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21 July 2016

Dear Sirs

HALLMARK HOTEL, BAR HILL, CAMBRIDGESHIRE – PLANNING APPLICATION FOR 40 DWELLINGS – REF: S/0851/16/FL

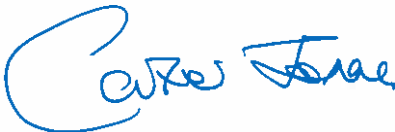
1. We are writing in connection with the above planning application with a brief summary on the viability appraisal submitted by the applicants and on the outcome of our discussions.
2. Firstly, and by way of explanation a viability appraisal deducts from the total expected sale prices (GDV) the construction costs, an amount representing a reasonable land value (benchmark value) and any S106 financial contributions that are required so as to derive any surplus/profit. If this surplus is at or above an acceptable level the scheme will be viable but if there is insufficient profit it will not be viable. In that event adjustments would need to be made above or below the line for example by changing the market/affordable mix so as to increase the GDV, or by reducing the S106 financial contributions.
3. The applicants' appraisal submitted that the scheme could not support the provision of affordable housing and that even with 100% market dwellings the return would be lower than would be required to be viable.
4. At the start of the process the applicants sought to justify the site value as the difference in value for the entire hotel site with and without the area intended for residential development. This was not accepted as the benchmark value must represent a sale between unconnected parties. They then suggested it would be possible (as an alternative to the proposed residential development) to construct a budget hotel. Whilst a realistic alternative development would be an acceptable way to establish site value this was not considered to be sufficiently supported and would be considerably 'at risk'.
5. Nevertheless benchmark value should take into account the National Planning Policy Framework (NPPF) which says that viability should provide competitive returns to a willing landowner and a willing developer to enable the development to be deliverable. Paragraph 173 states '*to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, affordable housing standards, infrastructure contributions or other requirements should, when taking into account the normal cost of development and mitigation, provide*

competitive returns to a willing landowner and a willing developer to enable the development to be deliverable.*

6. So, benchmark value should, subject to an appropriate adjustment for risk, take account of current market prices paid for development for which a similar planning permission has already been secured and any planning obligation requirements are known. Whilst the site is outside the village framework, the site may be considered to be in a sustainable location and there is a desire for SCDC to meet their 5 year housing supply.
7. For the GDV, there are few (if any) new home comparables within Bar Hill. So in assessing the expected sales prices for the scheme we had advised these will be greater than the value of other second hand properties within the village and akin to new home values in other nearby villages which might also depend on the A14 for access into Cambridge. As a result our view on GDV was slightly higher than that put forward by the applicants.
8. With respect to construction costs the figures put forward by the applicants are higher than the mean, but within the range suggested by the Building Cost Information Service (BCIS). However, this is influenced by its high quality contemporary design, architectural standards and decorative features, to be energy efficient to code level 4 with triple glazing, green roofs, additional surface water attenuation and lifetime homes standards, most of which are a planning requirement.
9. The applicants provided a detailed cost budget for the development and our conclusions have been reached on the assumption that these are accepted by SCDC or could otherwise be justified to a planning inspector.
10. Planning policy requires the provision of 40% of dwelling numbers as affordable. Whilst the affordable dwellings would usually comprise a mix of 70% as rented and 30% as shared ownership we first prepared a viability appraisal based on a 50:50 mix between rented and shared ownership (all as flats) as a realistic expectation in this instance. This clearly demonstrated that the proposed development would not be viable if it was 'planning compliant'.
11. So it will be necessary to adjust the affordable mix so as to increase the GDV to a point where the scheme can be considered viable. We have advised this balance would be achieved with a provision of 6 affordable dwellings. It is proposed that all of these be provided as shared ownership as two 1-beds, three 2-beds and one 3-bed flats. In addition the applicants will be required to make S106 financial contributions totalling an estimated £400,000. We would recommend that in the event that the calculated S106 contributions are below this threshold, then the difference up to the £400,000 limit should be made up as an additional commuted sum in lieu of affordable.
12. We would also recommend that in accordance with planning policy the applicants should be encouraged to complete the development (to the standards as proposed) as soon as possible so that this development can contribute to the shortage in housing numbers. This might be achieved by seeking provisions for a review mechanism within a time limit of say 3 years if this is not achieved.
13. As with any spreadsheet based calculation, the outcome can be very sensitive to the various input figures agreed, the principal ones being GDV, development costs and land value. As a result whilst it may be possible (for example with higher market values and/or lower costs) to justify a different outcome requiring more affordable dwellings, it could also be possible for the applicant to justify their original position with no affordable at all.

14. On balance, taking into account the risks (and potential costs) of an appeal we can recommend the proposed outcome to be acceptable to the council.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Carter Jonas', with a large, stylized initial 'C'.

Carter Jonas LLP

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