

# **Mid Sussex District Council**

## **Site Allocations Document - Viability Review**

September 2019

**HDH Planning & Development Ltd**  
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## **Introduction**

- 1.1 Mid Sussex District Council adopted the Mid Sussex District Plan 2014-2031 in March 2018. The Council is now preparing a Site Allocations Document to allocate sufficient housing sites to address the residual necessary to meet the identified housing requirement for the district up to 2031 in accordance with the Spatial Strategy set out in the District Plan. It will also make sure that enough land is allocated to meet identified employment needs.
- 1.2 This brief paper has been prepared to consider the viability aspects of the deliverability of the sites in the Site Allocations Document.
- 1.3 This paper is not a Viability Assessment in its own right, rather it looks at the sites in the Site Allocations Document and then considers the deliverability of the sites having regard to the Council's existing viability assessment.
- 1.4 In this paper the Council's viability evidence is taken to be the *Community Infrastructure Levy and District Plan Viability Study* (BNP Paribas, July 2016).

## **HDH Planning & Development Ltd (HDH)**

- 2.1 HDH is a specialist firm of Chartered Surveyors and a planning consultancy providing evidence to support planning and housing authorities. The firm's main areas of expertise are:
  - a) District wide and site-specific viability analysis.
  - b) Community Infrastructure Levy testing.
  - c) Housing Market Assessments.
- 2.2 This report is based upon information from various sources including that provided by MSDC and by others, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.
- 2.3 No part of this report constitutes a valuation and the report should not be relied on in that regard.

## *Compliance*

- 2.4 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principle pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1<sup>st</sup> Edition, May 2019)* and *Financial Viability in planning (1st edition), RICS guidance note 2012*.

- 2.5 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (May 2019). As part of the updating, *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published on 28<sup>th</sup> May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed as far as it applies.
- 2.6 This paper is not a viability study or assessment (no new work is undertaken) so the RICS Guidance does not apply. Having said this, we have considered how the new Guidance may impact on the existing evidence base.

### **Existing Viability Evidence**

- 3.1 The Mid Sussex District Plan 2014-2031 was supported by viability evidence. *The Community Infrastructure Levy and District Plan Viability Study* (BNP Paribas, July 2016) was examined through the normal Local Plan hearing process. The Local Plan Inspector<sup>1</sup> only briefly mentions viability, however the very fact that the Plan was found sound (subject to modifications) indicates that the 2016 Viability Study was an appropriate evidence base.
- 3.2 The Planning Practice Guidance (PPG) is clear at 10-001-20190509 that plans should be informed by a '*proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'. This is reinforced at 10-010-20180724.
- 3.3 To consider whether or not the study remains an appropriate data source, three aspects have been reviewed.
1. Changes to the NPPF and PPG
  2. The compliance with the RICS Guidance
  3. Changes in the development economics.
- 3.4 These are considered below:

#### *National Planning Policy Framework, Planning Practice Guidance and CIL Regulations*

- 3.5 In the last two or so years Government announcements were made about changes to the planning processes. The Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (2018 NPPF), and published new Planning Practice Guidance (PPG) in July 2018. In February 2019 the NPPF was further updated (2019 NPPF), although these changes did not impact on viability. In May 2019 the viability sections of the PPG were updated again.

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<sup>1</sup> Report to Mid Sussex District Council by Jonathan Bore MRTPI an Inspector appointed by the Secretary of State. Date 12 Mar 2018. (Planning and Compulsory Purchase Act 2004 (as amended) Section 20). Report on the Examination of the Mid Sussex District Plan 2014-2031, The Plan was submitted for examination on 17 August 2016 The examination hearings were held between 29 November 2016 and 5 February 2018. File Ref: PINS/D3830/429/5

- 3.6 The viability sections of the PPG (Chapter 10) have been completely rewritten. The changes provide clarity and confirm best practice, rather than prescribe a new approach or methodology.
- 3.7 The 2019 NPPF does not include technical guidance on undertaking viability work. The PPG sets out an approach and various topics and items to be considered, but does not set out, step by step, specific technical guidance.
- 3.8 These changes do not alter the fundamentals of viability, the values of development are the values and the costs are the costs, rather they alter the emphasis and treatment of some of the inputs. Under the 2012 NPPG the test was (as set out in paragraphs 173 and 174) that:

*... the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, ... provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable. Local planning authorities ... should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, ... and policies ..., when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle.*

- 3.9 The purpose of viability testing was to ensure that cumulative impact of the policy requirements do not put implementation of the Plan at serious risk, in the context of providing a competitive return to a willing landowner and willing developer. Now, under the updated PPG, (paragraph 10-010-20180724) viability testing is to ensure that the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission has been met.

*In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*

- 3.10 In May 2019 the CIL Regulations were further amended<sup>2</sup>. These changes do not directly impact on how to undertake a viability assessment. The principle practical change for MSDC is that CIL Regulation 123 is to be deleted. As a result, the requirement for an authority that introduces CIL to publish a Regulation 123 List has been removed. Key for this Council is that the s106 pooling restrictions are to be lifted from September 2019.

- 3.11 The viability testing in the 2016 Viability Assessment is based on an assessment of every site that was being put forward for development, rather than the being based on 'typologies'. In this regard the PPG says:

*Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some*

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<sup>2</sup> **SI 2019 No. 966** The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **2019 No. 1103** The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 Made 9<sup>th</sup> July 2019. Coming into Force 1st September 2019.

*circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*

PPG 10-003-20180724

- 3.12 The purpose of basing the assessment on typologies<sup>3</sup> is to simplify the process to ensure the assessment remains proportionate, but also be a robust basis for the study. Whilst this is a deviation from the current guidance, this does not undermine the robustness of the 2016 Viability Assessment – rather it shows that the assessment went into more detail than was absolutely necessary.

*Financial viability in planning: conduct and reporting. 1st edition, May 2019*

- 3.13 The Royal Institution of Chartered Surveyors regulates firms of Chartered Surveyors. They produce guidance for surveyors across a wide range of topics. In terms of the status of these they sit under the NPPF and PPG, however they can be given considerable weight as they not only set out best practice but some are mandatory for Chartered Surveyors to follow. The appropriate guidance at the time of the 2016 Viability Assessment was *Financial Viability in planning (1st edition), RICS guidance note 2012*.
- 3.14 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (May 2019). As part of the updating *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published on 28<sup>th</sup> May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms.
- 3.15 Whilst 2016 Viability Assessment was published well before *Financial viability in planning: conduct and reporting. 1st edition, May 2019*, we have reviewed whether the 2016 Viability Assessment is broadly in line with the Guidance.

The Guidance requires surveyors to act with objectivity, impartially and without interference, and with reference to all appropriate available sources of information. This appears to have been the case.

There is a presumption that a viability assessment should be published in full. The 2016 Viability Assessment was published in full by the Council.

Reference is made to both Existing Use Value and Benchmark Land Value, setting out how they were derived.

Appropriate sensitivity was carried out, particularly around the levels of affordable housing and developer contributions.

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<sup>3</sup> The PPG provides further detail at 10-004-20190509:

*A typology approach is a process plan makers can follow to ensure that they are creating realistic, [deliverable policies](#) based on the type of sites that are likely to come forward for development over the plan period.*

*In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.*

The guidance requires consultation with the development industry. The study was subject to formal consultation through the 'Regulation 18' and 'Regulation 19' stages of the MSDC plan-making process.

- 3.16 The Guidance goes further than this, however these are principle topics. Bearing in mind that the *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published well after the 2016 Viability Assessment, it is no surprise that the 2016 Viability Assessment is not fully in compliance. Having said this, it has been through detailed examination through the Local Plan process so can safely be relied on from a procedural point of view.

*Changes in development economics.*

- 3.17 The 2016 Viability Assessment was published in July 2016. It would appear that most of the data was collected in July 2016 and the study was prepared over a relatively short period. We have assumed that the base date of the assumption in the 2016 Viability Assessment was July 2016.
- 3.18 We have looked at a range of sources to review how the main inputs of house prices and build costs have changed since then.

<b>Table 3.1 Change in House Prices</b>					
	All	Detached	Semi-detached	Terraced	Flats
England and Wales					
2016-07	£225,895	£335,093	£208,778	£182,991	£214,815
2019-06	£242,009	£366,897	£228,342	£195,282	£218,425
	£16,114	£31,804	£19,564	£12,291	£3,610
	7.13%	9.49%	9.37%	6.72%	1.68%
Mid Sussex					
2016-07	£359,431	£579,782	£372,600	£300,472	£206,597
2019-06	£370,685	£606,251	£389,757	£309,557	£206,209
	£11,254	£26,469	£17,157	£9,085	£-388
	3.13%	4.57%	4.60%	3.02%	-0.19%

Source: Land Registry (August 2019)

- 3.19 This data shows that average house prices have increased by a little over 3%.

<b>Table 3.2 Change in Newbuild House Prices</b>				
	England and Wales		Mid Sussex	
	Newbuild	Existing	Newbuild	Existing
2016-07	£272,749	£222,728	£471,246	£348,190
2019-04	£300,711	£236,468	£495,658	£356,635
	£27,962	£13,740	£24,412	£8,445
	10.25%	6.17%	5.18%	2.43%

Source: Land Registry (August 2019)

- 3.20 Newbuild prices have increased a little over 5% since the 2016 Viability Assessment.
- 3.21 The Land Registry publishes data of all homes sold. Across the Mid Sussex area 484 newbuild home sales are recorded over the last year. These transactions (as recorded by the Land Registry) are summarised in the following table.

<b>Table 3.3 Average Price Paid by Postcode (from June 2018)</b>						
		Detached	Flats	Semi-detached	Terraced	All
BN6	Count	39	0	13	0	52
	Average	£604,432		£448,325		£565,405
RH10	Count	0	0	1	2	3
	Average			£560,000	£502,750	£521,833
RH11	Count	0	1	0	0	1
	Average		£220,000			£220,000
RH12	Count	0	1	0	0	1
	Average		£375,000			£375,000
RH15	Count	26	29	50	13	118
	Average	£501,777	£272,966	£397,921	£367,085	£386,698
RH16	Count	53	36	42	25	156
	Average	£683,484	£351,367	£446,968	£418,437	£500,689
RH17	Count	51	0	4	4	59
	Average	£625,022		£444,950	£421,238	£598,998
RH19	Count	0	93	0	1	94
	Average		£240,450		£550,000	£243,743
All	Count	169	160	110	45	484
	Average	£619,644	£272,013	£425,788	£410,522	£441,223

Source: Land Registry (August 2019)



3.22 Each dwelling sold requires an Energy Performance Certificate (EPC)<sup>4</sup>. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. The price paid data from the Land Registry has been married with the floor area from the EPC Register. The Land Registry data can be broken down by house type. The data can be summarised as follows:

<b>Table 3.4 Average Price Paid (£/m<sup>2</sup>) by Postcode (from June 2018)</b>						
		Detached	Flats	Semi-detached	Terraced	All
BN6	Count	39	0	13	0	52
	Average	£4,506		£4,477		£4,499
RH10	Count	0	0	0	2	2
	Average				£4,044	£4,044
RH11	Count	0	1	0	0	1
	Average		£3,729			£3,729
RH12	Count	0	1	0	0	1
	Average		£5,137			£5,137
RH15	Count	26	28	49	12	115
	Average	£4,176	£3,665	£4,075	£3,753	£3,964
RH16	Count	53	36	42	25	156
	Average	£4,363	£4,885	£4,061	£3,952	£4,336
RH17	Count	49	0	4	4	57
	Average	£4,508	£0	£4,302	£3,945	£4,454
RH19	Count	0	88	0	1	89
	Average		£4,658		£4,622	£4,657
All	Count	167	154	108	44	473
	Average	£4,410	£4,527	£4,126	£3,916	£4,337

Source: Land Registry and EPC Register (August 2019)

3.23 The following assumptions were used in the 2016 Viability Assessment.

<sup>4</sup> <https://www.epcregister.com/>

<b>Table 3.5 Average Price by Postcode, June 2016</b>								
Post code sector	NB Detach	NB Semi	NB Terr	NB Flat	SH Detach	SH Semi	SH Terr	SH Flat
BN5	-	-	-	-	5,507	2,895	-	-
BN6	5,441	4,819	-	3,462	3,728	4,406	4,525	3,324
BN45	-	-	-	-	9,926	4,658	3,594	
RH10	3,176	3,830	-	-	3,305	3,777	3,846	3,030
RH11	4,177	3,697	-	-	3,400	3,289	3,771	2,225
RH13	-	-	-	-	4,500	-	-	-
RH15	3,054	3,652	3,125	2,934	3,108	3,297	3,245	2,894
RH16	3,853	4,268	4,621	4,342	3,674	3,998	3,996	3,211
RH17	2,916	4,305	4,493	3,999	3,674	4,121	3,799	3,141
RH19	9,572	4,316	4,982	3,273	3,472	3,891	3,934	3,096

Source: Table 4.3.1 2016 Viability Assessment

3.24 The prices used in the 2016 Viability Assessment are compared with the updated figures below:

<b>Table 3.6 Change of Newbuild House Prices by Postcode and Type, 2016 to 2019</b>					
	Date	Detached	Semi-detached	Terraced	Flats
BN5	Jul-16				
	Aug-19	£4,506	£4,477		
	Change	N/A	N/A	N/A	N/A
BN6	Jul-16	£5,441	£4,819		£3,462
	Aug-19				
	Change	N/A	N/A	N/A	N/A
BN45	Jul-16				
	Aug-19				
	Change	N/A	N/A	N/A	N/A
RH10	Jul-16	£3,176	£3,830		
	Aug-19	£0	£0	£4,044	£0
	Change	N/A	N/A	N/A	N/A
RH11	Jul-16	£4,177	£3,697		
	Aug-19				£3,729
	Change	N/A	N/A	N/A	N/A
RH12	Jul-16				
	Aug-19				£5,137
	Change	N/A	N/A	N/A	N/A
RH13	Jul-16				
	Aug-19				
	Change	N/A	N/A	N/A	N/A
RH15	Jul-16	£3,054	£3,652	£3,125	£2,934
	Aug-19	£4,176	£4,075	£3,753	£3,665
	Change	36.7%	11.6%	20.1%	24.9%
RH16	Jul-16	£3,853	£4,268	£4,621	£4,342
	Aug-19	£4,363	£4,061	£3,952	£4,885
	Change	13.2%	-4.9%	-14.5%	12.5%
RH17	Jul-16	£2,916	£4,305	£4,493	£3,999
	Aug-19	£4,508	£4,302	£3,945	£0
	Change	54.6%	-0.1%	-12.2%	N/A
RH19	Jul-16	£9,572	£4,316	£4,982	£3,273
	Aug-19			£4,622	£4,658
	Change	N/A	N/A	-7.2%	42.3%

Source: Table 4.3.1 2016 Viability Assessment, Land Registry and EPC Register

3.25 The above data needs to be treated with some caution due to some small sample sizes, however this gives a more positive picture showing some areas have had a greater increase in values. This is likely to be, at least in part, due to the nature of individual schemes.

3.26 As well as values, the other main input to the appraisals is the construction costs. In the 2016 Viability Assessment these were based on the July 2016 BCIS Figure.

<b>Table 3.7 Change in Construction Costs (£/m<sup>2</sup>)</b>		
	Estate Housing Generally	Flats
Jul-16	£1,189	£1,491
Aug-19	£1,419	£1,647
	£230	£156
	19.34%	10.46%

Source: BCIS, Rebased to Mid Sussex (August 2019)

3.27 This shows a notable increase in build costs over the last three years.

3.28 Bearing in mind the above it is necessary to reconsider the key sections of the 2016 Viability Assessment. The following paragraphs are particularly relevant.

*The results of this study are reflective of current market conditions, which will inevitably change over the medium term. It is therefore important that the Council keeps the viability situation under review so that policy requirements can be adjusted should conditions change markedly. We have run our appraisals with growth in values and inflation on costs after the initial five year period of the plan to reflect potential changes to viability on schemes to be delivered between years 6 and 15 of the plan. (7.1)*

*As noted earlier in the report, Knight Frank predicts that sales values will increase over the medium term (i.e. the next five years). Whilst this predicted growth cannot be guaranteed, we have run a sensitivity analyses assuming growth in sales values accompanied by cost inflation at varying levels depending on the timing of delivery of SHLAA sites (i.e. medium or long term)<sup>8</sup>. We have also inflated the benchmark land values for greenfield and previously developed land by 50% to £525,000 and £3,750,000 respectively. The results of these sensitivity analyses are included in Section 6 and provide the Council with an indication of the impact changes in values and costs on scheme viability. (4.4)*

<sup>8</sup> *We have applied the Knight Frank prediction of cumulative house price growth of 21.2% to 2020 and then 4% per annum (nominal) thereafter. The BCIS general cost index predicts cumulative build cost inflation of 14.7% to June 2021. We have then applied 3% inflation per annum thereafter.*

*At current values and assuming 30% affordable housing as per the existing affordable housing policy (see Figure 6.5.7), 4 schemes providing 4,440 units can viably absorb a CIL of between £1 and £50 per square metre. The bulk of these 4,440 units are accounted for by the strategic sites at Pease Pottage and North and North West of Burgess Hill. These sites incorporate a £15,000 per unit allowance for on-site section 106 requirements identified in Policy DP9. As a consequence of these on-site requirements, the sites' capacity to contribute towards CIL is limited (£5 per square metre on a present value basis at Burgess Hill and £25 per square metre at Pease Pottage). When growth is factored in, these maximum rates increase to £18 and £62 per square metre respectively). £18 per square metre is too marginal a level of CIL to support application of a rate to this strategic site, although the £62 per square metre at Pease Pottage is of a scale that could justify a CIL being levied. It is important to note, however, that this result is based on an assumption of growth and charging authorities are encouraged to set CIL rates on current day values only. The Council should therefore consider adopting a nil rate of CIL for both strategic sites. (6.4)*

3.29 As it currently stands, the Council has adopted a 30% affordable housing requirement, but has not adopted CIL. The 2016 Viability Assessment concluded:

*We have run our appraisals of the 94 SHLAA sites and hypothetical commercial schemes to determine a maximum CIL rate for each site in order to consider the potential impact of the rates proposed in the PDCS. In the context of the emerging District Plan, the PDCS proposes rates of £150 per square metre for houses in the urban areas; £80 per square metre for flats (districtwide); £235 per square metre for houses in the rural areas; £235 per square metre for the strategic site at North and North West of Burgess Hill; and £100 per square metre for retail development. Our appraisals indicate that the strategic sites at Burgess Hill and Pease Pottage are unlikely to be able to absorb a CIL charge due to the likely amount of on-site community infrastructure that will be secured through Section 106. We therefore recommend that the Council should give careful consideration to the balance between securing the infrastructure requirements identified in policies DP7, DP8 and DP9 through Section 106 and CIL. Our appraisals assume that the requirements are to be delivered through Section 106, which is the route preferred by many local authorities for strategic sites. If the Council considers that CIL is the optimum route for securing infrastructure on these two sites, CIL rates of up to £27 and £65 per square metre could be levied on Burgess Hill and Pease Pottage respectively. After applying a buffer below the maximum rate (30% being the typically adopted level), this would indicate rates of £19 and £46 per square metre; alongside a Section 106 contribution of £5,000 per unit. The results of our appraisals indicate that no changes are required to the other rates in the PDCS.*

*The Council's emerging approach of seeking 40% affordable housing, split equally between Starter Homes and 'traditional' affordable housing does not result in a worse outcome than the previous 30% requirement. With the emerging 40% affordable housing requirement including 20% Starter Homes in place, no more sites or units are unviable in comparison to the outcome when modelling the current 30% affordable housing requirement. However, it should be noted that this study represents a high level assessment of viability and that there are likely to be specific viability circumstances on individual sites. It is also important to consider that the strategic allocations will be delivered over extensive periods and will potentially benefit from growth in sales values, which would enhance viability.*

- 3.30 It is necessary to consider the development identified in the Site Allocations Document and any new policy requirements that may be being introduced.

### **Site Allocations Development Plan Document**

- 4.1 The Site Allocations Development Plan Document (SA-DPD) is essentially an allocations document that seeks to allocate additional sites. It also introduces some new policy requirements. This section considers these.

#### *SA-DPD Allocations*

- 4.2 The Site Allocations Development Plan Document (SA-DPD) is an allocations document that seeks to allocate additional sites for an additional 1962 units.

<b>Table 4.1 August 2019 Proposed Allocations</b>		
		<b>Units</b>
Ansty	Ansty Cross Garage, Cuckfield Road, Ansty	12
Ardingly	Land west of Selsfield Road, Ardingly	100
Ashurst Wood	Land south of Hammerwood Road, Ashurst Wood	12
Burgess Hill	St. Wilfrids Catholic Primary School, School Close, Burgess Hill	200
Burgess Hill	Land South of Southway, Burgess Hill	30
Burgess Hill	Woodfield House, Isaacs Lane, Burgess Hill	30
Burgess Hill	Land to the south of Selby Close, Hammonds Ridge, Burgess Hill	12
Burgess Hill	Land south of Folders Lane and east of Keymer Road, Burgess Hill (merged sites: 738 & 557)	300
Burgess Hill	Land South of 96 Folders Lane, Burgess Hill	43
Crawley Down	Land north of Burleigh Lane, Crawley Down	50
Cuckfield	Land at Hanlye Lane to the east of Ardingly Road, Cuckfield	55
East Grinstead	Land south of Crawley Down Road, Felbridge	200
East Grinstead	Land south and west of Imberhorne Upper School, Imberhorne Lane, East Grinstead	550
East Grinstead	East Grinstead Police Station, College Lane, East Grinstead	22
Handcross	Land at St. Martin Close, Handcross	65
Hassocks	Land to the north of Shepherds Walk Hassocks	130
Haywards Heath	Rogers Farm, Fox Hill, Haywards Heath	25
Horsted Keynes	Land south of St. Stephens Church, Hamsland, Horsted Keynes	30
Horsted Keynes	Land South of The Old Police House, Birchgrove Road, Horsted Keynes	25
Sayers Common	Land to the north Lyndon, Reeds Lane, Sayers Common	35
Scaynes Hill	Land to the rear Firlands, Church Road, Scaynes Hill	20
Turners Hill	Withypitts Farm, Selsfield Road, Turners Hill	16
		<b>1,962</b>

Source: MSDC (August 2019)

#### *New Policy Requirements*

- 4.3 In addition to allocating the above sites the SA-DPD does seek to introduce some (relatively minor) additional policy requirements.
- 4.4 The planning applications for the additional site allocations are to be accompanied by:
- a detailed Design and Access Statement that sets out the vision and overall masterplan for the site, demonstrating a commitment to creating a successful place, with well-designed new homes and supporting infrastructure;

- a Development Delivery Agreement which shows the proposed programme of house building, and demonstrates the number of homes the development will contribute to the District's five-year housing land supply, and
- a Statement of Community Involvement that sets out how the Parish Council and other local organisations have been involved in the master planning process and infrastructure requirements.

4.5 Having considered this policy (and the other policies) the base assumption has been increased from 9%<sup>5</sup> to 10%.

4.6 The SA-DPD includes five fresh policies:

- a. SA 35: Existing Employment Sites
- b. SA 36: Safeguarding of Land for Strategic Highway Improvements
- c. SA 37: Wivelsfield Railway Station
- d. SA 38: Burgess Hill/ Haywards Heath Cycle Network
- e. SA 39: Air Quality

4.7 These policies do not specifically impact on viability, beyond the impact on developer contributions (i.e. s106 contributions). The current best estimate of s106 contributions is used as set out below.

#### *Biodiversity*

4.8 In addition to the above it is necessary to consider biodiversity. In March 2019 the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation, the Chancellor confirmed in the Spring Statement that the Government will use the forthcoming Environment Bill to mandate 'biodiversity net gain'.

4.9 At this stage no details have been published, however biodiversity net gain requires developers to ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

4.10 Improvements on site would be encouraged, but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

4.11 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will

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<sup>5</sup> Paragraph 4.19, 2016 Viability Assessment.

however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation as a survey will need to be carried out. On a small site this is likely to be a few thousand pounds, but on a large complex site this could be more.

- 4.12 Having considered this policy (and the other policies) the base assumption for fees has been increased from 9% to 10%.

### **Updated Appraisals**

- 5.1 A set of additional appraisals has been prepared for each of the above sites, based on the full 'policy on' scenario. Relative to the *Community Infrastructure Levy and District Plan Viability Study* (BNP Paribas, July 2016), the following changes have been made, otherwise the assumptions are simply carried forward.

- Values increased by 5% - in line with the market.
- Current BCIS costs are used (being a 19% or so increase).
- Fees up from 9% to 10% to cover extra requirements and biodiversity.
- CIL is not included as it has not been progressed.

- 5.2 The site-specific estimates for strategic infrastructure and mitigation to be sought through s106 are used, rather than the £15,000/unit assumption, being the most up to date information.



<b>5.1 August 2019 S106 Costs</b>			
		<b>Total s106 cost</b>	<b>s106 £/unit</b>
Ansty	Ansty Cross Garage, Cuckfield Road, Ansty	£246,624	£20,552
Ardingly	Land west of Selsfield Road, Ardingly	£2,883,523	£28,835
Ashurst Wood	Land south of Hammerwood Road, Ashurst Wood	£298,452	£24,871
Burgess Hill	St. Wilfrids Catholic Primary School, School Close, Burgess Hill	£4,631,245	£23,156
Burgess Hill	Land South of Southway, Burgess Hill	£615,855	£20,529
Burgess Hill	Woodfield House, Isaacs Lane, Burgess Hill	£615,855	£20,529
Burgess Hill	Land to the south of Selby Close, Hammonds Ridge, Burgess Hill	£246,624	£20,552
Burgess Hill	Land south of Folders Lane and east of Keymer Road, Burgess Hill (merged sites: 738 & 557)	£7,061,868	£23,540
Burgess Hill	Land South of 96 Folders Lane, Burgess Hill	£882,469	£20,523
Crawley Down	Land north of Burleigh Lane, Crawley Down	£1,441,761	£28,835
Cuckfield	Land at Hanlye Lane to the east of Ardingly Road, Cuckfield	£1,348,539	£24,519
East Grinstead	Land south of Crawley Down Road, Felbridge	£5,495,045	£27,475
East Grinstead	Land south and west of Imberhorne Upper School, Imberhorne Lane, East Grinstead	£14,181,324	£25,784
East Grinstead	East Grinstead Police Station, College Lane, East Grinstead	£546,926	£24,860
Handcross	Land at St. Martin Close, Handcross	£1,593,702	£24,518
Hassocks	Land to the north of Shepherds Walk Hassocks	£3,195,885	£24,584
Haywards Heath	Rogers Farm, Fox Hill, Haywards Heath	£513,239	£20,530
Horsted Keynes	Land south of St. Stephens Church, Hamsland, Horsted Keynes	£745,426	£24,848
Horsted Keynes	Land South of The Old Police House, Birchgrove Road, Horsted Keynes	£621,214	£24,849
Sayers Common	Land to the north Lyndon, Reeds Lane, Sayers Common	£720,839	£20,595
Scaynes Hill	Land to the rear Firlands, Church Road, Scaynes Hill	£410,569	£20,528
Turners Hill	Withypitts Farm, Selsfield Road, Turners Hill	£397,699	£24,856

Source: MSDC (August 2019)

- 5.3 It is important to note that whilst these figures here represent the best estimate at the time of this note, the total S106 contributions are likely to be reduced as the plan-making process continues. These may therefore be regarded as a worst-case scenario.

5.4 The *Community Infrastructure Levy and District Plan Viability Study* (BNP Paribas, July 2016) increased build costs by 6% to reflect the Code for Sustainable Homes. These requirements were not included in the adopted plan so are not added in.

*Results*

5.5 It is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that the Council will consider when deciding which sites to include in the Plan.

5.6 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers’ return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Benchmark Land Value (BLV).

5.7 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

- a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare.
- b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
- c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.

5.8 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development.

5.9 Some of the allocations are very large, relative to the proposed numbers of units. In this modelling we have assumed a net density that is based on 32 units/ha (higher on the urban flatted schemes) and the following net / gross development area assumptions:

<b>Table 5.2 Net Development Area Assumptions</b>	
Less than 0.4ha	100%
0.4ha to 4ha	80%
Over 4ha	60%

Source: HDH (August 2019)

**Table 5.3 MSDC Proposed Allocations. Residual Values**  
**Full 'Policy On'**

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Ansty Cross Garage, Cuckfield Road	Ansty	Brown	0.24	0.24	12	1,576,598	1,576,598	378,383		
Land west of Selsfield Road	Ardingly	Green	3.91	3.13	100	623,187	778,984	2,434,326		
Land south of Hammerwood Road	Ashurst Wood	Green	0.38	0.38	12	1,373,146	1,373,146	514,930		
St. Wilfrids Catholic Primary School, School	Burgess Hill	Brown	1.65	1.32	200	302,143	376,394	498,536		
Land South of Southway	Burgess Hill	Green	1.20	0.94	30	811,512	1,038,735	973,814		
Woodfield House, Isaacs Lane	Burgess Hill	Green	1.17	0.94	30	592,176	740,220	693,957		
Land to the south of Selby Close, Hammo	Burgess Hill	Brown	0.16	0.16	12	-1,127,937	-1,127,937	-180,470		
Land south of Folders Lane and east of Ke	Burgess Hill	Green	15.30	9.38	300	689,068	1,124,560	10,542,747		
Land South of 96 Folders Lane	Burgess Hill	Green	1.80	1.34	43	770,086	1,031,557	1,386,155		
Land north of Burleigh Lane	Crawley Down	Green	1.95	1.56	50	863,291	1,079,114	1,686,116		
Land at Hanlye Lane to the east of Ardingl	Cuckfield	Green	2.15	1.72	55	730,546	913,183	1,569,533		
Land south of Crawley Down Road, Felbrid	East Grinstead	Green	8.50	6.25	200	1,089,459	1,481,664	9,260,403		
Land south and west of Imberhorne Upper	East Grinstead	Green	28.65	17.19	550	827,093	1,378,489	23,692,774		
East Grinstead Police Station, College Lar	East Grinstead	Brown	0.42	0.34	22	2,977,436	3,694,727	1,250,523		
Land at St. Martin Close	Handcross	Green	2.54	2.03	65	955,297	1,194,121	2,425,559		
Land to the north of Shepherds Walk	Hassocks	Green	5.08	4.06	130	1,064,600	1,330,750	5,406,174		
Rogers Farm, Fox Hill	Haywards Heath	Green	0.98	0.78	25	1,071,097	1,338,871	1,045,993		
Land south of St. Stephens Church, Hams	Horsted Keynes	Green	1.13	0.94	30	1,240,837	1,495,622	1,402,146		
Land South of The Old Police House, Birc	Horsted Keynes	Green	0.98	0.78	25	1,203,133	1,503,916	1,174,935		
Land to the north Lyndon, Reeds Lane	Sayers Common	Green	1.37	1.09	35	1,177,339	1,471,673	1,609,643		
Land to the rear Firlands, Church Road	Scaynes Hill	Green	1.10	0.63	20	762,534	1,342,060	838,787		
Withypitts Farm, Selsfield Road	Turners Hill	Brown	0.63	0.50	16	1,460,837	1,826,046	913,023		

Source: August 2019

5.10 The results vary across the modelled sites. This is largely due to the different assumptions around the nature of each typology. The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return.

5.11 In the following tables the Residual Value is compared with the BLV.

<b>Table 5.4 MSDC Proposed Allocations. Residual Values v BLV</b>			
<b>Full 'Policy On' Adjusted Areas</b>			
		BLV	Residual Value
Ansty Cross Garage, Cuckfield Road	Ansty	2,500,000	1,576,598
Land west of Selsfield Road	Ardingly	500,000	623,187
Land south of Hammerwood Road	Ashurst Wood	500,000	1,373,146
St. Wilfrids Catholic Primary School, School Close	Burgess Hill	2,500,000	302,143
Land South of Southway	Burgess Hill	500,000	811,512
Woodfield House, Isaacs Lane	Burgess Hill	500,000	592,176
Land to the south of Selby Close, Hammonds Ridge	Burgess Hill	2,500,000	-1,127,937
Land south of Folders Lane and east of Keymer Road, (merged sites: 738 & 557)	Burgess Hill	500,000	689,068
Land South of 96 Folders Lane	Burgess Hill	500,000	770,086
Land north of Burleigh Lane	Crawley Down	500,000	863,291
Land at Hanlye Lane to the east of Ardingly Road	Cuckfield	500,000	730,546
Land south of Crawley Down Road, Felbridge	East Grinstead	500,000	1,089,459
Land south and west of Imberhorne Upper School, Imberhorne Lane	East Grinstead	500,000	827,093
East Grinstead Police Station, College Lane	East Grinstead	2,500,000	2,977,436
Land at St. Martin Close	Handcross	500,000	955,297
Land to the north of Shepherds Walk	Hassocks	500,000	1,064,600
Rogers Farm, Fox Hill	Haywards Heath	500,000	1,071,097
Land south of St. Stephens Church, Hamsland	Horsted Keynes	500,000	1,240,837
Land South of The Old Police House, Birchgrove Road	Horsted Keynes	500,000	1,203,133
Land to the north Lyndon, Reeds Lane	Sayers Common	500,000	1,177,339
Land to the rear Firlands, Church Road	Scaynes Hill	500,000	762,534
Withypitts Farm, Selsfield Road	Turners Hill	2,500,000	1,460,837

Source: August 2019

5.12 The results show that the Residual Value exceeds the BLV by a substantial margin on most sites. This indicates that most sites are viable and the Council can be confident that they are deliverable. To a large extent this is to be expected (and accords with the Councils

experience through Development Management), the Council has a 30% affordable housing requirement which is less than some other councils in the area and has not adopted CIL.

- 5.13 There are several exceptions. The sites at Ansty Cross Garage, Cuckfield Road, St. Wilfrids Catholic Primary School, School Close, Land to the south of Selby Close, Hammonds Ridge and at Withypitts Farm, Selsfield Road are not shown as viable. These have a capacity of 240 units which is less than 10% of the planned development. These are brownfield sites, being on previously developed land. The analysis on these types of site uses a higher BLV and, in some cases, are based on a greater element of flats (that are more expensive to build).
- 5.14 Brownfield development is coming forward in Mid Sussex, as is flatted development. Further, such development is delivering affordable housing and other policy requirements. The Council should be cautious about relying on these sites for housing delivery without some further investigation. It is recommended that the Council continues to engage with the site promoters to understand their plans for bringing the sites forward. Factors such as whether the site promoters are in pre-application discussions, have or are close to submitting a planning application, or whether the site has a planning consent will all be factors to take into account. Alternatively, it may be appropriate to undertake some finer grained analysis. Based on the current development environment in Mid Sussex and that it is an active market in a relatively high value area, we would expect sites of this type to be deliverable.
- 5.15 Whilst the Council is not pursuing CIL at the time of this note, and it is not the purpose of this note to assess the capacity to introduce CIL (or make recommendations with regard to rates), on most greenfield sites there is a significant margin between the BLV and the Residual Value, indicating that there may be capacity to introduce a CIL in due course.

## **Conclusions**

- 6.1 Mid Sussex District Council is preparing a Site Allocations Document to allocate sufficient housing sites to address the residual necessary to meet the identified housing requirement for the district up to 2031 in accordance with the Spatial Strategy set out in the District Plan. This brief paper has been prepared to consider the viability aspects of the deliverability of the sites in the Site Allocations Document.
- 6.2 This paper considers the sites in the Site Allocations Document and then considers the deliverability of the sites having regard to the Council's existing viability assessment.
- 6.3 A set of additional appraisals has been prepared for each of the proposed sites, based on the full 'policy on' scenario. The analysis is based on the assumptions set out in the *Community Infrastructure Levy and District Plan Viability Study* (BNP Paribas, July 2016) although the following changes have been made.
- Values increased by 5% - in line with the market.
  - Current BCIS costs are used (being a 19% or so increase).

- Fees up from 9% to 10% to cover extra requirements and biodiversity.
- CIL is not included as it has not been progressed.
- The site-specific estimates for strategic infrastructure and mitigation to be sought through s106 are used (rather than the high level £15,000/unit assumption used in 2016), being the most up to date information.

6.4 The results show that the Residual Value exceeds the BLV by a substantial margin on most sites. This indicates that most sites are viable, and the Council can be confident that they are deliverable.

6.5 There are several exceptions. The brownfield sites at Ansty Cross Garage, Cuckfield Road, St. Wilfrids Catholic Primary School, School Close, Land to the south of Selby Close, Hammonds Ridge and at Withypitts Farm, Selsfield Road are not shown as viable. The analysis on these types of site uses a higher BLV and, in some cases, are based on a greater element of flats (that are more expensive to build).

6.6 It is important to note that brownfield development is coming forward in Mid Sussex, as is flattened development. Further, such development is delivering affordable housing and other policy requirements. The Council should be cautious about relying on these sites for housing delivery without some further investigation. It is recommended that the Council continues to engage with the site promoters to understand their plans for bringing the sites forward.