Northumberland National Park Authority
Draft Local Plan Viability Assessment
Stakeholder Workshop

Ben Aspinall MRTPI, MRICS, RICS Registered Valuer, RICS Accredited Civil Commercial Mediator, Managing Director
Sarah Collins MRICS, Principal Consultant
Matthew Wroe, BSc(Hons), Consultant
Monday 25th March 2019, 1400 - 1600

About AspinallVerdi

- Specialist Property Development Consultants
- RICS GP and P&D Surveyors / RTPI
- CIL Viability Studies
- Local Plan / Affordable Housing Viability
- Economic Viability Appraisals for S106
- Heritage - Conservation Deficit / Enabling Dev. Appraisals
- Market Studies to support change of use
- Homes England Property Panel
- RTPI England Policy Panel / RICS FVIP Panel
Overview

1. Introduction
2. Local Plan Viability Context
3. Methodology
4. Research and Emerging Assumptions
5. Emerging Results
6. Feedback and Next Steps

Objectives of the Study

To prepare an Financial Viability Assessment (FVA) of development across the National Park to be used as evidence to:
• support the preparation of the Preferred Options Local Plan
• consider impact of different Affordable Housing tenures
• consider impact of Market Housing (Principal Residency)
• appraise quantum of grant
Purpose of the Workshop

To explain -
• Why a Financial Viability Study?
• Our methodology
To engage -
• Appropriate Balance
You to feedback -
• Cost / Value Assumptions

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Para 173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. To ensure viability, the costs of any requirements likely to be applied to development (affordable housing, infrastructure contributions etc.) should, when taking account of the normal cost of development, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

Para 57. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force...

Para 34. Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.
PPG – Viability

• Updated at the same time as the NPPF (July 2018)
• Policy requirements should be informed by a proportionate assessment of viability
• Different requirements may be set for different types of site or types of development.
• Plan makers should engage with landowners and developers to secure evidence on costs and values to inform viability assessment at the plan making stage.
• ‘in plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission
• ‘benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner.

How is Viability Measured?

• …by an Financial Viability Model [Assessment / Analysis ]
• Normally on a “residual basis” – Residual Land Value (RLV)
• At Plan level….
  – Significant number of variables
  – Experience and judgement needed – partly due to information limitations
• Can be complex and ‘sensitive’ to changes in inputs
  – Small changes in some variables have a large impact
  – Sensitivity analysis key
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Appraisal Methodology - Harman
RICS – Financial Viability In Planning

Best Practice Model

\[
\text{GDV (inc. AH)} \\
\text{Less} \\
\begin{align*}
\text{Fees} & \quad \text{No. Units / Size} \\
S106/CIL & \quad x \ Density \\
\text{Build costs} & \quad = \text{size of site (ha)} \\
\text{Profit} & \quad \text{x BLV (£/ha)} \\
\text{Interest etc.} & \quad = \text{BLV}
\end{align*}
\]

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Residential Market Paper

• UK and Regional Market Overview
• Existing Evidence Base – (SHMA / Demographic Forecast)
• New Build Achieved Values
• New Build Asking Prices
• Housing Value Zones / Second hand Achieved Values
• Market Housing Value Assumptions
UK and Regional Market Overview - Average House Prices across UK

Average House Prices across Northumberland
Northumberland and National Park Authority

New Build Achieved – Land Registry
Housing Value Zones – (Second Hand Values)

Residential Value Assumptions

<table>
<thead>
<tr>
<th>No of Beds</th>
<th>Floor Area</th>
<th>Market Value (MV)</th>
<th>Principal Residency</th>
<th>Local Connection</th>
<th>Affordable Rent</th>
<th>LCHO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£206,000</td>
<td>£190,000</td>
<td>£160,000</td>
<td>£160,000</td>
<td>£130,000</td>
</tr>
<tr>
<td>1</td>
<td>70</td>
<td>£225,000</td>
<td>£213,750</td>
<td>£180,000</td>
<td>£180,000</td>
<td>£146,210</td>
</tr>
<tr>
<td>2</td>
<td>79</td>
<td>£320,000</td>
<td>£309,750</td>
<td>£260,000</td>
<td>£260,000</td>
<td>£211,210</td>
</tr>
<tr>
<td>3</td>
<td>93</td>
<td>£400,000</td>
<td>£380,000</td>
<td>£320,000</td>
<td>£320,000</td>
<td>£260,000</td>
</tr>
<tr>
<td>4</td>
<td>106</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AspinalVerdi (February, 2019)

Please provide any specific feedback on the above Market Values and Affordable Rent / LCHO asset values.
Residential Value Assumptions

<table>
<thead>
<tr>
<th>No of Beds</th>
<th>Floor Area</th>
<th>Market Value (MV)</th>
<th>Principal Residency</th>
<th>Local Connection</th>
<th>Affordable Rent</th>
<th>LCHO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>70</td>
<td>£2,857</td>
<td>99%</td>
<td>80%</td>
<td>89%</td>
<td>65%</td>
</tr>
<tr>
<td>2</td>
<td>79</td>
<td>£2,848</td>
<td>99%</td>
<td>80%</td>
<td>89%</td>
<td>65%</td>
</tr>
<tr>
<td>3</td>
<td>93</td>
<td>£3,495</td>
<td>99%</td>
<td>80%</td>
<td>89%</td>
<td>65%</td>
</tr>
<tr>
<td>4</td>
<td>108</td>
<td>£3,774</td>
<td>99%</td>
<td>80%</td>
<td>89%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: AspinallVerdi (February, 2019)

Please provide feedback any specific feedback on the above Market Values and Affordable Rent / LCHO asset values

Transfer Value Assumptions

Affordable Housing:
- Affordable Rent @ 80% Market Value
- LCHO @ 65% Market Value

Market Housing:
- 50% Local Connection (80% MV)
- 50% Principal Residency (95% MV)
## Cost Assumptions – Initial Payments

<table>
<thead>
<tr>
<th>Item</th>
<th>Assumption</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Application Professional Fees and reports</td>
<td>Allowance for typology</td>
<td>Generally x 3 Statutory Planning fees</td>
</tr>
<tr>
<td>Statutory Planning Fees</td>
<td>Based on national formula</td>
<td></td>
</tr>
<tr>
<td>Site Specific S106</td>
<td>£1,000 per unit</td>
<td>Site Specific Allowance for typology. We have made an allowance of £1,000 per unit for Section 106 / Section 278 costs</td>
</tr>
<tr>
<td>CIL</td>
<td>Not Applicable in Northumberland National Park</td>
<td></td>
</tr>
</tbody>
</table>

## Cost Assumptions – Construction

<table>
<thead>
<tr>
<th>Cost</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>£1,275 psm. Based on analysis of benchmarks (BCIS)</td>
</tr>
<tr>
<td>External Works</td>
<td>15%. Plot external works sympathetic to the National Park location</td>
</tr>
<tr>
<td>Site Wide Infrastructure</td>
<td>20%. Site wide infrastructure costs. These would normally be bespoke to a particular development.</td>
</tr>
</tbody>
</table>

Please provide any specific feedback on the above construction rates/%
## Cost Assumptions - Other

<table>
<thead>
<tr>
<th>Item</th>
<th>Assumption</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownfield – Demolition and Clearance</td>
<td>£100,000 / acre</td>
<td>Site clearance / remediation allowance</td>
</tr>
<tr>
<td>Contingency</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Professional Fees</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>Sales Agent</td>
<td>1%</td>
<td>of Sales (Principal Residency)</td>
</tr>
<tr>
<td>Sales Legal</td>
<td>0.5%</td>
<td>of Sales (Principal Residency)</td>
</tr>
<tr>
<td>Marketing budget</td>
<td>3%</td>
<td>of Sales (Principal Residency)</td>
</tr>
</tbody>
</table>

## Residential Cost Assumptions – Finance, OH&P

<table>
<thead>
<tr>
<th>Item</th>
<th>Assumption</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit Interest</td>
<td>6.25%</td>
<td>Applies to 100% of cashflow to include Finance Fees etc.</td>
</tr>
<tr>
<td>Profit on Market Sales</td>
<td>6%</td>
<td>On Principal Residency</td>
</tr>
<tr>
<td>Profit on Affordable Housing</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Please provide any specific feedback on the above profit margins (having regard to the aim of using Principal Residency to cross-subsidise affordable housing)
Residential Typologies

- Based on the types of schemes that may come forward within different parts of the National Park
- Mix is adjusted on the smaller typologies to reflect the number of units on the scheme
- Appropriate Densities (20 dph)

Typology Assumptions

Typologies A - H - 100% Affordable Housing scenarios –
- 60% Affordable Rent @ 80% Market Value
- 40% LCHO @ 65% Market Value

Typologies I - P - Affordable Housing tested between 20 and 33%
- 50% Affordable Rent (80% MV)
- 50% LCHO (65% MV)
- Remaining units 100% Principal Residency

Typologies Q - X - Same as I - P but Market Housing split;
- 50% Local Connection (80% MV)
- 50% Principal Residency (95% MV)
## Unit Sizes

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Affordable Housing (Sqm)</th>
<th>'Market' Housing (Local Occupancy / Principal Residency) (Sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Bed House</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>3-Bed House</td>
<td>93</td>
<td>93</td>
</tr>
<tr>
<td>4-Bed House</td>
<td>106</td>
<td>106</td>
</tr>
</tbody>
</table>

## Benchmark Land Values

- Assumes £10,000 per plot
- i.e. £81,000 per acre / £200,000 per ha (net)
- 20 dph
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### How to interpret the Viability Appraisals

<table>
<thead>
<tr>
<th>Scheme Set</th>
<th>4</th>
<th>Location / Value Zone</th>
<th>NP-value</th>
<th>Development Scenario</th>
<th>Greenfield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Financial Land Value**
- **Net Sales**: £23,095
- **Development Costs**: £9,000
- **Land Value**: £14,095

**Benchmark Land Value**
- **Price per Unit**: £10,000
- **Price per Area**: £20,000

**Gov’t (Net, All)**
- **Fees**: £10,000
- **Sales**: £10,000
- **Proft**: £10,000

**EV (Cost)**
- **No. Units / Size**: 10
- **Density**: 0.1
- **Size of Site (ha)**: 10
- **ELV (Cost)**: £10,000

**ELV**
Viability Buffer – Sensitivities
e.g. AH v ‘Market Housing’

<table>
<thead>
<tr>
<th>Balance (RLV - ILV)</th>
<th>AH % on site 10%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>65%</td>
<td>12,114</td>
<td>10,789</td>
<td>8,498</td>
<td>6,207</td>
<td>3,916</td>
</tr>
<tr>
<td>75%</td>
<td>11,862</td>
<td>10,535</td>
<td>8,190</td>
<td>5,845</td>
<td>3,500</td>
</tr>
<tr>
<td>85%</td>
<td>11,508</td>
<td>10,175</td>
<td>7,818</td>
<td>5,452</td>
<td>3,106</td>
</tr>
<tr>
<td>95%</td>
<td>11,144</td>
<td>9,809</td>
<td>7,448</td>
<td>5,082</td>
<td>2,745</td>
</tr>
</tbody>
</table>

Local Occupancy and Principal Residency Values
100% (% from base assumption)

<table>
<thead>
<tr>
<th>Local Occupancy</th>
<th>Principal Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>AH v Build Costs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance (RLV - ILV)</th>
<th>AH % on site 10%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>95%</th>
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<td>9,809</td>
<td>7,448</td>
<td>5,082</td>
<td>2,745</td>
</tr>
</tbody>
</table>

e.g. AH v Build Costs
Emerging Results

- We’ve tested each of the typologies A - X using our bespoke excel model including the sensitivities above.
- For each appraisal a summary sheet is created which includes:
  - % of Affordable Housing
  - % of Market Housing
  - Total GDV
  - Developers profit
  - Residual Land Value
  - Benchmark Land Value
  - Surplus / Deficit (Viable / Not Viable)
<table>
<thead>
<tr>
<th>Scheme N/E</th>
<th>0</th>
<th>0</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Customer Satisfaction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Development Trust</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Notes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ex- 6</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Affordable Soc</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>G/L of Net Annual Income</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Val of Net Ass Valuation</td>
<td>1071.25k</td>
<td>1668.25k</td>
<td>2301.25k</td>
</tr>
<tr>
<td>Net Income</td>
<td>1668.25k</td>
<td>2301.25k</td>
<td>3144.25k</td>
</tr>
<tr>
<td>Local Government Renting</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Principal Renting Renting</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total Net Income</td>
<td>1378.25k</td>
<td>1926.25k</td>
<td>2761.25k</td>
</tr>
<tr>
<td>39/03/2019</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

E - H Appraisals
with grant

Aspinall Verdi
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Draft Documents to be issued....

You should receive the following papers –

- Policies Review matrix
- Typologies matrix
- Residential Market review paper
- Workshop slides
Feedback

Send written observations/evidence to –

Clive Coyne
Head of Forward Planning
Clive.Coyne@nnpa.org.uk

cc mattw@aspinallverdi.co.uk

Deadline (non-statutory) –
Wednesday 3rd April 2019
(we may not be able to incorporate feedback after this time)

Next Steps

- Review Workshop Feedback
- Re-Run Viability Appraisals
- Prepare recommendations
- Publication of Draft Local Plan – May 2019
- Submission of Draft Local Plan – August 2019
- Examination expected – October/November 2019
Any other questions…?

- This is your chance to inform the study
- Do not wait until the Examination to introduce evidence

• End
## New Build Achieved – by type (£ psm)

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Minimum</th>
<th>Average</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terraced</td>
<td>£1,536</td>
<td>£2,050</td>
<td>£1,939</td>
<td>£2,799</td>
</tr>
<tr>
<td>Detached</td>
<td>£1,196</td>
<td>£2,458</td>
<td>£2,477</td>
<td>£3,740</td>
</tr>
<tr>
<td>Semi Detached</td>
<td>£1,804</td>
<td>£2,341</td>
<td>£2,343</td>
<td>£3,482</td>
</tr>
</tbody>
</table>

Source: Land Registry - November 2017 / 18 (February, 2019)

## New Build Achieved – by beds (£ psm)

<table>
<thead>
<tr>
<th>No of Beds (number)</th>
<th>Minimum</th>
<th>Average</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bed (1)</td>
<td>£2,544</td>
<td>£2,544</td>
<td>£2,544</td>
<td>£2,544</td>
</tr>
<tr>
<td>Two Bed (2)</td>
<td>£1,999</td>
<td>£2,291</td>
<td>£2,333</td>
<td>£2,662</td>
</tr>
<tr>
<td>Three Bed (16)</td>
<td>£1,538</td>
<td>£2,315</td>
<td>£2,379</td>
<td>£3,402</td>
</tr>
<tr>
<td>Four Bed (37)</td>
<td>£1,196</td>
<td>£2,484</td>
<td>£2,543</td>
<td>£3,740</td>
</tr>
<tr>
<td>Five Bed (10)</td>
<td>£1,441</td>
<td>£2,325</td>
<td>£2,280</td>
<td>£3,586</td>
</tr>
</tbody>
</table>

Source: Land Registry - November 2017 / 18 (February, 2019)

- Our market research shows that on a per sqm basis, the values are relatively similar surrounding the authority on a property type and per bed basis.
## New Build Asking Price Summary

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Asking Price range (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Bed Semi Detached</td>
<td>£234,950 - £349,950</td>
</tr>
<tr>
<td>Four Bed Detached</td>
<td>£309,950 - £434,950</td>
</tr>
<tr>
<td>Five Bed Detached</td>
<td>£375,000 - £459,950</td>
</tr>
</tbody>
</table>

Source: Various agent and developer websites (January 2019)