have carried out a thorough review and policy analysis of the Preferred Options & Policy Directions (January 2019) document, together with the latest available background supporting evidence / documents and of course additional information resources provided by the Council. It is our understanding that the Council will be sharing a refined set of policies in due course which will enable a full policy review analysis leading to a confirmed assumptions basis for later stages of the project. We understand that draft policy details and draft strategic site details will be provided in October / November 2019 at which point DSP can review and then start the detailed appraisal modelling exercise leading to a full draft report on viability analysis of the preferred site options and in depth test of policies and CIL.
- 1.2. At this stage and running parallel to the above policy review and analysis, we have conducted an extensive market values research analysis for both new build and re-sale property in the District utilising web-based resources such as Land Registry and Rightmove, including discussions with local agents. A full accompanying market review document will be provided as an Appendix III to our main reporting. A draft download of the data that will be incorporated into the final property market reporting is included with this progress note; this provides the background data collection and resulting analysis.
- 1.3. A similar process has been conducted in relation to non-residential property data, principally utilising Co-Star property intelligence data but also other resources such as the Valuation Office Agency, commercial property websites and local agents. As above, the data collection and analysis is provided as part of the work in progress information review document issued as part of this note.
- 1.4. This information review has formed part of the development of a draft set of proposed residential development assumptions and test scenarios – see the attached development assumptions document which will form Appendix I of the draft report. This is necessarily a first draft and is subject to a review of the draft policy set to be issued to DSP in due course. It is also subject to any comments from the Council.

1.5. The following sections set out the key draft assumptions that we envisage including within the model run and provide a ‘download’ of the process and summary of the research to date. This is necessarily all subject to further review and development.

Residential Value Levels (VLs)

2.1. Our residential market research indicates values across the district ranging from £2,000/m² to £4,000/m². Values obviously vary by location but within that range, of particular relevance are the core new build property values between £2,500 to £3,250/m² which we consider to be most reflective of new build development coming forward in the district. In order to consider the impact of development value as part of the development appraisal process, we have divided the overall range into equal tranches (referred to as Value Levels or ‘VLs’ here). Figure 1 below illustrates this range.

Figure 1 – Residential Value Levels

| Market Value (MV) - Private units | VL1 £2,000 | VL2 £2,250 | VL3 £2,500 | VL4 £2,750 | VL5 £3,000 | VL6 £3,250 | VL7 £3,500 | VL8 £4,000 |
|-----------------------------------|---|---------------|--------------------------------|---------------|---------------|---------------|---|---------------|
| | Lower end new build values / typical market falling | | Typical New Build Values Range | | | | Higher end new build values and above/typical market rising | |
| VLs | VL1 | VL2 | VL3 | VL4 | VL5 | VL6 | VL7 | VL8 |
| 1-bed flat | £100,000 | £112,500 | £125,000 | £137,500 | £150,000 | £162,500 | £175,000 | £200,000 |
| 2-bed flat | £140,000 | £157,500 | £175,000 | £192,500 | £210,000 | £227,500 | £245,000 | £280,000 |
| 2-bed house | £158,000 | £177,750 | £197,500 | £217,250 | £237,000 | £256,750 | £276,500 | £316,000 |
| 3-bed house | £200,000 | £225,000 | £250,000 | £275,000 | £300,000 | £325,000 | £350,000 | £400,000 |
| 4-bed house | £260,000 | £292,500 | £325,000 | £357,500 | £390,000 | £422,500 | £455,000 | £520,000 |
| MV (£ / m ²) | £2,000 | £2,250 | £2,500 | £2,750 | £3,000 | £3,250 | £3,500 | £4,000 |

2.2. As a high-level guide at this stage, we have also considered the indicative locational relevance of these VLs in terms of ward boundaries initially. As work progresses into Stage 2 of the project, we will review and consider this further but at this stage please see Figure 2 below for an indication of potential new build values by location and value level.

See Figure 2 on the following page.

Figure 2 – Indicative Relevance of VLs by Ward Area

| Indicative Relevance of VLs by Ward Area | Indicative Applicable VL Range |
|--|--------------------------------|
| Chase Town | VL1 -3 |
| Armitage with Handsacre | VL1 -4 |
| Boley Park | VL1 -4 |
| Chadsmead | VL1 -4 |
| Chase Terrace | VL1 -4 |
| Colton & The Ridwares | VL1 -4 |
| Curborough | VL1 -4 |
| Highfield | VL1 -4 |
| Longdon | VL1 -4 |
| Mease Valley | VL1 -4 |
| Fazeley | VL1-3 |
| Hammerwich with Wall | VL1-3 |
| Summerfield & All Saints | VL1-3 |
| Alrewas & Fradley | VL2-5 |
| Boney Hay & Central | VL3-6 |
| Leomansley | VL3-6 |
| Shenstone | VL3-6 |
| St Johns | VL3-6 |
| Stowe | VL3-7 |
| Whittington & Streethay | VL3-7 |
| Bourne Vale | VL3-8 |
| Little Aston & Stonnall | VL4-8 |

Residential Scenarios / Typologies

- 3.1 The assumptions document issued as part of this ‘Progress Note’ which will form Appendix I of the draft report proposes an initial draft range of residential scenarios / typologies for the main appraisal sets (i.e. testing the draft policies across a range of site typologies prior to any modelling of specific strategic sites). Based on our research (the SHLAA in particular), we feel that these typologies are representative of development coming forward in the LDC context over the emerging plan period, whilst also noting the high-level nature of this study. These include smaller through to larger scenarios covering a mixture of houses and flats (including a sheltered / retirement and extra-care flatted scenario) up to 250 units, assuming both greenfield and PDL site types.
- 3.2 The strategic site details will be added to the above Appendix I document once those details are provided.
- 3.3 We would welcome the Council’s view on this detail as set out in the attached assumptions document and whether the draft proposed scenarios for testing are appropriate or whether there needs to be any amendments / additions or deletions.

Affordable Housing Target range and Tenure Mix

- 4.1 Subject to any comments or further information from the Council, we will test the above typologies at a range of potential AH proportions (%) as considered appropriate from experience, but with tests falling either side of the NPPF AH threshold whilst also complying with paragraph 64 of the NPPF requiring at least 10% of homes to be provided as affordable home ownership products on major housing development. Our draft proposal is to test 0% AH across all scenarios followed by further tests at 20%, 30% and 40% on-sites of 10+.
- 4.2 Following review of the HEDNA dated June 2019, we propose to test an affordable housing tenure mix of 66.66% rented accommodation split equally between affordable rented (AR) and social rented (SR) tenures equating to 20% of the total requirements, and 33.33% Intermediate equating to 10% of the total requirements, based on the assumption of 30% AH. The Council will need to confirm whether the same proportional approach should be applied to the other proposed AH % tests (as above). The assumed affordable housing revenue for affordable rented products is based on a review of Local Housing Allowance (LHA) rates. For the level of social rents to assume we need the Council to provide the likely weekly social rents that are to be charged for different property types (i.e. 1 & 2-bed flats; 2,3 and 4-bed houses). We are happy to review any Choice Based Lettings or similar information.

Dwelling Mixes

- 5.1. This is a key area of the appraisal assumptions that needs to be fixed at the point at which appraisal modelling occurs. We have based these on the 2019 HEDNA as follows in Figure 3.

Figure 3: Dwelling mix principles based on the HEDNA

Dwelling mix principles based on the HEDNA (June 2019) - for building up assumptions

| No. Beds | DSP Overall Mix | Market Housing | Affordable Rent | Intermediate |
|----------|-----------------|----------------|-----------------|--------------|
| 1-beds | 15% | 5-10% | 25-30% | 10-20% |
| 2-beds | 30% | 30-35% | 20-30% | 35-45% |
| 3-beds | 45% | 45-55% | 35-40% | 30-40% |
| 4-beds | 10% | 5-15% | 5-10% | 5-15% |

Note: All subject to 'best fit scenario'. Intermediate mix adjusted across 1 and 2-beds only

Stakeholder Consultation – Development Industry & AH Providers

- 6.1. The NPPF / PPG now places greater emphasis on the importance of consultation with stakeholders to inform the viability assessment process and we have completed the first phase of consultation. A later phase intended to relate principally to the promoters of the key strategic site will be issued once those details are finalised.
- 6.2. The responses received in relation to the exercise undertaken to date have been reviewed and analysed and a summary of the consultation exercise including an outline of response points will be set out within the formal reporting - usually included within the overall property market and assumptions report at Appendix III of our full draft report. This is included anonymously or without direct reference to the specific comments linked to specific parties.

Emerging Development / Policy Costs for LDC review

- 7.1. Although subject to the refined set of draft policies to be issued in due course, we have, at this stage, proposed draft allowances for potential policy costs/planning obligation costs. At this stage, we have set out those key policy costs below for further review and consideration as we move forward with the project to develop a confirmed assumptions basis. The settling of these assumptions will be informed by latest available information from the Council, which may include the IDP and related documents. In addition, we have also made allowances for the usual development cost assumptions as required including standard build costs, contingency, profit etc.
- 7.2. **Open Space Allowance** – this type of policy requirement can often have a significant impact on overall viability, through increasing the overall land ‘take’ of a scheme and also on the cost of provision. We understand the Council are in the process of updating the existing Open Space Assessment and assume this will be provided as part of the refined policy set. We will need to understand the proposed methodology for on-site provision alongside the cost of that provision to then apply to our modelling.
- 7.3. **Sustainable Design / Construction Standards** – following review of the Preferred Options and Policy Directions document, we understand the Council is looking to achieve some form of enhanced standard above current building regulations. There is obviously a national drive for achieving enhanced standards reflected in the MHCLG consultation on changes to building regulations (‘The Future Homes Standard’) which proposes two options to increase the energy efficiency requirements in new homes by 2020 and 2025.

- 7.4. Based on our own experience and supported by key sources¹, we have proposed initially a lower ‘base’ test assumption for sustainability at 4% on build cost (roughly aligning Option 1 of the MHCLG consultation document) and a higher ‘sensitivity test’ equivalent to zero carbon at 7% on build cost (based on regulated emissions). We welcome the Council’s comment on this and the proposed refined policy direction in this regard.
- 7.5. **Adopted CIL Rate** – as part of our modelling we will be reviewing the adopted CIL rates and propose initially to include those within a wider overall range tested; essentially to examine the maximum level of CIL that may be viable whilst maintaining other policy requirements. We understand the adopted indexed CIL rates are £16.54/m² (SDA and BLD), £29.53/m² (lower value zone) and £64.98/m² (higher value zone) in accordance with Regulation 40 of the CIL Regulations.
- 7.6. **Part M4(2) and M4(3) Access Compliance** – at this stage we have suggested a range of sensitivity tests but subject to further discussion with the Council and following the refined policy set to be shared in due course. The cost of achieving the above standards of access compliance are set out in what will form Appendix I and are presented as a per unit rate. These are usually applied within the appraisal tests as a percentage of the overall number of units.
- 7.7. **Cannock Chase SAC** – we understand from review of the current CIL reg 123 list that the majority of mitigation required for the Cannock Chase SAC is to be provided through CIL and as such we propose not to include any additional costs in this regard.
- 7.8. **River Mease SAC** - In relation to the River Mease SAC, we understand this is to be provided as a financial contribution and has therefore been included as a cost within our proposed assumptions set. These costs have been based on the information provided at Appendix F of the Council’s Developer Contributions SPD as well as the River Mease Special Area of Conservation Water Quality Management Plan – Developer Contributions Scheme (June 2016). We welcome the Council’s comment on this and confirmation that this contribution is not intended to be provided through CIL.

¹ Centre for Sustainable Energy – Cost of carbon reduction in new buildings (December 2018)
MHCLG – The Future Homes Standard, 2019 Consultation on changes to Part L and Part F of the Building Regulations for new dwellings: Impact Assessment (October 2019).

7.9. **Residual s.106 allowance** – alongside allowing for CIL rate testing / review, we also include a cost assumption as an additional contingency broadly representing the potential s.106 that might still be required on a site-specific basis – i.e. relating to a particular site and in order to make developments acceptable – “residual” s.106 allowance. Typically, we make a contingency allowance of £3,000/dwelling (smaller site typologies only i.e. not strategic site tests), which has served as a robust assumption for this purpose in our experience.

Commercial / Non-residential

8.1. In addition to residential development, we have also completed extensive research into assumptions for testing non-residential scenarios. This has been based on our information review and will need further consideration as the project progresses to the appraisal modelling phase. However, based on experience and the cost:value relationship considered so far as part of the wider project research, we expect retail warehousing, supermarket / foodstore development to indicate positive viability scenario with other uses likely to show much more limited scope – again all tbc subject to further work.

Summary / Next Steps

- 9.1. The above sets out details of work undertaken to date leading to informing the draft assumptions basis for refinement and full appraisal modelling. There are elements needing clarification and further comments from the Council some of which may be addressed once the refined policy basis is received in due course.
- 9.2. From the research/ analysis carried out to date particularly in relation to values and costs, we can already see a *potentially* challenging viability picture as we move forward and particularly in relation to PDL site types. At this stage, a basic value:cost analysis indicates the current AH target of 40% (comprising both affordable / social rented and shared ownership products) may not be supportable in terms of viability and certainly applied universally or alongside any further policy “asks”, and even with limited or nil policy cost applied (as a base position), without unduly impacting at least some development coming forward.
- 9.3. It is therefore important that as we move forward, the site supply picture (i.e. greenfield v PDL) is well understood. It may be that compromises and “trade-offs” need to be considered in further developing emerging policy positions including on AH (as above, comprising both affordable / social rented and shared ownership products) and in regard to review of the existing CIL rates –

obviously all subject to the result of the full appraisal modelling process and details of policies / strategic sites. The Council may need to consider these compromises and “trade-offs” further as the project progress.

9.4. We will of course be happy to respond to any initial queries – and to discuss generally, as LDC wishes.

9.5. As discussed above, the next steps in this process will be to complete the full set of residential and commercial/non-residential appraisal modelling, leading to full draft reporting.

9.6. As above, DSP invites LDC officers to consider whether the information and commentary reflect their local knowledge and experience or views / expectations; and to identify any potentially mismatching areas – all for further discussion and consideration moving forward.

Progress Note ends – DSP v4

October 2019