

JOINT PLANNING COMMITTEE
UPDATE SHEET – 13 AUGUST 2018

Correspondence received and matters arising following preparation of the agenda

Item A1

WA/2017/0920

5 - 21 WEY HILL, HASLEMERE

Amendments to the Agenda Report

Page 5 of the agenda advises that the application has a Time Extended Date until 20/06/2018. This has since been updated by the applicant and the application now has a Time Extended Date until 14/11/2018.

The 2008 permission should be added to the 'Relevant Planning History' section:

WA/2008/2217	Erection of 43 sheltered retirement apartments and 699 sqm of B1 commercial floor space together with basement car/cycle parking following demolition of existing buildings	Refused 18/03/2009
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Paragraph 2 of the section titled 'Noise and Vibration' on page 39 of the agenda should end '.....as well as surrounding residents'

Response from the Council's Independent Viability Consultant

The exempt Viability Report (prepared by Adams Integra, dated October 2017) annexed at pages 65 – 94 of the agenda has prompted requests for clarification from Members. These requests for clarification have been submitted to the Council's Independent Viability Consultant for response and are outlined below. For ease of reference, the Members questions have been outlined in bold, with the Council's Independent Viability Consultant response underneath:

- 1. The report only indicates that it is less margin with affordable. It isn't making a judgement as to what level of margin is such that they should be allowed to remove the affordable component? Would you be able to point me to the place in the report that criteria is established and send that out**

on an update sheet or highlight it? If there is no criteria and its case by case then surely any such question is a judgment for councillors?

The latest National Planning Policy Framework and Planning Practice Guidance (July 2018) states the following:

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. 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. A lower figure 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 risk. Alternative figures may also be appropriate for different development types.

The scheme is a flatted development and therefore carries a higher risk than say 2, 3 and 4 bed housing. It is a 45 unit scheme which is a medium sized development. A profit range of 17.5% to 20% would be considered fair and reasonable and in line with guidance.

2. The Adams Integra report p.5 uses the upper quartile RICS figure for build costs (£1,863 per sq. m.). Why is this more appropriate than any of the lower figures quoted?

The total build cost proposed by Isoceles sits firmly within the range of BCIS estimates for this type of construction. The BCIS data is a guide and having examined the applicants build cost report and looked at the proposed build quality, it was Adams Integra opinion that the application of the upper quartile rate was fair and reasonable.

The conclusion to the Adams Integra October 2017 report was clear in that the site no longer benefits from the previous planning permission and is a vacant piece of land with no existing use. However, the appraisal shows that a negative land value is produced.

However, in order to generate a positive land value, the profit level would only need to be reduced to 18% on GDV. This shows the sensitivity of the scheme in

relation to the various inputs. The base build cost rate would only need to be reduced slightly to produce an appraisal that starts to show a surplus and a situation where affordable housing could be provided on site.

The reason Adams Integra suggested an independent Quantity Surveyor/Cost consultant is engaged to analyse the build costs produced by Isosceles (at the applicant's expense) is due to the complicated nature of the build that has been put forward by the applicant.

The BCIS figures are just a guide and a cost plan produced by a Quantity Surveyor is preferable. Following these comments, the Council engaged an independent Quantity Surveyor who concluded that whilst some savings could be made, the costs were 'fair and reasonable'.

3. The Adams Integra report p.6 repeats a request for a breakdown of the floor areas. Has this information been provided and, if not, is this a concern?

Adams Integra was able to estimate the floor area from the build cost report and drawings that were provided.

4. Have Adams Integra refreshed the sales figures for 5-21 Wey Hill.

The sales figures have not been refreshed since the October 2017 report. The Nationwide House Price Index only shows an increase of 1.5% in sales values since October 2017, whereas BCIS data show that build costs have risen by around 4% in the same period. As such, this is not considered necessary.

5. Do Adams Integra agree that each affordable home costs the developer about £45,000 in profit? 20% profit on GDV is 25% profit on cost, so an affordable home valued at 5% profit on cost means that the developer has foregone 20% (=25% - 5%) profit on cost. Given £10m build cost and 45 units, this implies an average cost of £222k and 20% of that is £45k.

The difference in profit between the scheme with 40% and the scheme with zero % is £884,250 which is £49,125 per affordable unit.

6. In addition to the above, Press and Starkey report p.3. (agenda p.98) lists several possible savings and states on p.4 that costs in some areas seem expensive. However, it then states that a build cost of £9.9m is fair and reasonable. This seems illogical.

It is understood that whilst the build costs of the scheme are considered to be fair and reasonable, some savings could potentially be made if the proposed high quality building materials were replaced by lower quality building materials.

Given that this would negatively affect the overall design of a building that would be in a highly prominent and strategic location, Officers consider that the use of high quality materials is essential to the visual amenities of the area.

7. Also in addition to the above, it has been asked why in all of these cases, the Viability Reports/Council do not investigate securing less affordable housing than the maximum Policy requirement.

On concluding that a scheme providing 40% affordable housing would not be viable, the Council's Viability Consultant then considered whether other levels of affordable housing could be provided on site. The overall conclusion from the Council's Viability Consultant confirmed that there would be no scope to provide affordable housing on the site, subject only to further analysis from a Quantity Surveyor. This has been done and the Council's Quantity Surveyor concluded that the build costs were fair and reasonable.

8. What is covered by the 8% Prelims and 7% Margin in the Press and Starkey Report?

The Quantity Surveyor has confirmed that the 8% preliminaries relate to the main contractors costs for running the project on site – things such as site management, accommodation, tools, plant and some scaffolding. The 7% margin relates to the main contractors profit on the project.

In conclusion, the Council's Viability Consultant has responded that the build costs have now been verified by independent QS and they have concluded that they are fair and reasonable. The scheme would not be viable with any affordable housing on site. A scheme of 100% open market housing only shows a small residual land value and would only be viable for the developer and land owner if a reduced profit is applied.

In light of the further responses from the Council's Viability Consultant, Officers remain satisfied that the assumptions and inputs used in appraising the financial viability of the proposed development are fair and reasonable and that a scheme providing any affordable housing would not be viable. An objection to the application in relation to the absence of any affordable housing provision on the site would therefore not be justifiable in this particular instance.

Amendment to Condition

Condition 1 has been amended to reflect the correct drawing number revisions (highlighted in bold)

1. Condition

The plan numbers to which this permission relates are 14-1423-060J, 14-1423-061H, 14-1423-062H, 14-1423-063H, 14-1423-064G, **14-1423-065H**, **14-1423-066F**, 14-1423-067E, 14-1423-68D and L90-100K. The development shall be carried out in accordance with the approved plans. No material variation from these plans shall take place unless otherwise first agreed in writing with the Local Planning Authority.

Reason

In order that the development hereby permitted shall be fully implemented in complete accordance with the approved plans and to accord with Policies D1 and D4 of the Waverley Borough Local Plan 2002.

Revised Recommendation

Recommendation A

That subject to the applicant entering into appropriate legal agreement within 6 months of the date of the committee resolution to grant planning permission to secure contributions towards education, recycling provision, off-site play area and playing pitch improvements, mitigation for the impact on the SPA, off-site highways improvements and on-site SuDS and open space management/maintenance and subject to conditions and informatives, permission be GRANTED, subject to amended Condition 1 as above.

Recommendation B

~~That, in the event that the requirements of Recommendation A are not met, that permission be REFUSED~~