

For: Dartford Borough Council



Local Plan Viability Assessment

Final Report

February 2021

DSP20713

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Executive Summary

Introduction

1. This summary aims to provide a brief overview of the full report that follows (Dartford Borough Council Local Plan Viability Assessment – DSP20713). The overview set out here is not a substitute for the full detail that should be referred to in the report.
2. Dartford Borough Council (DBC) appointed Dixon Searle Partnership (DSP) to prepare the Viability Assessment as part of the wider evidence base informing a review of the Council's Local Plan, the Dartford Borough Local Plan. Once adopted, the new Local Plan will replace the current Core Strategy (2011) and will direct the strategy for growth in the borough balanced against key objectives including sustainable development, regeneration and meeting affordable housing need.
3. 'Viability' in the sense of this study refers to the financial "health" of development. This means that the study looks at the likely strength of the relationship between development values and costs and how this could vary across a range of potential sites and development types.
4. In this way, the study approach and findings enable a review of how much financial scope there is likely to be for developments in the borough to support planning obligations (such as for the provision of affordable housing), development standards (such as relating to housing standards and sustainability) and infrastructure.
5. In terms of infrastructure to support the Development Plan, DBC has in place a Community Infrastructure Levy (CIL) charging schedule – implemented in 2014. This is not being reviewed at this stage. Therefore, the viability assessment takes account of its cost to new schemes (applies the charging rates as indexed at the time of considering study assumptions). So this is considered as a part of the cumulative costs of development (i.e. when in taking account of all costs that are likely to directly influence development viability).
6. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance – as updated 2018-19.

7. The National Planning Policy Framework (NPPF) para 34 on ‘Development contributions’ states: *‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.’*
8. The Planning Practice Guidance (PPG) on ‘Viability’, published alongside the updated NPPF in July 2018 and most recently updated on 1st September 2019, provides more comprehensive information on considering viability in plan making.
9. The PPG on Viability follows the above noted NPPF theme and states: *‘These policy requirements should be informed by evidence of infrastructure and affordable housing need, and 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. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development...Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’.*
10. The national guidance on the CIL is within the PPG too, which also contains other sections relevant to considering matters relating to plan making and development of various types.

Study (assessment) approach - methodology

11. Responding to the above, the well-established approach involves a method known as ‘residual valuation’. This deducts estimated costs (using assumptions that reflect the usual costs of development e.g. build costs, fees, finance, marketing and sale costs and developer’s profit) from the expected end value on sale of a scheme (often known as the gross development value or ‘GDV’). The approach produces a surplus, hence a ‘residual’ or (in some cases where viability is challenging) deficit that points to the amount that could be paid for the development land (site or premises to be developed).

12. A large number of these appraisals are undertaken across scenarios ('typologies') broadly reflecting anticipated development in the area. This approach allows varying potential levels of affordable housing, other planning policy costs and the existing CIL charging to be tested for viability – collectively (or 'cumulatively'), as above.
13. The resulting 'residual land value' (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels being supportable (viable), and developments of a relevant nature locally therefore being deliverable all in support of the Local Plan. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide an appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of 'Existing Use Value Plus' (EUV+). This reflects the value of land in current use as the basis, with a level of uplift or premium then also considered, as may be appropriate to secure the timely release of a site for development – to take it out of its current use.
14. This assessment was carried out over stages to both inform the final development of key policies and to support the final approach leading towards submission of the Dartford Borough Local Plan.
15. The first stage (initial scoping to provide emerging findings) reviewed the potential viability of various policy cost options. This was with a focus on the likely viable proportion (%) of mixed tenure affordable housing (rented and intermediate i.e. affordable home ownership) because this has the single greatest impact on viability. This is because the affordable housing (AH) costs broadly the same to build as the market sale housing but contributes a very much lower level of revenue (value) to the scheme - in order to bring down its costs of occupation. Overall, a typical blend of affordable housing may be expected to support around half of the market sale revenue level (broad indication only).
16. The impact of the tested AH % was considered whilst making other appropriate assumptions. These represent the likely targeted affordable housing tenure mix, technical housing standards (including accessible and adaptable housing (Building Regulation Standards Part M4(2) and M4(3)), appropriate dwelling sizes, water efficiency.) The assumptions also reflect other sustainable construction and development measures including moves towards a climate change response as per the Government's emerging approach together with other

policy areas where a quantifiable development cost (and therefore potential or likely viability impact) was associated with a particular emerging policy area.

17. The outcome of that initial scoping review informed a 2-way relationship between the continued testing and the further development of key policies for the new Local Plan. This led to the refinement of proposed AH policies (with the key finding being a need to reduce the AH % expectations placed on central Dartford area sites) which were then tested as a key variable across a wider range of site typologies in the second stage of this assessment.
18. The following full report and Appendices set out the details of the approach to the assessment and its findings. This includes more on the principles, the assumptions used and their source, an outline of how development industry stakeholders have been consulted and the review and analysis of results leading to the findings. A brief overview of the key findings follows.

Findings – overview

Dartford - new Local Plan

19. Viewed as a whole, the emerging Local Plan proposals are considered to have reasonable prospects of viability and should therefore be able to meet the criteria of the NPPF and be consistent with the national guidance within the PPG in viability terms.
20. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH). This is almost always the case and not just a feature in Dartford Borough, owing to the low level of development value that it provides whilst costing a similar amount as the market sale homes to develop.
21. Viewed alongside other emerging policies and assuming a tenure split that includes, as a starting point, 57% affordable rent and 43% intermediate tenures, we consider the following approaches to be viable at a Plan-wide level:
 - 20% affordable housing as a headline/target on central Dartford area sites. Here, the review finds that viability will often be more challenging given the typically higher costs associated with higher density development on PDL (previously developed land

i.e. brownfield sites) and which in some cases will also warrant higher site values (as represented by higher benchmark land values based on existing use);

- 35% affordable housing as a headline/target for all other areas of the borough, reflecting a wider variety of likely development and site types;

22. Linked to the above, as the consideration of affordable housing tenure is relevant alongside its quantity (the proportion of it), the findings also identify that taking a varied view on the mix of rented or other affordable homes will also influence viability and perhaps should not be viewed too rigidly at the plan making stage. The DBC approach is consistent with this. The base testing assumption is 53% of the affordable homes as affordable rented tenure; 47% intermediate (affordable homes ownership or similar, currently modelled as shared ownership). Also related to this, it may also be relevant to consider that affordable housing tenure models change over time. For example, at the time of this writing this report, it appears that the Government is going to be confirming the requirement for 'First Homes' to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route - in the form of shared ownership. Viability may not improve as a result of First Homes, but also appears unlikely to be significantly negatively affected by that proposed new model.

23. This report also presents information on the relative influences of other policy areas, for example in respect of enhanced accessibility and sustainability standards. The various stages of this assessment help to inform and then support the setting of those policy levels and this report sets out that process.

24. The Council has a strong track record on development, delivering at a high level. This shows that the approach within national policy and as applied locally has been working overall. We expect this to be able to continue based on the approach now being continued and built on. In general, other policies tested in this assessment alongside the affordable housing are considered to be supportable overall. In our view, as we have noted, the DBC approach overall is considered a relatively "light touch" one, based on national policy and proposing a fairly typical set of measures rather than overly onerous or additional ones. To compliment this, we understand that the Council intends to continue with a not too rigid, practical approach that

also acknowledges the potential need to consider viability and other matters at decision making (planning applications) stage as far as relevant. This appears realistic overall.

25. In summary, this assessment reviewed the overall viability of the proposed Dartford Local Plan policies that affect housing development and concludes that these should support suitable prospects of delivery.
26. In general terms, the viability of the non-residential development use types that were considered by the Council to be relevant to the Plan overall is likely to be more mixed overall. Outcomes will be site specific.
27. However, the appraisal testing included as a base assumption the estimated costs of achieving a BREEAM 'Excellent' rating as a well-established sustainable construction measure. This is the only policy position considered to have a direct viability impact, which was found to be minimal. Accordingly, a viable development would not be made unviable by this requirement and the approach can be supported on this basis.
28. The findings on the less viable non-residential development use types that have been considered do not necessarily mean that such schemes would not come forward. Developments may be brought forward on a different basis to that appraised at the plan making level. They will be expected to meet usual sustainable development criteria but there are considered to be no emerging Dartford LP policy proposals that unduly affect or influence the viability of such schemes.

Community Infrastructure Levy (CIL)

29. The assessment and related Local Plan policy developments do not affect the DBC CIL Charging Schedule, which is not under review at this stage. The costs of the CIL have been included within the appraisals as set out and are therefore reflected in the reported findings.

Additional general context

30. This assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward.

31. An overview and judgments are always necessary, and indeed are appropriate.
32. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's White Paper proposals on planning reform (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.
33. DSP will be happy to assist and input further, working with DBC and advising additionally if required as its Local Plan proposals progress.

Executive summary ends

Final Report (DP v6)

February 2021

1. Introduction

1.1 Introduction & Report Purpose

- 1.1.1 Dartford Borough Council (DBC) is in the process of developing its new Local Plan, to cover the period between 2017 and 2037; progressing towards the Regulation 19 publication stage during the Spring of 2021. Once the new Plan is adopted, it will replace the current Dartford Core Strategy (adopted in 2011).
- 1.1.2 Dartford's Core Strategy was adopted in 2011 and set the long term spatial strategy for the Borough to 2026. The Strategy brought together a number of long held ambitions for the area, including large scale development to the east of the Borough, at what is now known as Ebbsfleet Garden City and a focus on re-development of former industrial and brownfield sites. In 2014 the Community Infrastructure Levy was adopted in Dartford, particularly in recognition of large-scale infrastructure requirements arising from cumulative development demands. Complementing the Core Strategy, the Dartford Development Policies Plan was adopted in July 2017. This document primarily provides the most common 'Local Plan' policies used in assessing planning applications.
- 1.1.3 Identification of future infrastructure requirements was an important factor in the production of the Core Strategy, due to the significant scale of growth proposed in Dartford. The Infrastructure Delivery Plan published with the Core Strategy, is a live document and is updated annually, in liaison with infrastructure providers. Overall, the key requirements identified at Core Strategy adoption have remained and are likely to continue into the new Local Plan. A number of infrastructure projects have been provided and others are now in the implementation pipeline.
- 1.1.4 The Council is now updating its strategy and policies through the new Local Plan following a first consultation on the big 'strategic issues' in 2018 followed by a Preferred Options (Regulation 18) consultation in January – February 2020 that set out the emerging proposals alongside potential alternative approaches.
- 1.1.5 The Council's approach is not to start from scratch but rather to develop the new Local Plan on the basis that many of the principles of the Core Strategy remain relevant and can be continued.

1.1.6 Dartford has seen unprecedented housing and employment development levels in recent years within the areas of strategic focus, and there are no plans to further expand these areas in the future. This means there is no requirement for major further Green Belt or greenfield land release. Reflecting this, and looking ahead:

- A significant proportion of forecast development during the Local Plan period is on existing large sites, many of which have initial phases of site development delivered or under construction, and which already have outline planning consent.
- The emerging Local Plan ‘preferred options’ consultation document in early 2020 received feedback that broadly supports the preferred strategic approach, which has a number of similarities with the adopted Core Strategy Plan, including:
 - continuing a very strong focus on brownfield land delivery
 - a renewed emphasis on regeneration of Dartford town centre and a Ebbsfleet Garden City – primarily at central Ebbsfleet.
 - No reliance on sites in the rural area or release of Green Belt
- Since the 2017 Development Policies Local Plan adoption, Dartford has sought to encourage development to provide some Category M4(2) homes and the optional higher level national water efficiency standard. However, local policy requires clarification and updating in respect of further climate change and local needs findings.
- The range of expected new Local Plan policy requirements that are considered to have the potential to impact on or influence future development viability are:
 - Changes to affordable housing policy
 - The potential to apply targeted S106 requirements (may be superseded by new national proposals)
 - A clear requirement for lifetime (accessible/adaptable) homes and support for the delivery of specialist homes
 - Introduction of potential minimum garden/amenity space sizes
 - Updated requirements for non-residential development
 - Scope to respond to requirements for biodiversity net gain

- Climate change response / potential Future Homes Standard
- Electric Vehicle Charging

- 1.1.7 The purpose of undertaking this study is to assess the viability impacts of emerging planning policies, so as to inform their further development to assess the potential viability and deliverability of Local Plan. Overall, the council requires the assessment in order to demonstrate that the policies proposed do not undermine the deliverability of the Plan as a whole. To be clear, the Council is not seeking to undertake viability assessment in order to demonstrate deliverability of specific new individual sites to justify identification in the Local Plan, or to specifically test CIL Charging rates. However, the influence on development viability of the current CIL indexed rates will be considered as part of this assessment, being a key element of the cumulative costs of development.
- 1.1.8 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the Plan are deliverable as a whole - to ensure a sound Plan through the examination process and in support of sites having reasonable delivery prospects moving ahead.
- 1.1.9 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – as updated 2018-19. Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.
- 1.1.10 In light of the above, the Council has therefore commissioned Dixon Searle Partnership (DSP) to carry out this viability assessment (study). The assessment involves the review of financial viability using a site typologies approach (test scenarios representing a range of site types/development schemes likely to come forward through the emerging Local Plan).
- 1.1.11 Consistent with this context and DSP's experience, and reflecting the local characteristics, the assessment provides the evidence base for the viability of the Local Plan policies,

informing and supporting its deliverability overall. As above, this will help ensure that the development strategy and policies identified in the plan are not set at such a level that the viability of sites to be developed is unduly threatened.

1.1.12 In summary, the main objectives of this study are to assist the Council to establish a balanced and whole plan viable approach to affordable housing, developer contributions and emerging policy requirements. The Assessment should help to advise on:

- a) the quantum and tenure mix of affordable housing that can be expected to be viably delivered by future development,
- b) the type and extent of development standards to viably contribute to and mitigate impact,
- c) the optimal balance of a, b and other emerging Local Plan policy requirements to ensure overall viability of planned development in achieving local sustainable development objectives.

1.1.13 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on 'Viability') and other Guidance¹ applicable to studies of this nature. After setting out the assessment context and purpose within this 'Introduction' section, the following report structure, on the study detail, is presented over 3 stages as included below (brief outline here):

- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion;
- **Findings Review** – overall results context, detailed analysis of the typology test results (including the strength of viability in relation to range of AH proportions and other key policy considerations);
- **Summary of main findings** – including any options/alternatives, and set out in the context of the viability of the whole Plan, i.e. taking account of the associated impact of the Council's emerging policies.

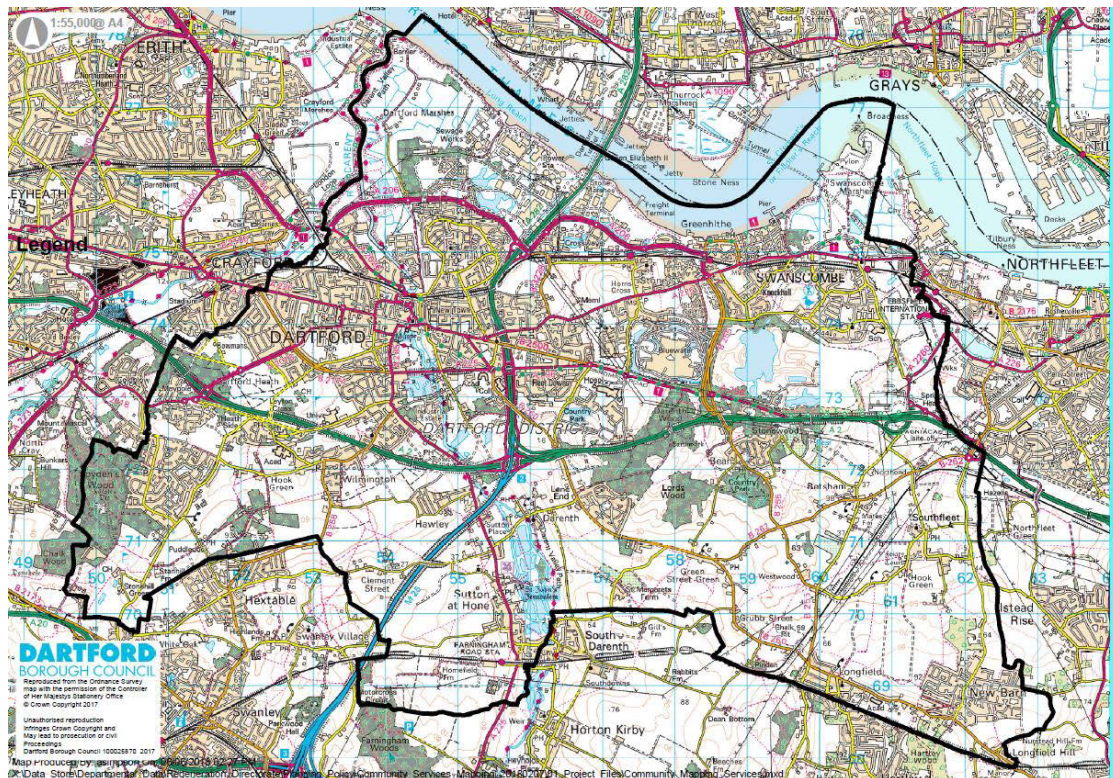
¹ Including the RICS Professional Guidance Note 'Financial viability in planning' (August 2012) and more recent 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

- 1.1.14 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to come forward over the plan period, but rather a test of a range of appropriate site typologies that reflect the potential mix of sites likely to come forward.
- 1.1.15 Equally, the Local Plan viability assessment does not require an appraisal of every likely policy but rather potential policies that are likely to have a direct quantifiable bearing on the overall development costs. In our experience, this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of DBC's or indeed other Councils' influence over the viability of other forms of development (i.e. non- residential / employment / commercial) through local planning policy positions is typically much more limited.
- 1.1.16 The assessment approach applies sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of affordable housing requirements and combined with allowances for meeting the requirements of other policies emerging through the Local Plan development process.
- 1.1.17 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.2 Dartford Borough - Profile

- 1.2.1 The emerging Dartford Borough Local Plan sets out the spatial characteristics of the Borough in detail. This section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the borough, and the related planning issues and opportunities.
- 1.2.2 Dartford is located on the south side of the River Thames in north west Kent immediately to the east of Greater London. See the overview map at Figure 1 below for general context.

Figure 1: Map of Dartford Borough



Source: Dartford Borough Council (Draft)

- 1.2.3 The Dartford Local Plan ‘Preferred Options’ Consultation January 2020 states that *“Dartford Borough covers an area of 7,600 hectares, the smallest, but most densely populated, Borough in Kent. Situated within the Thames Estuary, Dartford stands at the pivotal point between Greater London and Kent...Dartford has major national and international connections via the strategic road network, including the M25; Dartford crossing and the A2; and rail services, including from Ebbsfleet International Station (a 17-minute journey time to London St Pancras International). Dartford Borough has two distinct areas. North of the A2 is a largely built-up area, containing 70% of the population, which stretches from Dartford town in the east (adjoining Bexley London Borough) through to the growing communities at Ebbsfleet (adjoining Gravesham Borough). To the south lies an area of open countryside with 12 villages and a number of small hamlets”.*
- 1.2.4 The Borough has attracted major commercial development. This means that there is a good level of commuting: mostly into, but also out of the area. Ebbsfleet Development Corporation (EDC) was set up by the government in 2015 to speed up delivery of up to 15,000 homes and create a 21st century Garden City in north Kent. Its boundaries include land around Ebbsfleet International railway station and the Swanscombe Peninsula,

located in the north east of Dartford Borough. The new Dartford Local Plan will provide a policy framework for the future development of these areas. The EDC area also includes part of Gravesham Borough.

1.2.5 The EDC is responsible for determining planning applications in its area. Dartford Borough Council retains responsibility for producing Local Plans and policy documents covering the whole of Dartford Borough (including the part of the EDC area which falls within the Borough's boundaries).

1.2.6 Dartford has consistently been in the top 5 growing local authorities (outside London) in the country in recent years. On average homes in Dartford are above Kent average price levels and now similar to values in the south east region as a whole. However, values can vary between different areas across the Borough, with higher values usually found to the less urban south and Green Belt areas in the southern area. Due to the excellent transport links, large-scale new warehouse/logistic development has continued to take place in the borough over recent years, with seemingly ongoing demand for future development of this type.

1.3 National Policy & Guidance

1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF) as refreshed from July 2018² which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*

1.3.2 NPPF para 34 on *'Development contributions'* states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*

² Most recently updated in May 2019 although at the time of writing further changes to the NPPF were being proposed by Government,.

- 1.3.3 The updated national Planning Practice Guidance (PPG) on ‘Viability’, published alongside the NPPF in July 2018 and most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The Planning Practice Guidance on Viability states:

‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and 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. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development...Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’.

- 1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the applicant will need to demonstrate what has changed since the Local Plan was adopted.
- 1.3.5 The Council adopted a CIL Charging Schedule which came into effect on 1st April 2014. The Charging Schedule sets out rates on residential, retail, office, industrial, hotel and leisure development taking place anywhere in Dartford. The CIL charging rates had a base date of April 2014. Indexation applies to the rates relevant to all permissions issued since 2014, in accordance with the CIL Regulation 40. At the point of carrying out this study,

the new prescribed approach to indexation (updating of the adopted rates by reference to the 'All-in Tender Price Index' as a standard national approach) has led to DBC's 2020 charging rates increasing as set out in the table below:

Figure 2: DBC CIL charging rates

| Zone * | Development Type | CIL Rate (per square metre) | Index Figure for 2014 + | Index Figure for 2020 ** | Indexed CIL Rate for 2020 (per square metre) |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------|--------------------------|----------------------------------------------|
| Residential development ^a | | | | | |
| A | All residential development | £200 | 239 | 334 | £280 |
| B | Residential development of less than 15 homes, providing solely market housing | £200 | 239 | 334 | £280 |
| B | Residential development of 15 homes or more, providing a housing mix which includes a proportion of affordable housing | £100 | 239 | 334 | £140 |
| Retail development | | | | | |
| D | All retail development above 500sq m ^b | £125 | 239 | 334 | £175 |
| C | Supermarkets/superstores (above 500 sq. m) ^a | £65 | 239 | 334 | £91 |
| C and D | All other retail development | £0 | Not applicable | Not applicable | Not applicable |
| Other Development Types | | | | | |
| | Office Industrial Hotel Leisure | £25 | 239 | 334 | £35 |
| | Any development types not identified elsewhere in the schedule. | £0 | Not applicable | Not applicable | Not applicable |

- 1.3.6 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated local plan level of growth to be accommodated across the borough as a whole through the development of an Infrastructure Delivery Plan (IDP).

- 1.3.7 Infrastructure is taken to mean any service or facility that supports the Borough Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.
- 1.3.8 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing allied to the adopted local plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value).
- 1.3.9 The consideration of the collective planning obligations (including affordable housing, other requirements and CIL, together with any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to ‘striking a balance’.
- 1.3.10 In addition, further relevant information is contained in the publication ‘Viability Testing Local Plans – Advice for planning practitioners’ published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the ‘Harman’ report³). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.
- 1.3.11 During the course of carrying out this assessment the Government consulted on both short term and longer-term major reforms to the planning system in England and Wales. The White Paper: Planning for the Future consultation (August 2020) seeks views on wholesale reforms to the planning system so that in some respects it would be nearly unrecognisable from the system under which this assessment and the Local Plan are being produced. The second consultation – ‘Changes to the current planning system’

³ ‘Local Housing Delivery Group – Viability Testing Local Plans’ (Harman, June 2012)

looks at shorter term objectives including the introduction of a First Homes policy⁴ and temporary increase in the national affordable housing threshold⁵. The results of both consultations were unknown at the time of writing and although additional sensitivity testing⁶ has been carried out in terms of affordable housing tenure and thresholds as part of the '*Changes to the current planning system*' consultation, no other allowances are made within this assessment.

1.3.12 In addition to the above, during 2019 the Government consulted on and sought views on plans for a Future Homes Standard (FHS) for new homes from 2025, and proposed options for an interim increase to the energy efficiency requirements for new homes ahead of that. The consultation proposed the following:

- From 2025, new homes built to the Future Homes Standard will have carbon dioxide emissions at least 75% lower than those built to current Building Regulations standards.
- Introducing the Future Homes Standard will ensure that the homes this country needs will be fit for the future, better for the environment and affordable for consumers to heat, with low carbon heating and very high fabric standards.
- All homes will be 'zero carbon ready', becoming zero carbon homes over time as the electricity grid decarbonises, without the need for further costly retrofitting work.

1.3.13 At the point of writing this report and after the modelling for this assessment has taken place, the Government has just provided its response to the consultation⁷ leading to an expectation that in the interim carbon reduction targets of 31% over existing will be regulated in late 2021, leading to the wider implementation of the FHS from 2025 where it is expected that a reduction in CO₂ of 75% from current standards is achieved.

⁴ Potential for a policy that requires policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions to be First Homes with a minimum discount of 30% of market value.

⁵ The government is consulting on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period of up to 18 months.

⁶ Carried out towards the very end of the assessment period.

⁷ MHCLG: The Future Homes Standard: 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings : Summary of responses received and Government response

- 1.3.14 DBC are of the view that given that actual details of the proposals are not known at this stage and that a full Impact Assessment is not due until the Autumn of 2021, the baseline assumptions used within this assessment should remain as current but with some sensitivity testing undertaken to indicate the potential impact of the interim carbon reduction targets.

2. Methodology & Assumptions

2.1 General Approach

- 2.1.1 The study as described in this report involved a phased approach to get to the point where a robust and deliverable set of policies and sites were deemed viable.
- 2.1.2 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we have undertaken an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the potential policy proposals enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above the typical costs involved in the development process (for example build costs utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS), associated fees and contingencies, finance, sale costs, development profit; and land costs).
- 2.1.3 The first stage of the process involved carrying out detailed sensitivity testing on a small number of site typologies that best represent potential future development in the Borough. The process was carried out in tandem with the Council's Policy formation process. The typologies tested consisted of a 20 unit mixed scheme (mix of houses and flats) and a 200 unit 6+ storey higher density flatted scheme (details of the development typology / scheme assumptions are set out later in this chapter).
- 2.1.4 The process required an estimate of the cost of each of those policies and obligations that it was considered had a quantifiable impact on development viability (clearly other policies have indirect cost implications which have been addressed more generally within our appraisal assumptions).
- 2.1.5 The Council set out in their Brief those policies that were considered necessary to include in the viability testing and any associated sensitivity testing including:
- Affordable housing
 - Indexed CIL
 - HRA mitigation

- Biodiversity net gain
- Technical housing standards including access to and use of buildings – Part M4(2) and Part M4(3) of the Building Regulations, water efficiency and potential future carbon reduction targets
- Non-residential BREEAM
- Open space

2.1.6 Those in turn were tested across a range of values incorporating a high level assumption on benchmark land values and developer profit.

2.1.7 The result of each appraisal was an approximate high level surplus or deficit (assuming a fixed level of developer return and deducting the residual value from the benchmark land value). These results then allowed the Council to see the impact of the proposed policies (and level of costs generated by those) on the viability of the typologies. The results of these appraisals are shown in Appendix II indicating the surplus / deficit generated by each iteration.

2.1.8 The Council used the results of the first stage testing to consider refinements to policy requirements and any priorities that should be considered. This led to Stage 2 of the assessment which considers a wider range of site typologies likely to come forward in the Borough; applying the now settled policy assumptions from Stage 1. The details of all the site typologies and assumptions feeding into the associated development appraisals are set out in this chapter (with the corresponding results provided at Appendix IIa).

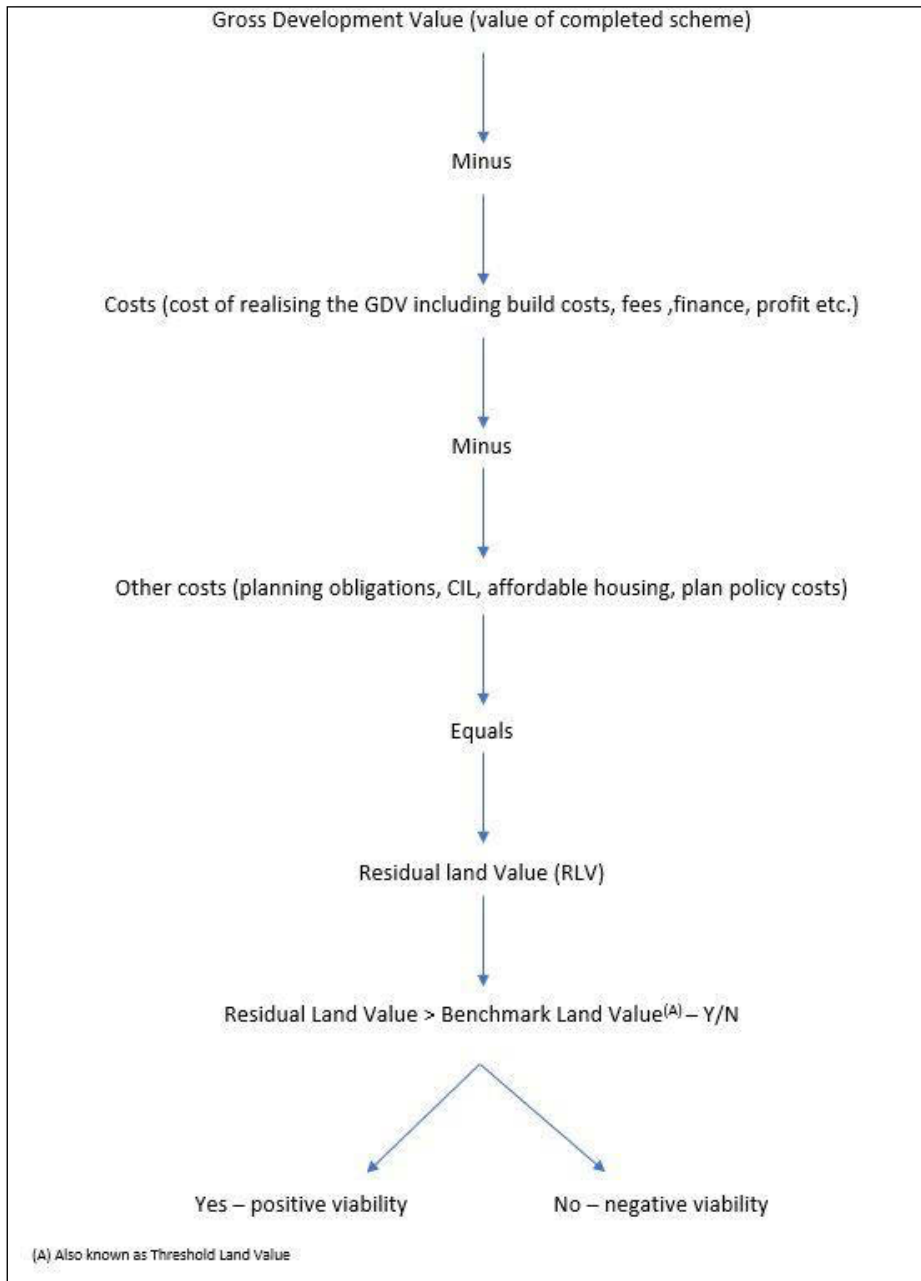
2.1.9 Collectively, this study therefore investigates the potential viability and, therefore, deliverability of the Local Plan and its policies and obligations - including the affordable housing requirements, a review of the level of CIL across the borough and the viability of those site allocations that are key to the delivery of the plan's housing numbers as a whole.

2.2 Residual Valuation Principles

2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, but also used for site-specific viability assessments, is residual valuation. This is also consistent with the relevant guidance

described above. Figure 3 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and recommendations.

Figure 3: Simplified Residual Land Valuation Principles



(DSP 2020)

2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a ‘willing landowner’ and ‘willing developer’. The emphasis has moved away from a market value approach to land that may have been used or carried greater influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called ‘existing use value plus’ [‘EUV+’].

2.2.4. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.

2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is *‘up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage’*⁸. An indication of the types of circumstances where viability could be assessed in

⁸ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

decision making is also included in the PPG. These include: *'for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'*⁹. There is the potential for the development of some sites identified by the Council to need to overcome abnormal issues and support added costs. The NPPF recognises that within this picture there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

- 2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III.

2.3 Stakeholder Consultation

- 2.3.1 The national policy and guidance reflects the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as the assumptions were considered. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment.
- 2.3.2 This engagement process was conducted primarily by way of bespoke survey type questionnaires seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with any subsequent dialogue as appropriate. The questionnaires set out our initial draft assumptions and testing parameters, with the opportunity provided for the stakeholders to then comment on

⁹ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 007 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

those emerging positions or suggest alternative assumptions with reasoning. The survey proformas were issued as follows:

- **Development Industry** – range of active stakeholders in the borough as per the Council’s contacts lists and supplemented where appropriate from DSP’s experience, including local property agents, developers, housebuilders, planning agents, industry representatives and others.
- **AH Providers** – range of locally active affordable housing providers, again through discussion with the Council. These parties were contacted with a directed survey form requesting guide information on likely AH revenue (payment to developer) levels as well as on underlying investment/valuation assumptions and any other commentary – again, all as far as available.

2.3.3 As part of this process, a full record of all stakeholder interaction is kept, including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Given potential commercial sensitivities/confidentiality in some instances, the details of the responses received are not included within our published report. However, this has all contributed valuably to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the later assessment stages. All in all, the work is informed by a combination of sources, including the Council and its information, our own extensive research process and experience and the relevant stakeholder sourced feedback.

2.4 Scheme Development Scenarios – Residential Development Scenarios

2.4.1 The site typologies modelled as part of this assessment reflect a variety of different types of development that are thought likely to be brought forward through the planning process across the plan area based on information provided by DBC relating to areas such as existing use typology, likely densities and unit numbers for example. This enables viability to be tested in a way that reflects the likely range of future housing supply characteristics, informed also by the local experience of development to date. This appropriately informs the development of local plan policy process, with the key aim of finding an appropriate balance between policy requirements (including provision of

affordable housing and the desirability of funding infrastructure) and the ability of developments to continue to come forward viably.

- 2.4.2 Each of the development typologies has been tested over a range of value levels (VLs) representing varying residential sales values as seen at the time of review across the borough by scheme location / type. As well as looking at the influence of location within the borough, this sensitivity testing approach allows us to consider the potential impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.
- 2.4.3 A summary of the general residential scheme typologies tested as part of this study is shown at Figure 4 below, with the full detail set out in Appendix I. The inclusion of scenarios and results relating to schemes of fewer than 10 dwellings is now for information, having progressed these within the appraisals scope from the early parts of the review. The DBC policy proposals have not been progressed in a way that includes affordable housing expectations (by far the most significant policy cost) from any sites providing fewer than 10 new dwellings (net), and with the most relevant threshold to be at 15+ dwellings (net new provision).

Figure 4: Residential site typologies summary

| Scheme Size Appraised | Type | Site Type |
|-----------------------|------------------------------------|------------------------|
| 2 | Houses | Garden Land |
| 5 | Houses | PDL/GF |
| 10 | Houses | PDL/GF |
| 10 | Flats (3-5 Storey) | PDL |
| 15 | Houses | GF |
| 20 | Mixed | PDL |
| 25 | Flats (3-5 Storey) | PDL |
| 30 | Flats (Sheltered) | PDL |
| 50 | Mixed | GF/PDL |
| 60 | Flats (Extra Care) | PDL |
| 75 | Flats (3-5 Storey) | PDL |
| 200 | Flats (6+ Storey) | PDL |
| 200 | Flats (6+ Storey) Build to Rent | PDL |
| 500 | Flats (6+ Storey) | PDL |
| 500 | Mixed | PDL (Former Quarry) |

(DSP 2021)

2.4.4 As part of considering the site typologies and seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 5 below and Appendix I. These dwelling mix principles are based on information provided to DSP by Dartford BC based on emerging evidence supporting the Local Plan.

Figure 5: Dwelling Mix Assumptions

| Type | Overall Mix | | | | |
|----------------|------------------|------------------|-----------------------------------|--------------|------------------------------------|
| | Flats 100+ units | Flats <100 units | 500 Units (Mixed Houses/Flats) | Housing Only | <500 Units (Mixed Houses/Flats) |
| 1-beds (Flats) | 20% | 50% | 20% | N/A | 10% |
| 2-bed (Flats) | 60% | 50% | 10% | N/A | 60% |
| 3-bed (Flats) | 20% | N/A | N/A | N/A | N/A |
| 2-beds | N/A | N/A | 15% | 20% | 5% |
| 3-beds | N/A | N/A | 40% | 45% | 20% |
| 4-beds | N/A | N/A | 15% | 35% | 5% |
| TOTAL | 100% | 100% | 100% | 100% | 100% |

(DSP 2021)

- 2.4.5 In all cases it should be noted that a “best fit” of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility available; particularly in scheme typologies with small dwelling numbers. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is set out in more detail below. Appendix I also provides more information on the assumed dwelling mixes and associated revenue levels. This feeds into the assessment and recommendations of affordable housing policy thresholds, proportions (%s) and tenure types/mix.
- 2.4.6 The dwelling sizes (on a GIA i.e. gross internal area basis) assumed for the purposes of this study are as set out in Figure 6 below and based on the Nationally Described Space Standard (NDSS). As with the many other variables considered through assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process, a sample of scenarios and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

Figure 6: Residential Unit Sizes

| Dwelling Sizes (sq. m)* | Private / Affordable |
|-------------------------|----------------------|
| 1-bed flat | 50 |
| 2-bed flat | 61 |
| 2-bed house | 79 |
| 3-bed flat | 85 |
| 3-bed house | 93 |
| 4-bed house | 106 |

Notes: Older persons’ housing –

Retirement/sheltered dwellings assumed 1-beds @ 55 sq. m; 2-beds @ 75 sq. m

(DSP 2021)

- 2.4.7 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).
- 2.4.8 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For the general flatted typology development tests, we have assumed a net:gross ratio of 85% (i.e. 15% communal space). The sheltered housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology.
- 2.4.9 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.
- 2.4.10 At this level of strategic overview, we do not differentiate between the value per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft.).

2.5 Build to rent (BTR) – high-level review

2.5.1 Reflecting the differing housing and investment model, the assumptions made representative of a Build to Rent development type differ from those applied to the assessment of typical apartments for market sale. We have used a bespoke housing mix for the assumed 200-unit BTR typology based on our experience of BTR schemes to date (it should also be noted that the dwelling size assumptions differ slightly from our standard market housing flatted typologies). The assumptions made for the make-up of the BTR typology considered are as follows:

| 200-unit Build to Rent typology - Dartford BC | | | |
|-----------------------------------------------|--------------------|-----------------|-----------------------|
| Unit Type | Number of bedrooms | Number of units | NIA (m ²) |
| BTR market rental unit | 1 Bed | 55 | 50 |
| BTR market rental unit | 2 Bed | 75 | 70 |
| BTR market rental unit | 3 Bed | 30 | 79 |
| Affordable Private Rent at 80% of market rent | 1 Bed (Affordable) | 17 | 50 |
| Affordable Private Rent at 80% of market rent | 2 Bed (Affordable) | 19 | 70 |
| Affordable Private Rent at 80% of market rent | 3 Bed (Affordable) | 4 | 86 |
| Total | | 200 | 12894 |

2.6 Scheme Development Scenarios (Typologies) – Commercial/Non-Residential Development

2.6.1 To provide wider information for the LP and related delivery, this study also considers potential commercial/non-residential development typologies again based on information provided by DBC and reflecting those uses that the Council consider represent likely development coming forward over the life of the new Plan. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes/proposals. Figure 7 sets out the scheme types (typologies basis) appraised for this aspect study.

2.6.2 The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix I provides more information on the scope of assumptions used to assess the typologies outlined in Figure 7 below.

Figure 7: Commercial / Non-residential Development Typologies

| Development Use Type | Example Scheme Type |
|-----------------------------------------|------------------------------------------------------------------------------------------------------|
| Business - Warehousing/Logistics Centre | Large scale distribution centre with ancillary office (assumed @ 100,000 sq. m) |
| Business - Warehousing/Logistics Centre | Medium scale distribution warehouse with ancillary office (assumed @ 40,000 sq. m) |
| Business - Industrial / Warehousing | Distribution Centre (General) (assumed @ 10,000 sq. m) |
| Business - Industrial / Warehousing | Smaller / Move-on type industrial unit including offices - industrial estate (assumed @ 1,000 sq. m) |
| Business - Industrial / Warehousing | Small industrial unit including offices - industrial estate (assumed @ 500 sq. m) |
| Business - Industrial / Warehousing | Larger industrial / warehousing unit including offices - industrial estate (assumed @ 2,500 sq. m) |

(DSP 2021)

2.6.3 Following the same principles and general process as for the residential scenarios, a variety of sources were researched and considered in support setting the assumptions. This includes information on rents, yields, sales comparables, land values and other development assumptions. The sources of information include CoStar Commercial Real Estate Intelligence resource, the VOA Rating List, other web-based review as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

2.6.4 Collectively our research enabled us to apply a level of “sense-check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. The full research review is provided within Appendix III to this report.

2.7 Scheme Revenue (Gross Development Value / GDV) – Residential

2.7.1 A key part of the appraisal assumptions are the market housing sale values. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

- Previous viability studies as appropriate;
- Land Registry;
- Valuation Office Agency (VOA);
- Property search, sale/market reporting and other web resources;
- Development marketing web-sites;
- Any available information from stakeholder consultations

2.7.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the borough. This data was collected by ward and analysed using both sold and asking prices for new-build and re-sale property. It must be acknowledged that the scope of the data varies through time and by location. In some instances, data samples are small (e.g. relating to a particular period or geography) and this is not unusual.

2.7.3 We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions. This research enabled us to view how the value patterns and levels observed overlay with the areas in which the most significant new housing provision is expected to come forward over the plan period.

2.7.4 Overall, the data indicates that although there is some variation in the resale (second-hand) market across the borough. However, in terms of new build development, although values vary, a significant proportion of new build values fall in the range £4,000 - £4,500/m² with greater variation seen through the type of development rather than necessarily by location.

- 2.7.5 Appendix III provides more detail and although the range is relatively small, we do see evidence of some lower values (on a £/m² basis) generally in Stone Castle and Bridge Wards for new build development. Equally, little or no new build development data is available for the southern half of the Borough but in terms of the overall pattern of residential values across the borough, the resales data analysis suggests highest values in the south and western areas. Town Ward, where we have a majority of new build data, indicates a slight variance depending on whether we are looking at apartments or houses - with apartments probably toward the middle to upper end of the £4,000 - £4,500/m² range when adjusted for size (and values above this range also indicated to be supported for some schemes) but values for housing development slightly lower (again when adjusted for size).
- 2.7.6 As with all data, there are variations to this with specific properties and areas sometimes showing higher or lower values than discussed here.
- 2.7.7 To provide a range of sensitivity tests that take into account both the current market conditions as well provide as an ability to test the potential effect of higher and lower values, we carried out our modelling across an expanded range of values; again, as shown in Appendix I.
- 2.7.8 Build to Rent values are based on a cashflow appraisal of rental values, less maintenance, management, letting and void costs. Rents are based on evidence of local market rents, adjusted for BTR (taking into account that BTR rent levels would be set at the upper end of rental values generally for the area, reflecting the quality of provision, new build, and additional services, for example concierge, wi-fi, communal facilities). Assumptions are set out in Appendix I.
- 2.7.9 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Dartford borough. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the borough.

- 2.7.10 The values research for the assessment commenced in November 2020 and was kept open through to (last visited) in January 2021 at the point of preparing our full draft report for DBC's review. Consistent with the approach to all of our assessments, we use the latest practically available data from a range of sources leading up to the point of needing to settled assumptions before the appraisal running progresses.
- 2.7.11 This means that the research, using latest available data, reflects the current COVID-19 influenced residential market environment to the extent that is understood currently. As has been reported more widely, we have found that values have not been significantly negatively impacted overall and in fact in terms of both activity levels and prices, the residential market has shown a notable and perhaps unexpected level of resilience – so far at least, and therefore bringing us to the latest reportable position remaining positive overall. In fact, at the year- end there are reports indicating prices having risen, including for example by the Nationwide Building Society. A current view has to be formed for the assessment purpose, rather than using projections on values and other assumptions. The latest available data shows in any event that it would not have been appropriate to downgrade the available evidence on prices earlier in the assessment process, anticipating a downturn as some anecdotal information or views perhaps suggested, given how the market has continued to perform. Further information is provided within Appendix III, and the ongoing picture can also be monitored by DBC as the LP progresses.

2.8 Scheme Revenue (Gross Development Value – Affordable Housing (AH) Revenue)

- 2.8.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling and at various stages within our assessment work. The Council's existing approach (Policy CS19 of the adopted Dartford Borough Core Strategy (2011)) requires the provision of affordable housing in accordance with the following:
- a) In the urban area: require private housing development of 15 units or more(net) or site size of 0.5ha or more to deliver 30% of the units as affordable housing.
 - b) In the rural area (to the south of the A2): require private housing development of 2 or more units (net) to deliver 50% of the units as affordable housing.'

2.8.2 A key part of the purpose of this assessment is to test and advise the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested the following affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG described earlier as well as later stage sensitivity testing on the potential impacts from the Government's current consultation on '*Changes to the current planning system*' including increased affordable housing thresholds and introduction of a First Homes policy (see below for the latter). It is also important to note that not every percentage iteration has been tested on every typology as from our results analysis, it is possible to interpolate between results sets. In summary the testing covered the following range:

- Sites of 1-9 dwellings: Tested at 0% to 30% affordable housing (although noting, as above, that the policy development did not progress to include schemes of this scale).
- Sites of 10 or more dwellings: Tested at 20%, 30%, 35% and 40% affordable housing on-site.

2.8.3 Alongside the affordable housing proportion, the Council also required the affordable housing tenure to be tested with a mix of 57% affordable rent / 43% intermediate housing tested as a base position – assumption for the assessment purpose, and reflecting that this or a similar mix would usually be sought in practice, subject to latest information and circumstances. The NPPF (para. 64) also requires a minimum of 10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible. It should however be noted that the target/base assumed AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

2.8.4 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (AR) or capitalised net rental stream and capital value of retained equity (shared ownership). Currently Homes England (HE) expects AH of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. This should be the starting assumption pending any review of viability and funding support which becomes available at a later stage for

specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.

- 2.8.5 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the ‘transfer payment’ or ‘payment to developer’. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).
- 2.8.6 The transfer values for the AR AH units assumed for the study are shown in Appendix I. We have also introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) acts as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the LHA rate.
- 2.8.7 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider’s own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes an affordable housing provider (e.g. Registered Provider – housing association or similar) could include their own reserves and if so thus improve viability and/or affordability.
- 2.8.8 In the case of Build to Rent, affordable housing is assumed to be ‘Affordable Private Rent’ at 80% of the market rent on the same bedroom size BTR units.
- 2.8.9 At the time of the assessment, final confirmation further details of the Government’s ‘First Homes’ initiative are awaited. Initially our view was that the inclusion of these homes essentially on a discounted sale model would if anything be likely to support or

boost viability overall in comparison with other established AH tenure models. However, with a minimum 30% discount from market sale value proposed within the consultation detail to date, this cannot be certain and we consider at this stage a reasonable proxy to assume is perhaps a similar overall influence on viability as that from shared ownership of other intermediate models. Accordingly, we have continued the assessment on the basis of intermediate tenure assumed in the form of shared ownership at this stage.

2.8.10 It is also worth noting that in late 2020 there has also been a new Government consultation out on Shared Ownership (*'New model for Shared Ownership: technical consultation'* – issued 19th November 2020; consultation closed 17th December 2020).

2.8.11 When such matters are settled and assumptions and calculations can more directly reflect any new view of an affordable housing mix, this could be looked at further. At this stage, however, it appears that the details and effects of this will probably need to be amongst the matters considered at a site-specific level when the suitable affordable housing provision relating to particular schemes is discussed, much as it usually is now. The proposed relatively high-level approach to affordable housing within the emerging Dartford Borough Local Plan looks appropriate in our view.

2.9 Scheme Revenue (Gross Development Value (GDV)) – Commercial / Non-residential

2.9.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal.

2.9.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources including (also see Appendix III for more detail):

- CoStar property intelligence database;
- Valuation Office Agency (VOA);
- Range of property and development industry publications, features and websites.

2.9.3 Figure 8 below shows the range of annual rental values assumed for each scheme typology. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme development, dependent on the combination of yield and rental values applied.

Figure 8: Assumed rental value – key commercial typologies

| Development Use Type | Example Scheme Type | Values Range - Annual Rents £ per sq. m | | |
|-----------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------|------|------|
| | | Low | Mid | High |
| Business - Warehousing/Logistics Centre | Large scale distribution centre with ancillary office (100,000 sq. m) | £80 | £100 | £120 |
| Business - Warehousing/Logistics Centre | Medium scale distribution warehouse with ancillary office (40,000 sq. m) | £80 | £100 | £120 |
| Business - Industrial / Warehousing | Distribution Centre (General) (10,000 sq. m) | £80 | £120 | £160 |
| Business - Industrial / Warehousing | Smaller / Move-on type industrial unit including offices - industrial estate (1,000 sq. m) | £75 | £125 | £175 |
| Business - Industrial / Warehousing | Small industrial unit including offices - industrial estate (500 sq. m) | £75 | £125 | £175 |
| Business - Industrial / Warehousing | Larger industrial / warehousing unit including offices - industrial estate (2,500 sq. m) | £50 | £100 | £150 |

(DSP 2021)

2.9.4 As above, the rental values were tested at three levels representative of low, medium/mid and high test values considered relevant to each scheme type across the study area. This enables us to assess the sensitivity of the viability findings to varying value levels, much like the residential appraisals. These are necessarily estimates and based on an assumption of new build development rather than older stock.

2.9.5 The quality and quantum of available information in this regard varies considerably by development type. Again, we do not consider this to be a specific DBC factor and it does not detract from the viability overview process that is appropriate for this type of study.

2.9.6 These varying rental levels were capitalised by applying yields of between 3.5% and 7% overall (varying dependent on scheme type). As with the level of rental value, varying the yields enabled the exploration of the sensitivity of results given that in practice a wide variety of rentals values and yields could be seen. This approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could potentially deteriorate whilst still supporting the collective costs.

2.9.7 It is worth noting here that small variations in assumptions can have a significant impact on the GDV available to support the development costs (and thus the viability of a scheme). We consider this very important, bearing in mind the balance that must be found between the desirability of infrastructure funding needs and the potential effect on viability. While it is relevant to assume new development and appropriate lease covenants etc. rather than older stock, using overly positive assumptions in the local context could act against finding that balance.

2.10 Development Costs - Generally

2.10.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

2.10.2 Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:

- Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS);
- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience.

2.10.3 For the site typology testing, we have not allowed specifically for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. We have however allowed a range of contingency allowances for all appraisals with higher contingencies used for those typologies that could represent larger, more complex development or specific site constraints. This is another factor that should be kept in mind in setting policy and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.11 Development Costs - Build costs

2.11.1 The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data*'¹⁰ and rebased using a Dartford location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below – Figure 9.

¹⁰ <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

Figure 9: Base Build Cost Data (BCIS Median)

| Development Type | | Base BCIS Build Cost £/sq. m.* |
|-----------------------------------------|--------------------------------------------------------------------------------|--------------------------------|
| Residential | Build Costs 'One-off' housing semi-detached - generally (£/sq. m) ¹ | £2,114 |
| | Build Costs Estate Housing - generally (£/sq. m) ¹ | £1,328 |
| | Build Costs Mixed Developments - generally (£/sq. m) ¹ | £1,339 |
| | Build Costs Flats - generally (£/sq. m) ¹ | £1,489 |
| | Build Costs Flats - 3-5 Storeys (£/sq. m) ¹ | £1,473 |
| | Build Costs Flats – 6+ Storey (£/sq. m) ¹ | £1,717 |
| | Build Costs (Supported Housing – Generally) (£/sq. m) ¹ | £1,808 |
| Business – Warehousing/Logistics Centre | Large scale distribution centre with ancillary office | £866 |
| Business – Warehousing/Logistics Centre | Medium scale distribution warehouse with ancillary office | £866 |
| Business – Industrial / Warehousing | Distribution Centre (General) | £866 |
| Business – Industrial / Warehousing | Smaller / Move-on type industrial unit including offices – industrial estate | £1,260 |
| Business – Industrial / Warehousing | Small industrial unit including offices – industrial estate | £1,260 |
| Business – Industrial / Warehousing | Larger industrial / warehousing unit including offices – industrial estate | £866 |

**The above costs exclude external works and contingencies (these are added to the above base build costs).*

(DSP 2021)

2.11.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (all added separately). An allowance for plot and site works has been allowed for on a variable basis depending on scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Specifically, site works and infrastructure costs of £500,000/ha have been assumed for the range of site typologies tested. Certain typologies also include larger infrastructure cost assumptions as set out in Appendix I.

- 2.11.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always been a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification/complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.
- 2.11.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.
- 2.11.5 An allowance of 5% - 10% of build cost has also been added (residential and commercial typologies) to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates).
- 2.11.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of the Local Plan as base build cost levels typically vary over time. Appendix III includes some information on build cost trends, as viewed currently.
- 2.11.7 At this stage however, we cannot be sure how the UK's decision to leave the European Union or indeed the Coronavirus (COVID-19) pandemic or changes to the planning system will play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs. At the time of writing, recent reporting indicated a remarkably resilient housing market as noted above, with Savills stating *'Despite the weak economic backdrop, evidence points to modest price growth in 2020 and far more activity than we previously expected'* – leading to expected growth of 4% across 2020 and which contrasts with a forecast drop in house prices of around 7.5% - 10% only months before. Savills also

forecast continued growth in the residential property market with new build prices increasing by 20.4% over the next five years¹¹.

2.12 Development Costs – Fees, Finance & Profit

2.12.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 10 and 11 below). Appendix I provides the full detail.

Figure 10: Residential Development Costs – Fees, Finance & Profit

| Residential Development Costs – Fees, Finance & Profit | Cost Allowance |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Professional & Other Fees | 10% of build cost |
| Site Acquisition Fees | 1.5% Agent’s fees |
| | 0.75% Legal Fees |
| | Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT) |
| Finance | 6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees) |
| Marketing Costs | 3% of GDV sales agent & marketing fees |
| | £750/unit legal fees |
| Developer Profit | Open Market Housing – based on range described in PPG of 15% - 20% of GDV (17.5% assumed within testing) |
| | Affordable Housing – 6% GDV (affordable housing revenue) |

(DSP 2021)

2.12.2 Again, the Build to Rent typology uses bespoke assumptions, which are set out in Appendix I.

¹¹ https://www.savills.co.uk/research_articles/229130/305695-0 (30th September 2020)

Figure 11: Commercial Development Costs – Fees, Finance & Profit

| Commercial Development Costs – Fees, Finance & Profit | Cost Allowance |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainability Allowance | 5% of build cost |
| Professional & Other Fees | 10% of build cost |
| Yields | Variable applicability, sensitivity tested across range at 5% to 8%. |
| Site Acquisition Fees | 1.5% Agent’s fees |
| | 0.75% Legal Fees |
| | Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT) |
| Finance | 6.5% (including over lead-in and letting/sales period) |
| Marketing / Other Costs <i>(Cost allowances – scheme circumstances will vary)</i> | 1% Advertising/ Other costs (% of annual income) 10% letting / management / other fees (% of assumed annual rental income) 5.75% purchasers’ costs – where applicable |
| Developer Profit | 15% of GDV |

(DSP 2021)

2.13 Build Period

2.13.1 The build period assumed for each development scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods provided in Appendix I exclude lead-in times which have been assumed at 6 months and sales periods off-set accordingly (i.e. running beyond the construction period) – see Appendix I for detail.

2.14 Key Policy Areas for Testing – Summary

2.14.1 A number of the Council’s proposed policies have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process was to test whether and to what degree those policies could be absorbed by development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost

assumption within the appraisal modelling and those key elements not already considered (e.g. AH proportions, dwelling mix etc. reflecting draft policies M7: Affordable Housing and M8: Housing Mix) are discussed below. The following summary sets out the assumptions for those key policy areas as tested through the final iteration of this process leading to recommendations for the Council prior to consulting on their draft Local Plan (Regulation 19).

- **Nationally Described Space Standard (NDSS)** – introduces the requirement for all housing to be designed to comply with dwelling sizes to meet the NDSS. The dwelling size assumptions for viability testing are set out in this study at Figure 6, consistent with the NDSS.
- **Open Space requirements** – we understand that the current Core Strategy principle approach is likely to continue in the new Local Plan with further clarification. For the purposes of this assessment any open space requirement is considered to be include within the land area and density assumptions in line with discussions with DBC.
- **Enhanced accessibility ('Access to and use of Buildings')** – following the Housing Standards Review, accessibility is now incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) 'visitable dwellings' with further enhanced requirements to M4(2) 'Accessible and adaptable dwellings' and M4(3) 'Wheelchair user dwellings' optional with implementation via policy but subject to evidence of need as well as viability. The following tests have been undertaken:
 - **95% of all new dwellings to be built to M4(2) 'Accessible and adaptable dwellings'.**
 - **5% of all new affordable dwellings to be built to M4(3) 'wheelchair accessible standards'.**
 - Assumed cost of achieving these standards is set out in Appendix I

For specialist housing for older persons (retirement/sheltered and extra care) it is assumed that the general building specification and costs for that category include provision that would meet the necessary standards.

At the point of completing the study, the Council's draft policies have gone on to seek as a main basis that all new build dwellings should meet the M4(2) requirement, but with a

'limited proportion' of dwellings to be provided to M4(3). The draft supporting text shared with DSP on M4(3) says: 'It is not anticipated provision would be outside a range of 0 to 5% of dwellings, to be negotiated on the basis of latest information on need. This may be as part of the affordable housing element of the scheme.'

The testing approach therefore reflects and verifies this approach on viability, having potentially over-allowed for the proportion of the significantly more costly M4(3) element. We note also that consistent with seeking to reflect a not too rigid approach to this, the Council's proposed policy seeks to reflect the potential practicalities by also noting: *'Only where it can be robustly demonstrated why it is not possible to contribute to these requirements will applicable developments be exempted.'* The requirements are to be set out within draft policy M8: Housing Mix.

- **Water Efficiency Standards** – A base assumption of 110 lpppd (water usage not exceeding 110 litres per person, per day) has been used in all appraisal models. The Council will need to demonstrate evidence of water stress in order to require any enhanced standard.
- **Sustainable Design & Construction & Biodiversity Net Gain (BNG)** – all tests assume a 20% CO₂ reduction through energy efficiency measures (3% extra-over allowance on build costs to include BNG and electric vehicle charging) with sensitivity testing carried out assuming a 31% reduction in CO₂ based on the 2013 Edition of the 2010 Building Regulations (Part L) – 5% extra-over allowance on build costs (to include BNG and electric vehicle charging). BREEAM Excellent has been included for major non-residential floorspace developments (on which the typologies cover industrial / warehousing / distribution development uses and include as a base assumption an addition of 0.4% build cost to reflect BREEAM 'Excellent').
- **Custom & Self-build** – From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on viability. Broadly, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process.

- In our view the Local Plan approach should prove to be making provision for this in a practical way, with the draft policy M8: Housing mix including: *‘Major developments should make proportionate provision of plots for self-build or custom-build dwellings based on site size and the number of entries on the self-build register, where appropriate to the character and form of development.’*

2.15 Community Infrastructure Levy (CIL) & S106

- 2.15.1 As discussed earlier in this report, DBC currently has a CIL in place as implemented in April 2014 with the charging rates now indexed in accordance with Regulation 40 using the Tender Price Index (TPI). The Council has not requested that this assessment consider new CIL charging rates and as such the current indexed charged level (at point of fixing assumptions late 2020) as set out in Chapter 1 has been included in all appraisals.
- 2.15.2 As is the case here, even with CIL in place, there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, highways work and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between this s.106 and what is to be provided for via CIL.
- 2.15.3 Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements from September 2019, it will also be important for the Council to keep in mind the greater flexibility of s.106 (as appropriate) balanced with CIL. This approach will help to ensure that the Council maximises the level of funding for essential infrastructure across the borough.
- 2.15.4 For the purposes of this assessment and as agreed with DBC, we have assumed an additional £2,000 per dwelling contingency (all dwellings, including affordable) to cover any site-specific s106 requirements. For the largest typology, an additional allowance has been made to cover strategic s106 costs (e.g. new school provision – assumed at £7m additionally in the 500 mixed dwellings typology reviewing). Assumed as more of a strategic scale development, those appraisals also include a significantly increased site works and infrastructure allowance, representing likely more extensive works scope

overall, at £25,000/dwelling. Again, Appendix I provides an overview of the assumptions made.

2.16 Indicative land value comparisons and related discussion

- 2.16.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%s) and other planning obligations.
- 2.16.2 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.
- 2.16.3 Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always “EUV plus” (existing use value plus) consistent with the updated PPG on Viability.
- 2.16.4 The levels of land values selected for this context are known as ‘benchmark land values’ (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.
- 2.16.5 As noted above, the recently updated PPG on viability is now very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development.

- 2.16.6 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II results tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).
- 2.16.7 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 2.16.8 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for neighbouring/nearby Authorities) both at a strategic level as well as site-specific viability assessments. In addition, we have also had regard to the published Government sources on land values for policy appraisal¹² providing industrial, office, residential and agricultural land value estimates for locations across the country – including Dartford Borough.
- 2.16.9 It should be noted that the MHCLG *residential* land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e. “ready to develop” level of land value.
- 2.16.10 The MHCLG model provides a much higher level of land value for ‘residential land’ as it assumes the following:
- All land and planning related costs are discharged;

¹² MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)

- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH.
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 17% developer's profit.

2.16.11 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.16.12 As set out in Appendix II (residential and commercial results overview tables), we have made indicative comparisons at land value levels in a range between £250,000/ha and £5,000,000/ha plus, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Typically, we would expect to apply an EUV+ based land value benchmark at not more than approximately £250,000/ha (applied to gross site area) for bulk greenfield land for greenfield land release, based on a circa ten times uplift factor (the “plus” element) from the EUV for agricultural land at not exceeding c. £25,000/ha. Above that, we would expect EUV+ of up to £500,000/ha for smaller greenfield / amenity land uses. The BLVs range above that (from £1,000,000/ha to £5,000,000/ha), is representative of previously developed land (PDL) i.e. ‘brownfield’ land more generally.

2.16.13 It is important to consider the wider context of the types of sites that are planned to come forward over the emerging plan period, as above. Taking into account the overall picture of delivery in terms of site type and planned locations, and the site typologies provided to DSP to test, we consider the lower to mid end of the PDL range is most likely to be relevant to a majority of the site typologies tested as part of this assessment (see Chapter 3 for detail). We consider the key BLVs for reviewing the results range from

Viability Tests 3 to 4 at £1,000,000/ha to £2,000,000/ha. Some of the typologies are expected to come forward on sites with higher existing use values and again, the detail is set out in Chapter 3 and the BLV comparisons set out in the results appendices. For greenfield development, it is considered that the range £250,000/ha - £500,000/ha will be relevant but bearing in mind that especially for bulk GF land, that should not be regarded as a minimum or absolute cut-off.

2.16.14 Figure 12 below shows, with some explanatory notes, the range of selected BLVs which have been used as ‘viability tests’ (filters) for the viewing and provision of the results interpretation/judgments informed by Appendix IIa and IIb results tables.

Figure 12: Range of BLVs (‘Viability Tests’)

| EUV+ £/ha | Notes |
|-------------------|--------------------------------------------------------------|
| £250,000 | GF – Greenfield Enhancement |
| £500,000 | GF – Greenfield Enhancement (Upper) |
| £1,000,000 | Low-grade PDL (former community uses, yards, workshops etc.) |
| £2,000,000 | PDL land values – Industrial |
| £3,000,000 | PDL – Commercial (lower) |
| £5,000,000 | PDL – Commercial (upper) |

(DSP 2021)

2.16.15 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping/double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.16.16 Matters such as realistic site selection for the particular proposals, allied to realistic landowner’s expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

2.16.17 The PPG¹³ states the following:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+)...

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

¹³ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

3 Findings Review – context and results discussion

3.1. Introduction/overview

- 3.1.1 As noted above at 2.1.3 to 2.1.8, this assessment for DBC has been run over a 2-Stage process. This involved first an initial/emerging findings stage that informed suggested draft policy considerations/adjustments (particularly in respect of the potentially viable affordable housing levels (%)). A main/final set of policy testing followed that stage of discussion and amounted to review and checking of the Regulation 19 policy proposals – iterations ready for publication.
- 3.1.2 For the first, 2 main typologies (representing potential lower and higher density development) were used as a basis for sensitivity testing to initially explore the likely viability scope to support the early iterations of potential key policies cumulatively.
- 3.1.3 The second stage then assumed a revised (reduced) overall policy “ask” applied to a full range of development typologies, informed by the outcomes of Stage 1 and the discussions with DBC which followed that.
- 3.1.4 The main focus of the assessment and DSP’s dialogue with DBC relates to residential development and its viability (and therefore deliverability) prospects. This is because the scope of a planning authority’s policy influence (including that of DBC in this case) over the viability of commercial/non-residential schemes is typically very small compared with that on housing development. However, the Stage 2 typologies review also extended to cover employment development uses for the Council’s information and reflecting their likely Local Plan relevance.
- 3.1.5 The following provides an overview of both the Stage 1 outcomes (as per emerging findings considered with DBC) and the Stage 2 findings.
- 3.1.6 The full results detail is not included for Stage 1, which is summarised as below. For Stage 2, the full results detail is set out within the tables at Appendices IIa and IIb. Appendix IIa provides the residential typologies results. Similarly, the tables at Appendix IIb set out the commercial/non-residential typologies results – i.e. representing the development of

light industrial/warehousing/distribution uses, as are appropriate to consider in Dartford Borough at this point.

- 3.1.7 Effectively, this approach saw the first potential draft iteration of policies interrogated and applied in full to the initial viability testing run to start with (Stage 1). This was undertaken in order to get a baseline view of how well or otherwise that policy set fully applied would be, supported by the locally available strength of relationships between development values and costs.
- 3.1.8 This informed the Council's further review of those potential emerging policies and the cumulative cost burdens and therefore likely viability prospects associated with those; in balance with the other usual considerations of ensuring that suitable, sustainable development and infrastructure provision levels can come forward viably.
- 3.1.9 Although the nature of the assessment means that all parts of the emerging DBC approach that are considered likely to have a direct cost and therefore viability impact need to be considered cumulatively, at this stage the Council is not looking at reviewing its CIL charging schedule. Accordingly, the cost of CIL has been allowed for based on the currently applied 2020 indexed rates. This cost has been assumed fully – i.e. without any allowance for reduction in the liability level owing to allowable existing floorspace (effective netting-off) that would be seen in practice, in many cases.
- 3.1.10 This means that a key focus of the review has been on the likely viability implications of affordable housing policy and particularly its levels (% to be provided). Affordable housing (AH) is both a priority in the borough and the policy measure which has by far the single greatest impact on viability (once a functioning development market is assumed, as it has to be, to envisage the market led processes that support its provision through the planning system – s.106 affordable housing supply from the Local Plan policies).
- 3.1.11 Overall, starting with testing the earlier policy aims, then narrowing down as informed by the Stage 1 viability picture enabled a more refined view of the policy scope that appeared supportable. This led to further testing that helped hone the views using the wider range of typologies and scenario testing – Stage 2.
- 3.1.12 In summary then, an overview at emerging findings stage informed some significant narrowing of likely viability impacts being necessary in our view (primarily associated with

the likely workable AH%s), the outcomes from which we then tested more fully. So, the second stage widened-out the scenarios that the cumulative policy costs were then tested with, alongside a more focussed view on the likely supportable AH levels that had been indicated earlier on for various development circumstances in the borough.

- 3.1.13 Sample appraisal summaries are included to the rear of Appendix IIa where the residential typologies test results are set out. Owing to the relative Local Plan relevance overall of the non-residential typologies and the much more limited reach of the emerging Plan policies that may influence their viability prospects, a reduced breadth of information is set out in respect of these. Example appraisal summaries are not included to the rear of Appendix IIb, therefore, but can be provided for the Council's information if required. The provided examples rear of Appendix IIa simply aim to further demonstrate the nature of the calculations and appraisals content, but without growing the scale of supplied information to likely unwieldy levels, given the very large number of appraisal iterations that have been run overall.
- 3.1.14 The following sections will run through the findings that were reported to DBC through the iterative emerging findings stage (Stage 1), leading to the final, full residential typologies testing – results shown at Appendix IIa. Review of the findings related to the viability review of non-residential/commercial development (focussed in this case on the local growth relevant light industrial/warehousing/distribution typologies) as discussed with DBC then follows (latter as per the Appendix IIb tables).
- 3.1.15 In setting this out, the residential results have been considered and the findings are reported with the following themes in mind:
- i. **Benchmark land values (BLVs).**
RLVs compared with BLVs not exceeding £500,000/ha (range £250,000 – 500,000/ha depending on nature and scale etc. – ‘viability test 1’) for greenfield or other land in relatively low value existing use (including amenity land); and a key range £1 – 3m/ha (‘viability tests’ 3 – 4) for schemes likely to come forward (as in most cases) on previously developed land (PDL) i.e. ‘brownfield’ sites. Within that picture, the BLVs considered most relevant overall across a range of PDL sites in the Dartford Borough context, land values at £1 – 2m/ha are thought likely to be most frequently representative on looking at the site typologies discussed with and selected by the Council.

- ii. This reflects the local land availability and strategy firstly around reusing redundant former industrial/commercial land as part of the ongoing regeneration theme, and looking to bring forward sites that can support community and social infrastructure (including affordable homes provision). A higher BLV at £5m/ha is also included. This is as an upper viability test “filter” for the stronger results, bearing in mind that a small number of sites will likely support higher value existing commercial land uses (and potentially including residential land, although noting that in our experience there is a relatively low incidence of redevelopment of existing residential in the borough, in terms of a key element of supply). We acknowledge that sites will occasionally support higher still EUVs (for example in relation to regeneration of mixed town centre uses including retail, offices and leisure uses) but realistically such sites are likely to involve a degree of specific consideration in any event.
- iii. **Estimated sales value levels (VLs) – gross development value (GDV)**
The most relevant values level (VL) tests overall being our VL3 to VL5 (range £4,000 – 4,500/sq. m i.e. approx. £372 to £418/sq. ft.) with central Dartford apartments considered likely to most frequently support the upper part of this range or potentially higher figures to approximately £5,000/sq. m (approx. £465/sq. ft.) and perhaps beyond in some circumstances. This will all be dependent on scheme type. Accordingly, we consider the sensitivity of the results to this key variable as could be relevant by typology.
- iv. **CIL (Community Infrastructure Levy)**
The cost of the existing Dartford Borough CIL has been factored in and so allowed for in the same way that the other policies and obligations costs form part of the reviewed cumulative potential effect on viability.
- v. **Affordable housing**
AH is currently and is expected to remain a DBC priority given the high level of need within the borough and the aim to make more affordable homes available (including rented provision) as more sites move from redundant/former industrial/commercial into residential uses.

- vi. Consistent with this, the starting point position for the assessment was 35% AH borough-wide, representing an uplift to the 30% sought under the adopted approach generally (although also noting the more stringent adopted Core Strategy policy approach in respect of small sites in the south of the borough - as per 2.8.1. above). Overall, AH has been tested at 20 – 40% with the Council's guide/target tenure mix assumed (47% affordable rented; 43% intermediate) although the tenure mix appears not be so defined through emerging policy. The testing approach allowed an exploration of viability as impacted by this key policy cost and hence aimed to inform any necessary or relevant options or policy aspiration adjustments for DBC to consider. This is all as part of looking to arrive at a suitable overall approach to best contribute towards meeting the needs, but considered appropriately given the local characteristics and available viability scope in various circumstances within the borough.
- vii. The availability of a functioning housing, property and development market is obviously key and an assumption that underpins any assessment of this type. However, a key theme and a consistent finding of all of our viability assessments, as in this case for DBC, is that the requirement to provide affordable homes is by far the single most costly element of community provision and planning obligation. This is because while these homes cost broadly the same to develop as those for market sale, they create a very significantly lower level of revenue (sales income) coming into the development cashflow (albeit associated with a much lower level of development risk).

General review context

- viii. The approach reflects the established principle that a Council's emerging policies have to be considered on a fully 'switched-on' basis rather than tested in a way that assumes reliance on any potential negotiation positions that may be seen at development management stage on a site-specific basis for example.
- ix. The base testing assumption is a 17.5% GDV profit on market housing sales (as per the mid-range referred to within the PPG for viability assessment in Plan Making), 6% on AH revenue and 15% GDV in respect of non-residential/commercial schemes.

- x. Individual results, tests or specific comparisons with BLVs do not necessarily represent either certain positive viability or on the other hand schemes that will be definitely non-viable. Regardless of the level at which policies are set and combined, and of the cost of CIL, there can be no guarantee that all schemes will be workable.
- xi. There will always be some specific sites with inherently poor viability prospects or outcomes, and in such cases this is sometimes seen regardless of the level of planning obligations and/or CIL that are relevant under the adopted approaches.
- xii. Overall, it is important to note that this is a complex testing process with a range of results combinations/outcomes possible. A degree of judgment is always involved, and necessary. Within this, some further prioritising and consideration of compromises or potential “trade-offs” is very often necessary in our experience.
- xiii. This assessment has been carried out using an approach and assumptions that are consistent with the aim in national policy (through the NPPF) of seeking to frontload the consideration of viability as far as practically possible to the Plan Making phase. However, all sites and schemes are different, and the planning authority is able to consider and set out the types of circumstances that could warrant viability review at decision making (development management – i.e. planning application) stage.
- xiv. The extensive scope of the residential review generally represents our main assessment focus in these studies, as is the case here. This reflects the importance of new housing delivery in the borough and the level of influence that the Council’s policy selections will have on development viability, as well as ultimately the source of CIL income which again is typically largely weighted towards residential development owing to its quantum overall.

3.1.16 The assessment has been undertaken at a time when undoubted additional uncertainty is involved, associated with the COVID-19 pandemic, and potential as yet unfelt Brexit related effects and therefore general economic uncertainty.

3.1.17 However, a balanced view needs to be taken. As noted above, the proposals would come forward over a long period likely involving varying economic cycles in any event. Looking at the past year, the data consistently shows that the housing market and the prices it supports have held up very well, exceeding all expectations to date and with prices having

risen by approximately 4 – 7% depending on which measure is reviewed. Clearly this may well not continue, hence the acknowledgment around uncertainty, but it is an illustration for example that it would not have been appropriate to take a more negative view in preparing the assessment. An objective approach is required in considering viability, so that it informs rather than constrains the progression of sustainable development. The sensitivity testing approach helps inform ideas on how the outcomes could be influenced by some the key variables. No values growth (or related inflation) assumptions have been made within the appraisals at this stage, nor any funding relied on other than the development revenue. These are all matters that could be considered further as proposals progress and especially moving beyond plan making stage.

3.2 Residential Results – Stage 1 (emerging findings)

- 3.2.1 At this stage we ran base viability tests at 0% to 40% AH but with the costs of the CIL and other emerging policy areas (on sustainable design and construction, accessible and adaptable dwellings) excluded from appraisals. The AH assumed 57% rented tenure with 43% intermediate (assumed as shared ownership, also reflective of affordable homes ownership – forms of low cost / discounted market sale).
- 3.2.2 A surplus (or deficit) resulted when the BLV assumed level of land value (based on the typology site area assumption) was deducted from each appraisal RLV.
- 3.2.3 We were then able to view these surplus/deficit indications alongside the estimated costs of the existing CIL and other potential policies and discuss the indications with DBC. This enabled consideration of the extent to which both AH and the other key emerging policy cost areas (relating to housing standards) would be likely to be viable in different types of circumstances as relevant locally.
- 3.2.4 In the Stage 1 emerging findings results extracts included below, the relevant BLV levels are shown, as are the tested AH levels.
- 3.2.5 The surplus outcomes (i.e. where typology appraisal RLV minus site value based on assumed areas and BLV is positive) are shown in black text (£). Using the same approach, the deficit outcomes (i.e. where RLV falls short of the noted BLV level) are shown as negatives using red text (-£).

3.2.6 In each case, the surplus/deficit indications are shown as a ‘£ total’ i.e. scheme typology level in the top section of each tables results set, and in £/dwelling terms beneath that.

Stage 1 Base tests – 20 mixed dwellings typology

3.2.7 The assumed BLV levels for this Stage 1 typology were as follows:

Figure 13: Range of BLVs (‘Viability Tests’) – Stage 1 (20 mixed)

| | |
|-----------------------------------------------------|------------|
| Gross Site Area (ha) PDL/Greenfield Site | 0.46 |
| GF BLV £250,000/ha | £115,000 |
| GF BLV £500,000/ha | £230,000 |
| PDL BLV £1m/ha | £460,000 |
| PDL BLV £2m/ha | £920,000 |
| PDL BLV £3m/ha | £1,380,000 |
| PDL BLV £5m/ha | £2,300,000 |

(DSP 2021)

3.2.8 The Stage 1 (emerging findings) results were as follows.

Figure 14: Stage 1 tests – Emerging findings – 20 mixed dwellings – GF BLVs

| 20 Mixed | Greenfield BLV @ £250,000/ha | | | Greenfield BLV @ £500,000/ha | | |
|----------------------------------------------|-----------------------------------------------------------------|----------------------|----------------------|-----------------------------------------------------------------|----------------------|----------------------|
| Base Test Only (Fixed costs only) | Potential Maximum Residual Surplus/Deficit (£ Total) | | | Potential Maximum Residual Surplus/Deficit (£ Total) | | |
| AH Proportion | VL3 | VL4 | VL5 | VL3 | VL4 | VL5 |
| | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. |
| 0% AH | £1,149,367 | £1,383,803 | £1,618,239 | £1,034,367 | £1,268,803 | £1,503,239 |
| 20% AH | £944,171 | £1,149,447 | £1,354,722 | £829,171 | £1,034,447 | £1,239,722 |
| 30% AH | £847,811 | £1,038,832 | £1,229,854 | £732,811 | £923,832 | £1,114,854 |
| 35% AH | £793,829 | £973,222 | £1,152,615 | £678,829 | £858,222 | £1,037,615 |
| 40% AH | £730,983 | £898,158 | £1,065,332 | £615,983 | £783,158 | £950,332 |
| | Potential Maximum Residual Surplus/Deficit (£/unit) | | | Potential Maximum Residual Surplus/Deficit (£/unit) | | |
| 0% AH | £57,468 | £69,190 | £80,912 | £51,718 | £63,440 | £75,162 |
| 20% AH | £47,209 | £57,472 | £67,736 | £41,459 | £51,722 | £61,986 |
| 30% AH | £42,391 | £51,942 | £61,493 | £36,641 | £46,192 | £55,743 |
| 35% AH | £39,691 | £48,661 | £57,631 | £33,941 | £42,911 | £51,881 |
| 40% AH | £36,549 | £44,908 | £53,267 | £30,799 | £39,158 | £47,517 |

(DSP 2021)

Figure 15:
Stage 1 tests – Emerging findings – 20 mixed dwellings – PDL BLVs (lower to typical)

| 20 Mixed | PDL BLV £1m/ha | | | PDL BLV £2m/ha | | |
|--------------------------------------|---------------------------------------------------------|---------------|---------------|---------------------------------------------------------|---------------|---------------|
| Base Test Only (Fixed costs only) | Potential Maximum Residual Surplus/Deficit (£ Total) | | | Potential Maximum Residual Surplus/Deficit (£ Total) | | |
| AH Proportion | VL3 | VL4 | VL5 | VL3 | VL4 | VL5 |
| | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. |
| 0% AH | £804,367 | £1,038,803 | £1,273,239 | £344,367 | £578,803 | £813,239 |
| 20% AH | £599,171 | £804,447 | £1,009,722 | £139,171 | £344,447 | £549,722 |
| 30% AH | £502,811 | £693,832 | £884,854 | £42,811 | £233,832 | £424,854 |
| 35% AH | £448,829 | £628,222 | £807,615 | -£11,171 | £168,222 | £347,615 |
| 40% AH | £385,983 | £553,158 | £720,332 | -£74,017 | £93,158 | £260,332 |
| | Potential Maximum Residual Surplus/Deficit (£/unit) | | | Potential Maximum Residual Surplus/Deficit (£/unit) | | |
| 0% AH | £40,218 | £51,940 | £63,662 | £17,218 | £28,940 | £40,662 |
| 20% AH | £29,959 | £40,222 | £50,486 | £6,959 | £17,222 | £27,486 |
| 30% AH | £25,141 | £34,692 | £44,243 | £2,141 | £11,692 | £21,243 |
| 35% AH | £22,441 | £31,411 | £40,381 | -£559 | £8,411 | £17,381 |
| 40% AH | £19,299 | £27,658 | £36,017 | -£3,701 | £4,658 | £13,017 |

(DSP 2021)

- 3.2.9 From the above, it can be seen that across the most relevant BLV levels, only with the lower end of the main values (VLs) range and highest AH tests at 35-40% were deficits seen as opposed to likely surpluses.
- 3.2.10 We looked also at comparison with the higher BLVs (viability tests) which at £3m/ha produced deficit outcomes except for when using VL5 values at up to 20% AH.
- 3.2.11 The estimated CIL and policy costs with which the above were compared were as follows (Figure 16 below).

Figure 16:
Stage 1 tests – CIL & policy costs – 20 mixed dwellings

| 20 Mixed Key Policy Costs <i>(over base fixed costs)</i> | | Policy Cost Implication £ Total | Policy Cost Implication Approx. £/dwelling |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------|-----------------------------------------------------|
| 2020 Indexed CIL Rate - Higher rate Zone A @ £280/sq.m. | 0% AH | £430,031 | £21,502 |
| | 20% AH | £344,024 | £17,201 |
| | 30% AH | £301,021 | £15,051 |
| | 35% AH | £279,520 | £13,976 |
| | 40% AH | £258,018 | £12,901 |
| 2020 Indexed CIL Rate - Lower rate Zone B @ £140/sq.m at 15+ dwellings <i>(Zone A rate applies on smaller sites <15 units)</i> | 0% AH | £215,015 | £10,751 |
| | 20% AH | £172,012 | £8,601 |
| | 30% AH | £150,511 | £7,526 |
| | 35% AH | £139,760 | £6,988 |
| Sustainable Design/Construction (Policy Option 1)* 3% (% of build cost) <i>- all new build housing to achieve a min 19% CO2 reduction on Building Regs (equivalent to FHS Option 1).</i> | | £61,701 | £3,085 |
| | | | |
| | | | |
| | | | |
| Sustainable Design/Construction (Policy Option 2)* 5% (% of build cost) <i>- min on-site CO2 reduction of at least 31% beyond Building Regulations for major development (equivalent to FHS Option 2).</i> | | £102,835 | £5,142 |
| | | | |
| | | | |
| | | | |
| M4(2) Accessible and adaptable dwellings - 95% of total dwellings | | £35,840 | £1,792 |
| M4(3) Wheelchair user dwellings - 5% of AH dwellings | 0% AH | N/A | N/A |
| | 20% AH | £3,694 | £185 |
| | 30% AH | £5,820 | £291 |
| | 35% AH | £6,604 | £330 |
| | 40% AH | £7,389 | £369 |

**includes allowance for Biodiversity Net Gain (BNG)*

3.2.12 For this form of development the Stage 1 indications were that 30 – 40% affordable housing should have reasonable prospects of viability, bearing in mind the locations (away from central Dartford) and site types most likely to host this form of development – mixed houses and flats of a typical suburban, smaller settlement or more rural area density. This should certainly be the case on any greenfield sites, unless very significant abnormal costs are involved, and also appears workable on a range of PDL scenarios, looking away from the sites in most valuable existing uses as should be the case most frequently.

Stage 1 Base tests – 200 flats typology

3.2.13 The assumed BLV levels for this Stage 1 typology were as follows:

Figure 17: Range of BLVs ('Viability Tests') – Stage 1 (200 flats)

| | |
|------------------------------------------|------------|
| Gross Site Area (ha) PDL Site | 1.15 |
| PDL BLV £1m/ha | £1,150,000 |
| PDL BLV £2m/ha | £2,300,000 |
| PDL BLV £3m/ha | £3,450,000 |
| PDL BLV £5m/ha | £5,750,000 |

(DSP 2021)

3.2.14 The Stage 1 results reflecting lower to typical PDL land values (BLVs) were as follows:

Figure 18: Stage 1 tests – Emerging findings – 200 flats – PDL BLVs (lower to typical)

| 200 Flats (6+ Storey) | PDL BLV £1m/ha | | | PDL BLV £2m/ha | | |
|--------------------------------------------|---------------------------------------------------------|---------------|---------------|---------------------------------------------------------|------------------|---------------|
| | Potential Maximum Residual Surplus/Deficit (£ Total) | | | Potential Maximum Residual Surplus/Deficit (£ Total) | | |
| Base Test Only (Fixed costs only) | | | | | | |
| AH | VL3 | VL4 | VL5 | VL3 | VL4 | VL5 |
| Proportion | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. |
| 0% AH | £2,084,062 | £4,024,798 | £5,965,534 | £934,062 | £2,874,798 | £4,815,534 |
| 20% AH | £695,446 | £2,403,058 | £4,110,670 | -£454,554 | £1,253,058 | £2,960,670 |
| 30% AH | £87,191 | £1,653,051 | £3,218,911 | -£1,062,809 | £503,051 | £2,068,911 |
| 35% AH | -£224,582 | £1,277,544 | £2,779,671 | -£1,374,582 | £127,544 | £1,629,671 |
| 40% AH | -£738,987 | £698,988 | £2,136,963 | -£1,888,987 | -£451,012 | £986,963 |
| | Potential Maximum Residual Surplus/Deficit (£/unit) | | | Potential Maximum Residual Surplus/Deficit (£/unit) | | |
| 0% AH | £10,420 | £20,124 | £29,828 | £4,670 | £14,374 | £24,078 |
| 20% AH | £3,477 | £12,015 | £20,553 | -£2,273 | £6,265 | £14,803 |
| 30% AH | £436 | £8,265 | £16,095 | -£5,314 | £2,515 | £10,345 |
| 35% AH | -£1,123 | £6,388 | £13,898 | -£6,873 | £638 | £8,148 |
| 40% AH | -£3,695 | £3,495 | £10,685 | -£9,445 | -£2,255 | £4,935 |

(DSP 2021)

3.2.15 The Stage 1 results reflecting lower to typical PDL land values (BLVs) were as follows:

Figure 19: Stage 1 tests – Emerging findings – 200 flats – PDL BLVs (higher)

| 200 Flats (6+ Storey) | PDL BLV £3m/ha | | | PDL BLV £5m/ha | | |
|--------------------------------------------|---------------------------------------------------------|---------------|---------------|---------------------------------------------------------|---------------|---------------|
| | Potential Maximum Residual Surplus/Deficit (£ Total) | | | Potential Maximum Residual Surplus/Deficit (£ Total) | | |
| Base Test Only (Fixed costs only) | VL3 | VL4 | VL5 | VL3 | VL4 | VL5 |
| AH Proportion | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. | £4,000/sq. m. | £4,250/sq. m. | £4,500/sq. m. |
| 0% AH | -£215,938 | £1,724,798 | £3,665,534 | -£2,515,938 | -£575,202 | £1,365,534 |
| 20% AH | -£1,604,554 | £103,058 | £1,810,670 | -£3,904,554 | -£2,196,942 | -£489,330 |
| 30% AH | -£2,212,809 | -£646,949 | £918,911 | -£4,512,809 | -£2,946,949 | -£1,381,089 |
| 35% AH | -£2,524,582 | -£1,022,456 | £479,671 | -£4,824,582 | -£3,322,456 | -£1,820,329 |
| 40% AH | -£3,038,987 | -£1,601,012 | -£163,037 | -£5,338,987 | -£3,901,012 | -£2,463,037 |
| | Potential Maximum Residual Surplus/Deficit (£/unit) | | | Potential Maximum Residual Surplus/Deficit (£/unit) | | |
| 0% AH | -£1,080 | £8,624 | £18,328 | -£12,580 | -£2,876 | £6,828 |
| 20% AH | -£8,023 | £515 | £9,053 | -£19,523 | -£10,985 | -£2,447 |
| 30% AH | -£11,064 | -£3,235 | £4,595 | -£22,564 | -£14,735 | -£6,905 |
| 35% AH | -£12,623 | -£5,112 | £2,398 | -£24,123 | -£16,612 | -£9,102 |
| 40% AH | -£15,195 | -£8,005 | -£815 | -£26,695 | -£19,505 | -£12,315 |

(DSP 2021)

3.2.16 The characteristics of such a scheme considered here include a higher-density and typically more costly form of development, in the central Dartford setting with likely higher EUVs of host sites relevant (and therefore a need to look also to the higher BLVs in that context).

3.2.17 As a key finding and emerging theme to continue testing, the Stage 1 results on this strongly indicated that in our view the Council should consider an affordable housing policy headline certainly at a lower level than its 35% starting point for testing and discussion on progressing our brief.

3.2.18 Given the likely reliance on higher VLs, perhaps beyond the core range of DBC values shown in the above, our emerging findings view was such that for the central Dartford area the AH headline should not be more than around 20%.

3.2.19 At this level, a policy would be seeking to address affordable housing needs as far as looks possible alongside other policy objectives expanding upon the sustainable development theme (relating to enhanced housing standards, as above) but would still remain at a level that could still prove challenging in viability terms and need a level of site-specific consideration at planning application stage in some cases. Nevertheless, on discussion with the Council it was considered that with some sites likely to continue to have inherent viability issues regardless of Council policy positions, there would need to be some balance reflecting the needs side as well within the regeneration context.

Stage 1 overview – AH policy scope

3.2.20 In order to strive to maintain a better balance between the AH provision priority and other development standards and infrastructure needs, whilst maintaining reasonable prospects of viable development across the Plan as a whole, this first phase of work therefore resulted in DSP recommending a need for the Council to consider a significant reduction within the overall scope of the cumulative policy/estimated obligations costs. This was considered most relevant to keep in focus in regard to central Dartford, where high development costs and site values are mostly likely to come together to add to pressures on viability.

3.2.21 This means considering some balance between the community/social ingredients and the commercial drivers and likely realities as seen through the opposing tension of viability. However, with affordable homes noted to be very costly to provide (the most impacting policy element as above), this was necessarily a key area discussed even though it was recognised that the needs must be addressed as far as possible.

3.2.22 Therefore, following review and discussion of the emerging findings – Stage 1 review – it was considered appropriate to continue testing the full typologies set across a range 20% to 40% AH overall. Tests were also conducted on smaller sites for the Council's information. Those were assumed at this stage as sites falling beneath the national "default" policy threshold of 10 dwellings (at 0% to 20/30%) although in this case also noting the Council's current policy approach and the way in which the DBC CIL charging schedule includes differential rates. The higher CIL rate applies to developments not providing affordable homes in the northern part of the borough, compared with those that do support AH within the mix.

- 3.2.23 Overall, the approach would enable us to consider a wider set of results and overview, to further test the above noted emerging findings and further inform the likely AH policy balancing and adjustment.
- 3.2.24 The results of that expanded exercise based on the assumptions noted above and set out within Appendix I is outlined below – assessment Stage 2.

3.3 Residential Results – Stage 2 – (Full typologies review – Appendix IIa content)

Basis and results display

- 3.3.1 These results are provided within the Tables – numbered 2a to 2o – at Appendix IIa. Information on the assessment work relating to limited typologies representing development of fewer than 10 dwellings is included, but not of key relevance to the emerging LP policies. The Council does not propose to alter its policy threshold approach other than updating in line with national policy. Emerging policy is not proposing to seek affordable housing or commuted sums in-lieu of AH from smaller sites (those providing fewer than 10 new dwellings, net). This approach is consistent with such schemes not providing many of the Plan pipeline/forecast residential sites and it is also consistent with the current set up of the DBC CIL charging schedule. Policy M7 (Affordable Housing) is set to provide affordable homes on sites that propose a net gain of 15 dwellings or more in the urban area and on sites of 10 or more in the area south of the A2 and/or within the Green belt. Therefore, neither criteria trigger affordable housing requirements on sites of fewer than 10 dwellings, consistent with both the emerging Plan proposals and the national policy headlines. As part of the housing enabling initiatives, a third strand of the proposed AH policy M7 is set to support other schemes more generally, however, where all-rented affordable homes are to be provided.
- 3.3.2 The tables follow a consistent format showing:
- i. At the top, the typology (assumed development scenario), site type and size, development and applied DBC CIL charging rate (at either £140/sq. m or £280 sq. m (2020 indexed rates)).

- ii. Moving left to right, the tested affordable housing (AH) level (%). In all cases based on the current DBC target tenure mix of 57% rented/43% intermediate (although we understand that Policy M7 is not likely to be prescriptive/rigid on AH tenure mix).
- iii. Moving top to bottom within each table section, the market sales value level (VL) assumed – here with the full range sensitivity tested – VL1 to 8 at £3,500 to £5,500/sq. m (approx. £325 to £511/sq. ft.).
- iv. A key to the range of benchmark land values (BLVs) assumed and used as indicative ‘viability tests’ against which the scheme typology RLVs from each appraisal are compared.
- v. The comparison between the RLVs and BLVs is set out using a filtering type approach, whereby increasing strength of green coloured shading indicates increasing levels of BLV being met or exceeded by the RLVs, which are viewed in £/ha terms in order to provide that indication. Importantly, this provides a guide based on the RLV results indications and is not intended to represent fixed cut-offs in terms of scenarios definitely being viable or non-viable based on all the assumptions used. It aims to help highlight trends and comparison within and between the results sets so that, for example, various combinations of assumptions producing similar results could be considered. Example illustrations of the effect key variables influencing viability are seen through the increasing strength of results by increasing VL (higher RLVs and improved viability with increasing development revenue i.e. GDV) and reducing strength of results as the tested AH% rises.
- vi. Here, the interaction of the VL, AH% and BLV is under review in most cases with fixed development cost and policy assumptions made within these tests apart from where other sensitivity tests are noted and results shown. Those further sensitivity costs aim to draw out the potential added influence of higher costs where those may be most relevant. This is when testing for increased costs associated with further enhanced sustainability measures (progressive carbon reduction) and/or the potential for higher build costs or site works related to the more difficult sites (potential abnormal/remediation issues considered via the use of increased cost contingency levels).

- vii. To recap, the emerging policy costs allowed for and so regarded as fixed (or used as base costs where other sensitivities have also been run as per vi. above) relate to DBC's intended provision for:
- a. Accessible and adaptable dwellings (M4(2)) plus a small proportion suitable for wheelchair users (M4(3));
 - b. Enhanced sustainable design and construction measures including as aligned to the Government's consulted on Future Homes Standard (FHS) Option 1 represented by +3% added to BCIS build costs at this stage. Further sensitivity testing with build costs @ +5% representing increased FHS related costs as a potential next step-up in requirements (Note: Govt. consultation response issued during assessment, following setting of test assumptions). Assumptions include within sustainable construction scope potential allowances for electric vehicle charging and biodiversity related;
 - c. Water usage efficiency – consumption limited to 110 litres per person per day;
 - d. Contingency to cover potential residual s.106 (or other currently unaccounted for site-specific development costs) alongside the CIL costs allowed for. This is at £2,000/dwelling (all dwellings) allowed for throughout the typologies. In the case of the 500 mixed dwellings tests, as noted at 2.15.4 above, an additional cost assumption of £7m has been included to represent new school provision or more significant/strategic level infrastructure as could be relevant at that sort of scale of development.

Smallest sites (fewer than 10 new dwellings net) – for information

- 3.3.3 Although scope is not totally ruled out where the higher VLs are seen to better support viability (as may be relevant to a more individual infill or garden land scheme or similar), the 2 houses typology results (at Appendix IIa Table 2a) suggest little scope to support any AH contribution alongside the CIL and other assumed policy costs. This reflects the use of the higher BCIS build costs for the 3 units or less category within that data.

- 3.3.4 Envisaged primarily as a redevelopment of a small commercial site, the 5 houses typology results (Table 2b) are notably stronger with a positive switch caused largely by the lower build costs assumptions than used at 2 dwellings. Certainly, it appears that the £1 – 2m/ha equivalent BLVs are likely to be met, with higher value developments (higher VLs) also seen to support higher site values. Overall, this typology more clearly illustrates scope to carry the tested policy costs and indicates a theoretical capacity to bear an affordable housing contribution (or added development cost over that assumed within the base assumptions).
- 3.3.5 At this stage this is offered as additional information to the main review of the likely viability impacts of the proposed policy developments. As well as reviewing the appropriate available evidence on viability, the Council could also consider the wider evidence (on local characteristics, needs and site supply) likely to be necessary to justify a policy threshold adjustment, and especially beneath the national 10 dwellings level.
- 3.3.6 We noted above that the current CIL charging schedule includes a significant differential based on the DBC 15 dwellings AH threshold and affecting sites in the northern CIL charging Zone. The Council would need to consider any consequences of a policy approach that may not be compatible with the continuing operation of that.

Policy proposals – Viability of on-site affordable housing provision

– Sites of 10+ dwellings

10 dwellings – houses or flats

- 3.3.7 These typologies were selected as representing the national minimum affordable housing policy threshold point as well as the minimum proposed DBC Local Plan emerging Policy M& threshold, although bearing in mind the most relevant policy element in this regard (on urban area sites) will be at 15+ dwellings. These small sites are considered most relevant to a former commercial site in the DBC context, such as a former workshop, yard, or similar. Within the central Dartford area, small scale developments and perhaps especially of flats are potentially relevant and the nature of the findings on such schemes does play into the consideration of (differential) affordable housing policy as will influence viability in this urban area in particular.

- 3.3.8 At Table 2c the results show that with 20% AH a BLV of £1m/ha is reached using VL3 values, £2m/ha is reached at VL4 and £3m/ha at VL5. Higher values could support more affordable housing, as would a site with a lower value existing use and hence lower BLV.
- 3.3.9 Where the 10 houses typology to come forward on a small greenfield site such as garden or amenity land (in a lower value existing use), this looks able to support 30 – 40% AH.
- 3.3.10 The 10 flats typology (results at Table 2d) is likely to be on PDL. The results are notably beneath those for the houses. We find this is not unusual across our wide range of viability work. These results reinforce the finding that in a central Dartford or other relatively high value site situation, 20% affordable housing is more likely to be a realistic target than a higher level. Moving away from more central higher value sites, we can see that RLVs reaching the lower PDL based BLVs appear to have better viability prospects whilst supporting more AH. The VL4 results support a c. £1m/ha site value with 30 – 40% AH, with VL5 – 6 supporting nearer to £2m/ha whilst providing 30%+ AH.
- 3.3.11 The 10 houses typology was also tested with increased build costs (BCIS +5% compared with the base assumption at BCIS +3%). The lower set of results at Table 2c indicates that this assumption in itself (reflecting further enhanced sustainable design and construction) is unlikely to have a significant viability impact should this feature in DBC's current stage considerations on future standards and potential costs movement.

15 houses

- 3.3.12 The Table 2e results indicate likely strong viability prospects across the range of tests, so with 30 – 40% AH. That is seen to be supported even as the values (VL tests) dip to below typical levels for the borough. This is particularly the case envisaged on a GF site as was discussed by DBC in preparing the typologies, but with the results also suggesting good viability prospects on a range of PDL sites.

20 mixed dwellings

- 3.3.13 Again, in a more urban PDL situation the further indications are of support for a lower than currently sought level of AH, and 20% considered. With some flats introduced to the tested mix, the results (table 2f) are less strong but should continue to support 20% AH

on a wide range of PDL sites; potentially more (at 30 – 40%) on lower value sites. A c. £2m/ha BLV is reached with 20% AH supported by VL 3 – 4 values.

- 3.3.14 Alternatively, this could be envisaged as a less central scenario that would support a c. £1m/ha BLV and so be workable on a greenfield or lower value PDL site – with 30 – 40% AH provided. We understand that the development pipeline identifies some sites of around 20 dwellings outside of the central Dartford area. A differential affordable housing policy including targets at 20% (central Dartford) and 35% elsewhere, as has been under consideration within the overall parameters appraised, is considered appropriate.

25 flats

- 3.3.15 The results at Table 2g are as expected very similar to those for 10 flats (at 2d) noted above. In our view they indicate again the likely relevance of DBC looking at an AH policy differential. Such an approach would better reflect the varying circumstances that could be relevant when viewing such a scheme in a more central context rather than in a suburban or lower density setting as could occur on a range of low-key commercial or former commercial sites.
- 3.3.16 We can see that a land value of c. £1 – 2m/ha is supported by values at VL3/4 – 5 with 20% affordable housing appraised. Higher VLs would support this together with a higher site value.
- 3.3.17 This scenario was also sensitivity tested with higher sustainability related costs (5% contingency for that), again reflecting the findings noted at 3.3.11 above.

Sheltered/retirement housing and extra care typologies

- 3.3.18 The review of these scheme types included a number of bespoke assumptions. These were on development values and costs, but most notably incorporating increased and further increased communal areas (to 25% and 35% respectively), larger apartment sizes, adjusted rates of sale (sales timings) and allowance for empty property costs pending full buy-in to the provided services. At 30 and 60 apartments respectively, these typologies also reflect development at potentially around the minimum scale that might typically be pursued commercially in our experience (including undertaking a wide range of site-specific reviews of such scheme proposals).

- 3.3.19 While both typologies could come forward either in a PDL or greenfield site setting and be either independently progressed or a part of a larger development, these scheme types are also progressed as one-offs on a range of former commercial or existing residential sites. This often means that, as with other redevelopments, in practice there will be existing floorspace to set off against CIL cost liabilities for example (a positive viability influence not accounted for within this assessment, having a highly variable but often significant effect).
- 3.3.20 In our experience (in other Council areas to date) these schemes produce mixed viability outcomes and are frequently the subject of viability review and negotiation at decision making (planning application) stage resulting in a commuted sum payment route towards affordable housing enabling off-site. Retirement and extra care developments do however typically support premium sales values levels, which tend to go some way to counteracting the often higher than standard development costs.
- 3.3.21 For the sheltered/retirement housing typology, the results (Appendix IIa Table 2h) indicate potentially better viability prospects than we have seen so far within the assessment for general market apartments development of a similar scale. The indications are that higher value, central urban area PDL developments might again support closer to 20% AH whereas it appears that schemes on lower value sites could support more. For example, the £6,000/sq. m VL test (added VL9 reflecting premium values for such schemes as new-builds) supports an RLV of £4.6m/ha, whereas appraised using the current assumptions and same VL4 the RLV reduces to about £2.8m/ha with 35% AH.
- 3.3.22 Overall, it is considered that whilst outcomes will vary and negotiations may be involved, with any central Dartford developments potentially to attract a lower (20%) AH requirement, such a differential approach would in any event provide a suitable basis for any necessary decision making (application) stage discussions in our view.
- 3.3.23 The typology results representative of extra care development (60 apartments – Table 2j) are notably lower and do not reach viability based on PDL site values with any more than 30% AH and that appearing reliant on the highest VL test used (VL10 in this case @ £6,500/sq. m).

- 3.3.24 Whilst such high values are plausible in our experience, this indicates quite a narrow set of potentially workable scenarios. This therefore suggests that based on this review, either site-specifics could be considered when they come forward or the Council could consider a particular policy approach to this development type if this is considered likely to be a frequent situation (i.e. is relevant to the Plan overall).
- 3.3.25 Either way, the indications are that particular consideration may need to be given to such schemes, commencing with an understanding of their characteristics and looking at viability if relevant. From experience there may be a grey area in terms of where these sit between or combining care services and housing. There could be a range of scheme types. Within these it may be that some schemes would not be required to provide affordable housing in any event or might be developed or procured in a way that means they make more accessible provision – meeting a range of needs. We understand that a number of specialist/older persons’ housing developments have been granted planning permissions recently or are actively being progressed by private providers. Experience shows that in practice the viability parameters are variable for these types of development and that site-specifics can be considered as far as needed at planning application stages. Accordingly, owing to scheme variability, as with many other forms of development, we understand that the Council does not propose to include a bespoke policy approach on more specific AH requirements. This appears an appropriate way forward bearing in mind the strategic overview nature of plan-making.

50 mixed dwellings

- 3.3.26 Appraised and viewed at this level, the Table 2i results broadly reflect those at 2f (for 20 mixed dwellings) and indicate that 30 – 40% AH should have reasonable prospects of viability on a range of host site types. This primarily envisages either GF development (and then with very positive viability scope) or the re-use of lower to typical value PDL in the form of redundant industrial/commercial uses.
- 3.3.27 Once again, additional sensitivity testing provides information on relative results relating to the enhanced sustainability test assumption level (5% contingency for that) and shows results impacted negatively by that, but not unduly so it appears at this stage.

75 flats

- 3.3.28 Again, these results continue to indicate the likelihood that flatted schemes will support mixed outcomes including some generally more challenging levels of viability compared with those seen for housing or mixed developments.
- 3.3.29 We stress that this is not a matter that is unique to Dartford Borough. Indeed, this is not unusual in our wide experience of viability in planning at both plan making and decision makings stages.
- 3.3.30 This will be seen to a greater extent in considering the larger flatted typologies that we will come on to next. At this level of development, we find again what has been seen from a range of flatted scenario appraisals so far.
- 3.3.31 Envisaging primarily a central Dartford type scenario, the strength of RLVs with 20% AH appraised is significantly greater than with say 35% AH as per DBC's initial borough-wide policy considerations and starting point testing basis. At VL5 with 20% AH, the appraisal RLV reaches £2.57m/ha whereas with 35% AH this falls to £2.17m/ha. With VL6 assumed £4,740/sq. m the RLV reaches £3.27m/ha equivalent with 20% AH, whereas this falls well beneath the £3m/ha BLV to £2.78m/ha equivalent with 35% AH assumed.
- 3.3.32 Overall, in the likely most relevant context, such a scheme is likely to be viable across a wider range of circumstances with the suitable policy/target likely to be at a significantly reduced from current adopted (30% headline) or compared with initially proposed (earlier stage emerging 35% borough-wide initial target/early-stage policy iteration) AH% policy levels. This would in our view again be appropriately reflected through a proposed policy differential to bring in a 20% AH headline for central Dartford developments and 35% in other areas.

200 & 500 flats

- 3.3.33 Appraised assuming a 6+ storey development form, and hence higher than 3-5 storey build costs, these scenarios (Tables 2l and 2n) have been further sensitivity tested too. This, again, is in the context of considering the potential for increased site works or other costs (possible abnormals, represented at this stage by a higher build cost contingency

level of 10% in place of the base typical 5%) and/or further enhanced sustainability measures (higher additional contingency at a 5% in place of the base 3%).

- 3.3.34 Viewed with the 10% contingency (but base level of sustainability enhancement rather than higher test level) we can see that values at or close to VL6 (£4,750/sq. m) are needed to produce an RLV exceeding the £3m/ha BLV (meeting viability test 5) with 20% AH included. The indications are that the sales values would need to be at a higher level to support more AH, with costs assumed as they are. The £5m/ha BLV is exceeded with values beyond VL7 i.e. at more than £5,000/sq. m.
- 3.3.35 As noted above, a higher test level of contingency associated with sustainable construction and development has been also applied to the same range of scenarios. This relates to as yet uncertain levels of cost associated with the direction of travel on climate change response and including matters such as biodiversity net gain and electric vehicle charging provision. The effect of this alongside the increased 10% build cost contingency is a total 15% build cost contingency allowed for within those tests in addition to accounting for the cost of CIL and the £2,000/dwelling (applied to all dwellings) representing potential residual s.106 or other sources of additional cost. With that fullest costs view applied at this stage, the £1m/ha BLV is exceeded at VL5 and a £3m/ha BLV is met using values at just over VL6. Values higher than VL7 (but well short of the highest VL tested, 8, at £5,500/sq. m) support the highest BLV directly considered - £5m/ha.
- 3.3.36 The results again point strongly towards DBC considering a lower, suggested at c. 20%, AH policy headline as relevant to central Dartford redevelopment and the regeneration context. This is particularly the case with the higher build costs and sustainable construction costs tested, reflecting the direction of travel in terms of climate change response and other sustainability matters.

Build to rent (BTR) development

- 3.3.37 The Table 2m results enable a comparison with the set at 2l as well as the consideration of the likely relative viability of BTR development, including as a range of assumptions are applied (sensitivity testing for CIL level, build cost and climate change related contingency levels as variables). The Table 2m display varies from the format used elsewhere in Appendix IIa and but sets out the results (RLV indications) based on the

assumptions combinations shown. The 200 apartments were appraised using assumptions bespoke to BTR development – see the specific detail within Appendix I.

- 3.3.38 The Build to Rent typology has been sensitivity tested to reflect potential higher site works or other costs (again, possible abnormals represented at this stage by a higher build cost contingency level of 10% in place of the base typical 5%) and/or further enhanced sustainability measures (sustainable design allowance as set out in table 2m).
- 3.3.39 The results at Table 2m show that with 20% AH included (in this case in form of 'affordable private rent' (APR) i.e. rents discounted to 80% market levels) when appraised with nil (£0/sq. m) CIL a residual land value of circa £1m/Ha is generated, with our base contingency/sustainable design allowances applied.
- 3.3.40 However, when applying CIL at the currently applicable DBC indexed rate, 20% APR is indicated as unlikely to be viable using the current assumptions set, and even at the lower BLVs. Similarly, when additional contingency or costs for sustainability/carbon reduction (e.g. Future Homes Standard) are applied, viability is at best marginal with 20% affordable housing.
- 3.3.41 Discussion with the Council indicates that there has been relatively little appetite for BTR in Dartford to date, and currently it is not seen as a likely key component of local housing supply moving forward. BTR schemes are typically proposed in town centre locations, near to rail links, and therefore the relevant site type BLVs are likely to exceed our lower benchmarks. The results indicate that compared with a 200-unit standard (general market sale based) housing typology, which as discussed above we consider will not be likely to support 35% affordable housing in the central Dartford area, BTR is less viable viewed in planning in viability terms. The indications are that it would likely represent quite a challenging scenario even with a 20% affordable housing (APR) requirement. Whereas BTR schemes in central London or key commuter locations, for example, can command very high rents due to the price of nearby alternatives and the attraction/convenience of their location and amenities, at this stage we expect that potential BTR rents in Dartford and similar locations will be lower relative to build costs.

- 3.3.42 We have also sensitivity tested a BTR development with nil affordable housing, applying CIL at the current indexed rate. Again, viability appears likely to be challenging in this scenario, with only the lower BLVs supported.
- 3.3.43 Overall, we consider a 20% APR requirement within any local Build to Rent schemes to represent a potentially ambitious target. While this fits with our overall findings leading to a suggested 20% AH requirement for the central Dartford area, we note also that affordable housing in BTR schemes is likely to be achieved only on the basis of APR at 80% of market rent. This amounts to more of an ‘intermediate’ level affordable housing tenure which would be affordable to a relatively small proportion of applicants on the Council’s housing register. Owing to its likely frequency of occurrence in the foreseeable circumstances here and the variability of scheme specifics (as has been noted above in respect of other forms of more specialist housing/models) BTR probably does not warrant a bespoke policy approach in our view. A 20% AH (as APR) level would be consistent with the proposed central Dartford policy headline of 20% AH and also in line with national policy and guidance principles and expectations at this stage.
- 3.3.44 With this in mind, the Planning Practice Guidance (PPG) on build to rent states at Paragraph: 002 Reference ID: 60-002-20180913 (Revision Date: 13 09 2018):

‘What provision of affordable housing is a build to rent development expected to provide?’

The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.

20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.'

500 mixed dwellings

- 3.3.45 At Table 2o, the results represent a larger scale mixed housing development scheme. As noted above, the related assumptions include significantly higher site preparation/set up/infrastructure works and increased s.106 costs assumptions (latter relating to new primary school provision or similar large community service provision costs). The DBC CIL cost as would currently impact is also retained as an assumption alongside the various allowances made.
- 3.3.46 On discussion with DBC this was included to represent the type of development that could come forward on the site of a former quarry, or similar site. However, whilst some restored quarries and similar are proceeding, many sites are not likely to be suitable. Therefore, the inclusion of this typology is not to represent an assumption that a wider range of sites will necessarily come forward – their suitability will be considered, including their ability to support planning policies. We assume that any suitable sites would be restored ready to receive development, albeit that some abnormal issues could be expected to impact in relation to any made ground conditions or similar. Hence an increased build cost contingency test set has also been run (reflecting an additional 5% - i.e. contingency at 10%). This represents only a level of added development cost rather than the (usually earlier stage) restoration costs. Those costs are likely to be more significant, and in our experience likely prohibitive if accounted for as development costs within the usual scope of viability in planning.
- 3.3.47 The results indicate that on this basis a development supporting VL2-3 sales values should support 35% AH and a greenfield based BLV (as should be appropriate) with the same policy provisions supported at the VL3-4 RLV indications matching or exceeding an appropriate BLV for land with an EUV derived from lower-end former industrial/commercial use. We can also see that with an additional 5% build cost

contingency added, representing potential abnormal costs, the VLs needed to support broadly the same level of affordable housing notch-up by approximately one level (higher sales values are likely to be needed to offset higher costs).

3.3.48 While overall the results again suggest that it could prove necessary to consider viability at a site and scheme specific level depending on the mix of circumstances, these findings are also considered consistent with both national policy and the Council's proposed policy directions.

3.4 Other typologies results review (Appendix IIb)

Non-residential – Light industrial/warehousing/distribution

Basis and results display

3.4.1 These results are provided within the Tables numbered 3a to 3f at Appendix IIb.

3.4.2 Although the principles and appraisal methodology are consistent with those used for the residential review, the formatting of the results display within the Appendix IIb tables is adjusted showing:

- i. The assumed development scenario/typology, site type and scheme size set out on the section to the left of the main results display. In practice the nature and blend of space within schemes will be likely to vary and could include elements of office, research and development and other 'light industrial uses' (reflecting the amalgamation of a range former 'B' Use Classes into new Class 'E') and/or as well warehousing and distribution orientated development (B8).
- ii. Moving top to bottom within each table section, each typology has been tested at 3 no. trial rental value levels, Low (L), Medium/Mid (M) and High (H), as informed by our research (discussed at section 2.9 above/Figure 8 and detailed in Appendix III) and variable by typology (details as also set out in Appendix I).
- iii. Moving left to right within each table section, shows the range of investment yields tested from 3.5% to 7% (variable tested range by typology), with the results

seen to deteriorate as the applied yield % increases, indicating a less secure, higher risk income stream which is reflected in a lower capitalisation rate (100/assumed yield %). Whilst this range of yield tests does not represent the fullest range possible, it is sufficient to consider the likely key range most relevant to the DBC context and the sensitivity of results to this varying in combination with other factors.

- iv. Similar to the residential typology testing, CIL rates have been fixed at the 2020 indexed rate within the appraisal model (as described in Appendix I) – at £35/sq. m. for the relevant development use typologies at the point of fixing assumptions. The adopted charging schedule applies this to office, industrial, hotel and leisure development types.
- v. Each typology has been tested assuming a BREEAM “Excellent” rating in line with DBC emerging policy, adding 0.4% on build cost (BCIS sourced) in the appraisal model.
- vi. As described above in relation to the residential typologies, the absolute (£) RLV results are seen in the upper table sections. The green or part green shaded sections show the RLV £/per hectare equivalent outcomes in the lower tables providing an illustration of the viability outcomes and trends, with the results “filtered” against the above noted BLVs or ‘viability tests’ range (also noted at the bottom of each table footnote).

3.4.3 Initially through Brexit and politically induced uncertainty, with that remaining, significant swathes of the property market (and more so as affects commercial property investment and development prospects) are now subject to considerably increased negative sentiment and risk owing the Coronavirus (COVID-19) pandemic. Whilst the last year has shown that parts of the market have held up much better than many expectations so that a balanced view is needed and it is not appropriate to project as such, this current and foreseeable future backdrop will need to be considered.

3.4.4 Given the focus on industrial warehousing/distribution and logistics uses representing the direction of future development in the borough as relevant to local growth outside housing development, latest market reporting indicates positive growth for this sector is

expected to continue with ongoing rising demand and positive yields. For example, it has been reported that 2020 saw the strongest level of transactional activity ever recorded with vacancy rates dropping to the lowest level since 2016.¹⁴

3.4.5 In addition to the above, there are some key points/themes to keep in mind when reviewing and interpreting the commercial results as set out below:

- Relevant direct policy impacts on the viability of commercial/non-residential developments are likely to be limited in scope based on the emerging Plan. The level of policy rooted influence on viability directly is considered to be low. This looks like remaining to be the case, and this is typical in our experience.
- As with residential development, the strength of the market and therefore the strength of relationship between development values and costs is the most significant factor alongside reviewing these results against appropriate, corresponding BLVs – as discussed in section 2, above.

Commercial results discussion (Appendix IIb)

3.4.6 As noted earlier, alongside the corresponding BLV and rental value level, the yield rate is also important in reviewing the likely levels of viability indicated by these commercial/non-residential appraisal results. The focus here has been on the review of potential viability prospects for light industrial/warehousing/distribution development uses, following the review of the most relevant typologies with DBC. As experience shows to be usually the case, the indications from the review of these typologies are highly sensitive to change in yield assumption. This is seen as a higher yield % is applied i.e. reflecting less positive assessment of investment prospects (higher risk/less secure income flow), and this is also tends to be most notable at the lower rental value assumptions.

¹⁴ Savills Research Articles – ‘UK Commercial Market in Minutes’ (December 2020), ‘The logistics market in London and the South East’ and ‘The outlook for the UK industrial and logistics market in 2021’ (January 2021).

3.4.7 On this basis and when reviewing results, we have also had regard to the latest available guides on commercial property yields¹⁵ together with analysis provided as part of our own extensive research utilising commercial property resource, Co-star. Appendix III provides more detail. Following this information review, we consider the following yield levels are relevant to consider on reviewing the currently presented results and findings, as considered through our range of light industrial/warehousing focused typology tests. The latest available high-level overview on the reported general market sentiment is noted here too – i.e. direction of travel Negative > Stable > Positive in relation to the market view of likely investment prospects. This informs how this yields overview is relevant to consider in selecting assumptions and considering the viability indications from the appraisal results.

- **Distribution and Industrial/Warehousing** – Yield ranges from 3.5% to 6% with the core range around 4% to 5.5%. Market sentiment mainly considered ‘positive’ with some more secondary type estate investment prospects as ‘stable’. Source of information includes commercial yield guides (e.g. as produced by Knight Frank – to January 2021 edition), Co-Star and others. Overall, we have assumed a range of yield tests depending on the type of unit development envisaged (larger scale distribution vs smaller units in an industrial estate setting, for example) which will be detailed further below.

Large and Medium Scale Distribution Centre – Tables 3a – 3b

3.4.8 Appendix IIb results tables 3a and 3b set out the results tables for both the large and medium scale distribution centre typologies. These assume 100,000sq. m. and 40,000sq. m. floorspace respectively across the most positive end of the yield tests range – from 3.5% to 5.5%, in line with latest reporting and market sentiment. For a scheme of this type, we could reasonably expect the lower-end (more positive) yield % tests to be relevant in the Dartford Borough context. Overall, we can see these appraisal typologies provide the most positive set of results seen across all non-residential typologies tested. The RLV £/ha indications reach the relevant range industrial land related BLVs (Viability Test 3) for PDL sites when assuming rents at around the medium tested level together with the lower yield tests (to 4%) and can be considered to have reasonable viability

¹⁵ For example: Knight Frank Investment Yield Guide (January 2021)

prospects on this basis. On a greenfield site, i.e. in lower value existing use, a reduced rental or increased (less positive) yield assumption appears to support viability.

- 3.4.9 As an example, Table 3b shows at a 'M' rental value and a 4% yield assumption an RLV £/ha of approximately £1.2m/ha is indicated, increasing to £2.4m/ha with the 'H' rental value assumption applied. Overall, these results indicate positive viability prospects, although with an increasing yield % we can also see that scope reducing relatively quickly.

Distribution Centre (General) – Table 3c

- 3.4.10 In addition to the medium-large scale distribution centre typologies considered above, we have also tested a smaller scale distribution centre typology. This assumes 10,000 sq. m. floorspace across a more conservative range of yield % tests – from 5% to 7%. However, as above, we consider the lower end of that range to be most applicable for a scheme of this type locally. Looking at the 5% yield test at MV, we can see the RLV £/ha result meets the relevant “viability test” at 'M'/'H' rental values. Again, we see a similar trend in that the indicated viability scope decreases with an increasing yield % unless 'H' values are assumed, but in which case the outcomes continue to indicate potential viability based on a yield assumption moving out to 6 – 6.5% for example.

Smaller industrial/warehousing unit (industrial estate) – Tables 3d – 3e

- 3.4.11 The results for these typologies assuming 1,000sq. m. and 500 sq. m. representative of a more typical 'industrial estate' type development scenario. Both typologies appear to indicate likely challenging viability prospects unless a combination of the 'H' rental values and the most positive yield % assumptions tested (5 – 5.5%) are assumed, where there is some viability potential indicated. Viability on a greenfield site (land in lower value existing use) may be positive in wider circumstances – supported with a less positive view of values.

Larger industrial/warehousing unit (industrial estate) – Table 3f

- 3.4.12 Similar to the above scenarios, we assume an 'industrial estate' position for this typology with 2,500sq. m. floorspace. Based on the assumptions used the results indicate potential for a marginally more positive viability picture compared to the typologies above. However, these essentially reflect broadly the same picture as the Table 3d and 3e results whereby we can again see the RLV £/ha only exceeds the appropriate PDL BLVs with the 'H' rental value assumed in combination with a yield of 5% to 6%. When moving to the

'M' or 'L' rental value, the viability scope quickly falls away. On the other hand, also as above, viability on a greenfield site (in lower value existing use) may be positive again in wider circumstances – i.e. could be supported with a less positive view of values.

- 3.4.13 The above results discussion and corresponding results tables set out in Appendix IIb indicates the 3 no. distribution centre typologies ranging from 10,000sq. m. to 100,000sq. m. of floorspace, overall, have positive viability prospects with the assumptions set used. This includes meeting BREEAM 'Excellent' as relates to the emerging policy requirements and otherwise with the emerging policy approach thought not to unduly impact on the viability of such schemes. The additional cost to achieve this BREEAM standard would not be the cause of a scheme moving from a positive to negative viability position.
- 3.4.14 To see these mixed findings and their sensitivity to the key variables (assumptions made i.e. appraisal inputs) is not unusual in our experience. This does not mean that development uses of these types will not come forward in the right set of circumstances e.g. with suitable sites being available at the right time and market demand in place etc. Occupiers and investors may also have a particular motivation for progressing schemes. So whilst for such a strategic viability assessment assumptions of an established nature are appropriately made, scheme specific level views and decisions may be made based on differently placed criteria and assumptions.

4. Summary – main findings

4.1. Overview

- 4.1.1. Overall DBC aims to broadly continue its development strategy, rolling forward and updating policies for the new Local Plan to 2037, to replace but not fundamentally change the direction of the approach set by the 2011 Dartford Core Strategy.
- 4.1.2. This means that the re-use of former industrial and commercial land and continuing regeneration of the central Dartford area together with the provision of affordable homes remain key objectives and policy themes. Sites and development schemes that can support these aims will continue to be progressed.
- 4.1.3. In DSP's experience the emerging policy set being prepared for the Regulation 19 stage version Plan publication is consistent with this, with the Council looking to steer on its requirements for affordable housing and other infrastructure/planning obligations. This appear to be in a way that is not set to be too "heavy" from a viability or practical delivery point of view.
- 4.1.4. Conducted over an initial emerging findings stage (first stage scoping aimed primarily to test the likely viability of a potential 35% borough-wide affordable housing policy target) and then using a full range of typologies testing as a second stage, it has been possible to run a 2-way dialogue with DBC.
- 4.1.5. At the first stage this suggested revisions to the AH approach, which have subsequently been further tested with all other development and policy costs cumulatively, represented by assumptions that are considered appropriate for the plan making stage of viability in planning.
- 4.1.6. This means the approach is considered suitable overall in terms of meeting the criteria of the NPPF and PPG on viability and deliverability, with development having reasonable prospects of coming forward viability based on the proposed policies.
- 4.1.7. The main areas of emerging policy that have been relevant to both consider for viability and shape in response to the viability and other evidence have been on affordable housing and housing mix, as below.

4.2 Affordable housing

- 4.2.1 There are a variety of circumstances in which development will need to be considered moving ahead in the borough. It is not possible or necessary to fully consider or reflect this variety at plan making stage. However, through the initial scoping, reviewing of findings, dialogue and further testing it has been possible to develop policy headlines that are considered appropriate in the above noted local context. This does not mean that all developments will necessarily prove viable whilst fully supporting all policy initiatives (on both affordable housing and other objectives), but this is at a strategic level – based on taking an appropriate and proportionate overview for the current purpose.
- 4.2.2 This assessment and the further policy development informed by it now means that a differential affordable housing policy approach is proposed. This is with DBC having moved on from a 35% borough-wide starting point proposal, which has been considered too demanding in viability terms based on the assessment, to now propose the following:

Policy M7: Affordable Housing

‘1. Residential development should aim for a genuine mix of housing to support inclusive neighbourhoods, with a range of rental and ownership options to meet local needs. Affordable housing should be provided in the following circumstances:

- a) In the urban area, at developments proposing a gain of 15 dwellings or more, or on a site of 0.5ha or more*
- b) South of the A2 and/ or in the Green Belt, at developments proposing a gain of 10 dwellings or more, or on a site of 0.5ha or more*
- c) Any site proposed and justified in principle on the basis of delivering dwellings that are all rented affordable housing meeting priority local requirements will be supported where it is sustainable in location and appropriate in scale.*

2. Where residential developments are required to provide affordable housing in accordance with criterion 1, these should:

- a) Provide a mix of affordable housing tenures, with a target for 35% or more of all dwellings to be defined as affordable housing (except in central Dartford where the target is 20%).*
- b) Ensure that design layouts and facilities are not segregated, with no barriers to access or differences in appearance between different tenures; and*

c) Make provision on-site. In exceptional circumstances where it can be justified that this would not be viable or practical, or where off-site provision would result in public benefits, provision on an alternative site in the Borough or a commuted sum may be considered.'

- 4.2.3 This policy position is considered to suitably reflect the findings of this assessment that development within the central Dartford area is likely to be under greater viability pressure than elsewhere in the borough. This is where typically higher density developments, mostly apartments based, may be expected to regularly come with higher development costs and be located on sites often having higher existing use values.
- 4.2.4 The proposed 20% affordable housing policy headline/target is considered suitable for those scenarios, with a 35% headline/target then suitable across the rest of the borough.
- 4.2.5 Although the Council does not intend to take a rigid view (consistent with its relatively “light touch” policy approach overall as far as we can see), the base assumption appraised is mixed-tenure affordable housing. This has been assumed as comprising of approximately 57% affordable rent and 43% intermediate tenure (intermediate modelled assuming shared ownership at this stage and accommodating the 10% low cost/affordable home ownership requirement within the NPPF (para. 64)).
- 4.2.6 Under the proposed approach, the Council does not intend to seek affordable housing on any sites providing fewer than 10 new dwellings (net) with the proposed urban area threshold to be set at 15+.

4.3 Housing mix/standards related policies

- 4.3.1 The Council proposes the following, bringing together other aspects that will potentially influence the viability of residential developments and have been considered within the assessment scope (and again with DBC noted to be avoiding a too rigid approach it appears):

Policy M8: Housing Mix

'1. All developments should provide an appropriate mix of housing types and sizes to create vibrant and mixed communities which meet the accommodation needs of the local population.

a) The majority of dwellings on all developments should provide 2 or more bedrooms (for specialist accommodation, a higher proportion of smaller units may be justified).

b) Major developments should include provision for 3 and 4 bedroom homes (except in central Dartford, where sites of 100 or more dwellings will be required to make provision).

2. All new build dwellings should meet the requirement M4(2): Category 2 – Accessible and Adaptable Dwellings. A limited proportion of dwellings to meet the requirement M4(3): Category 3 – Wheelchair User Dwellings is sought on sites of 100 or more dwellings. Only where it can be robustly demonstrated why it is not possible to contribute to these requirements will applicable developments be exempted.

3. The local planning authority supports, as part of mixed neighbourhoods, the provision of specialist accommodation for specific groups (such as age restricted dwellings) and care homes (use class C2) suitable for older and vulnerable people, where sustainably located and need is demonstrated.

4. Major developments should make proportionate provision of plots for self-build or custom-build dwellings based on site size and the number of entries on the self-build register, where appropriate to the character and form of the development.'

Furthermore, in regard to M4[3] the draft supporting text notes: *'It is not anticipated provision would be outside a range of 0 to 5% of dwellings, to be negotiated on the basis of latest information on need. This may be as part of the affordable housing element of the scheme.'*

- 4.3.2 As noted above, other related matters/optional standards have also been considered amongst the cumulative costs of development tested as part of this appropriate level of review.

- 4.3.3 The Council's approach does not seek to go ahead of national policy developments in response to climate change and otherwise is also looking to what are now reasonably standard measures in support of sustainable development.
- 4.3.4 The assumptions and build-up of costs, which include testing typical and enhanced contingencies at various levels, are considered to be consistent with the guidance. The appraisals make allowances for development standards, reflective of the Council's approach. These include private and other amenity space, use of dwelling size/space standards continued, electric vehicle charging and water usage efficiency (designed to limit usage to not more than 110 litres per person per day). In our view, typical development in the borough should be able to support the requirements.
- 4.3.5 Reflecting the information available at the time of the assessment (and with the appraisal modelling progressed in advance of the Government's response to its Future Homes Standards consultation) it must be acknowledged that there are a range of uncertainties associated with the scope of some requirements and the costs potentially associated with those. The extent and nature of sustainability/carbon reduction measures (and any associated costs) in response to climate change and other factors are as yet not fully established.
- 4.3.6 However, in this context, an approach that considers the potential impacts of those measures via testing with increased and variable contingency levels, is considered appropriate and is reflective of the potential direction of travel in these matters. This informs a review of the effect of increased development costs over what would typically be considered current levels ("normal development costs").
- 4.3.7 It is also worth noting, including from past experience, that often development standards are treated as extra-over costs early on in their implementation but typically become incorporated into more standard approaches over time. The response methods, capabilities (knowledge, technologies, materials, availability) and market capacity can reasonably be expected to adjust. While costs can be expected to increase, costs movement at some level is a regular part of the nature of development as is the changing market and the values it supports. We are not projecting on values, appropriately, and this approach to taking a current and potential direction of travel on costs view, associated with the continuation of sustainable development, is considered appropriate

for the assessment purpose and informing the new Local Plan. We reiterate that DBC is not proposing to exceed the direction of travel that we see to be typical and that is being considered at a national policy level.

- 4.3.8 As was noted at 3.1.9 and 3.3.19, no reduction in the assumed CIL liability or any other relevant policy costs driven by the scale of development/floorspace has been assumed within the typologies. All of the new development has been assumed as chargeable, with no credit allowance/costs deduction made for existing floor space. In practice, many schemes in Dartford Borough will involve some level of netting-off for existing floor space, resulting in reduced costs to the new development. This has some level of positive influence, variable by individual scheme, on the overall viability.

4.4 Non-residential – Light industrial/warehousing/distribution development uses

- 4.4.1 Overall, these development use types have been found likely to have mixed viability prospects, with site-specifics being key and the distribution uses very likely to be more viable than other forms of these use types.
- 4.4.2 As is typical in our experience, however, the scope of DBC’s proposed Local Plan policies that are likely to directly impact on development viability is very limited.
- 4.4.3 In this regard the nominal level of additional cost related to achieving the BREEAM ‘Excellent’ standard on sustainable construction has been included as a base assumption rather than sensitivity tested. This has not been found to make a difference that is likely to be significant enough to move any scenario tested from being viable into non-viability. In practice this is considered likely to be simply one of the many variables and not a major factor in terms of deliverability.

Main report text ends
Notes and Limitations follow

Notes and Limitations

- i. The purpose of the assessment reported in this document is to evaluate the viability of the policies proposed as part of the Dartford Borough Council Local Plan (DBCLP).
- ii. This report sets out options to inform the Council's consideration of potential policies from a viability perspective whilst taking into account adopted national policies that may impact on development viability.
- iii. This has been a desk-top exercise based on information provided by Dartford Borough Council (DBC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of Local Plan development ('plan making').
- iv. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
- v. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a robust and viable Local Plan.
- vi. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.

- vii. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit and at a time when the Global COVID-19 (Coronavirus) pandemic situation is now dominating all aspects of the news and economy.
- viii. This may run through into many potential areas affecting viability or deliverability, particularly in the short term. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- ix. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wide sensitivity testing to inform the Council’s consideration of development viability in the wider plan delivery context.
- x. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
- xi. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.
- xii. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council’s policies will be applied from case to case.
- xiii. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We currently also undertake site specific viability assessments on behalf of Dartford Borough Council
- xiv. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time.

Report ends
Final Report DSP v6

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