

**For:**  
**Thanet District Council**

**Local Plan and CIL  
Viability Assessment**

**Update Report  
Strategic Sites  
High-Level Further Review**

July - August 2018

DSP18427A

# Update Report

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# 1. Introduction

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## 1.1 Background to this update

- 1.1.1 This brief update report is to be read in conjunction with DSP's main assessment report (Local Plan and CIL Viability Assessment Report – December 2017).
- 1.1.2 Work for the earlier full report was conducted during 2017, culminating in a final draft report at December 2017, as was used to inform the Council's emerging Local Plan development.
- 1.1.3 Following the decision not to publish the previous version of the draft Local Plan in January 2018, during the last few months a revised development strategy (in particular relating to the inclusion of strategic development sites) has been settled on by Thanet District Council (TDC).
- 1.1.4 The Council therefore asked DSP to revisit its high-level appraisals of the strategic sites, reflecting an updated sites list and also a combination of increased dwelling numbers on retained sites and the addition of new sites to the list.
- 1.1.5 In July 2018, following the clarification of this picture, DSP has re-issued its main report (as at 1.1.1 above) in final form (v4), ready for publication at the same time as this update. This update work was in the main completed in July 2018, with the final checks and publication stage running into August 2018 – consolidating this assessment work for TDC.
- 1.1.6 In preparing this update, DSP used the same methodology and assumptions basis as previous, so that those details are not repeated here.
- 1.1.7 DSP were provided with revised indicative dwelling numbers and land areas for the sites re-appraised for this high-level update (Birchington-On-Sea (SP14) now at 1,600 dwellings; Westgate-On-Sea (SP15) now at 2,000; Westwood (SP16) now at 1,450). Manston Court Road / Haine Road (also known as Westwood Village) has been appraised assuming 1,200 dwellings. Removed from the assessment and appraisals scope was the Manston Airfield site (former SP05), with the revised TDC strategy effectively redistributing the growth that had previously been proposed there.

- 1.1.8 As part of this, 2 no. other sites not previously considered as part of the assessment in this way have been added. These are Shottendane Road (H02) at an assumed 550 dwellings and Tothill Hill Street, Minster (250 dwellings). The latter has been considered using the basis of our earlier main assessment typology of 250 dwellings, but now with the consideration of that aligned to this site, with an updated land area assumption (increased by approximately 3Ha to 10Ha in all) as briefed by TDC. For this reason, the results now representative of Tothill Street (Minster) are presented differently – within this report text (see below).
- 1.1.9 The Summary table at Appendix I to this update therefore provides an update to (supersedes) the earlier version (2017) included within the main report at Appendix IIb. As per the earlier version, it provides an overview of the assumed dwelling numbers and areas; alongside which the main assessment assumptions (Appendix I and report text, both 2017) have again been used – i.e. in regard to development values, costs and assessment approach.
- 1.1.10 So Appendix I here (2018 update) includes the revised indicative surpluses viewed by site as listed, and again on both a guide total and therefore an estimated potential £/dwelling surplus, i.e. as potentially available for s.106 and / or any other costs that are not currently allowed for.
- 1.1.11 In section 2 below we set out briefly what these updated viability findings show in respect of the strategic sites; essentially a similar overview to that reported from our earlier appraisals (main assessment report 2017).
- 1.1.12 All sites included within this update scope have once again been considered on a greenfield basis; with the requisite land areas assumed to be purchased at appropriate rates and all usual development costs allowed for. Aside from a relevant scaled-up approach on sales receipts, costs and development timings / finance, reflecting the increased dwelling number assumed on the re-appraised sites, the previous assumptions basis remains unchanged in all respects.
- 1.1.13 Simply for clarity, DSP confirms that aside from the further use of the previous 250 dwellings greenfield development typology (i.e. as per the 2017 report Appendix IIa, Table 1m 30% AH results), this update has incorporated no further work in respect of the smaller / general (non-strategic) scheme typologies assessment.

## **2 FINDINGS - Updated viability indications (Strategic sites)**

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### **2.1 Strategic sites – Updated Results Summary table (Appendix I)**

- 2.1.1 The estimated potential surpluses seen through the updated appraisals, based on the assumptions used, are in the range approximately £7,000 to £19,000 per dwelling, varying from site to site.
- 2.1.2 Consistent with the 2017 assessment report at 3.11.11 to 3.11.15, further sensitivity testing grids (updated as part of the new appraisals) are again included within the updated Argus appraisal software summaries included at Appendix II, however. Again, these show the great potential for the reported results to vary (and indeed potentially improve) over time, with changes to development values and costs. The values changes are seen to have the most impact, given that the works costs make up a proportion of the overall value created. As before, it is appropriate to consider this in the context the relatively long term operation of the Local Plan.
- 2.1.3 Overall, the nature of the findings and what may be drawn from those is effectively unchanged.
- 2.1.4 This means that the results continue to show a reasonable prospect of viable development in support of the Thanet Local Plan housing provision growth, based now on the amended approach as set out to DSP. We say more on this below.

### **2.2 250 dwellings - greenfield**

- 2.2.1 Most likely with different characteristics and sitting beneath the larger ‘strategic’ sites, looking at the 250 greenfield dwellings typology revisit (as per 1.1.8 above) - representative broadly of Tothill Street, Minster – once again, our findings overall are similar to those from the earlier stage (base) work, 2017.
- 2.2.2 These are as follows (results extract below, not included within updated Appendices) – 250 dwellings; 30% AH. The greenfield uplift land value basis remains in use and appropriate, with £250,000/Ha the considered key viability test (benchmark land value level) against which the results below are considered once again – referred to

in the main assessment as Viability Test 1. We can see here again which results meet or exceed this – principles all as before:

CIL Trial Rate £/m <sup>2</sup>	VL1 £2,500	VL2 £2,800	VL3 £3,100	VL4 £3,400	VL5 £3,700	VL6 £4,000	VL7 £4,300
	Residual Land Value (£/Ha)						
£0	Negative RLV	£225,871	£617,101	£1,008,332	£1,399,562	£1,790,793	£2,182,024
£25		£187,310	£578,540	£969,771	£1,361,001	£1,752,232	£2,143,463
£50		£148,749	£539,979	£931,210	£1,322,440	£1,713,671	£2,104,901
£75		£110,188	£501,418	£892,649	£1,283,879	£1,675,110	£2,066,340
£100		£71,626	£462,857	£854,088	£1,245,318	£1,636,549	£2,027,779
£125		£33,065	£424,296	£815,526	£1,206,757	£1,597,988	£1,989,218
£150	Negative RLV		£385,735	£776,965	£1,168,196	£1,559,426	£1,950,657
£175			£347,174	£738,404	£1,129,635	£1,520,865	£1,912,096
£200			£308,613	£699,843	£1,091,074	£1,482,304	£1,873,535

2.2.3 The updated findings on this are best further explained by reiterating the earlier reporting content, and particularly at 3.5.45 to 3.5.47 (2017 report). We will recap here too.

2.2.4 So, once again, and as expected, there are some more negative or marginal outcomes at 250 mixed dwellings, with lower sales values assumed. With likely greenfield development and VL3 values assumed, again these scenario tests indicate the potential to support up to 30% affordable housing along with a CIL and / or other planning obligations cost assumed at equivalent to around £100/sq. m; perhaps a little higher. Again, some VL2 scenarios also look potentially viable with 30% AH on greenfield land, although those may become marginal and currently appear to have the potential to bear CIL or other obligations at a likely reduced level of up to about £50/sq. m / equivalent.

2.2.5 Whilst, again, except with a likely nil CIL, at VL2 the 250 unit scenario appears to struggle to support the 30% AH, assuming VL3 values, the 30% AH looks to have good viability prospects in combination with a meaningful CIL (or equivalent other costs supported - e.g. s.106) at £100/sq. m +.

2.2.6 In all cases, the noted potential CIL scope is after buffering (based for now, as before, at approximately 50% of the apparent maximum rate indications). We note that at this stage the Council is not immediately progressing CIL proposals and will no doubt take stock of the 2017 viability findings and reporting in respect of the potential CIL scope and variations in that. Nevertheless, it has in our view remained appropriate to consider the potential impact of the LP policies alongside assumptions that are representative either of a CIL or an ongoing use of s.106 – the cumulative costs of development need to be considered. It follows, however, that both this update and the earlier assessment work do not predetermine the details that TDC may develop on this in due course; those will be for further consideration.

### **2.3 Recap of findings context - Strategic scale development**

2.3.1 Consistent with the previous version, it should be noted that the surplus figures reported in the summary table at Appendix I are necessarily current stage assumptions and review based results. This is a high-level picture that could and most likely will alter as more information becomes known about the sites, and market conditions vary, etc.

2.3.2 As per the review process outlined above, however, the results continue to show a reasonable prospect of viable residential based development in some form, with potential to support varying quantities of s106 measures or equivalent in addition to the usual costs of development at this scale. This includes affordable housing provision, continuing to be targeted and assumed to be included as per the envisaged impact of the proposed policy (targeting up to 30% AH). This is in accordance with our earlier findings.

2.3.3 We must note again that the exact nature of the s.106 or equivalent requirements that may be viable at a site-specific level will not usually be determined until the planning application stage, however.

2.3.4 Overall, in our view the range of results indicates that the Council's revised strategy continues to plan for development that, considered in this way, is very likely to be viable, albeit (and as is always necessarily the case) with the achievable planning obligations packages needing detailed resolution in due course.

- 2.3.5 This continues to reflect also the general site typologies related findings (as per the 2017 Appendix IIa results and now further considered in respect of the 250 greenfield typology with reference to Minster).
- 2.3.6 The updated results provided here should continue to be considered as approximate maximums based on the values and other assumption used. As before, changes in assumptions, even if apparently small, e.g. owing to unidentified abnormal costs / potentially negative viability outcomes from other forms of development or any necessary land value flex – can have an impact on the overall results.
- 2.3.7 Additional to the base results (as reported at the new Appendix I Summary Table) the appraisal summaries in each case also display updates of the tabled outcomes of sensitivity tests – see the 5<sup>th</sup> sheet of each Argus summary at Appendix II to this report.
- 2.3.8 For ease of reference, in each of these updated ‘Sensitivity Analysis Report’ grids, the base level outcomes are those seen at the centre point – where the outcome from a ‘0.000%’ ‘Construction: Rate pm<sup>2</sup>’ adjustment (from base) in combination with a ‘0.00 pm<sup>2</sup>’ ‘Sales: Rate pm<sup>2</sup>’ adjustment is seen. This base position (core assumption, with no adjustment made to sales values or build costs) is shown as a nil or very close to nil figure in the grid’s centre in each case.
- 2.3.9 With the assumed land cost, a fixed input in all cases, the variable profit figures shown as positives (non-bracketed) or negatives (bracketed figures) indicate the increased or reduced total surpluses available under varying combinations of increased / reduced values and / or increased / reduced costs. This is aimed to provide additional information to TDC, now updated and linked to the points necessarily made above i.e. illustrating how the outcomes are sensitive to the assumptions used at a particular point in time – we must reiterate that they are very likely to be seen to move around.
- 2.3.10 As before, this further information suggests a capacity for values growth to balance out and probably outweigh build costs increases over time, but only through time will it be seen how this actually develops. With increasing values, the indicative potential surplus quickly grows in each case, and likewise it is also decreases markedly with a reduction in values compared with the base assumption of market sales at approximately £3,400/sq. m (envisaging an attractive living offer through extensive

place-making), particularly alongside rising build costs should those continue to be seen.

2.3.11 It must be acknowledged that these all continue to be high-level tests.

2.3.12 Based on the limited level of available site-specific knowledge and detail to this point, which again is not unusual in our wider experience, our appraisal approach remains consistent with that we have used in other cases and seeks to inform an indicative potential level of funding that could be available to support s.106 and / or CIL related infrastructure costs (as well as any other currently unidentified costs).

2.3.13 The approach also includes developers' profits fixed for the assessment purpose at 20% GDV (market sale housing) and 6% GDV (affordable housing) along with a fixed land cost and all other usual development cost allowances, including finance, allowed for.

2.3.14 Again, purely related to the assessment purpose, the sensitivity of results to land value variance has been tested through the use of land value levels (representing greenfield enhancement value, subject to planning and unserviced, with the prospective developer meeting all development costs) at £250,000/Ha applied to the gross (whole) potential site area.

2.3.15 To date our experience of CIL and its interaction with strategic sites proposals has generally been that by the time the site-specific infrastructure and development mitigation needs are costed in (and usually secured through a negotiated s.106 agreement that also ensures the delivery of infrastructure in a timely way to support the development progression), little or no financial viability scope also remains with which to fund CIL payments. As above, however, this is a general statement at this stage and the application of any CIL progressed will require further consideration based on the LP as firmed up in due course.

2.3.16 At this stage, the relevance of abnormal development costs is not known.

2.3.17 Overall, we consider that these strategic sites early stages review outcomes certainly suggest reasonable prospects for viable development. However, the Council will need to consider the indicative surplus outcomes compared with its developing picture on likely significant planning obligations costs as more detail / cost information emerges.

2.3.18 Therefore, we suggest that these scenarios and outcomes could usefully be reviewed further as the TDC proposals progress, and as the Council's work with involved development interests builds up; continuing the approach underway.

2.3.19 This concludes our updated work as set out here, and DSP will be happy to assist TDC further as required.

2.3.20 ***Notes and Limitations apply as per the main assessment report (2017).***

Update Report ends (DSP v2)

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