



East Devon District Council

Local Plan Viability Assessment - briefing

28th October 2024



Discussion points

- Testing overview
- Draft policies
- Key assumptions
- Initial results
- Next steps and timetable

Testing overview

- NPPF & PPG requires LPA to demonstrate that their proposed policies do not undermine delivery of the plan
- In practice this means setting of realistic requirements for policy asks such as (for example) affordable housing or meeting the climate challenge
- We need to test 'viability' looking at the types of sites that may come forward with the policy requirements you would like and balancing those with general build costs, national requirements and the likely values to be achieved in different areas within East Devon
- Lots of factors in play that can affect viability all with differing scales of impact - those with the biggest impact are:
 - Values
 - Base build costs
 - Affordable housing percentage and tenure



Viability testing

Guidance and regulations



NPPF & PPG



Harman



RICS

principles

Total value



Total cost (including return)



Residual value

Residual value is what is left to pay for the land (in theory)



Viable – benchmark land value is less than the residual value



Not viable – benchmark land value is more than the residual value

Key considerations

- Current East Devon Local Plan affordable housing requirements:
 - 25% in Axminster, Exmouth, Honiton, Ottery, Seaton, West End
 - 15% Cranbrook
 - 50% elsewhere
- House prices and build costs:
 - Whilst prices have gone up and down, they have broadly balanced out so have in effect been fairly static
 - However, build costs were rising at a much higher rate (than house prices) until earlier this year but whilst the rate of rises has slowed, they are still going up
 - Schemes with flats have been affected by these changes more than houses
 - Build costs also risen following introduction of Part F. L. O. S. of the building regulations (heating, fabric, ventilation, shading etc and EV charging)
 - Because of affordability and limits on benefits system the need for rented affordable housing is continuing to rise, especially demand for social rent
 - Registered providers have less purchasing power and/or less competition to purchase affordable housing units from developers - so affordable housing values have reduced as a proportion of the full market rate
- Other local and government level changes
 - Habitat and environmental mitigation and BNG costs
 - Future homes

Actual s106 affordable housing delivery 2018-23 has averaged 22% (although additional grant funded delivery takes delivery to 32% overall)...

CLG live table data

Draft proposed policies (that may influence viability)



Strategic policies

- Infrastructure delivery
- Enterprise zone
- Clyst Regional Park
- Climate emergency & net zero
- Flood risk

Development policies

- Affordable housing - 35% (65% SR, 35% intermediate)
- Older persons - 50+ 10% specialist older person dwg
- Accessible & adaptable (100% M4(2), 5% AH M4(3))
- Self build & custom 20+ 5% SBC
- Design and NDSS
- Green & Blue infrastructure and open space/recreation
- Transport & parking
- Habitats, BNG (20%) & environment
- Monitoring

Typologies & supply

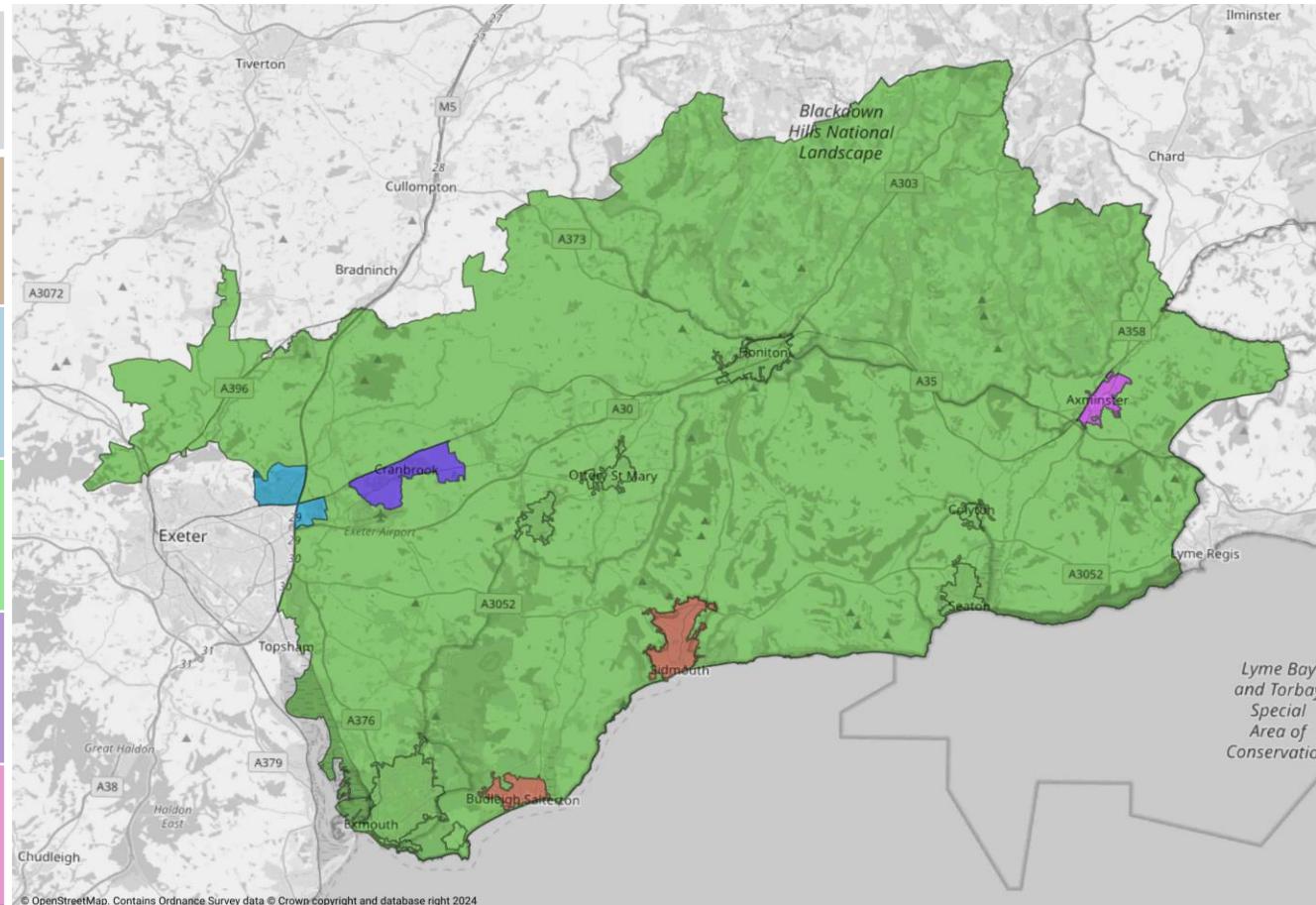
Reference	Units	Type Greenfield GF Brownfield BF	Gross ha	Net ha	Dwellings per net ha	Storey height
Res1a	3	GF - houses	0.13	0.13	23	2
Res1b	3	BF - houses	0.13	0.13	23	2
Res2a	8	GF - houses	0.34	0.34	24	2
Res2b	8	BF - houses	0.34	0.34	24	2
Res3a	15	GF - houses	0.53	0.43	35	2
Res3b	15	BF - houses	0.53	0.43	35	2
Res3c	15	BF - apartments	0.1	0.1	150	4
Res3d	15	BF - mixed	0.34	0.30	50	2-4
Res4a	30	GF - houses	1.13	0.86	35	2
Res4c	30	BF - apartments	0.2	0.2	150	4
Res4d	30	BF - mixed	0.7	0.6	50	2-4
Res5a	75	GF - mixed	3	2.12	35	2
Res6a	150	GF - mixed	5.55	3.72	40	5

- Test a range of development types & areas
- Reflects proposed future housing supply in East Devon
- Larger 'strategic sites' maybe considered separately
- New community being considered separately
- Not proposing any further testing for Cranbrook

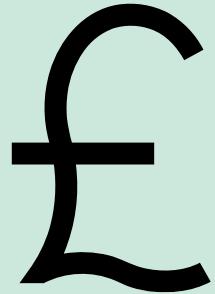
Market sales values

- Reviewed individual large settlements and rural area (c2,000 new build records across East Devon)
- Grouped similar values into 5 value areas in East Devon
- Over half of the future supply (excluding current allocations/permissions and the new community) are in Value Area 3

Value area	Overall £/sqm (£/semi)
VA1 Budleigh Salterton & Sidmouth/Sidford	£4,207 (£353,000)
VA2 Exeter NE & Tithebarn	£4,056 (£340,000)
VA3 Colyton, Exmouth, Honiton, Ottery, Seaton, West Hill & rural	£3,892 (£327,000)
VA4 Cranbrook (for information)	£3,706 (£311,000)
VA5 Axminster	£3,336 (£280,000)



Key assumptions



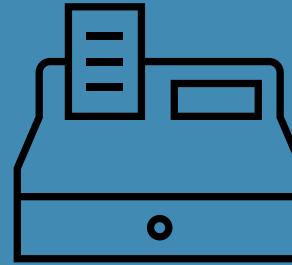
Policy costs

- Future Homes
 - c£6,000 house
 - c£4,500 flat
- Accessibility
 - M4(2) - £1,400/unit
 - M4(3) - c£12,000/unit



Affordable housing

- Initial assumptions...
- Scenario 1
 - 35% AH
 - 65% social rent & 35% s/o
- Scenario 2
 - 35% AH
 - 65% affordable rent rent & 35% s/o



CIL / s.106

- Sidmouth/Budleigh
 - £229/sqm
- Rest of East Devon
 - £172/sqm
- Strategic sites
 - £114/sqm
- General s.106
 - £4,000/unit



Environment costs

- BNG
 - BF £321/unit or GF £1,188/unit
- Exe/Pebblebeds habitats
 - £400/unit
- Axe Valley nutrients
 - £2,500/unit (sensitivity)

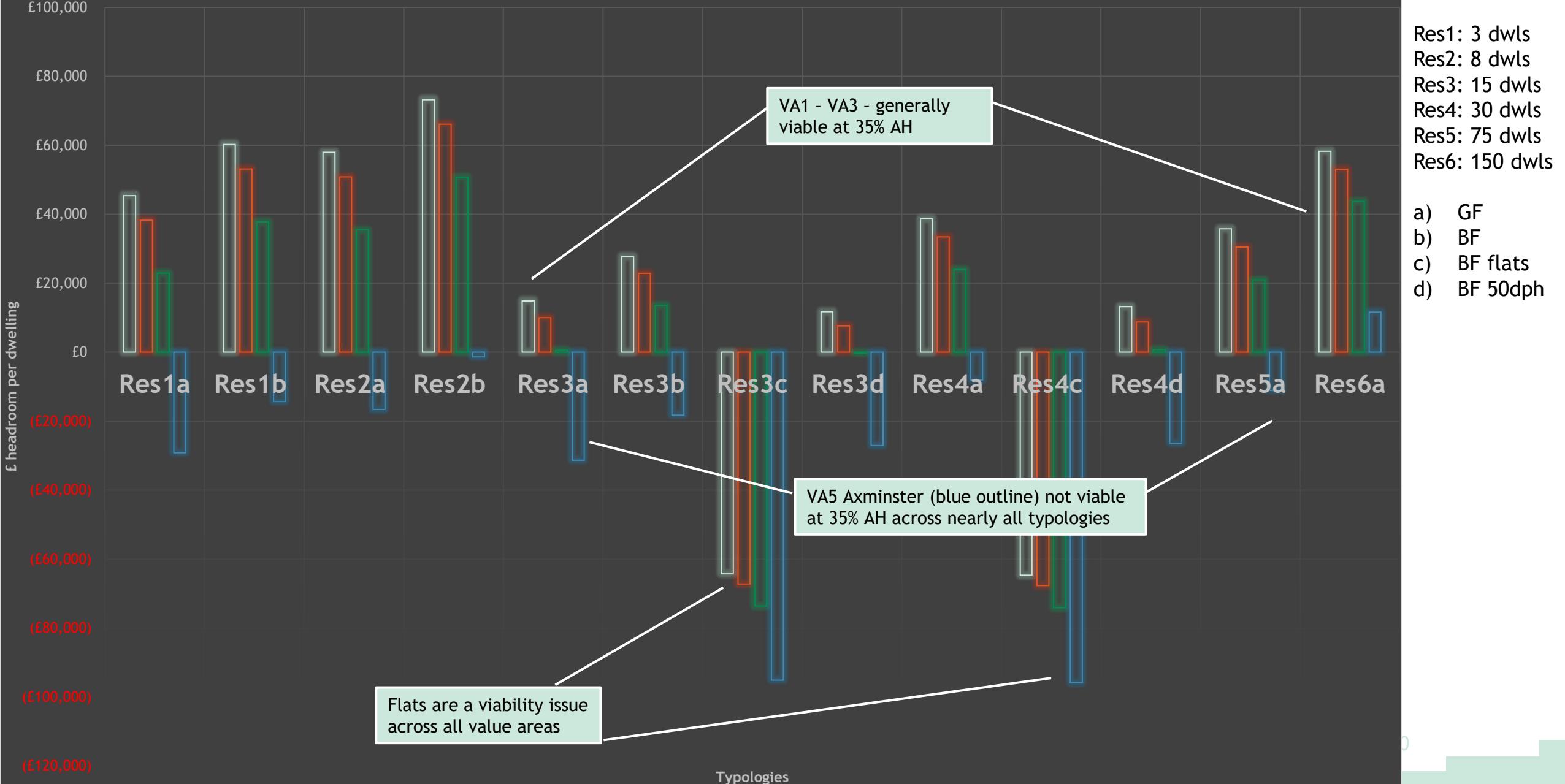
Proposed draft policy - 1-9 dwellings 0% AH, 10+ 35% AH (65% SR & 35% S/O)

Value Area 1 Budleigh/Sidmouth

Value Area 2 - Edge of Exeter

Value Area 3 - Exmouth, Honiton, Ottery, Rural

Value Area 5 Axminster

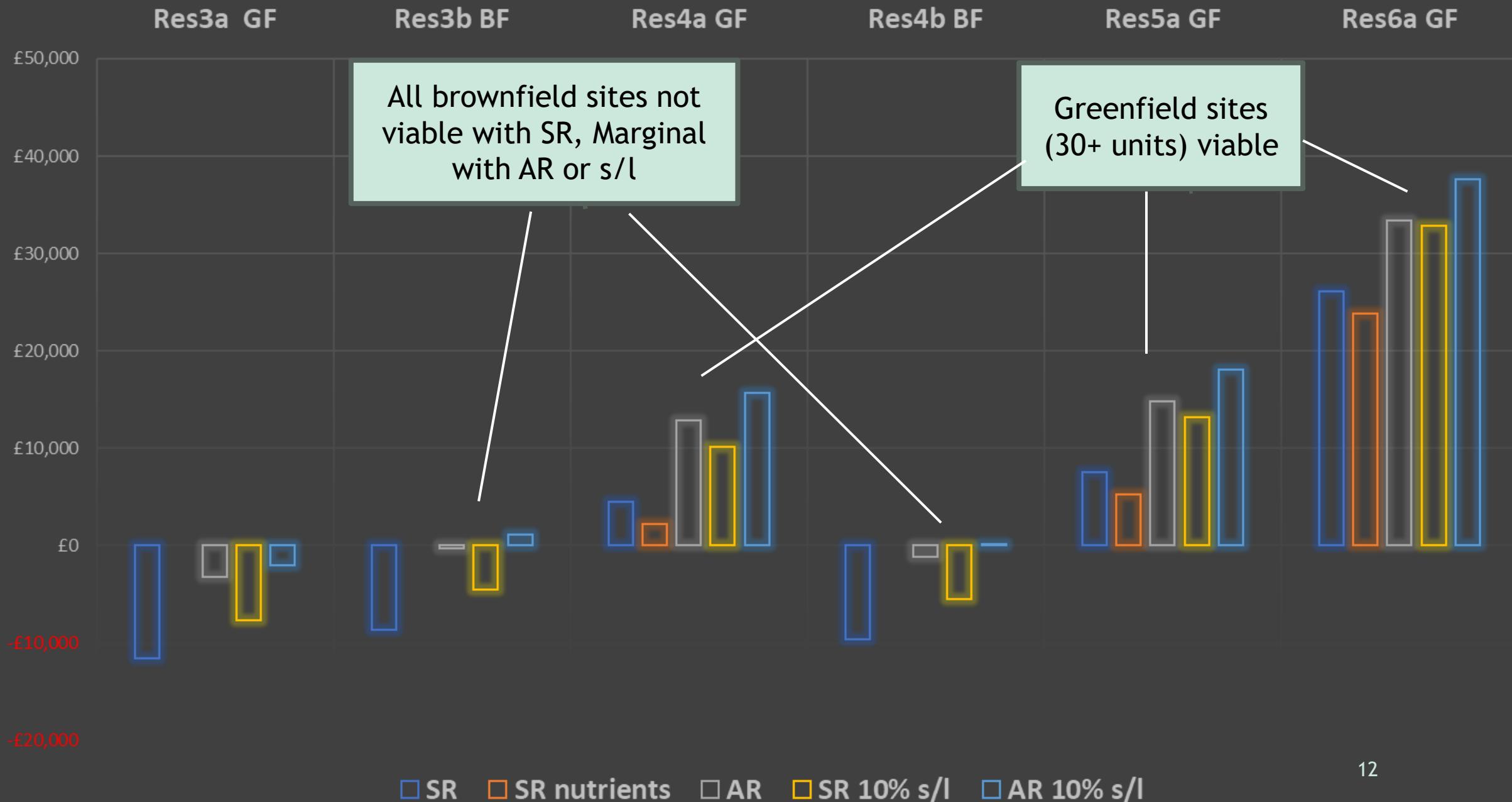


Typologies & Axminster allocations

Reference	Units	Type Greenfield GF Brownfield BF	Typologies	Total number of units covered by typology
Res2a – no AH	8	GF - houses	Axmi12	9
Res2b – no AH	8	BF - houses	Axmi10, Axmi18	11
Res3a	15	GF - houses	Axmi17	19
Res3b	15	BF - houses	Axmi23	10
Res4a	30	GF - houses	Axmi11c, AMxi24	79
Res4b	30	BF - houses	Axmi07	50
Res5a	75	GF - mixed	Axmi22	100
Res6a	150	GF - mixed	Axmi 02, 08 & 09; GH/ED/80, 83	803

- **Total allocated dwellings 1,081**
- **Majority of dwellings and 5 of the 14 allocations are covered by the largest 150 dwg typology**
- **Tested at lower benchmark land value and 25% affordable housing with different tenure mixes**
- **Where serviced land included this is 10% with 15% as standard AH tenure mix (65% SR or AR, 35% s/o)**
- **Nutrients @£2k/dwg tested on larger GF typologies**

Axminster at 25% AH with alternative tenures



Further testing undertaken:

The viability issues:

1. Flats do not work in any value areas with 35% affordable housing and a tenure mix of 65% social rent and 35% shared ownership
2. In VA3 (where most development will come forward) some greenfield (15 dwellings) and brownfield higher density (50dph) is marginal or not viable
3. In VA1 & VA2 the brownfield higher density is also more marginal than other typologies
4. In VA5, Axminster 35% affordable housing and a tenure mix of 65% social rent and 35% shared ownership is not viable
5. In VA5 nutrient neutrality @£2k/dwg reduces viability



Flats have been tested with no affordable housing and still do not work - potentially the removal of CIL will result in a viable scheme, but affordable housing still not possible



In VA3 if tenure is switched from 65% social rent to 65% affordable rent, then those typologies that were unviable or marginal will be more viable



In VA1 & VA2 by switch tenure from 65% social rent to 65% affordable rent then those sites marginal become more viable



In VA5, Axminster affordable housing across most typologies must be reduced to a maximum of 25% to become marginal or viable - if tenure is also switched from 65% social rent to 65% affordable rent and/or some AH provision as serviced land then viability is improved further

Policy choices

What the initial testing suggests:

- 35% AH with social rent broadly deliverable in VA2 & VA1 on the basis of the typologies tested
- In VA3 35% is more marginal and 30% would be appropriate
- 25% AH with social rent broadly deliverable in VA5 (Axminster) on larger greenfield sites but smaller or brownfield sites would need tenure change and/or serviced land to maintain 25% (on the basis of typologies tested and lower benchmark land value)
- Across all value areas higher density schemes (that include flats) less viable

Suggested policy response:

- The proposed pan East Devon rate in the draft plan of 35% is a large increase from the predominant current requirement of 25% and could be challenging on allocations with higher development costs, thus risk delivery of the plan
- Therefore, it is recommended that where allocations are proposed:
 - In edge of Exeter, Sidmouth and Budleigh the 35% AH rate is retained (65% SR)
 - In all other areas (apart from Axminster) the rate is 30% AH (65% SR)
 - In Axminster 25% AH is required, with flexibility about tenure and how this is delivered on brownfield and smaller greenfield allocations
- Outside any allocations ('windfalls') include a 35% requirement for any sites that come forward
- Across all areas flexibility should be inbuilt into policy that allows affordable rent or a reduced affordable housing proportion for flats