



# TENDRING

June 2019

**Addendum to 2017**

**Economic Viability Study**

**Three Dragons and Troy Planning + Design**





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This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and is based on local data supplied by Tendring District Council, consultation and quoted published data sources. The toolkit provides a review of the development economics of a range of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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# Executive Summary

- 1 This Addendum has been prepared to build upon the work carried out in the Tendring Economic Viability Study (July 2017) produced by Three Dragons and Troy Planning + Design on behalf of Tendring District Council. The 2017 Study forms part of the library of evidence for the 'Tendring District Local Plan 2011-2033 and Beyond' (the 'Section 2 Local Plan'), submitted for Examination in October 2017. This study should be read alongside these documents.
- 2 Section 1 of the Local Plan (prepared jointly with Braintree and Colchester authorities) was subject to public examination in January 2018 but the examination process has been paused to allow more work to be carried out.
- 3 In view of the delays to Section 1 and resultant delay to the examination of Section 2 as well as the publication of a new National Planning Policy Framework and Guidance in July 2018, Tendring District Council (TDC) has commissioned an addendum to the earlier study and a specific assessment of three proposed site allocations.
- 4 This Addendum has been prepared in consultation with the development industry and has followed the relevant regulations and guidance and is in line with the National Planning Policy Framework.

## **Residential development**

- 5 To test viability, we drew up a number of case studies which reflect the type of sites likely to come forward, in light of the policies in the Section 2 draft Local Plan and historic patterns of development. These are broadly the same as the case studies tested in our 2017 study but with some amendment to reflect changes to anticipated delivery on sites that have not yet been granted planning permission and a possible greater range of densities:
  - a) A set of 1 hectare 'tiles' at varying densities – these represent more straightforward sites and give a flavour of how the policies in the draft Local Plan may impact generally across all areas and densities;
  - b) A series of case studies ranging from 15 to 300 dwellings which reflect typical sites identified in the SHLAA process and allocated in the Local Plan and/or are likely to come forward as windfall;
  - c) Sheltered and Extra Care schemes;
  - d) Rural Exception Sites;



- e) Build to Rent.
- 6 In addition we have tested 3 Strategic Allocated Mixed Use (SAMU) sites – these are sites allocated for mixed use development in the Local Plan:
- a) SAMU1 – 150 Dwellings
  - b) SAMU2 – 1,700 Dwellings
  - c) SAMU3 – 918 Dwellings.

### **Key Assumptions used in the testing**

- 7 Three value areas were identified within the plan area and have been used for the testing, divided into 'Frinton Cluster', 'Manningtree & Rural North' and 'Eastern'. House prices and land values are highest in the Frinton Cluster, followed by Manningtree & Rural North, then lowest in Eastern value area.
- 8 The testing has taken account of the proposed policies in the draft Section 2 Local Plan including:
- LP5 – Affordable & Council Housing: sets an affordable housing target of 30% of the total number of residential units on development sites of 11 dwellings or more (up to 20% can be as an off-site contribution);
  - SPL3 - Accessible & Adaptable Homes: requires 10% of both market and affordable housing to be to Part M(4) 2 of Building Regulations 2010 adaptable & accessible standard and 5% of affordable homes to be to Part M(4) 3 wheelchair user standards;
  - LP3 – Housing Density & Standards: (B) New housing to be built to 'national minimum internal floor-space standards';
  - LP2 – Housing Choice: requires, "On developments of 11 or more (net) dwellings, the Council will expect to see a mix of dwelling size, type and tenure that broadly reflects the housing need identified in the latest Strategic Housing Market Assessment".
- 9 Both costs and values have increased since the 2017 study and have been updated in this Addendum. These and all assumptions used in the testing are based on published sources, local research and industry norms. They have been prepared in consultation with the Council, development industry and social housing providers. A full list of the assumptions used in the testing can be found at Appendix I.

### **Summary**

- 10 The viability study addendum supports the findings of the Tendring Viability Study 2017 demonstrating a viable and deliverable plan. In most cases there has been an

improvement in development viability, although case studies including higher than normal costs have seen a slight decrease. However, neither of these changes are significant enough to alter the conclusions and findings of the 2017 study.

- 11 A policy of 30% affordable housing is supported on most sites. Some flexibility over density, mix or affordable housing should be maintained to allow Build to Rent schemes to come forward, or, in the Eastern value area only, specialist older persons or flatted development, or schemes with particularly high infrastructure costs.
- 12 The most viable schemes occur in the Frinton Cluster, followed by Manningtree & Rural North, then the Eastern value area. In the higher value areas there could be potential to capture more value from development than modelled here. However, that is not to say that in Eastern areas development is marginal – in most cases there was enough viability ‘headroom’ to meet all policy requirements in the draft Local Plan.
- 13 The 3 SAMU sites tested are shown to be viable and deliverable. Infrastructure costs should be kept under review but as such all planned infrastructure including transport and education can be delivered alongside 30% affordable housing.
- 14 It is anticipated that the Section 2 of the Local Plan will not be examined until 2020. In which case we would recommend that assumptions are reviewed nearer that time to check as to whether they are still appropriate.



# 1 Introduction

## Purpose of the Addendum

- 1.1 This Addendum has been prepared to build upon the work carried out in the Tendring Economic Viability Study (July 2017<sup>1</sup>) produced by Three Dragons and Troy Planning + Design on behalf of Tendring District Council. The 2017 Study forms part of the library of evidence<sup>2</sup> for the 'Tendring District Local Plan 2011-2033 and Beyond' (the 'Section 2 Local Plan'), submitted for Examination in October 2017. The findings in this report should be read alongside the 2017 Study.
- 1.2 The viability evidence provided in this report is to support Tendring District Council as its Section 2 Local Plan continues to progress through Examination in Public to adoption. The Council recognise the importance of producing a plan that is viable and deliverable and has commissioned Troy Planning + Design and Three Dragons to assess viability.
- 1.3 From the perspective of national policy, it is important that the viability study can be relied upon as being up to date to demonstrate that the proposed policy requirements and standards for a development can be considered sound. Since the previous study there have been several updates to national policy and guidance and this Addendum notes the updated guidance in relation to residential development and plan making, notwithstanding that the Plan will be assessed against older guidance under transitional arrangements.

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<sup>1</sup> [https://www.tendringdc.gov.uk/sites/default/files/documents/planning/Planning\\_Policy/TDC\\_015%20Economic%20Viability%20Study%20-%20June%202017.pdf](https://www.tendringdc.gov.uk/sites/default/files/documents/planning/Planning_Policy/TDC_015%20Economic%20Viability%20Study%20-%20June%202017.pdf)

<sup>2</sup> Submission Document Reference TDC/015



- 1.4 Please note, at this stage it has not been considered necessary to update the non-residential viability tests that are within the 2017 study as there has been little change in government guidance in respect to the approach for testing such uses.

## Local planning policy context for the Addendum

- 1.5 Tendring District Council, Braintree District Council and Colchester Borough Council, collectively forming the North Essex Authorities (NEA), submitted their Local Plan in October 2017. The examination was paused in January 2018 to allow for additional work to be carried out on the evidence base and Sustainability Appraisal. As a result of both the pause in examination and the publication of the new NPPF and PPG, plus the possibility of changes to viability testing assumptions, an Addendum to the original 2017 viability assessment has been commissioned.
- 1.6 The policies of the submission version Section 2 Local Plan were fully assessed in the July 2017 Study in terms of outlining the requirements and standards sought from development alongside the type, scale and locations of growth for which provision is made. Appendix II of the July 2017 viability assessment contains an assessment of all emerging Local Plan policies with regards to implications for viability testing.
- 1.7 The Council has not suggested any changes to any policies with implications for viability testing since the 2017 study was published, therefore that testing remains relevant. This Addendum aims to update time sensitive assumptions and those impacted by new guidance and provide more fine grain testing of strategic sites in recognition of the new guidance.
- 1.8 In preparing this Addendum it was therefore agreed that the policies in the submission version of the Tendring Local Plan should in principle be tested 'as submitted' and with the intention of them being applied as they are proposed.
- 1.9 In summary the Addendum will:
- Have regard to the proposals for phasing and housing delivery rates indicated in updates from the Council. The Strategic Housing Land Availability Assessment (2018)<sup>3</sup> details the trajectory for the Plan period. The use of an updated trajectory makes an allowance for the change in status of allocations with planning permission. It also

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<sup>3</sup>[https://www.tendringdc.gov.uk/sites/default/files/documents/planning/Planning\\_Policy/2018%20Tendring%20SHLAA.pdf](https://www.tendringdc.gov.uk/sites/default/files/documents/planning/Planning_Policy/2018%20Tendring%20SHLAA.pdf)

provides a basis on which to understand whether the policy requirement for affordable housing is already being achieved in practice on sites within the district.

- Where relevant, more recent evidence from past trends in delivery and information on supply expected to come forward as part of the plan has been used to refine and supplement development typologies and case studies tested in the 2017 Study.
- Provide more detailed testing of the proposed Strategic Mixed-Use Allocations ('SAMU' sites), so that the specific viability context for each site can be fully understood. These allocations represent strategically important sites critically important to delivery of the objectives and quantum of development relied upon in the emerging Section 2 Local Plan for Tendring. It is important that the testing carried out in this refresh is aligned closely with the scale, phasing and costing information obtained through the Infrastructure Delivery Plan, recognising short, medium- and long-term impacts on cash flow.
- Review development viability testing assumptions in relation to information such as new house prices and build costs.

## National planning context

- 1.10 National planning guidance has changed since the last study with the publication of a new National Planning Policy Framework in July 2018 and February 2019 as well as an updated Planning Practice Guidance for viability, the most recent version in May 2019. However under transitional<sup>4</sup> arrangements it is understood that Part 2 Local Plan will be examined against earlier versions – the 2012 NPPF and 2014 PPG on viability. It will nonetheless be important to be mindful of the new guidance when assessing viability as this will be the context in which decisions are taken.
- 1.11 Both the 2012 and 2019 NPPF advise that cumulative effects of policy should not combine to render plans unviable:

*'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and*

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<sup>4</sup> NPPF 2019 Para 214

*water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.’<sup>5</sup>*

- 1.12 Planning Practice Guidance<sup>6</sup> (PPG) provides further detail about how the NPPF should be applied and contains general principles for understanding viability. The approach taken in the latest PPG reflects our approach to viability in that it emphasises a realistic understanding of the costs and values of development, taking account of Plan policies, alongside direct engagement with the development industry<sup>7</sup>. Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability, with further detail where viability may be marginal or for strategic sites with high infrastructure requirements<sup>8</sup>. Not every site requires testing and site typologies may be used to determine policy<sup>9</sup>. Thus the latest PPG is not dissimilar to PPG 2014 and an outline of how the earlier version was taken into account can be found at paragraph 1.6 of the 2017 viability study.
- 1.13 However the 2019 PPG differs from earlier versions in that it places more emphasis on testing strategic sites<sup>10</sup>, goes further in setting out how costs should be defined<sup>11</sup> and places clear emphasis on existing use value when setting benchmark land values<sup>12</sup>. It places greater weight on viability at plan making stages by setting out that *‘the price paid for land is not a relevant justification for failing to accord with relevant policies’* and that *‘the role for viability assessment is primarily at the plan making stage’<sup>13</sup>*.

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<sup>5</sup> MHCLG, 2019 NPPF Para 34

<sup>6</sup> MHCLG, Planning Practice Guidance

<sup>7</sup> PPG 10-002-20190509

<sup>8</sup> PPG 10-003-20180724

<sup>9</sup> PPG 10-004-20190509

<sup>10</sup> PPG 10-005-20180724

<sup>11</sup> PPG 10-012-20180724

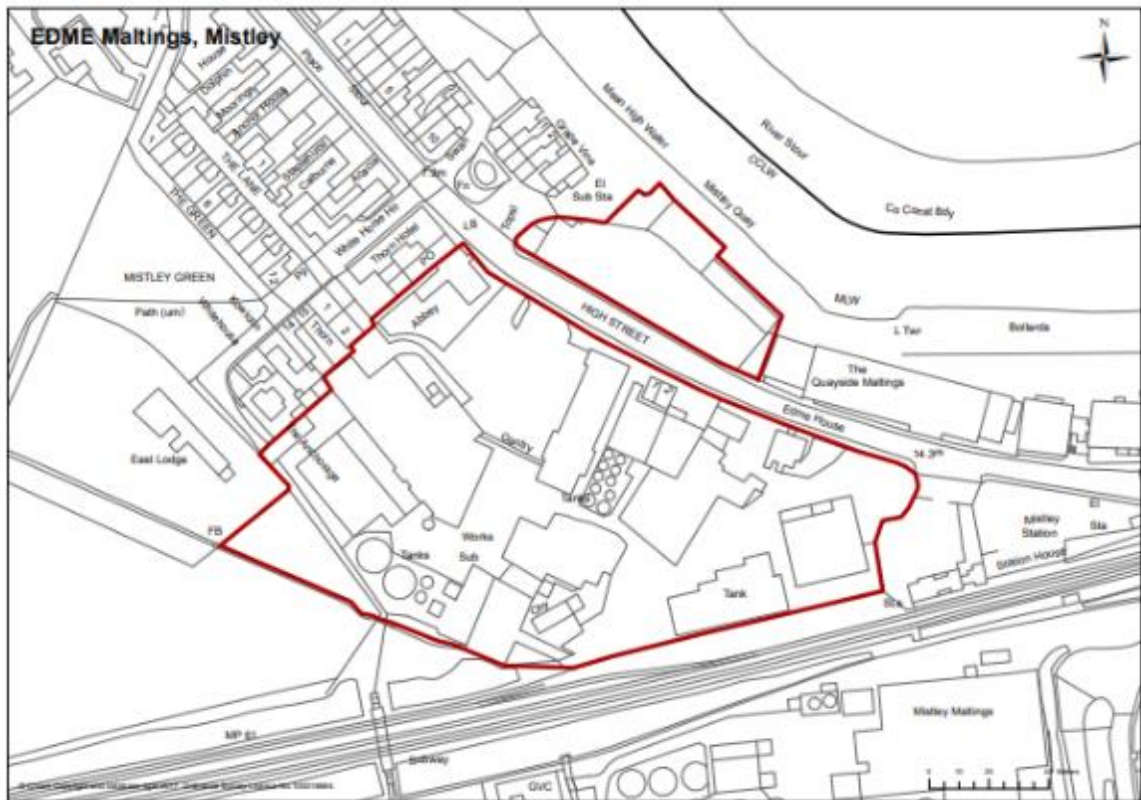
<sup>12</sup> PPG 10-014-20190509

<sup>13</sup> PPG 10-002-20190509

## Draft Local Plan - Strategic Sites

- 1.15 The draft Local Plan includes a number of Strategic Allocated Mixed Use (SAMU) sites through which the council will deliver its housing requirement alongside other strategic priorities. The addendum includes a more detailed testing approach for strategic sites, the assumptions for which are discussed in the next chapter. The Council selected 3 SAMU sites for testing, which are detailed below.

### SAMU1 EDME Maltings

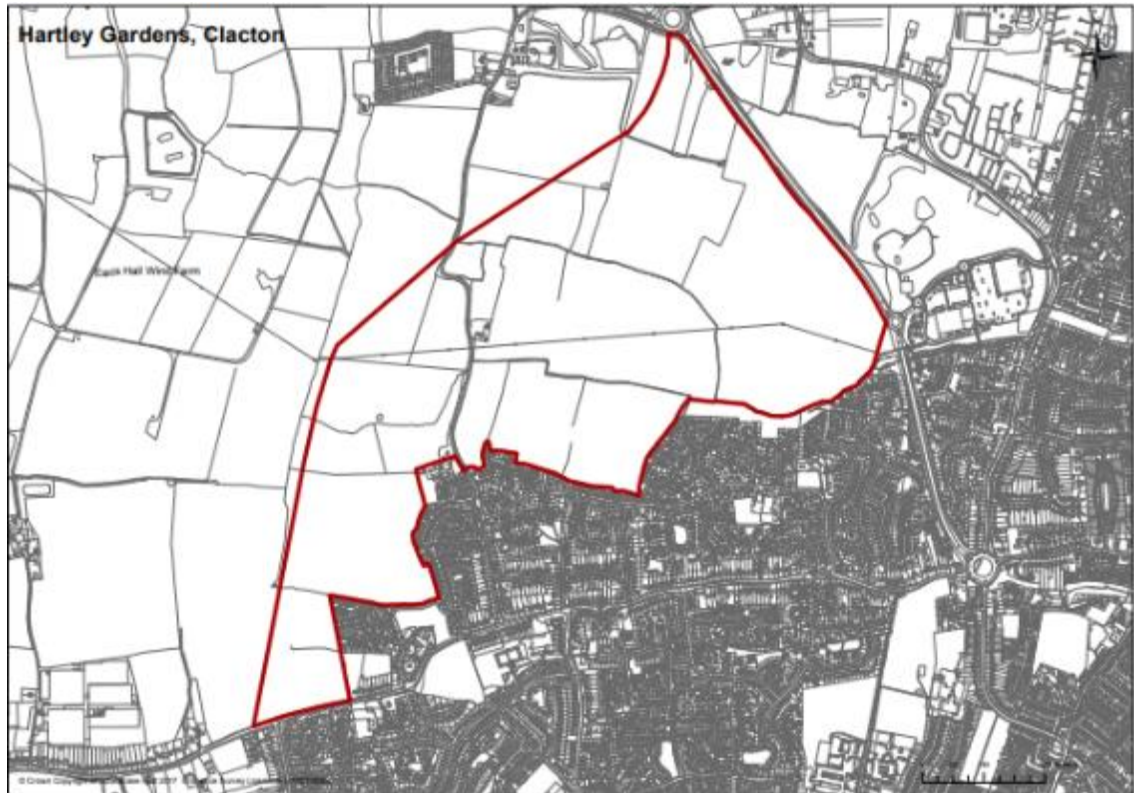


- 1.16 Land at EDME Maltings, Mistley, is allocated in the Section 2 Local Plan for mixed use development, for at least 150 homes, at least 0.13 hectares of land for employment and recreation/leisure uses.
- 1.17 Given the existing employment use of the site, businesses will need to be relocated prior to redevelopment, and therefore delivery timescale will be longer and dependent upon finding suitable alternative premises. Owing to the uncertainty of the ability for the employment uses to be relocated, the delivery of the dwellings within the plan period is not being relied upon in the trajectory. However, Table LP2 in the submission Local Plan offers support for the site to be delivered between 2028/29 and 2032/33.
- 1.18 The site at EDME Maltings has particular constraints in relation to maritime heritage and nature conservation and many historic buildings will need to be retained. There will also be

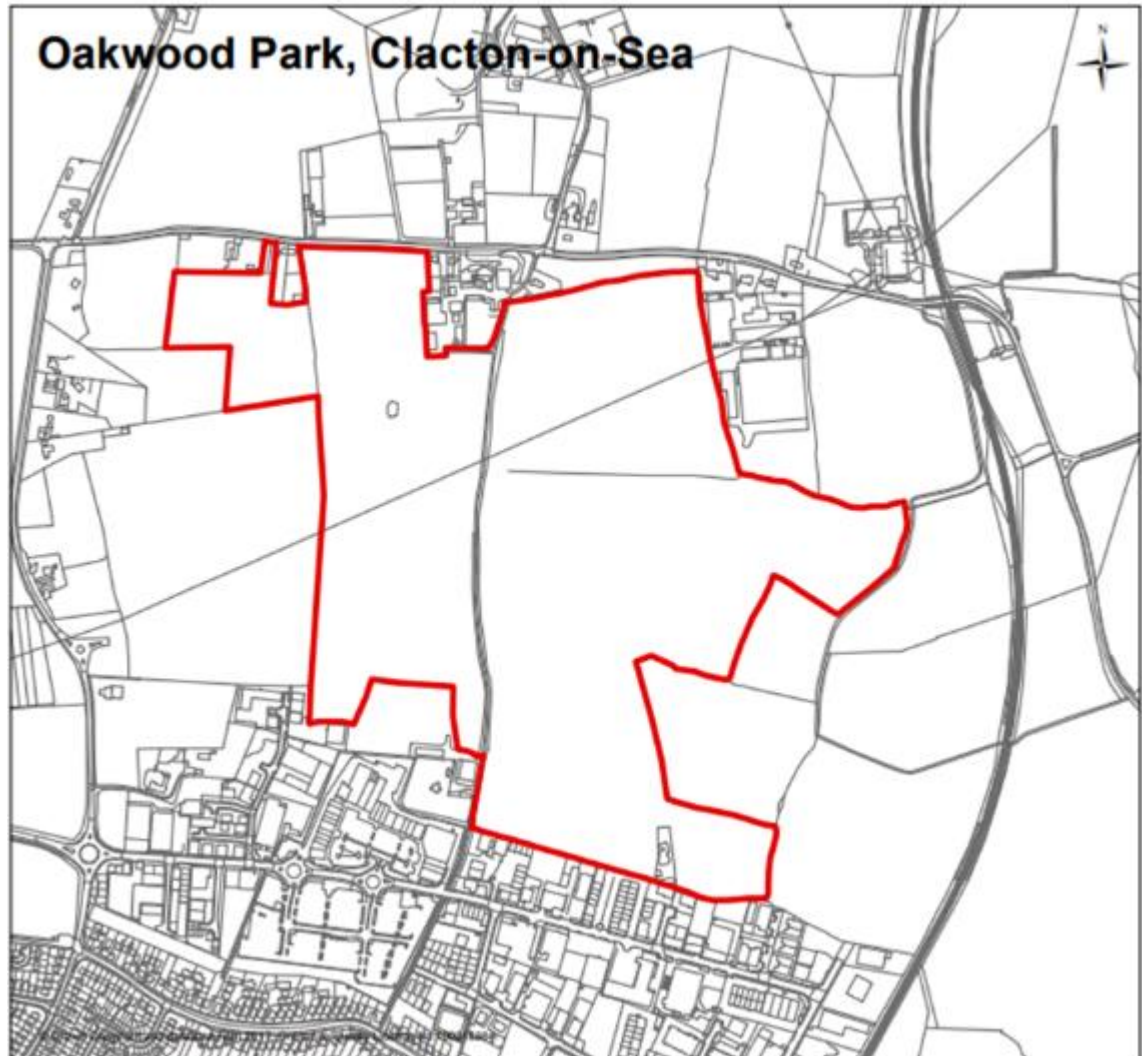


the requirement for clearance of the site, once businesses have been relocated. These are interesting considerations for the viability study as mitigation costs will be higher than a typical site.

### **SAMU2 Hartley Gardens**



- 1.19 Land at Hartley Gardens, Clacton, is allocated in the Section 2 Local Plan for mixed use development for 1,700 homes, at least 7ha employment land, a new primary school with co-located early years and childcare facility and 1ha of public open space. The settlement of Clacton is expected to deliver 3,100 homes, and therefore the land at Hartley Gardens represents approximately 19% of the allocated growth within the plan period.
- 1.20 Table LP2 in the submission Local Plan suggests that 300 homes will be delivered in 2023/24 to 2027/28 and a further 300 in 2028/29 to 2032/33. The remaining 1,100 will be delivered beyond the end of the plan period.
- 1.21 The south eastern part of the site has secured outline planning permission for a mixed use development, including 200 homes (16/01250/OUT). It is therefore possible that part of the site could come forward earlier than anticipated in the Local Plan, but this will be subject to reserved matters being approved.

**SAMU3 Oakwood Park**

- 1.22 Land at Oakwood Park, Clacton, is allocated in the Section 2 Local Plan for mixed used development comprising 750 homes, 3.3ha of open space, a new primary school with co-located early years and childcare facility, extra care and health care facilities and a local centre. Of the total number of dwellings, it is required that 180 units address a specific requirement for accommodation designed for the needs of older residents.
- 1.23 Table LP2 in the submission Local Plan suggests that 300 homes will be delivered in 2023/24 to 2027/28 and a further 300 in 2028/29 to 2032/33. The remaining 150 will be delivered beyond the end of the plan period. In relation to delivering housing choice, Policy LP2 in the submission Local Plan states that the Council will support the development of bungalows and retirements complexes to meet the future needs of older and disabled residents.

- 1.24 The promoter of this site has indicated in their latest concept plan and delivery statement that 918 dwellings will be delivered on this site.
- 1.25 Adjacent to the site, to the west, outline permission for 250 dwellings has been secured, and the reserved matters are currently being determined (18/01800/DETAIL).
- 1.26 The three sites each come with their own individual challenges which present different considerations for viability testing. The implications of the requirements for each site is detailed further on in this document.

## Research evidence

- 1.27 The research which underpins the Economic Viability Study 2017 and which was updated for the Addendum 2019 includes:
- Analysis of information held by the authority, including the profile of land supply identified in the Strategic Housing Land Availability Assessment and sites proposed for allocation in the emerging Local Plan; a review of historic planning permissions; and reviewing records of planning contributions;
  - A stakeholder workshop was undertaken on 13 March 2017 and held jointly on behalf of the three authorities of Braintree District Council along with Colchester Borough Council and Tendring District Council. Relevant stakeholders from the original workshop were re-contacted in November 2018 and invited to comment on the revised assumptions;
  - Promoters of the SAMU sites were contacted individually. Meetings and follow-up discussion were held with the promoters of SAMU2 and SAMU3;
  - Telephone interviews with Registered Providers operating in the district;
  - Follow up discussions with stakeholders and estate agents were used to validate assumptions for land values and property prices, particularly for new-build stock;
  - On-going dialogue with council officers, in-particular from planning and housing; and
  - Analysis of publicly available data to identify the range of values and costs needed for the viability assessment.
- 1.28 A conclusion from the updated research was that house prices and building costs (along with associated infrastructure costs) had increased significantly since the original study.
- 1.29 All the residential viability testing uses the Three Dragons Toolkit, adapted for Tendring, to analyse scheme viability for residential development and the Three Dragons bespoke model for the analysis of non-residential schemes.





## 2 Residential development

### Site type tested

- 2.1 To test viability, we drew up a number of case studies which reflect the type of sites likely to be come forward, in light of the policies in the Section 2 draft Local Plan, including the allocated sites, and historic patterns of development. Working with the Council, we prepared a range of site typologies for testing and these are broadly the same as the sites tested in our 2017 study but with some amendment to reflect changes to anticipated delivery on sites that have not yet been granted planning permission and a possible greater range of densities:
- a) A set of 1 hectare 'tiles' at varying densities – these represent more straightforward sites and give a flavour of how the policies in the draft Local Plan may impact generally across all areas and densities;
  - b) A series of case studies ranging from 15 to 300 dwellings which reflect typical sites identified in the SHLAA process and allocated in the Local Plan and/or are likely to come forward as windfall; for the purposes of reporting these are split further into
    - i) Small – medium case studies based on sites of less than 2 hectares at around 50 units or fewer and with a net to gross ratio of between 90% and 100%;
    - ii) Intermediate & large case studies representing potential delivery on sites of more than 2 ha with a net to gross ratio of 80% or lower;
  - c) Sheltered and Extra Care schemes
  - d) Rural Exception Sites - examples of potential Rural Exception Sites (RES) where the assumption is that 100% of units will be affordable but if this is not viable then a proportion of market homes may be allowed to facilitate delivery of affordable units.

**Figure 2.1: Case Study Sites Tested**

<b>1 ha tiles</b>	<b>Sites under 2 ha</b>	<b>Sites over 2 ha</b>	<b>Sheltered &amp; Extra Care</b>	<b>RES</b>	<b>Build to Rent</b>
<b>25 units</b>	T1 – 15 units	T5a - 80 units	T8 -50 sheltered	RES - 10 units	T10 - 75 Build to Rent flats
<b>30 units</b>	T2 – 25 bungalows	T5b -80 units (higher density)	T9 – 50 extra care		
<b>35 units</b>	T3a – 50 units	T6 – 125 units			
<b>40 units</b>	T3b – 50 units (higher density)	T7 – 300 units			
	T4 – 50 flats				

2.2 In addition we modelled the three further specific Strategic Allocated Mixed Use (SAMU) sites, as detailed in chapter 1, of approximately 150, 1700 and 900 units based on allocated sites SAMU1, SAMU2, SAMU3. Note that for SAMU3 we tested the number of residential units submitted in the promoter's concept plan and delivery statement<sup>14</sup>, as advised by TDC. This is an increase from the figure of 750 in the Local Plan<sup>15</sup>.

<sup>14</sup> Number and mix of units supplied by TDC, taken from the Concept Plan & Delivery Statement

<sup>15</sup> Para 9.3.1 Draft Local Plan TDC October 2017

**Figure 2.2: Allocated Sites Tested**

Site Ref	Value Area	Dwelling Mix (full details Annex I)	Density	Net Area (ha)	Gross area (ha)	Net to Gross %
<b>SAMU 1</b>	Manningtree & Rural North	150 units Apartments & townhouses + 0.13 ha employment	88 dph	1.70	2.24	76%
<b>SAMU 2</b>	Eastern	1,700 General mix (680 units during Plan period)	38.5 dph	44.20	68.00	65%
<b>SAMU 3</b>	Frinton Cluster	918 units Half units bungalows, remaining units - general mix	26.65 dph	34.45	53.00	65%

## Key assumptions used in the testing

- 2.3 The assumptions used in the 2017 Study were updated using the research methods outlined in chapter 1. These are discussed below.

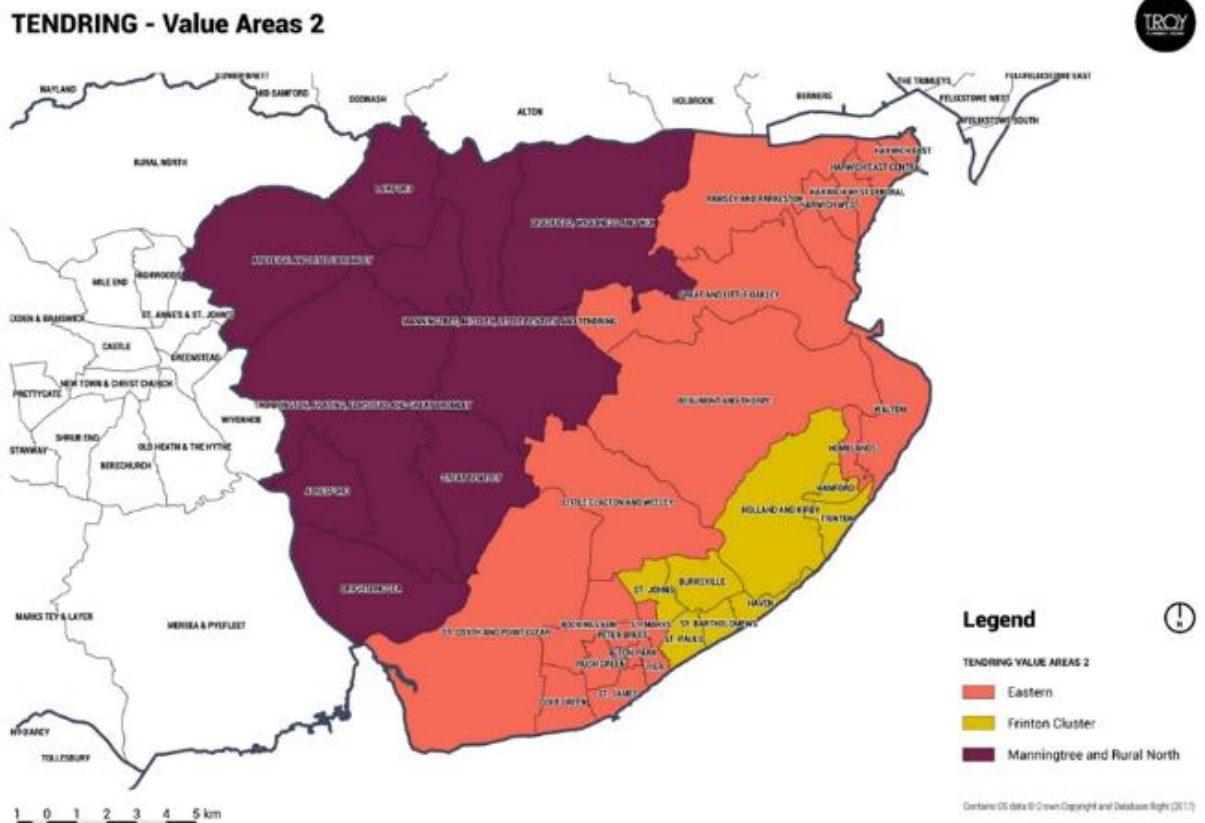
### Value areas

- 2.4 Three value areas were presented to the development industry workshop in January 2017. These were:

- Frinton;
- Manningtree & Rural North; and
- Eastern.

These are shown on the map at figure 2.3 below.

Figure 2.3: Value Areas



2.5 No comments or amendments were requested. In subsequent consultation the three value areas were largely supported, albeit with one request for further subdivision. However evidence did not support this and the areas have not subsequently been amended, although it is noted that there will be a range of prices and values within each value area. House prices and land values are highest in the Frinton Cluster, followed by the Manningtree & Rural North, then lowest in the Eastern area. Based on information obtained from Land Registry<sup>16</sup>, no amendment to these value areas was required for the Addendum.

**Benchmark land values**

2.6 There is no single agreed figure to be used for the benchmark land value for each of value areas and our 2017 study arrived at realistic benchmark values through review of a number of data sources. These included values used in previous viability studies, existing use values (+premium) and known values achieved within the district. Again this approach concurs with NPPG 2014 & 2018<sup>17</sup>. No new evidence has been provided in the second

<sup>16</sup> Land Registry Price Paid Data – latest at June 2018 and HPSSA Dataset 13 – mean price paid newly built dwellings



consultation or through further analysis of the local land market, therefore we have kept land values the same as for the original study.

- 2.7 Benchmark land values for the Rural Exception Sites (RES) have been derived on a slightly different basis. They are based on a value per plot (for the market and affordable housing) and reflect 'typical' values found in the region and verified by feedback from RPs with experience of operating in the district.

**Figure 2.4: Benchmark Land Values per gross ha**

Tendring – Value Areas	Small – Medium sites (less than 2ha)	Intermediate site (2-6 ha)	Large strategic site (over 6 ha area)	Rural Exception Sites
Eastern value area	£0.4m	£0.35m	£0.25m	£10K plot
Manningtree & rural north value area	£0.7m	£0.57m	£0.44m	£10K plot
Frinton cluster value area	£0.95m	£0.7m	£0.44m	£10K plot

### Sales values

- 2.8 House prices are based on Land Registry data, adjusted for new build values. Values were reviewed with local estate agents. We have increased sales values since our original 2017 study to take account of rises in the Land Registry House Price Index <sup>18</sup>.
- 2.9 For site SAMU 3, we have reduced values for bungalows by 10% following consultation with the developer and evidence supplied. This reflects the particular conditions of the localised market.

<sup>17</sup> NPPG para 013 Reference ID: 10-013-20180724 24/07/18

<sup>18</sup> Rise between 0% and 15% depending upon house type and location – see Land Registry Price Paid Data – latest at June 2018 and HPSSA Dataset 13 – mean price paid newly built dwellings

## Draft local plan policies

2.10 The testing has taken account of the proposed policies in the draft Local Plan including:

- **LP5** – Affordable & Council Housing: sets an affordable housing target of 30% of the total number of residential units on development sites of 11 dwellings or more (up to 20% can be as an off-site contribution)
- **SPL3** - Accessible & Adaptable Homes: requires 10% of both market and affordable housing to be to Part M(4) 2 of Building Regulations 2010 adaptable & accessible standard and 5% of affordable homes to be to Part M(4) 3 wheelchair user standards
- **LP3** – Housing Density & Standards – (B) New housing to be built to ‘national minimum internal floor-space standards’
- **LP2** – Housing Choice: requires, *"On developments of 11 or more (net) dwellings, the Council will expect to see a mix of dwelling size, type and tenure that broadly reflects the housing need identified in the latest Strategic Housing Market Assessment"*

## Affordable housing

2.11 As per the 2017 study, we have tested affordable housing tenure for the case studies as 80% rented and 20% intermediate as this best corresponds with the Strategic Housing Market Assessment and policy LP2. However, Council officers and affordable housing providers have indicated that delivery at 70% rented and 30% intermediate is more likely to satisfy housing associations internal viability criteria. Therefore we have modelled a 70/30 rented/intermediate affordable tenure split for the 3 SAMU sites.

2.12 In addition, paragraph 64 of National Planning Policy Framework (NPPF) 2019<sup>19</sup> requires that, on major development, *"at least 10% of the homes to be available for affordable home ownership"*.

This would mean that at least 35% of the affordable homes would need to be for affordable home ownership in Tendring (although the SHMA findings is much lower<sup>20</sup>). We have therefore also modelled a sample of case study sites where 35% of the affordable housing is intermediate (in this case shared ownership).

2.13 It has been assumed that no grant is available to subsidise the affordable housing. In practice, some grant may be available, but it is not possible to say how much and in what

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<sup>19</sup> NPPF July 2019

<sup>20</sup> Table 7.4 SHMA 2015 – shows need for just 6 shared ownership dwellings

circumstances. Testing with nil grant is therefore prudent but does mean we are reporting a 'worse case' picture.

### **Build to Rent**

- 2.14 Where we have modelled a Build to Rent scheme we have tested rents at lower, median and upper quartiles taken from the Valuation Office Agency<sup>21</sup> for the year to end September 2018. The assumptions for this model are based net rents, discounted over 30 years, reverting to perpetuity value after this period. It is important to note that this is an emerging market with more than one approach to calculating value and we would recommend the assumptions are kept under review. Full details of rental values, voids, debt, management, maintenance and discount rate can be found in Appendix I and the values generated are shown in Appendix 2 (3) – results.

### **Development costs**

- 2.15 Development costs have been based on standard industry published sources such as Building Costs Information Service (BCIS). Building costs have increased significantly since the original study<sup>22</sup> and we have used these higher levels in our viability refresh. We have also increased site opening up costs and the value of external works in line with these increases.
- 2.16 Densities and housing mix are based on past delivery as well as the council's aspirations for future development in the district. In consultation with the council we have tested a 30 dph mix as standard. However additional testing is carried out at higher and lower densities to capture more rural and urban settings. Densities for the SAMU sites are based on the site allocation details supplied by the council.
- 2.17 The net to gross ratios for residential units are on advice from the council and take into account requirements for open space and mitigation.
- 2.18 To take account of typical s106 / s278 payments we allowed £5,000 per dwelling on sites up to 125 units and £11,000 per dwelling on larger sites to take account of a possible higher education contribution and potential for additional S106 infrastructure. (No CIL is applicable.) These figures represent a small amendment to the previous testing<sup>23</sup> and were arrived following a review of recent contributions achieved by the council alongside

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<sup>21</sup> <https://www.gov.uk/government/collections/private-rental-market-statistics>

<sup>22</sup> By just over 10% for houses BCIS at September 2018

<sup>23</sup> In previous study we used £5K for smaller sites and £10K for larger

discussion with officers on the IDP supporting the Local Plan and anticipated future obligations.

- 2.19 S106 for the SAMU sites was calculated on a site-by-site basis, taking into account analysis supplied in the Infrastructure Delivery Plan (IDP) and in discussion with site promoters. It should be noted that the IDP was updated during the writing of this Addendum Report and we have used the latest version<sup>24</sup>. We have also added in extra contingency where there appears to be additional risk: for unforeseen site-specific costs in respect of SAMU 1 and for the costs of the link road in SAMU 2. Where development relies on the provision of infrastructure we have front loaded the costs to the early years of the development trajectory. School provision is costed to coincide with a live requirement, as per the IDP.
- 2.20 Where costs are recorded as 'unknown' in the IDP and the site promoter has not been able to supply further information, we have benchmarked against other similar schemes. Health in particular was not specified and it is unclear what contribution may be made by the health authority, so costs have been benchmarked against those used by neighbouring authorities<sup>25</sup>.
- 2.21 The Total S106 and site infrastructure costs for the SAMU sites are shown in the table below (further detail on infrastructure costs can be found in Appendix II (table 4)).

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<sup>24</sup> Infrastructure Delivery Plan Review – Final Report June 2019 (Navigus Planning)

<sup>25</sup> Similar costs (£833 per dwelling) unchallenged at Chelmsford Local Plan EiP  
<https://www.chelmsford.gov.uk/planning-and-building-control/planning-policy-and-new-local-plan/new-local-plan/local-plan-examination/>

**Figure 2.5: S106 and infrastructure costs for SAMU sites**

	<b>Total S106 &amp; infrastructure Per unit</b>	<b>Site opening up Per unit</b>
<b>SAMU 1</b>	£17,700 (includes additional contingency equivalent to +5% build costs <sup>26</sup> )	£7,500
<b>SAMU 2</b>	£24,500 (includes additional 40% contingency on link road)	£7,500
<b>SAMU 3</b>	£12,500	£7,500

2.22 Where we have discounted case study sites, we have allowed 50 dwellings per outlet per annum, as advised through consultation with the development industry. The SAMU sites have been discounted using the housing trajectory contained in the Strategic Housing Land Availability Assessment (SHLAA)<sup>27</sup>.

2.23 Finally, for the case studies, we have also carried out a series of sensitivity tests to evaluate the impact of:

- Higher costs which could occur on sites e.g. for site remediation or additional infrastructure;
- Differing affordable housing tenures, in particular a higher number of affordable home ownership options;
- Differing densities and market mixes are allowed for in the selection of case studies outlined above.

2.24 A full list of the assumptions used in the testing can be found at Appendix I.

<sup>26</sup> Equivalent to C£1.0m across the scheme

<sup>27</sup> Tendring DC Strategic Housing Land Availability Assessment October 2014





# 3 FINDINGS

3.1 The findings are summarised below under headings that correspond with the case study types identified above, that are:

- 1 ha tiles
- Small-medium case studies
- Intermediate-large case studies
- Sheltered & Extra Care
- Rural Exception Sites
- Build to Rent
- SAMU Sites

3.2 All results are also shown in the table at Appendix II.

## 1 hectare tiles

- 3.3 The 1 ha tiles are straightforward case studies of 1 ha exactly, tested at varying densities and in all 3 value areas. They give a flavour of how Local Plan policies will impact across the district. The results from testing are shown in the chart below, clustered by density. The value areas are distinguished by different coloured bars. Benchmark land value has already been deducted from the residual value, hence any result above £0 per gross hectare can be considered viable.

**Figure 3:1 ha tiles - Residual value minus benchmark land value per gross ha - all value areas**



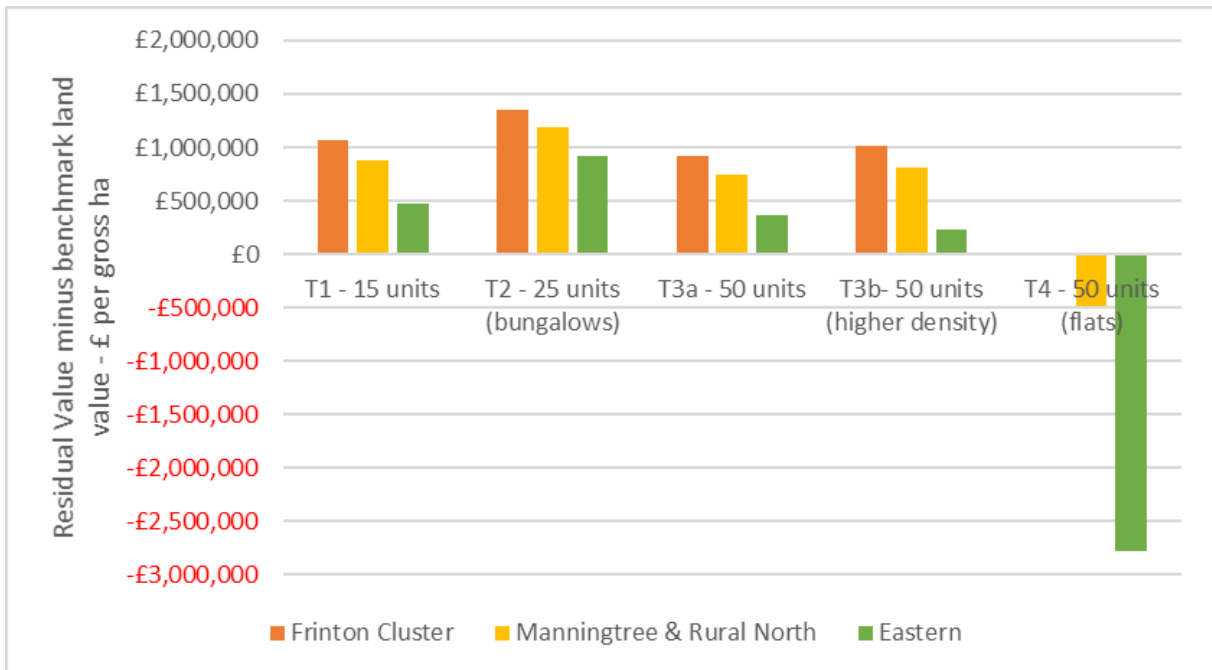
*areas*

- 3.4 Taking into account policies in the Local Plan likely to impact on viability, all the 1ha case studies are viable and able to deliver residential units at the policy position including affordable housing at 30% of delivery. Although all studies produced viable results, it is useful to note that delivery at 35 dph was the most viable in the Frinton Cluster and Manningtree & Rural North, followed by 40 dph. In the Eastern value area both 25dph and 35 dph were together the most viable (£615,000 and £595,000 per gross hectare above benchmark land value, respectively).

## Small-Medium Case Studies

- 3.5 The results for the small-medium case studies are shown in the table below. Densities tested take account of most likely delivery in the district and reflect Local Plan Policy LP3 which requires new housing at an 'appropriate density' taking into account, inter-alia, housing mix and local characteristics. With the exception of T2 (25 x bungalows at 25dph) we have tested at 30 dwellings per hectare unless otherwise specified. To take account of potential urban settings, where 'higher density' is specified, this is 40 dph, and flats are at C70 dph.
- 3.6 Results are shown net of deduction for benchmark land value.

**Figure 3.2: Small-medium case studies - Residual value minus benchmark land value per gross ha – all value areas**



- 3.7 The results show viable case studies, hence deliverable schemes, for all but the flatted study. The best results are for the T2, the case study of 25 bungalows, and is the case in all value areas. In case study T3 (50 units) viability is improved for Frinton Cluster and Manningtree and Rural North when density is increased to 40 dph. (By just under £100,000 per gross ha and just under £70,000 per gross ha respectively – residual value minus benchmark land value). In the Eastern value area the opposite occurs and viability decreases by approximately £140,000 per gross ha when density rises from 30 dph to 40 dph. However at over £200,000 per gross hectare above benchmark land value we would consider this would still be a deliverable scheme from a viability perspective.

- 3.8 T4, the flatted scheme of 50 units, is marginal in the Frinton Cluster and not viable elsewhere. (Note that it is hard to see the result for Frinton Cluster on the chart because the result is so close to the £0 line on the axis – it is in fact -£15,000.) Although not tested, we would anticipate that increasing density to around 100 dph may improve viability.

## Intermediate-Large case studies

- 3.9 We modelled intermediate to large case studies of more than 2ha, ranging from 80 to 300 units, in all areas. It should be noted that, on allocated sites, most of such delivery is likely in practice to occur in the Eastern value area.
- 3.10 Results are shown in the chart below. Included is both a higher density scheme at 40 dph and the largest case study (300 units) is modelled with additional S106 (£20,000 per unit

**Figure 3.3: Intermediate to large case studies - Residual value minus benchmark land value per gross hectare – all value areas**

as opposed to £11,000) to account for possible additional infrastructure requirements.



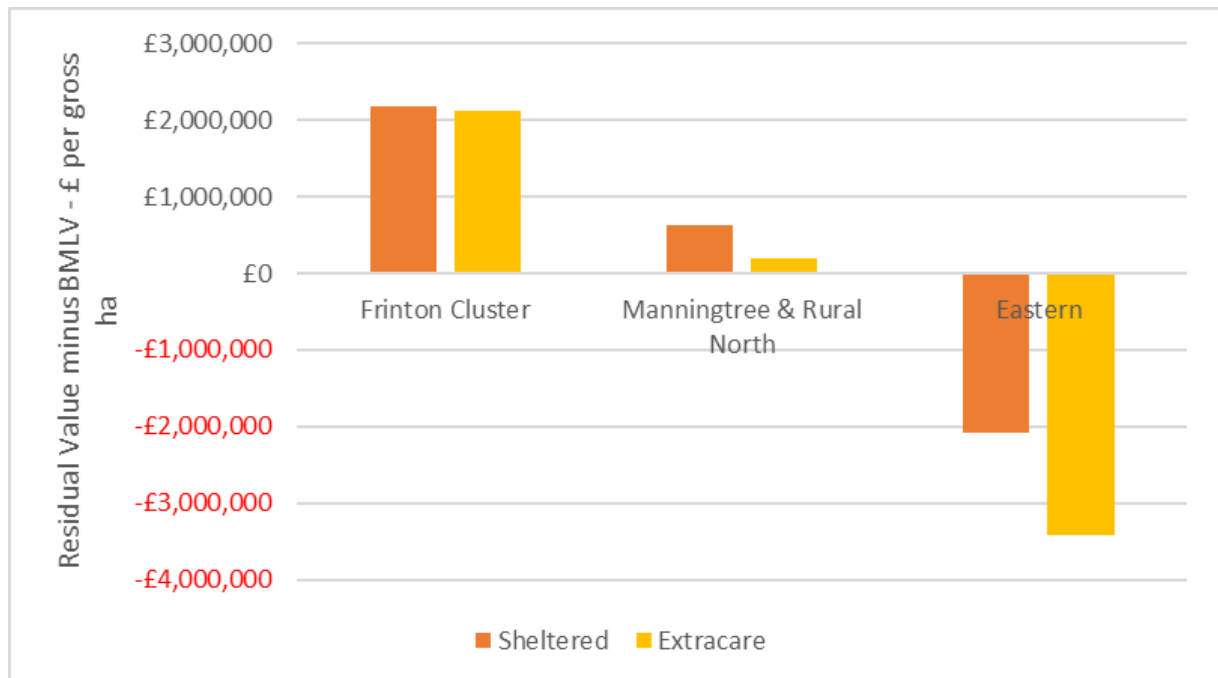
- 3.11 The case studies produced viable results in all value areas therefore we would consider comparable schemes are deliverable. We also ran a sensitivity test on T7, 300 units, where additional costs were added to account for possible additional infrastructure. (Again hard to see on the chart) the result in the Eastern value area for 300 units, T7, with additional

infrastructure allowance is not missing but is marginal (-£2,000/gross ha) after deduction of land value. Some flexibility over housing mix or density may be required to support delivery of such high cost schemes.

## Specialist Older Persons Housing - All Value Areas

3.12 A 50 unit sheltered scheme and a 50-unit extra care scheme were modelled in each value area. The results are shown below:

**Figure 3.4: Sheltered and Extra Care case studies - Residual value minus benchmark land value per gross hectare – all value areas**



3.13 Sheltered housing schemes produced viable results in both the Frinton Cluster and Manningtree & Rural North value areas and gave a surplus over benchmark land value in excess of £2m/ha in the Frinton Cluster area and £0.06m/ha in the Manningtree & Rural North area. Within the Eastern area the sheltered case study was not viable by over £2.0m/ha.

3.14 Extra Care schemes, again, produced viable results for Frinton Cluster and Manningtree & Rural North value areas and gave a surplus over benchmark land value of over £2m/ha in the Frinton Cluster area and £0.2m/ha in the Manningtree & Rural North area. Within the eastern area the extra care housing case study was not viable, producing a deficit of more than -£3m/ha below the benchmark.



- 3.15 Not shown in the chart above, specialist older person schemes (both sheltered and extracare) were modelled and were viable without any affordable housing units in the Eastern value area. Thus could potentially come forward but would be unlikely to be able to provide any affordable units.

## **Rural Exception Sites**

- 3.16 Rural Exception Sites have traditionally delivered 100% affordable housing. However, planning guidance allows for an element of market housing to be delivered alongside affordable dwellings where this will allow delivery of affordable units. Market units would be the minimum required to ensure a viable scheme.
- 3.17 Testing of these sites therefore focuses first on the residual value generated by 100% affordable housing but, if this is not viable, we then identify the minimum market housing required to produce a viable scheme. In some cases, we have increased the number of intermediate units to minimise the number of market units that may be required. For RES, the benchmark land value used is typically £10,000 per plot (very approximately £300,000 per hectare). This benchmark was derived in discussion with local providers and is much lower than the benchmark used for the other case studies. However, it needs to be borne in mind that RES are only permitted when they meet a local need for affordable housing in perpetuity and are not intended to meet wider housing demand.
- 3.18 In Tendring we looked at a mix of units on a 10 unit RES scheme. The results are shown on a per scheme basis in the table below. The type of dwelling modelled (the dwelling mix) is as shown in the table but, in practice, the mix would be decided scheme by scheme reflecting local need.

**Figure 3.5: Rural Exception Sites– residual value minus land value per scheme**

Value Area	units	tenure mix required for viable scheme	scheme value after land deducted
<b>Frinton Cluster</b>	5 x 2 bed 5 x 3 bed	<b>100% affordable:</b> 30% rented / 70% shared ownership	£73,390
<b>Manningtree &amp; Rural North</b>	4 x 2 bed 6 x 3 bed	<b>100% affordable:</b> 30% rented / 70% shared ownership	£1,395
<b>Eastern</b>	4 x 2 bed 6 x 3 bed	<b>30% market</b> (3 x 3 bed detacheds) <b>70% affordable:</b> 20% rented / 50% shared ownership	£18,550

- 3.19 These case studies demonstrate that RES can be delivered in the district without recourse to unfettered open market housing in both the Frinton Cluster and Manningtree & Rural North, albeit with the majority of units (70%) delivered as shared ownership. In the Eastern value area 30% market housing was included in the mix to produce a viable scheme.
- 3.20 Clearly there will be many permutations of dwelling types and tenure mixes and the final mix will always be dictated by local need. However, the results show that with some flexibility over intermediate tenure (and you could include starter homes here) RES should be deliverable without market housing in the Frinton Cluster and Manningtree & Rural North. However, if a higher number of affordable rented tenure was needed, or development was occurring in the Eastern value area, then it is likely that some market units should be developed to facilitate affordable delivery, unless grant was available to support delivery.

## Build to Rent

3.21 We modelled a scheme of 75 Build to Rent apartments using district-wide rents. The value of the scheme will be the same in all value areas, but the differing benchmark land values will affect scheme viability. Benchmark values range from £400k/ha in the Eastern market value area, £700k/ha in Manningtree market area up to £950k/ha in the Frinton market value area.

3.22 The results are shown in the table below.

**Figure 3.6: Results of Build to Rent modelling**

	Residual value per ha before deduction for BMLV	Residual value/ha minus BMLV Frinton Cluster	Residual value/ha minus BMLV Manningtree & Rural North	Residual value/ha minus BMLV Eastern
<b>Lower quartile rent</b>	-£995,500	-£1,945,500	-£1,695,500	-£1,395,500
<b>Median rent</b>	-£286,500	-£1,236,500	-£986,500	-£686,500
<b>Upper quartile rent</b>	£853,500	-£96,500	£153,500	£453,500

3.23 The results of the Build to Rent modelling, which is without affordable housing, show schemes that would struggle to come forward unless rents are within the upper market quartile, noting that in the Frinton Cluster the scheme is still not viable. Schemes at upper quartile rents were viable in the Manningtree & Rural North and Eastern value areas with some headroom with which to provide affordable units.

## Higher Levels of Affordable Home Ownership

3.24 Paragraph 64 of NPPF 2019 requires 10% of units on major sites to be “available for affordable home ownership, unless this would ..... significantly prejudice the ability to meet the identified affordable housing needs of specific groups”. Although the housing mix modelled best meets the affordable housing need identified in the SHMA it would not fully meet the requirements in the latest NPPF, although noting that transitional arrangements mean the plan is likely to be judged against NPPF 2012. Thus we also modelled an NPPF 2019 compliant sample of sites where the affordable housing is delivered as 65% rented and 35% shared ownership (as opposed to 80% rented/20% shared ownership). The table below shows what difference was made to the results. Each pair of case studies for comparison is between the solid lines.

**Figure 3.7: Effect of increasing % of shared ownership – results are per ha, post deduction for benchmark land value**

	Frinton Cluster	Manningtree & Rural North	Eastern
<b>T4 - 50 units (flats) 20% of AH as shared ownership</b>	-£15,355	-£487,883	-£2,775,176
<b>T4 - 50 units (flats) 35% of AH as shared ownership</b>	£225,247	-£282,104	-£2,695,075
<b>T5a - 80 units 20% of AH as shared ownership</b>	£973,206	£740,497	£389,302
<b>T5a - 80 units 35% of AH as shared ownership</b>	£1,065,890	£821,603	£441,649
<b>T7 - 300 units 20% of AH as shared ownership</b>	£785,071	£489,496	£199,721
<b>T7 - 300 units 35% of AH as shared ownership</b>	£860,020	£556,414	£246,063
<b>Extracare - 20% of AH as shared ownership</b>	£2,129,272	£195,764	-£3,421,820
<b>Extracare - 35% of AH as shared ownership</b>	£3,126,528	£1,083,702	-£2,656,508

- 3.25 As anticipated, the replacement of affordable rented homes with affordable market housing improved viability in all cases: the most significant difference is for extra care case studies.

## SAMU Site Testing

3.26 We modelled 3 Strategic Allocated Mixed Use (SAMU) sites: SAMU1; SAMU2; SAMU3. These can be found at 9.1, 9.2 & 9.3 in the draft Section 2 Local Plan. In modelling these sites we included additional, specifically identified infrastructure and S106 costs as identified in the IDP Review 2019. We used a housing mix based on information provided by the council and/or the site promoters. For ease of reference, some of the information on the SAMU sites from chapter 2 is repeated below.

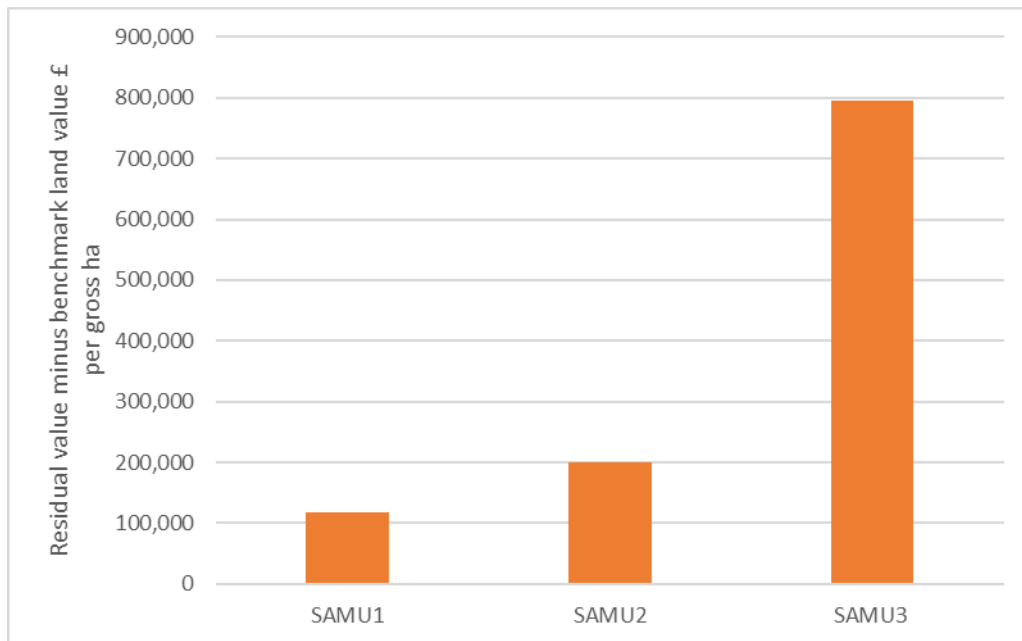
**Figure 3.8: Summary of SAMU site information**

Site Ref	Value Area	Dwelling Mix (full details Annex I)	Infrastructure & S106 per unit (incl. site opening up)	Density	Net Area (ha)	Gross area (ha)	Land Value per gross ha
<b>SAMU 1</b>	Manningtree & Rural North	150 units Apartments & townhouses + 0.13 ha employment	£25,200	88 dph	1.70	2.24	£0.57m
<b>SAMU 2</b>	Eastern	1,700 General mix	£32,000	38.5 dph	44.20	68.00	£0.25m
<b>SAMU 3</b>	Frinton Cluster	918 units Half units bungalows, remaining units - general mix	£20,000	26.65 dph	34.45	53.00	£0.44m

3.27 The results are shown in the chart below and are post deduction for land value.



**Figure 3.9: SAMU site results showing residual land value minus benchmark land value per gross hectare**



3.28 The SAMU sites tested were all viable at full policy position. There is considerable variation between the results of the schemes, reflecting the differing costs and values associated with their development. Showing deliverable schemes, SAMU1 is £0.17m/ha above the benchmark land value; SAMU2 is £0.2m above; SAMU3 is £0.8m above.



# 4 SUMMARY AND RECOMMENDATIONS

## Summary of Viability Findings - Residential Case Studies

- 4.1 The Viability Addendum builds upon the Tendring Economic Viability Study 2017, taking into account local increases in costs and values. The results support the original testing undertaken, demonstrating good general viability in all value areas across Tendring district. In most cases viability is improved in the most recent study.
- 4.2 An important finding of the original study, supported in this study, is that the district contains 3 distinct value areas: Frinton Cluster; Manningtree & Rural North; Eastern. Land values and house prices are higher in the Frinton Cluster, followed by Manningtree & Rural North, then the Eastern value area. In most case viability outcomes follow this pattern, with the highest value area producing the most viable outcomes etc.
- 4.3 General mixed development of houses and flats was viable at a full policy position in all value areas and able to deliver 30% affordable housing and other S106 obligations. Indeed, in the higher value areas there could be potential to capture more value from development than modelled here.
- 4.4 Where we modelled mixed development with additional infrastructure as a sensitivity, results were slightly below those achieved in the previous study, the uplift in values being overtaken by the increase in development costs, but schemes continued to produce viable results, albeit these were marginal in the Eastern value area for the larger case study.

- 4.5 The flatted scheme was marginal in the Frinton Cluster and not viable elsewhere, although increasing density or flexibility around housing mix or tenure may assist, especially if the council wants to encourage flatted schemes in the Eastern area.
- 4.6 For older residents, the scheme of 25 bungalows produced good results in all value areas and such a scheme could offer an opportunity to downsize. The sheltered and extra care schemes were not viable in the Eastern area but were deliverable elsewhere with 30% affordable housing. Such schemes are deliverable in the Eastern area but do not support a full affordable housing level, either on-site or as a commuted sum.
- 4.7 Rural Exception Sites are deliverable in the district but if the scheme is in the Eastern area, or elsewhere if a significant number of units are rented, then a proportion of units may need to be provided as market to facilitate affordable delivery. (Noting that delivery of RES will be based upon local need.)
- 4.8 The Build to Rent case study was only viable using upper quartile rents and in Manningtree & Rural North and Eastern value areas. (For market rented schemes, values are based on rents which are district-wide, hence viability will be highest in lower value areas.) Build to Rent schemes are only likely to come forward at higher rents but should provide some headroom for affordable housing in all but the Frinton Cluster. We would however recommend this is reviewed on a case by case basis.
- 4.9 The SAMU sites were modelled using assumptions provided by site promoters and/or IDP and included significant infrastructure and S106 costs alongside housing mix details. All 3 studies were viable at a full policy position, showing deliverable sites able to provide 30% of residential units as affordable homes.

### **Is the Draft Local Plan Deliverable**

- 4.10 The final stage of this viability assessment is to draw broad conclusions on whether the draft Section 2 Local Plan is deliverable in terms of viability and to provide recommendations for this in the emerging Plan.
- 4.11 Chapter 3 shows that most of the residential development scenarios relevant to the planned trajectory are currently viable, noting that the viability of schemes varies depending on the scale and location of future development.
- 4.12 Delivery of affordable housing at 30% on sites above 10 dwellings is achievable. Exceptions to this may need to be made in the Eastern value area for specialist older persons' accommodation, all-flatted development and sites with high infrastructure requirements as well as for Build to Rent schemes across the district. Flexibility around

affordable tenure mix, for instance by increasing the percentage of affordable market units, or amendments to housing density may improve viability and provide an alternative to reducing the percentage of affordable units overall.

- 4.13 Key policies on accessibility and design standard, e.g. Part M4 (2) of Building Regulations on accessibility, increased water efficiency and Nationally Described Space Standards, have been tested and are supported by the viability assessment.

### **Conclusion**

- 4.14 This Addendum supports the findings of the Tendring Viability Study 2017 demonstrating a viable and deliverable plan. A policy of 30% affordable housing is supported on most sites. Some flexibility over density, mix or affordable housing percentage should be maintained to allow Build to Rent schemes to come forward, or, in the Eastern value area only, specialist older persons or flatted development, or development with high infrastructure costs.
- 4.15 The 3 SAMU sites tested are shown to be viable and deliverable. Infrastructure costs should be kept under review but as such all planned infrastructure including transport and education can be delivered alongside 30% affordable housing.
- 4.16 It is anticipated that the Section 2 Local Plan will not be examined until 2020. In which case we would recommend a further report on viability using updated costs and values.

# Appendix I – Testing Assumptions Tendring District Council

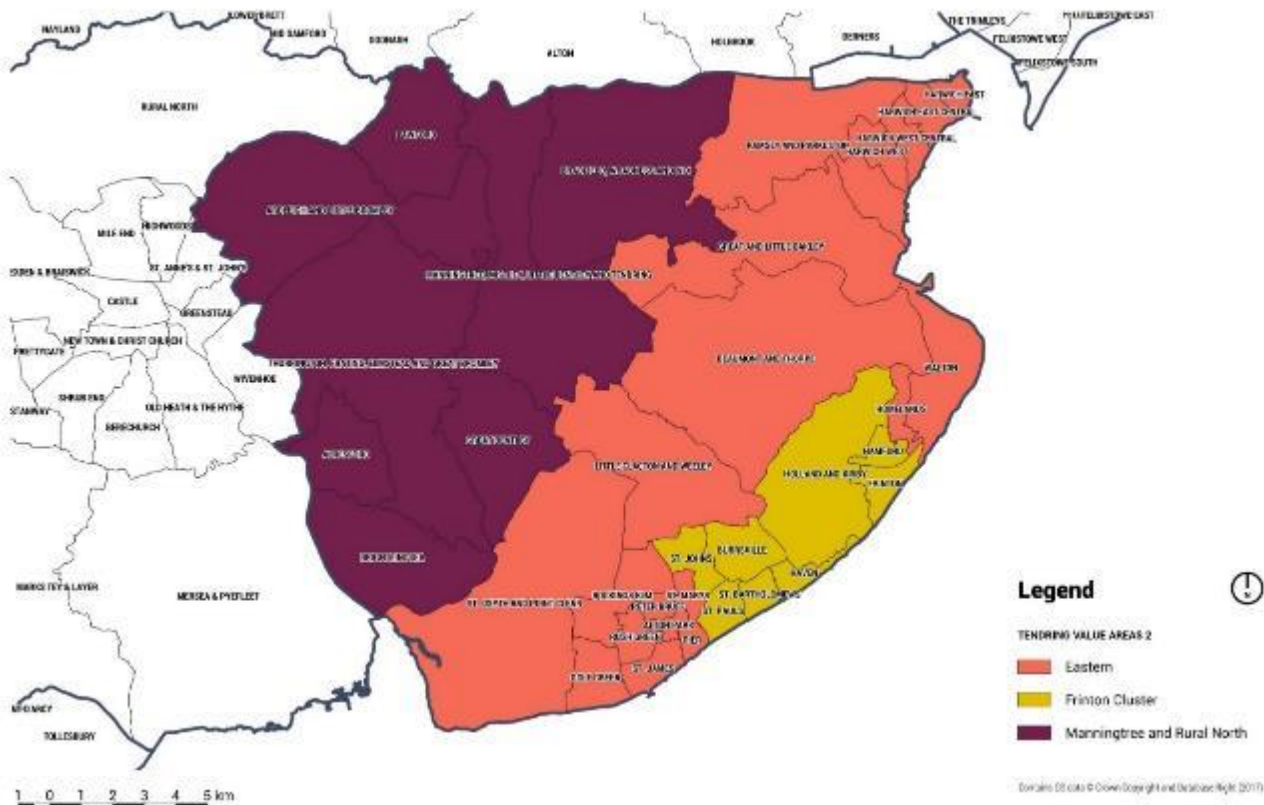
## Technical Detail for residential testing

Tendring refreshed testing assumptions for addendum @ 26th November 2018 – following consult

Market Housing

Market areas

### TENDRING - Value Areas 2





## House Prices

Market GIA SQ M	160	130	100	120	100	106	84	70	58	61	50	95	80	70
	DETACHED			SEMI-DETACHED		TERRACE				FLATS		BUNGALOWS (except SAMU 3*)		
Market Value Area	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	1 Bed	2 Bed	1 Bed	3 Bed	2 Bed	1 Bed
Eastern	£483,900	£393,200	£302,400	£337,400	£281,100	£303,700	£240,700	£200,600	£166,200	£156,300	£128,100	£370,200	£311,700	£272,700
Frinton Cluster	£575,100	£467,200	£359,400	£443,000	£369,100	£378,100	£299,600	£249,700	£206,900	£244,100	£200,100	£452,700	£381,200	£333,600
Manningtree & Rural North	£531,500	£431,900	£332,200	£407,300	£339,400	£357,600	£283,400	£236,100	£195,700	£223,200	£182,900	£418,400	£352,300	£308,300

**NOTES 1. Values and sizes of bungalows at SAMU3 have been amended to reflect local market – see below**  
**2. Starter Homes, where modelled, will be 70 sqm 2 bed houses at 80% of open market value**

**\* Bungalows on SAMU 3 (Frinton Cluster)**

Amendments to size & values (values have been reduced by 10%)

1 bed 55 sqm – £235,000

2 bed 70 sqm – £300,000

3 bed 95 sqm – £410,000

4 bed 95 sqm – £410,000

4 bed 108 sqm – £460,000

**Market housing dwelling mix**

Type	25dph	30dph	35dph	40 dph
1 bed flat		5%	5%	5%
2 bed flat		5%	5%	10%
2 bed bungalow	5%			
2 bed terrace		10%	10%	15%
3 bed terrace		10%	15%	25%
3 bed semi	20%	15%	10%	15%
3 bed detached	15%	15%	15%	10%
4 bed detached	40%	30%	30%	20%
5 bed detached	20%	10%	10%	

**Variations to market & affordable housing dwelling mix – for SAMU sites**

Site	Market & affordable mix (30% affordable)
<b>SAMU 1</b>	15 x 1 bed flat (5 affordable) 50 x 2 bed flat (20 affordable) 35 x 3 bed flat (10 affordable) 20 x 3bed townhouse (5 affordable) 30 x 4 bed townhouse (5 affordable)
<b>SAMU 2</b>	Use 35 dph mix above and affordable percentages from table below
<b>SAMU 3</b>	Affordable units are shown in table below 38 x 1 bed bungalow 45 x 1 bed house 138 x 2 bed bungalow 165 x 2 bed house 158 x 3 bed bungalow 190 x 3 bed house 83 x 4 bed bungalow (50% at 95 sqm & 50% at 108 sqm) 101 x 4 bed house

## Affordable Housing

Affordable housing tested at 30% affordable

- Rented is tested as Affordable Rent / Intermediate as shared ownership
- Threshold 11+ dwellings

### *Affordable Housing Dwelling mix*

Affordable Housing Development Mix House Type	Affordable Rent (80% of AH)	Intermediate (20% of AH)
1 bed flat	5%	
2 bed flat	5%	
2 bed bungalow	5%	
3 bed bungalow	5%	
2 bed terrace	50%	50%
3 bed terrace	25%	50%
4 bed terrace	5%	-

### *Affordable housing values*

Rents shown are net of service charge of £10pw for flats and £5pw for houses & based on 100% of LHA rates (rounded)

Weekly rents net of service charge	Colchester BRMA
1 bedroom flat	£93
2 bedroom flat	£122
1 bedroom terrace	£98
2 bedroom terrace	£127
3 bedroom terrace	£156
4 bedroom terrace	£199

***For rental properties***

Management and maintenance	£1,000
Voids/bad debts	2.00%
Repairs reserve	£600
Capitalisation	5%

***For shared ownership***

Share size	40%
Rental charge	2.75%
Capitalisation	5%

**Build to Rent Housing Values**

<b>Monthly rents – VOA year to 30/9/18<sup>28</sup></b>			
<b>Property</b>	<b>Lower Quartile</b>	<b>Median</b>	<b>Upper Quartile</b>
<b>1 bedroom</b>	£475	£500	£550
<b>2 bedrooms</b>	£595	£650	£725

The following assumptions have been adopted for Build to Rent:

- No revenue inflation
- No cost inflation
- Voids and bad debts – allow 2% annual rent
- Management - £700 per annum
- Maintenance - £300 per annum
- Repairs reserve - £600 per annum
- Annual discount rate applied to net rent – 3.75%
- Reverts to perpetuity value after 30 years

<sup>28</sup> <https://www.gov.uk/government/collections/private-rental-market-statistics>

## General costs and assumptions – all dwellings

Dwelling sizes

House type description	Affordable sqm	Market sqm
<b>1 bedroom flat</b>	50 (2p)	50
<b>2 bedroom flat</b>	70 (4p)	61
<b>1 bedroom bungalow</b>	55 (2p)	70 (55 - SAMU3)
<b>2 bedroom bungalow</b>	70 (4p) (65 – SAMU3)	80 (70 - SAMU3)
<b>3 bedroom bungalow</b>	86 (5p) (74 – SAMU3)	95
<b>4 bedroom bungalow</b>		95 sqm or 108 sqm (SAMU3 only)
<b>1 bedroom terrace</b>	58 (2p)	58
<b>2 bedroom terrace</b>	79 (4p)	70
<b>3 bedroom terrace</b>	93 (5p)	84
<b>4 bedroom terrace</b>	106 (6p)	106
<b>3 bed semi detached</b>	93 (5p)	100
<b>4 bed semi detached</b>	106 (6p)	120
<b>3 bed detached</b>		100
<b>4 bed detached</b>		130
<b>5 bed detached</b>		160

*Dwelling size compliant with Nationally Described Space Standards*

An allowance of 10% of floor area will be added to the 1-2 storey flats used in the 1ha tile testing for circulation and common areas.

An allowance of 15% of floor area will be added to the 3 storey flats used in case study T4.

For the sheltered scheme, case study T15, one bed flats are 50sqm and two bed flats are 75sqm. An allowance of 20% of floor area for communal and service areas will be added.

For the extracare scheme, case study T16, one bed flats are 65sqm and two bed flats are 80sqm. An allowance of 35% of floor area for communal and service areas will be added.

### Other costs

TYPE	COST	COMMENT
<b>Flats (1-2 storeys)</b>	£1,600	sq m includes 15% for external works & contingency
<b>Flats (3-5 storeys)</b>	£1,602	sq m includes 15% for external works & contingency
<b>Houses</b>	£1,418	sq m includes 15% for external works & contingency
<b>Houses on sites over 200 units</b>	£1,278	sq m includes 15% for external works & contingency
<b>Single House</b>	£2,372	sq m includes 15% for external works & contingency
<b>Bungalows</b>	£1,692	sq m includes 15% for external works & contingency
<b>Sheltered housing</b>	£1,828	sq m includes 15% for external works & contingency
<b>Professional fees</b>	8%-12%	10 units or less – 12% 11 – 50 units – 10% 51 – 100 units – 9% 101+ units – 8%
<b>Finance</b>	6%	of development costs (net of inflation)
<b>Marketing fees</b>	3% 6%	of GDV of GDV for sheltered and extracare schemes
<b>Developer return</b>	20%	of GDV
<b>Contractor return</b>	6%	of affordable build costs
<b>s106/278</b>	£5,000 £11,000 £11,100 £24,500 £12,500	Per dwelling Sites 125 or more dwellings SAMU1 only SAMU2 only SAMU3 only



TYPE	COST	COMMENT
<b>Strategic infrastructure costs/ opening up</b>	£5,000 – 50-99 units £6,000 – 100-299 units £7,500 – 300+ units (+ SAMU1)	Per unit (N.B. – this is an increase on previous study 2017 to reflect increase in build costs) <u>Note additional contingency of 5% of build costs allowed for SAMU1 to account for heritage site and previous brownfield uses</u>
<b>Accessibility</b>	Allow for 10% market housing to be to Part M(4) 2 adaptable & accessible standard. Allow for 10% affordable homes to be to Part M(4) 2 and 5% affordable homes to be to Part M(4) 3 wheelchair user standards.	Costs based on DCLG Housing Standards Review, Cost Impacts, September 2014.
<b>Water standards</b>	110 litres per unit per day	Costs based on DCLG Housing Standards Review, Cost Impacts, September 2014.
<b>Void Costs</b>	£100,000	Applies to sheltered and extracare schemes
<b>Agents and legal</b>	1.75%	

## Densities

1ha tiles will be tested at 25, 30 and 35 dph and 40 dph

Main density for case studies will be 30 dph – unless otherwise specified (e.g. town centre at 40 dph)

Net to gross ratios:

- Up to (& incl) 1ha – 100%
- Over 1ha-2 ha – 90%
- 2-4 ha – 80%
- 4-6ha - 70%
- 6+ha - 65%

Build out rate approximately 50 dwelling per annum per outlet.

## Benchmark Land Values - £ per gross ha

TENDRING	Small – Medium sites (less than 2ha)	Intermediate site (2-6 ha)	Large strategic site (over 6 ha area)
<b>EASTERN</b> <i>Low value area</i>	£0.4m	£0.35m	£0.25m
<b>MANNINGTREE &amp; RURAL NORTH</b> <i>Mid value area</i>	£0.7m	£0.57m	£0.44m
<b>FRINTON CLUSTER</b> <i>High value area</i>	£0.95m	£0.7m	£0.44m

**Case studies – (tested in all value areas)**

Case Study Ref	No of Dwellings	%AH	Density (dph)	Net Area (ha)	Gross area (ha)	Net to Gross %
<b>T1</b>	15	30	30	0.5	0.5	100
<b>T2</b>	25 (Bungalows)	30	25	1ha	1ha	100
<b>T3a</b>	50	30	30	1.6 ha	2ha	80
<b>T3b</b>	50	30	40	1.25	1.39	90
<b>T4</b>	50 (Flatted Scheme)	30	67	0.75	0.75	100
<b>T5a</b>	80	30	30	2.6	3.25	80
<b>T5b</b>	80	30	40	2	2.5	80
<b>T6</b>	125	30	30	5	7.143	70
<b>T7</b>	300	30	30	10	15.385	65
<b>T8</b>	50 (sheltered)	30	100	0.5	0.5	100
<b>T9</b>	50 (extra care)	30	100	0.5	0.5	100
<b>T10</b>	75	-	67	1.125	1.125	100
<b>RES 1</b>	10 (Rural Exception Site)		30			

## Sensitivity testing of case studies

- Higher cost scenario for T7
- Higher proportion of shared ownership units

**Allocated Site testing**

Site Ref	Value Area	Dwelling Mix (full details Annex I)	Density	Net Area (ha)	Gross area (ha)	Net to Gross %
<b>SAMU 1</b>	Manningtree & Rural North	150 units Apartments & townhouses + 0.13 ha employment	88 dph	1.70	2.24	76%
<b>SAMU 2</b>	Eastern	1,700 General mix (680 units during Plan period)	38.5 dph	44.20	68.00	65%
<b>SAMU 3</b>	Frinton Cluster	918 units Half units bungalows, remaining units - general mix	26.65 dph	34.45	53.00	65%

# Appendix II – Case study details & results

## 1. 1-hectare tiles

Density	Market Value Area	HV/MV/LV	%AH	%Aff Rent	% Sh Ownership	Part M Costs allowed	Residual Value £s	Benchmark / hectare £s	Residual value post benchmark £s
25	Eastern	LV	30%	80%	20%	17,516	£1,014,671	£400,000	£614,671
30	Eastern	LV	30%	80%	20%	20,943	£857,404	£400,000	£457,404
35	Eastern	LV	30%	80%	20%	24,434	£993,373	£400,000	£593,373
40	Eastern	LV	30%	80%	20%	27,858	£764,504	£400,000	£364,504
25	Frinton Cluster	HV	30%	80%	20%	17,516	£2,043,345	£950,000	£1,093,345
30	Frinton Cluster	HV	30%	80%	20%	20,943	£2,008,026	£950,000	£1,058,026
35	Frinton Cluster	HV	30%	80%	20%	24,434	£2,310,310	£950,000	£1,360,310
40	Frinton Cluster	HV	30%	80%	20%	27,858	£2,225,236	£950,000	£1,275,236
25	Manningtree & Rural North	MV	30%	80%	20%	17,516	£1,598,588	£700,000	£898,588
30	Manningtree & Rural North	MV	30%	80%	20%	20,943	£1,561,086	£700,000	£861,086
35	Manningtree & Rural North	MV	30%	80%	20%	24,434	£1,800,365	£700,000	£1,100,365
40	Manningtree & Rural North	MV	30%	80%	20%	27,858	£1,726,988	£700,000	£1,026,988

## 2. Case Studies

### Key to coloured rows

	higher level of shared ownership
	Rural Exception Site



Case Study Ref	Type of dev	No of Dwgs	Net Area (ha)	Gross area (ha)	Net to Gross %	Dwelling mix	\$106/dwelling	Opening up costs per net ha	DCF Applied	Market Value Area	%AH	%Aff Rent	% Sh Owners hip	Part M Costs allowed	Residual Value (£)	Residual Value / gross ha	Benchmark / hectare (£)	Residual value post benchmark (£)
T1	Housing	15	0.500	0.500	100%	30dph mix	5,000	-	No	Frinton Cluster	30%	80%	20%	10,472	1,009,105	2,018,210	950,000	1,068,210
T2	Bungalows	25	1.000	1.000	100%	5 x 1bb 10 x 2bb 10 x 3bb	5,000	-	No	Frinton Cluster	30%	80%	20%	13,324	2,306,436	2,306,436	950,000	1,356,436
T3a	Housing	50	1.600	1.778	90%	30dph mix	5,000	250,000	Yes	Frinton Cluster	30%	80%	20%	34,905	3,315,967	1,864,998	950,000	914,998
T3b	Housing	50	1.250	1.390	90%	40dph mix	5,000	250,000	Yes	Frinton Cluster	30%	80%	20%	34,823	2,730,022	1,964,045	950,000	1,014,045
T4	Flats	50	0.750	0.750	100%	15 x 1bf 35 x 2bf	5,000	250,000	Yes	Frinton Cluster	30%	80%	20%	19,260	700,984	934,645	950,000	-15,355
T4	Flats	50	0.750	0.750	100%	15 x 1bf 35 x 2bf	5,000	250,000	Yes	Frinton Cluster	30%	65%	35%	19,260	881,435	1,175,247	950,000	225,247
T5a	Housing	80	2.667	3.333	80%	30dph mix	5,000	400,000	Yes	Frinton Cluster	30%	80%	20%	55,848	5,576,795	1,673,206	700,000	973,206
T5a	Housing	80	2.667	3.333	80%	30dph mix	5,000	400,000	Yes	Frinton Cluster	30%	65%	35%	56,552	5,885,711	1,765,890	700,000	1,065,890
T5b	Housing	80	2.000	2.500	80%	40dph mix	5,000	400,000	Yes	Frinton Cluster	30%	80%	20%	55,716	4,610,011	1,844,004	700,000	1,144,004
T5b	Housing	80	2.000	2.500	80%	40dph mix	5,000	400,000	Yes	Frinton Cluster	30%	65%	35%	56,420	4,918,927	1,967,571	700,000	1,267,571
T6	Housing	125	4.167	5.952	70%	30dph mix	11,000	750,000	Yes	Frinton Cluster	30%	80%	20%	87,263	8,051,786	1,352,787	700,000	652,787
T7	Housing	300	10.000	15.385	65%	30dph mix	11,000	2,250,000	Yes	Frinton Cluster	30%	80%	20%	209,431	18,847,722	1,225,071	440,000	785,071
T7	Housing	300	10.000	15.385	65%	30dph mix	20,000	2,250,000	Yes	Frinton Cluster	30%	80%	20%	209,431	16,169,210	1,050,972	440,000	610,972
T7	Housing	300	10.000	15.385	65%	30dph mix	11,000	2,250,000	Yes	Frinton Cluster	30%	65%	35%	212,070	20,000,808	1,300,020	440,000	860,020
T8	Sheltered	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Frinton Cluster	30%	80%	20%	18,932	1,566,452	3,132,904	950,000	2,182,904
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Frinton Cluster	30%	80%	20%	18,932	1,539,636	3,079,272	950,000	2,129,272
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Frinton Cluster	30%	65%	35%	18,932	2,038,264	4,076,528	950,000	3,126,528
RES1	Rural Exception	10	0.500	0.500	100%	5 x 2bt 5 x 3bt	5,500	-	No	Frinton Cluster	100%	30%	70%	21,707	173,390		100,000	73,390

Case Study Ref	Type of dev	No of Dwgs	Net Area (ha)	Gross area (ha)	Net to Gross %	Dwelling mix	\$106/dwelling	Opening up costs per net ha	DCF Applied	Market Value Area	%AH	%Aff Rent	% Sh Owners hip	Part M Costs allowed	Residual Value (£)	Residual Value / gross ha	Benchmark / hectare (£)	Residual value post benchmark (£)
T1	Housing	15	0.500	0.500	100%	30dph mix	5,000	-	No	Manningtree & Rural North	30%	80%	20%	10,472	785,768	1,571,536	700,000	871,536
T2	Bungalows	25	1.000	1.000	100%	5 x 1bb 10 x 2bb 10 x 3bb	5,000	-	No	Manningtree & Rural North	30%	80%	20%	13,324	1,887,528	1,887,528	700,000	1,187,528
T3a	Housing	50	1.600	1.778	90%	30dph mix	5,000	250,000	Yes	Manningtree & Rural North	30%	80%	20%	34,905	2,560,816	1,440,279	700,000	740,279
T3b	Housing	50	1.250	1.390	90%	40dph mix	5,000	250,000	Yes	Manningtree & Rural North	30%	80%	20%	34,823	2,098,558	1,509,754	700,000	809,754
T4	Flats	50	0.750	0.750	100%	15 x 1bf 35 x 2bf	5,000	250,000	Yes	Manningtree & Rural North	30%	80%	20%	19,260	159,088	212,117	700,000	-487,883
T4	Flats	50	0.750	0.750	100%	15 x 1bf 35 x 2bf	5,000	250,000	Yes	Manningtree & Rural North	30%	65%	35%	19,260	313,422	417,896	700,000	-282,104
T5a	Housing	80	2.667	3.333	80%	30dph mix	5,000	400,000	Yes	Manningtree & Rural North	30%	80%	20%	55,848	4,367,887	1,310,497	570,000	740,497
T5a	Housing	80	2.667	3.333	80%	30dph mix	5,000	400,000	Yes	Manningtree & Rural North	30%	65%	35%	56,552	4,638,212	1,391,603	570,000	821,603
T5b	Housing	80	2.000	2.500	80%	40dph mix	5,000	400,000	Yes	Manningtree & Rural North	30%	80%	20%	55,716	3,599,115	1,439,646	570,000	869,646
T5b	Housing	80	2.000	2.500	80%	40dph mix	5,000	400,000	Yes	Manningtree & Rural North	30%	65%	35%	56,420	3,869,440	1,547,776	570,000	977,776
T6	Housing	125	4.167	5.952	70%	30dph mix	11,000	750,000	Yes	Manningtree & Rural North	30%	80%	20%	87,263	6,106,098	1,025,890	570,000	455,890
T7	Housing	300	10.000	15.385	65%	30dph mix	11,000	2,250,000	Yes	Manningtree & Rural North	30%	80%	20%	209,431	14,300,302	929,496	440,000	489,496
T7	Housing	300	10.000	15.385	65%	30dph mix	20,000	2,250,000	Yes	Manningtree & Rural North	30%	80%	20%	209,431	11,566,242	751,787	440,000	311,787
T7	Housing	300	10.000	15.385	65%	30dph mix	11,000	2,250,000	Yes	Manningtree & Rural North	30%	65%	35%	212,070	15,329,823	996,414	440,000	556,414
T8	Sheltered	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Manningtree & Rural North	30%	80%	20%	18,932	790,733	1,581,466	950,000	631,466
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Manningtree & Rural North	30%	80%	20%	18,932	572,882	1,145,764	950,000	195,764
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Manningtree & Rural North	30%	65%	35%	18,932	1,016,851	2,033,702	950,000	1,083,702
RES1	Rural Exception	10	0.500	0.500	100%	4 x 2bt 6 x 3bt	5,500	-	No	Manningtree & Rural North	100%	30%	70%	21,915	101,395		100,000	1,395

Case Study Ref	Type of dev	No of Dwgs	Net Area (ha)	Gross area (ha)	Net to Gross %	Dwelling mix	SI06/dwelling	Opening up costs per net ha	DCF Applied	Market Value Area	Local Plan Viability			Part M Costs allowed	Residual Value (£)	Residual Value / gross ha	Benchmark / hectare (£)	Residual value post benchmark (£)
											%AH	%Aff Rent	% Sh Owners hip					
T1	Housing	15	0.500	0.500	100%	30dph mix	5,000	-	No	Eastern	30%	80%	20%	10,472	433,827	867,654	400,000	467,654
T2	Bungalows	25	1.000	1.000	100%	5 x 1bb 10 x 2bb 10 x 3bb	5,000	-	No	Eastern	30%	80%	20%	13,324	1,313,582	1,313,582	400,000	913,582
T3a	Housing	50	1.600	1.778	90%	30dph mix	5,000	250,000	Yes	Eastern	30%	80%	20%	34,905	1,371,585	771,420	400,000	371,420
T3b	Housing	50	1.250	1.390	90%	40dph mix	5,000	250,000	Yes	Eastern	30%	80%	20%	34,823	878,724	632,176	400,000	232,176
T4	Flats	50	0.750	0.750	100%	15 x 1bf 35 x 2bf	5,000	250,000	Yes	Eastern	30%	80%	20%	19,260	-1,781,382	-2,375,176	400,000	-2,775,176
T4	Flats	50	0.750	0.750	100%	15 x 1bf 35 x 2bf	5,000	250,000	Yes	Eastern	30%	65%	35%	19,260	-1,721,306	-2,295,075	400,000	-2,695,075
T5a	Housing	80	2.667	3.333	80%	30dph mix	5,000	400,000	Yes	Eastern	30%	80%	20%	55,848	2,464,094	739,302	350,000	389,302
T5a	Housing	80	2.667	3.333	80%	30dph mix	5,000	400,000	Yes	Eastern	30%	65%	35%	56,662	2,638,566	791,649	350,000	441,649
T5b	Housing	80	2.000	2.500	80%	40dph mix	5,000	400,000	Yes	Eastern	30%	80%	20%	55,716	1,646,329	658,532	350,000	308,532
T5b	Housing	80	2.000	2.500	80%	40dph mix	5,000	400,000	Yes	Eastern	30%	65%	35%	56,420	1,820,801	728,320	350,000	378,320
T6	Housing	125	4.167	5.952	70%	30dph mix	11,000	750,000	Yes	Eastern	30%	80%	20%	87,263	3,033,580	509,674	350,000	159,674
T7	Housing	300	10.000	15.385	65%	30dph mix	11,000	2,250,000	Yes	Eastern	30%	80%	20%	209,431	6,918,951	449,721	250,000	199,721
T7	Housing	300	10.000	15.385	65%	30dph mix	20,000	2,250,000	Yes	Eastern	30%	80%	20%	209,431	3,811,578	247,746	250,000	-2,254
T7	Housing	300	10.000	15.385	65%	30dph mix	11,000	2,250,000	Yes	Eastern	30%	65%	35%	212,070	7,631,935	496,063	250,000	246,063
T8	Sheltered	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Eastern	30%	80%	20%	18,932	-836,176	-1,672,352	400,000	-2,072,352
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Eastern	30%	80%	20%	18,932	-1,510,910	-3,021,820	400,000	-3,421,820
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Eastern	0%	0%	0%	18,932	478,112	956,224	400,000	556,224
T9	Extracare	50	0.500	0.500	100%	20 x 1bf 30 X 2bf	5,000	-	Yes	Eastern	30%	65%	35%	18,932	-1,128,254	-2,256,508	400,000	-2,656,508
RES1	Rural Exception	10	0.500	0.500	100%	4 x 2bt 3 x 3bt 3 x 3bd	5,500	-	No	Eastern	70%	20%	50%	15,506	118,550		100,000	18,550

### 3. Build to Rent

Values generated from net rent (Build to Rent)			
Property	Lower Quartile	Median	Upper Quartile
<b>1 bedroom flat</b>	£107,450	£115,360	£131,210
<b>2 bedroom flat</b>	£145,480	£162,920	£186,690

Residual Value – Build to Rent		
	Per scheme	Per gross ha
<b>Lower Quartile</b>	-£1,244,173	-£995,338
<b>Median</b>	-£322,291	-£286,480
<b>Upper Quartile</b>	£960,395	£853,684

## 4. SAMU sites

Case Study Ref	No of Dwgs	Net Area (ha)	Gross area (ha)	Net to Gross %	Dwelling mix	Residual S106/dwelling	S106 Transport & off-site / dwelling	S106 Education / dwelling	S106 Community (incl OS, Utilities) / dwelling	Opening up & other site costs per unit	DCF Applied	Market Value Area	%AH	%Aff Rent	% Sh Ownership	% self build	Part M Costs allowed	Residual Value (£)	Residual Value / gross ha	Benchmark / hectare (£)	Residual value post benchmark (£)	
SAMU 1	150	1.70	2.24	76%	15 x 1bf, 50 x 2bf 35 x 3bf, 20 x 3bth, 30 x 4 bbth	2,000	-	6,500	2,600	7500 + additional 5% of build costs as contingency	yes	Manningtree & Rural	30%	70%	30%	0%	61,735	1,540,996	687,945	570,000	117,945	Edme
SAMU 2	1,700	44.20	68.00	65%	35 dph mix	-	6,000	11,000	7,500	7,500	yes	Eastern	30%	70%	30%	0%	1,196,747	30,548,917	449,249	250,000	199,249	Hartley
SAMU 3	918	34.45	53.00	65%	38 x 1bb, 45 x 1bh 138 x 2bb, 165 x 2bh, 158 x 3bb 190 x 3bh, 83 x 4bb 101 x 4bh	-	1,000	8,000	3,500	7,500	yes	Frinton Cluster	30%	70%	30%	0%	537,993	65,509,214	1,236,023	440,000	796,023	Oakwood



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