Aspinall Verdi property regeneration consultants

Viability Report

Local Plan Viability Assessment

North York Moors National Park Authority

October 2018

# Quality Assurance

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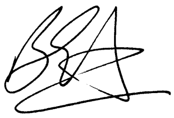
| Authorised by |  |

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# Contents

## Executive Summary

## Report



## Tables & Figures

## Appendices

# Executive Summary

ES 1 AspinallVerdi has been appointed by North York Moors National Park Authority to provide economic viability advice in respect of the cumulative impact on development of the new Local Plan policies. The Local Plan replaces policies in the 2008 Core Strategy and Development Management Policies document and covers the period 2016-2035.

ES 2 This Local Plan covers the area within the boundaries of the North York Moors National Park, for which the Authority acts as the planning authority. The National Park overlies parts of four districts or boroughs – Hambleton, Ryedale, Redcar and Cleveland and Scarborough who carry out other services within the National Park such as waste collection, environmental health or housing services. Responsibility for planning however rests with the Park Authority.

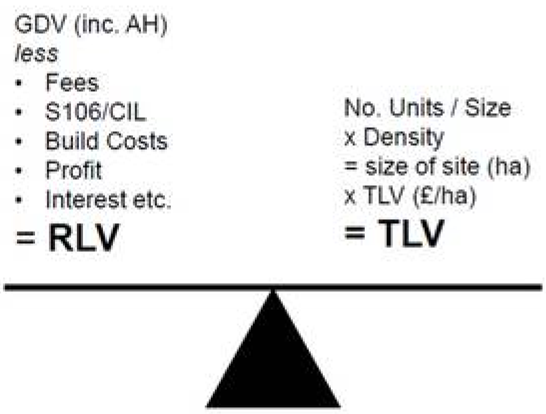
ES 3 Note that throughout this report references to 'market housing' refer to Local Occupancy and / or Principal Residency units as the context requires. References to affordable housing have the usual meaning to include affordable rented and intermediate/low cost home ownership products.

ES 4 Our economic viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, Statutory Regulations and guidance (see section 2).

ES 5 We have carried out a comprehensive review of the market for new build residential sales values (see Appendices 3).

ES 6 Our general approach is illustrated on the diagram below (ES.1). This is explained in more detail in section 4 – Viability Assessment Method.

**Figure ES.1 – Balance between RLV and TLV**




Source: AspinallVerdi © Copyright

ES 7 We have carried out residual appraisals to establish the Residual Land Value (RLV). This is a traditional model having regard to: the gross development value (GDV) of the scheme; including

Affordable Housing; and deducting all costs; to arrive at the RLV. A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

ES 8 We have had regard to the cumulative impact of the Local Plan policies. The impact of each of the policies (either direct or indirect) is set out on the policies matrix (at Appendix 1).

ES 9 This is then compared to the Threshold Land Value (TLV). The TLV is the price at which a landowner will be willing to sell their land for development. In the context of Affordable Housing sites in the National Park this is set at £10,000 per plot.

ES 10 The RLV less TLV results in an appraisal 'balance' which should be interpreted as follows:

- If the 'balance' is positive, then the proposal / policy is viable. We describe this as being 'viable for plan making purposes' herein.
- If the 'balance' is negative, then we have calculated the level of grant needed to make the site viable.

ES 11 In order calculate the minimum grant requirement to deliver the schemes we have 'back-solved' the surplus/(deficit) to £1 by inserting a grant sum into the scheme revenue.

ES 12 In addition to the RLV appraisals and TLV analysis, we have also prepared a series of sensitivity scenarios for each of the typologies. These are set out for each of the appraisals at Appendix 6.

ES 13 Where the RLV is positive but the 'balance' is negative due to the TLV assumption, we refer to this as being 'marginal' in terms of viability.

ES 14 We have analysed a selection of hypothetical sites based on types of sites promoted through the Local Plan process in order to group them into typologies by size and location. This has resulted in c 6 residential development typologies to reflect the type of sites coming forward in the Plan. These typologies are reflected in our typologies matrix which is appended and have been appraised three times each to reflect different tenure assumptions, thus: (Appendix 2).

- Typologies A-F: 100% Affordable Rent
- Typologies G-L: 50% Affordable Rent and 50% Low Cost Home Ownership
- Typologies M-R: 80% Affordable Housing (50% Affordable Rent and 50% Low Cost Home Ownership) and 20% 'market housing' (100% Principal Residency).

ES 15 Our detailed assumptions and results are set out in sections 5 - 9 of this report together with our results and conclusions in section 9. In summary:

ES 16 Typologies A and B are greenfield and brownfield typologies respectively in the highest market value area - the Western Fringes (A19/A172 corridor). Both of these schemes are viable in that they deliver a residual land value (RLV) of £23,000 and £16,500 per plot respectively. This is greater than the £10,000 TLV and therefore these schemes are viable for Plan making purposes.

ES 17 The other typologies C-F are all fundamentally not viable without grant i.e. the RLV of the scheme is negative irrespective of the low TLV.

ES 18 Typologies C (greenfield) and D (brownfield) in the comparatively lower value North East Zone require grant funding of £79,300 per unit and £86,600 per unit respectively.

ES 19 Typology E is a greenfield typology in the Central National Park e.g. Esk Valley zone and we calculate requires a grant of c £32,000 per unit.

ES 20 Typology F is a brownfield typology in the Southern Zone (A170/A64 corridor) and requires grant funding of c £23,500 per unit.

ES 21 Typologies G and L are the same greenfield and brownfield typologies respectively in the highest market value area - the Western Fringes (A19/A172 corridor). Both of these schemes require grant funding of £4,000 per unit and £11,250 per unit respectively. Note that the greenfield typology G is only marginally unviable in that without grant it would still generate a RLV of c £6,400 per plot. This is less than the £10,000 per plot TLV and hence is deemed unviable for Plan making purposes without grant.

ES 22 Typologies I (greenfield) and J (brownfield) in the comparatively lower value North East Zone require grant funding of £89,000 per unit and £96,500 per unit respectively.

ES 23 Typology K is a greenfield typology in the Central National Park e.g. Esk Valley zone and we calculate requires a grant of c £46,000 per unit.

ES 24 Typology L is a brownfield typology in the Southern Zone (A170/A64 corridor) and requires grant funding of c £39,000 per unit.

ES 25 Typologies M-R all require similar amounts of grant funding (with the exception of M (see below)). This is due to the additional value of the Principal Residency being cancelled out by: additional costs of marketing the Principal Residency units; additional finance costs on the cashflow; additional profit (same 6%, but applied to a higher turnover).

ES 26 Typology M (greenfield) is viable without grant funding. Including the Principal Residency units this delivers a RLV of £16,800 per plot which is greater than the TLV (£10,000 per plot).

ES 27 Typology N (brownfield) is marginal. Without grant funding the RLV is £9,725 per plot which although viable is just below the £10,000 per plot TLV.

ES 28 All the other typologies are fundamentally unviable i.e. the RLV is negative, even with the Principal Residency units.

ES 29 Typologies O (greenfield) and P (brownfield) in the comparatively lower value North East Zone require grant funding of £104,000 per unit and £113,000 per unit respectively.

ES 30 Typology Q is a greenfield typology in the Central National Park e.g. Esk Valley zone and we calculate requires a grant of c £48,000 per unit.

ES 31 Typology R is a brownfield typology in the Southern Zone (A170/A64 corridor) and requires grant funding of c £38,000 per unit.

ES 32 Consequently, on the basis of the viability assessment it appears that there is little scope for developing principle residence dwellings as a means of cross subsidising affordable units.

ES 33 In conclusion, the sites in the Western Fringes (higher value zone) are viable without grant funding subject to the tenure mix. The sites other parts of the district in are likely to require grant funding whatever the Affordable Housing tenure mix. The most funding is required in the lower value North Eastern zone.

ES 34 Assuming that Homes England has funding of this magnitude (subject to the detailed business case being made by the Registered Provider's), the Plan is viable.

ES 35 In addition, we recommend that, in accordance with best practice, the plan wide viability is reviewed on a regular basis to ensure that the Plan remains relevant as the property market cycle(s) change. Our sensitivities demonstrated that the schemes are sensitive to increases in build rate, therefore particular attention should be paid to monitoring construction costs.

ES 36 Furthermore, to facilitate the process of review, we recommend that the Authority monitors the development appraisal parameters herein, but particularly data on land values across the National Park.

# 1 Introduction

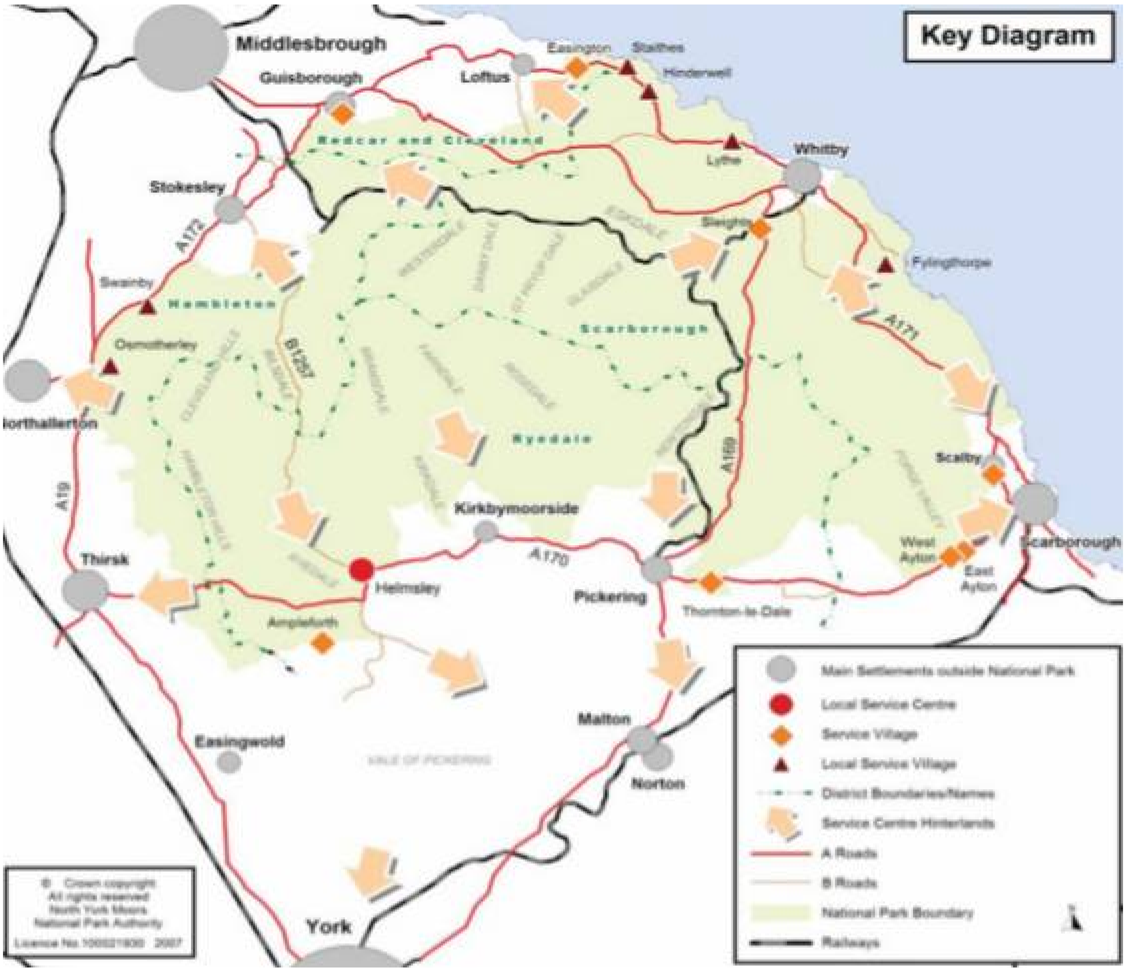
1.2 AspinallVerdi has been appointed by North York Moors National Park Authority to provide economic viability advice in respect of the cumulative impact on development of the new Local Plan policies. The Local Plan replaces policies in the 2008 Core Strategy and Development Management Policies document and covers the period 2016 - 2035.

1.3 This Local Plan covers the area within the boundaries of the North York Moors National Park, for which the Authority acts as the planning authority. The National Park overlies parts of four districts or boroughs – Hambleton, Ryedale, Redcar and Cleveland and Scarborough who carry out other services within the National Park such as waste collection, environmental health or housing services. Responsibility for planning however rests with the Park Authority. Several towns and villages straddle the boundary – for example Helmsley and Thornton-le-dale are both partly within the Ryedale planning authority area. A separate Local Plan was produced jointly with Ryedale District Council in 2012 and remains in force – policies in both this plan and the Helmsley Plan will be used to manage development for the area of the town within the National Park[1].

1.4 The Plan is founded on the need to support the statutory purposes of National Park Designation and within this help implement the Authority's duty to foster the economic and social wellbeing of local communities[2]. The Park Boundaries are shown on Figure 1.1 - North York Moors National Park below.

[1] North York Moors National Park Authority, Local Plan Preferred Options, July 2018
[2] North York Moors National Park Authority, Local Plan Preferred Options, July 2018

**Figure 1.1 - North York Moors National Park**




Source: NYMNP Core Strategy and Development Policies (2008)

1.5 The new Local Plan includes (amongst others) policies on the environment, sustainable tourism, business and land management, communities and affordable housing.

1.6 Three rounds of public consultation have been carried out prior to publication of the draft plan:

- 'First Steps' (September 2016)
- 'Current Thinking' (October 2017)
- 'Tranquillity, a Strong Feeling of Remoteness and Dark Night Skies' (December 2017).

## Approach to Plan Viability in the National Park

1.7 It is important to explain the differences between this viability report for North York Moors and a typical plan viability report which would be applicable outside of a National Park setting.

1.8 A typically study would use the 'Residual Land Value' method where by open market housing development is permitted and the local planning authority is asking for an element of affordable housing as part of the development.

1.9 The purpose of a typical viability assessment is to ensure that policies are realistic and the total cumulative cost of all relevant policies (including affordable housing) is not of a scale that would make development unviable i.e. provides a sufficient return to the land owner and developer to enable the development to proceed. This type of assessment is based on the assumption that land allocations are made in the Local Plan which enables a cross subsidy of affordable housing with market housing through an element of planning gain.

1.10 Policies in the draft North York Moors Local Plan do not propose this approach; instead they focus on allowing for a limited amount of infill development and encouraging rural exception sites to come forward. These sites are inherently unviable as the aim is to deliver 100% affordable housing through grant funding.

1.11 Our study for North York Moors aims to establish;

- How much grant is required for schemes of different sizes and in different locations to be viable;
- How the mix of affordable rented and low cost home ownership affects scheme viability;
- How greenfield and brownfield sites compare in terms of the amount of grant needed to be viable; and
- What effect does the inclusion of Principal Residency dwellings have on the viability and the amount of granted required.

1.12 The remainder of this report is structured as follows:

| Section: | Contents: |
|---|---|
| Section 2 – National Planning Context | This section sets out the statutory requirements for the Local Plan viability including the NPPF and PPG. |
| Section 3 – Local Plan Context | This section sets out the details of the current adopted Local Plan, the existing evidence base, and the emerging Local Plan policies which will have a direct impact on viability. |

| | |
|---|---|
| Section 4 – Viability Assessment Method | This section describes our generic methodology for appraising the viability of development which is based on the residual approach as required by guidance and best practice. |
| Section 5 – 9 | These sections summarise the existing evidence base, typologies, value, cost, land value and profit assumptions and the viability results. |
| Section 10 – Viability Results and Conclusions | Finally, we present our results, conclusions and recommendations in respect of the Plan viability and Affordable Housing. |

1.13 Note that throughout this report references to 'market housing' refer to Local Occupancy and / or Principal Residency units as the context requires. Reference to this report to 'market housing' refers to Local Occupancy and Principal Residency dwellings, thus:

- Open market housing is housing for sale or rent at a full market price or rate and there are no restrictions on who can occupy the dwelling. The forthcoming draft Local Plan does not envisage any open market housing coming forward, outside Helmsley, which has its own adopted Local Plan.
- Principal Residency housing is a form of market housing controlled by a mechanism which ensures it can be lived in by anyone but only as their main residence. No connection to the local area is required.
- Local Occupancy housing is where a house has a legal restriction on it requiring that only local people can occupy a property. In North York Moors National Park Local Occupancy is used to ensure that people who and/or work in the National Park are able to find a place to live locally. Local Occupancy conditions have been imposed on most new housing since 1992, in part to remedy the increasing number of second homes.

1.14 References to affordable housing have the usual meaning to include affordable rented and intermediate/low cost home ownership products.

# 2 National Planning Policy Context

2.1 Our economic viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

## Environmental Act 1995

2.2 Due to the status of North York Moors as a National Park, regard must be had to the Environmental Act 1995.

2.3 Section 61 of the 1995 Environment Act sets out two purposes for National Park Authorities, these are:

*a) of conserving and enhancing the natural beauty, wildlife and cultural heritage of the areas specified…; and*

*b) of promoting opportunities for the understanding and enjoyment of the special qualities of those areas by the public.*

2.4 Section 62 continues to define the duty of the National Park Authorities:

*(1) "… seek to foster the economic and social well-being of local communities within the National Park*

*(2) … "have regard to* [the statutory purposes] *in exercising or performing any functions in the National Park and; if it appears that there is a conflict between those purposes, to attach greater weight to the purpose of conserving and enhancing the natural beauty, wildlife and cultural heritage of the area."*

2.5 The National Park Management Plan (adopted November 2012; First Review December 2016) is the strategic framework for the future of the National Park and considers how the Authority can achieve these purposes. This document has been used to inform the emerging Local Plan.

2.6 Policies within the Local Plan are based upon the need to fulfil the first purpose (conserving and enhancing the Park), as well as making sure that the Park can be enjoyed and appreciated by the public. In the event of any potential conflict between these two purposes, the first takes precedence. The Local Plan must also aim to protect the well-being of the local communities where this does not undermine the two purposes.

2.7 The Government's vision for National Parks are set out in the National Parks Circular[3] which focuses on five priority outcomes:

- A renewed focus on achieving the Park purposes;

[3] English National Parks and the Broads – UK Government Vision and Circular 2010 (DEFRA, 2010)

- Leading the way in adapting to and mitigating climate change;
- Secure a diverse and healthy natural environment, enhanced cultural heritage and inspiring lifelong behaviour change;
- Foster and maintain vibrant, healthy and productive living and working communities;
- Working in partnership to maximise benefits and minimise cost.

2.8 Also of note within this document is paragraph 78:

> *"The Government recognises that the Parks are not suitable locations for unrestricted housing and does not therefore provide general housing targets for them. The expectation is that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services."*

## National Planning Policy Framework

2.9 The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England and how these are expected to be applied. It was first published on 27 March 2012 and is now online.

2.10 The NPPF has recently been the subject of consultation on its first review and a Revised National Planning Policy Framework was published on 24th July 2018. However, at the time of writing this was still draft.

### Paragraph 173 (2012 NPPF)

2.11 The NPPF places viability and deliverability at the fore. Paragraph 173 deals explicitly with ensuring viability and deliverability. Paragraph 173 states that –

> *Pursuing sustainable development requires* ***careful attention to viability and costs in plan-making and decision-taking.*** *Plans should be deliverable. Therefore, 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. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide* ***competitive returns to a willing land owner and willing developer to enable the development to be deliverable***.[4] (our emphasis)

[4] Department of Communities and Local Government (March 2012) The National Planning Policy Framework ISBN: 978-1-4098-3413-7 paragraph 173

### Affordable Housing

2.12 In terms of affordable housing, the NPPF specifically requires that local planning authorities should –

> *use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period.*[5]

## Planning Policy Guidance

2.13 On 6 March 2014 the Department for Communities and Local Government (DCLG) launched this planning practice guidance web-based resource[6]. This enables all planning practice guidance to be available entirely on-line. This contains the following important sections for this report –

- Viability
- Local Plans
- Planning Obligations.

2.14 We do not propose to rehearse every paragraph of this guidance here, but we set out below the key guidance relevant to North York Moors National Park Authority making reference where appropriate to the Housing White Paper.

### Viability

2.15 The National Planning Policy Framework says that plans should be deliverable and that the sites and 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.[7]

2.16 Development of plan policies should be iterative – with draft policies tested against evidence of the likely ability of the market to deliver the plan's policies, and revised as part of a dynamic process.[8] This is what North York Moors National Park Authority has done by engaging with key stakeholders and consultees during this process.

2.17 Evidence should be ***proportionate*** to ensure plans are underpinned by a broad understanding of viability. Greater detail may be necessary in areas of known marginal viability or where the evidence suggests that viability might be an issue – for example in relation to policies for strategic

[5] Department of Communities and Local Government (March 2012) The National Planning Policy Framework ISBN: 978-1-4098-3413-7 paragraph 47
[6] http://planningguidance.communities.gov.uk/about/ (accessed 11/1/16)
[7] Paragraph: 001 Reference ID: 10-001-20140306 (accessed 12/1/16)
[8] Paragraph: 005 Reference ID: 10-005-20140306 (accessed 12/1/16)

sites which require high infrastructure investment.[9] (our emphasis) Note that there are no strategic sites in the National Park and the nature of the affordable housing allocations, by its very nature requires a proportionate response herein.

2.18 Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; ***site typologies may be used to determine viability at policy level.*** Assessment of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.[10] (our emphasis) – In this respect we have set out our rationale for the site typologies within the relevant section below.

2.19 Plan makers should ***not plan to the margin of viability but should allow for a buffer*** to respond to changing markets and to avoid the need for frequent plan updating. ***Current costs and values*** should be considered when assessing the viability of plan policy. Policies should be deliverable and should not be based on an expectation of future rises in values at least for the first five years of the plan period. This will help to ensure realism and avoid complicating the assessment with uncertain judgements about the future. Where any relevant future change to regulation or policy (either national or local) is known, any likely impact on current costs should be considered.[11] (our emphasis) Our sensitivity appraisals within this report clearly show where the margins of viability fall.

2.20 Local Plan policies should reflect ***the desirability of re-using brownfield land***, and the fact that brownfield land is often more expensive to develop. Where the cost of land is a major barrier, landowners should be engaged in considering options to secure the successful development of sites. Particular consideration should also be given to Local Plan policies on planning obligations, design, density and infrastructure investment, as well as in setting the Community Infrastructure Levy, ***to promote the viability of brownfield sites*** across the local area. [12] (our emphasis)

2.21 ***Central to the consideration of viability is the assessment of land or site value.*** The most appropriate way to assess land or site value will vary but there are common principles which should be reflected. In all cases, estimated land or site value should:

- **reflect emerging policy requirements and planning obligations** and, where applicable, any Community Infrastructure Levy charge;
- ***provide a competitive return to willing developers and land owners*** (including equity resulting from those building their own homes); and

[9] Paragraph: 005 Reference ID: 10-005-20140306 (accessed 12/1/16)
[10] Paragraph: 006 Reference ID: 10-006-20140306 (accessed 12/1/16)
[11] Paragraph: 008 Reference ID: 10-008-20140306 (accessed 12/1/16)
[12] Paragraph: 025 Reference ID: 10-025-20140306 (accessed 12/1/16)

- ***be informed by comparable, market-based evidence*** wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.[13] (our emphasis)

2.22 The National Planning Policy Framework states that viability should consider "competitive returns to a willing landowner and willing developer to enable the development to be deliverable." This ***return will vary significantly between projects to reflect the size and risk*** profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.[14] (our emphasis)

2.23 A ***competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land*** for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.[15] (our emphasis)

## Local Plans

2.24 The Local Plans section of the PPG website sets out the key issues for Local Plan preparation, examination and adoption.

2.25 In addressing how detailed a Local Plan should be the guidance makes it clear that -

*While the content of Local Plans will vary depending on the nature of the area and issues to be addressed, all Local Plans should be as focused, concise and accessible as possible. They should concentrate on the critical issues facing the area – including its development needs – and the strategy and opportunities for addressing them,* ***paying careful attention to both deliverability and viability****.*[16] (our emphasis)

2.26 The guidance sets out how the local planning authority should show that a Local Plan is capable of being delivered including provision for infrastructure. In this respect -

*A Local Plan is an opportunity for the local planning authority to set out a positive vision for the area, but the plan should also be realistic about what can be achieved and when (including in relation to infrastructure). This means paying careful attention to providing an adequate supply of land, identifying what infrastructure is required and how it can be funded and brought on stream at the appropriate time; and* ***ensuring that the requirements of the plan as a whole will not prejudice the viability of development****.*[17] (our emphasis)

[13] Paragraph: 014 Reference ID: 10-014-20140306 (accessed 12/1/16)
[14] Paragraph: 015 Reference ID: 10-015-20140306 (accessed 12/1/16)
[15] Paragraph: 015 Reference ID: 10-015-20140306 (accessed 12/1/16)
[16] Paragraph: 009 Reference ID: 12-009-20140306 (accessed 22/2/17)
[17] Paragraph: 017 Reference ID: 12-017-20140306 (accessed 22/2/17)

2.27 Paragraph 017 requires that the evidence which accompanies an emerging Local Plan should show how the policies in the plan have been tested for their impact on the viability of development – hence this viability assessment.

## Planning Obligations

*2.28* Paragraph 204 of the NPPF sets out the following tests for planning obligations which must be: *necessary to make the development acceptable in planning terms; directly related to the development; and fairly and reasonably related in scale and kind to the development.*

2.29 The PPG website provides further detailed guidance on the implementation of planning obligations.

2.30 The guidance sets out how do planning obligations relate to other contributions -

*Developers may be asked to provide contributions for infrastructure in several ways. This may be by way of the Community Infrastructure Levy and planning obligations in the form of section 106 agreements and section 278 highway agreements. Developers will also have to comply with any conditions attached to their planning permission. Local authorities should ensure that* ***the combined total impact of such requests does not threaten the viability of the sites*** *and scale of development identified in the development plan.*[18]

2.31 In terms of plan making, the policy for seeking planning obligations should be grounded in an understanding of development viability through the plan making process[19] - hence this economic viability assessment having regard to the cumulative impact of the Council's policies on planning obligations and other requirements.

## Draft PPG for Viability

2.32 At the time of drafting the revised PPG had not been published, we therefore reviewed the draft publication below[20].

2.33 The Draft Planning Practice Guidance for Viability, March 2018, confirms on page 5 that:

*The role for viability assessment is primarily at the plan making stage. Drafting of plan policies should be iterative and informed by engagement with landowners, developers, infrastructure and affordable housing providers. Plans should be informed by evidence of infrastructure and affordable housing need and an assessment of viability that takes into account all relevant policies, local, and national standards including for developer contributions. Viability assessment*

[18] Paragraph: 001 Reference ID: 23b-001-20161116 (accessed 22/02/17)
[19] Paragraph: 006 Reference ID: 23b-006-20140306 (accessed 22/02/17)
[20] The Revised PPG was published on 24th July 2018. However, as the Selby Site Allocations Plan was drafted prior to the update, it will be assessed against the original 2012 framework.

*should not compromise the quality of development but should ensure that policies are realistic and the total cumulative cost of all relevant policies is not of a scale that that will make development unviable.*

2.34 This is what we have done within our appraisals and report herein.

# 3 Local Planning Policy Context

3.1 The National Park overlies parts of Hambleton, Ryedale, Redcar and Cleveland and Scarborough. However, the North York Moors National Park Authority forms the Local Planning Authority for the areas within those boroughs / districts that are within the National Park boundary.

3.2 The Local Development Framework comprises of:

- The Core Strategy and Development Policies (2008)
- Whitby Business Park Area Action Plan (2014)
- Helmsley Plan (2015)

3.3 The emerging Local Plan will replace the Core Strategy and Development Policies.

3.4 Currently under development is the North Yorkshire, York and North York Moors Minerals and Waste Joint Plan. This document was submitted to Government for examination in November 2017. Once adopted this will also form part of the Development Plan for the National Park.

3.5 There are a number of 'Supplementary Planning Documents (SPDs) which provide further guidance on how policies will be applied, these include:

- The Housing Supplementary Planning Document (April 2010)
- The Renewable Energy Supplementary Planning Document (April 2010)
- The Design Guide Supplementary Planning Document (June 2008)
- Osmotherley and Thimbleby Village Design Statement (February 2011)
- Hutton Buscel Village Design Statement (June 2010).

3.6 The Renewable Energy and Design Guide SPDs have been amended to support the emerging plan and are currently available for consultation. They will be re-adopted alongside this Plan.

3.7 The 2010 Housing Supplementary Planning Document provides guidance on the housing policies contained within the existing Core Strategy and Development Plan. This SPD will be cancelled on the adoption of the emerging Local Plan.

3.8 The emerging Local Plan has been formed through a series of consultations which has involved the following documents:

- First Steps (Consultation period: September – November 2016) – This consultation asked for initial views on what the Local Plan should contain.
- Current Thinking (Consultation period: October – November 2016) – This consultation outlined current thoughts on three key areas of new planning policy - settlement hierarchy, housing strategy, and important undeveloped and community spaces.

- Tranquillity, remote areas and dark night skies (Consultation period: December 2017 – January 2018) – This consultation explained possibly approaches to these 'special qualities'.

3.9 In order to appraise the local plan viability, we have analysed each of the new policies in order to determine which policies have a direct or indirect impact on development viability. Those policies with a direct impact on viability have been factored into our economic assessment below. Those policies with an indirect impact have been incorporated into the viability study indirectly through the property market cost and value assumptions adopted.

3.10 It is important to note that all the policies have an indirect impact on viability. The Council's Local Plan sets the 'framework' for the property market to operate within. All the policies have an indirect impact on viability through the operation of the property market and via site allocations which shape supply over time.

3.11 A detailed matrix of all the planning policies is appended (Appendix 1). This outlines how the directly influential policies have both shaped our typologies appraised and the assumptions adopted within the appraisals. We highlight the directly influential policies below.

## Pre-Submission Draft (Reg. 19) Local Plan Policies

3.12 The new Local Plan will set out the spatial strategy and policies for the environment, tourism, land management, and local communities across the whole of the Park for the period 2016-2035.

3.13 The policies considered to have a direct influence on viability are:

- Strategic Policy C: Quality and Design of New Development
- Strategic Policy E: The Natural Environment
- Strategic Policy F: Climate Change Mitigation and Adaption
- Strategic Policy G: Landscape
- Strategic Policy H: Habitats, Wildlife, Biodiversity and Geodiversity
- Policy ENV5: Flood Risk
- Policy ENV8: Renewable Energy
- Policy CO1: Supporting New Development
- Policy CO6: Environmental Enhancement Sites
- Policy CO8: Housing in Larger Villages
- Policy CO9: Housing in Smaller Villages
- Policy CO11: Housing in the Open Countryside
- Policy CO12: Affordable Housing on Rural Exception Sites
- Policy CO15: Local Connection Criteria for Local Needs Housing

3.14 A detailed analysis of these and all the policies is set out in the policies matrix appended.

## Local Occupancy Dwellings

3.15 Since 1992 the Authority has used local occupancy conditions to ensure that new housing is used to meet the needs of local people. This approach helps to ensure that new housing meets local need rather than external demand. The policy does not produce 'affordable' properties as the value of houses with the condition is lowered by only 15 – 20% of market value[21] - see the comments on residential values assumptions (section 7 below).

[21] Para 9.7 Core Strategy and Development Policies, November 2008, NYMNPA

# 4 Viability Assessment Methodology

4.1 In this section of the report we set out our methodology to establish the viability of the various land uses and development typologies described in the following sections. We also set out the professional guidance that we have had regard to in undertaking the economic viability appraisals and some important principles of land economics.

## The Harman Report

4.2 The Harman report 'Viability Testing Local Plans'[22] (June 2012) refers to the concept of 'Threshold Land Value' (TLV). We adopt this terminology throughout this report as it is an accurate description of the important value concept. Harman states that the *'Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development.'*[23]

4.3 The Harman report also advocates that when considering the appropriate Threshold Land Value, consideration should be given to *'the fact that **future plan policy requirements will have an impact on land values and owners' expectations**'.* In this context Harman is concerned that *'using a market value approach as the starting point carries the risk of building-in assumptions of **current** policy costs rather than helping to inform the potential for **future** policy'*[24]. (our emphasis)

4.4 Harman does still acknowledge that reference to market values will provide a useful 'sense check' on the Threshold Land Values that are being used in the appraisal model; however, *'it is not recommended that these are used as the basis for input into a model'.*[25]

4.5 It is important to note however, that the Harman report is primarily concerned with the whole of the country and not specifically National Parks. In the restrictive policy context of the National Park, land value is based on a plot value for affordable housing (this is £10,000 per dwelling, (whatever the existing use value) reflecting the exceptional circumstances of development in the National Park).

[22] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report)
[23] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 28
[24] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
[25] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29

## RICS Guidance

4.6 The RICS guidance was published in August 2012 and is grounded in the statutory and regulatory planning regime that currently operates in England and is consistent with the Localism Act, the NPPF and CIL Regulations.

4.7 Whilst the RICS Guidance and that from the Local Housing Delivery Group can be seen as complementary the RICS guidance provides more technical guidance on determining an appropriate site / benchmark value.

4.8 The RICS Guidance defines financial viability for the purposes of town planning decisions as -

> *An objective financial viability test of the ability of development to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer*[26]*.*

4.9 In assessing the impact of planning obligations on the viability of the development process, the Guidance does not specify a prescriptive tool or financial model - albeit it does recognise that it is accepted practice to use a residual valuation model as the appraisal framework.[27]

4.10 The RICS Guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a [threshold land value] benchmark, as follows -

> *Site value should equate to the* ***market value*** *subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*[28] *(Box 7)* (our emphasis).

4.11 The guidance also advocates that any assessment of site value will need to consider prospective planning obligations and recommends that a second assumption be applied to the aforementioned definition of site value, when undertaking Local Plan viability testing. This is set out below -

> *Site value (as defined above) may need to be further* ***adjusted to reflect the emerging policy / CIL charging level.*** *The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted*… (Box 8) (our emphasis).

4.12 As with the Harman report, the RICS guidance is primarily concerned with the whole of the country and not specifically National Parks. In the restrictive policy context of the National Park,

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[26] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012 paragraph 2.1.1

[27] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012 page 16

[28] This includes all Local Plan policies relevant to the site and development proposed

land value is based on a plot value for affordable housing (this is £10,000 per dwelling, whatever the existing use value) reflecting the exceptional circumstances of development in the National Park).

## Land Economics for Rural Exceptions Sites

4.13 Planning gain e.g. S106 and affordable housing has its roots in the perceived windfall profit arising from the release of greenfield land by the planning system to accommodate new residential sites and urban extensions[29]. However, lessons from previous attempts to tax betterment[30] show that this is particularly difficult to achieve effectively without stymieing development. It is even harder to apply the concept to brownfield redevelopment schemes with all attendant costs and risks. The difference between greenfield and brownfield scheme economics is important to understand for affordable housing targets, and plan viability.

4.14 The timing of redevelopment and regeneration of brownfield land particularly is determined by the relationship between the value of the site in its current [low value] use ("Existing Use Value") and the value of the site in its redeveloped [higher value] use ("Alternative Use Value") – less the costs of redevelopment. Any planning gain which impacts on these costs will have an effect on the timing of redevelopment. This is relevant to consider when setting the 'appropriate balance'.

4.15 Fundamentally, planning gain is a form of 'tax' on development as a contribution to infrastructure. By definition, any differential rate of tax will have a distorting effect on the pattern of land uses. The question as to how this will distort the market will depend upon how planning gain is applied.

4.16 Also, consideration must be given to the 'incidence' of the tax i.e. who ultimately is responsible for paying it i.e. the developer out of profit, or the landowner out of price (or a bit from each).

4.17 This is particularly relevant in the context of brownfield sites in the village centres and built up areas. Any 'tax' on brownfield redevelopment sites will impact on the timing and rate of redevelopment. This will have a direct effect on economic development, jobs and growth.

4.18 In the brownfield context redevelopment takes place at a point in time when buildings are economically obsolete (as opposed to physically obsolete). Over time the existing use value of buildings falls as the operating costs increase, depreciation kicks in and the rent falls by comparison with modern equivalent buildings. In contrast the value of the next best alternative use of the site increases over time due to development pressure in the urban context (assuming there is general economic growth in the economy). Physical obsolescence occurs when the decreasing existing use value crosses the rising alternative use value.

[29] See Barker Review (2004) and Housing Green Paper (2007)

[30] the 2007 Planning Gain Supplement, 1947 'Development Charge', 1967 'Betterment Levy' and the 1973 'Development Gains Tax' have all ended in repeal

4.19 However, this is not the trigger for redevelopment. Redevelopment requires costs to be incurred on site demolition, clearance, remediation, and new build construction costs. These costs have to be deducted from the alternative use value 'curve'. The effect is to extend the time period to achieve the point where redevelopment is viable.

4.20 This is absolutely fundamental for the viability and redevelopment of brownfield sites. Any tariff, tax or obligation which increases the costs of redevelopment will depress the net alternative use value and simply extend the timescale to when the alternative use value exceeds the existing use value to precipitate redevelopment.

4.21 Contrast this with the situation for development on greenfield land. Greenfield sites are constrained by the planning designation. Once a site is 'released' for development there is significant step up in development value (e.g. to unrestricted market housing beyond the National Park boundary) – which makes the development economics much more accommodating than brownfield redevelopment. There is much more scope to capture development gain, without postponing the timing of development.

4.22 That said, there are some other important considerations to take into account when assessing the viability of greenfield sites. This is discussed in the Harman Report[31].

4.23 The existing use value may be only very modest for agricultural use and on the face of it the landowner stands to make a substantial windfall to residential land values. However, there will be a lower threshold (Threshold Land Value) where the land owner will simply not sell. This is particularly the case where a landowner *'is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'*[32] Accordingly, the 'windfall' over the existing use value will have to be a sufficient incentive to release the land and forgo the future investment returns. In the context of the North York Moors National Park, the land value is restricted to a nominal plot value for affordable housing due to the policy constraints.

4.24 In the case of North York Moors National Park, the proposed housing sites coming forward are rural exception sites and therefore we have focussed our scheme typologies on these sites. A standard sum of £10,000 per plot has been used across all sites within the National Park which was subsequently agreed at our stakeholder's workshop. Due to the heavily regulated nature of the National Park the land market is specifically to meet the needs of local housing and not for speculative private housing developers.

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[31] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) pp 29-31

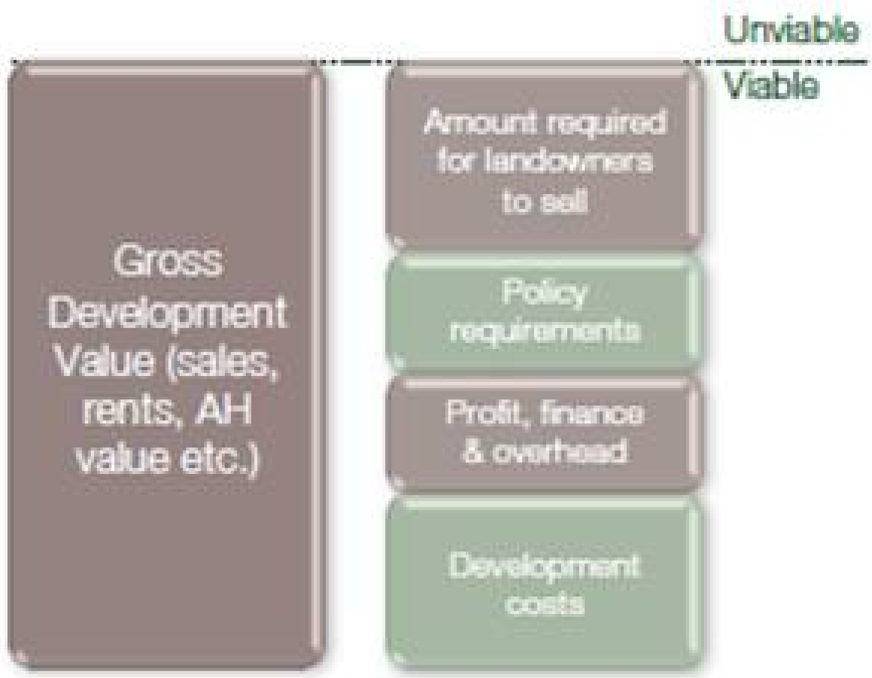
[32] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

## Viability Modelling Best Practice

4.25 The general principle is that planning obligations including affordable housing (etc.) will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between the land economics and every development scheme is different. Therefore, in order to derive the potential planning obligations and understand the 'appropriate balance' it is important to understand the micro-economic principles which underpin the viability analysis. In the case of rural exception sites a Registered Provider normally undertakes the development either with grant funding or with some market dwellings providing a cross subsidy or both.

4.26 The uplift in value is calculated using a RLV appraisal. Figure 4.1 below, illustrates the principles of a RLV appraisal.

**Figure 4.1 - Elements Required for a Viability Assessment**




Source: Local Housing Delivery Group, 2012[33]

4.27 Our specific appraisals for each for the land uses and typologies are set out in the relevant section below.

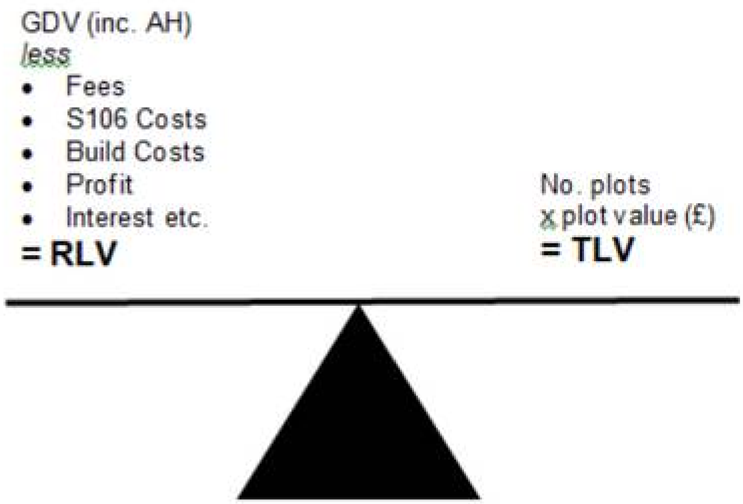
4.28 A scheme is viable if the Gross Development Value (GDV) of the scheme is greater than the total of all the costs of development including land acquisition, planning obligations and profit.

[33] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 25

Conversely, if the GDV is less than the total costs of development (including land, S106s and profit) the scheme will be unviable.

4.29 However, in order to advise on the ability of the proposed uses/scheme to support affordable housing and planning obligations we have benchmarked the residual land values (RLV) from the viability analysis against the plot value / the Threshold Land Value (TLV). This is illustrated in Figure 4.2 below.

**Figure 4.2 - Balance between RLV and TLV**




Source: AspinallVerdi © Copyright

## How to Interpret the Viability Appraisals

4.30 In development terms, the price of a site is determined by assessment of the residual land value (RLV). This is the gross development of the site (GDV) less ALL costs including planning policy requirements and developers' profit. If the RLV is positive the scheme is 'viable'. If the RLV is 'negative' the scheme is not viable. Part of the skill of a developer is to identify sites that are in a lower value economic uses and purchase / option these sites to (re)develop them into a higher value uses.

4.31 A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

4.32 However, planning policy in England requires that Local Plan policies allow for a 'return to the landowner'. In this respect the 'threshold' (TLV) or 'benchmark' land value has to be achieved. In the case of the National Park this is a nominal plot value (£10,000 per plot) which has been established to reflect the exceptional circumstances of development in the National Park. Due to the restrictive planning policies of the National Park, there is no active land market.

4.33 In planning viability terms, for a scheme to come forward for development the RLV for a particular scheme has to exceed the TLV.

4.34 In Development Management terms every scheme will be different (RLV) and every landowner's motivations will be different (TLV).

4.35 The results of the appraisals should be interpreted as follows:

- If the 'balance' is positive, then the policy is viable. We describe this as being 'viable for plan making purposes herein'.
- If the 'balance' is negative, then the policy is not viable for typical plan making purposes and the planning obligations and/or affordable housing targets should be reviewed. In the case of *this* plan viability assessment we have calculated the level of grant needed to make the site viable.

4.36 Thirdly, if the RLV is positive, but the appraisal is not viable due to the TLV assumed – we refer to this as being 'marginal'.

4.37 This is illustrated in the following boxes of our hypothetical appraisals (appended). In this case the RLV at £231,700 is some £131,700 higher than the assumed TLV of £100,000 meaning the balance is positive.

**Figure 4.3 - Hypothetical Appraisal, Example of Results**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **RESIDUAL LAND VALUE** | | | | | | | |
| Residual Land Value (gross) | | | | | | | 253,561 |
| SDLT | | | 253,561 | @ | 5.00% | (slabbed) | (2,178) |
| Acquisition Agent fees | | | 253,561 | @ | 1.00% | | (2,536) |
| Acquisition Legal fees | | | 253,561 | @ | 0.50% | | (1,268) |
| Interest on Land | | | 253,561 | @ | 6.25% | | (15,848) |
| Residual Land Value | | | | | | | **231,732** |
| RLV analysis: | 23,173 | £ per plot | 741,542 | £ per ha | 300,098 | £ per acre | |
| **THRESHOLD LAND VALUE** | | | | | | | |
| Residential Density | | | 32.0 | dph | | | |
| Site Area (Resi) | | | 0.31 | ha | 0.77 | acres | |
| Density analysis: | | | 2,464 | sqm/ha | 10,733 | sqft/ac | |
| Threshold Land Value | 10,000 | £ per plot | 320,000 | £ per ha | 129,502 | £ per acre | **100,000** |
| **BALANCE** | | | | | | | |
| Surplus/(Deficit) | **13,173** | £ per plot | **421,542** | £ per ha | **170,596** | £ per acre | **131,732** |

Source: AspinallVerdi

4.38 Note that in order calculate the minimum grant requirement to deliver the schemes we have 'back-solved' the surplus/(deficit) to £1 by inserting a grant sum into the scheme revenue.

4.39 In addition to the above, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of: the viability and particularly the viability buffer; and the sensitivity of the appraisals to key variables such as Local Occupancy / Principal Residency values; construction costs / build rates; profit on 'market (Local Occupancy / Principal Residency) units and site specific S106 contributions. An example of a sensitivity appraisal and how they are interpreted is shown below.

## Local Occupancy and Principal Residency Values Sensitivity

**Figure 4.4 - Local Occupancy and Principal Residency Values versus Affordable Housing Sensitivity**

| | | AH - % on site 100% | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance (RLV - TLV) | 131,732 | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
| | 80% | 550,077 | 480,913 | 411,749 | 342,585 | 273,421 | 202,644 | 131,732 |
| | 85% | 633,925 | 550,786 | 467,648 | 384,509 | 301,370 | 216,624 | 131,732 |
| | 90% | 717,772 | 620,659 | 523,546 | 426,433 | 329,320 | 230,604 | 131,732 |
| | 95% | 801,620 | 690,532 | 579,444 | 468,357 | 357,269 | 244,584 | 131,732 |
| | 100% | 885,467 | 760,405 | 635,343 | 510,280 | 385,218 | 258,564 | 131,732 |
| | 105% | 969,315 | 830,278 | 691,241 | 552,204 | 413,167 | 272,544 | 131,732 |
| Local Occupancy and | 110% | 1,053,163 | 900,151 | 747,140 | 594,128 | 441,116 | 286,524 | 131,732 |
| Principal Residency Values | 115% | 1,137,010 | 970,024 | 803,038 | 636,052 | 469,066 | 300,504 | 131,732 |
| 100% | 120% | 1,220,858 | 1,039,897 | 858,936 | 677,976 | 497,015 | 314,484 | 131,732 |
| (% from base assumption) | 125% | 1,304,705 | 1,109,770 | 914,835 | 719,899 | 524,964 | 328,464 | 131,732 |
| | 130% | 1,388,553 | 1,179,643 | 970,733 | 761,823 | 552,913 | 342,444 | 131,732 |
| | 135% | 1,472,400 | 1,249,516 | 1,026,631 | 803,747 | 580,862 | 356,423 | 131,732 |
| | 140% | 1,556,248 | 1,319,389 | 1,082,530 | 845,671 | 608,812 | 370,403 | 131,732 |
| | 145% | 1,640,096 | 1,389,262 | 1,138,428 | 887,594 | 636,761 | 384,383 | 131,732 |
| | 150% | 1,723,943 | 1,459,135 | 1,194,327 | 929,518 | 664,710 | 398,363 | 131,732 |
| | 155% | 1,807,791 | 1,529,008 | 1,250,225 | 971,442 | 692,659 | 412,343 | 131,732 |
| | 160% | 1,891,638 | 1,598,881 | 1,306,123 | 1,013,366 | 720,608 | 426,323 | 131,732 |
| | 165% | 1,975,486 | 1,668,754 | 1,362,022 | 1,055,290 | 748,558 | 440,303 | 131,732 |
| | 170% | 2,059,333 | 1,738,627 | 1,417,920 | 1,097,213 | 776,507 | 454,283 | 131,732 |
| | 175% | 2,143,181 | 1,808,500 | 1,473,818 | 1,139,137 | 804,456 | 468,263 | 131,732 |
| | 180% | 2,227,029 | 1,878,373 | 1,529,717 | 1,181,061 | 832,405 | 482,243 | 131,732 |

Source: AspinallVerdi

4.40 This table shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different value assumptions for Local Occupancy and Principal Residency (% from base assumption) down the rows where 100% is the base case value assumption and 105% represents a 5% increase in values and 95% represents a -5% decrease in values and so on.

- You should be able to find the appraisal balance by looking up the base case AH% (100% or 80%) and the base case Values (100%).
- At 100% AH, the 'balance' does not vary according to the value of Local Occupancy and Principal Residency housing as there are no units of this type within the hypothetical scheme.
- Lower % levels of AH will increase the 'balance' and if the balance is positive then the scheme is viable in Plan Making terms.

- Similarly, lower value assumptions (80-95% of base assumption) will reduce the 'balance'. If the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. TLV, Profit (see below)).
- And, higher value assumptions (105-180% of base assumption) will increase the 'balance'.

## Unit Build Rates Sensitivity

**Figure 4.5 - Unit Build Rates versus Affordable Housing Sensitivity**

| | | AH - % on site 100% | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance (RLV - TLV) | 131,732 | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
| | 80% | 1,096,838 | 967,026 | 837,213 | 707,367 | 575,833 | 444,299 | 312,764 |
| | 85% | 1,043,995 | 915,371 | 786,746 | 658,121 | 528,224 | 397,865 | 267,506 |
| | 90% | 991,153 | 863,715 | 736,278 | 608,841 | 480,614 | 351,431 | 222,248 |
| | 95% | 938,310 | 812,060 | 685,810 | 559,561 | 433,005 | 304,998 | 176,990 |
| | 100% | 885,467 | 760,405 | 635,343 | 510,280 | 385,218 | 258,564 | 131,732 |
| Unit Build Rates | 105% | 832,625 | 708,750 | 584,875 | 461,000 | 337,125 | 212,130 | 86,474 |
| 100% | 110% | 779,782 | 657,095 | 534,407 | 411,720 | 289,033 | 165,696 | 41,215 |
| (% from base assumption) | 115% | 726,940 | 605,440 | 483,940 | 362,440 | 240,940 | 119,263 | (4,043) |
| | 120% | 674,097 | 553,785 | 433,472 | 313,160 | 192,847 | 72,535 | (49,301) |
| | 125% | 621,254 | 502,129 | 383,004 | 263,879 | 144,754 | 25,629 | (95,298) |
| | 130% | 568,412 | 450,474 | 332,537 | 214,599 | 96,662 | (21,276) | (147,170) |
| | 135% | 515,569 | 398,819 | 282,069 | 165,319 | 48,569 | (68,181) | (253,411) |
| | 140% | 462,726 | 347,164 | 231,601 | 116,039 | 476 | (118,825) | (558,708) |
| | 145% | 409,884 | 295,509 | 181,134 | 66,759 | (47,617) | (172,585) | (864,238) |
| | 150% | 357,041 | 243,854 | 130,666 | 17,478 | (96,617) | (226,345) | (1,169,767) |
| | 155% | 304,199 | 192,198 | 80,198 | (31,802) | (151,737) | (426,102) | (1,475,297) |
| | 160% | 251,356 | 140,543 | 29,731 | (81,082) | (206,858) | (739,567) | (1,780,826) |
| | 165% | 198,513 | 88,888 | (20,737) | (136,334) | (261,978) | (1,053,033) | (2,086,355) |
| | 170% | 145,671 | 37,233 | (71,205) | (192,815) | (341,247) | (1,366,498) | (2,391,885) |
| | 175% | 92,828 | (14,422) | (126,374) | (249,297) | (662,512) | (1,679,963) | (2,697,414) |
| | 180% | 39,985 | (66,077) | (184,216) | (305,778) | (983,913) | (1,993,428) | (3,002,944) |

Source: AspinallVerdi

4.41 This sensitivity shows the potential impact of increases (and decreases) of unit build rates (% from base assumption) on the viability of the scheme typologies.

4.42 The sensitivity shows the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different % changes to unit build rates. Similar to the Local Occupancy / Principal Residence sensitivity above, 100% is the base case unit build rates and 105% represents a 5% increase in costs and 95% represents a -5% decrease in costs and so on.

- The Affordable Housing (%) should be interpreted as for the Local Occupancy / Principal Residency Values v AH sensitivity above.
- Higher construction costs (>100%) result in a lower RLV which reduces the balance.
- Lower construction costs (<100%) result in a higher RLV which increases the balance.

4.43 The sensitivity shows that small increases to the unit build rates can have significant negative impacts on viability.

## Profit Sensitivity

### Figure 4.6 - Profit versus Affordable Housing Sensitivity

| | | AH - % on site 100% | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance (RLV - TLV) | 131,732 | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
| | 15.5% | 928,557 | 796,313 | 664,069 | 531,825 | 399,581 | 265,746 | 131,732 |
| | 16.0% | 917,785 | 787,336 | 656,888 | 526,439 | 395,991 | 263,950 | 131,732 |
| | 16.5% | 907,012 | 778,359 | 649,706 | 521,053 | 392,400 | 262,155 | 131,732 |
| | 17.0% | 896,240 | 769,382 | 642,524 | 515,667 | 388,809 | 260,359 | 131,732 |
| Profit on "Market" units | 17.5% | 885,467 | 760,405 | 635,343 | 510,280 | 385,218 | 258,564 | 131,732 |
| 17.50% | 18.0% | 874,695 | 751,428 | 628,161 | 504,894 | 381,627 | 256,768 | 131,732 |
| (% profit) | 18.5% | 863,923 | 742,451 | 620,979 | 499,508 | 378,036 | 254,973 | 131,732 |
| | 19.0% | 853,150 | 733,474 | 613,798 | 494,122 | 374,446 | 253,178 | 131,732 |
| | 19.5% | 842,378 | 724,497 | 606,616 | 488,735 | 370,855 | 251,382 | 131,732 |
| | 20.0% | 831,605 | 715,520 | 599,434 | 483,349 | 367,264 | 249,587 | 131,732 |
| | 20.5% | 820,833 | 706,543 | 592,253 | 477,963 | 363,673 | 247,791 | 131,732 |
| | 21.0% | 810,060 | 697,566 | 585,071 | 472,577 | 360,082 | 245,996 | 131,732 |
| | 21.5% | 799,288 | 688,589 | 577,890 | 467,190 | 356,491 | 244,201 | 131,732 |
| | 22.0% | 788,515 | 679,611 | 570,708 | 461,804 | 352,901 | 242,405 | 131,732 |
| | 22.5% | 777,743 | 670,634 | 563,526 | 456,418 | 349,310 | 240,610 | 131,732 |
| | 23.0% | 766,970 | 661,657 | 556,345 | 451,032 | 345,719 | 238,814 | 131,732 |
| | 23.5% | 756,198 | 652,680 | 549,163 | 445,646 | 342,128 | 237,019 | 131,732 |
| | 24.0% | 745,425 | 643,703 | 541,981 | 440,259 | 338,537 | 235,224 | 131,732 |
| | 24.5% | 734,653 | 634,726 | 534,800 | 434,873 | 334,946 | 233,428 | 131,732 |
| | 25.0% | 723,880 | 625,749 | 527,618 | 429,487 | 331,356 | 231,633 | 131,732 |

Source: AspinallVerdi

4.44 This figure shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of Profit (%) down the rows.

4.45 Note that these profit margins are on the 'market housing' values (i.e. the Local Occupancy / Principal Residence units). This has a significant impact on the ability of the 'market housing' to cross-subsidise the affordable units and therefore we have applied 6% profit regardless of the tenure (i.e. the 'market housing' is to fund the affordable housing not developers profit).

## Section 106 contributions sensitivity

### Figure 4.7 - Section 106 contributions versus Affordable Housing Sensitivity

| | | | | AH - % on site 100% | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance (RLV - TLV) | 131,732 | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
| | 0 | 895,169 | 770,107 | 645,044 | 519,982 | 394,920 | 268,168 | 141,336 |
| | 500 | 890,318 | 765,256 | 640,194 | 515,131 | 390,069 | 263,366 | 136,534 |
| | 1,000 | 885,467 | 760,405 | 635,343 | 510,280 | 385,218 | 258,564 | 131,732 |
| Site Specific S106 contributions | 1,500 | 880,617 | 755,554 | 630,492 | 505,430 | 380,367 | 253,762 | 126,930 |
| 1,000 | 2,000 | 875,766 | 750,704 | 625,641 | 500,579 | 375,517 | 248,960 | 122,128 |
| £ per unit | 2,500 | 870,915 | 745,853 | 620,790 | 495,728 | 370,666 | 244,158 | 117,326 |
| | 3,000 | 866,064 | 741,002 | 615,940 | 490,877 | 365,815 | 239,356 | 112,524 |
| | 3,500 | 861,214 | 736,151 | 611,089 | 486,027 | 360,964 | 234,554 | 107,722 |
| | 4,000 | 856,363 | 731,300 | 606,238 | 481,176 | 356,113 | 229,752 | 102,920 |
| | 4,500 | 851,512 | 726,450 | 601,387 | 476,325 | 351,263 | 224,950 | 98,118 |
| | 5,000 | 846,661 | 721,599 | 596,537 | 471,474 | 346,412 | 220,148 | 93,316 |
| | 5,500 | 841,811 | 716,748 | 591,686 | 466,623 | 341,561 | 215,346 | 88,514 |
| | 6,000 | 836,960 | 711,897 | 586,835 | 461,773 | 336,710 | 210,544 | 83,712 |
| | 6,500 | 832,109 | 707,047 | 581,984 | 456,922 | 331,860 | 205,742 | 78,910 |
| | 7,000 | 827,258 | 702,196 | 577,133 | 452,071 | 327,009 | 200,940 | 74,108 |
| | 7,500 | 822,407 | 697,345 | 572,283 | 447,220 | 322,158 | 196,138 | 69,306 |

Source: AspinallVerdi

4.46 This table shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of site specific S106 Contributions (£ per unit) down the rows.

- The Affordable Housing (%) should be interpreted as for the Local Occupancy / Principal Principle Residency Values v AH sensitivity above.
- Higher S106 contributions (>£1,000 per unit) result in a lower RLV which reduces the balance.
- Lower S106 contributions (<£1,000 per unit) result in a higher RLV which increases the balance.

4.47 As you can see from the above, the typologies are very sensitive to small changes to key inputs and particularly unit build rates. We have also tested a number of typologies representing a number of different sized schemes in the various housing market areas. This has resulted in a large number of appraisal results and exponential number of sensitivity scenarios.

4.48 In making our recommendations we have had regard to the appraisal results and sensitivities 'in the round'. Therefore, if one particular scheme is not viable, whereas other similar typologies are highly viable, we have had regard to the viable schemes in forming policy and cross checked the viability of the outlying scheme against the sensitivity tables (e.g. a small reduction in profit, or a small reduction in TLV which is within the margins of the 'viability buffer').

# 5 Existing Residential Evidence Base

5.1 We have reviewed the existing evidence to identify mix and density assumptions used. More detail on residential value assumptions used in the existing evidence base is outlined in the residential market report at Appendix 3.

## Housing Topic Paper for Consultation (2017)

5.2 The Housing Topic Paper provided background information on housing to support the 'Current Thinking' consultation (September 2017). This paper discussed the recommendations of the 2016 Strategic Housing Market assessment (SHMA) which is discussed in more detail in the following section.

5.3 The report includes analysis of completions and information on average house prices from the Land Registry 'Price Paid' Database for the two year period up to August 2017. This is discussed in detail in the Residential Market report (Appendix 3).

5.4 It is important to note that there is a predominance of larger homes within the existing stock. In 2011 the majority of dwellings (nearly 70%) were larger dwellings with three or more bedrooms. Smaller dwellings with one or two bedrooms made up 29.9% of the total. Similarly detached houses are the most common type of property in the National Park, making up 45% of the total, and flats are unusual, accounting for only 3% of the housing stock.

## North York Moors Strategic Housing Market assessment (2016)

5.5 The National Park cuts across four local authorities (Hambleton, Ryedale, Scarborough and Redcar and Cleveland). Its main settlements include; Helmsley, Swainby, Osmotherley, Hutton le Hole, Thornton le Dale and Goathland.

5.6 The National Park boundary does not reflect any administrative or standard boundary as the designation is landscape-based rather than population or politically based.

5.7 The study identified the Median House Prices within the district. This is discussed in detail in the Residential Market Report (Appendix 3).

## Mix

5.8 The 2016 SHMA states that provision of market housing should be more focussed on delivering smaller family housing for younger households. On this basis the following mix is recommended;

- 1-bed properties: 15 – 30%
- 2-bed properties: 40 – 60%
- 3-bed properties: 15 – 25%
- 4-bed properties: 5 – 10%

5.9 At a National Park-wide level, the following mix is recommended for affordable housing;

- 1-bed properties: 30 – 45%
- 2-bed properties: 30 – 45%
- 3-bed properties: 10 – 25%
- 4-bed properties: 5 – 10%

5.10 Note that the potential development sites in the National Park are generally small and therefore it is not always possible to assume a full range of unit types on any particular scheme typology. Our typologies matrix (Appendix 2) generally includes 2 and 3 bed units with some 4 bed Principal Residency units to test the cross-subsidy.

## Affordable Housing

5.11 The SHMA recommends the following tenure mix for affordable housing across the National Park is as follows;

- 20% - Intermediate Housing
- 80% - Social and Affordable Rented Housing

5.12 For the purposes of our viability assessment we have been instructed to assume either 100% affordable rent or 50:50 affordable rent and Intermediate Housing / Low Cost Home Ownership (LCHO). See the Typologies Matrix appended.

## North York Moors Community Infrastructure Levy Economic Viability Assessment (2013)

5.13 This study appraised the viability of introducing a Community Infrastructure Levy (CIL).

5.14 This included research into new build property values within the National Park as well as affordable housing transfer values. This research is discussed within our Residential Market Report (Appendix 3).

### Value Zones

5.15 Average achieved sales prices of properties at ward level were reviewed. A vague pattern of higher values in the south and west of the area and lower values in the north and east was identified. However, it was not considered to be adequately distinct and consistent across dwelling types to justify a variable CIL rate by value zone.

### Land Values

5.16 Valuation Office Agency (VOA) reports and agent consultation were taken into account to determine Threshold Land Values for the consideration of CIL.

5.17 The report assumed the following land values:

- Moderate value - £750,000 per ha
- High value - £900,000 per ha

5.18 However, this is based on market housing – affordable housing being exempt from CIL and therefore not comparable to the plot values for affordable housing applied herein.

5.19 We understand that CIL is not currently being progressed in the National Park.

### Development Characteristics

5.20 The majority of sites were expected to be small sites of less than 10 units / circa 0.25 ha.

5.21 The density of developments was typically found to be low with larger than average unit sizes. Therefore, the following assumptions were made:

- Moderate value scenarios - 32 dwellings per hectare and 110 sq. m average unit size;
- Higher value scenarios - 30 dwellings per ha and 120 sq. m average unit size.

5.22 Note that the current Local Plan proposes to restrict unit sizes and therefore we have nominally applied 32 dph in our appraisals. This is only relevant to calculate back the land value per acre or per hectare (the TLV being based on £ per plot value).

## Planning Obligations

5.23 CIL charges were excluded from the initial appraisals, however, an allowance of £1,000 per unit was made for S106 contributions which are necessary to make the scheme acceptable in planning terms. This allowance was based on current developer contributions with costs for items expected to be delivered through CIL stripped out.

5.24 We have applied a similar baseline site specific S106 allowance of £1,000 per unit.

## The Affordable Housing Viability Studies (2009)

5.25 The 2009 affordability study was conducted just after the financial crash when the housing market was depressed. The study was also conducted on the basis of existing Core Strategy which requires 50% affordable housing.

5.26 Other assumptions include:

- Blended profit of 15%
- No Section 106 agreements (other than affordable housing).

5.27 The majority of the sites were between 2 and 15 units. There was one 3.7 ha site identified on the edge of Helmsley. Low densities of around 30 units a hectare were adopted.

5.28 The affordable housing viability study provided evidence of new build sales values which we have discussed within our Residential Market Paper (Appendix 3).

5.29 In order to test the viability of S106 affordable housing, the study adopted an existing use value plus premium approach. The study assumed the following existing use values as the minimum.

- Agricultural Land - £15,000 per hectare
- Paddock Land - £25,000 per hectare
- Industrial Land - £250,000 per hectare.

## The Affordable Housing Viability Studies (2011)

5.30 This study is an update of the affordable housing viability study 2009 and adopts many of the same assumptions of the original study. Sales values and build costs were updated - see our Appendix 3.

## Development Monitoring Data

5.31 A total of 337 units have been developed since the adoption of the Core Strategy and Development Policies DPD in 2008. This equates to 37 per year. This figure is notably higher than the anticipated completion figure of 24 per year in the 2008 Core Strategy indicating that more new housing in the National Park has been completed compared to the 1990s and 2000s[34].

5.32 Table 5.1 and Table 5.2 below provide a summary of these completions.

**Table 5.1 - Completions between 2008 and 2017 - Size of dwelling**

| | New Build | | Conversions | | All Completions | |
|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % |
| 1 Bedroom | 3 | 0.9% | 21 | 6.2% | 24 | 7.1% |
| 2 Bedroom | 90 | 26.7% | 40 | 11.9% | 130 | 38.6% |
| 3 Bedroom | 111 | 32.9% | 36 | 10.7% | 147 | 43.6% |
| 4+ Bedroom | 20 | 5.9% | 16 | 4.7% | 36 | 10.7% |
| **Total** | **224** | **66.5%** | **113** | **33.5%** | **337** | **100.0%** |

Source: Housing Topic Paper for Consultation, 2017

**Table 5.2 - Completions between 2008 and 2017 - Type of dwelling**

| | New Build | | Conversions | | All completions | |
|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % |
| Open Market | 60 | 17.8% | 40 | 11.9% | 100 | 29.7% |
| Local Needs | 40 | 11.9% | 73 | 21.7% | 113 | 33.5% |
| Affordable | 124 | 36.8% | 0 | 0.0% | 124 | 36.8% |
| **Total** | **224** | **66.5%** | **113** | **33.5%** | **337** | **100.0%** |

Source: Housing Topic Paper for Consultation, 2016

5.33 We have had regard to the above pattern of completion when formulating our typologies (see Typologies Matrix at Appendix 2).

5.34 Since 2008 124 affordable houses have been completed (37% of the total supply of housing over that period). The vast majority (119 homes) came forward on ‘rural exception sites’[35]. Note that the proportion of affordable units would be lower if Helmsley is included.

[34] Paragraph 6.5, Housing Topic Paper for Consultation, 2017
[35] Paragraph 10.8, Housing Topic Paper for Consultation, 2017

# 6 Residential Typologies

6.1 Our residential typologies are set out on the matrix at Appendix 2.

6.2 This sets out: typical scheme sizes (5 or 10 unit types): locations, based on the housing market zones identified in our Residential Market Report; most likely development scenario (e.g. greenfield or brownfield); and typical constraints. This is to broadly reflect the potential development sites in the National Park.

6.3 The number of units on each typology is set to be divisible (as far as possible) between the various tenure types.

6.4 As mentioned above we have assumed a development density of 32 dph across all typologies. This is consistent with previous viability studies within the National Park. The only significance of this in terms of the appraisals is to calculate the hypothetical site area for any particular typology (the TLV being based on £ per plot value).

6.5 The Typologies Matrix (Appendix 2) shows the specific unit mix and tenure mix for each of the typologies based upon the Local Plan policies and existing evidence base described above.

6.6 We have not included infill sites in our typologies as only a small proportion of housing in the National Park comes forward through these developments. Viability on these sites is not usually an issue as typically they are custom or self-build projects, or 'stand-alone' products commissioned by the occupier. Such sites are taken up when the occupier finds them to be economically realistic. Such housing is not required to cross subsidise other development and subsidy or grant would not be required or suitable for a custom or self-build project. Furthermore in practice an average of only two homes per year through this route over the past ten years. We have not included conversions in our typologies as these are by definition bespoke.

## Unit Sizes

6.7 For the purposes of our appraisal we have ensured that our assumptions meet or exceed the nationally described housing standards by DCLG. In forming our floor area assumptions to be adopted within the appraisals, the nationally described space standards provide a useful benchmark and are our starting point.

6.8 The DCLG minimum floorspace standards are set out on the table below.

**Table 6.1 - Technical Housing Standards**

| Number of bedrooms(b) | Number of bed spaces (persons) | 1 storey dwellings | 2 storey dwellings | 3 storey dwellings | Built-in storage |
|---|---|---|---|---|---|
| 1b | 1p | 39 (37)[2] | | | 1.0 |
| | 2p | 50 | 58 | | 1.5 |
| 2b | 3p | 61 | 70 | | 2.0 |
| | 4p | 70 | 79 | | |
| 3b | 4p | 74 | 84 | 90 | 2.5 |
| | 5p | 86 | 93 | 99 | |
| | 6p | 95 | 102 | 108 | |
| 4b | 5p | 90 | 97 | 103 | 3.0 |
| | 6p | 99 | 106 | 112 | |
| | 7p | 108 | 115 | 121 | |
| | 8p | 117 | 124 | 130 | |
| 5b | 6p | 103 | 110 | 116 | 3.5 |
| | 7p | 112 | 119 | 125 | |
| | 8p | 121 | 128 | 134 | |
| 6b | 7p | 116 | 123 | 129 | 4.0 |
| | 8p | 125 | 132 | 138 | |

Source: Technical housing standards – nationally described space standard (March 2015)

6.9 The DCLG standards set out a complex matrix of house types and storey heights. We have therefore had to simplify this for our analysis.

6.10 Table 6.2 below provides a summary of our assumptions:

**Table 6.2 - Floorspace Assumptions**

| Property Type | Affordable Housing (Sqm) | 'Market' Housing (Local Occupancy / Principal Residency) (Sqm) |
|---|---|---|
| 2-Bed House | 79 | 79 |
| 3-Bed House | 93 | 93 |
| 4-Bed House | 106* | 106* |

Source: AspinallVerdi, May 2018

6.11 * The Local Plan requires that in order to maintain the rural character of Smaller Villages whilst also meeting the needs of the local community individual dwellings should have an internal floor area of no more than 93 square metres unless, in the case of an affordable dwelling, a specific need for a larger unit has been identified. However, a 2 storey 4 bedroom dwelling is likely to be in excess of 93 sqm and we have assumed 106 sqm.

# 7 Residential Value Assumptions

7.1 This section sets out our residential value assumptions. It should be read in conjunction with the residential market review paper (Appendix 3).

7.2 We have carried out an Authority wide (including the four Districts which cover the National Park Authority) review of the housing market with particular emphasis on;

- New build achieved values – a detailed analysis of the Land Registry new build achieved values (last year sales) cross-referenced, on an address-by-address basis (approx. 300 properties), to the floor areas published on the EPC database in order to derive the achieved values (£ per square meter).
- New Build asking values – we have reviewed new build developments currently 'on-site' within the four District to understand the up to date values associated with new build properties which can be used in our viability testing. We have specifically focussed on those closest to the National Park Authority boundary.
- Identifying Housing Value Zones – we have reviewed second hand Land Registry values (last two years), focussing on semi-detached and terraced properties sold within the Authority boundary.

7.3 Given the market evidence for new build (and second hand) achieved values and new build asking values we have adopted the following sales rates and values for market housing within our appraisals.

## Figure 7.1 - Absolute Value (£) assumptions

| Housing Value Zones | No of Beds | Market Value (MV) | Principal Residency @ 95% MV | Affordable Rent @ 80% MV | LCHO @ 65 % MV |
|---|---|---|---|---|---|
| **Western Fringes (A19/A172 Corridor)** | 2 | £205,000 | £194,750 | £164,000 | £133,250 |
| | 3 | £280,000 | £266,000 | £224,000 | £182,000 |
| | 4 | £355,000 | £337,250 | £284,000 | £230,750 |
| | | | | | |
| **Central National Park e.g. Esk Valley** | 2 | £180,000 | £171,000 | £144,000 | £117,000 |
| | 3 | £205,000 | £194,750 | £164,000 | £133,250 |
| | 4 | £245,000 | £232,750 | £196,000 | £159,250 |
| | | | | | |
| **North East Zone** | 2 | £105,000 | £99,750 | £84,000 | £68,250 |
| | 3 | £150,000 | £142,500 | £120,000 | £97,500 |
| | 4 | £190,000 | £180,500 | £152,000 | £123,500 |
| | | | | | |
| **Southern Zone (A170/A64 Corridor)** | 2 | £210,000 | £199,500 | £168,000 | £136,500 |
| | 3 | £215,000 | £204,250 | £172,000 | £139,750 |
| | 4 | £270,000 | £256,500 | £216,000 | £175,500 |

Source: AspinallVerdi (180504 HMA's v2)

## Figure 7.2 - £ psm Value assumptions

| Housing Value Zones | No of Beds | Floor areas (sqm) | Market Value (MV) | Principal Residency @ 95% MV | Affordable Rent @ 80% MV | LCHO @ 65 % MV |
|---|---|---|---|---|---|---|
| **Western Fringes (A19/A172 Corridor)** | 2 | 79 | £2,595 | £2,465 | £2,076 | £1,687 |
| | 3 | 93 | £3,011 | £2,860 | £2,409 | £1,957 |
| | 4 | 106 | £3,349 | £3,182 | £2,679 | £2,177 |
| | | | | | | |
| **Central National Park e.g. Esk Valley** | 2 | 79 | £2,278 | £2,165 | £1,822.78 | £1,481 |
| | 3 | 93 | £2,204 | £2,094 | £1,763 | £1,433 |
| | 4 | 106 | £2,311 | £2,196 | £1,849 | £1,502 |
| | | | | | | |
| **North East Zone** | 2 | 79 | £1,329 | £1,263 | £1,063 | £864 |
| | 3 | 93 | £1,613 | £1,532 | £1,290 | £1,048 |
| | 4 | 106 | £1,792 | £1,703 | £1,434 | £1,165 |
| | | | | | | |
| **Southern Zone (A170/A64 Corridor)** | 2 | 79 | £2,658 | £2,525 | £2,127 | £1,728 |
| | 3 | 93 | £2,312 | £2,196 | £1,849 | £1,503 |
| | 4 | 106 | £2,547 | £2,420 | £2,038 | £1,656 |

Source: AspinallVerdi (180504 HMA's v2)

7.4 Note that the capital values were discussed at the stakeholder workshop on 18th July 2018 and the subject of extended consultation until 9th August 2018. See Appendix 5.

# 8 Residential Cost Assumptions

8.1 The development costs adopted within our appraisals are evidenced (where necessary) and set out below. Note that we consulted with stakeholders on these assumptions at the workshop on 18th July 2018. See Appendix 5.

## Initial Payments

8.2 Table 8.1 below shows the 'up-front' costs prior-to or at start-on-site.

**Table 8.1 - Residential Appraisals Initial Cost Assumptions**

| Item | Comment |
|---|---|
| Planning Application Professional Fees and Reports | Allowance for typology. |
| Statutory Planning Fees | Based on national formula. |
| CIL | Not Applicable in North York Moors National Park. |
| Site-Specific S106 Contributions | Site Specific Allowance for typology.<br>We have made an allowance of £1,000 per unit for Section 106 / Section 278 costs and provide sensitivities upwards and downwards of this. |

Source: AspinallVerdi

## Construction Costs

8.3 Table 8.2 summarises our build cost assumptions.

**Table 8.2 - Build Cost Assumptions**

| Item | Cost | Comments |
|---|---|---|
| Demolition / Site Clearance | £100,000 per acre | For brownfield typologies we have made an allowance for site clearance / demolition. |
| Housing units | £1,275 psm | Based on analysis of benchmarks and locational factors as advised by Turner & Townsend (see Appendix 4). |
| Renewables | £2,250 per unit | Allowance for renewable technologies to offset 10% of the predicted CO2 emissions, as advised by Turner & Townsend (see Appendix 4). |

| Item | Cost | Comments |
|---|---|---|
| External Works (on plot) | 15% | Plot external works sympathetic to the National Park location, as advised by Turner & Townsend (see Appendix 4). |
| Site Wide infrastructure costs | 20% | Site wide infrastructure costs, as advised by Turner & Townsend (see Appendix 4). These would normally be bespoke to a particular development. |
| Contingency | 3% of the above construction costs | As advised by Turner & Townsend (see Appendix 4). Note that known abnormal costs would be deducted from the price of the site. |

Source: AspinallVerdi

## Other Cost Assumptions

8.4 The table below summarises all the other costs which have factored into the appraisals (Table 8.3).

**Table 8.3 - Other Cost Assumptions**

| Item | Cost | Comments |
|---|---|---|
| Professional Fees | 6.5% | These are construction related professional fees as opposed to the 'Planning Application Professional Fees and Reports' professional fees included above at the feasibility stage. |
| Disposal Costs | 1.0% (Sale Agents)<br>0.5% (Sales Legal Fees)<br>3.0% (Marketing & Promotion) | These are in relation to the 'market housing' only (Local Occupancy / Principal Residency). They are not applicable for affordable housing by a Registered Provider.<br>Note that the disposals have to be considered 'in-the-round' with the sales values and gross profit (where developers have internal sales functions). |
| Finance Costs | 6.25% interest rate | Applies to 100% of cashflow to include Finance Fees etc. |

Source: AspinallVerdi

## Developers Profit Assumptions

8.5 For the purposes of this EVA we applied a baseline profit of 6% to the affordable housing.

8.6 Note that the Draft Planning Practice Guidance for Viability, March 2018, states that:

*For the purpose of plan making an assumption of 20% of Gross Development Value (GDV) may be considered a suitable return to developers in order to establish viability of the plan policies. A lower figure of 6% of GDV may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces the risk. Alternative figures may be appropriate for different development types e.g. build to rent. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development*[36].

8.7 However if you apply 15-20% profit margins are on the 'market housing' values (i.e. the Local Occupancy / Principal Residence units), this has a significant impact on the ability of the 'market housing' to cross-subsidise the affordable units. We have therefore applied 6% profit regardless of the tenure (i.e. the 'market housing' is to fund the affordable housing not developers profit). This was the subject of discussion at the stakeholder workshop on 18th July 2018.

8.8 It is important to note that it is good practice for policy obligations not to be set right up to the margins of viability. However, in certain circumstances developers will agree lower profit margins in order to secure planning permission and generate turnover. The sensitivity analyses within the appendices show the 'balance' (i.e. RLV – TLV) for developer's profit from 15.5% to 25% on the Local Occupancy / Principal Residency turnover. This clearly shows the significant impact of profit on viability.

[36] Note that the final PPG (July 2018) now refers to profit of 15-20% which 'may be considered a suitable return to developers in order to establish viability of plan polices'.

# 9 Residential Land Value Assumptions

9.1 As set out above in section 4, in the context of the North York Moors National Park, the land value is restricted to a nominal plot value for affordable housing due to the policy constraints.

9.2 The Threshold Land Value (TLV) assumed is the same across the National Park and is based on a single plot value of £10,000 per dwelling. This is the same whatever the existing use value (previous use, in the context of vacant sites) reflecting the exceptional circumstances of development in the National Park and that 'market' housing is only permitted to allow the development of affordable housing.

9.3 Based upon a development density of 32 dph, the TLV of £10,000 per plot represents £320,000 per hectare / £129,500 per acre. This is a significant premium over agricultural values.

# 10 Viability Results and Conclusions

10.1 We set out below the results of our viability appraisals. For ease of reference, the results are grouped by tenure mix and follow our typologies matrix. Where necessary, we provide comment on any nuances in the results.

10.2 The residential appraisals are appended in full at appendix 6. These include a summary table at the end of each group of appraisals (as described below).

10.3 Note that in the discussion below we have rounded the values for ease of interpretation.

## Typologies A-F: 100% Affordable Rent

10.4 These schemes assume 100% Affordable Rent tenure (with no Low Cost Home Ownership and / or 'market housing').

10.5 The Threshold Land Value (TLV) is £10,000 per plot.

10.6 Profit is included @ 6% contractor's margin.

10.7 Typologies A and B are greenfield and brownfield typologies respectively in the highest market value area - the Western Fringes (A19/A172 corridor). Both of these schemes are viable in that they deliver a residual land value (RLV) of £23,000 and £16,500 per plot respectively. This is greater than the £10,000 TLV and therefore these schemes are viable for Plan making purposes.

10.8 The other typologies C-F are all fundamentally not viable without grant i.e. the RLV of the scheme is negative irrespective of the low TLV.

10.9 Typologies C (greenfield) and D (brownfield) in the comparatively lower value North East Zone require grant funding of £79,300 per unit and £86,600 per unit respectively.

10.10 Typology E is a greenfield typology in the Central National Park e.g. Esk Valley zone and we calculate requires a grant of c £32,000 per unit.

10.11 Typology F is a brownfield typology in the Southern Zone (A170/A64 corridor) and requires grant funding of c £23,500 per unit.

10.12 On the basis that Homes England has funding of this magnitude (subject to the detailed business case being made by the Registered Provider's), these are otherwise viable.

## Typologies G-L: 50% Affordable Rent and 50% LCHO

10.13 These schemes assume 100% Affordable Housing comprising 50% Affordable Rent tenure and 50% Low Cost Home Ownership (no 'market housing').

10.14 The Threshold Land Value (TLV) is still £10,000 per plot.

10.15 Profit is included @ 6% contractor's margin.

10.16 These typologies all require greater amounts of grant funding. This is due to the comparatively lower value of LCHO (65% of Market Value) compared to Affordable Rent (80% of Market Value).

10.17 Typologies G and L are the same greenfield and brownfield typologies respectively in the highest market value area - the Western Fringes (A19/A172 corridor). Both of these schemes require grant funding of £4,000 per unit and £11,250 per unit respectively. Note that the greenfield typology G is only marginally unviable in that without grant it would still generate a RLV of c £6,400 per plot. This is less than the £10,000 per plot TLV and hence is deemed unviable for Plan making purposes without grant.

10.18 Typologies I (greenfield) and J (brownfield) in the comparatively lower value North East Zone require grant funding of £89,000 per unit and £96,500 per unit respectively.

10.19 Typology K is a greenfield typology in the Central National Park e.g. Esk Valley zone and we calculate requires a grant of c £46,000 per unit.

10.20 Typology L is a brownfield typology in the Southern Zone (A170/A64 corridor) and requires grant funding of c £39,000 per unit.

10.21 On the basis that Homes England has funding of this magnitude (subject to the detailed business case being made by the Registered Provider's), these are otherwise viable.

## Typologies M-R: 80% Affordable Housing and 20% 'Market Housing'

10.22 These schemes assume 80% Affordable Housing (comprising 50% Affordable Rent tenure and 50% Low Cost Home Ownership) and 20% 'market housing' (100% Principal Residency).

10.23 Note that the unit mix is skewed towards the larger 4 bed units as the Principal Residency and the smaller 2 and 3 bed units as the affordable.

10.24 Given the 50:50 Affordable Housing tenure mix they are only comparable with typologies G-L above. Typologies A-F assume 100% Affordable Rent.

10.25 The Threshold Land Value (TLV) is still £10,000 per plot.

10.26 Profit is included @ 6% contractor's margin (all tenures).

10.27 These typologies all require similar amounts of grant funding (with the exception of M (see below)). This is due to the additional value of the Principal Residency being cancelled out by:

- Additional costs of marketing the Principal Residency units
- Additional finance costs on the cashflow
- Additional profit (same 6%, but applied to a higher turnover).

10.28 Again typologies M and N are the same greenfield and brownfield typologies respectively in the highest market value area - the Western Fringes (A19/A172 corridor).

10.29 Typology M (greenfield) is viable without grant funding. Including the Principal Residency units this delivers a RLV of £16,800 per plot which is greater than the TLV (£10,000 per plot).

10.30 Typology N (brownfield) is marginal. Without grant funding the RLV is £9,725 per plot which although viable is below the £10,000 per plot TLV.

10.31 All the other typologies are fundamentally unviable i.e. the RLV is negative, even with the Principal Residency units.

10.32 Typologies O (greenfield) and P (brownfield) in the comparatively lower value North East Zone require grant funding of £104,000 per unit and £113,000 per unit respectively.

10.33 Typology Q is a greenfield typology in the Central National Park e.g. Esk Valley zone and we calculate requires a grant of c £48,000 per unit.

10.34 Typology R is a brownfield typology in the Southern Zone (A170/A64 corridor) and requires grant funding of c £38,000 per unit.

10.35 Consequently, there is little benefit to be gained by complicating an affordable housing scheme with 'market housing'.

10.36 In conclusion, the sites in the Western Fringes (higher value zone) are viable without grant funding subject to the tenure mix. The sites other parts of the district in are likely to require grant funding whatever the Affordable Housing tenure mix. The most funding is required in the lower value North Eastern zone.

10.37 Assuming that Homes England has funding of this magnitude (subject to the detailed business case being made by the Registered Providers), the Plan is viable.

10.38 In addition, we recommend that, in accordance with best practice, the plan wide viability is reviewed on a regular basis to ensure that the Plan remains relevant as the property market cycle(s) change. Our sensitivities demonstrated that the schemes are sensitive to increases in build rate, therefore particular attention should be paid to monitoring construction costs.

10.39 Furthermore, to facilitate the process of review, we recommend that the Authority monitors the development appraisal parameters herein, but particularly data on land values across the National Park.

# Appendix 1 - Policies Matrix

# Appendix 2 - Typologies Matrix

# Appendix 3 - Residential Market Report

# Appendix 4 - Turner & Townsend Cost Report

# Appendix 5 - Stakeholder Workshop Slides and Attendees

# Appendix 6 - Residential Appraisals