

Gosport Borough Local Plan 2011-2029

Statement on Issues and Questions

Issue 2.1

Is the proposal to seek 40% of affordable housing on housing sites of 10 or more dwellings consistent with the findings of the CIL viability assessment?

Date: 6th February 2015



GOSPORT
Borough Council

Introduction

- 1.1 Policy LP24 in the Gosport Borough Local Plan 2011-2029 (GBLP) seeks to secure 40% affordable housing on development sites proposing 10 or more dwellings. It is very clear that where residential development is not economically viable the Council will negotiate a lower percentage of affordable having regard to a site specific economic viability study. It is recognised that the timespan of the GBLP stretches over 18 years and there will be periods within the development cycle when some forms of development are less viable. The threshold set in the policy however has been based on viability assessment produced by independent consultants.

Viability Assessments

- 2.1 When initially formulating the policy the Council engaged consultants DTZ to undertake an Affordable Housing Viability Assessment. DTZ produced a report in 2010 which is shown as document (LP/E7/2) in the submission library. The DTZ report in the executive summary concluded that 40% affordable housing is achievable in the majority of cases tested.

Adams Integra CIL Viability Report 2013

- 3.1 The Council recognised that as the Local Plan progressed through to the more formal stages of preparation it would be useful to update the viability evidence to assess if the proposed policy approach was still justified. As the Council intended to introduce a Community Infrastructure Levy (CIL) in conjunction with the GBLP it was considered prudent to engage consultants to prepare a viability assessment that would provide the evidence for a CIL draft charging schedule but at the same time reassess the viability of providing affordable housing in line with the criteria proposed in policy LP24. Adams Integra was engaged to prepare the viability assessment. The initial report was published in 2013 (LP/E8/3).
- 3.2 The Adams Integra report follows a similar methodology to that in DTZ report (paragraph B2.3, LP/E8/3). The report looked at hypothetical mixes of the development and tested sites assuming a 40% requirement for affordable housing as sought in policy LP24 and for sensitivity testing a 30% requirement for affordable housing was assessed (paragraph B3.5 and B8.1-8.6, LP/E8/3). The report notes that the background information for the study has been gathered at a low point in housing market cycle, producing a particular picture of viability at a single point in time (paragraph B11.1, LP/E8/3).

- 3.3 Having undertaken the viability assessment the Adams Integra report summarises its finding on residential viability as follows (paragraph B11.17, LP3/E8/3)

'In summary, where affordable housing is provided on site, we have seen that viability occurs reasonably well at Value Point 4 and in specific circumstances at Value Point 3, with these points tending to represent different broad areas within the Borough. We are not, however, seeing viability at Value Point 2, which reflects the lower value Rowner regeneration area. We believe that differential CIL charges to take this into account are justified.'

- 3.4 The Viability Report (paragraph B9.2 LP3/E8/3) translates the Value Points in geographical zones which are shown on a plan in Figure 2 in the Viability report. The plan is also reproduced in the Draft Charging Schedule in its Appendix 1. For a point of reference the Value Points correspond to following zones:

Zone 1 = Value Point 2
Zone 2 = Value Point 3
Zone 3 = Value Point 4

- 3.5 The report notes that even in the Rowner area (Zone 1) which was represented by low property values there are signs that property values are increasing but these are still low compare to the rest of the Borough. (paragraph B11.18, LP3/E8/3).

- 3.6 The report further reaffirms the conclusions in the DTZ affordable housing viability report (paragraph B11.19, LP3/E8/3) it states:

'The report echoes the findings of the DTZ 2010 affordable housing viability report, in that viability remains challenging in the lowest value areas of Gosport.'

- 3.7 However it should be noted that even in value point 2, the Rowner area (Zone 1), the Council has achieved high levels of affordable housing. The Rowner area was an area of severe deprivation and poor quality housing. The Council in partnership with the other public bodies and the private sector have sought to regenerate the area. Despite the testing viability in the area the Council has managed to secure 38% affordable housing in granting the permission for a planning application to redevelop the area. A scheme is currently underway that has seen the demolition of 500 homes and their replacement with 700 new homes. The particular development needs of this area are recognised in Policy LP7 of the GBLP.

Adams Integra CIL Viability Report – Addendum 2014

- 4.1 As a result of public consultation on the CIL preliminary draft Charging Schedule and the need to update the sales and cost figures Adams Integra were asked to provide an Addendum report to the their previous study. This report was produced in July 2014 (LP/E8/4).
- 4.2 Residential land values were appraised and detailed in Appendix 1 of the Addendum in 2014 (LP/E8/4). Land values per hectare taking in to account increasing sales values and increasing marketing costs were shown in its Appendix 2 (LP/E8/4).
- 4.3 The Addendum reconsidered the viability of a range of land values outcomes for a series of development scenarios and considered that the recommended CIL rates with 40% affordable housing do not push the margins of viability (Point 4 in Paragraph 5.1LP/E8/4). The Addendum goes on to says (Point 5 in Paragraph 5.1LP/E8/4) that assessment in Appendix 2 shows that there has been an increase in the average land value per hectare since the 2013 Report.
- 4.4 The original study only tested development sites up to 25 sites consequently the Council also asked Adams Integra to test sites of 50 or more units and this is shown in Appendix 3 (LP/E8/4). This analysis indicated that for sites of 50 or more generally that in value points 4 and 3 the 40% affordable housing and CIL would be viable and that that some flexibility might be required in zone 2 (Value point 3) (Paragraph 6.4 LP/E8/4).

Is the proposal to seek 40% of affordable housing on housing sites of 10 or more dwellings consistent with the findings of the CIL viability assessment?

- 5.1 The GBLP in Table 6.2 (page 30) gives an indication of the future housing supply and apart from Gosport Waterfront the sites identified are generally either previously MoD land or garage sites.
- 5.2 Gosport Waterfront is a mixture of employment land, MoD Land and public land and has been subject to a separate viability assessment as indicated in Part D of the 2013 Viability Report (LP/E8/3). The report sets out assumptions regarding the land value threshold at which the current landowners are willing to sell in paragraph D2.4.2. It values employment land (the majority current use) at £900,000 per hectare and has added a 15% premium to account for the presence of on-going businesses which may need to be relocated giving an estimated land value of £1,035,000 per hectare. Appendix 14b of the

Viability Report (LP/E8/3) shows that the calculated residual land value for the redevelopment of the waterfront stands at £1,050,800 indicating that the particular scenario tested was viable. It is recognised that the final mix of development may change depending on what the market brings forward but in general terms it is considered that in achieving 40% affordable housing the development of the site is viable.

- 5.3 With regard to the other potential housing development sites it is possible to draw together the evidence in original 2013 Viability Report with the updated sales figures from the Addendum to produce a table indicating viability. This table is shown in Appendix 1 of this paper. The table shows that when considering MoD, garage sites or greenfield sites that all scenarios seeking 40% affordable housing are viable at value point 4 and most are viable at value point 3 with the average across all the sizes of development showing viability.
- 5.4 It is recognised that currently there may be some instances where there may be a question mark over the viability of some schemes although this may be overcome by looking at a different development mix. In those cases where a different density option is not practical or desirable there may be scope to negotiate over the percentage of affordable housing which accords with the provisions of policy LP24. It should be noted that the viability studies have been undertaken at a low point in the economic cycle and the expectation is that viability will improve over the duration of the Plan period.
- 5.5 The policy has been developed within the spirit of paragraph 50 of the NPPF and is sufficiently flexible to take account of changing market conditions over time. It is considered it is in line with paragraph 174 of the NPPF that as the threshold for affordable housing will facilitate development throughout the economic cycle.
- 5.6 Whilst the GBLP has had to set policies for a long time horizon the Council has recognised in its Local Development Scheme (LP/A4/11) that there is a need to bring forward an early review of the GBLP. The affordable housing policy will be closely monitored and will be reviewed if necessary. It is likely that the Council will review its CIL Charging Schedule at a similar time and the necessary viability assessments will be undertaken.

Conclusion

- 6.1 It is considered that the proposal set out in policy LP24 to seek 40% of affordable housing on housing sites of 10 or more dwellings is consistent with the findings of the CIL viability assessment.

Appendix 1

Viability of sites of over 10 units assuming 40% affordable Housing

The table below tests a number of sites with different size and density scenarios for schemes with 40% affordable housing. The tested scenarios relate to the two CIL charging zones. Charging zone 3 is being tested at the proposed rate of £100 against value point 4. Charging zone 2 is being tested at the proposed rate of £80 against value point 3. The table shows the viability scenarios as they were originally tested in the Viability Report (LP/E8/3) and the updated scenarios as they were tested in the addendum July 2014 (LP/E8/4).

Viability of sites of over 10 units – 40% affordable housing.							
Value point 4, £100 CIL rate				Value point 3, £80 CIL rate			
No units (size of scheme tested)	Density (dph)	Residual Land value per hectare, CIL Viability Report 2013	Residual Land Value per hectare adjusted - Addendum (appendix 2)	No units (size of scheme tested)	Density (dph)	Residual Land value per hectare, CIL Viability Report 2013	Residual Land Value per hectare adjusted - Addendum (appendix 2)
10	35	£1,675,099	£1,746,525	10	35	£768,993	£848,662
	45	£929,422	£989,877		45	£264,051	£325,124
	60	£1,527,358	£1,608,386		60	£633,113	£717,253
	80	£2,836,715	£2,937,846		80	£1,414,441	£1,498,086
15	35	£1,805,833	£1,894,712	15	35	£869,633	£947,650
	45	£1,201,369	£1,262,963		45	£502,855	£562,391
	60	£1,560,381	£1,636,045		60	£679,534	£750,554
	80	£2,894,111	£2,987,356		80	£1,447,286	£1,521,921
25	35	£1,716,080	£1,802,552	25	35	£819,433	£895,546
	45	£1,137,885	£1,204,251		45	£442,752	£511,492
	60	£1,508,584	£1,584,660		60	£629,797	£707,241
	80	£2,780,046	£2,875,107		80	£1,397,729	£1,475,724
	100	£3,648,411	£3,763,729		100	£1,840,091	£1,928,471
Average		£1,940,100	£2,022,616			£900,947	£976,163
50 (addendum appendix 3)	35		£1,521,963	50 (addendum appendix 3)	35		£655,376
	45		£951,566		45		£278,194
	60		£1,291,658		60		£440,599
	100		£3,319,198		100		£1,553,167
Average			£1,963,435				£918,674

Land Values per hectare

Threshold Values per Hectare	
Greenfield	£450,000
Garage Courts	£550,000
MOD sites	£650,000
Employment	£900,000
Residential VP3	£1,285,000
Residential VP4	£1,530,000

Where the residual land values per hectare in the table to the left are greater than the threshold values in the table above then the redevelopment of the land uses for residential should be viable. This will be subject to site specific constraints.

The colour scheme in the table to the left is as follows:

Green for land values over £650,000

Yellow for land values between £450,000 and £650,000

Red for land values under £450,000

Note

The table above shows that there is viability for all the development scenarios at value point 4 with a CIL rate of £100 per square metre. For value point 3 and a CIL rate of £80 per square metre, most scenarios are viable (marked in green) There are other scenarios where a scheme would be viable if it was currently in a particular low value use (greenfield, Garage Courts, marked in yellow) and only a few scenarios where a scheme would not be viable (marked in red).

It can be seen that the scenarios tested upon the updated assumptions in the Viability Report Addendum showed greater viability. The information in the table has been derived from appendix 2 of the Addendum with the exception of the test of scenarios of 50 dwellings which was derived from appendix 3 of the Addendum.