

Viability Assessment – Summary Report

Property: Land south of Roman Road, Moulton Chapel

Planning ref: H13-0479-20

Applicant: Postland Developments Ltd

Overview

The subject property itself is located on the south side of Roman Road to the east, and within walking distance of Moulton Chapel's centre. It is situated immediately adjacent to the rear gardens of established dwellings to the north (in a mixture of styles, maturity and quality), the exception being the site of Moulton Chapel Motors, which will give access onto Roman Road under the scheme proposals. Generally speaking, the site is level. We understand that the site extends to circa 2.93 Ha (7.24 acres), on a gross basis.

The property was granted a reserved matters consent (H13-1096-19) for the construction of 58 dwellings in February 2020.

The current planning application (under ref. H13-0479-20) is for the modification of the S106 Agreement to remove affordable housing provision.

CP Viability has been instructed to undertake an independent review to determine what level of affordable housing / S106 contributions can be viably delivered.

Our review has been undertaken in accordance with the relevant RICS guidance, as well as the Planning Practice Guidance on viability.

Key considerations

The applicant originally submitted a viability assessment in May 2020. Further updates have been provided since this time, including on 4th November 2020 and 20th January 2021. During this process we have requested various information from the applicant (with respect to sales values and development costs) to enable us to complete our review. We also raised various challenges to the applicant's initial viability testing, which has resulted in the applicant making a number of adjustments in their appraisal assumptions (including in relation to construction costs, developer profit and benchmark land value).

Having reviewed the applicant's latest appraisal on 20th January 2021 we are satisfied that the majority of the assumptions adopted are reasonable for the purposes of a viability assessment of the subject scheme, and consistent with the 2017 Local Plan viability study.

The only outstanding difference relates to professional fees. We consider the applicant's allowance to be above expectations and as such we have adopted our own figure in our appraisal.

Appraisal result and conclusion

Our appraisal demonstrates that the scheme is only able to viably support 3 affordable units (5.17%), split as x 2 affordable rented and x 1 shared ownership. The scheme can also make a health contribution of £25,752.

We therefore disagree with the applicant's original appraisal from May 2020, which suggested the scheme was unable to meet any planning policy provisions. We also disagree with the applicant's latest appraisal which suggests 2 affordable units. However, we do accept that a significant reduction in policy is required here to help ensure scheme viability.

In terms of the reasons why the policy provisions cannot be delivered, we have looked to compare the appraisal assumptions with the 2017 viability study to identify the differences:

Appraisal Input	2017 Viability Study (Rates/Percentages for Rural 30 dwellings)	Roman Road appraisal
Density	30 dwellings per Ha	24.79 dwellings per Ha
Average Value	£1,900 per sqm	£2,202 per sqm
Average Size	100 sqm	118 sqm
Build Cost	£911 per sqm	£1,216 per sqm
Externals	10% on build cost	15% on build cost
Contingency	3% on build cost	2.03% on build cost
Professional Fees	7% on build cost	6.00% on build cost
S106	Up to £5,000 per dwelling	£444 per dwelling
Sales/Marketing	3% on revenue	2.5% on revenue
Developer Profit	17.5% Market, 6% Afford	17.5% Market, 5% Afford
BLV (inc abnormals)	£535,000 per Ha	£484,811 per Ha

As shown above, there are various assumptions at the subject site which compare favourably to the 2017 viability study assumptions (e.g. professional fees, contingency, sales/marketing).

However, the reduced density of this scheme is having a negative impact on the viability of this scheme. As shown above, the 2017 viability study assumed a ratio of 30 dwellings per Ha, whereas the subject scheme reflects 24.79 dwelling per Ha. At the subject property this is a difference of 12 dwellings. In short, if the 2017 viability study density was applied to the subject scheme the total number of dwellings would be 70, which would significantly increase the ability of the scheme to deliver affordable housing.

Also, we note that the construction costs used in the 2017 viability study were equivalent to around 48% of the sales values. The construction costs at the subject scheme are higher, being around 55% of the sales values. This is also having a negative impact on the overall scheme viability.