



## **Colchester Borough Council - Local Plan Part 2 Viability Study:**

### **Summary of Emerging Findings**

1. The Colchester Borough Council Viability Study provides the Council with evidence to assist it in drawing up its Local Plan, including its affordable housing policies. The evidence 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. This assessment also takes into account the policies in the new Local Plan and its supporting evidence base.
2. Colchester Borough Council is aligning the development of its Local Plan with Braintree District Council and Tendring District Council (the Partner Authorities) to cover growth in North Essex to 2033 and beyond.
3. The Partner authorities are currently preparing a combined strategic Part 1 Local Plan which will set out the opportunity for cross-boundary Garden Communities. The Part 2 Emerging Local Plan will include the allocations and policies needed to jointly deliver the predicted growth within the Partner Authority boundaries to 2033. Each council will produce a separate Part 2 Local Plan and this Viability Study is to inform the Pre-Submission consultation for this Part 2 Local Plan.
4. The councils recognise the importance of producing a plan that is viable and deliverable and has commissioned Troy Planning + Design and Three Dragons to assess viability. The Viability Study has demonstrated that the Local Plan policies in relation to residential development are financially viable for most typologies tested and that a policy requiring 30% affordable housing on sites over 10 units is achievable. In most cases the council's policies in relation to accessibility & adaptability of dwellings (Part M of Building Regulations 2015) and 5% self-build plots on sites over 100 units are also achievable.
5. The recent Housing White Paper (February 2017) suggests that all sites over 10 dwellings may have to meet a requirement for 10% of units to be affordable home ownership. If this become a national policy requirement it will not affect viability on the schemes tested in this study.

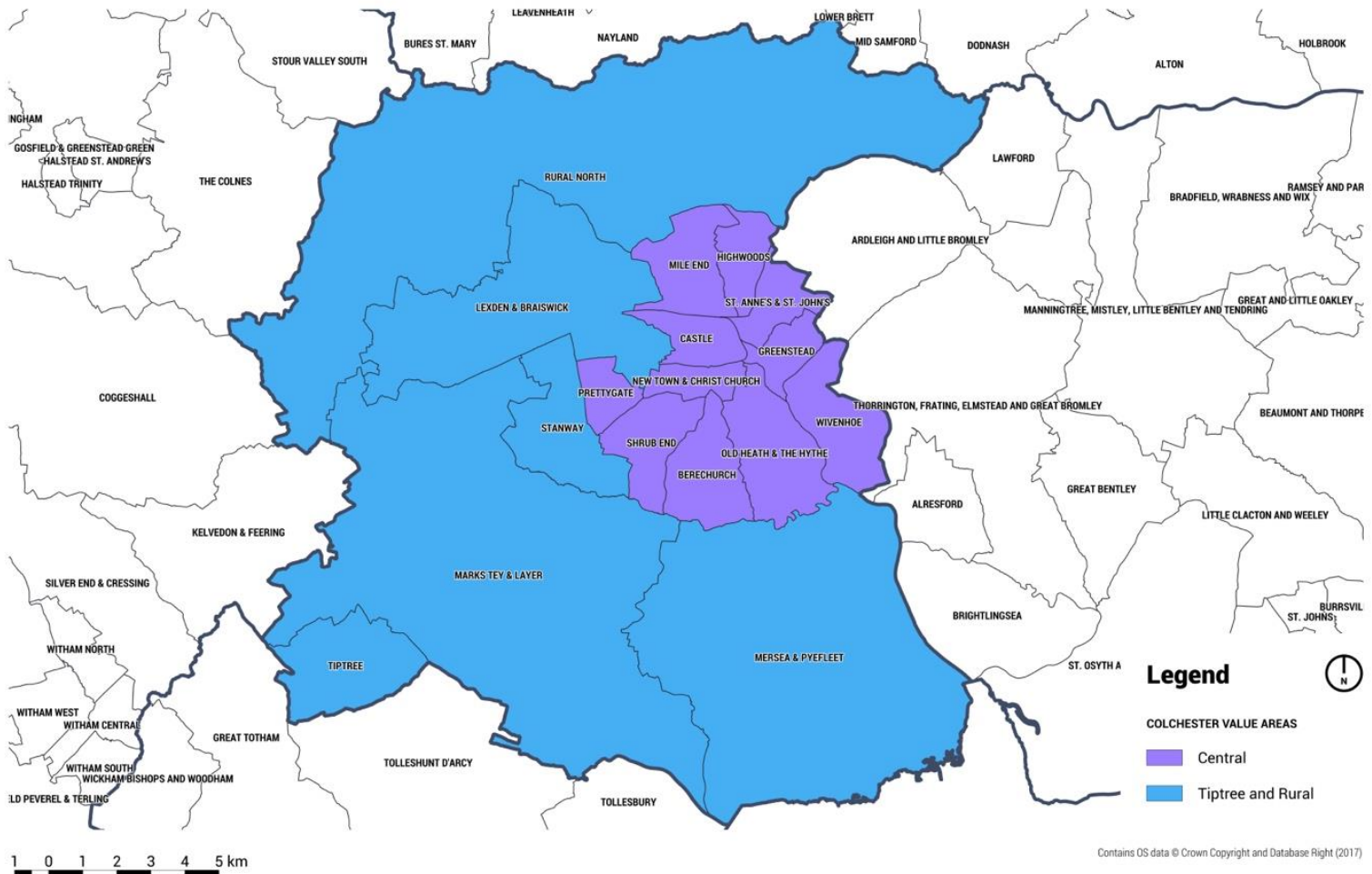
6. The testing undertaken uses a standard residual land value approach, using the Three Dragons Toolkit for residential development and the Three Dragons Non-Residential Model for non-residential development. The residual value of development (total value less all development and policy costs, including planning obligations) is compared to a land value benchmark and the scheme is said to be viable if the residual value exceeds the benchmark. Note that the benchmark land value is an estimate of the lowest value that a landowner may accept, and does not preclude the possibility that some schemes may have enough value to pay more for land.

## **Residential uses**

7. The testing for residential development was undertaken in two ways
- Generic testing for 1 ha sites with different densities of 25/30/35 & 40 dwellings per hectare which provides an overview of the viability of the whole plan
  - As a set of case studies, ranging from 1 to 1,100 dwellings, representative of sites proposed in the Local Plan

A full list of the case studies is available at Appendix I.

8. The borough was divided for testing purposes into two value areas; Central and Tiptree & Rural. House prices and land values are higher in the Tiptree & Rural area than in the Central area (see map below).



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9. The testing has taken account of the policies in the council's Local Plan. In particular, the council wanted to accommodate key housing policies liable to impact on viability:
  - Affordable housing – the council requested that varying levels of affordable housing be tested in order to ascertain how best to meet the need identified in the SHMA;
  - Accessible and Adaptable homes – testing took account of need for a higher level of accessibility & adaptability under Part M of the Building Regulations - 10% of market housing and 95% of affordable housing to be reach Part M4 (2) Accessible and Adaptable standard and 5% affordable homes to be to Part M4 (3)(2)(b) Wheelchair User dwellings;
  - 5% of plots on sites over 100 dwellings to be serviced plots available for self-builders.
10. No CIL charge was applicable as the council has not yet implemented a CIL and the full S106 contributions were applied. These were varied at differing site sizes.
11. Sensitivity testing was carried out using a high cost scenario, taking account of the potential for high infrastructure requirements or land remediation on sites of 300 dwellings or above.
12. The testing undertaken for the **notional 1 ha sites** provides an overview of the viability of the whole plan. The residual values from notional sites are tested against the

benchmark land value. The results vary from location to location but **in all areas and in all scenarios produce a surplus over the benchmark land value.**

13. **The majority of the case studies, including the larger sites, also produced a positive residual value over the benchmark land value, demonstrating that policies in the emerging Local Plan are achievable, including those outlined in paragraph 9 above.**
14. Sheltered and extra care schemes are viable at the policy position.
15. The Rural Exception Site was modelled to evaluate whether the inclusion of market housing would assist deliverability. Using a mix arrived at following consultation, a level of 20% market housing was required to achieve viability. Clearly, in practice, this will need to be assessed on a site by site basis as the size and tenure of dwellings on such sites will vary according to local need.
16. There were some exceptions to the results where sites were not financially viable. In particular, the flatted schemes were not viable in either value area, reflecting the high cost of building out such schemes. In practice, policy requirements for affordable housing and Part M would need to be relaxed to bring these schemes forward. However, even with a reduced policy position, it is likely that flatted schemes would be at the margins of viability, particularly in the Central Area, without a reduction in land cost.
17. At the higher cost scenario, both the 600 and the 1,100 unit schemes resulted in a marginally negative residual value in the Central Area. Again, in practice, such additional costs would be likely to mean that the land value would flex to accommodate any such marginal negative residual value.

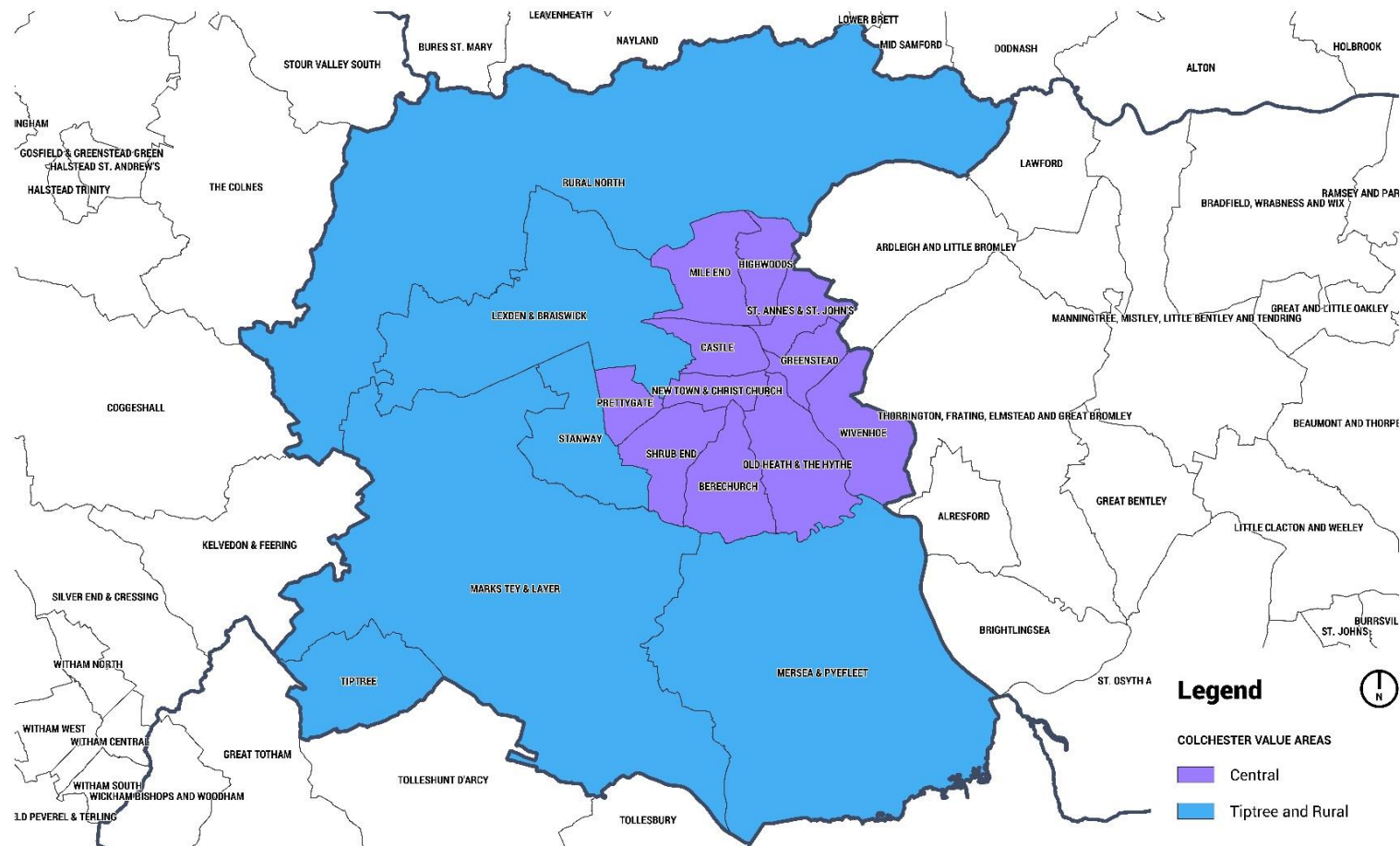
# Appendix I

Colchester District Council

Technical Detail for residential testing

Market Housing

## COLCHESTER - Value Area



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# House Prices

House Type	Detached			Semi-detached		Terrace				Flats		Bungalows	
Bedrooms	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	1 bed	2 Bed	1 Bed	2 bed	1 bed
<i>Market GIA (sq m)</i>	<i>160</i>	<i>130</i>	<i>100</i>	<i>120</i>	<i>100</i>	<i>106</i>	<i>84</i>	<i>70</i>	<i>58</i>	<i>61</i>	<i>50</i>	<i>70</i>	<i>55</i>
<b>Tiptree &amp; Rural (HV)</b>	£508,320	£413,010	£317,700	£362,040	£301,700	£327,445	£259,484	£216,237	£179,168	£173,994	£142,618	£280,000	£220,000
<b>Central (LV)</b>	£456,640	£371,020	£285,400	£334,680	£278,900	£296,503	£234,965	£195,804	£162,238	£169,613	£139,027	£251,533	£197,633

## Notes

- Flats ground rent £250/dwelling capitalised at 5%.
- 5% selling price premium applied to sites of 3 dwellings or less

## Market Housing dwelling mix

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

## Affordable Housing

Testing to advise on level of (viable) affordable housing: 35% and 30% tested on sites over 10 dwellings. Lower level not tested because sites were clearly viable. (Garden Communities are to provide 30% affordable housing.)

All affordable housing comprises 80% Affordable Rent and 20% shared ownership on sites of more than 10 units. (i.e. 11 or more).

## Affordable Housing Dwelling mix

### Mix takes account of SHMA

Affordable Housing Development Mix House Type	Affordable Rent (80% of AH)	Intermediate (shared Ownership) (20% of AH)
1 bed flat	10%	
2 bed flat	10%	25%
2 bed bungalow	5% (at 25 dph only – otherwise increase 2 bed flats by 5%)	-
2 bed terrace	45%	50%
3 bed terrace	25%	25%
4 bed terrace	5%	-

## Affordable housing values

Rents are net of service charge of £10 pw for flats and £5 pw 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%

## **General costs and assumptions – all dwellings**

### **Dwelling sizes**

House type description	Affordable sq m	Market sq m
1 bedroom flat	50 (2p)	50
2 bedroom flat	70 (4p)	61
1 bedroom bungalow	55 (2p)	55
2 bedroom bungalow	70 (4p)	70
1 bedroom terrace	58 (2p)	58
2 bedroom terrace	79 (4p)	70
3 bedroom terrace	93 (5p)	84
4 bedroom terrace	106 (6p)	106
3 bed semi detached	93 (5p)	100
4 bed semi detached	106 (6p)	120
3 bed detached		100
4 bed detached		130
5 bed detached		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 studies C8 and C8A.

For the sheltered scheme, case study C14, 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 C15, 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
Flats (1-2 storeys)	£1,417	sq m includes 15% for external works
Flats (3-5 storeys)	£1,467	sq m includes 15% for external works
Houses	£1,250	sq m includes 15% for external works
2 – 3 Houses	£1,312	sq m includes 15% for external works (5% increase over standard houses)
Single House	£2,047	sq m includes 15% for external works
Bungalows	£1,492	sq m includes 15% for external works
Sheltered Housing	£1,449	sq m includes 15% for external works (assume 3 storey)
Professional fees	8%-12%	10 units or less – 12% 11 – 50 units – 10% 51 – 100 units – 9% 101+ units – 8%
Finance	6%	of development costs (net of inflation)
Marketing fees	3% 6%	of GDV of GDV for sheltered and extracare schemes
Developer return	20%	of GDV
Contractor return	6%	of affordable build costs
s106/278	£6,000 £10,000	Per dwelling (based on average from info supplied by council on past contributions) Per dwelling for sites over 50 dwellings to take into account extra education provision

Type	Cost	Comment
Accessibility	<p>Allow for 10% market housing to be to Part M(4) 2 standard.</p> <p>Allow for 95% affordable homes to be to Part M(4) 2 standard.</p> <p>Allow for 5% affordable homes to be to Part M(4) 3 accessible standards.</p>	Costs based on DCLG Housing Standards Review, Cost Impacts, September 2014.
Strategic infrastructure costs/ opening up	<p>&gt;50 units 50k/net ha</p> <p>&gt;100 units £100k/net ha</p> <p>&gt;200 units £150/net ha</p> <p>&gt;400 units £200/net ha</p>	net ha for larger sites
High cost scenario	<p>5k per unit on sites 300 or more</p> <p>10k per unit on sites 600 or more</p>	Sensitivity test to allow potential for higher site remediation or infrastructure
Void Costs	£100,000	Applies to sheltered and extracare schemes
Agents and legal	1.75%	

## Densities

1ha tiles will be tested at 25, 30, 35 and 40 dph. Higher densities will be included in case studies.

Unless otherwise specified - main density for case studies of 35 dph for case studies

Net to gross ratios:

- Up to 0.2ha 100%
- 0.2 - 2ha 90%
- 2 - 8ha 80%
- 8+ha 65%

Build out rate approximately 50 dwellings per annum per developer.

## Benchmark Land Values

Colchester	Greenfield / Brownfield	Intermediate site approx 70 – 500 dwellings	Large strategic greenfield / brownfield
Central – Low Value areas	£0.6m	£0.5m	£0.44m
Tiptree & Rural - High Value areas	£1m	£0.75m	£0.44m