

## INFORMATION REQUIRED SUPPORTING THE SUBMISSION OF A PLANNING APPLICATION

### ECONOMIC VIABILITY APPRAISAL: AFFORDABLE HOUSING

**April 2018 (this comes into effect from 01 May 2018)**

The Council requires all planning applicants that contest the viability of schemes to provide the relevant infrastructure required to mitigate against the development of a scheme, to submit a viability assessment when submitting the planning application. Infrastructure includes affordable housing.

No further information or evidence will be accepted by the local authority, for example QS development cost reports or for any changes to the scheme, after the planning application has been registered, except where the Council seeks this information or requires further explanation.

#### **Declaration of Deliverability:**

Applicants will need to submit and sign a 'Declaration of Deliverability'; that the site is able to come forward within the planning permission period. In circumstances where the proposed scheme is not viable, the applicants must be able to demonstrate how the site will financially be able to come forward within the planning permission period. Please see template in **Appendix A: Declaration of Deliverability**.

#### **Statutory Declaration:**

The Council will require the applicant to submit a statutory declaration with the viability evidence, where this is available. It will need to be signed by a representative of the organisations providing development finance and confirm the following:

- That the viability assessment model, inputs and assumptions used are accurate.
- The inputs and assumptions used in the viability assessment are consistent with the information relied on as the basis of the release of development finance and consistent with their commercial decision making.

In circumstances where the applicant has not selected a financial institution, the Council reserves the right to ask the applicant to submit this information up until the planning decision is issued. Please see template in **Appendix B: Statutory Declaration**.

#### **Viability Assessment Contents:**

To ensure that the inputs and assumptions used in the viability assessment are robust and credible, the Council requires this information to be supported by evidence. The Council requires all inputs, assumptions and the financial model used in the financial appraisal to be benchmarked against publicly available data sources.

The key information required is as follows:

- **Viability Model:** Applicants currently submit viability assessments, using either bespoke or tailored financial viability appraisals or commercially available appraisals. To

ensure transparency and accuracy with the inputs and data used in the viability appraisals, the Council will reserve the right not to accept viability appraisals where the applicants have not used commercially available and recognised financial models by the industry. Such models include the Homes England models and Argus Developer. We may accept other viability models as long as its inputs and formulae can be fully interrogated by the Council and other third parties (such as an independent assessor). The Council needs to be provided with a working version of the viability appraisal model, which can be fully tested and interrogated and is capable of being run on the Council's own IT system. The cash flows and all assumptions should also be accessible and capable of alteration.

- **Development Values:** Applicants would need to provide evidence of how sales values of both market housing values and affordable housing values are assumed. For open market values, they should be directly comparable to the site in question. Transactions or market data should relate to new build properties, be up-to-date and within an appropriate distance from the site. At least three estate agents should be contacted who can demonstrate that they have worked in the area for at least 2 years, to verify that the sales values used in the viability assessment are realistic. For affordable housing, where possible, the offer made by Registered Providers (RPs') for purchasing the affordable housing element of a development is required. This should include details of any subsidy or grant earmarked for the scheme that underpin the value assumptions used to inform part of all viability assessments.
- **Build Costs:** An assessment of build costs should normally be based upon BCIS which is a commercially available benchmark. Build costs should reflect the spec of the proposed development, which again should be reflected in the sales values for the scheme, for example, the higher the build costs the higher the sales values. Where build costs are different from commercially available benchmarks, this would need to be explained and justified by the applicant (Quantity Surveyor Report) and provided to the Council. Cost plans should be accompanied by a detailed specification of the proposed development. Any exceptional or abnormal costs associated with the development of the scheme, should be fully supported by evidence that the associated works are directly required in order for the development to proceed. If any information is missing to support build costs different from BCIS, the build cost will not be accepted.
- **Profit:** The profit a development scheme yields is determined by a range of factors including the type of scheme, property market conditions and a development's risk profile. The Council will consider these factors for each scheme when determining an appropriate level of developers profit and will require supporting evidence where the developer's profit being sought is higher than 17.5% of GDV.
- **Planning Contributions:** The Council will work with applicants to calculate the likely contributions arising from a development.
- **Development Finance:** The Council will require the full details of lenders and the terms of development finance to be provided. The Council will also require that the providers of finance confirm that they will lend on the basis of the viability assessment that has been provided. Complying with the Statutory Declaration fulfils this requirement.

- **Land value:** A land value should take into account the Council's Local Plan requirements and developer contributions (including planning obligations and the Community Infrastructure Levy Charge). Thus the existing use value approach plus premium will be accepted. The land value should be informed by market based comparable evidence. An Alternative Use Value (ALV) approach to the benchmark land value will only be accepted where there is a valid consent for alternative use, it is proven to be deliverable and it fully complies with the requirements of development plan and developer contributions. Evidence should be submitted to support this.

#### **Overage/ Clawback provision:**

In circumstances where the Council has accepted reduced contributions based on current viability information, mechanisms may be put in place to allow additional contributions to be provided later in the scheme. This will be dependant whether development viability improves or if the development is not implemented within one/ two years following permission. This is likely to take the form of an 'overage' or a 'clawback' provision in the section 106 agreement.

Where viability reviews are sought, developer contributions will only be required to meet the Local Plan policy requirements that had previously been forgone.

#### **Publication of Viability Appraisals:**

The Council will make all submitted viability assessments publicly available. In circumstances, that an applicant is concerned with confidential information submitted, the applicant should submit a summarised version of the viability assessment that can be made publicly available. This summarised version of the viability assessment should include essential inputs to explain why the scheme is not viable to provide required infrastructure, particularly affordable housing.

Applicants are advised that if they don't submit a summarised version of the viability assessment at the time the planning application is submitted, the Council will publish the full viability assessment which will be publicly accessible.

## **Appendix A: Declaration of Deliverability**

*To be only submitted in circumstances where the proposed scheme is not viable.*

We, (insert the name of the applicant), state that the site is able to come forward within the planning permission period. We have submitted evidence to this effect to demonstrate why this scheme, that is currently unviable, will financially be able to come forward within the planning permission period.

### **Signed by Applicant:**

Name of applicant (Blocked Capitals):

## **Appendix B: Statutory Declaration**

*This is required to increase transparency with submitted viability assessment and to make negotiations on affordable housing more efficient and effective.*

We, (insert the name of the person representing financial institution) from (insert the name of financial institution), confirm that the:

- Viability assessment model, inputs and assumptions used are accurate.
- The inputs and assumptions used in the viability assessment are consistent with the information relied on as the basis for the release of development finance and consistent with their commercial decision making.

**Signed by Representative of the Financial Institution that will be providing finance to fund the development:**

Name of the applicant (Blocked Capitals):

**Signed by Applicant:**

Name of applicant (Blocked Capitals):