



Development Management Plan Viability

Interim Evidence Note

October 201

Background

- 1 This note sets out the interim position with regard to viability testing of the Development Management Plan (DMP) at the Regulation 19 stage.
- 2 National planning policy requires Local Plans to be aspirational but realistic. Local Plans must therefore be “deliverable”. In preparing a new Plan, we must therefore pay careful attention to the viability of development. This requires us to ensure that the policies and infrastructure requirements that development sites will be subject to would not cumulatively compromise their viability to the extent that their delivery is threatened.
- 3 We must assess, and be able to demonstrate that the cumulative impact of local policies and standards, would not put the implementation of the plan at serious risk. In carrying out this assessment, it must include taking account of normal costs of development and mitigation, whilst providing competitive returns to a willing land owner, and should facilitate development throughout the economic cycle
- 4 The evidence accompanying the DMP for submission must show how the policies in the plan have been tested for their impact on the viability of development. This includes the costs of complying with existing development Plan policies, the draft DMP policy costs (including affordable housing policy), and standards, taking into account the impact of the Community Infrastructure Levy (CIL). In factoring in the CIL, we are using the CIL rates that the Council adopted in April 2016.
- 5 Before the Council can adopt the Development Management Plan (DMP), it must pass through several tests. An independent government inspector examining the submitted DMP must find that amongst other requirements, it is “effective”, i.e. that it is deliverable over its period.

Methodology

- 6 Our viability assessment of the draft Development Management Plan is based on the methodology of previous development viability studies that we have undertaken, the most recent being the 2015 Community Infrastructure Levy Viability Report (March 2015). This was a key element of the evidence considered at the 2016 independent CIL examination. It considered the viability of Core Strategy policies and potential CIL rates. We are also taking into account of the Housing Requirements Study 2016 viability findings, which, considered the impact on viability of introducing to the borough a policy requirement of complying with the nationally prescribed space standards, amongst other policy standards. Although various policy requirements have already been tested, they need to be tested again together to consider their cumulative impact.
- 7 We are using the residual land valuation methodology to assess the viability of sites. The methodology compares the residual land value (the amount remaining in theory to pay for the land) against a benchmark land / threshold value (i.e. the amount required for a typical landowner to sell land for development).

- 8 We are currently testing a range of generic sites, based on sites from the Strategic Housing Land Availability Assessment (SHLAA) 2016, likely to come forward over the plan period, as well a cross-section of site allocations with their site-specific infrastructure requirements.
- 9 We have sought the advice of a critical friend, a firm of chartered surveyors and planners, to peer review our viability work. In September 2017 they provided their views on our draft input assumptions, policy costs and sites to test. We have taken these into account in our viability assessments. They also provided advice on our draft methodology for calculating affordable housing contribution for small sites and for the exceptional payment in-lieu of on-site provision.

Next Steps

- 10 We are currently completing the range of development appraisals on both a range of generic sites, and on specific sites subject to allocation policies. Once these appraisals are completed they will be subject to peer review. The assumptions, inputs and appraisals will be provided in a study alongside a narrative and conclusions. This will be made available along the Regulation 19 Development Management Plan for consultation in January – February 2018, along with the submission documents and other supporting evidence studies.
