BRIEFING NOTE

SEFTON LOCAL PLAN - POLICIES MN3 AND MN6A

November | 2015

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1.0 INTRODUCTION

1.1 Following the publication of the Local Plan and Community Infrastructure Levy Economic Viability Study (LPEVS) in December 2014 the Local Plan Policy MN3 (Land East of Maghull) has been subject to further discussions and modification. In addition a new site specific policy MN6A (Land at Moss Lane, Churchtown) has been introduced. We have therefore undertaken further viability testing of these allocations based on the new and amended policy requirements.

1.2 This briefing note provides for each site details of the policy requirements in so far as they impact on viability, details of how these aspects of the policy have been addressed in the testing that we have undertaken and the results of our viability testing. As part of the exercise WYG have prepared revised construction cost assessments for each of the two sites. The cost assessment for MN3 is contained at Appendix 1 and that for MN6A at Appendix 2.

2.0 MN3 – LAND EAST OF MAGHULL

2.1 Table 2.1 below contains details of the aspects of this policy that impact on viability and how these matters have been addressed in our viability assessment.

Policy Requirement	How Addressed
A minimum of 1,400 dwellings based on a range of house types and tenures. Including provision of affordable/special needs housing and at least 2 dedicated schemes for over 55s each comprising at least 25 dwellings	Our testing assumes a development of 1,400 dwellings, incorporating 2 schemes each of 25 units for over 55s. The testing is based on the housing mix adopted in the LPEVS and incorporates a range of 1 to 5 bed houses. We have assumed the provision of 30% on site affordable housing measured by bed spaces.
A 20 hectare (net) serviced Business Park for uses in Classes B1, B2 and B8	Our viability testing assumes the provision of land and infrastructure required to provide serviced land for a 20 hectare (net) business park. WYGs cost assessment includes the cost of providing a spine road including drainage and service ducting for the business park.
Retail and commercial development of an appropriate scale to ensure convenience shopping needs of new residents are met	The viability testing assumes the provision of a 1,000 sq.m (10,750 sq.ft) local centre.
A new main park incorporating an equipped play area, new habitat creation, and provision for outdoor sports	WYGs construction cost assessment makes provision for this including a play area and sports pitches.
Landscaping network	This is included in WYG's cost assessment including a separate sum for POS/landscaping to the business park.
Roads, walking and cycling routes	WYG's construction cost assessment includes the costs associated with the provision of site roads, footpaths and cycle routes.

Policy Requirement	How Addressed
Management of flood risk and SuDs	The construction cost assessments prepared by WYG incorporate an allowance for surface water attenuation. The form of development tested and in particular the inclusion of open spaces addresses the requirements for SuDs, and the costs assessed by WYG make provision for any associated costs.
The access into the business park to be constructed, servicing provided and boundary landscaping framework implemented before completion of 500th dwelling	The timetable adopted within the viability assessment assumes that these works are undertaken in the 12 month period prior to completion of the 500th dwelling.
The Local Shopping Provision must be constructed and made available for occupancy before completion of the 750th dwelling	The timetable adopted within the viability assessment assumes that these works are undertaken in the 12 month period prior to completion of the 750th dwelling.
A financial contribution by 2019 to secure the delivery of the new motorway slip roads	A contribution of £1,100,000 has been included in the viability assessment payable in one instalment at commencement of 2019.
A financial contribution to subsidise a bus service through the site for at least five years	A total contribution of £600,000 has been included in the viability assessment, payable in 5 equal instalments payable on completion of the 500th dwelling and annually thereafter.
A financial contribution to fund the expansion of Summerhill Primary School	A contribution of £2,300,000 has been included in the viability assessment payable in two equal instalments namely 2 years after commencement of development and 12 months thereafter.
Optional Technical Standard M4 (2)	WYG have included the costs associated with achieving this optional technical standard to 20% of the dwellings. This has been included in the viability assessment.

Table 2.1: Land East Of Maghull Policy Requirements and Viability Testing Assumptions

2.2 Our viability testing has been undertaken based on the WYG construction cost assessment at Appendix 1. The other appraisal assumptions accord to those contained at Appendix 6 of the LPEVS subject to the following adjustments:

Appraisal Assumption	Adjustment Made
Timing of payment for land	It is assumed that the land required for the residential development will be drawn down on a phased basis and land payments will reflect this. For the purpose of the assessment we have assumed draw down and payment for the land in 5 equal phases on commencement of development and then every third anniversary. It is assumed that the land required for the business park will be drawn down and payment made for it 12 months before completion of the 500th dwelling.

Appraisal Assumption	Adjustment Made
Employment Land	It is assumed that the serviced business park land will be sold for £494,000 per hectare (£200,000 per acre).
Developers Profit	Residential – 20% of GDV Local Centre – 15% of cost Business Park Land – assumed taken from uplift in value on sale.
Marketing and Disposal Fees	Business Park – 2.75% on sales

Table 2.2: Adjustments to Financial Appraisal Assumptions

2.3 Based on the revised policy MN3 we prepared a new viability assessment for the site, incorporating 30% affordable housing provision by bed spaces. The appraisal shows a development surplus of £4,394,863, equating to £38 per sq.m based on the net residential floor space or 2.2% of GDV for the residential development. Based on this level of surplus the total profit return is in excess of 22% of GDV for the development. On this basis having regard to the requirements of Policy MN3 the development of the site at Maghull East is viable.

2.4 The methodology contained in the LPEVS identifies the results with a development surplus of between 0 and 5% of GDV as viable but marginal. In these cases the developers profit return exceeds the benchmark competitive return of 20% of GDV and is between 20% and approximately 25% of GDV. This level of profit return/surplus may however mean that the viability of the development is more susceptible to changes in costs and revenues. Dependent on the amount of the development surplus a reduction in sales revenues of between 0% and 5% could result in the development becoming unviable, or alternatively an increase in costs of between 0% and up to approximately 7.5% could also have the same impact. The result for Maghull East with a surplus equivalent to 2.2% of GDV sits within this category.

2.5 The results of our viability testing assuming 20% on site affordable provision show a development surplus of £12,460,908, equating to £108 per sq.m based on the net residential floor space and 5.7% of GDV. Based on the criteria within the LPEVA development is viable on this basis.

3.0 MN6A – LAND AT MOSS LANE CHURCHTOWN

3.1 A new policy MN6A has been introduced for this allocation. This site was originally tested in the LPEVS however we have now prepared a new viability assessment to reflect the requirements of Policy MN6A. Table 3.1 contains details of the aspects of this policy that impact on viability and how these matters have been addressed in our viability assessment.

Policy Requirement	How Addressed
Widening of Moss Lane	Included in WYG costs assessment under S278 works.
Financial Contribution for subsidised bus service for 5 years	A contribution of £500,000 is included the viability assessment payable in 5 annual instalments following completion of the 150th dwelling.
Bus Turning Facility	Included in WYG's construction cost assessment.
15 metre deep screen of trees to Moss Lane	Included in WYG's construction cost assessment.
Flood Risk Mitigation and Habitat Creation	Included in WYG's construction cost assessment.
Optional Technical Standard M4 (2)	WYG have included the costs associated with achieving this optional technical standard to 20% of the dwellings. This has been included in the viability assessment.

Table 3.1: Moss Lane Churchtown Policy Requirements and Viability Testing Assumptions

3.2 Our viability testing has been undertaken based on the WYG construction cost assessment at Appendix 2. The other appraisal assumptions accord to those contained at Appendix 6 of the LPEVS.

3.3 Based on the new policy MN6A we prepared a new viability assessment for the site. On the assumption of a development incorporating 30% affordable housing provision by bed spaces the appraisal shows that the development makes a surplus of £1,947,472. This equates to £53 per sq.m based on the residential floor space and equates to 3.0% of GDV which is a total profit return of approximately 23% of GDV. On this basis having regard to the requirements of Policy MN6A the development of the site at Moss Lane, Churchtown is viable, although at 30% affordable housing provision the development surplus is less than 5% of GDV. As outlined at paragraph 2.4 this level of suplus at less than 5% of GDV would fall into the category of being marginal.

3.4 We have also undertaken testing assuming 20% affordable housing provision. On this basis the development surplus is £4,901,189 which equates to £133 per sq.m or 7.0% of GDV. Based on the criteria within the LPEVA development is viable on this basis.

4.0 CONCLUSIONS

4.1 To reflect the modifications that are proposed in the Local Plan for the sites at Maghull East and Moss Lane, Churchtown we have prepared new viability assessments. These assessments are based on the planning policy requirements of MN3 Land East of Maghull and MN6A Moss Lane, Churchtown.

4.2 Reflecting the requirements of PPG these assessments are based in current costs and revenues. In particular the construction cost assessments for each site have been prepared by WYG Quantity Surveyors having regard to available evidence for each site in relation to matters such as ground conditions, highways and infrastructure requirements and include a 5% contingency on all construction costs. The testing also includes a realistic assessment of sales revenues having regard to current sales values, together with a robust developers profit return at 20% of GDV for both the market and affordable housing. We have also considered as part of the wider LPEVS how viability may differ over changing property market cycles, and concluded that the current assessment levels used represent a moderate to low position over the series of modelled economic market cycles.

4.3 To test viability our appraisals for each site take into account the costs of any planning policy requirements likely to be applied to development, such as requirements for affordable housing and infrastructure contributions. In particular our appraisals are based on the affordable housing policy requirement of 30% measured by bedsapces.

4.4 The results of our testing based on policy requirements including 30% affordable housing show for each site a development surplus. For the site at Maghull East this surplus is equivalent to 2.2% of GDV or a total profit return in excess of 22% of GDV. In relation to the site at Moss Lane, the development surplus is 3.0% of GDV which is a total profit return of approximately 23% of GDV.

4.5 These sites are viable as the total developers profit return is greater than the benchmark competitive return at 20% of GDV identified in the LPEVS, however the extent of the surplus over and above the 20% threshold is less than 5% and hence we have categorised these results assuming 30% affordable housing provision as being marginal.

4.6 As outlined at Paragraph 2.4 for these marginal results the level of profit return/surplus may mean that the viability of the development is more susceptible to changes in costs and revenues. Dependent on the amount of the development surplus a reduction in sales revenues of between 0% and 5% could result in the development becoming unviable, or alternatively an increase in costs of between 0% and up to approximately 7.5% could also have the same impact.

4.7 Notwithstanding this the financial appraisals that have been prepared already contain an inherent buffer. They are based on available site specific information giving the construction cost assessment less risk, although nevertheless a 5% contingency is included in the assessment. In addition we have also assumed a market risk adjusted return of 20% on not just the market housing but also the affordable units.

4.8 By adopting a category of marginal results we have also introduced a further viability buffer to our testing as a precaution. These results are viable and achieve a competitive return to a willing landowner and developer in accordance with the NPPF, however as well as the inherent buffers included in the testing we have identified a further buffer where profit levels are between 20 to approximately 25% GDV were viability may be more susceptible to changes in costs and revenues.

4.9 The results for the viability testing for these two sites shows that development is viable and deliverable based on current costs and values and Local Plan policy requirements. The LPEVS considers the viability of many of the strategic sites and allocations contained in the Local Plan each has a different level of viability. Some sites have very significant surpluses whilst others such as the subject although viable have smaller surpluses indicating more marginal results Considered in the overall context of Local Plan the sites and scale of development identified in the plan are not subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.

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25 NOVEMBER 2015

APPENDIX 1

MAGHULL EAST (MN3) – WYG CONSTRUCTION COST ASSESSMENT

SR4.27 **Land East of Maghull**

Option 3 - No Commercial/industrial construction

25.11.15

Site area	**60.50 ha**
PoS %	**25.0%**
Net Dev area	**453863 m2**
PoS Area	**113466 m2**
Sales rate	**8 per month**
Code	
Rainwater Harvesting	
No of dwellings	**1400 Nr**

	Mix Data			**GFA/unit**	**Total GFA**
	1 bed	5.00%	45 Nr	56 m2	2520 m2
	2 bed	35.00%	465 Nr	65 m2	30225 m2
	3 bed	50.00%	700 Nr	86 m2	60200 m2
	4 bed	6.00%	84 Nr	116 m2	9744 m2
	5 bed	4.00%	56 Nr	158 m2	8848 m2
			1350 Nr		111537 m2

Substructures		£5,970,529	£4,264.66	£ 53.53 /m2
Superstructures		£62,894,783	£44,924.85	£ 563.89 /m2
External Works within curtilage costs		£6,617,717	£4,726.94	£ 59.33 /m2
External works beyond curtilage		£6,065,996	£4,332.85	£ 54.39 /m2
Drainage costs		£5,477,701	£3,912.64	£ 49.11 /m2
Inc Services costs		£4,357,262	£3,112.33	£ 39.07 /m2
Public Open Space		£1,386,413	£990.29	£ 12.43 /m2
Play areas (inc small areas within development)		£500,000	£357.14	£ 4.48 /m2
Code for Sustainable Homes level 3		£0	£0.00	£ 0.00 /m2
Rainwater Harvesting		£0	£0.00	£ 0.00 /m2
Preliminaries for 181 months		£4,213,341	£3,009.53	£ 37.78 /m2
SUBTOTAL		**£97,483,742**	**£69,631**	**£ 874.00 /m2**
Abnormals		£11,500,143	£8,518.62	£ 103.11 /m2
Fees	2.75%	£2,985,277	£2,132.34	£ 26.76 /m2
Contingencies	5.00%	£5,577,039	£3,983.60	£ 50.00 /m2
Total		**£117,546,200**	**£84,266**	**£ 1,053.88 /m2**
Other development functions		£11,839,093		
Overall Total		**£129,385,293**		

Abnormals

Demolitions					£200,000
Piling			70635 m2	£ 75.00 /m2	£5,297,643
Motorway junction		20%	£5,500,000		£1,100,000
Railway Station	Cost excluded				£0
Allowance for new service supplies to site					£3,000,000
Substations			6 Nr	£60,000	£360,000
Costs of sports facility (2 pitches of 7500m2 only)					
			15000 m2	£ 17.50 /m2	£262,500
Additional costs of Main Park (extra over POS costs, pitches and play areas)					
				Item	£1,000,000
Compliance with BR M4(2)			280 Nr	£1,000	£280,000
Total of abnormals					**£11,500,143**

Other development functions

Extracare developments			
50 flats (in 2 schemes) - at 100m2 gross/flat			
Priced as standalone developments			
	5000 m2	£ 1,300 /m2	£6,500,000
Industrial	50000 m2	£ 0 /m2	£0
Offices (2 floor)	19000 m2	£ 0 /m2	£0
Local Centre	1000 m2	£ 1,250 /m2	£1,250,000
External works to above	1500 m2	£ 50 /m2	£75,000
External areas to Industrial and offices (no works costed)	130000 m2	£ 0 /m2	£0
Infrastructure to above (spine road inc drainage and service ducts)	1000 m	£ 2,000 /m	£2,000,000
Abnormals to above	1000 m2	£ 90 /m2	£90,000
Public open space (extra)	50000 m2	£ 25 /m2	£1,250,000
Fees		9.00%	£419,850
Contingencies		5.00%	£254,243
Total of other uses			**£11,839,093**

<u>Site Balance</u>

Net residential area	45.4 ha
Residential Pos	11.3 ha
Non residential	
Industrial footprint	5.0 ha
Office footprint	1.0 ha
Local centre	0.1 ha
Area for infrastructure	1.0 ha
External areas to office and	13.0 ha
PoS	5.0 ha
TOTAL	**81.8 ha**

APPENDIX 2

MOSS LANE (MN6A) – WYG CONSTRUCTION COST ASSESSMENT

SR4.03	**Land at Moss Lane, Churchtown South**		
Site area	**19.67 ha**		
PoS %	**25.0%**		
Net Dev area	**147800 m2**	Density 30.1 dph	
PoS Area	**36950 m2**		
Sales rate	**6 per month**		
Code			**22 November15**
Rainwater Harvesting			
No of dwellings	**450 Nr**		

	Mix Data			**GFA/unit**	**Total GFA**
	1 bed	5.00%	23 Nr	56 m2	1288 m2
	2 bed	35.00%	158 Nr	65 m2	10270 m2
	3 bed	50.00%	224 Nr	86 m2	19264 m2
	4 bed	6.00%	27 Nr	116 m2	3132 m2
	5 bed	4.00%	18 Nr	158 m2	2844 m2
			450 Nr		36798 m2

Substructures		£1,987,056	£4,415.68	£ 54.00 /m2
Superstructures		£20,920,435	£46,489.85	£ 568.52 /m2
External Works within curtilage costs		£2,195,886	£4,879.75	£ 59.67 /m2
External works beyond curtilage		£1,999,459	£4,443.24	£ 54.34 /m2
Drainage costs		£1,839,284	£4,087.30	£ 49.98 /m2
Inc Services costs		£1,463,067	£3,251.26	£ 39.76 /m2
Public Open Space		£454,793	£1,010.65	£ 12.36 /m2
Play area		£100,000	£222.22	£ 2.72 /m2
Code for Sustainable Homes level 3		£0	£0.00	£ 0.00 /m2
Rainwater Harvesting		£0	£0.00	£ 0.00 /m2
Preliminaries for 81 months		£1,680,193	£3,733.76	£ 45.66 /m2
SUBTOTAL		**£32,640,173**	**£72,534**	**£ 887.01 /m2**
Abnormals		£4,561,987	£10,137.75	£ 123.97 /m2
Fees	4.00%	£1,486,972	£3,304.38	£ 40.41 /m2
Contingencies	5.00%	£1,933,064	£4,295.70	£ 52.53 /m2
Total		**£40,622,197**	**£90,272**	**£ 1,103.92 /m2**

Abnormals

Piling	23328 m2	£ 75.00 /m2	£1,749,612
Section 278 works		Item	£500,000
Dynamic compaction	147800 m2	£ 10.00 /m2	£1,478,000
Substations	3 Nr	£60,000	£180,000
Allowance for turning loop for buses		Item	£25,000
Costs of 15m line of trees to Moss Lane frontage	5750 m2	£ 10.00 /m2	£57,500
Flood risk mitigation	450 Nr	£1,000	£450,000
Habitat creation	4250 m2	£ 7.50 /m2	£31,875
Compliance with BR M4(2)	90 Nr	£1,000	£90,000
Total of abnormals			**£4,561,987**