Telford & Wrekin Local Plan - Local Plan Viability Study

Contents

1 Introduction

1.1 Purpose of the document

1.1 The purpose of the Local Plan Viability Study is to provide a viability assessment of the whole plan viability and demonstrate that the policy requirements of the Local Plan do not threaten the viability of development that is needed to deliver it.

1.2 The 'Viability Testing Local Plans' report prepared by the Local Housing Delivery Group (2012) defines viability as follows:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.'

1.3 The aim of this study is to provide evidence that the National Planning Policy Framework (the NPPF) requirements are met and thereby demonstrate the Local Plan is deliverable. It therefore takes regard of the cumulative impact of policies providing a high level assurance that development is viable, rather than concluding on the viability of every individual development likely to come forward over the plan period.

1.4 It should be noted that the information used to inform this study is high level generalised data for the purposes of policy appraisal and should be taken to reflect the individual attributes of each development site and therefore **should not be relied upon as part of a planning application.**

1.2 National policy context

National Planning Policy Framework

1.5 The NPPF places great importance on planning for sustainable development in Local Plans. It states that significant adverse impacts to the economic, social and environmental dimensions of sustainable development should be avoided and alternative options which reduce or eliminate them should be pursued.

1.6 At the same time Local Plans should not only be aspirational but also realistic (paragraph 154). They should be deliverable.

1.7 Paragraph 173 states that *'the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened'*. This comprises requirements for affordable housing, standards, infrastructure contributions or other requirements.

1.8 In addition, paragraph 174 sets out that local planning authorities *'should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards'*. This should not put the implementation of the Local Plan at serious risk.

National Planning Practice Guidance (the PPG)

1.9 The PPG states that understanding Local Plan viability is essential to the overall assessment of plan deliverability. It sets out the need for proportionate evidence based on local market conditions to demonstrate a broad understanding of viability. Therefore all development costs should be taken into account.

1.10 To be proportionate viability assessments should reflect both residential and commercial development in an area needed to deliver the plan. This could include different types of residential development that are delivered in different ways.

1.11 The assessment of plan viability does not require every site to be tested. Site typologies could be used to demonstrate viability at a policy level. It may be useful to test a sample of sites or provide more detail for key sites needed to deliver the plan.

2 Methodology and assumptions

2.1 Basis of assessment

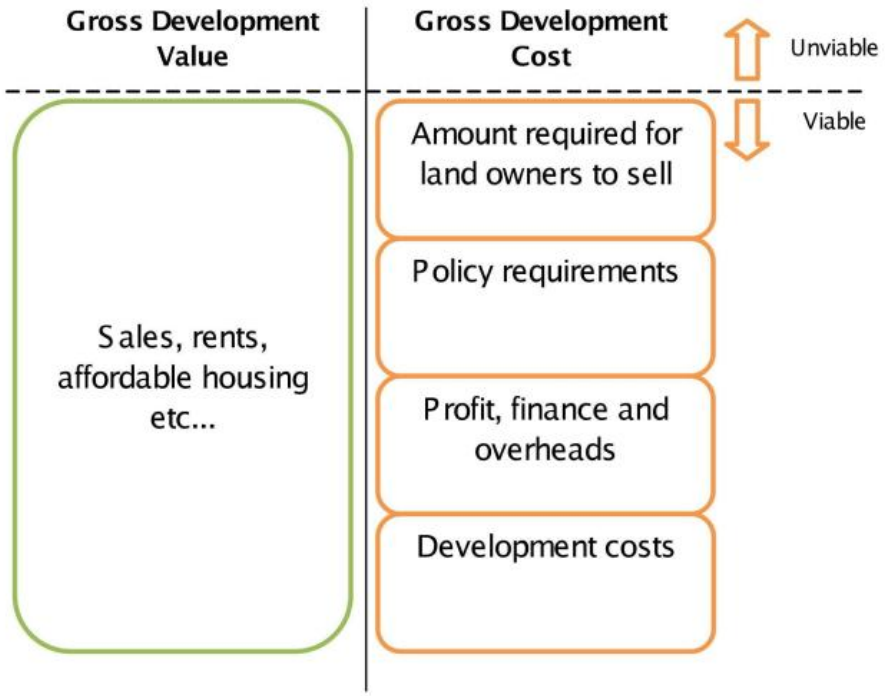
What is whole plan viability?

2.1 Whole plan viability is a broad assessment of the viability of a Local Plan and the policies contained within it. Using a number of assumed inputs described below the assessment provides a broad indication as to whether the level of policy obligations and burdens contained within a development plan, such as affordable housing requirements, are likely to threaten the viability of the allocations contained within the plan.

2.2 Broadly speaking viability of development is tested by taking the total cost of development and subtracting the total value of development to establish whether a site would return a surplus or a deficit, allowing for a reasonable return for willing land owners and developers.

2.3 Figure 1 below demonstrates that viability of development increases as the Gross Development Value exceeds the Gross Development Costs or where Gross Development Cost reduces below Gross Development Value through, for example, the securing grants to address abnormal site constraints.

Figure 1 Viability Model



2 Methodology and assumptions

Residual Land Value model

2.4 The Council have adopted the Residual Land Value approach to the appraisal of Local Plan viability. The Residual Land Value approach compares the difference between the cost of development and the value of development as per the following equation:

Gross Development Value *less* **Gross Development Costs** = **Residual Land Value**

2.5 The Residual Land Value model has a number of inputs including assumed costs and profit levels. Values have been derived from a selection of sites that represent site typologies required to deliver the plan, the model has been run for each of these sites.

2.6 The model can be broken down in to two stages with stage 1 concerned with establishing a Gross Residual Value for a development site and stage 2 which seeks to establish where the selected site typology is likely to return a surplus (viable) or a deficit (non viable) once the Threshold Land Value has been subtracted from the Gross Residual Value.

Figure 2 Stage 1 - Establishing Gross Residual Value

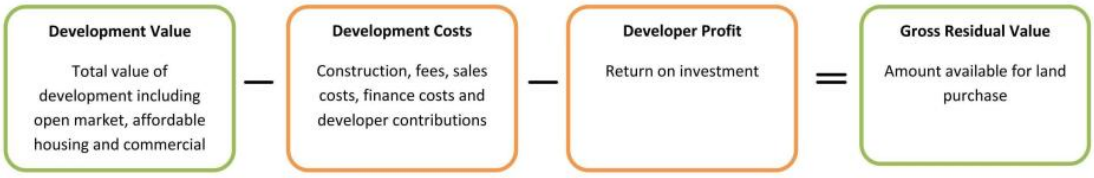
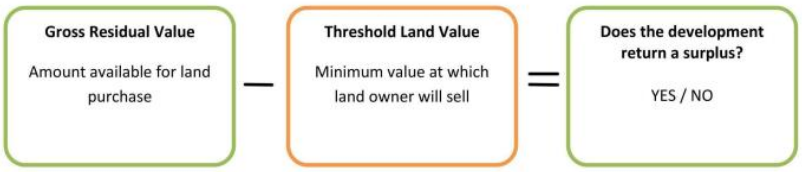


Figure 3 Stage 2 - Establishing development viability



2.7 The terms used in the model above are explained in further detail below.

2.8 **Gross Development Value** includes the total market value of the development and can include the following elements:

- Open market residential properties
- Affordable housing (shared ownership, affordable rented and social rented)
- Commercial, retail and industrial developments
- Low cost market housing (following Housing and Planning Act)

2.9 **Gross Development Costs (including profit)** includes all costs associated with bringing the site forward for development and can include the following:

- Construction costs for all types of property
- Externals including estate roads, utilities, landscaping etc...
- Abnormal site costs including decontamination and land stability
- Policy costs including s106, s278 and CIL
- Professional fees including architects, engineers and quantity surveyors etc...

- Marketing costs including promotion, agents fees and legal fees
- Land acquisition costs including agents fees, legal fees and stamp duty (excludes capital cost of land)
- Finance including borrowing costs
- Developers profit (open market housing, affordable housing and commercial development)

2.10 **Gross Residual Value** is the sum of money available for the purchase of land.

2.11 **Threshold Land Value** is the minimum value that a land owner is likely to sell land and is used as a benchmark to establish where a site is likely to return a surplus, therefore its viable or a deficit, therefore not viable.

Assumptions, caveats and limitations of the study

2.12 The assessment outlined above is designed to be representative of the whole Local Plan and due to its strategic nature can be affected in particular by macro economic factors, such as the state of the economy and its effect on residential and commercial development markets. The viability of individual sites will be assessed through the normal development process and can also be affected by site specific factors including:

- Assumptions on development including density and housing type and mix
- Percentage of affordable housing
- Amount of Section 106 contributions
- Local planning policies
- Final detail / conditions of planning consent
- Site abnormals
- Infrastructure requirements
- Final development costs and profit

2.13 The Council recognise that the Local Plan covers a 15 year period and in addition assumptions on Gross Development Values and Gross Development Costs are likely to change over that period. In addition to this Central Government policy and the performance of the economy will also influence the viability of the whole plan as well as site specific developments.

2.14 District Valuer Services has provided feedback on the content of the Local Plan Viability Study including improvements in data sources, methodology and evidence base.

2.15 The Council have also used a cash flow model to improve the accuracy of the study findings. Discounted cash flow data has been generated on the basis of annual sales levels which have been generated using estimated build out rates based on the Councils housing trajectory included within the Local Plan.

2.2 Development sites

2.16 In order to inform the study the Council has selected a range of development sites which reflect the typologies of the sites that are critical to the delivery of the Local Plan. Site typologies have been informed by factors such as size, yield and whether the sites are greenfield / brownfield. Selected sites include the following:

- 4 x Allocated residential sites within the Local Plan

- 2 x Minor residential sites to reflect windfall developments in the urban and rural areas
- 3 x Allocated employment sites included within the Local Plan

2.17 Net developable area for residential sites has been estimated using existing local knowledge of the sites. Net developable area for employment sites is assumed as 45% of gross site area this takes account of landscaping, parking and vehicle movements onsite.

Table 1 - Development sites for viability testing

Site description	Greenfield / Brownfield	Site size (hectares)	Net developable area (hectares)	Houses / floor space (sq m)	Site size / type
H2 - Priorslee Sustainable Urban Extension	Greenfield	61.424	34.2	1,100	Sustainable Urban Extension
H3 - Sutherland School site, Trench	Brownfield	5.29	4.09	123	Large - urban
H13 - Land South of Springfield Industrial Estate, Station	Greenfield	4.544	3.16	120	Large - urban
H16 - Old Park, Telford	Brownfield	6.57	2.3	70	Medium - urban
Minor residential (urban)	Brownfield	0.33	0.33	9	Small - urban
Minor residential (rural)	Greenfield	0.1	0.1	1	Small - rural
E8 - Shawbirch	Greenfield	21.78	9.8	100,575	Large
E23 - Halesfield	Brownfield	1.97	1.18	11,800	Medium
E12 - Hadley Park East	Greenfield	1.56	0.94	9,700	Small

2.3 Housing site assumptions

Table 2 Development Mix - Open Market Residential (Gross Internal Area) [1]

Site	1 Bed flat (at 51.5 sq m per unit)	2 Bed house (at 72 sq m per unit)	3 Bed house (at 86.5 sq m per unit)	4 Bed house (at 100 sq m per unit)	5 Bed house (at 113.5 sq m per unit)	Total residential units
H2 - Priorslee Sustainable Urban Extension	13	211	253	247	101	825
H3 - Sutherland School site, Trench	0	24	33	38	0	95
H13 - Land South of Springfield Industrial Estate, Station	0	13	26	26	13	78
H16 - Old Park, Telford	0	15	25	15	0	55
Minor residential (urban)	0	3	5	1	0	9
Minor residential (rural)	0	0	0	1	0	1

2.18 The percentage split between open market housing and affordable housing has been applied to the total amount of housing in each category (see Tables 2 and 3) to generate the open market numbers set out in the above table.

Affordable housing

2.19 The Affordable Housing mix below has been calculated using the percentages contained within the Local Plan policy 'HO5 Affordable housing thresholds and percentages':

- 25% for Telford
- 35% for Newport and in any other location

2.20 The ratio of open market housing and affordable housing has been applied to the total amount of housing in each category (see Table 3) to generate the affordable housing numbers set out in the above below.

2.21 Affordable Housing is only sought on schemes with 11 dwellings or more, or where gross floorspace is greater than 1,000 sq m.

1 Floor spaces based on DCLG note Technical Housing Standards Nationally Described Space Standard March 2015

2.22 The assumptions related to the size of affordable housing residential units were generated using the DCLG note Technical Housing Standards Nationally Described Space Standards (March 2015).

2.23 It is assumed that all the affordable housing is sold to a Registered Provider. Based on local evidence the following values are assumed for each tenure type against open market housing;

- Shared Ownership valued at 65% of open market value
- Affordable Rented valued at 55% of open market value

2.24 Since the Local Plan does not propose a specific tenure split, the Council assume an average value of 60% for all affordable housing tenures across the required provision.

Table 3 Development Mix - Affordable Housing (Gross Internal Area) [2]

H2 - Land at Woodhouse Priorslee	1 Bed flat (at 51.5 sq m per unit)	2 Bed house (at 72 sq m per unit)	3 Bed house (at 86.5 sq m per unit)	4 Bed house + (100 sq m per unit)	Total residential units
H2 - Priorslee Sustainable Urban Extension	4	70	85	116	275
H3 - Sutherland School site, Trench	0	12	20	0	32
H13 - Land South of Springfield Industrial Estate, Station	0	7	14	21	42
H16 - Old Park, Telford	0	0	13	5	18
Minor residential (urban)	0	0	0	0	0
Minor residential (rural)	0	0	0	0	0

2 Floor spaces based on DCLG note Technical Housing Standard Nationally Described Space Standard March 2015

2.4 Employment site assumptions

Table 4 Development Mix - Commercial (m2)

Site	B1a	B1b	B1c	B2	B8	A3	A4	D1	Total
E28 - Shawbirch	0	0	5,000	15,575	80,000	0	0	0	100,575
E23 - Halesfield	0	0	0	5,900	5,900	0	0	0	11,800
E12 - Hadley Park East	0	0	9,700	0	0	0	0	0	9,700

2.25 The floor space represents a plot ratio of 1:1.

2.5 Fiscal and environmental burdens

2.26 The Local Plan states that relevant planning policies will be subject to condition / negotiation to support overall viability. It should be noted that no allowance has been made for Community Infrastructure Levy as the Council do not have an adopted charging schedule in place.

2.27 Where available estimates of average build costs and average infrastructure costs have been provided, it should be noted that these are estimates and, at this stage shouldn't be taken as an indication of costs for the purpose of submitting a planning application. The level of contributions generated should also be considered a maximum as each development will have site specific issues that may require mitigation.

Policy HO4 Housing Mix

2.28 Using information available from Lifetime homes website the average per unit cost has been assumed for Telford & Wrekin at £1,080 per dwelling, this is additional to the construction costs as set out in paragraph 2.36. The policy states that the Council expect major residential developments to be built to Lifetime homes standards, therefore an allowance has been made to cover this even though it is not a prescribe standard.

Policy NE4 Provision of Public Open Space

2.29 Based on previous Section 106 agreements a figure of £600 per unit has been assumed for the provision of play facilities.

Policy COM 1 Community Facilities

2.30 The table below sets out the amount of pupil places generated by each of the residential development sites that are of 10 or more dwellings. These figures are used to calculate developer contributions towards the meeting the education requirements of a residential development.

2.31 The calculation for this policy is **number of pupil places generated** x **cost multiplier.**

- Primary cost multiplier = £11,031
- Secondary multiplier = £16,622

Table 5 Pupil Places per development

Development site	Number of open market units (2 bed or more)	Primary pupil places generated	Secondary pupil places generated
H2 - Priorslee Sustainable Urban Extension	812	233	106
H3 - Sutherland School site	95	25	11
H13 - South of Springfield Road	78	27	12
H16 - Old Park	55	15	7

Policy C1 Promoting Alternatives to the Car

2.32 Only site H2 has costs identified for the purposes of providing a bus service. The other sites are assumed, for the purpose of this study, to be served by existing bus services.

Policy C3 Impact of Development on Highways

2.33 For the purpose of this study, the cost of strategic off site highway works are estimated at £50,000 per hectare. This is based on costs identified within the Infrastructure Delivery Plan, which accompanies the Local Plan, and assumes grant funding of 80% towards the cost of highway capital works based on previous grant funding levels.

2.6 Development cost assumptions

Construction Costs

2.34 Using the recognised BCIS (Building Cost Information Service) data the following rates have been used for residential and commercial developments;

- Residential costs - Flats £1132 per sqm, Houses £940 per sqm
- Commercial costs - £325 - £450 per sqm

2.35 The above figures take into account the BCIS index for Quarter 1 2016 and are re-based for Telford & Wrekin using BCIS Tender Price Studies Index 2016. The costs also reflect the fact that much of the construction on major developments will be undertaken by volume house-builders who have significant purchasing power for both labour and materials. The profit allowance takes account of any overheads and preliminaries.

External Costs

2.36 In addition to the per sqm construction costs described above, an allowance has been made for a range of site external / infrastructure costs - roads, drainage and services within the site; parking, footpaths, landscaping, car parking, servicing and other external costs; as well as off site costs for drainage connections and other services.

2.37 Many of these items will depend upon individual site circumstances and can only be estimated following a detailed assessment of each site. This is clearly not practical within the scope of a broad level, strategic- scale study and, therefore a general allowance has been used:

- Residential development - 15% of construction costs
- Commercial development - 10% of construction costs

Abnormals

2.38 Local intelligence suggests that greenfield sites usually have some abnormal costs associated with them therefore a nominal greenfield abnormal rate of £30,000 per hectare has been used. Brownfield abnormal rates are estimated at £100,000 per hectare.

2.39 The exception to the above is considered to be sustainable urban extensions where an abnormals figure of £100,000 per hectare (consistent with the brownfield rate) has been applied. This is due to the scale of larger greenfield sites and issues such as topology that would need to be resolved to make the ground ready for development.

Fees

2.40 Local evidence has found that the typical cost of professional fees (architects, engineers, planning consultants etc) is 7% of build costs.

Financial Assumptions

2.41 **Development programmes -** The financial assumptions used in the model have been informed by development programmes for the four larger housing sites (H2, H3, H13 and H16) and employment site E8 at Shawbirch. The development programmes for each of the sites is broadly consistent with the expected phasing of development as per the Local Plan housing trajectory, this is based on local knowledge and intelligence from the developer community. In order to provide the best possible estimate of costs the Council have used a discounted cash flow model for the four major residential sites and employment site E8 - Shawbrich as well as calculating the Net Present Value of each of the larger development sites listed above. The surplus / deficit for smaller development sites has been calculated using a more simplified Residual Land Value model as these sites are expected to be developed out over shorter periods.

2.42 **Development finance -** the average interest rate established has been 6.5% including all associated fees.

2.43 **Developers profit -** several appeal decisions[3] have recently established the following rates (for residential sites);

- Open Market Residential at 15% to 20%
- Affordable Residential 6%
- Commercial 10% - 25% (dependent on type and location of development)

3 The Manor, Shinfield - APP/X0360/A/12/2179141, Hempshill Hall, Nottingham - APP/J3015/S/15/3019494, Policemans Lane, Poole - APP/B1225/W/15/3049345

2.44 For appraisal purposes, the benchmark figures adopted are 17.5% for open market housing and 6% for affordable tenures which includes overheads, except for the minor sites where 15% has been used.

2.45 **Contingency -** this usually ranges from 3% to 5% of all build costs and the higher figures has been used due for brownfield sites whilst the lower figure for greenfield sites.

2.46 **Acquisition and sales costs -** acquisition costs (agents and legal) used is 1.75% whilst sales costs (agents and legal) amount to 3%. Stamp Duty Land Tax has been calculated as per current nationally applied rates.

2.7 Local market value

Table 6 Local market values - residential

	1 Bed flat	2 Bed	3 Bed	4 Bed	5 Bed
H2 - Priorslee Sustainable Urban Extension	£135,000	£170,000	£205,000	£260,000	£325,000
H3 - Sutherland School site, Trench	n/a	£135,000	£165,000	£195,000	n/a
H13 - Land South of Springfield Industrial Estate, Station	n/a	£160,000	£210,000	£250,000	£310,000
H16 - Old Park, Telford	n/a	£135,000	£185,000	£215,000	£250,000
Minor residential (urban)	n/a	£155,000	£190,000	222,000	n/a
Minor residential (rural)	n/a	n/a	n/a	£295,000	n/a

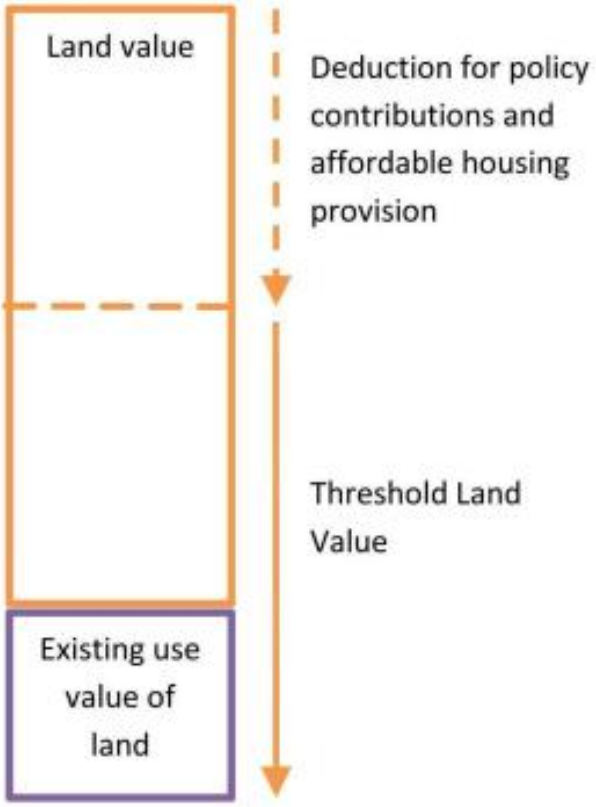
2.47 Local market values have been generated using comparable values for local new build housing developments via Rightmove. It should be noted that the local market values set out in table 6 are subject to change and only represent an estimate of values according to the various site typologies used to inform the study.

2.8 Land values

Threshold Land Value model

2.48 The Council have used a Threshold Land Value to determine whether the site typologies for residential and commercial sites are likely to return a surplus and demonstrate a positive viability. The model, as set out in figure 4, illustrates that Threshold Land Value is determined by a deduction for policy contributions and affordable housing provision off the combined existing use value and market value for a site.

Figure 4 Threshold Land Value model



2.49 The calculation used to determine Threshold Land Value is as follows:

Existing use value + land value - policy and affordable housing contributions = Threshold Land Value

Housing sites

2.50 The Threshold Land Value for housing sites has been determined through the use of a number of planning assumptions, this is due to the high level nature of the Viability Study.

2.51 **Existing use value** of land have been estimated by using an average of the values for agricultural land which has a local estimated value of £24,700 per hectare and recent commercial land values at £358,000 per hectare this creates an typical blended existing use value of £191,350 per hectare. This is due to housing sites being a mix of brownfield and greenfield sites.

2.52 **Land value** has been determined using the latest DCLG guidance - Land value estimates for policy appraisal December 2015. This document set out an estimated land value of £1,075,000 per hectare for Telford & Wrekin and this has been judged against local intelligence to be a reasonable assumption for current market value.

2.53 **Policy contributions** have been calculated for the four major residential sites with an average policy contribution of £259,533 per hectare. A deduction of 30% has been applied to this figure to account for the fact that not all sites require mitigation, an example of this is where there are surplus school places available, this gives a discounted figure of £181,673 per hectare.

2.54 A deduction of 20% has been assumed for **affordable housing** giving a discounted figure of £215,000 per hectare.

2.55 Using the calculation above the estimated Threshold Land Value for housing sites is £869,677 per hectare.

Table 7 Threshold Land Values - Housing sites

Existing use value per hectare	£191,350
Land value per hectare	£1,075,000
Deduction for policy contributions per hectare	£181,673
Deduction for affordable housing per hectare	£215,000
Threshold Land Values per hectare (housing sites)	**£869,677**

Employment sites

2.56 The same model as above has been used to determine Threshold Land Values for employment sites. An number of assumptions have been made to take into account the status of the sites for employment purposes.

2.57 **Existing use values** for employment sites have been calculated using agricultural land values of £24,700 per hectare. This acknowledges that the vast majority of employment allocations within the Local Plan are on sites which are greenfield in nature and are in some instances are currently used for agricultural purposes such as grazing land. It should also be noted that these sites were acquired by Telford Development Corporation for eventual release as employment land.

2.58 **Land values** have been generated using local intelligence values for employment development at £358,000 per hectare. All employment site allocations within the Local Plan are publicly owned sites which are either stewarded or own outright by the Council.

2.59 A **policy contribution** to cover highway works has been assumed at £50,000 per hectare. No deduction has been applied as due to the location of the allocated employment sites within strategic industrial estates it is assumed, for the purposes of this study, that all developments will have an impact on the principle and strategic road networks.

2.60 Using the calculation above the estimated Threshold Land Value for employment sites is £332,700 per hectare.

Table 8 Threshold Land Values - Employment sites

Existing use value per hectare	£24,700
Land value per hectare	£358,000
Deduction for policy contributions per hectare	£50,000
Threshold Land Values per hectare (employment sites)	**£332,700**

3 Local Plan viability appraisal

Residential development sites

3.1 The table below sets out the housing sites contained with this study including their status as greenfield / brownfield and whether utilising the Residual Land Value model the site generates a financial surplus after costs and assessment against Threshold Land Values.

Table 9 Residential development sites

Development site	Greenfield / Brownfield	Gross Residual Value	Threshold Value	Does the site return a surplus or a deficit?	NPV
H2 - Priorslee Sustainable Urban Extension	Greenfield	£43,846,010	£29,742,953	£14,103,056	£6,002,187
H3 - Sutherland School site, Trench	Brownfield	-£668,044	£3,556,979	-£4,225,023	-£2,831,559
H13 - Land South of Springfield Industrial Estate, Station	Greenfield	£4,913,718	£2,748,179	£2,165,538	£1,188,121
H16 - Old Park, Telford	Brownfield	£3,330,001	£2,000,257	£1,329,744	£1,015,745
Minor residential (urban)	Brownfield	£352,472	£286,990	£65,482	n/a
Minor residential (rural)	Greenfield	£111,448	£86,968	£24,480	n/a

3.2 Greenfield sites consistently generate a surplus, this is primarily due to the lower level of risk in developing such sites and desirability of rural and edge of town locations. The low level of risk with Greenfield sites is reflected in the application of a lower abnormal rate for Greenfield sites. These sites are also in typically higher value areas which generates a higher value mix of housing and consequently a great Gross Development Value than brownfield sites. Net Present Value has been calculated for the four major housing sites and this still demonstrates a surplus can be achieved in most cases.

3.3 It should be noted that, due to the broad nature of this study some sites, such as H2, may return a large surplus due to the size and location of the site. Where this is the case it is expected that the surplus will be divided between; 1) the land owner, 2) the Council in the form of increased policy contributions to cover a greater level of infrastructure needs with a larger site and 3) the developer in the form of mitigating / contingency to cover abnormal costs on a site specific basis.

3.4 Sites on brownfield land do not always return a surplus due to higher levels of risk associated with brownfield land and their location which tends to be within lower value urban areas. Brownfield land within Telford will possibly be affected by previous mine working, land instability and land contamination which has necessitated a higher allowance for abnormal costs to mitigate such constraints when compared with Greenfield sites. Where a site does not return a surplus, as in the case of site H3, the Council will work cooperatively with developers in seeking measures to improve the viability of development sites - this is discussed further in the conclusions of the study.

Employment development sites

3.5 The table below sets out the employment sites contained within the study including their status as greenfield / brownfield and whether the sites generate a financial surplus.

3.6 As set out in the table below the viability of employment sites is marginal and where a site returns a surplus it is expected that this would be help provide a viability buffer and depending on the site specific nature of the site cover any additional developer contributions related to high works or abnormal costs related to bringing the site forward for development.

Table 10

Development site	Greenfield / Brownfield	Gross Residual Value	Threshold Value	Does the site return a surplus or a deficit?	NPV
E8 - Shawbirch	Greenfield	£8,501,474	£3,260,460	£5,241,014	£520,838
E23 - Halesfield	Brownfield	£774,075	£393,251	£380,824	n/a
E12 - Hadley Park East	Greenfield	£458,620	£311,407	£147,213	n/a

3.7 As set out in the table above the employment site typologies within the Local Plan return a surplus, it is expected that where a surplus is demonstrated in a more detailed assessment of site viability this would be subject to site specific matters. It is assumed, for the purposes of this study, that any surplus would be shared between the land owner, developer and Council to meet the risks in bringing sites forward and make appropriate contributions towards infrastructure.

3.8 The majority of employment land is within or adjacent to existing strategic employment sites and is therefore assumed to benefit from this through existing infrastructure and services within close proximity.

3.9 Where an employment site returns a deficit the Council will work cooperatively with a developer to look at options to increase the viability of a site and in the first instance this would take the form of on site measures such as design and density of development.

3.10 It should be noted that the results of the study reflect broad high level assumptions applied to a selection of site typologies. The assumptions used have been generated to provide a broad and consistent level of assessment across all sites.

4 Conclusions

4.1 The Local Plan Viability Study provides a high level assessment of viability for a selection of residential and employment developments that represent site typologies required to deliver the Local Plan. The schemes tested as part of the assessment demonstrated that, in general, greenfield sites are more likely to return a surplus than brownfield sites. This is consistent nationally as the cost of developing brownfield land is higher due to a greater range and level of constraints effecting these sites.

4.2 The Council are confident that although some sites do not demonstrate a surplus, as part of this study, this will not effect the overall viability of the Local Plan due to a range of; external factors, Local Plan measures and action by the Council to lower the cost of development locally. Where a surplus is marginal or the site returns a deficit the Council will look to work with developers to understand the challenges to the delivery of sites and how these can be overcome. The aim of the Council will be to ensure sites required to deliver the Local Plan are brought forward in a timely fashion without unduly impacting on the Councils ability to deliver the infrastructure required to deliver sustainable development.

External drivers

4.3 **Residential sale prices** are set to increase with average house prices in the borough up 3% compared with 2008 prices[4] and national house prices expected to continue rising during 2016 [5]. Locally house prices (and as a result land values) are expected to rise as a result of continued public and private investment in schools, highways, retail and leisure destinations increasing the profile and desirability of the borough as a place to live, play and work. In addition information including estimated land values per hectare have been used to inform the study. Clearly this is a high level estimate, for the purposes of policy appraisal and land values will differ at the application stage due to factors such as location, developer aspirations and the constraints affecting sites.

4.4 As **the economy** strengthens through increased investment in infrastructure and jobs this will help increase land values as demand for employment land will increase. A number of the existing employment sites are serviced and are 'ready to go' land which will help attract investment and is a key selling point for Telford as a place to invest.

4.5 The emerging **Housing and Planning Bill** broadens the definition of affordable housing to include starter homes for sale at at least 20% below market price for properties under £250,000 outside London. The effect of this change will be to increase development viability as the provision of low cost market housing will generate a greater return for developers.

Local Plan measures

4.6 Where developments demonstrate poor levels of viability the Council will in the first instance work with a developer to understand what on site measures can be used to improve viability. This could include **changes in the design and layout** of developments that could help reduce the need for onsite infrastructure, for example alterations to layout might enable a

4 rightmove.com - house prices in Telford and Wrekin
5 UK house price growth picks up in December - BBC website 30 December 2015

reduction in building materials. Another option is increasing the **density of development** providing a potential mechanism for increasing land values as the developable site area delivers more dwellings. Expanding the net developable area will assist by increasing the amount of productive space and reducing the amount of space that imposes a financial burden on the development such as the open areas that require on-going maintenance. It should be noted that the Council will not accept poor scheme design as a means of improving viability.

4.7 Where all other options to address poor viability have been exhausted Local Plan policy **'SP4 presumption in favour of sustainable development'** states that the Council expects all major developments to mitigate their cumulative impacts 'subject to viability'. Policy SP4 provides some scope to review the policy requirements in order to bring forward sites especially if they are time critical to the overall delivery of the Local Plan.

4.8 In the first instance the phasing of developer contributions towards the back end of the building programme could be considered, this could help with the developers cash flow earlier in the development period.

4.9 The Council have a choice to reduce policy requirement set out in the Local Plan in order to help bring development forward. As part of this approach the Council have prioritised infrastructure projects identified in the Infrastructure Delivery Plan as either 1) critical, 2) important or 3) desirable - no projects have been identified as critical to the delivery of Local Plan developments (for further information please see the Infrastructure Delivery Plan).

4.10 Affordable housing contributions with 25% applied in Telford area 35% in Newport and all other areas. This is the starting point on schemes that meet the threshold of 11 dwellings or 1,000 sqm (subject to the clarification from the High Court on whether or not it is lawful to apply such a threshold).

4.11 On the exhaustion of other site based options to improve viability the Council may agree with the developer the delivery of some or all of the affordable housing requirement offsite (depending on the policy requirements for the area). In exercising this option the Council will not accept lower design standards or the delivery of affordable housing in locations which provide poor accessibility to services, employment and leisure opportunities.

4.12 Nonetheless, the policy does provide scope to review levels of affordable housing, where justified by agreed viability evidence. A reduction in the size of the site may then be considered in the relevant area. In the example of site H3, this may mean removing the affordable housing requirements. The implications of this would mean that the site would then deliver a surplus.

Actions by the Council

4.13 The Council have a strong record of securing **grants and external funding** for the provision of infrastructure required to support additional public and private sector development. The Infrastructure Delivery Plan provides information related to the scope, costs and phasing of projects that support development set out in the Local Plan, providing a project pipeline to help inform future funding bids. Where external funding is secured this will help reduce the cost of developing in the borough and potentially reduce the levels of developer contributions required from developers for strategic infrastructure.

4 Conclusions

4.14 The Telford urban area has a history of mining and industrial activity, as a result an allowance for abnormal costs has been applied to all brownfield sites and some Greenfield employment sites where local intelligence is available. The **level of abnormal costs per site** will vary greatly depending on detailed surveys at the time of application and the level of constraint on each individual site. The Council is also working with the Homes and Communities Agency to agree a 'land deal' which, subject to agreement, will see investment in publicly owned development sites to help mitigate abnormal costs such as contamination and land instability.

4.15 The majority of the **residential and employment site allocations are within public ownership**, owned either by the Council or the Homes and Communities Agency. The Council are acting as stewards for the delivery of Homes and Communities Agency land within the borough and thus have control over the marketing and disposal of a large proportion of site allocations contained within the Local Plan. Both the Council and the Homes and Communities Agency are tasked with making a return on the disposal and development of land, however where sites are effected by viability issues public sector bodies have greater flexibility in deciding the level of return they will accept to help bring forward development.

4.16 It should be noted that the viability study represents a high level assessment of the whole plan and does not represent a detailed appraisal of viability for the selected sites. All planning applications remain subject to a viability assessment.

Appendix

Appendix

A. Sample viability appraisals of housing sites

H2 Priorslee Sustainable Urban Extension

Table 11 - H2 Priorslee sustainable urban extension

Net developable area	Density per hectare
34.2	32

Gross Development Value

Table 12 Open Market mix

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	73,910
Number	13	211	253	247	101	825
Value	£135,000	£170,000	£205,000	£260,000	£325,000	£186,535,000

Table 13 Affordable mix (25%)

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	71	86.5	100	113.5	24,199
Number	4	70	85	116	0	275
Value	£81,000	£102,000	£123,000	£156,000	£195,000	£36,015,000

Table 14 Grand totals

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Units	17	281	338	363	101	1100
Gross Development Value	£2,079,000	£43,010,000	£62,320,000	£82,316,000	£32,825,000	**£222,550,000**
Floor area (sq m)	875.5	20,232	29,237	36,300	11,463.5	98,108

Development Costs

Table 15 Development cost assumptions

Cost category	Total costs
Construction costs	£92,845,625
Externals	£13,926,844
Abnormals	£3,420,000
Policy COM1	£4,334,000
Policy NE4	£660,000
Policy C1	£874,500
Policy C3	£1,710,500
Policy HO4	£1,188,000
Professional fees	£7,474,073
SDLT	£3,503,720
Land acquisition fees	£520,502
Sales costs	£5,596,050
Contingency	£3,203,174
Finance	£4,826,141
Gross Development Costs	**£142,679,064**

Table 16 Developer profit assumptions

Profit category	Total profit
Open market profit	£32,459,963
Affordable profit	£2,160,900
Total developer profit	**£34,620,863**

Table 17 Totals

Total category	Totals
A. Gross Development value	**£222,550,000**
B. Gross Development costs	**£144,083,128**
C. Developers profit	**£34,620,863**
D. Gross Residual Value (A - B - C = D)	**£43,846,010**
E. Threshold Land Value (34.2 hectares x £869,677)	**£29,742,953**
F. Surplus / deficit (D - E = F)	**£14,103,056**
G. Net Present Value	**£6,002,187**

H3 Sutherland School site, Trench

Table 18 - H3 Sutherland School site, Trench

Net developable area	Density per hectare
4.09	31

Gross Development Value

Table 19 Open Market mix

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	8,383
Number	0	24	33	38	0	95
Value	£0	£135,000	£165,000	£195,000	£0	£16,095,000

Table 20 Affordable mix (25%)

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	2,594
Number	0	12	20	0	0	32
Value	£0	£81,000	£99,000	£0	£0	£2,952,000

Table 21 Grand totals

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Units	0	36	53	38	0	127
Gross Development Value	£0	£4,212,000	£7,425,000	£7,410,000	£0	**£19,047,000**
Floor area (sq m)	0	2,592	4,584.5	3,800	0	10,977

Development Costs

Table 22 Development cost assumptions

Cost category	Total costs
Construction costs	£10,317,861
Externals	£1,547,679
Abnormals	£409,000
Policy COM1	£469,900
Policy NE4	£73,787
Policy C1	£0
Policy C3	£204,470
Policy HO4	£137,160
Professional fees	£830,588
SDLT	£335,778
Land acquisition fees	£62,247
Sales costs	£482,850
Contingency	£593,277
Finance	£1,256,702
Gross Development Costs	**£16,721,299**

Table 23 Developer profit assumptions

Profit category	Total profit
Open market profit	£2,816,625
Affordable profit	£177,120
Total developer profit	**£2,993,745**

Table 24 Totals

Total category	Totals
A. Gross Development value	**£19,047,000**
B. Gross Development costs	**£16,721,299**
C. Developers profit	**£2,993,745**
D. Gross Residual Value (A - B - C = D)	**-£668,044**
E. Threshold Land Value (4.09 hectares x £869,677)	**£3,556,979**
F. Surplus / deficit (D - E = F)	**-£4,225,023**
G. Net Present Value	**-£2,831,559**

H13 West Station Road, Newport

Table 25 - H13 Land West of Station Road, Newport

Net developable area	Density per hectare
3.16	38

Gross Development Value

Table 26 Open Market mix

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	7,261
Number	0	13	26	26	13	78
Value	£0	£160,000	£210,000	£250,000	£310,000	£18,070,000

Table 27 Affordable mix (35%)

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	3,815
Number	0	7	14	21	0	42
Value	£0	£96,000	£126,000	£150,000	£186,000	£5,586,000

Table 28 Grand totals

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Units	0	20	40	47	13	120
Gross Development Value	£0	£2,752,000	£7,224,000	£9,650,000	£4,030,000	**£23,656,000**
Floor area (sq m)	0	1440	3460	4700	1475.5	11,076

Development Costs

Table 29 Development cost assumptions

Cost category	Total costs
Construction costs	£10,410,960
Externals	£1,561,644
Abnormals	£94,800
Policy COM1	£506,640
Policy NE4	£72,000
Policy C1	£0
Policy C3	£158,040
Policy HO4	£129,600
Professional fees	£838,082
SDLT	£263,001
Land acquisition costs	£48,093
Sales costs	£542,100
Contingency	£359,178
Finance	£260,734
Gross Development Costs	**£15,244,872**

Table 30 Developer profit assumptions

Profit category	Total profit
Open market profit	£3,162,250
Affordable profit	£335,160
Total developer profit	**£3,497,410**

Table 31 Totals

Total category	Totals
A. Gross Development value	**£23,656,000**
B. Gross Development costs	**£15,244,872**
C. Developers profit	**£3,497,410**
D. Gross Residual Value (A - B - C = D)	**£4,913,718**
E. Threshold Land Value (3.16 hectares x £869,677)	**£2,748,179**
F. Surplus / deficit (D - E = F)	**£2,165,538**
G. Net Present Value	**£1,188,121**

H16 Old Park, Telford

Table 32 - H16 Old Park, Telford

Net developable area	Density per hectare
2. 3	32

Gross Development Value

Table 33 Open Market mix

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	5,500
Number	0	0	15	25	15	55
Value	£0	£0	£185,000	£215,000	£250,000	£11,900,000

Table 34 Affordable mix (25%)

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	1,625
Number	0	0	13	5	0	18
Value	£0	£0	£111,000	£129,000	£0	£2,088,000

Table 35 Grand totals

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Units	0	0	28	30	15	73
Gross Development Value	£0	£0	£4,218,000	£6,020,000	£3,750,000	**£13,988,000**
Floor area (sq m)	0	0	2,422	3,000	1,702.5	7,125

Development Costs

Table 36 Development cost assumptions

Cost category	Total costs
Construction costs	£5,320,920
Externals	£798,138
Abnormals	£230,000
Policy COM1	£274,772
Policy NE4	£41,975
Policy C1	£0
Policy C3	£114,975
Policy HO4	£78,840
Professional fees	£428,334
SDLT	£148,819
Land acquisition costs	£35,005
Sales costs	£357,000
Contingency	£305,953
Finance	£315,488
Gross Development Costs	**£8,450,219**

Table 37 Developer profit assumptions

Profit category	Total profits
Open market profit	£2,082,500
Affordable profit	£125,280
Total developer profit	**£2,207,780**

Table 38 Totals

Total category	Totals
A. Gross Development value	**£13,988,000**
B. Gross Development costs	**£8,450,219**
C. Developers profit	**£2,207,780**
D. Gross Residual Value (A - B - C = D)	**£3,330,001**
E. Threshold Land Value (2.3 hectares x £869,677)	**£2,000,257**
F. Surplus / deficit (D - E = F)	**£1,329,744**
G. Net Present Value	**£1,015,745**

Minor residential (urban)

Table 39 - Minor residential (urban)

Net developable area	Density per hectare
0.33	27

Gross Development Value

Table 40 Open Market mix

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	735
Number	0	3	5	1	0	9
Value	£0	£155,000	£190,000	£220,000	£0	£1,635,000

Table 41 Affordable mix (0%)

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	0
Number	0	0	0	0	0	0
Value	£0	£0	£0	£0	£0	£0

Table 42 Grand totals

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Units	0	3	5	1	0	9
Gross Development Value	£0	£465,000	£950,000	£220,000	£0	**£1,635,000**
Floor area (sq m)	0	216	432.5	100	0	749

Development Costs

Table 43 Development cost assumptions

Cost category	Total costs
Construction costs	£703,590
Externals	£105,539
Abnormals	£33,000
Policy COM1	£0
Policy NE4	£0
Policy C1	£0
Policy C3	£0
Policy HO4	£0
Professional fees	£56,639
Land acquisition costs	£5,022
SDLT	£3,571
Sales costs	£49,050
Contingency	£40,456
Finance	£40,411
Gross Development Costs	**£1,037,278**

Table 44 Developer profit assumptions

Profit category	Total profits
Open market profit	£245,250
Affordable profit	n/a
Total developer profit	**£245,250**

Table 45 Totals

Total category	Totals
A. Gross Development value	**£1,635,000**
B. Gross Development costs	**£1,037,278**
C. Developers profit	**£245,250**
D. Gross Residual Value (A - B - C = D)	**£352,472**
E. Threshold Land Value (0.33 hectares x £869,677)	**£286,990**
F. Surplus / deficit (D - E = F)	**£65,482**

Minor residential (rural)

Table 46 - Minor residential (rural)

Net developable area	Density per hectare
0.1	10

Gross Development Value

Table 47 Open Market mix

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	100
Number	0	0	0	1	0	1
Value	£0	£0	£0	£295,000	£0	£295,000

Table 48 Affordable mix (0%)

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Size (sq m)	51.5	72	86.5	100	113.5	0
Number	0	0	0	0	0	0
Value	£0	£0	£0	£0	£0	£0

Table 49 Grand totals

Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Totals
Units	0	0	0	1	0	1
Gross Development Value	£0	£0	£0	£295,000	£0	**£295,000**
Floor area (sq m)	0	0	0	100	0	100

Development Costs

Table 50 Development cost assumptions

Cost category	Total costs
Construction costs	£94,000
Externals	£14,100
Abnormals	£3,000
Policy COM1	£0
Policy NE4	£0
Policy C1	£0
Policy C3	£0
Policy HO4	£0
Professional fees	£7,567
Land acquisition costs	£1,522
SDLT	£0
Sales costs	£8,850
Contingency	£3,243
Finance	£7,020
Gross Development Costs	**£139,302**

Table 51 Developer profit assumptions

Profit category	Total Profits
Open market profit	£44,250
Affordable profit	n/a
Total developer profit	**£44,250**

Table 52 Totals

Total category	Totals
A. Gross Development value	**£295,000**
B. Gross Development costs	**£139,302**
C. Developers profit	**£44,250**
D. Gross Residual Value (A - B - C = D)	**£111,448**
E. Threshold Land Value (0.1 hectares x £869,677)	**£86,968**
F. Surplus / deficit (D - E = F)	**£24,480**

B. Sample viability appraisal of employment sites

E8 Shawbirch

Table 53 - E28 Shawbirch

Gross Development Area (ha)	Developable area at 45% (ha)
21.78	9.8

Development Value

Table 54 - Development value sales

Type	B1c	B2	B8	Totals
Size (sq m)	5,000	15,575	80,000	100,575
Rate / (sq m)	£600	£600	£600	n/a
Gross Development Value	£3,000,000	£9,345,000	£48,000,000	**£60,345,000**

Development costs

Table 55 - Construction costs

Type	B1c	B2	B8	Totals
Size (sq m)	5,000	15,575	80,000	100,575
Rate / sq m	£450	£400	£325	n/a
Construction costs	£2,250,000	£6,230,000	£26,000,000	£34,480,000

Table 56 - Development costs and profit

Cost category	Total cost
Construction	£34,480,000
Externals	£3,448,000
Abnormals	£980,000
Policy C3	£490,000
Professional fees	£2,654,960
Acquisition costs	£57,058
Sales costs	£1,810,350
Contingency	£1,137,840
Finance	£147,918
Gross Development Cost	**£45,206,126**

Table 57 Developer profit assumptions

Profit category	Total profit
Total developer profit	**£6,637,400**

Table 58 Totals

Total category	Totals
A. Gross Development value	**£60,345,000**
B. Gross Development costs	**£45,206,126**
C. Developers profit	**£6,637,400**
D. Gross Residual Value (A - B - C = D)	**£8,501,474**
E. Threshold Land Value (9.8 hectares x £332,700)	**£3,260,460**
F. Surplus / deficit (D - E = F)	**£5,241,014**
G. Net Present Value	**£520,838**

E23 Halesfield

Table 59 - E23 Halesfield

Gross Development Area (ha)	Developable area at 60% (ha)
1.97	1.18

Development Value

Table 60 - Development value sales

Type	B2	B8	Totals
Size (sq m)	5,900	5,900	11,800
Rate / sq m	£750	£750	n/a
Gross Development Value	£4,425,000	£4,425,000	**£8,850,000**

Development costs

Table 61 - Construction costs

Type	B2	B8	Totals
Size (sq m)	5,900	5,900	11,800
Rate / sq m	£450	£450	n/a
Construction costs	£2,655,000	£2,655,000	£5,310,000

Table 62 - Development costs and profit

Cost category	Total costs
Construction	£5,310,000
Externals	£531,000
Abnormals	£118,200
Policy C3	£59,100
Professional fees	£371,700
Acquisition costs	£92,925
Sales costs	£159,300
Contingency	£159,300
Finance	£345,150
Gross Development Cost	**£7,146,675**

Table 63 Developer profit assumptions

Profit category	Total profits
Total developer profit	**£929,250**

Table 64 Totals

Total category	Totals
A. Gross Development value	**£8,850,000**
B. Gross Development costs	**£7,146,675**
C. Developers profit	**£929,250**
D. Gross Residual Value (A - B - C = D)	**£774,075**
E. Threshold Land Value (1.18 hectares x £332,700)	**£393,251**
F. Surplus / deficit (D - E = F)	**£380,824**

E12 Hadley Park East

Table 65 - E12 Hadley Park East

Gross Development Area (ha)	Developable area at 60% (ha)
1.56	0.94

Development Value

Table 66 - Development value sales

Type	B1c	Totals
Size (sq m)	9,700	9,700
Rate / sq m	£650	n/a
Gross Development Value	£6,305,000	**£6,305,000**

Development costs

Table 67 - Construction costs

Type	B1c	Totals
Size (sq m)	9,700	9,700
Rate / sq m	£400	n/a
Construction costs	£3,880,000	£3,880,000

Table 68 - Development costs and profit

Cost category	Total costs
Construction	£3,880,000
Externals	£388,000
Abnormals	£28,080
Policy C3	£46,800
Professional fees	£271,600
Acquisition costs	£67,900
Sales costs	£116,400
Contingency	£116,400
Finance	£252,200
Developer profit	£679,000
Gross Development Cost	**£5,167,380**

Table 69 Developer profit assumptions

Profit category	Total profits
Total developer profit	**£679,000**

Table 70 Totals

Total category	Totals
A. Gross Development value	**£6,305,000**
B. Gross Development costs	**£5,167,380**
C. Developers profit	**£679,000**
D. Gross Residual Value (A - B - C = D)	**£458,620**
E. Threshold Land Value	**£311,407**
F. Surplus / deficit (D - E = F)	**£147,213**