ROGER LEE PLANNING LTD

Chartered Town Planner – BA(Hons) MRTPI

Residential and Commercial Planning : Planning Applications, Appeals and Enforcement

PRIVATE & CONFIDENTIAL

VIABILITY REPORT

RESIDENTIAL DEVELOPMENT ON LAND AT LILAC FARM, CHURCH STREET, BRIERLEY

PREPARED ON BEHALF OF: KMRE GROUP LTD

Date: September 2018

Company Registration Number 07717424

18 Leeds Road
Methley
Leeds
LS26 9EQ

PHONE 01977 516447
MOBILE 07504 759486
EMAIL roger.leeplanning@gmail.com

1. INTRODUCTION AND BACKGROUND

1.1 Roger Lee Planning Limited has been instructed by KMRE Group Limited to submit a Viability Appraisal in relation to an approved residential development on land at Lilac Garage, Lilac Farm, Church Street, Brierley (Application Reference 2011/1341)

1.2 Full planning permission for the development of 40 residential units and the formation of an area of open space was granted to the Richard Ryder Partnership on 19 December 2011. The approval was for extension of the time limit on application number 2008/0764 to enable a further three year period to be granted for the commencement of the development. Condition 14 required the approval of a scheme for the provision of or enhancement to off-site public open space. Condition 19 required the approval of a scheme for the provision of 15% affordable housing as part of the development.

1.3 Subsequent to the approval of planning permission a S106 Legal Agreement was completed on 6 December 2013 in order to secure compliance with conditions 14 and 19.

1.4 The S106 agreement requires the payment of commuted sums of £54,844 to be spent on the provision, improvement and/or maintenance of public open space within the administrative area of the Council and £18,582 to be spent on the maintenance and improvement of any public open space within the administrative area of the Council, together with a commuted sum payment of £81,000 towards affordable housing and the provision on site of 3 social rented units and 1 shared ownership unit.

1.5 The site has subsequently been purchased by the KMRE Group Ltd ("the developer") and has been partly built and occupied.

1.6 Accompanying this report at Appendix A is a financial appraisal which forms the basis for the conclusions at the end of this report.

2. PLANNING POLICY CONTEXT

2.1 The concept of viability of development has emerged as an important element within the planning policy regime, particularly since the housing market went into decline in late 2007. Ensuring that development proposals are deliverable is a critical factor in local and national policies.

2.2 When considered in economic terms, financial viability is assessed via a calculation (i.e. financial appraisal) of the gross development values that a development proposal is expected to generate, less gross development costs, and accounting for elements such as planning obligations, professional fees, finance charges and contingencies, and abnormal costs.

2.3 The calculation also needs to take account of the necessary level of return that is required to enable a development to proceed, comprising a return to the landowner to enable the release of land for development and return to the developer (profit) that reflects their specific business model, the level of project risk and any specific investor expectations.

2.4 These issues are recognised as being material considerations in the revised National Planning Policy Framework (NPPF) which was published in July 2018, and associated practice guidance. Paragraph 57 of the NPPF says that

> *"It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available".*

2.5 National Planning Policy Guidance updated in July 2018 reinforces these points and the methodology for viability assessments.

2.6 A scheme needs to be viable from the developer's perspective (i.e. an acceptable rate of return should be achieved) but the land value must also provide an attractive return to the land owner, with the standard developer level of profit being 20%.

2.7 The subject site clearly needs to be considered within the above context and with reference to wider sustainability and housing delivery aspirations.

3. METHODOLOGY

3.1 This report seeks to assess the viability of the development and a residual and fixed land value development appraisal model has been used to determine this.

3.2 The residual method of valuation model can be approached in a number of ways, depending on the inputs available and can be expressed based on varying arrangements of the calculation below:

Gross Development Value (GDV) - Total Costs less Development Profit = Residual Land Value (RLV)

- Gross Development Value includes all income generated by development;
- Total Costs include construction costs, fees, planning, finance charges and also S.106 agreement costs;
- Developer's Profit is expressed by reference to a percentage of the Total Costs or Gross Development Value. It can also be expressed by reference to an Internal Rate of Return (IRR);
- Residual Land Value is the value of the land that remains after any and all deductions associates with the cost of developing, maintaining or reselling the land.

3.3 In simple terms, only when the GDV exceeds the Total Project Costs and required returns (profit) can a scheme be considered viable in economic terms.

4. THE APPRAISAL

4.1 An appraisal has been produced to determine the viability of the development in the context of the requirements of the S106 agreement for commuted sum payments and on-site affordable housing. The values derived from the appraisal has then been used to make an informed judgement as to the level at which the anticipated land value is likely to provide a sufficient return to the developer.

4.2 The costs and values applied within the appraisal are set out in full in Appendix A.

4.3 The figures and calculations are clearly and comprehensively set out in the appraisal.

4.4 The appraisal demonstrates that with the full requirements of the S106 agreement there is no developer profit to be made but without the S106 requirements there is a 17.5% developer profit on cost which makes the development viable.

5. CONCLUSION

5.1 This report has been prepared on behalf of the KMRE Group Ltd in relation to the S106 agreement dated 6 December 2013.

5.2 The viability appraisal has been undertaken using development values and cost inputs that are robust and based on the information provided within this report.

5.3 The Appraisal concludes that the development would not be viable with the current S106 agreement requirements.

5.4 In the circumstances the current requirements for contributions should be waived by the local authority in order to enable the development to proceed.