

**Wednesday 22
January 2020**

**Morning &
afternoon
sessions**

**9.30am – 1.00pm &
2.00pm – 5.30pm**

Matter 7

Viability

AGENDA

The numbered questions in italics below are the original questions from the Inspector's matters, issues and questions document [IED/020]. For any original question that is not shown below, the Inspector has sufficient information from the hearing statements and responses, and is not inviting further discussion on it.

The commentary in normal typeface is from the Inspector.

*The **lettered questions in bold typeface** are the further questions on which the Inspector will be inviting discussion at the hearing session. He is not inviting written responses to these questions.*

References below to the June 2019 Hyas Viability Assessment Update [VAU] [EB/086] include the Supplementary Information to the VAU (November 2019) [EXD/058].

1. *(a) Is the viability of the proposed West of Braintree GC dependent on it being delivered as a cross-boundary development of 12,500 dwellings jointly with the area within Uttlesford District?
(b) If so, how can delivery of the Uttlesford part of the GC be secured through the Section 1 Plan?*

The NEAs accept that until the Uttlesford Local Plan is found sound and adopted, the element of West of Braintree GC in Uttlesford district cannot be confirmed. Additional assessment work has therefore been carried out to consider the viability of development solely in Braintree district. In the light of this I do not need to hear further discussion on Q1.

2. *Is adequate provision made for the costs of infrastructure at the GCs in the 2019 Hyas VAU?*

In their further hearing statement CAUSE list the items of infrastructure which they consider are missing from, or inadequately allowed for in, the VAU. Mr O'Connell says that the capital costs for the RTS should be three times those allowed for. Concerns are also raised about the phasing of some infrastructure items, while other participants say that the VAU infrastructure costs are relatively high. The NEAs reply to these points in their response, and say that it is not appropriate to be drawn into discussion of specific items, but that instead the examination should focus

on the overall feasibility and viability of the proposals.

In the context of these points and relevant discussions at the viability technical seminar, I would like to hear discussion on the following:

A. In the VAU's infrastructure provisions, are there any substantial omissions, under-costings or inappropriate phasing that would (if not corrected) put the deliverability of the proposed GCs in doubt?

3. *Apart from housing delivery rates and infrastructure costs (to be discussed under Matters 5 & 6), a number of other changes have been made to the inputs to the 2019 Hvas VAU compared with the 2017 Hvas VA [EB/013], including:*

e) plot external costs

i) proportions of affordable rented and intermediate housing

Are those changes justified?

Plot external costs: This matter is scheduled for discussion at the viability technical seminar.

B. In the light of discussion at the technical seminar, is the 2019 VAU approach to plot external costs justified?

Affordable housing: The NEAs say that the change in the proportions of affordable rented and intermediate housing reflects the requirement in the 2019 NPPF for 10% of dwellings on large sites to be available for affordable home ownership. There is no defined policy basis for the original 80:20 split between affordable rented and intermediate housing. Tenure split requirements will be defined in future DPDs.

C. How does the revised 60:40 split between affordable rented and intermediate housing reflect the pattern of affordable housing need in North Essex?

D. Is it appropriate for tenure split to be dealt with in future DPDs rather than in the Section 1 Plan?

4. *Are sufficient contingency allowances built into the 2019 Hvas VAU?*

The NEAs say they are unaware of any viability assessment relating to an adopted Local Plan that has applied a contingency rate higher than 10%, citing figures of 2%, 2.5%, 5% and 10% that have been used elsewhere. The VAU base case includes 10% contingency on all infrastructure, and sensitivity appraisals have been run at 20% and 40% contingency on those infrastructure items most relevant to potential cost unknowns. Defining artificially high contingency allowances, say the NEAs, could present a misleading position on viability and an appropriate balance should be struck.

Site promoters consider that a 10% contingency allowance is sufficient, with some arguing it is too high given the level of available information

about the proposed GC sites and their infrastructure requirements. Other participants argue for a 40% contingency allowance on all infrastructure in view of the early stage that the proposals have reached.

E. What are the specific risks that would justify applying a 20% or 40% contingency rates to all infrastructure items (other than those to which Hyas have already applied those rates in the sensitivity appraisals)?

7. *Is the assumption that land will be purchased two years before it is required for development a sound one to make?*

In the viability appraisals submitted by promoters, only the appraisal from ANSC & Countryside includes purchase of all the necessary land at the outset. The others all propose to stage land purchase, either throughout the entire build period or during the first few years. NEGC say that private developers would expect the period from purchase to start on site to be around one year, so the Hyas assumption is conservative. Galliard say that regular drawdown of land in this manner is not unusual and is consistent with landowner expectations, including on the land already under their control. ANSC / Countryside consider that an average drawdown two years prior to development is reasonable. It is likely, they say, that the original landowner would retain a "carried interest" in addition to securing upfront payments for land that is drawn down.

Mr O'Connell considers that in the context of delivery rates varying over time, other land delivery issues and land negotiations, it is fanciful to assume that land becomes available for sale imminently before it is required. CAUSE refer to precedents of similar large-scale development elsewhere in support of their view that the land must be owned on day one.

F. If all the necessary land is not purchased upfront, what contractual or legal mechanisms are needed to ensure that it can be drawn down as and when it is required?

9. *Is CAUSE's critique of the 2019 Hyas VAU Inflation scenarios valid? (Section 10.0, pages 22-25 of CAUSE's Consultation Response on EB086 Viability Assessment.)*

In their further hearing statement, para 7.9.3, the NEAs include a table setting out their response to a number of the issues and comments raised by CAUSE on this matter.

G. Does the NEAs' response demonstrate that the VAU Inflation scenarios are a valid basis on which to assess the viability of the proposed GCs?

10. (a) *Should the 2019 Hyas VAU have applied a benchmark land value to each of the GCs?*
(b) *If so, what should the benchmark land value(s) be?*

The NEAs say that BLVs are often unevidenced and, if not adjusted to reflect policy requirements, can lead to a situation in which policy requirements are found to make development unviable. Consequently, the VAU approach does not attempt to define a theoretical benchmark beyond the recognition that residual land values need to be sufficiently above current (agricultural) use values to incentivise owners to bring land to the market. It is a matter of judgment as to whether the GC proposals achieve this.

Many other participants argue for a BLV to be set, with the majority suggesting a figure of around £100,000/acre minimum.

H. How far above current (agricultural) use values do residual land values need to be in order to incentivise owners to bring land to the market?

I. Are there any other points, not already covered, which need to be discussed at this hearing session?