

Comments on Barton Willmore consultation representations

Adams Integra – October 2014

1. EUV

It is now established policy that, in assessing viability at all stages, it must be assumed that landowners and developers will require, and should receive, acceptable (i.e., typical 'market') commercial returns. Confidence in the potential viability of larger schemes would benefit from the inclusion of an adequate 'viability buffer' which is necessary because, as per guidance, it should not be assumed that development will be delivered, or will continue to be delivered, at or around the threshold of viability.

The key measure arising from such a viability assessment is whether net residual (development) land value, as demonstrated by a residual appraisal, exceeds a relevant and appropriate benchmark value by an adequate margin, while also assuming an adequate commercial return to the developer. In practical terms, this landowner margin must be sufficiently attractive to persuade a landowner to bring the land forward for development rather than retain it in its existing use or, perhaps, transfer to an alternative use that may involve less disturbance to the existing facilities, expenditure and effort in establishing significant change of use.

Reference to a consistent method of benchmarking minimum value as a 'threshold' against which residual land value for development can be compared, rather than attempting to reflect or justify actual price paid (or agreed to be paid) by a specific developer, is now commonly recognised as a fairer approach when determining viability or otherwise, as this avoids potential arguments as to whether the developer has 'paid too much for the land'. This enhanced value basis, usually reflected either by a premium or share of value uplift over Existing Use Value (EUV) or a minimum value per gross acre for agricultural or other low value land, is recognised as necessary since the landowner is likely to have to bear a number of costs to bring their land forward for development, as well as requiring an element of 'profit' for doing so.

In the case of agricultural or other low value land, a percentage premium over EUV is not usually appropriate since the EUV is so low, and the minimum sum likely to entice the owner to release the land so much higher than EUV, that it is the quantum of the sum itself that is relevant rather than its relationship with EUV. The government's Department of Communities and Local Government (DCLG) has described this as needing to be, "*a life changing sum*".

With the help of viability guidance published in the last couple of years, there is now significant consensus as to establishing what level of land value should be indicated as being available to the landowner from a viability assessment in order that there is reasonable likelihood that a landowner will be persuaded to make the land available for development. The requirements imposed by NPPF have been largely crystallised in published RICS and Local Housing Delivery Group (LHDG) guidance (both 2012).

There is now clear reference relating to land in low-value existing/previous uses, such as agricultural land. The LHDG report sets out some very clear principles in respect of setting minimum values per acre/hectare for such land.

Evidence of minimum land prices contained within option and promotional agreements commonly tends to be obscured by legally binding confidentiality arrangements, but, given our long-term experience in working with developers and landowners on such matters, we have built up a wide understanding of the range of minimum price levels that are typically provided for.

All of this, along with emerging precedent, has led to an increasing acceptance by many practitioners that a value of circa £100,000 per acre (£247,000 per hectare) is currently a minimum 'benchmark', above which there may be at least reasonable certainty that landowners will normally be sufficiently incentivised to release their land for development.

Most larger greenfield sites will have higher infrastructure costs but this will come of the final offer for the land.

In table 2b of our report the vast majority of the residual land values are above £600k per hectare (shaded green) and for 20% affordable and £40 per m² CIL all of the RLVs are above £600k per hectare for value point 3 and most of value point 2.

A small residual allowance of £500 per dwelling has been made within our appraisals for any matters that will not be covered by the CIL and still need to go in to a S106 agreement along with affordable housing obligations (where applicable). In each of the appraisals we also made an allowance of £2,000 per dwelling for site specific infrastructure works that again would not be covered by CIL. Any demonstrated abnormal costs or additional site-specific S106 costs will always need to be considered as part of scheme specifics on application of policy.

One of the "buffers" in the appraisals is that the CIL has been applied to all the units but in reality the CIL would only be applied to the private units. On new studies that we carry out this has been changed but in this case there is an additional "buffer" built in.

We also make sure that the recommended CIL level is about ½ of the actual figure that the appraisals shows is viable which in this case is £80 per m². In table 4b (which shows £80 per m² or CIL) the vast majority of RLVs are above £600k per hectare and all of the RLVs for value point 3 and above are above £490k per hectare.

2. CIL and S106 contributions

The Council have recently adopted an interim planning policy which would require all applications for residential development involving a net increase of one or more dwellings to include a planning obligation to support a programme of appropriate measures to mitigate the impact of additional visitor pressure/traffic arising from these developments on the Cannock Chase Special Area of Conservation (SAC).

Applications proposing a net increase in housing development of between 1 and 50 units will not need to include a site specific assessment of the impact of the proposed development on the SAC provided that they are accompanied by a Unilateral Undertaking proposing a financial contribution to mitigation of the impact of the development on the SAC of £450 per dwelling in the 0-8 kilometre zone.

We are confident that the buffer built into the level of CIL proposed for Residential C3 is more than adequate to allow for this contribution.

The current system of seeking 'pooled' contributions via Section 106 Agreements to open space, sport and recreation for Cannock Chase Council and education for Staffordshire County Council will be superseded by CIL when the charging schedule is in place. The only additional burden will therefore be from developments of less than 10 units (in the case of open space etc) and less than 7 units (in the case of education contributions) which currently make no contribution via S106

£40 per m² for CIL only equates to £4,000 per property for a 100m² house and is not prohibitive to viability. The 20%affordable housing requirement is low compared to other areas. If there is a legitimate viability issue on a specific site then a scheme specific viability appraisal can be carried out on that particular site.