

**For: Chichester District Council**

**Local Plan 2021 - 2039**

**Viability Assessment Update**



**Further update note**

**January 2023**

**DSP21755**

## 1. Introduction and further context

- 1.1. Further to earlier stage emerging findings as provided for and discussed with CDC officers initially in December 2021 to January 2022, and then developed further in the Spring to Summer period of 2022, DSP's viability work is now progressing and being brought to a conclusion as part of (and considered alongside) the wider evidence base for the Chichester Local Plan 2021 – 2039 (currently proposed submission version).
- 1.2. The latest (current) work is using information shared with DSP in November to December 2022 upon accelerating our review work again following the Council needing to clarify matters in a number of areas that feed into the viability assumptions. Those areas included further discussion and provisional settling of assumptions relating to costs reflecting the constraints associated with the A27 (at this stage the proposal being to run with a monitor and manage strategy); nutrients neutrality; water usage; finalising the site allocations proposals and providing further information as far as available on those. The appraisals being run and final stage viability assessment work now being conducted (to result in full reporting by end January) is based on CDC information provision to mid-December 2022. It has been necessary to progress with the information available to that point, as far as directly influences the appraisal assumptions (inputs); assumptions have needed to be made and fixed to enable the study completion in the short time now remaining in the lead-in to Council meetings and next stage (Reg. 19) consultation. Discussions with officers have continued, however. So the assessment has continued to be progressed and is currently being rounded up in a way that both takes account of any changing CDC information / context and feeds back into the Council's further LP refinement work.
- 1.3. Owing to the how the LP preparation process has developed but also reflecting both the emerging viability findings and the still unknown extent of Government reforms, the viability assessment now focusses on the LP and uses the adopted CIL charging rates (as indexed for 2023) within its assumptions. Therefore, while the assessment continues to provide initial information for the Council that can feed into consideration of any potential review of the adopted CIL and could be readily built upon to further inform that (or any future replacement "IL" or the like) it is not setting out the full detail on that.
- 1.4. The full reporting (with appendices) that is being compiled by DSP will set out all the details. However, the extensive development costs assumptions in the Chichester LP context include cost estimates relating to a wide range of planning policy and development mitigation areas

(being a mix of new / emerging national requirements and CDC local policy responses). The aspects represented within the assessment assumptions include (and need to be taken account of cumulatively – i.e. their effects on financial viability considered collectively, reflecting all requirements being in place once the LP is adopted):

- Affordable housing
- Climate change response – Future Homes Standard; electric vehicles charging provision
- Water usage efficiency
- Nutrients neutrality
- Biodiversity net gain
- Solent recreation related mitigation
- A27 strategy related management and mitigation schemes
- Accessible new homes
- Community Infrastructure Levy (CIL) and estimated s.106 planning obligations

1.5. While the Council can influence its local approach to some of these factors that influence overall scheme viability, some requirements are or will be set nationally; and others are driven by what is necessary to make development in the area sustainable enough to be acceptable.

1.6. This means that throughout the assessment and up to the current point (and indeed as was found through previous viability work carried out by DSP on the earlier LP iteration), much of the discussion with officers has needed to focus on how much affordable housing can reasonably be expected alongside all the other significant development costs and policy requirements. This is what DSP finds in all its assessments (which we have undertaken nationwide for many years). The affordable housing (AH) is inevitably the crux of this both because (except now for the 25% First Homes) it is a locally placed policy area and because it is very costly to provide. The high cost of - and therefore very significant viability impact from - the affordable homes is seen because they cost broadly the same to develop as the market homes but they produce a much lower level of development revenue (usually around half the market level, when viewed overall across mixed AH tenure).

1.7. With other policy cost areas generally becoming settled and / or essentially fixed in most cases, the affordable housing necessarily provides the scope for balancing viability. This is why there is the key focus on suitable AH provision levels to include in policy; as informed by the viability assessment but also of course not setting aside the AH needs.

- 1.8. It is important to continue to note that as a general point that typically in any area there are some sites that are likely to have inherent viability issues, regardless of the level of affordable housing or other policy cost, but it is typically the affordable housing policy expectations that are key in considering viability prospects. Again, these are not factors isolated to Chichester, but common throughout our wide experience of these assessments.
- 1.9. This is a challenging point at which to be looking at viability, with the well reported economic climate conditions and reflected uncertainty within the property market. While we need to acknowledge and take account of this in considering what might be seen and found realistic in the short term (potentially next few years), the assessment also needs to be prepared bearing in mind the much longer timeline of the LP and the likelihood that, overall, a range of economic circumstances could be seen within that period. It would not be appropriate to reflect only the challenging circumstances and use only assumptions representing this. The forthcoming assessment report aims to get this across, which is a factor in considering how to place and to set out the relevant policies appropriately. We have had discussions with officers over potential LP wording that collectively we think will be appropriate to inform both a short term responsive approach (ready to be practical at DM stage if / where needed) and a longer term provision of certainty of expectations as per the NPPF.

## **2. Further Emerging Findings – Analysis and Discussion**

- 2.1. Overall, our recommendations on policy development remain as they were when our previous main comprehensive emerging findings stage were undertaken – up to summer 2022.
- 2.2. As noted above, this is a difficult point at which to be looking at viability, because while both values and costs have risen since the earlier work (pre-summer 2022) we are now faced with continued costs rises alongside a static or falling housing market. So, in considering development values (which is key to supporting scheme viability), while within the reporting we will need to refer to balance with other matters (those being the c. 15 year timeline of the LP (compared with current and short term circumstances) and the needs side of AH and infrastructure) we will need to acknowledge this. We think, realistically, it means that in the early period of the Plan, and in the interim (pending adoption) most likely there is going to be a need for some degree of flexible operation of those policies - where flex can be accommodated.

2.3. On the above basis, with AH levels in some instances looking like they could be beneath the proposed policy headline levels (all as discussed with officers) in the short term / particular circumstances at least, we consider that it is appropriate to support the collective policies proposed within the LP (draft context made available to DSP to December 2022). Unavoidably, there is a “trade-off” with AH needing to be reflected within the supportable approach, given in particular the A27 related costs and in general the high level of development mitigation requirements and s.106 alongside the adopted CIL that is in place. However, looking around this we think it is also the case that:

- Whilst there are particular and extensive local issues and constraints to address (including A27 mitigation measures), and in the south of the district these all impact together, by and large CDC is not looking to go beyond current national policy on key matters - such as climate change response, as a key example.
- In our experience, even if lower still AH % headlines were to be set, it would be the case that those could still not be guaranteed to be met all the time (given market variation and the point noted at 1.8 above. Even if this were to be done (i.e. further trade-off adjustment were set out in policy) experience suggests that there would continue to be viability submissions and expectations / requirements from some planning applicants for further reduced AH or infrastructure provision. As above, there is also the balance with the need for affordable homes and infrastructure to respond to – this is not about viability alone. The Council has to do all reasonably possible towards seeking to meet identified needs?

2.4. Overall, our position remains that, providing it is acknowledged and reflected that some flexibility may be needed, the affordable housing (headlines at 30% GF and 20% PDL) and other policies are supportable. The AH policy differential, as has been put forward for a considerable time now by DSP, is still thought to be a very important element of this and the weighing up informing our findings for CDC. We are currently building this picture through further appraisals and reporting – on both the development typologies and the proposed strategic site allocations (SSAs).

2.5. On the SSAs, really the same continues to apply. At this stage, with all the other requirements set to be in place, these look able to support outcomes based on the proposed 30% AH headline and with the flexibility we have discussed built in if needed – looking at this now. Being in place, we are having to assume the adopted CIL cost is included in the appraisals. This

approach of applying the full CIL to SSAs is not consistent with our wider experience, generally, of CIL treatment in such circumstances – often we find that such sites are lower or nil-rated allowing a more flexible and direct approach to specific infrastructure provision and development mitigation using s.106. This does play into how the overall balance looks, including having an influence on the potential scope seen for the AH. We will need to see how best to make general points on this (CIL on SSAs) in our commentary – consistent with those offered to CDC for some time now.

- 2.6. Although work still very much evolving, our latest findings on the SSAs continue echo the above. The indications are that the realistic AH levels are generally 20-30% reflecting the range of sites overall and with the 30% headline applicable to greenfield, certainly not higher. Also as expected, the findings vary to some extent from site to site (the planning infrastructure estimates and specialist housing content envisaged varies). Within this, for further emerging information, the viability indications for the Chichester Southern Gateway proposals (A3-5 of the proposed submission LP and the only strategic site proposal on PDL), also support the proposed 20% AH headline applicable there so far; and so are looking significantly more positive than the earlier stage appraisals of a much less favourable viability scenario suggested there.
- 2.7. Generally, on the SSAs, we are having to make high-level assumptions still. We have discussed, for example, uncertainties over the nature of specialist (older persons) housing provision and the infrastructure requirements those elements might generate in comparison with general needs housing, but as noted above it is proving necessary (and should not be inappropriate at this strategic study level) to do so. In our experience these development uses would not generate the same demands on infrastructure and need the same provision supported through works or contributions (e.g. in respect of education and possibly other service areas). We are not adding B Reg.s Part M(4) costs to those elements, and this is just noted here as there are aspects that would be picked up on a more specific review basis. CIL costs are reflected as per the adopted charging schedule. However, viewed in the LP context, these schemes and elements could be procured and progressed in a number of different ways, so that again we are not reflecting a particular development sector's model at this level of review.
- 2.8. Overall, on this basis, we are able to support the emerging LP policy set.

- 2.9. At DSP we will continue our final assessment and reporting work, updating CDC with anything considered material on the way, but whilst not expecting our provided headline findings to change, based on the use of currently applied assumptions.

**Further Emerging Findings – Update Note ends – DSP v1.2**

**12<sup>th</sup> January 2023**