Whole Plan Viability Testing – Addendum

Completed on behalf of Doncaster Council

March 2020
CP Viability Ltd

Independent Property Experts
CONTENTS

Chapter 1  - Introduction  Pg 3
Chapter 2  - Viability results  Pg 5
Chapter 3  - Conclusions and recommendations  Pg 9
1. INTRODUCTION

1.1. This addendum builds on the Whole Plan Viability Testing undertaken in May 2019 (which has been submitted as part of Doncaster Council’s Local Plan submission to the Planning Inspector for independent examination, reference SDEB48.1).

1.2. The original viability testing included a ‘base’ model and various sensitivity testing to test how individual planning policies would impact on scheme viability.

1.3. The purpose of this addendum is to provide a scenario where the cumulative impact of all of the policies are modelled to test the impact this has on scheme viability.

1.4. We have adopted the same approach as outlined in the May 2019 report, as well as the same appraisal inputs (for consistency).

1.5. For the purposes of this addendum, the policies tested in the modelling include the following:

- **Policy 8**: Affordable housing. Onsite provision at 23%, apart from in ‘low’ value areas where this is reduced to 15%. The NPPF requires a minimum of 10% of affordable dwellings to be provided as affordable home ownership. For the purposes of this addendum and the testing undertaken we have therefore ensured that this requirement has been met (with the assumption that the remainder of the affordable dwellings, i.e. above 10%, are provided as affordable rented units).

- **Policy 14**: Sustainable transport. Average allowance equivalent to £500 per dwelling.

- **Policy 29**: Open Space Provision. Average allowance equivalent to £2,000 per dwelling.

- **Policy 31**: Valuing Biodiversity and Geodiversity. Average allowance equivalent to £250 per dwelling.
- **Policy 46**: Nationally Described Space Standards. All new housing is to meet this standard.

- **Policy 46**: Accessibility and adaptability standards. At least 65% of all new homes to meet the requirements of the M4(2) accessible and adaptable standards. This has been modelled at a cost of £1,500 per dwelling to which it applies. Furthermore, at least 5% of all new homes to meet the requirements of the M4(3) accessible and adaptable standards. This has initially been modelled at £12,500 per dwelling to which it applies.

- **Policy 53**: Education. Average allowance equivalent to £3,968 per dwelling.
2. VIABILITY RESULTS

2.1. As set out above in Section 1 we have adopted a scenario where the full planning policy requirements are applied in a single scenario. Please note, for the purposes of this initial testing we have assumed a cost of £12,500 per dwelling for the M4(3) requirement (even though the cost associated with meeting this standard could range from £12,500 to £25,000 per dwelling dependent on the specific standard applied).

2.2. The results for the Urban Extension greenfield sites are as follows:

Urban Extension Greenfield – Full policy applied

<table>
<thead>
<tr>
<th>Value</th>
<th>Total</th>
<th>AH %</th>
<th>S106 per dwelling</th>
<th>M4 (2)</th>
<th>M4 (3)</th>
<th>BLV</th>
<th>Residual Land Value</th>
<th>Surplus % of BLV</th>
<th>Viable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>50</td>
<td>24.00%</td>
<td>£ 6,718</td>
<td>£ 48,750</td>
<td>£ 31,250</td>
<td>£ 648,000</td>
<td>£ 1,506,943</td>
<td>132.55%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>High</td>
<td>100</td>
<td>23.00%</td>
<td>£ 6,718</td>
<td>£ 97,500</td>
<td>£ 62,500</td>
<td>£1,380,000</td>
<td>£ 3,232,208</td>
<td>134.22%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>High</td>
<td>400</td>
<td>23.00%</td>
<td>£ 6,718</td>
<td>£390,000</td>
<td>£250,000</td>
<td>£3,810,000</td>
<td>£11,812,581</td>
<td>210.04%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>Medium</td>
<td>50</td>
<td>24.00%</td>
<td>£ 6,718</td>
<td>£ 48,750</td>
<td>£ 31,250</td>
<td>£ 405,000</td>
<td>£ 819,320</td>
<td>102.30%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>Medium</td>
<td>100</td>
<td>23.00%</td>
<td>£ 6,718</td>
<td>£ 97,500</td>
<td>£ 62,500</td>
<td>£ 862,500</td>
<td>£ 1,763,704</td>
<td>104.49%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>Medium</td>
<td>400</td>
<td>23.00%</td>
<td>£ 6,718</td>
<td>£390,000</td>
<td>£250,000</td>
<td>£3,810,000</td>
<td>£6,454,269</td>
<td>69.40%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>Low</td>
<td>50</td>
<td>16.00%</td>
<td>£ 6,718</td>
<td>£ 48,750</td>
<td>£ 31,250</td>
<td>£ 243,000</td>
<td>£ 174,838</td>
<td>-171.95%</td>
<td>UNViable</td>
</tr>
<tr>
<td>Low</td>
<td>100</td>
<td>15.00%</td>
<td>£ 6,718</td>
<td>£ 97,500</td>
<td>£ 62,500</td>
<td>£ 517,500</td>
<td>£ 194,249</td>
<td>-137.54%</td>
<td>UNViable</td>
</tr>
<tr>
<td>Low</td>
<td>400</td>
<td>15.00%</td>
<td>£ 6,718</td>
<td>£390,000</td>
<td>£250,000</td>
<td>£2,286,000</td>
<td>£ 753,117</td>
<td>-132.94%</td>
<td>UNViable</td>
</tr>
</tbody>
</table>

2.3. The high and medium value areas (where the affordable housing provision is set at 23%) are shown to be comfortably viable with all of the policies applied. The low value areas, where the affordable dwelling requirement is reduced to 15%, is shown to be unviable. This is the same outcome as the ‘base’ appraisal modelling in our May 2019 report (i.e. high and medium returned a viable outcome, whereas the low value schemes were shown to be unviable).
2.4. The results for the Urban Settlement brownfield sites are as follows:

**Urban Settlement Brownfield – Full policy applied**

<table>
<thead>
<tr>
<th>Units</th>
<th>Value</th>
<th>Land</th>
<th>AH %</th>
<th>S106 per dwelling</th>
<th>M4 (2)</th>
<th>M4 (3)</th>
<th>BLV</th>
<th>Residual Land Value</th>
<th>Surplus % of BLV</th>
<th>Viable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>High</td>
<td>Cleared</td>
<td>24.00%</td>
<td>£6,718</td>
<td>£48,750</td>
<td>£31,250</td>
<td>£324,000</td>
<td>£1,359,293</td>
<td>319.53%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>50</td>
<td>Medium</td>
<td>Cleared</td>
<td>24.00%</td>
<td>£6,718</td>
<td>£48,750</td>
<td>£31,250</td>
<td>£324,000</td>
<td>£664,397</td>
<td>105.06%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>50</td>
<td>Low</td>
<td>Cleared</td>
<td>16.00%</td>
<td>£6,718</td>
<td>£48,750</td>
<td>£31,250</td>
<td>£324,000</td>
<td>£334,437</td>
<td>-203.22%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>50</td>
<td>High</td>
<td>Occupied</td>
<td>24.00%</td>
<td>£6,718</td>
<td>£48,750</td>
<td>£31,250</td>
<td>£648,000</td>
<td>£1,121,643</td>
<td>86.98%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>50</td>
<td>Medium</td>
<td>Occupied</td>
<td>24.00%</td>
<td>£6,718</td>
<td>£48,750</td>
<td>£31,250</td>
<td>£648,000</td>
<td>£509,473</td>
<td>-21.38%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>50</td>
<td>Low</td>
<td>Occupied</td>
<td>16.00%</td>
<td>£6,718</td>
<td>£48,750</td>
<td>£31,250</td>
<td>£648,000</td>
<td>£494,036</td>
<td>-176.24%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>100</td>
<td>High</td>
<td>Cleared</td>
<td>23.00%</td>
<td>£6,718</td>
<td>£97,500</td>
<td>£62,500</td>
<td>£690,000</td>
<td>£2,907,155</td>
<td>321.33%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>100</td>
<td>Medium</td>
<td>Cleared</td>
<td>23.00%</td>
<td>£6,718</td>
<td>£97,500</td>
<td>£62,500</td>
<td>£690,000</td>
<td>£1,438,650</td>
<td>108.50%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>100</td>
<td>Low</td>
<td>Cleared</td>
<td>15.00%</td>
<td>£6,718</td>
<td>£97,500</td>
<td>£62,500</td>
<td>£690,000</td>
<td>£531,606</td>
<td>-177.04%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>100</td>
<td>High</td>
<td>Occupied</td>
<td>23.00%</td>
<td>£6,718</td>
<td>£97,500</td>
<td>£62,500</td>
<td>£1,380,000</td>
<td>£2,582,101</td>
<td>87.11%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>100</td>
<td>Medium</td>
<td>Occupied</td>
<td>23.00%</td>
<td>£6,718</td>
<td>£97,500</td>
<td>£62,500</td>
<td>£1,380,000</td>
<td>£1,113,596</td>
<td>-19.30%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>100</td>
<td>Low</td>
<td>Occupied</td>
<td>15.00%</td>
<td>£6,718</td>
<td>£97,500</td>
<td>£62,500</td>
<td>£1,380,000</td>
<td>£868,962</td>
<td>-162.97%</td>
<td>UNVIABLE</td>
</tr>
</tbody>
</table>

2.5. With the full planning policies applied all of the high value area sites are shown to be comfortably viable, regardless of whether the schemes provide 50 or 100 dwellings or whether the sites are cleared or occupied.

2.6. For sites in medium value areas the cleared brownfield sites are shown to be comfortably viable.

2.7. However, for those medium value area typologies that assume a site is currently occupied the outcome is that the scheme is unviable. It is stressed, though, that where this is the case the appraisals still return a positive land value. The ‘50 medium occupied’ site shows a land value of £509,473, which is £138,527 below what has been identified as the benchmark land value. For the ‘100 medium occupied’ site this shows a land value of £1,113,596 which is £266,404 below what has been identified as the benchmark land value. In this respect, with the full policies applied the appraisals still generate a significant land receipt, however the outcome is deemed unviable because the land values fall short of the separately assessed benchmark land value.
2.8. Having considered this, we do not consider that the application of the proposed policies will undermine or stifle the delivery of housing in medium value areas for the following reasons:

- The appraisal modelling adopts a cautious approach with respect to sales values, build costs and benchmark land value. The results should therefore be considered within this context.

- The S106 contributions are considered to be ‘full’. Ultimately, the required contributions will reflect local need on a site by site basis and it is anticipated that in many cases the cumulative S106 requirements will be below that allowed in the modelling, which will serve to improve viability compared to what has been tested.

- The modelling assumes a circa 35 dwelling per net Ha density. The NPPF encourages maximising densities where possible, particularly on brownfield sites. Increasing density to 40 dwellings per net Ha (or higher) will serve to improve viability.

- The majority of the medium typologies tested are comfortably viable, even with a cautious approach to the modelling and ‘full’ S106 contributions.

2.9. In the low value areas, where the affordable dwelling requirement is reduced to 15%, is shown to be unviable. This is the same outcome as the ‘base’ appraisal modelling in our May 2019 report.
With respect to the low value areas, in our May 2019 viability we ran a separate sensitivity test which considered a ‘low cost developer’ model (Sensitivity Test 10 in the May 2019 report, paragraph 6.12). This was deemed appropriate because sites were coming forward in the market place in low value areas, often being delivered by low cost housing specialists whose business model was different to other house builders. In the modelling the number of dwelling per net Ha was increased to circa 40. Furthermore, the S106 contributions were halved (recognising that the original allowance was something of a ‘worst case’ and in reality, reflecting need in specific locations, it was likely these costs would be significantly reduced).

For consistency, and for the purposes of this addendum, we also consider it appropriate to re-run this low cost developer model as part of the testing.

The results for the Low Cost Developer Urban Extension greenfield sites are as follows:

<table>
<thead>
<tr>
<th>Value</th>
<th>Total</th>
<th>AH %</th>
<th>S106 per dwelling</th>
<th>M4 (2)</th>
<th>M4 (3)</th>
<th>BLV</th>
<th>Residual Land Value</th>
<th>Surplus % of BLV</th>
<th>Viable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>56</td>
<td>16.07%</td>
<td>£ 3,359</td>
<td>£ 54,600</td>
<td>£ 35,000</td>
<td>£ 243,000</td>
<td>£ 258,638</td>
<td>6.44%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>Low</td>
<td>112</td>
<td>15.18%</td>
<td>£ 3,359</td>
<td>£ 109,200</td>
<td>£ 70,000</td>
<td>£ 517,500</td>
<td>£ 566,493</td>
<td>9.47%</td>
<td>VIABLE</td>
</tr>
<tr>
<td>Low</td>
<td>460</td>
<td>15.00%</td>
<td>£ 3,359</td>
<td>£ 448,500</td>
<td>£ 287,500</td>
<td>£ 2,286,000</td>
<td>£ 2,384,568</td>
<td>4.31%</td>
<td>VIABLE</td>
</tr>
</tbody>
</table>

As shown, each of the typologies returns a viable outcome.

The results for the Low Cost Developer Urban Settlement brownfield sites are as follows:

<table>
<thead>
<tr>
<th>Units</th>
<th>Value</th>
<th>Land</th>
<th>Total</th>
<th>AH %</th>
<th>S106 per dwelling</th>
<th>M4 (2)</th>
<th>M4 (3)</th>
<th>BLV</th>
<th>Residual Land Value</th>
<th>Surplus % of BLV</th>
<th>Viable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Low</td>
<td>Cleared</td>
<td>56</td>
<td>16.07%</td>
<td>£ 3,359</td>
<td>£ 54,600</td>
<td>£ 35,000</td>
<td>£ 324,000</td>
<td>£ 137,421</td>
<td>-57.59%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>50</td>
<td>Low</td>
<td>Occupied</td>
<td>56</td>
<td>16.07%</td>
<td>£ 3,359</td>
<td>£ 54,600</td>
<td>£ 35,000</td>
<td>£ 648,000</td>
<td>£ 16,953</td>
<td>-102.62%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>100</td>
<td>Low</td>
<td>Cleared</td>
<td>112</td>
<td>15.18%</td>
<td>£ 3,359</td>
<td>£ 109,200</td>
<td>£ 70,000</td>
<td>£ 690,000</td>
<td>£ 344,820</td>
<td>-50.03%</td>
<td>UNVIABLE</td>
</tr>
<tr>
<td>100</td>
<td>Low</td>
<td>Occupied</td>
<td>112</td>
<td>15.18%</td>
<td>£ 3,359</td>
<td>£ 109,200</td>
<td>£ 70,000</td>
<td>£ 1,380,000</td>
<td>£ 17,356</td>
<td>-98.74%</td>
<td>UNVIABLE</td>
</tr>
</tbody>
</table>
2.15. The results show that each of the scenarios returns an unviable outcome (which is consistent with the results of the May 2019 report).
3. CONCLUSIONS AND RECOMMENDATIONS

3.1. With the full planning policies applied all high value typologies are shown to be comfortably viable. We do not anticipate that the application of the draft policies will therefore undermine the viability of development in high value locations.

3.2. For medium value typologies we have tested 7 different scenarios (dependent on number of dwellings, whether it is urban extension or urban settlement and if the latter if it is a cleared or occupied site). 5 out of the 7 scenarios tested show that the full planning policies are viable. However, for the urban settlement occupied sites (50 and 100 dwellings) both return a positive land value but below the benchmark land value, therefore show an unviable outcome. Having considered this, we do not consider that the application of the proposed policies will undermine or stifle the delivery of housing in medium value areas for the following reasons:

- The appraisal modelling adopts a cautious approach with respect to sales values, build costs and benchmark land value. The results should therefore be considered within this context.

- The S106 contributions are considered to be ‘full’. Ultimately, the required contributions will reflect local need on a site by site basis and it is anticipated that in many cases the cumulative S106 requirements will be below that allowed in the modelling, which will serve to improve viability compared to what has been tested.

- The modelling assumes a circa 35 dwelling per net Ha density. The NPPF encourages maximising densities where possible, particularly on brownfield sites. Increasing density to 40 dwellings per net Ha (or higher) will serve to improve viability.

- The majority of the medium typologies tested are comfortably viable, even with a cautious approach to the modelling and ‘full’ S106 contributions.
3.3. Finally, with respect to the low value typologies the modelling shows that this will have the greatest viability pressure. However, the low cost developer modelling shows that a 15% affordable housing provision, plus M4(2) and M4(3) standards, can be delivered even in the more challenging value areas.