

Councils Response to Inspectors Initial Questions Friday 24th May 2019

15. Question 15

Have the Council undertaken a whole plan viability assessment of the submitted Plan to ensure that the policies are realistic and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan? If so, can you direct us to it please?

- 15.1. Yes, the **St Albans CIL and Viability Report Final Draft – November 2017 (INFR 009)**, submitted on Friday 26th March 2019, assessed the viability of the emerging Local Plan. This is linked below:

https://www.stalbans.gov.uk/Images/INFR%20009%20St%20Albans%20CIL%20and%20Viability%20Report%20Final%20Draft%20-%20November%202017.pdf_tcm15-67014.pdf

- 15.2. The assessment included looking at the cumulative cost and impact of the proposed (and now in similar form final) draft Plan, as shown by:

The viability analysis in this study is intended to assist the Council in understanding the high level viability of potential development sites in the context of the cumulative impact of its proposed planning policies.

- 15.3. The Executive Summary on page 3 succinctly sets out:

Executive Summary

1.1 This report tests the ability of a range of development types throughout St Albans City and District Council's ('the Council's') area to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL'). Viability testing of specific strategic sites is anticipated to follow as a subsequent piece of work. Levels of CIL have been tested in combination with the cumulative impact of the Council's other policy requirements, including the Council's Emerging Local Plan. This is in line with the requirements of the National Planning Policy Framework ('NPPF') and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

Methodology

1.2 The study methodology compares the residual land values of a range of development typologies on sites throughout the Council to their value in current use (plus a premium), herein after referred to as 'benchmark land value'. If a development incorporating the Council's policy requirements including a given level of CIL generates a higher residual land value than the benchmark land value, then it can be judged that the site is viable and deliverable. Following the adoption of policies, developers will need to reflect policy requirements in their bids for sites, providing that the residual land value does not fall below a site-specific benchmark land value, determined at the time of each individual application.

1.3 The study utilises the residual land value method of calculating the value of each development typology. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements, Section 106 contributions and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

1.4 The housing and commercial property markets are inherently cyclical and the Council is testing its proposed Emerging Local Plan and CIL policies at a time when there is a degree of uncertainty due to the result of the EU Referendum and triggering of Article 50 commencing negotiations on leaving the EU. Notwithstanding this, residential values in St Albans have recovered strongly following the severe recession and now exceed the March 2008 peak levels by circa 50%.¹ Forecasts for future house price growth indicate continuing growth in the mainstream UK and East of England markets. We have allowed for this by running a sensitivity analysis which varies the base sales values and build costs, with values increasing by 10% and costs by 5%. This analysis is indicative only, but is intended to assist the Council in understanding the ability of developments to absorb its requirements both in today's terms but also in the future. We have also tested a fall in sales values of 5%, to enable the Council to take a view on the impact of any adverse movements in sales values in the short term. Our commercial appraisals incorporate sensitivity analyses on rent levels and yields.

1.5 The viability analysis in this study is intended to assist the Council in understanding the high level viability of potential development sites in the context of the cumulative impact of its proposed planning policies. It should be noted that some sites may require more detailed site and scheme specific viability analysis when they come forward through the development management process.

Local Policy Context

2.41 'This study takes into account the policies and standards set out within the Council's emerging Local Plan and saved policies of the St Albans District Local Plan Review 1994, which includes inter alia affordable housing requirements; sustainability; open space; and developer contributions towards infrastructure. There are numerous policy requirements that are now embedded in base build costs for schemes (i.e. secure by design, landscaping, amenity space, internal space standards etc.). This study takes into account the cumulative impact of these policies as required by the NPPF.'

15.4. The key findings are set out at 1.6 of the report.

Key Findings

Residential

'The results of our testing demonstrates that the Council's proposed affordable housing target seeking 40% affordable housing in developments across the borough is reasonable. Some schemes, subject to their benchmark land values and built form, which influences build costs, are able to achieve higher quantities of affordable housing showing viability of up to 40% affordable housing. As can be expected some schemes are identified as having challenging viability. However, the Council's policy adopts a flexible approach i.e. where it can be clearly demonstrated that 40% is not economically viable affordable housing provision may be negotiated to a level which allows the scheme to be viable. This will assist with delivery of development by considering development viability whilst still ensuring the maximum quantum of viable affordable housing.'

'Our appraisals for **Retirement housing (C3 Use), Extra Care housing (C3 Use) and care homes (C2 Use)** identify that a CIL rate can be levied such uses, however viability is identified as being more challenging on Extra Care schemes.'

Commercial

'It is worth noting that the results of this viability exercise, which identify certain commercial development as not viable, do not mean that sites will not be developed within the District for these uses as viability is only one of many factors which affect whether a site is developed. For example, owner occupiers such as a logistics company, may wish to locate in the District as it both complements their existing locations and provides good links to the strategic highway network. Alternatively, a business may wish to develop their own premises by reference to their own cost benefit analysis, which will bear little relationship to the residual land value calculations that a speculative landlord developer may undertake.'

*'At current rent levels, **office** development across the District is identified as having challenging viability.'*

*'**Supermarkets/superstores and retail warehousing** are likely to be viable across the District.'*

*'Residual values generated by **all other retail developments** are higher than current use values to varying degrees across the District'.*

*'Our appraisals of speculative **industrial and warehousing developments** indicate that these uses are unlikely to generate positive residual land values.'*

- 15.5. It is important also to be aware that the landowner / developer groupings for all of the Broad Locations in the draft Local Plan confirmed the viability of their respective Broad Locations in person and in writing in May/June 2018. These confirmations set out that this included taking into account all relevant draft Local Plan policies as a whole. The written confirmations were included in PPC reports in June 2018 as linked to below:

<http://stalbans.moderngov.co.uk/ieListDocuments.aspx?CId=459&MId=8683&Ver=4>

- 15.6. It should also be noted that there are other factors which can assist delivery of commercial uses, for eg where proposed as part of a mixed use development; proposed intensification of existing special employment locations, and EZ status. All these elements have featured in the development of the Local Plan policy.
- 15.7. Overall it is considered that the Local Plan policies are realistic and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.