PART ONE REPORT

FYLDE LOCAL PLAN ECONOMIC VIABILITY ASSESSMENT

PREPARED ON BEHALF OF

FYLDE COUNCIL

By

OCTOBER 2015

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Appendices

1.0 INTRODUCTION

1.1 Fylde Council ('the Council') is preparing a Local Plan to shape future development of the Borough up to the year 2032. The draft Local Plan contains a Spatial Portrait of Fylde; together with a Vision and a Development Strategy that sets out how the Council would like Fylde to develop over this period.

1.2 The emerging Local Plan (Draft Fylde Local Plan to 2032: The Revised Preferred Option September 2015) sets out the Revised Preferred Option that the Council wishes to pursue for proposals within the Local Plan. This contains the quantum, distribution and phasing of development over the Plan period, including four Strategic Locations for Development (**Lytham and St Annes**; **Fylde-Blackpool Periphery**; **Warton**; and **Kirkham and Wesham**) with specific strategic and non-strategic site allocations for housing, employment and mixed use development. The Council will need to demonstrate that any housing, mixed-use or employment sites that are allocated in the Local Plan are viable and deliverable for development.

1.3 Viability, promoting health and wellbeing, equality, achieving good design and sustainability are **cross cutting themes** promoted through the National Planning Policy Framework (the Framework). The cross cutting themes are integral to all the policies and they run through the Local Plan.

1.4 The Local Plan also sets out plans and policies which provide for the needs of the area, addressing climate change and achieving high quality design, good accessibility and community involvement, together with development management policies such as the protection of the natural and the built environment.

1.5 A number of these planning policies may impact on the viability of development. To inform the site allocations and overall Plan delivery, the Council needs to determine the impact of plan policies on development viability. This will ensure that in accordance with the National Planning Policy Framework (i.e. the Framework) the sites and scale of development are not subject to such a scale of obligations, standards and policy burdens that cumulatively threatens the plan's ability to be developed viably.

1.6 The Local Plan also includes defined town, district and local centre boundaries; together with primary and secondary retail frontages. The boundaries of the Holiday Areas in St Annes and the seafront areas of St Annes and Ansdell / Fairhaven have been reviewed and defined in the Local Plan. Work has been carried out as part of the preparation of the Plan to establish whether existing employment locations and allocations should continue to be protected and be carried forward. An update of the open space study, together with a new playing pitch strategy, will be completed to inform the preparation of the Local Plan, and consequently, the Green Infrastructure network will be identified in the Plan.

1.7 During the course of the Plan period, Neighbourhood Development Plans for some parts of the Borough may emerge and these will need to be consistent with the policies within the Local Plan. Neighbourhood Development Plans will form part of the Development Plan. At the present time Neighbourhood Development Plans are being prepared for St Annes on Sea and Bryning with Warton.

1.8 A draft Infrastructure Delivery Plan (the IDP), incorporating an Infrastructure Delivery Schedule (the IDS), has been prepared to accompany the Revised Preferred Option version of the Local Plan. The IDP identifies infrastructure projects which will assist in accommodating all of the growth (housing, employment and mixed use development) proposed in this Local Plan. Infrastructure providers were consulted as part of the plan making process, from 18 June to 24 July 2015, so as to ensure that all requisite infrastructure is in place to deliver the level of growth proposed in the Local Plan. Infrastructure providers were asked to make any necessary amendments to update the text in the Revised Preferred Option version of the Local Plan and the IDP and make comments on the schedule, checking that the details are accurate; adding the details of infrastructure projects that have not been included; filling-in any gaps if possible; and making observations on the maps of all of the housing, employment and mixed use development sites. At the same time, statutory consultees, including Natural England, Historic England and the Marine Management Organisation were contacted and asked to read through and send in track changes to the draft documents. The comments and changes proposed by the infrastructure providers and statutory consultees have been taken on board in the Local Plan and the IDP.

1.9 Keppie Massie, in conjunction with the WYG Group have been commissioned by the Council to: **(1)** establish the economic viability and deliverability implications of Fylde's emerging Local Plan policies. This is to ensure that the emerging Local Plan policies are realistic and can deliver sustainable development without putting the delivery of the Plan at risk. The aim of the study is to satisfy the tests of viability and deliverability laid down in the Framework. The first sections of the report therefore provide an assessment of the overall viability of development in the Borough and consider which policies can be afforded having regard to development viability.

1.10 The Council also wishes to: **(2)** establish the extent to which developer contributions could be used to fund community infrastructure in Fylde without resulting in unviable development. As the second part of the study we also assess the prospects for the introduction of a Community Infrastructure Levy (CIL) in the Borough, and a Preliminary Draft Charging Schedule.

Format of Report

1.11 Our report is presented in two parts. Part One of the study comprises an overview of the Local Plan and its key policies, details of our methodology, a property market commentary, the results of our testing and conclusions regarding Plan viability and delivery.

1.12 The second part of the study then considers in more detail the introduction of CIL and based on our assessment makes recommendations regarding a Preliminary Draft Charging Schedule.

1.13 For ease of reference Part One of the report is structured based on the following sections:

1.14 **Section 2 – Planning Policy Context**
Here we have provided an overview of the emerging Local Plan together with an outline of the allocations and plan policies which impact on viability and delivery.

1.15 **Section 3 – Methodology**
In this section we outline the methodology that has been adopted for the study and the viability assessments, together with the rationale for the development scenarios tested.

1.16 **Section 4 – Overview of Fylde**

This section provides general information about the social and economic characteristics of Fylde, together with an overview of the residential and non-residential property markets.

1.17 **Section 5 – Financial Appraisal Assumptions**

This section outlines the key assumptions that we have made in preparing our financial assessments including details of how we have addressed specific Local Plan Policies.

1.18 **Section 6 – Viability Results and Policy Impacts**

This section provides an overview of the results from the viability testing together with a commentary on the results and also the impact of the Local Plan policies on viability.

1.19 **Section 7 – Stakeholder Consultation**

This section provides a review of the Stakeholder Consultation, the two Stakeholder Workshops and the Stakeholder comments received.

1.20 **Section 8 – Economic Profiling and Sensitivity Analysis**

This section provides our thoughts regarding future economic trends and the likely impact on development viability. The viability results are then tested further based on this to ensure robustness, and the results are outlined in graphical form.

1.21 **Section 9 – Plan Viability and Delivery**

At Section 9 we provide our conclusions about the key policies that have implications for economic viability and comment on the viability and deliverability of Fylde's emerging Local Plan.

2.0 PLANNING POLICY CONTEXT

2.1 **Background**

2.2 Fylde Council is presently preparing a Local Plan that will set out how new development will be managed in the period to 2032. The Local Plan will replace the currently adopted Fylde Borough Local Plan (As Altered: October 2005).

2.3 Consultation on Issues and Options took place in 2012 and formal consultation of the Preferred Option was undertaken in 2013. The strategic objectives were included in both the Issues and Options and the Preferred Option consultation documents. Taking account of comments received in response to those consultations and the recommendations of the Sustainability Appraisal report and other technical documents, the objectives have been refined for inclusion in the Revised Preferred Option document. Our study therefore has regard to the Draft Fylde Local Plan to 2032 – Revised Preferred Option - September 2015 as the most up-to-date version of the plan.

2.4 **Draft Fylde Local Plan to 2032 – the Revised Preferred Option -September 2015 ('The Local Plan')**

2.5 **Overview**

2.6 The Local Plan includes Strategic and Non-Strategic Allocations for new homes and employment land, sites for Gypsies, Travellers and Travelling Show people, leisure, retail, tourism and community use, or a mixture of such uses. The Plan also comprises Development Management policies, which will inform decisions on planning applications; together with policies to protect the natural and built environment and heritage assets. The plan identifies five local areas in the Spatial Portrait of Fylde in Chapter 2, allowing for their characteristics to be addressed and managed.

2.7 The five local areas are:

1. Lytham and St Annes;
2. Fylde-Blackpool Periphery;
3. Warton
4. Kirkham and Wesham; and
5. Rural Areas.

2.8 For each of these local areas the plan identifies a number of implications for the Local Plan to address. These are as follows:

2.9 **Lytham and St Annes**

- The Local Plan should provide for an appropriate housing mix and provision of affordable housing and phased development to allow for necessary infrastructure to be provided.
- Opportunities for infill development should be maximised, whilst taking into account the characteristics of the area and seeking to avoid the loss of viable employment sites and public open space.
- New development will need to be phased throughout the Plan period to allow for the provision of transport, social and Green Infrastructure, including freeing-up capacity of the combined sewer system so as to enable development and to alleviate the flood risk.

- The upgrading and maintenance of flood defences is required and the tourism benefits of this will be optimised as part of any scheme.
- Land should be provided for recreational opportunities, including allotments.

2.10 **Fylde-Blackpool Periphery**

- The Local Plan should provide for an adequate supply of affordable housing and phased development to allow for the necessary infrastructure to be provided.
- In relation to the erosion of the sand dunes, management of the dune frontage is supported.
- This area is important for employment provision and tourist accommodation. The sub-regional significance of land at Whitehills Business Park to the Fylde Coast economy is recognised and further housing permissions at Whitehills will be discussed through the Duty to Cooperate, as the location is of sub-regional importance for business and industrial employment.

2.11 **Warton**

- The Local Plan should provide a flexible framework that can maximise the opportunities that will arise through the restructuring of BAE Systems, Warton and the establishment of the Enterprise Zone for the benefit of the local community, businesses and the environment.
- The Local Plan should provide for an adequate supply of affordable housing and the balance between employment and housing opportunities should be addressed. Development should be phased to allow for necessary infrastructure to be provided.
- Development will not take place in high flood risk areas.
- Warton has a long standing requirement for a recognised local shopping centre and land should be provided for recreational opportunities, including allotments. Without a strategic review of the Green Belt, development in Freckleton will be limited to infill.
- The Local Plan will seek to address drainage problems in new build development, for example by incorporating sustainable drainage systems and other ways of reducing run-off from agricultural practices.

2.12 **Kirkham and Wesham**

- There should be a focus in the Local Plan on regenerating Kirkham town centre. The character and appearance of the historic market town should be protected and enhanced and vacant units should be refurbished and put back into viable use, in line with the Council's Regeneration Framework.
- The Local Plan should provide for an adequate supply of affordable housing in Kirkham and Wesham.
- Development should be directed away from areas at high risk of flooding and land should be provided for recreational opportunities.
- Development should be phased to allow for necessary infrastructure to be provided.

2.13 **Rural**

2.14 The plan provides for two tiers of rural settlements namely:

Tier 1: **Larger Rural Settlements** of Elswick, Newton, Staining and Wrea Green.
Tier 2: **Smaller Rural Settlements** of Clifton, Singleton and Weeton.
The Local Plan will provide for an adequate supply of rural affordable housing.

2.15 Development will be sustainably located and the agricultural economy, farm diversification and employment opportunities supported.

2.16 **Strategic Policies**

2.17 A number of polices within the Local Plan guide the location and scale of new development in Fylde. We have provided a short summary of those most relevant to the study in the paragraphs that follow.

2.18 ***Policy DLF1 - Development Locations for Fylde***
This policy informs the future locations for development and the extent of new housing and employment development. In accordance with the policy the Local Plan will deliver a minimum of 7,770 new homes, and land will be developed for 56.3 Ha of employment use over the plan period to 31 March 2032.

Strategic Locations for Development

2.20 The policy identifies four Strategic Locations for Development; these form the basis for the Local Plan Development Strategy. The four Strategic Locations proposed are:

- Lytham and St Annes;
- Fylde-Blackpool Periphery;
- Warton; and
- Kirkham and Wesham.

2.21 In these locations a number of strategic sites will be developed to ensure the development strategy is achieved. Within these Strategic Locations **Policy M1 - Masterplanning the Strategic Locations for Development** specifies that Masterplans and design codes will be prepared by the developers with the approval of the Council for each of the Strategic Locations and that following approval by the Council, the masterplans will become supplementary planning documents.

Non-Strategic Locations

2.23 Non-strategic development sites (amounting to between 10 and 99 homes) may also be brought forward in the four Strategic Locations as well as within and on the edge of the Tier 1: Larger Rural Settlements at Elswick and Newton and the Tier 2: Smaller Rural Settlement at Clifton.

Windfalls and Small Sites Allowances

2.25 The policy also makes allowance for windfall and small sites in Strategic Locations and also Tier 1 and 2 Rural Settlements.

2.26 ***Policies SL1 – SL4***
These policies identify the strategic sites within the four Strategic Locations where proposals for development will be supported. Details of the respective sites under each policy are contained in Tables 2.1 – 2.4.

Table 2.1: Policy SL1 – Lytham and St Annes Strategic Sites

Site	Homes Completed during Plan period	Employment over Plan period	Projected commencement date
HSS1 - Queensway, St Annes (housing)	1,150		2016
HSS2 – Heyhouses Lane, St Annes	250		Commenced 2014
HSS3 – Lytham Quays, Lytham	120		Commenced 2007/08
ES1 - Queensway Industrial Estate, Snowdon Road, St Annes		3.8 Ha	
ES2 – Dock Road, Lytham		0.9 Ha	
ES3 – Boundary Road, Lytham		0.7 Ha	
Totals	**1,520 homes**	**5.4 Ha**	

Table 2.2: Policy SL2 – The Fylde-Blackpool Periphery Strategic Sites

Site	Homes completed during Plan period	Employment over Plan period	Projected commencement date
HSS4 – Coastal Dunes, Clifton Drive North, Blackpool Airport Corridor	348		2015
MUS1 - Cropper Road East, Whitehills	372	6.5 Ha	2016
MUS2 - Whyndyke Farm, Preston New Road, Whitehills	1,310	20 Ha	2017
HSS5 –Cropper Road West, Whitehills	442		2020
HSS6 – Land at Lytham St Annes Way, Whitehills	150		2013
ES4 – Blackpool & Fylde Industrial Estate, Whitehills		2.4 Ha	
ES5 - Blackpool Airport, Squires Gate Lane, Blackpool Airport Corridor		5 Ha	
ES6 – ITSA, Brunel Way, Whitehills		4.9 Ha	
ES7 – Whitehills Business Park, Whitehills		8.6 Ha	
Total	**2,622 homes**	**47.4 Ha**	

Table 2.3: Policy SL3 – Warton Strategic Sites

Site	Homes completed during Plan period	Employment over Plan period	Projected commencement date
HSS7 – Highgate Park, Lytham Road, Warton	254		2014

2.27 In addition the Local Plan provides that the Council will work with the Bryning-with-Warton Neighbourhood Development Planning Steering Group over a masterplanning exercise as part of the Neighbourhood Development Plan for Warton, to identify land for the provision of up to 650 homes (inclusive of existing plan period commitments).

Table 2.4: Policy SL4 – Kirkham and Wesham Strategic Sites

Site	Homes completed during Plan period	Employment over Plan period	Projected commencement date
HSS8 – The Pastures, Fleetwood Road, Wesham	262		2014
HSS9 – Land North of Blackpool Road, Kirkham	588		2015
HSS10 – Willowfields, Derby Road, Wesham	124		2008
MUS3 – Mill Farm Sports Village, Fleetwood Road, Wesham		1.1Ha	
Total	**974 homes**	**1.1Ha**	

2.28 Outside of the strategic locations the plan identifies delivery of new housing over the plan period as illustrated in Table 2.5.

Table 2.5: Delivery of New Homes over the Plan Period

Location	No. Homes
Newton	115
Elswick	140
Clifton	50
Staining	141
Wrea Green	150
Freckleton	38
Singleton	15
Weeton	20
Little Eccleston	25
Greenhalgh	17

2.29 ***Policy GD6 - Promoting Mixed Use Development***
This policy encourages the provision of mixed use development on the strategic sites to provide local retail centres and access to employment, commercial, leisure and recreational opportunities close to where people live and work.

2.30 ***Policy EC1 - Overall Provision of Employment Land and Existing Employment Sites***
This policy provides further detail in relation to the delivery of 56.3 Ha of new employment development proposed under **Policy DLFI**. As well as providing details of the extent of delivery and appropriate Use Classes for the employment sites in strategic locations, it also provides details of the existing employment sites where land in Class B Business and Industrial will be retained.

2.31 A specific **Policy EC2 - Lancashire AEM Enterprise Zone at BAE Systems, Warton** deals with future development at the Lancashire Enterprise Zone at BAE Systems, Warton.

2.32 In relation to retail development over the plan period **Policy EC4 - Vibrant Town, District and Local Centres** deals with the retail hierarchy of town, district and local centres in Fylde and the uses appropriate in those locations. The policy notes that when assessing proposals for retail, leisure and office development outside of the town centres a local threshold of 750 sq.m will apply in terms of requiring an impact assessment. The policy also makes reference to the proposal for a new local centre in Warton.

2.33 Within the supporting text to the policy reference is made to the Fylde Coast Retail Study 2011 and the 2013 update. In the update it is identified that Fylde currently has a requirement for an additional 3,369 sq.m of comparison goods sales floor space in the period to 2032. In terms of Convenience Goods there is no quantitative need identified in the retail update, 2013, for additional convenience retail floor-space across the Fylde Coast up to 2016. However, there would be a need for an additional 2,825 sq.m (net) collectively across the Fylde Coast sub-region in the overall plan period to the year 2032.

2.34 The studies considered the form of future retail provision in the Town Centres as follows:

2.35 Kirkham Town Centre
The study suggested the refurbishment of vacant units, so that they are better suited to the requirements of multiple retailers, represented the best opportunity for enhancing the retail offer in Kirkham.

2.36 In addition to this, the 2013 update suggested that there may be a requirement for new comparison goods sales floor-space over the development plan period and suggested that provision should be made for between 500 and 1,000 sq.m in Kirkham.

2.37 Lytham Town Centre
The 2013 Retail Study update recommended that the comparison floor-space requirements for Lytham Town Centre were lower than in the 2011 study and suggested that provision be made for between 1,000 and 1,500 sq.m of additional comparison goods sales floor space.

2.38 St Annes Town Centre
The 2013 update recommended that there may be a future qualitative requirement for additional convenience goods floor-space within St Annes Town Centre to support its vitality and viability following the closure of the Booths store in the town centre and the provision of a new food store at an out of-centre location at Heyhouses Lane.

2.39 In terms of comparison goods, the updated assessment indicates that St Annes should provide between 1,000 and 1,500 sq.m of additional goods sales floor-space over the period to 2032. This would allow for the development of a number of good-sized new units to meet the requirements of comparison retailers.

2.40 Other Centres
According to the 2013 update, in terms of Fylde's lower order centres (i.e. district and local centres), it could be expected that these centres might collectively provide between 250 and 500 sq.m of new comparison goods sales floor-space in the period up to 2032.

2.41 It was however recognised that small scale facilities to meet local, day-to-day, shopping needs are inherently sustainable and that there may be justification for the expansion of existing district and local centres, or the creation of new centres, to meet the needs of new large-scale residential and mixed use developments.

2.42 **Key Policies related to Viability Testing**

2.43 The emerging Local Plan also contains the Development Management Policies that will guide the delivery of new development in Fylde. Having regard to the development management policies contained within the emerging Local Plan, we have summarised below the key policies which will have an impact on development viability.

2.44 ***Policy GD7- Achieving Good Design in Development***
This policy deals with many aspects of design requirements in the context of new development. The elements of the policy which have implications for development viability include:

2.45 All new housing developments should comply with the National Technical Standards, and be constructed in accordance with the national space standards for new homes.

2.46 Development proposals should consider measures to mitigate the effects of climate change by the incorporation of energy and water efficiency in new and existing buildings, 'grey' water and rainwater harvesting and storage for waste and recyclables.

2.47 New public open space should be provided in a single central useable facility, which is accessible, of high quality and good design, be visible, safe, using quality materials, including facilities for a range of ages and incorporating long term maintenance.

2.48 ***Policy H1 – Allocation of Housing Land***
In summary this policy provides for the management and delivery of new housing based on a minimum requirement of 370 per annum. It states that delivery will be reviewed on a 3 yearly basis and that a total of 8,188 homes will be delivered on the allocated sites on a phased basis over the period to 2032.

2.49 ***Policy H2 – Density and Mix of New Residential Development***
This policy deals with a number of aspects in relation to new housing development. Of particular relevance it states that:

2.50 Residential development will normally have a minimum density of 30 homes per hectare net, within and adjoining Local Service Centres and Tier 1 Large Rural Settlements and Tier 2 Smaller Rural Settlements, subject to specific issues relating to the site.

2.51 Densities of less than 30 homes per hectare (net) will only be permitted where special circumstances are demonstrated.

2.52 Higher densities (40-60 homes per hectare net or more) will be expected on sites within and adjoining Key Service Centres, with good access to public transport facilities and services.

2.53 A broad mix of house types, sizes and tenures, including intermediate housing products, private rented and buy-to-let will be required on all sites to reflect the demographics of the Borough as set out in the Fylde Coast Strategic Housing Market Assessment (SHMA, 2014).

2.54 On smaller sites of under 100 homes a mix is required that makes a positive contribution to the vitality of the local community.

2.55 In Lytham and St Annes, Kirkham, Wesham, Freckleton and Warton one, two and three bedroom homes with private amenity space should be included in the mix, as there is a lack of accommodation within the existing stock.

2.56 In rural areas a mix of house sizes should be provided, in particular small family homes with private amenity space, which will contribute to the vitality and meet the housing needs of the local community. Live / work homes will be encouraged in rural areas.

2.57 To meet the needs of an ageing population at least 20% of homes within residential developments of 15 or more homes should be designed specifically to accommodate the elderly, unless it is demonstrated that this would render the development unviable.

2.58 ***Policy H4 - Provision of Affordable Housing***
This policy states that all market housing schemes of more than 10 homes will be required to provide 30% affordable housing, subject to viability testing demonstrating that its provision will not prevent the development proceeding.

2.59 The presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. The policy makes provision for off-site provision where the applicant has submitted robust evidence to demonstrate that the application site or location is unsustainable for affordable or Special Needs Housing; or there is no locally identified need. In these exceptional circumstances financial contributions of a broadly equivalent value will be accepted, where it is robustly justified.

2.60 In terms of affordable housing tenure the requirements will be negotiated on a case-by-case basis, having regard to the viability of individual sites and local need. Although the policy notes that at least 80% of the affordable homes should be for housing association rented and the remainder would be a tenure to be agreed with the Council.

2.61 The majority of affordable housing provided on a particular scheme will comprise 1, 2 and 3 bedroom homes and all new affordable homes should comply with all relevant design and quality codes and standards set out by the Homes and Communities Agency (HCA) or other relevant body, as well as the National Technical Standards; and the requirements for design set out in policy GD7.

2.62 The policy also confirms that contributions for other matters e.g. Education, Highways etc are also payable on an affordable housing scheme.

2.63 ***Policy INF1 - Service Accessibility and Infrastructure***
Development will be required to provide essential site service and communications infrastructure and demonstrate that it will support infrastructure requirements as set out in the Infrastructure Delivery Plan.

2.64 ***Policy INF2 - Developer Contributions***
Subject to viability, development will normally be expected to contribute towards the mitigation of its impact on infrastructure, services and the environment and contribute towards the requirements of the community. Contributions may be secured through a planning obligation and through the Community Infrastructure Levy (CIL), at such time as the Council has prepared a Standard Charging Schedule.

2.65 The policy also provides examples of the types of infrastructure that development may be required to provide contributions towards. These include:

- Affordable housing
- Utilities and waste
- Flood risk management and coastal defences
- Transport
- Community Facilities
- Local Service centres – Whitehills (Fylde-Blackpool Periphery) and Warton
- Green Infrastructure network
- Climate change
- Public Realm

2.66 Where appropriate the policy also allows for the provision of the necessary infrastructure by the developer as part of the development proposals in lieu of making a financial contribution. There is also a test of viability where the development is made unviable by a planning obligation.

2.67 ***Policy T4 - Parking Standards***
This policy deals with car parking standards. Car parking should, wherever possible, be provided on site so as to ensure there is no detrimental effect on highway safety. Whilst a flexible approach to the level of car parking provision will be applied, dependent on the location of the development concerned.

2.68 A Supplementary Planning Document (SPD) on parking standards will be prepared in due course which will set out local minimum standards which will need to be applied to all new developments in Fylde.

2.69 ***Policy CL1 - Flood Alleviation, Water Quality and Water Efficiency***
All new development is required to minimise flood risk impacts on the environment and mitigate against the likely effects of Climate Change on present and future generations. The relevant parts of this policy with respect to development viability include ensuring that development incorporates the most sustainable form of managing surface water and attenuating any discharge of surface water through the incorporation of sustainable drainage systems (SuDS). Developer contributions will be required for the provision and maintenance of SuDS where this is not provided as part of the development.

2.70 ***Policy CL2 - Surface Water Run-Off and Sustainable Drainage***
This policy deals with the preferred attenuation measures and also states that Development must utilise Sustainable Drainage Systems (SuDs) whenever practical and reduce discharge to greenfield run-off rates wherever feasible.

2.71 ***Policy ENV5 - Provision of New Open Space (the Green Infrastructure network)***
This policy sets the standards for the provision of amenity space in new housing developments of 10 or more homes. The provision of amenity open space with facilities for children's play (i.e. playgrounds and Multi-Use Games areas), where appropriate, will be required to the following minimum standards:

16 sq.m per 1 bedroom home
24 sq.m per 2 bedroom home
32 sq.m per 3 bedroom home
40 sq.m per 4 bedroom home
48 sq.m per 5 bedroom home

2.72 Such open space should be accessible, of high quality and normally be provided as a single central usable facility.

2.73 Housing developments of 100 homes or more will be required to provide double the above standards. Developers should provide effective long-term future maintenance of areas of open space in accordance with this policy, through the formation of a management company.

2.74 Where the standards require the provision of open space of less than 0.2 ha, or where it is agreed with the Council that the open space would be better provided off-site, the policy makes provision for the payment of a commuted sum to help provide additional or improved open space nearby.

2.75 Financial contributions will be sought through the Community Infrastructure Levy to assist schemes for other safe green open space and Green Infrastructure where there is an identified need, including the provision of allotments, trees and woodland.

2.76 The provision of a new country park will also be supported and contributions will be sought through developer contributions or the Community Infrastructure Levy.

2.77 **Neighbourhood Development Plans**

2.78 At the present time neighbourhood development plans are being formulated in relation to Bryning with Warton and St Annes. We have considered their implications below.

Bryning with Warton Neighbourhood Development Plan - Submission Version (September 2014)

2.79 The local Parish Council has been working on a neighbourhood development plan for Bryning with Warton. The main features of the emerging Neighbourhood Development Plan are:

- To manage housing growth of 650 dwellings up to the year 2030 with a balanced distribution of dwellings between the east and west of Warton, consistent with the requirements of the emerging Fylde Local Plan.
- To ensure that all new development preserves the rural character of the village.
- To ensure that green buffers around new development provide wildlife and amenity space.
- To create attractive eastern, western and northern gateways into the area and improve transport and traffic management.
- To enhance the village centre.
- To create and enhance open space in the east and west of the village.

- To provide additional amenities and community infrastructure.

2.80 In the context of undertaking viability testing of the Local Plan policies, the policies in the Neighbourhood Development Plan are generally consistent.

2.81 Within the Neighbourhood Development Plan **Policy BWH1: Managing Housing Growth in Warton** identifies that the bulk of new housing development will take place on the following sites:

H1 – Warton West (13 hectares; 4.6 hectares of which has planning permission for housing)
H2 – Warton East (14.8 hectares)

The developable area of these sites will be limited to 55% of the total site at 30 dwellings per hectare.

2.82 **Policy BWH2** of the Neighbourhood Development Plan deals specifically with the development of these two sites and requirements for open space, infrastructure upgrades, improvements to services and amenities and where appropriate, contributions to sustainable transport measures, the green infrastructure network, local services and community facilities.

2.83 Specifically in relation to Warton West **Policy BWLC2** provides for provision of on-site leisure, community and greenspace facilities provided by developers as part of the overall development package for the combined site.

St Annes on the Sea Neighbourhood Development Plan – Pre Submission (June 2015)

2.84 The Neighbourhood Development Plan for St Annes on Sea has been prepared by the Town Council, and aims to give the residents of St Annes control over the future of the town, including:

- Setting out how the character of the town can be protected and improved
- Protecting the green spaces, and community facilities
- Protecting the town from unco-ordinated speculative development

2.85 In so far as they have an impact on development viability the policies in the emerging Neighbourhood Development Plan i.e. affordable housing, SuDS, developer contributions are generally consistent with the emerging Local Plan.

2.86 The Neighbourhood Development Plan does however contain a specific policy, **H5** which deals with new apartments. The policy states that *'new, standalone apartment development will be resisted. With the exception of the town centre and primary and holiday area, as defined on the Proposals Map, or any purpose built "retirement village", the development of new apartments or conversion of larger houses into apartments, or change of use to Houses in Multiple Occupation (use class C4) which would result in the percentage of flats or apartments within that defined residential street (both sides) or cul de sac exceeding 20% of total residential units, will not be allowed. On new developments, the maximum level of apartment provision shall be 20% of units.'*

3.0 METHODOLOGY

Economic Viability Framework

3.1 The National Planning Policy Framework 2012 (the Framework) introduces a focus on viability in considering appropriate Development Plan Policies. In particular Paragraph 173 states that:

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.'

3.2 In addition to the above, the Framework (paragraph 174) states that:

'Local Planning Authorities should set out their Policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.'

3.3 This report provides an analysis of the deliverability and economic viability (satisfying the requirements of the Framework) of the future development sites in Fylde, taking into account the policy standards contained within the plan.

3.4 The Local Housing Delivery Group has published advice for planning practitioners titled 'Viability Testing Local Plans'. This guidance recommends that (page 10):

'The approach to assessing plan viability should recognise that it can only provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability. It cannot guarantee that every development in the plan period will be viable, only that the plan policies will be viable for the sufficient number of sites upon which the plan relies in order to fulfil its objectively assessed needs.'

3.5 The guidance states that:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government Policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.'

3.6 In addition the advice set out within the Framework (paragraph 175) states that *'where practical, CIL charges should be worked up and tested alongside the Local Plan.'*

Appraisal Methodology

3.7 In preparing our viability assessments we have adopted the Residual Approach. This is where the value of the completed development is assessed and the cost of undertaking the development (including the cost of land, finance and planning obligations) is deducted, along with a target developer's profit return. The residual sum that is left represents the development surplus or "headroom". Consideration of this then allows an informed decision to be made about the viability of the development in general, and in particular, the ability to fund Local Plan policies involving additional costs for development such as developer contributions policies and also CIL.

3.8 Table 3.1 provides a simple diagram illustrating this approach:

Table 3.1: Residual Valuation Approach

Gross Development Value (value of the completed development scheme)
Less
Cost of Development (inclusive of build costs, fees, finance, land cost)
Less
Other Costs (inclusive of planning obligations)
Less
Developers Target Profit
= Development Surplus or "Headroom"

3.9 This methodology is recognised and supported by the Royal Institution of Chartered Surveyors (RICS) in relation to the valuation of development land. The RICS Guidance Note 'Financial Viability in Planning' defines viability for planning purposes as (paragraph 2.1.1): *'an objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the land owner and a market risk adjusted return to the developer in delivering that project'.*

3.10 The guidance note defines site value as (paragraph 2.3.1) follows: *'site value should equate to the market value subject to the following assumption; that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'*

3.11 When undertaking area wide viability testing, the guidance suggests that a second assumption needs to be applied to this definition, namely (paragraph 2.3.3): *'Site value may need to be further adjusted to reflect the emerging Policy/CIL charging level. The level of the adjustment assumes that site delivery would not be prejudiced.'*

3.12 We have assessed Market Value in accordance with VPS4 1.2 and IVS Framework paragraph 29. Under these provisions, the term *'Market Value'* is defined as *'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.'*

3.13 The document 'Viability Testing Local Plans' suggests that viability testing of Local Plans does not require a detailed viability appraisal of every site anticipated to come forward over the plan period. As a consequence of the potentially widely different economic profiles of sites within the local area, it suggests:

'A more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies.'

3.14 In preparing our residual appraisals, it has been necessary to make certain assumptions, both in relation to the form of development and also the variables adopted in each of the appraisals based upon a significant quantity of data. Inevitably, given the character of the property market in Fylde, the data does not necessarily fit all eventualities and every development site will be unique. It has therefore been necessary to draw upon our development experience and use our professional knowledge to derive a data set that best fits the typical characteristics of the site allocations, likely future development sites and form of development in the Borough and can be considered reasonable.

3.15 It should be noted that when adopting the Residual Appraisal Approach, the end result is extremely sensitive to even the smallest of changes in any of the assumptions which feed into the appraisal process. We are satisfied however that our approach and the assumptions that we have made are appropriate to the property market characteristics within Fylde and represent the most reasonable approach given the appropriate available evidence at the time of preparing this study.

Generic Development Scenarios

Residential

3.16 The emerging Local Plan aims to focus new housing development in four strategic locations so as to maximise access to services, facilities, employment and to increase travel choices. The Council will allocate previously developed sites first, but has identified that there is an insufficient supply of such sites, so has had to consider sustainable greenfield sites. The priority is to develop sustainable greenfield sites which adjoin existing settlements i.e. at Lytham and St Annes, Warton, Kirkham and Wesham, or to allow new sustainable communities to be created (e.g. Whitehills which is located within the Fylde-Blackpool Periphery Strategic Location for Development), which are within or close to existing or proposed public transport corridors.

3.17 Over the plan period, the Local Plan identifies that housing delivery will be made up across the locations identified in Table 3.2.

Table 3.2: Local Plan Housing Delivery

Site Typology/Location	No Dwellings	Percentage
Lytham and St Annes Allocations	2,020	25%
Fylde-Blackpool Periphery Allocations	2,728	33%
Warton Allocation and Neighbourhood Development Plan	650	8%
Kirkham and Wesham Allocations	1,142	14%
Non-Strategic Locations for Development	711	9%
Allowances and unallocated sites	937	11%
Total	**8,188**	100%

3.18 We have also undertaken an analysis of the data that has been collated by the Council regarding the sites considered under the Revised Preferred Option. This also allows informed conclusions to be drawn about the location and size characteristics of future residential development. Table 3.3 contains a summary of this data, by site size and location.

Settlement Area	< 5 homes	5-9 homes	10-14 homes	15-19 homes	20-29 homes	30-49 homes	50-74 homes	75-99 homes	100 - 149 homes	150-249 homes	250-499 homes	500-999 homes	1,000 + homes	Total
Lytham and St Annes	75	17	5	3	3	5	1				2		1	112
Fylde/ Blackpool Periphery			2		2	2			2			4		12
Warton	28	9	1	3						1	2	1		45
Kirkham/ Wesham	17	4	4				2	1	2	1	2	1		34
Tier 1: Larger Rural Settlements	20	4	1	1	1	2	3	13	2	3				50
Tier 2: Smaller Rural Settlements	18	6		1	4	3		1	1					34
Total	**158**	**40**	**13**	**8**	**10**	**12**	**6**	**15**	**7**	**5**	**6**	**6**	**1**	**287**
Percentage of Sites	**55.05 %**	**13.94 %**	**4.53%**	**2.79%**	**3.48%**	**4.18%**	**2.09%**	**5.23%**	**2.44%**	**1.74%**	**2.09%**	**2.09%**	**0.35%**	**100.00 %**

Table 3.3: Analysis of 'Revised Preferred Option' – Sites Considered

3.19 Having regard to the emerging Local Plan, the analysis taken from the sites considered under the Revised Preferred Option, and to the general character of the borough, it is likely that a significant amount of future residential development will take place on strategic and allocated sites, many being greenfield sites on the edge of settlement areas. This will be complemented by the development of sites on previously developed land which are typically smaller and within the settlement areas. In addition there will also be a considerable number of small sites coming forward with over half of the sites contained in the sites data being less than 5 homes.

3.20 The Planning Advisory Service in the note 'Successful Plan Making – Advice for Practitioners' suggests that:

'under the NPPF, authorities need to test the whole plan and all its policies together to show its impact on viability; however, separate viability testing of strategic sites is also recommended if they are key to the delivery of the plan.'

3.21 The Harman Guidance suggests that:

'Planning authorities may build up data based on the assessment of a number of specific local sites included within the land supply, or they may create a number of hypothetical sites, typologies or reasonable assumptions about the likely flow of development sites.'

'What is important is that partners have confidence that the profile of sites included within an assessment is a good match with likely future supply over the plan period, and avoid making assumptions that could be contested.'

'The appraisal should be able to provide a profile of viability across a geographical range and/or range of different types of site.'

'Once this profile is established, it may also help to include some tests of case study sites, based on more detailed examples of actual sites likely to come forward for development if this information is available.'

3.22 The Local Plan identifies a normal minimum density for development of 30 dwellings per net hectare. Higher densities of 40-60 dwellings per net hectare are expected on sites within and adjoining key service centres. Densities of less than 30 dwellings are only permitted where special circumstances exist. It is likely however that in higher value areas such as Wrea Green or Lytham some schemes may be built at a lower density with predominantly 3, 4 and 5 bed 'executive' homes.

3.23 Having regard to the location, characteristics, size and development density of future development sites we have prepared a framework of development typologies for the purpose of undertaking our viability testing for residential development. Tables 3.4 to 3.7 below provide details of the development typologies that we have adopted.

Table 3.4: Previously developed land - Residential Testing Typologies

Scheme	No Dwellings	Density
1	4	30 and 40 dwellings per Ha
2	10	30 and 40 dwellings per Ha
3	25	30 and 40 dwellings per Ha
4	50	30 and 40 dwellings per Ha
5	75	30 and 40 dwellings per Ha
6	100	30 and 40 dwellings per Ha

Table 3.5: Greenfield Residential Testing Typologies

Scheme	No of Dwellings	Density
1	4	30 and 40 dwellings per Ha
2	10	30 and 40 dwellings per Ha
3	25	30 and 40 dwellings per Ha
4	50	30 and 40 dwellings per Ha
5	75	30 and 40 dwellings per Ha
6	100	30 and 40 dwellings per Ha
7	250	30 and 40 dwellings per Ha
8	500	30 and 40 dwellings per Ha
9	1,000	30 and 40 dwellings per Ha

Table 3.6: 'Executive' Residential Testing Typologies – Greenfield and Brownfield Sites

Scheme	No Dwellings	Density
10	10	20 dwellings per Ha
12	25	20 dwellings per Ha
13	50	20 dwellings per Ha

Table 3.7: Apartment Testing Typologies

Scheme	No Dwellings	Comments
14	15	Standard scheme 2 floors and no lift
15	50	Standard scheme 3 floors and lift
16	50	Executive scheme 3 floors and lift

3.24 The sites that have been allocated in the Strategic Locations are significant to the delivery of new housing in the Borough. Development has already commenced on a number of these sites, or the sites already benefit from planning permission. Our approach therefore has also been to undertake site specific viability assessments of those allocated sites where development has not yet commenced or where planning permission is yet to be obtained. We have therefore prepared specific viability assessments in relation to the sites at Table 3.8.

Table 3.8: Site Specific Viability Testing

Site	No Dwellings	Comments
HS2 – Heyhouses Lane, St Annes	310	Part commitment on undeveloped balance
MUS1 - Cropper Road East, Whitehills	372	Part commitment including employment uses
HS5 – Cropper Road West, Whitehills	422	Including new local centre

3.25 For each of the residential developments that we have tested, the net developable site area has been calculated at the respective density. We have then calculated the gross site area with reference to the formula agreed at the SHLAA Steering Group Meeting on 31 March 2015 which is reproduced in Table 3.9.

Table 3.9: SHLAA Gross/Net Site Area Calculation

Total Site Area	Net Developable Area
Less than 0.4 Ha	100% of gross area
0.4 ha to 4 Ha	80% of gross area
Sites over 4 Ha	65% of gross area

Form of Development Assumed for Testing

3.26 Having established the development areas for each site we have then adopted a typical housing mix and house size reflecting the development density. In order to inform this we have considered both the emerging Local Plan and also the evidence base documents that support this including the Strategic Housing Market Assessment. We have also undertaken an analysis of recent planning applications relating to residential development in Fylde. Table 3.10 provides a summary of the average housing mix and dwelling size, taken from this analysis.

Table 3.10: Summary of Mix and Dwelling Sizes from Planning Applications Analysis

	1 bed	2 bed	3 bed	4 bed	5 bed
% of mix	2%	20%	32%	43%	4%
Size (sq.m)	44	68	92	128	211
Size (sq.ft)	478	727	994	1,381	2,271

3.27 The analysis of the size of the 5 bed house types is however skewed by a number of houses in excess of 278 sq.m (3,000 sq.ft) at the Hastings Point development.

3.28 Similarly we have also considered the mix and size of new homes contained in recent planning applications for apartment developments. Table 3.11 provides a summary.

Table 3.11: Summary of Mix and Dwelling Sizes from Planning Applications Analysis for Apartments

	1 bed	2 bed	3 bed
% of mix	34%	52%	13.75%
Size (sq.m)	55	80	151
Size (sq.ft)	587	860	1,621

3.29 The Fylde Coast Strategic Housing Market Assessment (SHMA) 2014 identified at figure 7.22 (reproduced as Figure 3.1) the following in terms of the estimated size of properties required in Fylde. The SHMA identified a need for a larger number of smaller 1, 2 and 3 bed houses.

Figure 3.1: SHMA 2014 Dwelling Sizes and Mix

Migration Led 10 year Scenario					
Variant	**Less than 50 sq.m**	**50 – 69 sq.m**	**70 – 89 sq.m**	**90 – 109 sq.m**	**110 sq.m or more**
2008 SNHP	22%	30%	25%	10%	12%
2011 SNHP	17%	32%	30%	11%	10%
Average	19%	31%	28%	11%	11%

Employment Led (Oxford Economics) Scenario					
Variant	**Less than 50 sq.m**	**50 – 69 sq.m**	**70 – 89 sq.m**	**90 – 109 sq.m**	**110 sq.m or more**
2008 SNHP	19%	29%	26%	12%	15%
2011 SNHP	15%	29%	30%	12%	14%
Average	17%	29%	28%	12%	15%
Overall Average	18%	30%	28%	11%	13%

3.30 Policy H2 of the emerging Local Plan seeks to achieve a broad mix of houses types and sizes on all sites. In Lytham and St Annes, Kirkham, Wesham, Freckleton and Warton one, two and three bedroom homes are specifically noted as being required as part of the mix. Having regard to this need for a larger number of smaller dwellings we have slightly adjusted the mix obtained from analysed planning permissions with a slight increase in the number of 3 bed houses and a small reduction in the proportion of 4 bed homes.

3.31 In terms of the size of the dwellings that have been adopted for the purpose of our testing we have considered the analysis of recent planning applications and have also had regard to the Local Plan requirements at Policy GD7 that require new housing developments to meet the new National Space Standards.

3.32 Figure 3.2 is a reproduction of Table 1 taken from the National Space Standards and contains details of the minimum gross internal floor area requirements.

Figure 3.2: National Space Standards Minimum gross internal floor areas and storage sq.m

No of Beds (b)	No of Bed Spaces (persons)	1 storey dwellings (sq.m)	2 storey dwellings (sq.m)	3 storey dwellings (sq.m)	Built in storage
1b	1p	39 (37)²			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

3.33 For completeness we have also considered the latest dwelling completions data for Fylde over the period 2013/14. This is provided in Tables 3.12 and 3.13 and shows the number of dwellings completed with reference to the number of bedrooms.

Table 3.12: Housing Completions in Fylde 2013/14

	1b	2b	3b	4b	5b	Total
LA	12	29	16	39	0	96
NHBC	0	8	27	54	0	89
Total	**12**	**37**	**43**	**93**	**0**	**185**
%	**6.5%**	**20.0%**	**23.2%**	**50.3%**	**0.0%**	

Table 3.13: Apartments and Maisonettes Completions 2013/14

	1b	2b	3b	Total
LA	14	13	0	27
NHBC		11	0	11
Total	**14**	**24**	**0**	**38**
%	**36.8%**	**63.2%**	**0.0%**	

3.34 Having regard to these factors tables 3.14 – 3.17 contain details of the respective dwelling mixes and sizes that we have adopted for the purpose of our viability testing.

Table 3.14: Standard Housing Mix for Testing at 30 and 40 dph

No Beds	% mix	Size (sq.m)	Size (sq.ft)
1	5%	58	624
2	20%	75	807
3	35%	93	1,001
4	35%	116	1,250
5	5%	158	1,700

Table 3.15: 'Executive' Mix for Testing at 20 dph

No Beds	% mix	Size (sq.m)	Size (sq.ft)
2	15%	75	807
3	30%	102	1,100
4	55%	140	1,500
5	15%	185	2,000

Table 3.16: Standard Apartment Mix

No Beds	% mix	Size (sq.m)	Size (sq.ft)
1	35%	55	592
2	65%	75	807
3	0%		

Table 3.17: 'Executive' Apartment Mix

No Beds	% mix	Size (sq.m)	Size (sq.ft)
1	10%	55	592
2	75%	80	861
3	15%	95	1,023

3.35 For the purpose of undertaking viability testing of the three specific sites at table 3.8 we have adopted the standard housing mix at table 3.14.

3.36 Our viability testing including the provision of onsite affordable housing assumes that in accordance with Policy H4 affordable housing will be provided pro-rata across the 1, 2 and 3 bed house types.

Non-Residential Uses

Generic Testing

3.37 In preparing the non-residential development typologies to be tested, we have had regard to recent planning applications and discussed the forms of development that are likely to come forward during the Local Plan period with the Council. We have also considered the likely location of this future development.

3.38 In addition we have also had regard to the various evidence base studies that have been undertaken including:

- Employment Land Study (BE Group, 2012)
- Whitehills Development Appraisal Final Report (BE Group, 2013)
- Fylde Council Regeneration Framework (2010)

3.39 This has been supplemented by discussions with agents and developers in order to fully assess the type of non-residential development that is likely to be built during the anticipated lifetime of the Local Plan. Such discussions have further influenced the assumptions made in terms of the likely size and specification of the development typologies tested.

3.40 Based on planning policy documents, the Local Plan evidence base and discussions with Council Officers, we have considered development scenarios for the Borough based on retail, offices and industrial and for leisure related development including a hotel together with food and drink provision. In addition, we have considered the development of a car showroom and have also tested the viability of extra care accommodation, in addition to the development of a nursing home.

3.41 Table 3.18 below contains a summary of the non-residential developments that have been tested as part of the viability assessment.

3.42 In relation to the non-residential developments, we have had regard to parking requirements, circulation space and the provision of landscaping to arrive at typical forms of development for testing. In addition based on both our and WYG's experience, together with the consideration of previous similar forms of development in the Borough, we have analysed typical development footprints in comparison with site areas to form a view as to the ratio of built footprint compared to site area.

3.43 For the non-residential developments we have summarised the development scenarios, built areas and also the assumed site area for the development in Table 3.18.

Table 3.18: Summary of Non-Residential Development Site Areas

Development Type	Built Area (sq.m)	Built Area (sq.ft)	Land Area (sq.m)
Industrial B2/B8	464	5,000	705
Industrial B2/B8	1,857	20,000	2,767
Industrial B2/B8	4,643	50,000	9,744
Industrial B2/B8	9,287	100,000	19,437
Offices	464	5,000	559
Offices	929	10,000	1,108
Offices	1,857	20,000	2,200
Non-food Retail	279	3,000	287
Non-food Retail	929	10,000	1,922
Non-food Retail	2,786	30,000	5,719
Retail (Convenience)	279	3,000	657
Retail (Convenience)	929	10,000	2,310
Retail (Convenience)	2,786	30,000	6,881
Hotel	2,786	30,000	3,013
Food and Drink	464	5,000	1,723
Car Showroom	929	10,000	8,765
Nursing Home (50 Bed)	3,716	40,000	2,793
Extra Care Facility (90 Apartments)	8,361	90,000	4,651

Mixed Use and Non-Residential - Site Specific Testing

3.44 The Draft Local Plan contains a number of sites allocated for mixed use developments. On these sites it is anticipated that as well as new houses, new employment and other non-residential uses will be provided. **MUS1** - Cropper Road East, Whitehills has a part commitment for housing however the balance of the site would be suitable for a mixed use development comprising residential and employment. We have prepared an assessment of the viability of a mixed use scheme on this site comprising 226 new dwellings and 26,500 sq.m (285,245 sq.ft) of new employment development.

Local Plan Development Management Policies

3.45 For the generic and allocated sites that we have tested, table 3.19 contains a summary of the key polices that impact on viability and how these have been dealt with in our testing.

Table 3.19: Implications of Development Management Policies

Requirements	Viability Consideration	Policy
Compliance with National Technical Standards and National Space Standards for New Homes	WYG's construction cost assessments assume compliance with current building regulation requirements. The dwellings sizes that have been assumed for the purpose of our testing accord to the requirements of the National Space Standards.	GD7 – Achieving Good Design in Development H4 – Provision of Affordable Housing
Water Measures	The construction cost assessments prepared by WYG include a cost for surface water attenuation. In relation to the requirement for rainwater harvesting we have prepared a specific viability assessment including the cost of rainwater harvesting at £3,000 per dwelling. The form of development tested and in particular the inclusion of open spaces addresses the requirement for Sustainable Urban Drainage Systems, and the costs assessed by WYG make provision for all associated SUDs costs.	GD7 – Achieving Good Design in Development CL1 – Flood Alleviation, Water Quality and Water Efficiency CL2 – Surface Water Run-Off and Sustainable Drainage
Density and Mix of New Residential Development	We have undertaken testing based on the minimum density requirements of 30 dwellings per hectare net. In accordance with the policy higher densities at 40 dwellings per hectare net have also been considered, as well as apartments. We have assumed a broad mix of house types, and in particular have incorporated provision for 1, 2 and 3 bed house types in the typologies that have been tested.	H2 – Density, Mix and Design of New Residential Development
Elderly Provision	We have undertaken specific testing including an additional cost of £2,650 per dwelling for specific elderly adaptations to 20% of the homes within our viability assessments.	H2 – Density, Mix and Design of New Residential Development
Affordable Housing	Testing has been undertaken at the Policy compliant threshold of 30% affordable housing. In accordance with the emerging Policy we have assumed a target of 80% social rent with the balance intermediate.	H4 – Provision of Affordable Housing
Local Infrastructure Provision and Developer Contributions	Our appraisals are inclusive of S106 contributions. We have assumed contributions ranging from £5,000 to £10,000 per dwelling. We have also undertaken specific testing with a reduced S106 contribution having regard to a potential preliminary draft CIL charging schedule.	INF1 – Service Accessibility. INF2 – Developer Contributions.
Open Space Provision	The development typologies for each site reflect any relevant requirements for public open space, and therefore the construction cost assessments are reflective of this. In addition, we have undertaken specific viability testing inclusive of payments to the delivery and management of offsite provision included as part of a S106 payment.	GD7 – Achieving Good Design in Development ENV5 – Provision of Open Space (the Green Infrastructure network)

4.0 OVERVIEW OF FYLDE

4.1 The Borough of Fylde is located in the County of Lancashire in the North West of England. The Borough is situated in the Fylde Coast sub-region which also includes the neighbouring Authorities of Wyre to the north and east and Blackpool to the west. The Estuary of the River Ribble forms the southern Boundary of the Borough with the City of Preston, and the Borough of Wyre to the east.

4.2 The Fylde Coast sub-region stretches from the Ribble Estuary in the south to Morecambe Bay in the north and the moorlands of the Forest of Bowland Area of Outstanding Natural Beauty in the east. It covers 384 square km and is home to 327,400 residents.

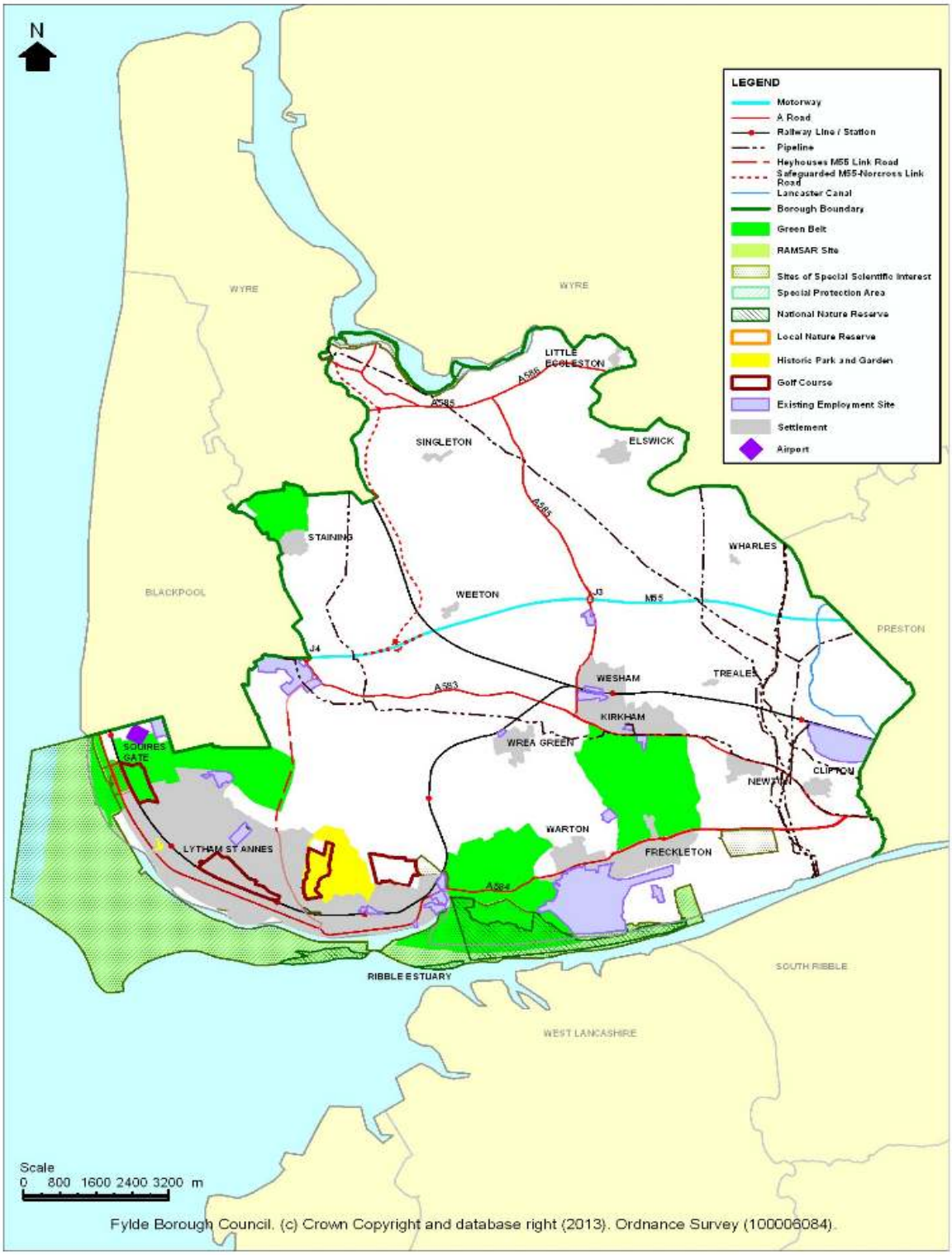
4.3 The main town centres (Key Service Centres) in the Borough of Fylde are St Annes, Lytham and Kirkham. St Annes is a traditional seaside resort and has a reputation as a quality destination. Lytham is a high quality destination with an attractive Victorian shopping centre and an expansive seafront. Kirkham is the Borough's market town.

4.4 There are a number of settlements, comprising Local Service Centres such as Warton and Tier 1 and Tier 2 Rural Settlements including Staining and Wrea Green. The surrounding countryside means that geographically a significant area of the borough is rural.

4.5 The Fylde Coast sub-region demonstrates a high level of self-containment in terms of housing markets, travel to work patterns and economic functionality, i.e. a single housing market and a single employment market. The Fylde Coast sub-regional housing market area is broadly determined by patterns of local migration and travel to work patterns. There are strong local connections within that part of the Fylde Coast sub-regional housing market area comprising Blackpool and west Fylde and Wyre. The remaining areas of Fylde relate to a wider rural housing market and eastern Fylde relates more strongly to Preston.

4.6 A map showing the boundaries of the Borough and the main settlements is provided as figure 4.1.

Figure 4.1: Map of Fylde



4.7 The economic functionality of the Fylde Coast is apparent through the strong travel to work patterns and employment with a shared tourism and cultural offer; regionally and nationally significant advanced manufacturing (at the Enterprise Zone at BAE Systems, Warton, together with nuclear processing at Westinghouse, Salwick); public sector administration and a shared infrastructure, the coastal tramway and strategic highway and rail networks.

4.8 The role of the Lancashire Advanced Engineering and Manufacturing Enterprise Zone at BAE Systems, Warton in relation to the 'Preston and Lancashire City Deal' has the potential to significantly improve the economic and physical connectivity of key employment and housing sites. This will in the future strengthen the linkages between the Fylde Coast sub-region and the City of Preston and to Central Lancashire generally.

4.9 Fylde Borough can be readily divided into local areas allowing for their individual characteristics to be addressed and managed. The emerging Local Plan recognises five broad areas, each containing individual distinctive settlements:

- Lytham and St Annes;
- Kirkham and Wesham;
- Freckleton and Warton;
- Fylde-Blackpool Periphery; and
- Rural Areas.

Property Market Overview

<u>Residential Market</u>

4.10 Following national trends, average house prices in Lancashire as a whole have declined from a high of £135,095 in December 2007 to a low of £101,450 in May 2014. The volume of transactions in the county has reduced from a high of around 2,400 per month in 2007 to a current average of 1,408 for May 2015.

4.11 Based on Land Registry data for July 2015, Table 4.1 indicates that in general house prices in Lancashire are below that of the regional and national averages. Table 4.1 shows that the average dwelling price in Lancashire in July 2015 was £106,884; slightly lower than the North West average of £114,064; however both are some way behind the national average of £183,861. Detached dwellings in Lancashire sold for an average price in July 2015 of £206,486, semi-detached dwellings an average of £110,982, whilst terraced dwellings sold for an average price of £62,215 and flats an average £82,739.

Table 4.1: Comparison of Average House Prices in Lancashire, the North West, and England and Wales (July 2015). Source: Land Registry

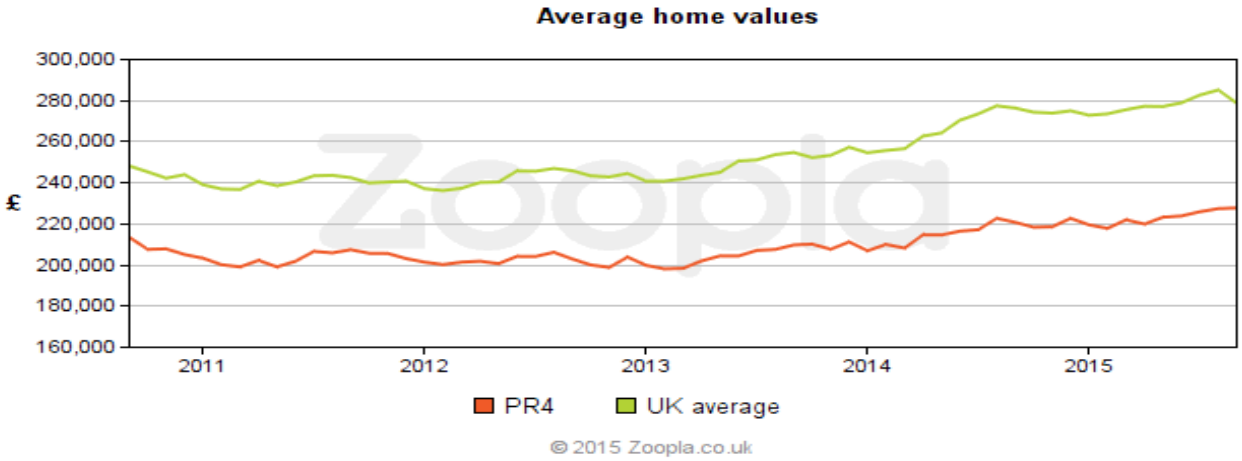
Area	Detached	Semi - Detached(£)	Terraced (£)	Maisonette/ Flat(£)	All (£)
Lancashire	£206,486	£110,982	£62,215	£82,739	£106,884
North West	£221,624	£116,361	£68,684	£108,329	£114,064
England & Wales	£287,351	£173,637	£139,474	£175,617	£183,861

4.12 The Land Registry does not produce average house price data specific to Fylde and to further inform an assessment of house prices in the Borough we have considered recent residential property market trends based on data taken from Rightmove and Zoopla. The Borough comprises four main postcode areas; PR4, FY8, FY3 and FY4. In addition two small parts of the Borough to the north are located in FY6 and PR3. We have considered house price data taken from the four main postcode areas.

4.13 Postcode Area PR4 – Kirkham, Freckleton, Warton, Wesham, Wrea Green, Weeton, Greenhalgh and Elswick

4.14 Figure 4.2 is a graph taken from Zoopla illustrating average property values across postcode area PR4 since 2011.

Figure 4.2: Average Property Values Across Postcode Area PR4 since 2011 (Zoopla)



4.15 The graph shows that over much of this period average house prices in PR4 have fluctuated at just over £200,000, however since mid-2014 there has been an increase in average prices to over £220,000. Average house prices in PR4 have been below the national average across the same period.

Table 4.2: Average Property Prices and Number of Sales in PR4 (September 2015-Rightmove)

Property Type	Month					
	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Detached	£283,175 (37)	£324,823 (27)	£247,287 (25)	£324,803 (15)	£292,207 (21)	£298,318 (38)
Semi-Detached	£175,798 (36)	£195,919 (13)	£156,550 (28)	£142,564 (26)	£162,084 (28)	£159,292 (24)
Terraced	£118,281 (10)	£142,000 (3)	£113,586 (11)	£124,227 (11)	£109,250 (10)	£113,750 (6)
Flat	£91,250 (2)	£75,250 (4)	£98,000 (1)	£97,000 (2)	£62,625 (2)	£52,500 (1)
All	**£213,782 (85)**	**£256,258 (47)**	**£183,277 (65)**	**£187,763 (54)**	**£194,958 (61)**	**£230,349 (69)**

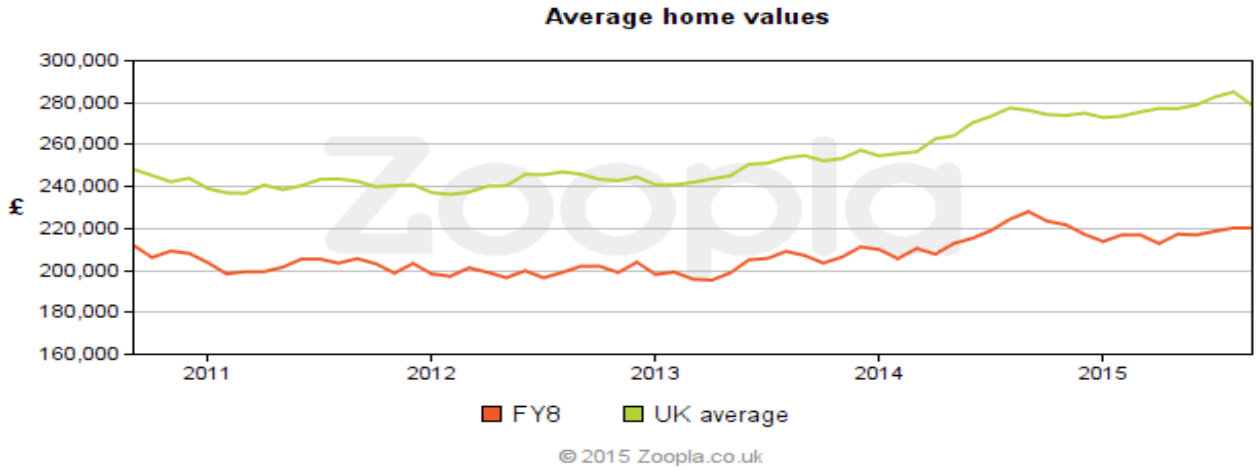
4.16 Table 4.2 contains data taken from Rightmove which shows sales in PR4 over the 6 month period from December 2014 to May 2015. The sales data is broken down by house type and in each case shows the number of transactions per month and the average price paid. In May 2015 38 transactions (55% of all transactions) related to detached houses, with an average price of £298,318. There were 24 sales of semi-detached properties with an average price paid of £159,292. Sales of terraced houses (6 transactions) and flats (1 transaction) were limited and comprised only 10% of the overall total. The average prices paid were £113,750 and £52,500 respectively.

4.17 The overall average price paid for a house in PR4 during May 2015 was £230,349. The data relates to all house sales, both new and second hand, and hence the prices paid are reflective of the character and condition of the houses that are sold.

Postcode Area FY8 – Lytham and St Annes

4.18 Figure 4.3 is a graph taken from Zoopla illustrating average property values across postcode area FY8 since 2011.

Figure 4.3: Average Property Values Across Postcode Area FY8 since 2011 (Zoopla)



4.19 The graph shows that over much of this period average house prices in FY8 have fluctuated at around £200,000, however since mid-2013 there has been an increase in average prices to over £220,000, with a high in autumn 2014 at just under £230,000. Since this time average prices have fallen again and currently stand at £220,000 for FY8. As in PR4 average house prices in FY8 have been below the national average across the same period.

Table 4.3: Average Property Prices and Number of Sales in FY8 (September 2015-Rightmove)

Property Type	Month					
	Dec-14	**Jan-15**	**Feb-15**	**Mar-15**	**Apr-15**	**May-15**
Detached	£249,953 (15)	£292,288 (13)	£297,620 (27)	£278,327 (13)	£234,163 (15)	£269,339 (9)
Semi-Detached	£192,691 (22)	£210,143 (14)	£168,914 (18)	£195,850 (20)	£190,125 (20)	£197,125 (22)
Terraced	£206,864 (11)	£166,708 (12)	£183,025 (12)	£167,424 (8)	£201,723 (11)	£261,200 (15)
Flat	£140,510 (29)	£160,371 (21)	£177,083 (18)	£157,457 (14)	£149,781 (16)	£155,932 (19)
All	**£186,218 (77)**	**£201,833 (60)**	**£219,466 (75)**	**£201,437 (55)**	**£192,425 (62)**	**£209,869 (65)**

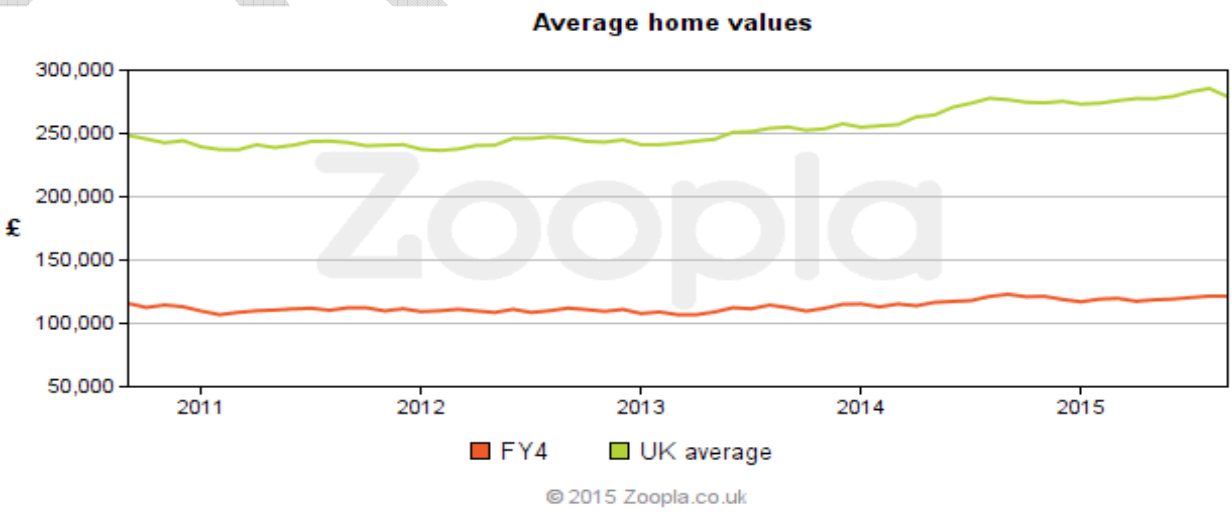
4.20 Table 4.3 contains data taken from Rightmove which shows sales in FY8 over the 6 month period from December 2014 to May 2015. The sales data is broken down by house type and in each case shows the number of transactions per month and the average price paid. In May 2015 only 9 transactions (14% of all transactions) related to detached houses, with an average price of £269,339. The majority of sales 34% related to semi-detached properties with an average price paid of £197,125. There were also a relatively high number of sales of terraced houses (23%) and flats (29%). The average prices paid were £261,200 and £155,932 respectively. This data illustrates the characteristics of the housing stock in this area with a high proportion of older character terraced properties and town houses situated around Lytham in particular as well as a significant number of sales of relatively high value sea front apartments.

4.21 The overall average price paid for a house in FY8 during May 2015 was £209,869 which is slightly below the average price paid for Postcode area PR4. The data relates to all house sales, both new and second hand, and hence the prices paid are reflective of the character and condition of the houses that are sold.

Postcode Area FY4 – St Annes North, Marton, Whitehills, and South Blackpool

4.22 Figure 4.4 is a graph taken from Zoopla illustrating average property values across postcode area FY4 since 2011. This postcode area also includes parts of south Blackpool.

Figure 4.4: Average Property Values Across Postcode Area FY4 since 2011 (Zoopla)



4.23 The graph shows that over this period average house prices in FY4 have fluctuated at around £115,000, however since mid-2013 there has been a steady increase in average prices to £125,000. As in PR4 and FY8 average house prices in FY4 have been below the national average across the same period.

Table 4.4: Average Property Prices and Number of Sales in FY4 (September 2015-Rightmove)

Property Type	Month					
	Dec-14	**Jan-15**	**Feb-15**	**Mar-15**	**Apr-15**	**May-15**
Detached	£191,589 (10)	£200,732 (6)	£197,833 (6)	£223,993 (9)	£187,743 (8)	£228,579 (5)
Semi-Detached	£125,886 (14)	£121,917 (18)	£127,577 (13)	£133,163 (15)	£124,403 (20)	£124,259 (17)
Terraced	£93,375 (20)	£87,213 (15)	£88,264 (17)	£84,397 (17)	£100,563 (16)	£82,250 (14)
Flat	£87,500 (4)	£45,000 (2)	£56,066 (5)	£0 (0)	£48,000 (2)	£74,667 (3)
All	**£122,829 (48)**	**£117,002 (41)**	**£112,837 (41)**	**£132,881 (41)**	**£123,804 (46)**	**£118,738 (39)**

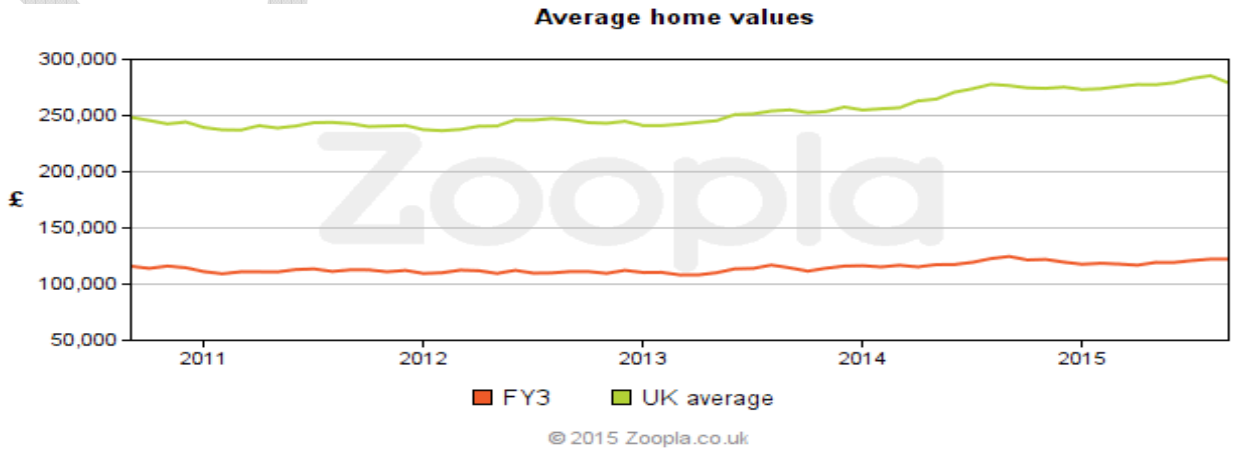
4.24 Table 4.4 contains data taken from Rightmove which shows sales in FY4 over the 6 month period from December 2014 to May 2015. The sales data is broken down by house type and in each case shows the number of transactions per month and the average price paid. In May 2015 only 5 transactions (13% of all transactions) related to detached houses, with an average price of £228,579. The majority of sales 44% related to semi-detached properties with an average price paid of £124,259. There were also a relatively high number of sales of terraced houses (36%), although few sales of flats (8%). The average prices paid were £82,850 and £74,667 respectively.

4.25 The overall average price paid for a house in FY4 during May 2015 was £118,738 which is well below the average prices paid for Postcode areas PR4 and FY8 however the postcode area does include a large proportion of south Blackpool and the data is reflective of the lower average house prices in this area. The data also relates to all house sales, both new and second hand, and hence the prices paid are reflective of the character, quality and condition of the houses that are sold.

Postcode Area FY3 – Staining and East Blackpool

4.26 Figure 4.5 is a graph taken from Zoopla illustrating average property values across postcode area FY3 since 2011. This postcode area also includes Staining but also a large part of east Blackpool.

Figure 4.5: Average Property Values Across Postcode Area FY3 since 2011 (Zoopla)



4.27 The graph shows that over this period average house prices in FY3 have fluctuated at around £115,000, however as in FY4 since mid-2013 there has been a steady increase in average prices to £125,000. As in the other postcode areas average house prices in FY3 have been below the national average across the same period.

Table 4.5: Average Property Prices and Number of Sales in FY3 (September 2015-Rightmove)

Property Type	Month					
	Dec-14	**Jan-15**	**Feb-15**	**Mar-15**	**Apr-15**	**May-15**
Detached	£299,970 (5)	£205,150 (6)	£246,980 (5)	£241,606 (8)	£269,738 (4)	£219,417 (9)
Semi-Detached	£103,188 (16)	£114,650 (10)	£107,500 (4)	£97,714 (7)	£124,150 (12)	£125,905 (11)
Terraced	£96,625 (8)	£81,064 (7)	£94,161 (9)	£83,463 (15)	£92,500 (10)	£86,677 (11)
Flat	£0 (0)	£0 (0)	£64,250 (2)	£79,500 (2)	£71,300 (5)	£69,667 (3)
All	**£135,305 (29)**	**£128,036 (23)**	**£132,042 (20)**	**£125,868 (32)**	**£124,201 (31)**	**£133,004 (34)**

4.28 Table 4.5 contains data taken from Rightmove which shows sales in FY3 over the 6 month period from December 2014 to May 2015. The sales data is broken down by house type and in each case shows the number of transactions per month and the average price paid. In May 2015 9 transactions (27% of all transactions) related to detached houses, with an average price of £219,417. The majority of sales 65% were either of semi-detached or terraced properties with an average price paid of £125,905 for semi-detached and £86,677 for terraced houses. There were fewer sales of flats (9%) at an average price of £69,997.

4.29 The overall average price paid for a house in FY3 during May 2015 was £133,004 which is above the average price paid in FY4 but well below the average prices paid for Postcode areas PR4 and FY8. Again the average price paid data for the postcode area does include a large proportion of Blackpool and the data is reflective of the lower average house prices in this area. The data also relates to all house sales, both new and second hand, and hence the prices paid are reflective of the character, quality and condition of the houses that are sold.

New Housing Developments

4.30 The data contained in the preceding paragraphs is helpful to an understanding of relative house prices in Fylde and also provides a useful insight into the characteristics of the types of houses in the Borough. It does however relate principally to re-sales of properties and hence will reflect the condition of those properties. To fully inform the study we need to understand the prices that are likely to be achieved for the sale of newly constructed dwellings. Therefore the best evidence of house prices for the purpose of the study comes from sales of new dwellings that have recently taken place in the Borough.

4.31 Over the last few years as some confidence has returned to the housing market a number of new housing developments have commenced in the Borough of Fylde. Some of these developments are now complete and all houses have been sold, whilst others are part way through development and some have only just started.

4.32 To inform our study evidence base we have undertaken an analysis of sales prices (taken from Land Registry) for these newly built housing developments in Fylde. Appendix 1 contains an overview of the research that we have undertaken in relation to the sales and current asking prices for dwellings on these various developments.

4.33 Table 4.6 contains a summary analysis of each of the newly built developments we have considered in preparing our evidence base. For completeness we have also included table 4.7 which is a summary of housing developments that are under construction but where no sales are yet recorded at Land Registry.

Table 4.6: Summary of New Residential Developments

Scheme	Location	Developer	Ave Price per sq.m (per sq.ft)	Asking Price Range per sq.m (per sq.ft)	Comments
The Fieldings	Wrea Green	Wainhomes	£2,648 (£246)	£2,110 to £2,734 (£196 to £254)	Development of 54 dwellings on the edge of Village. Predominantly 3, 4 and 5 bed detached houses.
The Laurels	Weeton	Jones Homes	£2,465 (£229)	£2,411 to £2,540 (£224 to £236)	Development of 16 dwellings within the village. 4 and 5 bed detached houses with 2 pairs of 3 bed semis.
Clifden View	St Annes	Morris Homes	£2,443 (£227)	£2,454 to £2,530 (£228 to £235)	Part of a large, new mixed use development on the eastern edge of St Annes. Comprises 3 and 4 bed detached, semi and town houses. Development includes a new Booths supermarket and pub/restaurant.
Lytham Quays (Apartments)	Lytham	Redrow	£2,400 (£223)		Completed development on the seafront/former dock industrial estate in Lytham. Apartments are now completed and sold and comprise some dwellings with sea views.
Lytham Quays (Houses)	Lytham	Redrow	£2,357 (£219)		Completed development on the seafront/former dock industrial estate in Lytham. Houses comprise a mix of 3 and 4 bed detached, semi and terraced house types.
Hastings Point	Lytham	Kensington Developments	£2,303 (£214)		The Development is completed and is located on the edge of Lytham Town Centre and is 25 homes. The dwellings are principally large 4 and 5 bed detached houses with a smaller number of large 3 bed town houses.
Whitehill Meadows	Whitehills	Redrow	£2,217 (£206)	£2,174 to £2,250 (£202 to £209)	A completed development at Whitehills opposite to the Business Park and close to the M55. The development comprises 63 homes which are predominantly 4 bed detached houses with a smaller number of 2 and 3 bed semi-detached and terraced houses.

Scheme	Location	Developer	Ave Price per sq.m (per sq.ft)	Asking Price Range per sq.m (per sq.ft)	Comments
The Willows	Greenhalgh	Kingswood Homes	£2,196 (£204)		A recently completed development of 14no. 3, 4, and 5 bed homes in the settlement of Greenhalgh, just off the main A585 Fleetwood Road. The development is on the site of a former pub.
Oakwood	Wesham	Applethwaite Group	£2,185 (£203)	£2,164 to £2,379 (£201 to £221)	A development of 24no. 3 and 4 bed detached homes on the site of the former Council offices in Wesham.
The Heathers (Phase 1)	Staining	Jones Homes	£2,174 (£202)		Phase 1 of this development has been completed and comprises 30 homes. It is located within the village. The dwellings are predominantly 4 bed detached homes with a number of 2 and 3 bed semi-detached and terraced homes.
Highgate Park	Warton	Barratt	£2,164 (£201)	£1,894 to £2,368 (£176 to £220)	The developer has just commenced development of phase 1 to the east of BAE systems at Warton. The completed development will be 258 homes comprising 2, 3 and 4 bed detached, semi-detached and terraced homes.
Pastures	Wesham	Rowland Homes	£2,099 - £2,153 (£195 - £200)	£2,121 to £2,454 (£197 to £228)	This is a development of 100 new dwellings, predominantly 3 and 4 bed detached homes on a greenfield site on the northern edge of the settlement of Wesham. The sale price noted is the range of average net sale prices achieved provided the developer directly.
Meadows View	Warton	Taylor Wimpey	£2,077 (£193)		This is a completed development of 66 homes with the built-up area of Wesham. The development is a mix of 3 and 4 bed houses with a small number of 2 bed homes.
Westfield Point	Whitehills	Kensington Developments	£1,798 (£167)		This development is currently nearing completion and is situated close to the Business Park and M55 junction. The development is 36 homes which are a mix of 3 and 4 bed houses.

Table 4.7: Summary of Recently Commenced Residential Developments

Scheme	Location	Developer	Current Asking Price Range per sq.m (per sq.ft)	Comments
The Heathers (Phase 2)	Staining	Jones Homes	£2,239 to £2,465 (£208 to £229)	Phase 2 of the development comprising 42 no 2, 3, 4 and 5 bed homes.
Marton Meadows	Whitehills	Wainhomes		Greenfield site close to the business park. Development has just commenced and will comprise 145 homes.
Coastal Dunes (Phase 1)	St Annes	Persimmon	£1,927 to £2,260 (£179 to £210)	The first phase of the redevelopment of the former Pontins Holiday Park on the northern edge of St Annes close to the Airport and the boundary with Blackpool.
Brookwood Park	Kirkham	Story Homes	£2,207 to £2,422 (£205 to £225)	The development of a greenfield site to the west of Kirkham. Development has recently commenced and the scheme will provide 117 homes predominantly 3 and 4 bed detached and semi-detached homes, with a small number of 2 and 5 bed homes.
Rickersby Grange	Wrea Green	Redrow	£2,896 to £3,057 (£269 to £284)	This development has recently commenced and on completion will comprise 42 homes, predominantly 4 bed detached homes. The development is in an excellent position close to the centre of the village.
Orchard Meadows	Elswick	Baxter Homes	£1,938 to £2,390 (£180 to £222)	This is a redevelopment of a former industrial estate in the centre of the village. It is a small development of only 9no 3 and 4 bed homes.
Riverslea	Warton	Prospect Homes		This is a development of 76 new homes on a greenfield site to the west of Warton. The development will be mainly 3 and 4 bed homes.
Strike Lane	Freckleton	Tysons		This is a development of 7 4 bed detached homes on the northern edge of Freckleton.

Commercial Market

Overview

4.34 According to the Office of National Statistics the UK Economy grew by 0.7% in Q2 2015, increasing from 0.4% in Q1 2015. The UK Economy has therefore expanded by around 2.6% over the past 12 months, and the Government's Office for Budget Responsibility (within their Economic and Fiscal Outlook – March 2015) forecast future economic growth of 2.5% per annum in 2015 and 2.3% per annum in 2016 respectively. Recent economic growth figures suggest that the UK Economy is growing at the fastest rate since 2007.

4.35 On a regional basis the Royal Bank of Scotland within their 'Regional Growth Tracker' state that the North West economy is growing at a faster rate relative to the UK national average at around 3.1% per annum.

4.36 The recent economic recovery has impacted on different forms of commercial property in different ways, with some sectors appearing to recover more quickly than others. We have provided a brief overview of the different property market sectors relevant to Fylde on a North West Regional Basis to provide a greater degree of context, before providing a more focused commentary in relation to stock and transactions within the Borough.

Offices

4.37 Manchester and Liverpool dominate the supply of inner city office accommodation in the North West. GVA Billfinger within their 'The Big Nine – Regional Office Market Review Q1 2015' suggest that the Manchester Office Market remains buoyant with take-up of 29,540 sq.m (317,698 sq.ft) in Q1 2015 against a five-year quarterly average of 24,090 sq.m (259,323 sq.ft) and prime rents of £345 per sq.m (£32 per sq.ft). The Liverpool market has fared relatively poorly with take up at 1,858 sq.m (20,000 sq.ft) in Q1 2015, significantly below the 5-year quarterly average at around 6,130 sq.m (66,000 sq.ft). Prime rents remain stable at £226 per sq.m (£21 per sq.ft). Allowing for rent free periods and incentives prime rents in Liverpool remained stable at around £175 per sq.m (£16.28 per sq.ft) between Q1 2014 and Q1 2015, although in Manchester rents have marginally increased from £246 per sq.m to £273 per sq.m (£22.86 per sq.ft to £25.33 per sq.ft) when assessed on the same basis.

4.38 Whilst Preston and to a lesser extent Blackpool dominate the more localised Central Lancashire office market, there are significant concentrations of out-of-town development in Fylde such as the stock located at the Whitehills Business Park and at Squires Gate. Small concentrations of town centre stock also exist within Lytham and St Anne town centres.

4.39 Asking rents for modern offices in Fylde are at around £108 per sq.m (£10 per sq.ft). The modern office units at Olympic Park, Whitehills developed in around 2008 have been marketed to let at around £97 per sq.m (£9 per sq.ft). Offices at Plumpton Close (located off Peel Court) also at the Whitehills Business Park, of between 93 and 232 sq.m (1,000 and 2,500 sq.ft) have recently been let off asking rents of between £90 per sq.m and £130 per sq.m (£8.40 and £12 per sq.ft). We are aware that modern office accommodation at St George's Park in Kirkham of between 70 and 93 sq.m (750 and 1,000 sq.ft) has recently let off asking rents of £108 per sq.m (£10 per sq.ft).

4.40 In addition to the above, RSI 64 Ltd recently took a lease of 409 per sq.m (4,400 sq.ft) of accommodation at Avroe Court (towards the rear of Blackpool Retail Park on the Squires Gate Industrial Estate) at a rent equating to £103 per sq.m (£9.55 per sq.ft). Each of the above transactions suggests that modern units let at around £108 per sq.m (£10 per sq.ft) across a range of suite sizes and across different locations within the Borough.

4.41 In respect of freehold transactions involving offices, we are aware that FSB Recruitment acquired Lancaster House (located towards the rear of Blackpool Retail Park on the Squires Gate Industrial Estate). Lancaster House is a modern two storey block built in 2000 and extending to 485 sq.m (5,210 sq.ft). It was sold for £492,000 in January 2014 which equates to a price of around £1,023 per sq.m (£95 per sq.ft). Other units have sold at reduced values relative to Lancaster House, including Units 5/6 at Croft Court, Whitehills which sold in February 2012. The offices extended to 422 sq.m (4,545 sq.ft) and sold for £249,000, which equates to a value of around £592 sq.m (£55 per sq.ft).

4.42 Offices at the Pavilions at Avroe Crescent close to Blackpool Airport have sold at prices equating to £540 and £755 per sq.m (£50 and £70 per sq.ft) respectively for units of 232 and 325 sq.m (2,500 and 3,500 sq.ft). These are single storey units and were erected in 2003.

Industrial

4.43 Jones Lang LaSalle ('JLL') within their 'UK Industrial Property Trends Today' report dated March 2014 state that industrial take up in the North West amounted to 1.07 m sq.m (11.5m sq.ft) in 2013 split between 740,000 sq.m (8m sq.ft) for units of between 929 and 9,290 sq.m (1,000 and 99,999 sq.ft) and 325,000 sq.m (3.5m sq.ft) for units over 9,290 sq.m (100,000 sq.ft).

4.44 There remained around 5.16m sq. m (54m sq.ft) of industrial accommodation available in the North West, which partly reflects the post-industrial heritage and mismatch between modern business requirements and the older stock on offer in often poor locations in the region. Partly as a result of the above, prime industrial rents in Liverpool lag behind those in Manchester and Warrington. JLL state that headline rents remain at around £54 per sq.m (£5 per sq.ft) for industrial accommodation in the North West.

4.45 There is evidence that rents in Fylde for smaller unit sizes are above £54 per sq.m (£5 per sq.ft), as units at Apollo Court (a new build development off Hallam Way at Whitehills Business Park) have achieved rents at around £70 per sq.m (£6.50 per sq.ft) for units of between 74 sq.m (800 sq.ft) and 465 sq.m (5,000 sq.ft). Available units are currently being marketed at around £71 per sq.m (£6.60 per sq.ft). In addition, recent lettings of modern units such as at Site C1 on Barrow Close (off Boardmans Way towards the north of the Whitehills Business Park) to Ecell Global 322 sq.m at £59 per sq.m (3,466 sq.ft at £5.50 per sq.ft) and to Ameon 861 sq.m at £59 per sq.m (9,629 sq.ft at £5.50 per sq.ft) indicate that units of up to 929 sq.m (10,000 sq.ft) have let at rents of above £54 per sq.m (£5 per sq.ft).

4.46 The majority of current stock in Fylde comprises units below 1,858 sq.m (20,000 sq.ft), and as such there are no reported transactions involving larger modern industrial stock on the whole Fylde peninsular (including accommodation at Blackpool and Wyre). We have used our knowledge of transactions involving larger accommodation types in the wider Lancashire and North West Industrial Markets for our testing.

4.47 Following the financial crisis and ensuing recession very little industrial space has been developed in Fylde (and indeed the North West) in recent years. Notwithstanding this, development at Omega in Warrington, Logistics North in Bolton and the continued expansion of the Kingsway Business Park in Rochdale are indicative of increased development activity, with a particular focus on the delivery of larger logistical accommodation in strategically important locations.

4.48 Larger industrial accommodation may come forward in the Borough, although it is likely to comprise accommodation built for a specific purpose. The key settlements in the Borough are located towards the end of the Fylde peninsular or away from the M55 corridor. It is therefore considered unlikely that larger accommodation be developed as a 'regional hub' for logistical operations in the North West due to the remoteness relative to the M6 and the cities of Liverpool and Manchester.

Retail

4.49 Colliers International within their 'GB Retail Report' published in autumn 2014 state that the *'seemingly inexorable slide in prime retail rental levels outside of London appears to be coming to an end'*.

4.50 Reduced consumer expenditure resulting from a real fall in wages as inflation remained above the rate of economic growth has hit high street retailers hard, and over the past 5 years popular high street stores including JJB Sports, Jessops, Woolworths, Blockbuster, Comet and La Senza have entered into receivership, whilst others including HMV and Peacocks have been bought out of administration and continue to operate on a reduced basis.

4.51 Colliers report that since 2010 on a national basis prime town centre rents witnessed three consecutive years of rental decline, and whilst this decline appears to be slowing down (with prime rents in the North West averaging £937 per sq.m (£87 per sq.ft) ITZA in June 2014 relative to £947 per sq.m (£88 per sq.ft) ITZA 12 months previously), Colliers report that prime rents in the North West are still 19% below where they were in 2008.

4.52 Recent lettings within Lytham, St Annes and Kirkham have taken place at rents of between£54 per sq.m and £484 per sq.m (£5 per sq.ft and £45 per sq.ft) based on the overall sales area, depending principally on the size and character of the accommodation and footfall. The higher rental figures have been achieved by kiosk type premises on High Street locations, and smaller units fronting onto Clifton Street (in Lytham) or St Annes Road West (in St Annes) or Poulton Street (in Kirkham). Evidence of individual lettings in town centre locations (in Lytham, St Annes, Kirkham) is provided in Appendix 1.

4.53 At the time of writing, UK supermarkets appear to be entering a period of uncertainty regarding new store formats with increased online sales and the success of smaller convenience units. In recent years, both Tesco and Sainsbury's appear to have been moving away from larger store formats above 4,654 sq.m (50,000 sq.ft) and focusing on their Express and Local store ranges which are generally between 186 and 465 sq.m (2,000 and 5,000 sq.ft), although over the course of the last 6 months both Tesco and Morrisons have issued a moratorium in respect of all new store development across the UK, inclusive of smaller stores.

4.54 Rents on medium sized new build supermarket units for Aldi in the wider North West have been at between £97 and £150 per sq.m (£9 and £14 per sq.ft) across the North West (for units of c.15,000 sq.ft). Rents of between £108 and £162 per sq.m (£10 and £15 per sq.ft) have been achieved based on the samples of units which have come forward to auction over the course of the past 2 years.

4.55 Recently completed larger format supermarkets have tended pay slightly more rent. For example, Booths' new supermarket on Heyhouses Lane in St Annes will pay a rent of £697,698 per annum, which equates to £210 per sq.m (£19.53 per sq.ft) based on the size of the unit at 3,319 sq.m (35,725 sq.ft). There have been relatively few lettings involving newly built stores due to the reduction in new supply being developed. Tesco have recently opened a new 2,741 sq.m (29,500 sq.ft) unit at Little Lever in Crossley in Bolton. According to CoStar this store is let at a rent of £413,000 per annum, which equates to a rent of £151 per sq.m (£14 per sq.ft).

4.56 Transactions involving Tesco units have typically traded at net initial yields of between 4.5% and 6%, whilst a number of historic transactions involving Sainsbury's stores are between 4.5% and 5%. Sales of Aldi stores units have transacted at yields of between 5.4% and 7.6%.

4.57 In respect of retail warehouse accommodation, there are relatively few units located in the Borough although both Blackpool Retail Park and the Clifton Retail Park are located in close proximity to Fylde. Recent lettings to Poundland and Dunelm at the Blackpool Retail Park have been at rents of £221 per sq.m (£20.50 per sq.ft) and £182 per sq.m (£16.90 per sq.ft) for units of 818 and 1,966 sq.m (8,800 and 21,160 sq.ft) respectively. In respect of slightly larger retail warehouse units (incorporating Bulky Goods), we understand that Moor Park Capital Partners acquired Wickes for £3,900,000 in May 2013, equating to a capital value of £1,485 per sq.m (£138 per sq.ft) (and based on a net initial yield of 8.50%) based on an area of 2,626 sq.m (28,271 sq.ft).

Leisure

4.58 The rents and yields achievable in respect of leisure accommodation are extremely diverse, reflecting accessibility, foot fall and location. For example, rental levels in Central Liverpool and Manchester for A3 uses are reported to currently be above £538 per sq.m (£50 per sq.ft) per annum (at Liverpool One and the Printworks/Triangle in Manchester). Notwithstanding this, having regard to the characteristics of Fylde it is anticipated that food and drink accommodation will typically comprise new 'out of town' provision within accessible locations, or forming parts of new leisure developments. From our experience, we are aware that pub operators in the North West will pay rents ranging between £180 per sq.m and £226 per sq.m (£17.50 and £21 per sq.ft) for new build premises. We are aware that such premises have been acquired on the basis of yields at 6%.

4.59 Fast food operators (such as McDonalds and Kentucky Fried Chicken) and restaurant operators (including Nando's, Pizza Hut, Frankie and Benny's) typically achieve rents in excess of public houses, generally around £215 per sq.m (£20 per sq.ft) in out of town locations. Key comparable transactions that are listed within Appendix 1 include the passing rents at the McDonalds and Frankie and Benny's units at the Festival Leisure Park in Blackpool which were both let at rents of between £205 and £215 per sq.m (£19 and £20 per sq.ft), together with other sales and lettings further afield in the North West.

Other Uses

4.60 In determining the appropriate rents and yields in respect of the above, and to the remaining Leisure Uses and Sui Generis accommodation assessed, we have had regard to the comparable evidence presented within Appendix 1.

5.0 FINANCIAL APPRAISAL ASSUMPTIONS

5.1 In this section, we have outlined the assumptions that have been adopted in our financial appraisals, in relation to the Residential and Non-Residential Development Scenarios, and also used within our Site Specific Testing.

Base Input Land Cost

5.2 Land value is difficult to assess for a number of reasons. Firstly, development land value is an utterly derived value, with land being bought as a factor of production in the course of development. The price is generally determined by the development potential of the site. Secondly, the comparison of land value in terms of prices paid for sites is extremely difficult because of the large number of site specific variables that will impact upon the price paid. For example, the amount of remediation or other abnormal costs are likely to differ from site to site. Hence, any evidence of land transactions needs to be treated with a degree of subjectivity as adjustments may be necessary for factors such as abnormal site conditions, contamination and development density.

5.3 The National Planning Policy Framework states that viability should consider *"competitive returns to a willing landowner and willing developer to enable the development to be deliverable."*

5.4 Paragraph: 015 of the Planning Practice Guidance notes that:-

'A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.'

5.5 Building on this approach, the document 'Viability Testing in Local Plans' advocates the use of 'threshold land value'. This should represent the value at which a typical willing landowner is likely to release land for development, before the payment of taxes. The guidance suggests that threshold land value needs to take account of the fact that future plan Policy requirements will have an impact on land values and landowner expectations, and therefore using a market value approach as a starting point carries the risk of building in assumptions of current Policy costs rather than helping to inform the potential for future Policy. As a result it suggests that market values can be a useful 'sense check' and suggests that the threshold land value is based on a premium over current use values and credible alternative use values. The latter would be most appropriate where there is competition for land among a range of alternative uses such as in town centres.

5.6 The RICS Guidance Note 'Financial Viability in Planning' explains that for a development to be financially viable, any uplift from the current use value of land that arises when planning permission is granted should be able to meet the cost of planning obligations, whilst at the same time, ensuring an appropriate site value for the land owner and a risk adjusted return to the developer for delivering the project. The return to the land owner will be in the form of a land value increase in excess of current use value. The land value will be based on market value which will be risk adjusted, so it will normally be less than current market prices for development land on which planning permission has been secured and planning obligation requirements are known. The guidance note recognises that the market value will be by definition at a level at which the landowner would be willing to sell.

5.7 In arriving at our assessments of land values in Fylde, we have had regard to available transactional evidence both in Fylde, and also in the wider North West area where relevant and similar market conditions exist. We have undertaken research using Land Registry data and other databases such as EGi and CoStar. We have also had regard to Valuation Office Property Market Surveys (albeit these are now fairly out-dated, which has been reflected in the weighting that we have given to such studies). We have provided at Appendix 1 details of land transactions that we have considered across all categories of land use.

Residential Land Values

5.8 The future residential development sites within the Borough are likely to be either previously developed sites, or greenfield sites located immediately adjacent or close to the existing settlements in the Borough. Having regard to the characteristics of Fylde, a typical settlement area site will have been previously developed and most likely would have been in previous residential or commercial use. This is reflective of both the residential allocations within the Local Plan, and also the sites which constitute the current iteration of the SHLAA.

5.9 Having regard to the likely characteristics of development within the Borough, we have identified a number of possible development scenarios on both previously developed and greenfield sites. We have had regard to these classifications for the purpose of our testing.

5.10 In arriving at a market value for previously developed land in this case, both the land owner and the developer would have regard to a site's current use value, albeit a landowner would be seeking uplift in value above this level. Conversely, a developer would be reluctant to pay a full residential value for the site, having regard to the risk and cost involved in obtaining planning consent and the likely policy contributions being sought by the Council. In arriving at an assessment of market value for these purposes it is therefore necessary to have regard to both evidence of current use values as well as evidence from sites with residential planning permissions and then make reasonable adjustments to reflect factors such as the land owner's aspirations, the developer's concerns, risks inherent in the development process, and potential planning obligations.

5.11 Within Fylde we would expect current values for previously developed land in the settlements areas with extant planning consents for commercial development to be in the range of £370,000 per hectare (£150,000 per acre) to £618,000 per hectare (£250,000 per acre). The definition of viability in the context of planning recognises the issue of a landowner receiving an appropriate site value, which whilst being less than full residential value is likely to be higher than current use value. Having regard to this we have considered the level of site value at which a landowner is likely to release a site for development in the towns and settlement areas. This will also be influenced by the supply of competing residential development sites available in the area. A large number of sites will have a limiting effect on value, and conversely a limited number of sites is likely to increase the landowners' expectations of a value uplift.

5.12 The landowner in making a decision regarding site value will also have regard to the likely houses prices in the area and inevitably those in higher value areas will be seeking a greater site value than those in lower house price areas.

5.13 Having regard to these factors we have considered the range of land values based on the likely revenues that residential developments would be expected to achieve across the Borough and the availability of land for development. In the circumstances we believe that it is reasonable to assume a land input cost for Previously Developed land to be in the region of £1,110,000 per hectare (£450,000 per acre) for the highest value area in the Borough and a figure of £864,500 per hectare (£350,000 per acre) for the lowest value locations. We have also acknowledged that for the largest sites there is likely to be a quantum discount applied to the sites, and hence to reflect this have reduced these figures by 20%.

5.14 In order to deliver the growth proposed in the emerging Local Plan, it is likely that some large greenfield development sites on the edge of the existing built-up areas for example at Warton and Whitehills, will need to be developed over the Local Plan period.

5.15 At the present time, these sites will normally be used for agricultural and grazing purposes or informal open space with site values on this basis typically in the region of £25,000 - £50,000 per hectare (£10,000 - £20,000 per acre) or less. It is probable that a number of such sites have had development expectations, since they are at the edge of or within the settlement area and in some cases may already be subject to option agreements. Naturally, any land owner is unlikely to sell such sites for that level of value and clearly a land owner will be seeking an uplift in value if they are to consider releasing the site for development.

5.16 With reference to the RICS guidance and that from the Housing Delivery Group, it would be inappropriate to assume land values based on sites with full residential planning permission, and in reality the site value for viability purposes will lie somewhere between this and current value. In addition many greenfield sites may require significant initial expenditure on services and infrastructure to enable them to be developed for residential purposes. We believe that for greenfield locations it would be reasonable to assume land input cost in the region of £494,000 per hectare (£200,000 per acre) to £618,000 per hectare (£250,000 per acre) dependent on site size and location as being the level at which a landowner would consider releasing a site for development in the first instance.

5.17 The Framework requires local authorities to provide a buffer of 5% or 20% in relation to their supply of sites to ensure choice and competition in the market for land. This is intended to ensure that the landowner will have to compete in the market to sell their site so will have to competitively price it to sell albeit will still want a return in excess of its current or alternative use value. If a landowner has unrealistic expectations of value, then the theory is that developers will then just acquire a more competitively priced site elsewhere and the overpriced site will remain undeveloped. Having regard to the above, Table 5.1 below provides a summary of the ranges of base input land costs that we have adopted our viability testing:

Table 5.1: Residential Land Value Assumptions

	Previously Developed Land		Greenfield	
	(£ per Ha)	(£/acre)	(£/Ha)	(£/acre)
Highest Value Area	1,110,000	450,000	618,000	250,000
Lowest Value Area	864,500	350,000	494,000	200,000

5.18 We have made an adjustment to the input land cost for the smaller greenfield sites and the larger sites on previously developed land of +/- 20% from the base figures.

5.19 As a sense check we have also considered residential land sales based on the available evidence. From the sales listed at Appendix 1 it is clear that there is a significant range of prices that have been paid for land with residential planning permission reflecting the differing characteristics of the development site, the landowner's expectations and the existing planning policy requirements. From the analysis that we have been able to undertake based on the available evidence, the prices paid for land with residential planning permission range from £610,000 per net hectare (£247,000 per net acre) to £1,763,000 per net hectare (£713,800 per net acre). The prices paid per gross area range from £475,000 per hectare (£192,000 per acre) to £1,675,000 per hectare (£678,000 per acre). As previously noted these values can only provide guidance in relation to the subject viability testing as these sales will include the pre-existing policy requirements and as a consequence are not directly comparable for this exercise.

Non-Residential Land Values

5.20 Over the last few years, there have been limited land sales in Fylde as a result of limited development activity in the commercial development sector. Having regard to this, considered adjustments have been made in order to reach land values based on both the reported transactional evidence and our market experience within the area.

5.21 Potential commercial development sites are most likely to be vacant Previously Developed Land, opportunity sites within or adjacent to existing industrial areas, or alternatively the extension of current industrial areas into the surrounding greenfield areas.

5.22 In arriving at our assessment of market value, current use values have been considered and allowances made to reflect both the land owner's aspirations and the developer's concerns. The specific characteristics of each form of development have been taken into account. For example, larger consolidated plots in highly accessible locations are likely to command a premium given their suitability for supermarket development or for retail warehouse development. Similarly, car showrooms are likely to locate away from the town centre in highly accessible locations (and therefore pay a premium in excess of a normal industrial site), as would restaurants/public houses.

5.23 Table 5.2 below provides a summary of the base input land values for non-residential uses that we have adopted, together with an explanation of the differences.

Table 5.2: Commercial Land Value Assumptions

Type	Land Value (price/ha)	Land Value (price/ acre)	Rationale
Industrial (B1b, B1c, B2, B8)	£250,000	£100,000	Located outside of Town Centre locations. Use requires fairly accessible location, although does not usually require significant frontage.
Office (A2, B1a)	£370,000	£150,000	Office land values can differ significantly depending on whether site is in town centre of periphery. Assumed lower land value to test viability in this instance. Accessible location with frontage required.
Convenience Retail (all sizes, all areas)	£1,235,000 to £2,470,000	£500,000 to £1,000,000	Use requires highly accessible location in close proximity to key public transport interchanges or main arterial routes. Requires significant plot sizes. Competition for land from other uses. Larger sites tend to transact at a premium due to competition and site assembly costs, therefore values towards the upper end of the range have been used for larger format stores and towards the lower end for smaller format stores.
Comparison Retail (all sizes, all areas)	£1,235,000 to £2,470,000	£500,000 to £1,000,000	Use requires highly accessible location in close proximity to key public transport interchanges or main arterial routes. Requires significant plot sizes. Competition for land from other uses. Larger sites tend to transact at a premium due to competition and site assembly costs, therefore values towards the upper end of the range have been used for larger format stores and towards the lower end for smaller format stores.
Car Showroom/ Hotel Uses	£740,000	£300,000	Located outside of Town Centre within close proximity to existing leisure/retail provisions. Use requires fairly accessible location which is preferably located within close proximity to key public transport interchanges or main arterial routes.
Extra Care Accommodation/ Nursing Home	£1,110,000	£450,000	It is anticipated that Values for Extra Care Accommodation /Nursing Home Accommodation are similar to residential land values. Adopted values in line with higher value residential areas within the Borough.

Acquisition Costs

5.24 In addition to the land values detailed above, we have also assumed land acquisition costs based on 1% of purchase price for agent's fees and legal fees at 0.75%. This is in line with normal market practice and rates. We have also assumed payment of stamp duty in accordance with HMRC thresholds and rates.

Timing of Land Acquisition

5.25 Our viability appraisals assume that the land is acquired on day 1 of the development programme and hence the purchase carries finance costs from the outset. For most of the small allocations considered this would be usual practice. However, it should be noted that for the larger residential developments above 50 units it would be unusual for a developer to acquire the entirety of such large sites from day 1. A large development site would normally be the subject of a phased acquisition programme, with the land only being drawn down by the developer as required. As a result, land acquisition costs are more likely to be phased over the development period and so the cost of finance would be reduced with a corresponding increase in the amount of development surplus. Whilst each development will depend on its own circumstances inevitably a landowner would expect and accept a phased draw down of land from a developer. Hence for the purposes of our assessments the landowner is benefitting from the entire land receipt at the outset.

Residential Appraisal Assumptions

Development Programme

5.26 In our experience a developer would seek to construct and sell around 30-40 dwellings per annum. For the purpose of the assessments we have assumed an average sales rate for each site of between 2 and 5 per month, depending on the size of the development, with the first sales typically taking place 9 months after a start on site.

5.27 Sales rates tend to increase in respect of larger sites as developers seek to 'double up' and develop out a site in tandem. This may take the form of affiliated developers (such as Barratt and David Wilson Homes) or separate house builders. We have factored this into the sales rates assumed within the testing parameters for the larger sites.

Sales Values

Market Housing

5.28 Having regard to the market commentary contained at Section 4 and the detailed comparable sales evidence at Appendix 1 we have noted that the level of sales prices for new houses in Fylde are generally consistent across many areas of the Borough at around £2,153 per sq.m (£200 per sq.ft).

5.29 Within Lytham and certain parts of St Annes together with a number of the rural settlements such as Weeton, house prices are higher. Typically in these locations new houses are selling for average prices in the region of £2,368 per sq.m (£220 per sq.ft). We have also identified a small number of locations were values for new houses at £2,583 per sq.m (£240 per sq.ft) or more have been achieved, specifically these areas are the seafront locations at Lytham and St Annes and also in the settlement of Wrea Green. In relation to the executive schemes tested in the highest value locations we have adjusted the net selling price to £2,691 per sq.m/£250 per sq.ft.

5.30 In undertaking our viability testing we have therefore adopted three value zones which are outlined in Table 5.3.

Table 5.3: Residential Sales Prices Adopted

Zone	Locations	Net Sales Price (per sq.m)	Net Sales Price (per sq.ft)
1	St Annes (part), Whitehills, Warton, Wesham, Kirkham, Greenhalgh, Elswick, Staining	£2,153	£200
2	Lytham, St Annes (part), Weeton	£2,368	£220
3	Wrea Green, Lytham and St Annes Seafront	£2,583	£240

Affordable Housing

5.31 The values that have been assumed for the affordable homes are based on the likely bid by a Registered Provider. In this respect we have assumed bid prices for the different tenure options based on a percentage of market value. The rates adopted reflect the reported sales values for affordable stock as reported to us by Registered Providers who are particularly active in the area. The bid prices adopted for our testing are as follows:

Social Rent 40% of market value
Intermediate 60% of market value

Construction Costs

5.32 The construction costs that have been adopted have been prepared by WYG Quantity Surveyors. A report containing their methodology and generic cost assessments are contained at Appendix 2. In addition the individual site construction cost assessments for the site specific viability appraisals are also contained in their report.

5.33 These costs are based on current building regulation requirements and are inclusive of substructures, super structures, all external works, incoming services and drainage, preliminaries, fees and a contingency. In addition we have also included an additional amount per dwelling for 'site opening up' costs on greenfield sites.

5.34 In addition to the base construction cost assessments WYG have also assessed additional costs per dwelling for a number of emerging policy requirements. These are:

Rainwater Harvesting - £3,000 per dwelling
Adaptations for Elderly Provision - £2,650 per dwelling

Section 106/Section 278 and Emerging Planning Policy Requirements

5.35 Our viability testing for each of the generic development typologies assumes on site affordable housing provision based on the Policy compliant position at 30%.

5.36 In terms of the tenure of onsite provision the emerging policy suggests that the requirements will be determined on a case by case basis however at least 80% of the onsite provision will social rented. For the purpose of our viability testing we have therefore assumed a tenure mix based on 80% social rent and 20% intermediate tenure.

5.37 We have also prepared assessments which include for rainwater harvesting at £3,000 per dwelling, as well as considering the requirement for 20% of dwellings to make provision for the elderly. The cost of this has been assessed by WYG at £2,650 per dwelling.

5.38 Policy INF2 relates to developer contributions and requires development to contribute towards the mitigation of its impact on infrastructure, services and the environment and contribute towards the requirements of the community. In order to model the impact of developer contributions on viability we have undertaken viability testing assuming contributions at £5,000, £7,500 and £10,000 per dwelling.

Sales and Marketing Costs

5.39 Disposal costs, including sales and marketing expenses, have been assumed at a rate of 3.5% of the Gross Development Value of the market housing. This is in line with typical development industry rates for housing development. We have included an allowance of £500 per unit for the costs associated with the transfer of the affordable homes to a registered provider.

Finance

5.40 For all of the residential viability testing we have assumed a finance rate of 7% inclusive of arrangement and monitoring fees. This reflects the cost of finance currently available in the development market for residential developments of the type contained in our viability assessments.

Developer's Profit and Overhead

5.41 In assessing the appropriate level of developer's profit, we have had regard to both the size and form of the proposed development and the likely risk associated with the development as a result. The level of profit requirement will principally reflect the risk of constructing a particular development site and as a result a developer will typically require different levels of profit as reward for risk across different sites.

5.42 Many factors will govern risk in relation to a development site; these include location, the local property market, the size and scale of the development, potential contamination and other abnormal costs and the type of accommodation being provided. Other considerations affecting risk could include the planning status of the site, and specifically whether a planning consent is in place for the proposed scheme.

5.43 In terms of residential development, a smaller residential development would be considered less risky than a large scale strategic residential development site. On a larger site it may take many years for the developer to build out and complete the sale of all of the houses. There could be significant changes (for better or worse) in the property market during the lifetime of the development. Therefore, the risk associated with having capital tied up in the development is carried for many years. As a result, a developer would require a higher profit return than on the smaller development site.

5.44 The industry standard measure of profit return is typically based on a percentage of either Gross Development Value (GDV) or cost. In certain instances developers may use an internal rate of return as an additional check measure. In our experience profit based on GDV is more commonly used for residential developments although not exclusively, whilst a return based on cost is more typical for commercial development.

5.45 From our development market experience, residential developments would tend to command a profit return of 15-20% GDV, inclusive of a developer's overhead.

5.46 The HCA Guidance Note *'Investment and Planning Obligations: Responding to the Downturn'*[1] suggests that a figure of 16% of values rather than cost may be targeted for private residential sales. The HCA's User Manual [2] accompanying their Development Appraisal Tool suggests a typical figure at that time (July 2009) of 17.5-20% GDV, but this is given as a guide only as the manual suggests that profit will depend on the state of the market and the size and complexity of the scheme. It is notable that the manual, to accompany the new HCA Development Appraisal Tool, refrains from giving any form of guidance on the measure of any appraisal variables.

5.47 Looking at planning decisions, Planning Inspectors in certain instances have made reference in decisions to the level of profit adopted and what is typical, including the following examples:

Flambard Way, Godalming[3] (a mixed development of 225 flats and commercial accommodation): the inspector refers to an industry norm of 15-20% profit and although not explicitly stated this seems to be based on cost;

Flemingate, Beverly[4] (a mixed use development): Here the Inspector accepted 15% of cost;

[1] HCA Guidance Note 'Investment and Planning Obligations: Responding to the Downturn' (HCA, 2009)

[2] HCA Economic Appraisal Tool User Manual (HCA, 2009)

[3] Planning Inspectorate Decision in relation to 'Waverley Borough Council appeal by Flambard Development Limited' APP/R3650/A/08/2063055 (Planning Inspectorate 2008)

[4] Planning Inspectorate Decision in relation to Application by CP Group, Wykeland Group and Quintain Estates & Development PLC, LPA: East Riding of Yorkshire' APP/E2001/V/08/1203215 (Planning Inspectorate 2008)

5.48 Clay Farm[5] (2,300 dwellings and retail, health centre, education): Here the Local Planning Authority suggested a profit return based on 20% of cost or 16% of GDV. 16% GDV was considered by the Council to be consistent with the profit based on GDV in the HCA document detailed above. The Inspector appears to accept the LPA's approach albeit the key point at issue related to whether the scheme should be assessed on a residual land value basis, or based on the actual historic purchase price.

5.49 Former Royal Hotel, Newbury[6] (35 sheltered apartments): The Inspector here decided that the profit range of 17.5%-20% of GDV detailed in the HCA EAT user manual was the correct level of profit for this development.

5.50 Shinfield, Reading[7] (residential development comprising 126 dwellings and a sports pavilion): The inspector determined that a figure of 20% profit on GDV was appropriate for this development.

5.51 As the above demonstrates, the profit return requirement is not at a fixed level and will vary from site to site, depending upon the risk profile which is driven by many factors.

5.52 On the basis of the above and having regard to the nature of the site typologies and allocated sites, a profit level based on 15% of GDV (inclusive of overheads) has been applied for the smaller housing schemes of 4 and 10 homes. For all other sites a developer's return (inclusive of overheads) of 20% of GDV has been adopted. In each case these profit returns are factored into the residual appraisal together with a fixed land value to generate a development surplus.

[5] Planning Inspectorate Decision in relation to 'Applications by Countryside Properties PLC & Countryside Properties (UK) Ltd to Cambridge City Council' APP/Q0505/A/09/2103599 and APP/ Q0505/A/09/2103592 (Planning Inspectorate, 2009)

[6] Planning Inspectorate Decision in relation to 'Former Royal Hotel, Newbury, Gillingham, Dorset SP8 4QJ' APP/N1215/A/09/2117195

[7] Planning Inspectorate Decision in relation to 'Land at the Manor, Shinfield, Reading RG2 9BX and bordered by Brookers Hill to the North, Hollow Lane to the East and Church Lane to the West' APP/X0360/A/12/2179141 (Planning Inspectorate 2013)

Non-Residential Appraisal Assumptions

Development Programme

5.53 The development programme for non-residential sites will vary depending on the specific characteristics of each scheme. Table 5.4 contains details of the development programmes that we have assumed.

Table 5.4: Development Programmes – Non-Residential

Use	Floor Area (sq.m)	Construction Period (Months)
Offices	464	7 months
Offices	929	10 months
Offices	1,857	14 months
Industrial B2/B8	464	4 months
Industrial B2/B8	1,857	8 months
Industrial B2/B8	4,643	10 months
Industrial B2/B8	9,287	12 months
Retail (Food store - Convenience)	279	5 months
Retail (Food store - Convenience)	929	9 months
Retail (Food store - Convenience)	2,786	10 months
Non-food Retail	279	5 months
Non-food Retail	929	8 months
Non-food Retail	2,786	10 months
Hotel	3,250	12 months
Food and Drink (Pub/Restaurant)	464	11 months
Car Showroom	929	8 months
Residential Institutional (90 Bed)	8,361	15 months
Care/Nursing Home (50 Bed)	3,716	12 months

Sales Values

5.54 Having regard to the comparable evidence contained in Appendix 1 and the market commentary at Section 4, Table 5.5 contains details of the sales values that have been adopted for the non-residential uses forming the hypothetical development scenarios.

Table 5.5: Non-residential Sales Values

Use	Area (sq.m)	Sales Price (per sq.m)	Sales Price (per sq.ft)
Offices	464	£1,268	£118
Offices	929	£1,268	£118
Offices	1,857	£1,268	£118
Industrial B2/B8	464	£811	£75
Industrial B2/B8	1,857	£797	£74
Industrial B2/B8	4,643	£797	£74
Industrial B2/B8	9,287	£819	£76
Retail (Food store - Convenience)	279	£2,028	£188
Retail (Food store - Convenience)	929	£2,173	£202

Use	Area (sq.m)	Sales Price (per sq.m)	Sales Price (per sq.ft)
Retail (Food store - Convenience)	2,786	£2,339	£217
Non-food Retail	279	£1,901	£177
Non-food Retail	929	£2,028	£188
Non-food Retail	2,786	£1,757	£163
Hotel	3,250	£1,538	£143
Food and Drink (Pub/Restaurant)	464	£2,680	£249
Car Showroom	929	£2,366	£220
Residential Institutional (90 Bed)	8,361	£1,826	£170
Care/Nursing Home (50 Bed)	3,716	£1,521	£141

Construction Costs

5.55 The construction costs that have been adopted in the viability appraisals have been prepared by WYG Quantity Surveyors and their methodology is included in their report at Appendix 2. For ease of reference Appendix 2 of WYGs report summarises the construction costs that we have adopted within the generic testing. These costs are calculated on a cost/sq.m basis, and are inclusive of substructures, super structures, all external works, incoming services and drainage, preliminaries, fees and a contingency.

Sales and Marketing

5.56 We have assumed marketing and disposal fees on lettings of the units based on 20% of rental value. Sales disposal fees have been included at a rate of 1.8% (1% agent's fees and 0.8% legal fees). Such fees are considered reasonable at the present time and comprise the standard market charges. Stamp Duty Land Tax has been included as appropriate at usual HMRC rates.

Finance

5.57 A finance rate of 6% has been uniformly applied across all commercial development, which is inclusive of arrangement and monitoring fees. This quantum reflects the profile of commercial developers and the characteristics of the development, due to the fact that we anticipate that the majority of developments will be constructed by a larger developer.

Developer's Profit and Overhead

5.58 In assessing the appropriate level of developer's profit, we have had regard to both the size and form of the proposed development and the likely risk associated with the development as a result. As identified above in reference to the assumptions made in relation to developers profit in the residential appraisals, the level of profit requirement will principally reflect the risk associated with a particular development site and as a result a developer will typically require different levels of profit as reward for risk across different sites.

5.59 In the context of most forms of commercial development, the developer will typically seek a profit requirement of approximately 20% on cost. The figure is widely used, and has been applied to all forms of non-residential development that we have tested.

6.0 VIABILITY RESULTS AND POLICY IMPACTS

6.1 This section sets out the results and findings from the viability assessments undertaken for both the hypothetical and site specific testing.

Residential

6.2 In each case the results tables are presented to show the scheme reference, number of dwellings, density and the gross internal area of the built development, or gross sales area in the case of apartments. The 'Development Surplus' is the residual sum that is left once the gross costs (inclusive of developers profit and base input land cost) are deducted from gross revenues. The development surplus is presented on the basis of an amount per sq.m of built floor space. This column shows the viability of development having regard to the base construction cost position which reflects current building regulations requirements, the National Space Standards, and the policies relating to the provision of onsite open space and Sustainable Drainage Systems.

6.3 The 'Development Surplus' is then assessed alongside the further emerging local plan policies that we have tested which have an impact on viability, namely the provision of affordable housing, the requirements for 20% of dwellings to be designed to accommodate the elderly and also additional water efficiency measures in the form of rainwater harvesting. For completeness in the context of provision for the elderly we have also considered the impact on viability of the meeting the requirements of Lifetime Homes on all dwellings although it is understood that due to the changes arising from the introduction of the new Housing Technical Standards this is likely to be superseded.

6.4 We have also undertaken viability testing to show the impact of the developer contributions policy based on contributions per dwelling of £5,000, £7,500 and £10,000. It is assumed for the purpose of this testing that these contributions are secured through a S106/278 Agreement.

6.5 The columns relating to the policy requirements, show the impact on viability of the policy in the form of the per sq.m reduction to the development surplus as a result of the particular policy requirement.

6.6 For ease of reference and presentation the table cells have been coloured to demonstrate development viability as follows:

Table 6.1: Development Viability Coding

Red	not viable and demonstrates a loss or deficit
Amber	the development is viable however the results indicate a more marginal development with a development surplus equivalent to between 0-5% of GDV. In such cases a relatively small increase in costs or reduction in revenue could make the scheme unviable
Green	the development is viable and has a development surplus which is equivalent to or greater than 5% of GDV

6.7 In a number of cases cells are shaded grey which indicates that affordable housing has not been tested as the development falls beneath the policy threshold of 10 homes.

Residential Generic Testing

6.8 The results tables are presented with reference to each of the three differing value zones, so for each zone in turn we have provided the results tables for our testing at densities of 30, 40 and 20 dwellings per hectare assuming both previously developed and greenfield sites and also for apartments. The relevant tables relating to each zone are:

Zone 1: St Annes (part), Whitehills, Warton, Wesham, Kirkham, Greenhalgh, Elswick, Staining

Tables 6.2 – 6.8

Zone 2: Lytham, St Annes (part), Weeton

Tables 6.9 – 6.15

Zone 3: Wrea Green, Lytham and St Annes Seafront

Tables 6.16 – 6.22

ZONE 1 – VIABILITY RESULTS

Table 6.2 Sites on previously developed land at 30 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	30	377	£243		£11	£7	£31	£52	£78	£104
2 (10 homes)	30	993	£361		£11	£5	£29	£49	£73	£98
3 (25 homes)	30	2,472	£224	£218	£11	£5	£29	£48	£73	£97
4 (50 homes)	30	4,951	£250	£205	£10	£5	£28	£47	£71	£95
5 (75 homes)	30	7,423	£325	£208	£10	£5	£28	£46	£70	£93
6 (100 homes)	30	9,895	£335	£207	£10	£5	£27	£45	£68	£91

Table 6.3: Greenfield Sites at 30 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	30	377	£401		£11	£7	£31	£52	£78	£104
2 (10 homes)	30	993	£505		£11	£5	£29	£49	£73	£98
3 (25 homes)	30	2,472	£357	£218	£11	£5	£29	£48	£73	£97
4 (50 homes)	30	4,951	£403	£205	£10	£5	£28	£47	£71	£95
5 (75 homes)	30	7,423	£415	£208	£10	£5	£28	£46	£70	£93
6 (100 homes)	30	9,895	£414	£207	£10	£5	£27	£45	£68	£91
7 (250 homes)	30	24,734	£399	£196	£10	£5	£26	£44	£65	£87
8 (500 homes)	30	49,475	£369	£177	£9	£4	£23	£39	£58	£78
9 (1000 homes)	30	98,950	£291	£146	£7	£3	£19	£31	£47	£62

ZONE 1 – VIABILITY RESULTS

Table 6.4: Sites on previously developed land at 40 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	40	377	£341		£11	£7	£31	£52	£78	£104
2 (10 homes)	40	993	£445		£11	£5	£29	£49	£73	£98
3 (25 homes)	40	2,472	£321	£218	£11	£5	£29	£48	£73	£97
4 (50 homes)	40	4,951	£350	£205	£10	£5	£28	£47	£71	£95
5 (75 homes)	40	7,423	£407	£208	£10	£5	£28	£46	£70	£93
6 (100 homes)	40	9,895	£416	£207	£10	£5	£27	£45	£68	£91

Table 6.5: Greenfield Results at 40 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	40	377	£472		£12	£7	£31	£52	£78	£104
2 (10 homes)	40	993	£573		£11	£5	£29	£49	£73	£98
3 (25 homes)	40	2,472	£427	£218	£11	£5	£29	£48	£73	£97
4 (50 homes)	40	4,951	£464	£205	£10	£5	£28	£47	£71	£95
5 (75 homes)	40	7,423	£475	£208	£10	£5	£28	£46	£70	£93
6 (100 homes)	40	9,895	£474	£207	£10	£5	£27	£45	£68	£91
7 (250 homes)	40	24,734	£460	£196	£10	£5	£26	£44	£65	£87
8 (500 homes)	40	49,475	£428	£176	£9	£4	£23	£39	£58	£78
9 (1000	40	98,950	£346	£146	£7	£3	£19	£31	£47	£62

ZONE 1 – VIABILITY RESULTS

Table 6.6: Previously Developed Land Results at 20 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
10 (10 homes)	20	1,201	£343		£9	£5	£24	£41	£61	£81
11 (25 homes)	20	3,071	£208	£196	£8	£4	£23	£39	£58	£77
12 (50 homes)	20	6,225	£215	£178	£8	£4	£22	£37	£55	£74

Table 6.7: Greenfield Results at 20 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
10 (10 homes)	20	1,201	£513		£9	£4	£24	£41	£61	£81
11 (25 homes)	20	3,071	£366	£196	£8	£4	£23	£39	£58	£77
12 (50 homes)	20	6,225	£404	£178	£8	£4	£22	£37	£55	£74

Table 6.8: Apartment Results

Scheme Ref (No. homes)	Gross Internal Sales Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
			30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
13 (15 homes)	1,025	£258	£296	£16	£8	£43	£72	£108	£143
14 (50 homes)	3,390	£45	£235	£16	£7	£42	£71	£106	£141
15 Exec (50 homes)	3,900	-£72	£238	£14	£7	£37	£56	£87	£118

<u>Zone 1:</u> St Annes (part), Whitehills, Warton, Wesham, Kirkham, Greenhalgh, Elswick, Staining

6.9 The results relating to the housing schemes tested in Zone 1 show in all cases for previously developed land and greenfield development at all densities that development is viable at the base position i.e. assuming a development of market housing constructed to meet the specification contained in WYGs base cost assessment.

6.10 At densities of 30 dwellings per hectare the development surpluses for previously developed land development range from £224 per sq.m up to £361 per sq.m. The results for development on greenfield sites show better viability with a range of £291 per sq.m to £505 per sq.m.

6.11 The results at 40 dwellings per hectare show an improvement in viability with the respective surpluses ranging from £321 per sq.m to £445 per sq.m for previously developed sites, and £346 per sq.m to £573 per sq.m for greenfield sites.

6.12 The testing undertaken at 20 dwellings per hectare shows a slight reduction in viability from the testing at 30 dwellings per hectare. The surpluses range from £208 per sq.m to £343 per sq.m for the previously developed sites and £366 per sq.m to £513 per sq.m for the greenfield sites.

6.13 In terms of the results for the apartment developments that we have tested, these suggest that developments of standalone apartments are generally less viable than housing developments. The testing for the smallest scheme of 15 homes results in a viable surplus of £258 per sq.m, however the results for the larger schemes shown a worsening position. The standard 50 apartment development shows a surplus of £45 per sq.m, whilst the executive scheme shows a loss equivalent to £72 per sq.m. This reflects the higher specification and cost of development without a corresponding increase in values in these locations.

<u>Affordable Housing</u>

6.14 The inclusion of the policy requirement for 30% affordable housing results in a reduction to the base surplus. This reduction for the previously developed sites tested is in the range of £178 per sq.m to £218 per sq.m. For greenfield sites the range is £146 per sq.m to £218 per sq.m.

6.15 In the case of the previously developed sites tested development including 30% affordable housing provision remains viable, however in the case of the developments tested at 20 dwellings per hectare and also the 25 and 50 unit schemes at 30 dwellings per hectare, the results become marginal.

6.16 The viability testing undertaken for greenfield sites shows that in all cases development remains viable with the inclusion of 30% affordable housing provision.

6.17 In Zone 1 apartment developments are generally less viable than housing developments, and reflecting this inclusion of 30% affordable housing provision in all cases leads to unviable results.

Elderly Provision

6.18 We have considered the Local Plan policy that requires that at least 20% of all homes on developments of 15 dwellings or more should be designed to accommodate the elderly. The impact of the cost of achieving this has limited results on viability. In all cases the housing developments that we have tested can support this policy with the reduction in surplus ranging from £3 per sq.m to £7 per sq.m.

6.19 The impact of the policy on the apartment developments that we have tested is also limited with the reduction in surplus either £7 or £8 per sq.m. Two of the apartment schemes tested can support the policy albeit one has a marginal result. The executive scheme is already unviable at the base position and the impact of the policy is to make the scheme slightly more unviable.

6.20 In addition to this policy we have also considered the impact of the requirement to achieve Lifetime Homes across all of the dwellings. The impact of this is also fairly limited and ranges from £7 to £11 per sq.m for the housing typologies tested and £14 to £16 per sq.m for the apartments.

Water Measures

6.21 Our base testing incorporates costs for surface water attenuation and SuDs however in addition to this we have also prepared viability testing to understand the impact on viability of rainwater harvesting. The results for the housing typologies tested show that the inclusion of rainwater harvesting leads to a reduction in the base surplus of between £19 and £31 per sq.m. In all cases the developments are sufficiently viable to support this policy requirement.

6.22 The testing for apartments shows the impact on viability is a reduction of between £37 and £43 per sq.m. The smallest development tested can support the requirement and remain viable. For the standard 50 unit schemes the result is marginal, whilst the result for the 50 unit executive scheme becomes more unviable.

Developer Contributions

6.23 We have also assessed the impact of the developer contributions policy on the basis of contributions under S106/S278 Agreements of £5,000, £7,500 and £10,000 per dwelling.

6.24 Assuming a contribution of £5,000 per dwelling the impact on the surplus for the housing typologies is a reduction of between £31 and £52 per sq.m. At £7,500 per dwelling the reduction is between £47 and £78 per sq.m, whilst at £10,000 per dwelling the reduction in the surplus is £62 to £104 per sq.m. In all cases the housing typologies in Zone 1 are sufficiently viable to be able to support these levels of developer contribution.

6.25 In relation to the apartments tested the inclusion of a developer contribution of £5,000 per dwelling leads to a reduction in the base surplus ranging from £56 to £72 per sq.m. At £7,500 per dwelling the range is £87 to £108 per sq.m and at £10,000 per dwelling the impact is £118 to £143 per sq.m. The small 15 unit apartment development is able to support these levels of developer contribution and remain viable. In all cases for the two larger 50 unit schemes the inclusion of developer contributions at these levels gives unviable results.

Summary

6.26 The results for the housing typologies tested show that development of brown and greenfield sites in Zone 1 is generally viable. With reference to the results from the testing of previously developed sites, it should be noted that in certain cases, namely schemes of 25 and 50 homes at 20 and 30 dwellings per hectare, the inclusion of 30% affordable housing leads to marginal results. If this is combined with a requirement for developer contributions then a payment of £5,000 per dwelling will make these developments unviable. The inclusion of a requirement for rainwater harvesting in combination with 30% affordable provision may also make these developments unviable. At 40 dwellings per hectare viability is generally sufficient to meet these policy requirements in combination and this is also the case on greenfield sites.

6.27 In the case of apartments, development viability is generally not sufficient to support the policy requirement of 30% affordable provision, although for the smallest apartment development and to a lesser extent the standard 50 unit schemes it may be possible to address other policy requirements and remain viable.

ZONE 2 – VIABILITY RESULTS

Table 6.9: Previously developed land Results at 30 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	30	377	£326		£11	£7	£31	£52	£78	£104
2 (10 homes)	30	993	£427		£11	£5	£29	£49	£73	£98
3 (25 homes)	30	2,472	£290	£239	£11	£5	£29	£48	£73	£97
4 (50 homes)	30	4,951	£314	£225	£10	£5	£28	£47	£71	£95
5 (75 homes)	30	7,423	£404	£229	£10	£5	£28	£46	£70	£93
6 (100 homes)	30	9,895	£411	£228	£10	£5	£27	£45	£68	£91

Table 6.10: Greenfield Results at 30 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	30	377	£518		£11	£7	£31	£52	£78	£104
2 (10 homes)	30	993	£622		£11	£5	£29	£49	£73	£98
3 (25 homes)	30	2,472	£457	£239	£11	£5	£29	£48	£73	£97
4 (50 homes)	30	4,951	£510	£225	£10	£5	£28	£47	£71	£95
5 (75 homes)	30	7,423	£520	£229	£10	£5	£28	£46	£70	£93
6 (100 homes)	30	9,895	£517	£228	£10	£5	£27	£45	£68	£91
7 (250 homes)	30	24,734	£496	£215	£10	£5	£26	£44	£65	£87
8 (500 homes)	30	49,475	£452	£194	£9	£4	£23	£39	£58	£77
9 (1000 homes)	30	98,950	£351	£159	£7	£3	£18	£31	£46	£62

ZONE 2 – VIABILITY RESULTS

Table 6.11: Previously developed land Results at 40 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	40	377	£443		£11	£7	£31	£52	£78	£104
2 (10 homes)	40	993	£544		£11	£5	£29	£49	£73	£98
3 (25 homes)	40	2,472	£409	£239	£11	£5	£29	£48	£73	£97
4 (50 homes)	40	4,951	£435	£225	£10	£5	£28	£47	£71	£95
5 (75 homes)	40	7,423	£503	£229	£10	£5	£28	£46	£70	£93
6 (100 homes)	40	9,895	£510	£228	£10	£5	£27	£45	£68	£91

Table 6.12: Greenfield Results at 40 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	40	377	£601		£11	£7	£31	£52	£78	£104
2 (10 homes)	40	993	£702		£11	£5	£29	£49	£73	£98
3 (25 homes)	40	2,472	£541	£239	£11	£5	£29	£48	£73	£97
4 (50 homes)	40	4,951	£583	£225	£10	£5	£28	£47	£71	£95
5 (75 homes)	40	7,423	£591	£229	£10	£5	£28	£46	£70	£93
6 (100 homes)	40	9,895	£588	£228	£10	£5	£27	£45	£68	£91
7 (250 homes)	40	24,734	£568	£215	£10	£5	£26	£44	£65	£87
8 (500 homes)	40	49,475	£522	£194	£8	£4	£23	£39	£58	£77
9 (1000 homes)	40	98,950	£418	£159	£7	£3	£18	£31	£46	£62

ZONE 2 – VIABILITY RESULTS

Table 6.13: Previously developed land Results at 20 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
10 (10 homes)	20	1,201	£399		£9	£4	£24	£41	£61	£81
11 (25 homes)	20	3,071	£233	£216	£8	£4	£23	£39	£58	£77
12 (50 homes)	20	6,225	£229	£195	£8	£4	£22	£37	£55	£74

Table 6.14: Greenfield Results at 20 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
10 (10 homes)	20	1,201	£617		£9	£4	£24	£41	£61	£81
11 (25 homes)	20	3,071	£455	£216	£8	£4	£23	£39	£58	£77
12 (50 homes)	20	6,225	£500	£195	£8	£4	£22	£37	£55	£74

Table 6.15: Apartment Results

Scheme Ref (No. homes)	Gross Internal Sales Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
			30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
13 (15 homes)	1,025	£377	£326	£16	£8	£43	£72	£108	£143
14 (50 homes)	3,390	£160	£264	£16	£7	£42	£71	£106	£141
15 (50 homes Exec)	3,900	£42	£258	£14	£7	£37	£61	£92	£123

Zone 2: Lytham, St Annes (part), Weeton

6.28 The results relating to the housing schemes tested in Zone 2 show in all cases for previously developed land and greenfield development at all densities that development is viable at the base position i.e. assuming a development of market housing constructed to meet the specification contained in WYGs base cost assessment.

6.29 At densities of 30 dwellings per hectare the development surpluses for previously developed land development range from £290 per sq.m up to £427 per sq.m. The results for development on greenfield sites show better viability with a range of £351 per sq.m to £622 per sq.m.

6.30 The results at 40 dwellings per hectare show an improvement in viability with the respective surpluses ranging from £409 per sq.m to £544 per sq.m for previously developed sites, and £346 per sq.m to £573 per sq.m for greenfield sites.

6.31 The testing undertaken at 20 dwellings per hectare shows a slight reduction in viability from the testing at 30 dwellings per hectare. The surpluses range from £229 per sq.m to £399 per sq.m for the previously developed sites and £455 per sq.m to £617 per sq.m for the greenfield sites.

6.32 In terms of the results for the apartment developments that we have tested, these suggest that developments of standalone apartments are generally less viable than housing developments. The testing for the smallest scheme of 15 homes results in a viable surplus of £377 per sq.m. The results for the larger schemes show a worsening position. The standard 50 apartment development shows a viable surplus of £160 per sq.m, and the executive scheme also shows a surplus of £42 per sq.m, although this level of surplus suggests a more marginal form of development.

Affordable Housing

6.33 The inclusion of the policy requirement for 30% affordable housing results in a reduction to the base surplus. This reduction for the previously developed sites tested is in the range of £195 per sq.m to £239 per sq.m. For greenfield sites the range is £159 per sq.m to £239 per sq.m.

6.34 In the case of the previously developed sites tested development including 30% affordable housing provision remains viable, however in the case of the developments tested at 20 dwellings per hectare and also the 25 and 50 unit schemes at 30 dwellings per hectare, the results become marginal.

6.35 The viability testing undertaken for greenfield sites shows that in all cases development remains viable with the inclusion of 30% affordable housing provision.

6.36 In Zone 2 apartment developments are generally less viable than housing developments. The inclusion of 30% affordable housing provision leads to a marginal result in the case of the 15 unit development and for each of the 50 unit schemes gives unviable results.

Elderly Provision

6.37 We have considered the Local Plan policy that requires that at least 20% of all homes on developments of 15 dwellings or more should be designed to accommodate the elderly. The impact of the cost of achieving this has a limited effect on viability. In all cases the housing developments that we have tested can support this policy with the reduction in surplus ranging from £3 per sq.m to £7 per sq.m.

6.38 The impact of the policy on the apartment developments that we have tested is also limited with the reduction in surplus either £7 or £8 per sq.m. Two of the apartment schemes tested can support the policy whilst the executive scheme has a marginal result.

6.39 In addition to this policy we have also considered the impact of the requirement to achieve Lifetime Homes across all of the dwellings. The impact of this is also fairly limited and ranges from £7 to £11 per sq.m for the housing typologies tested and £14 to £16 per sq.m for the apartments.

Water Measures

6.40 Our base testing incorporates costs for surface water attenuation and SuDs however in addition to this we have also prepared viability testing to understand the impact on viability of rainwater harvesting. The results for the housing typologies tested show that the inclusion of rainwater harvesting leads to a reduction in the base surplus of between £18 and £31 per sq.m. In all cases the developments are sufficiently viable to support this policy requirement.

6.41 The testing for apartments shows the impact on viability is a reduction of between £37 and £43 per sq.m. The smallest development tested can support the requirement and remain viable. For both the standard 50 unit schemes and the executive scheme the result is marginal.

Developer Contributions

6.42 We have also assessed the impact of the developer contributions policy on the basis of contributions under S106/S278 Agreements of £5,000, £7,500 and £10,000 per dwelling.

6.43 Assuming a contribution of £5,000 per dwelling the impact on the surplus for the housing typologies is a reduction of between £31 and £52 per sq.m. At £7,500 per dwelling the reduction is between £46 and £78 per sq.m, whilst at £10,000 per dwelling the reduction in the surplus is £62 to £104 per sq.m. In all cases the housing typologies in Zone 2 are sufficiently viable to be able to support these levels of developer contribution.

6.44 In relation to the apartments tested the inclusion of a developer contribution of £5,000 per dwelling leads to a reduction in the base surplus ranging from £61 to £72 per sq.m. At £7,500 per dwelling the range is £92 to £108 per sq.m and at £10,000 per dwelling the impact is £123 to £143 per sq.m. The small 15 unit apartment development is able to support these levels of developer contribution and remain viable. In all cases for the standard 50 unit scheme the inclusion of developer contributions at these levels leads to marginal results and in the case of the executive scheme gives unviable results.

Summary

6.45 The results for the housing typologies tested show that development of brown and greenfield sites in Zone 2 is generally viable. With reference to the results from the testing of previously developed sites, it should be noted that in certain cases, namely schemes of 25 and 50 homes at 20 and 30 dwellings per hectare, the inclusion of 30% affordable housing leads to marginal results. If this is combined with a requirement for developer contributions then a payment of £5,000 per dwelling will make these developments unviable assuming a density of 20 dwellings per hectare, and at 30 dwellings per hectare a payment of £7,500 per dwelling leads to unviable results. The inclusion of a requirement for rainwater harvesting in combination with 30% affordable provision may also make the 25 unit scheme at 20 dwellings per hectare unviable. At 40 dwellings per hectare viability is generally sufficient to meet these policy requirements in combination and this is also the case on greenfield sites.

6.46 In the case of apartments developments viability is generally not sufficient to support the policy requirement of 30% affordable provision, except for the smallest apartment development.

ZONE 3 – VIABILITY RESULTS

Table 6.16: Previously developed land Results at 30 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	30	377	£494		£11	£7	£31	£52	£78	£104
2 (10 homes)	30	993	£595		£11	£5	£29	£49	£73	£98
3 (25 homes)	30	2,472	£444	£261	£11	£5	£29	£48	£73	£97
4 (50 homes)	30	4,951	£465	£246	£10	£5	£28	£47	£71	£95
5 (75 homes)	30	7,423	£553	£250	£10	£5	£28	£46	£70	£93
6 (100 homes)	30	9,895	£558	£248	£10	£5	£27	£45	£68	£91

Table 6.17: Greenfield Results at 30 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	30	377	£687		£11	£7	£31	£52	£78	£104
2 (10 homes)	30	993	£791		£11	£5	£29	£49	£73	£98
3 (25 homes)	30	2,472	£611	£261	£11	£5	£29	£48	£73	£97
4 (50 homes)	30	4,951	£662	£246	£10	£5	£28	£47	£71	£95
5 (75 homes)	30	7,423	£668	£250	£10	£5	£28	£46	£69	£93
6 (100 homes)	30	9,895	£663	£248	£10	£5	£27	£45	£68	£91
7 (250 homes)	30	24,734	£637	£235	£10	£5	£26	£44	£65	£87
8 (500 homes)	30	49,475	£579	£211	£8	£4	£23	£39	£58	£77
9 (1000 home)	30	98,950	£455	£173	£7	£3	£18	£31	£46	£61

ZONE 3 – VIABILITY RESULTS

Table 6.18: Previously developed land Results at 40 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	40	377	£612		£11	£7	£31	£52	£78	£104
2 (10 homes)	40	993	£712		£11	£5	£29	£49	£73	£98
3 (25 homes)	40	2,472	£563	£261	£11	£5	£29	£48	£73	£97
4 (50 homes)	40	4,951	£587	£246	£10	£5	£28	£47	£71	£95
5 (75 homes)	40	7,423	£652	£250	£10	£5	£28	£46	£69	£93
6 (100 homes)	40	9,895	£656	£248	£10	£5	£27	£45	£68	£91

Table 6.19: Greenfield Results at 40 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
1 (4 homes)	40	377	£769		£11	£7	£31	£52	£78	£104
2 (10 homes)	40	993	£870		£11	£5	£29	£49	£73	£98
3 (25 homes)	40	2,472	£696	£261	£11	£5	£29	£48	£73	£97
4 (50 homes)	40	4,951	£734	£246	£10	£5	£28	£47	£71	£95
5 (75 homes)	40	7,423	£740	£250	£10	£5	£28	£46	£69	£93
6 (100 homes)	40	9,895	£734	£248	£10	£5	£27	£45	£68	£91
7 (250 homes)	40	24,734	£709	£235	£10	£5	£26	£44	£65	£87
8 (500 homes)	40	49,475	£648	£211	£8	£4	£23	£39	£58	£77
9 (1000 homes)	40	98,950	£522	£173	£7	£3	£18	£31	£46	£61

ZONE 3 – VIABILITY RESULTS

Table 6.20: Previously developed land Results at 20 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
10 (10 homes)	20	1,201	£652		£9	£4	£24	£41	£61	£81
11 (25 homes)	20	3,071	£464	£245	£8	£4	£23	£39	£58	£77
12 (50 homes)	20	6,225	£453	£222	£8	£4	£22	£37	£55	£74

Table 6.21: Greenfield Results at 20 dph

Scheme Ref (No. homes)	Density (per net developable hectare)	Gross Internal Floor Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
				30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
10 (10 homes)	20	1,201	£870		£9	£4	£24	£41	£61	£81
11 (25 homes)	20	3,071	£686	£245	£8	£4	£23	£39	£58	£77
12 (50 homes)	20	6,225	£724	£222	£8	£4	£22	£37	£55	£74

Table 6.22: Apartment Results

Scheme Ref (No. homes)	Gross Internal Sales Area (sq.m)	Development Surplus (per sq.m)	Policies				S106/278 Contribution (per dwelling)		
			30% Affordable Housing	Lifetime Homes	Elderly Provision	Water Measures	£5,000	£7,500	£10,000
13 (15 homes)	1,025	£545	£355	£16	£8	£43	£72	£108	£143
14 (50 homes)	3,390	£309	£288	£16	£7	£42	£71	£106	£141
15 (50 homes Exec)	3,900	£191	£290	£14	£7	£37	£61	£92	£123

<u>Zone 3:</u> Wrea Green, Lytham and St Annes Seafront

6.47 The results relating to the housing schemes tested in Zone 3 show in all cases for previously developed land and greenfield development at all densities that development is viable at the base position i.e. assuming a development of market housing constructed to meet the specification contained in WYGs base cost assessment.

6.48 At densities of 30 dwellings per hectare the development surpluses for previously developed land development range from £444 per sq.m up to £595 per sq.m. The results for development on greenfield sites show better viability with a range of £455 per sq.m to £791 per sq.m.

6.49 The results at 40 dwellings per hectare show an improvement in viability with the respective surpluses ranging from £563 per sq.m to £712 per sq.m for previously developed sites, and £522 per sq.m to £870 per sq.m for greenfield sites.

6.50 The testing undertaken at 20 dwellings per hectare shows a slight reduction in viability from the testing at 30 dwellings per hectare. The surpluses range from £453 per sq.m to £652 per sq.m for the previously developed sites and £686 per sq.m to £724 per sq.m for the greenfield sites.

6. 51 In terms of the results for the apartment developments that we have tested, these suggest that developments of standalone apartments are generally less viable than housing developments. The testing for the smallest scheme of 15 homes results in a viable surplus of £377 per sq.m. The results for the larger schemes show a worsening position. The standard 50 apartment development shows a viable surplus of £309 per sq.m, and the executive scheme also shows a surplus of £191 per sq.m.

<u>Affordable Housing</u>

6.52 The inclusion of the policy requirement for 30% affordable housing results in a reduction to the base surplus. This reduction for the previously developed sites tested is in the range of £222 per sq.m to £261 per sq.m. For greenfield sites the range is £173 per sq.m to £261 per sq.m.

6.53 In the case of both the previously developed and greenfield sites tested development including 30% affordable housing provision remains viable.

6.54 In Zone 3 apartment developments are generally less viable than housing developments. The inclusion of 30% affordable housing provision is viable in the case of the 15 unit development. For the 50 unit standard scheme the result is marginal and for the executive scheme unviable.

<u>Elderly Provision</u>

6.55 We have considered the Local Plan policy that requires that at least 20% of all homes on developments of 15 dwellings or more should be designed to accommodate the elderly. The impact of the cost of achieving this has a limited effect on viability. In all cases the housing developments that we have tested can support this policy with the reduction in surplus ranging from £3 per sq.m to £7 per sq.m.

6.56 The impact of the policy on the apartment developments that we have tested is also limited with the reduction in surplus either £7 or £8 per sq.m. All of the apartment schemes tested can support the policy and remain viable.

6.57 In addition to this policy we have also considered the impact of the requirement to achieve Lifetime Homes across all of the dwellings. The impact of this is also fairly limited and ranges from £7 to £11 per sq.m for the housing typologies tested and £14 to £16 per sq.m for the apartments.

Water Measures

6.58 Our base testing incorporates costs for surface water attenuation and SuDs however in addition to this we have also prepared viability testing to understand the impact on viability of rainwater harvesting. The results for the housing typologies tested show that the inclusion of rainwater harvesting leads to a reduction in the base surplus of between £18 and £31 per sq.m. In all cases the developments are sufficiently viable to support this policy requirement.

6.59 The testing for apartments shows the impact on viability is a reduction of between £37 and £43 per sq.m. All of the apartment developments tested can support the requirement and remain viable.

Developer Contributions

6.60 We have also assessed the impact of the developer contributions policy on the basis of contributions under S106/S278 Agreements of £5,000, £7,500 and £10,000 per dwelling.

6.61 Assuming a contribution of £5,000 per dwelling the impact on the surplus for the housing typologies is a reduction of between £31 and £52 per sq.m. At £7,500 per dwelling the reduction is between £46 and £78 per sq.m, whilst at £10,000 per dwelling the reduction in the surplus is £61 to £104 per sq.m. In all cases the housing typologies in Zone 3 are sufficiently viable to be able to support these levels of developer contribution.

6.62 In relation to the apartments tested the inclusion of a developer contribution of £5,000 per dwelling leads to a reduction in the base surplus ranging from £61 to £72 per sq.m. At £7,500 per dwelling the range is £92 to £108 per sq.m and at £10,000 per dwelling the impact is £123 to £143 per sq.m. The small 15 unit apartment development and standard 50 unit scheme are able to support these levels of developer contribution and remain viable. For the executive scheme the inclusion of developer contributions at £5,000 per dwelling is viable however at £7,500 and £10,000 per dwelling this leads to marginal results.

Summary

6.63 The results for the housing typologies tested show that development of previously developed land and greenfield sites in Zone 3 is viable and able to support the provision of 30% affordable housing together with developer contributions of £10,000 per dwelling and rainwater harvesting.

6.64 In the case of apartments developments viability is generally not sufficient to support the policy requirement of 30% affordable provision, except for the smallest apartment development. The results for the standard 50 unit scheme are viable but indicate a more marginal development.

Commercial Generic Testing

6.65 The results of the testing that we have undertaken in respect of the Commercial development scenarios are listed in table 6.23.

6.66 The results show that the majority of development typologies tested are unviable. Industrial, office and leisure uses are all unviable on both previously developed and greenfield sites. The exception is Food and Drink uses on greenfield sites.

6.67 The results of the retail testing show that new convenience retail development in the Borough is viable. The results of the comparison retail testing are similarly viable however the results are more marginal in respect of smaller town centre comparison retail and also larger format retail warehousing.

6.68 Extra Care accommodation is unviable at revenues of £2,583 per sq.m (£240 per sq.ft), although it is possible that higher revenues could be achieved in certain instances particularly in sea front locations. Very few higher value extra care facilities have been built in the Borough in recent years, although we are aware that the developer McCarthy and Stone is looking to develop schemes in St Annes and also Poulton-le-Fylde in nearby Wyre. Both of these schemes could generate revenues in excess of £2,583 per sq.m (£240 per sq.ft), but in the absence of any further information we have used sales values in line with higher value apartments within the Borough at £2,583 per sq.m (£240 per sq.ft) within our testing.

6.69 The results indicate that at present, standalone speculative office and industrial development is unviable across the borough even though in undertaking the study we have applied an optimistic position in relation to revenues. It is likely that such forms of development may require support from enabling development in the form of more viable forms of development such as residential or certain types of retail accommodation.

6.70 Despite the fact that such forms of speculative development are not considered to be financially viable at this point in time it is likely that some office and industrial development will come forward in the future. Such development is likely to be motivated by specific circumstances such as an existing owner occupier wishing to expand or other business requirements necessitating development of that type in that location, for example to be near a specific piece of existing infrastructure, or for business agglomeration reasons. This type of development is not typical of the market and does not accord to normal development viability criteria. Effectively, the business operation requiring the accommodation supplements the financial shortfall from other means. Accordingly, it is not appropriate to take such prospects of development into account in this instance. When applying normal development viability criteria, office and industrial development is not viable and as such it is considered that substantive speculative market development is unlikely to take place in this respect.

Development Type	GIA Area (sq.ft)	GIA Area (sq.m)	Previously Developed Land Surplus (per sq.m)	Greenfield Surplus (per sq.m)
Offices (B1)	5,000	464	-£750	-£693
Offices (B1)	10,000	929	-£606	-£552
Offices (B1)	20,000	929	-£939	-£846
Industrial (B2.B8)	5,000	464	-£192	-£141
Industrial (B2.B8)	20,000	1,857	-£116	-£5
Industrial (B2.B8)	50,000	4,643	-£80	-£33
Industrial (B2.B8)	100,000	9,287	-£60	-£15
Convenience Retail (A1)	3,000	279	£84	£340
Convenience Retail (A1)	10,000	929	£172	£502
Convenience Retail (A1)	30,000	2,786	£100	£699
Comparison Retail (A1) (Town Centre)	3,000	279	£18	n/a
Comparison Retail (A1)	10,000	929	£171	£463
Comparison Retail (A1)	30,000	2,786	£42	£276
Hotel (C2)	30,000	2,786	-£284	-£191
Food and Drink (A3/A4)	5,000	464	-£228	£179
Care/Nursing Home (50 Bed- C2)	40,000	3,715	-£431	-£301
Extra Care (90 Bed)	90,000	8,381	-£182	-£12
Car Showroom	10,000	929	-£926	-£483

Table 6.23: Generic Commercial Development Typologies

7.0 STAKEHOLDER CONSULTATION

7.1 On 7 September Keppie Massie in conjunction with WYG undertook a stakeholder consultation event. The purpose of the event was to explain the methodology that we were proposing to adopt in preparing the viability assessments and obtain stakeholders views regarding this. In addition the event allowed us to explain the development typologies that we were proposing to adopt for testing and the respective financial appraisal inputs. The format of the session included a presentation regarding these key elements and an opportunity for stakeholder questions and discussion both during and at the end of the presentation.

7.2 Details of the stakeholders who attended on the day and their details are also contained at Appendix 3. Following the stakeholder event a copy of the presentation was sent to both the attendees and also the full list of stakeholders who had previously been invited to the event. Stakeholders were asked to provide any comments and feedback regarding the viability assessment methodology, testing typologies and appraisal inputs by 18 September 2015. It was stressed that the viability assessment needed to be based on appropriate available evidence and therefore it was vital that in providing their feedback stakeholders provided evidence in support of their points.

7.3 At the stakeholder event there were a limited number of queries or points raised. These were as follows:-

1. The densities adopted for the testing appeared to be high.
2. The values adopted for the greenfield sites were low and it was suggested that if they were at the same level as the previously developed site values then the stakeholder concerned wouldn't disagree with our land cost assumptions.
3. Were the greenfield land values based on the gross or net developable area?

7.4 In relation to the first of these points it was explained that the densities that have been adopted were taken from the policies contained in the local plan and were applied to the net developable area, hence the overall site density would be much lower. In accordance with the plan testing was undertaken at 30 and 40 dwellings per hectare. We had also tested at 20 dwellings per hectare for completeness even though it was acknowledged in the plan that such densities would only be permitted in exceptional circumstances.

7.5 To support the comments made in point 2, it was suggested that the stakeholder concerned provide evidence of appropriate land values to support their position and we would review this and adjust our assumptions as appropriate.

7.6 In response to the final point we confirmed that the land values were based on the net developable area.

Comments Received Following the Stakeholder Event

7.7 Following the stakeholder event five responses were received which are contained at Appendix 3.

7.8 The following paragraphs provide a summary of the responses.

7.9 <u>Taylor Wimpey</u>
Who indicated that they did not wish to submit any formal comments but were willing to assist in providing further information or comments as required.

7.10 Cassidy and Ashton (Planning Consultants)
They submitted a copy of the viability appraisal that was undertaken in relation to Whyndyke Farm. They suggested that this was something that could be referred to in the study as a real example of the costs involved in developing strategic sites.

7.11 Redwaters (Developer)
Redwaters made 2 comments, the first was that based on the mix and size of dwellings proposed it would be very difficult to achieve 40 dwellings per hectare. Their second comment related to the greenfield land values which at £200,000 to £250,000 per acre they felt were completely unrealistic. No comments were provided about what they felt was a realistic land value or indeed evidence in support of their statement.

7.12 Moorside Homes
Moorside Homes made comments in relation to a number of aspects. Firstly they suggested that at 30 dwellings per hectare the mix and dwelling size assumed is broadly in line with a typical development density for two storey housing. At 40 dwellings per hectare, based on the mix and sizes assumed for the purpose of the testing it would require a very high proportion of 3 storey mews and semi-detached houses. On this basis the sales rates would be slower and sales revenues 15 to 20% lower.

7.13 Moorside Homes also commented on the greenfield land values and suggested that in the lower value situation the land value per gross acre for the larger greenfield sites would be £130,000 per acre which they considered too low. They suggested that for commercial reasons they couldn't provide specific details of commercial agreements but in their experience £200,000 per net acre was too low, and £325,000 per net acre would be an appropriate base land value for greenfield sites in the low value areas.

7.14 Moorside Homes also sought further clarification on a number of points, namely:-

1. Details of the allowances made for the Local Plan and Neighbourhood Development Plan polices.
2. A breakdown of the build cost allowances made.
3. Confirmation as to whether the sales values assumed are gross or net.
4. The level of professional fee allowance made.

7.15 Lea Hough (Chartered Surveyors)
Lea Hough provided comments regarding a number of elements of the viability assessment. Their comments are summarised below by reference to the headings contained in their response.

Residual Method

7.16 It is acknowledged that the residual method is likely to be the most consistent and accessible means of appraisal, however Lea Hough suggest that although finance costs can be incorporated into such appraisals the cash flow implications of development costs cannot. As such the full consideration of the impact of additional costs and the timing of such payments should be taken into account to ensure the methodology is robust.

7.17 To clarify the position in terms of the appraisal methodology, our assessments are prepared using a cash flow which models the timing of both costs and receipts and therefore allows an accurate assessment of finance costs. This addresses the point made by Lea Hough.

Threshold Land Value

7.18 Lea Hough, whilst acknowledging the Harman Guidance commentary on the use of a threshold land value, suggest that this does not reflect market actualities where comparable price information is important to land owners. Their view is that comparable evidence should form the basis of any assessment of the release value of land, rather than a reliance on a 'threshold' land value or an 'existing use plus premium approach'.

7.19 Lea Hough also suggest that the rationale behind the consideration of the headroom to inform the assessment is reasonable considering the requirements of the assessment.

7.20 They note that in their experience they are not aware of any residential development land transactions taking place at £200,000 - £250,000 per net developable acre. They suggest that land values at this level provide little incentive to sell an asset. They also note that the following can have an impact on the money actually received by the landowner from the sale of a development site.

1. Capital Gains Tax
2. Third party land owners
3. Covenant holders
4. Land in multiple ownership

7.21 They do not agree that a threshold land value should be used at the level proposed, although no alternative land value is provided or evidence to support the statements regarding land value.

Density/Dwelling Size Mix

7.22 Lea Hough comment that the anticipated densities appear reasonable, assuming they are based on a net developable acre. They also state that the proposed dwelling mix is a reasonable assumption across the Borough.

House Prices

7.23 Lea Hough suggest an alternative hierarchy of value zones comprising:-

1. Seafront
2. Wrea Green, Lytham and part St Annes
3. Part St Annes, Kirkham, Weeton, Elswick, Staining and Wesham
4. Warton and Whitehills

7.24 They also suggest a difference in sales rates between rural areas (at no more than 20 dwellings per annum) and the population centres.

7.25 Lea Hough suggest incentives in the region of 5-7% of asking prices, although no evidence is provided.

7.26 In terms of the sales prices they conclude that Warton and Whitehills would be at circa £185 per sq.ft and Kirkham and similar areas at around £190-£195 per sq.ft. They acknowledge that the values used in the best value locations in the Borough at around £230-£240 per sq.ft are achievable but it is suggested that such figures are used cautiously as there is significant sensitivity.

Revenues for Affordable Housing

7.27 These are considered to be reasonable.

Cost Evidence and other Inputs

7.28 Lea Hough suggest the headline construction figures beginning at circa £80 per sq.ft appear low and are not typical in their experience. They expect an all-in base build cost of circa £90-£95 per sq.ft, with a different figure for the small to medium house builders on the sites of 1-30 homes. (It is noted that the all-in figure of £90-£95 per sq. ft falls within the range of construction costs assessed by WYG at £81 to £109 per sq. ft dependent on site size and characteristics.)

7.29 Finance rates at 7% are considered reasonable for volume developers, but 10-14% is more common for small to medium developers. It is also suggested that allowances should be made for increased borrowing costs during the plan period.

7.30 Marketing costs are noted as being typically in the region of 4-5% of GDV, particularly in the case of Fylde given the extent of competition anticipated by the level of development being brought forward during the plan period. This level of completion is also likely to have an impact on sales rates and values. It is suggested that rates should be cautiously set at no more than 2 per month.

7.31 The developers profit assumption at 20% should be considered a minimum figure.

Abnormal Development Costs

7.32 It is suggested that in certain parts of the Borough the Authority may seek 'non-standard' construction materials adding a further £5-£10 per sq.ft to costs. No further information is however provided.

7.33 Lea Hough suggest that the allowance for greenfield abnormals is not sufficiently robust and provide examples of abnormals costs of more than £180,000 per net acre and £60,000 per net acres for schemes at Wrea Green and Kirkham respectively.

7.34 In terms of previously developed land costs they identify a case of abnormal costs of more than £200,000 per net acre. No further information is provided in relation to the examples given as to the nature of the abnormal costs.

Summary

7.35 Lea Hough suggests that whilst the methodology represents a reasonable approach in terms of the type and number of scenarios to be tested, they have significant concerns regarding a number of the key assumptions made within the data.

Conclusions

7.36 Based on the number of responses received and having considered the comments made there appears to be broad agreement to the methodology and assumptions that we have adopted in our initial viability testing. In most cases statements have been made by stakeholders without factual evidence to support and inform these statements. Notwithstanding this have looked again at our available evidence base to identify whether it is appropriate to adjust any of the appraisal inputs and assumptions made.

7.37 Overall we are satisfied that in relation to the majority of statements made by stakeholders there is no justification for changes to be made. The one exception relates to the viability testing undertaken at 40 dwellings per hectare. In these instances it is acknowledged that there is likely to be a number of 2.5 or 3 storey dwellings which typically sell at a discount of around 15% to a 2 storey house. To account for this we have adjusted the overall net selling price for the 40 dph schemes by reducing the overall net price per sq. m by 7.5%. This gives adjusted net selling prices as detailed in table 7.1.

Table 7.1: Reduced Net Sales Prices at 40 dph

Zone	Net Sales Price (per sq. m)	Net Sales Price (per sq.ft)
1	£1,992	£185
2	£2,190	£203
3	£2,389	£222

8.0 ECONOMIC PROFILING AND SENSITIVITY ANALYSIS

8.1 It is intended that emerging planning policy will remain in place beyond the current economic cycle and indeed it is anticipated that the Local Plan will remain in place until 2032, although this will be subject to regular monitoring and review. Notwithstanding this consideration needs to be given to the robustness of current viability testing, and the decisions which are based upon it, in the context of the potential period that the planning policies may remain in place and the likely, but as yet unknown, economic variations that will take place during this time. Clearly, the timing and nature of such future economic cycles cannot be predicted particularly given the lengthy plan periods involved. We have therefore given consideration to various possible economic cycles that may take place over this period to assess the impact that these may have on the viability of development.

8.2 With this in mind, the aim is to seek as far as possible to ensure that the decisions made at the time of preparation of this report are not anomalous in the context of changing circumstances in the future. In order to undertake this assessment it is considered that the most effective approach is to look back over past economic cycles and, with that data, model development viability based on the characteristics of similar cycles going forward. It is not to say however, that this approach is a substitute to further real time viability testing during the life of the plan, which would be essential in order to accurately assess the viability of development in the future.

8.3 Some assistance in relation to this approach is contained within the advice published by the Local Housing Delivery Group which states that:-

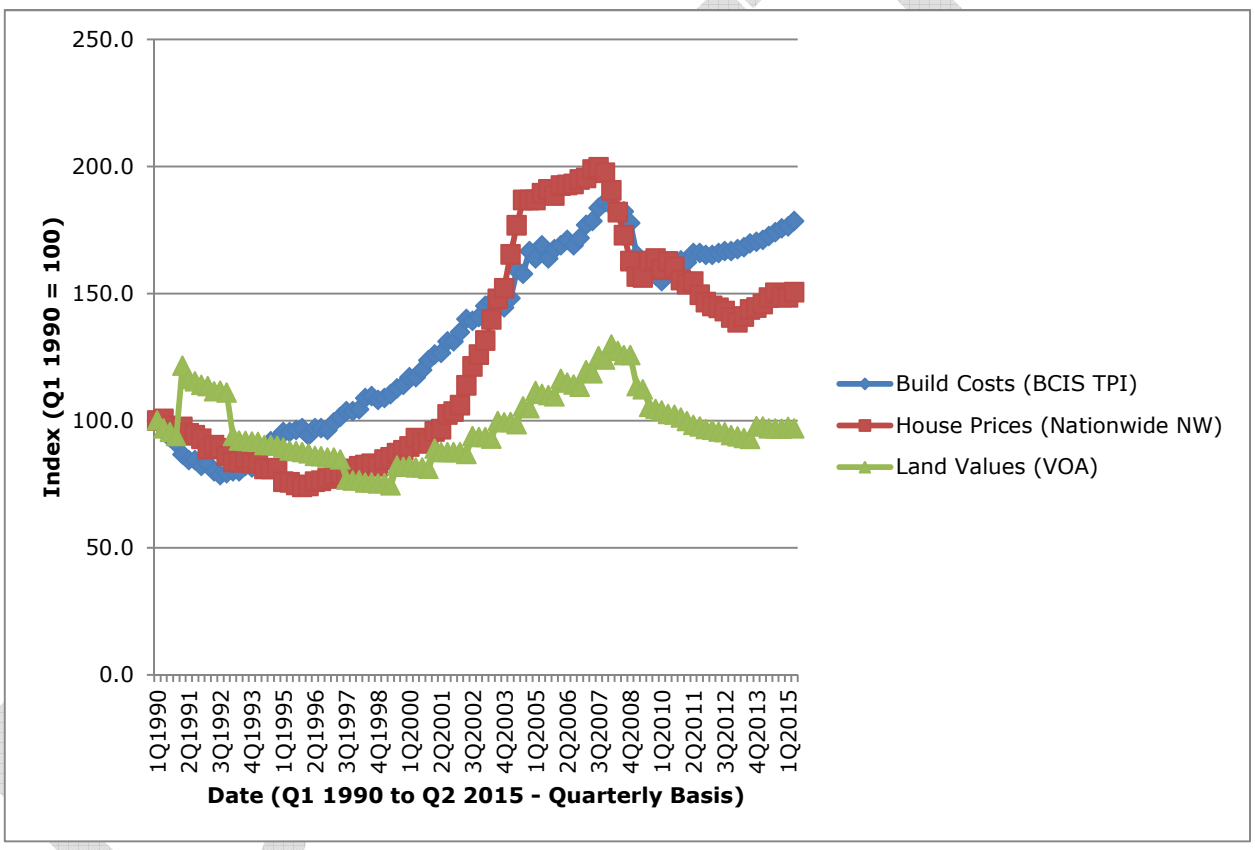
"Forecasting things like house prices or costs is notoriously difficult over the shorter term and subject to wider inaccuracies over the medium and longer term. The best a Council can realistically seek to do is to make some very cautious and transparent assumptions with sensitivity testing on the robustness of those assumptions. In doing so, it is important that variations against baseline costs, as well as values, are tested, and based, where appropriate, on construction costs and other indices."

8.4 The purpose of this section is to provide a high level overview as to the likely impact of property market cycles over the time-frame of the Plan. Using the best evidence available upon which to base a model; historical data; we have sought to measure the effect on viability of changes to the key variables which underpin an economic viability study (with regards to residential development), namely house prices, land values, build costs and interest rates. This data will be used to profile the changes in economic circumstances which are likely to be observed throughout the duration of a property market cycle. This is likely to reflect feature peaks and troughs in respect of each of the key variables.

8.5 By assessing market change over a 24 year period we will seek to model changes which may take place over the plan period. However, it should be noted that the modelling is intended to represent a degree of change and not timing of that change. We will instead be representing a base position; which is the position at the present date demonstrated by our baseline testing; along with low, medium and high points that we would expect to encounter along the course of a typical economic cycle. These are based on three specific 8 year intervals within a 24 year cycle.

8.6 Table 8.1 tracks house price changes through the Nationwide House Price Index for the North West of England; build cost changes via the Building Cost Information Service Tender Price Index; and land prices through a Valuation Office Agency (VOA) Index. For the purposes of this exercise and having regard to development land pricing being based on a derived demand, we have chosen not to use a land price index based on residential development land which would necessarily reflect policy requirements and as such undermine the objectives of the modelling exercise. Instead we have used a base land price position relating to the VOA Industrial Land Index. This index was only published until 2009 and to bring it up to date we have extended the dataset to the present day by using the reported land price changes on a quarterly basis reported by the VOA and our own opinions so as to enable comparison between the data series.

Figure 8.1: Comparison of Residential Sales Values, Land Values and Build Costs 1990-2014 in Real Terms



8.7 Whilst the BCIS tender price accounts for changes in inflation, the changes in House Prices and Land Values do not account for the changes in the value of money. Both of the above figures have therefore been weighted using the Consumer Price Index (CPI) and brought back down to 1990 values so as to enable comparison.

8.8 From the costs provided by WYG and the revenues adopted within the baseline appraisals, we have benchmarked the variations to 1990 levels. In addition to the above, we have included a likely borrowing rate, reflecting the Bank of England Base Rate, the London Inter-Bank Offer Rate (LIBOR) and the perceived premium over and above these headline rates likely to have been offered to developers at each of the above intervals.

8.9 The Summary Table (8.1) below tracks the changes in costs and values adopted based on low, medium and high positions in the cycle at intervals based on 1990 values, together with the interest rates adopted.

Table 8.1: Changes in inputs

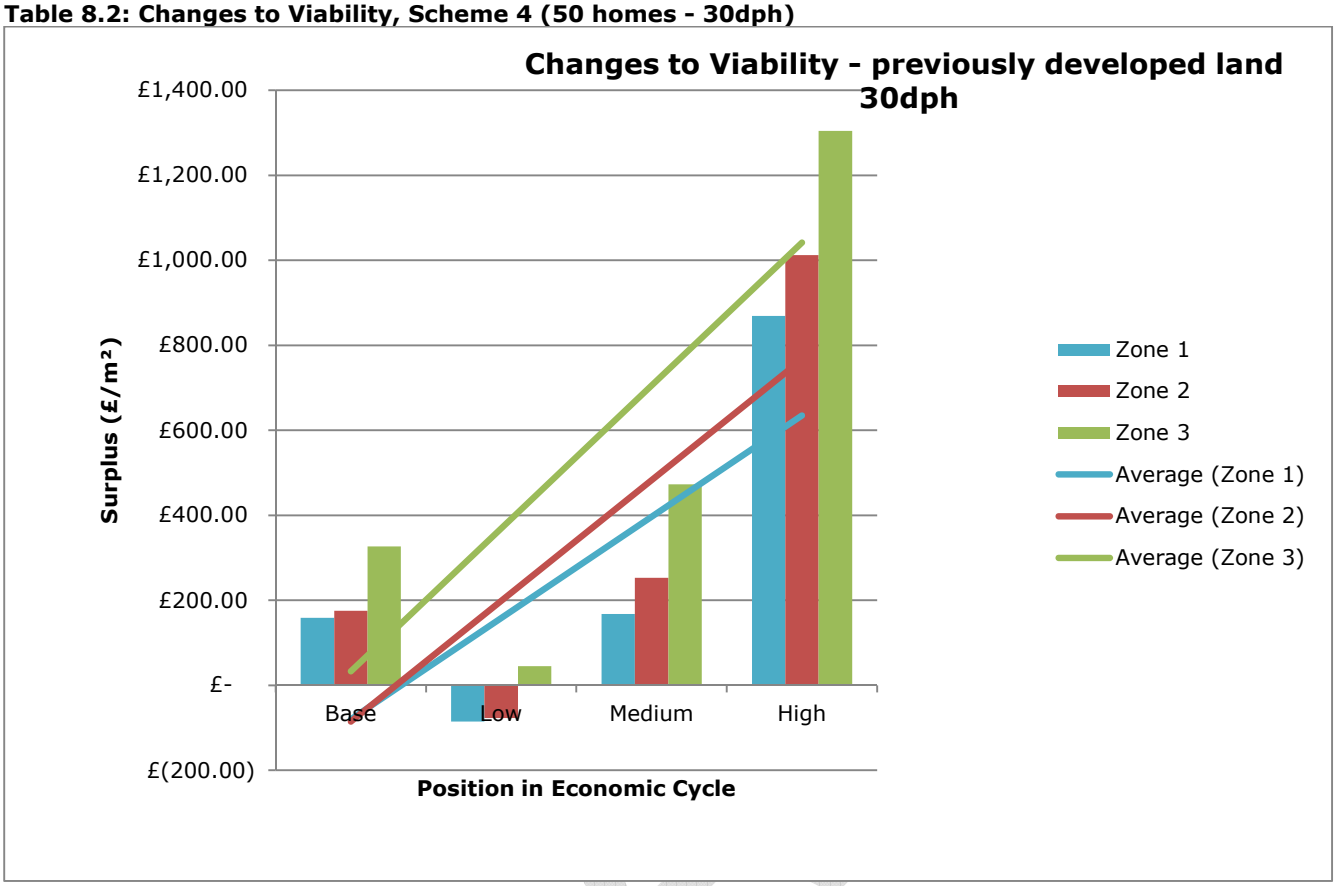
Position in Cycle	Variance in Build Cost	Variance in Land Value	Variance in House Prices	Interest Rate Adopted (%)
Base	100	100	100	N/A
Low	104	76	82	8.5
High	168	116	193	7
Medium	171	98	145	7

8.10 The graphs below track the impact of the changes in viability over the tested base, medium and also the high and low positions, adopting the results from Scheme 4 (50 dwellings) as the basis of modelling. The results show that the economic viability of development during the more normal medium period is good and clearly improves further to the tested high point as the rise in house prices exceed that of build costs. As would be expected, viability decreases at the tested low point as house prices fall in real terms relative to build costs.

8.11 The trend line for each location reflects a position of long term average viability that we would expect to be relevant for the majority of a typical economic cycle. The high and low points only serve to reflect extreme positions that may occur briefly along the cycle, and are not indicative of the overall position. A trend line above the £0 position for development surplus indicates that development is viable. The trend lines indicate that all scheme 4 developments across all locations are currently viable at the base position, and that viability will generally increase over the course of a typical economic cycle.

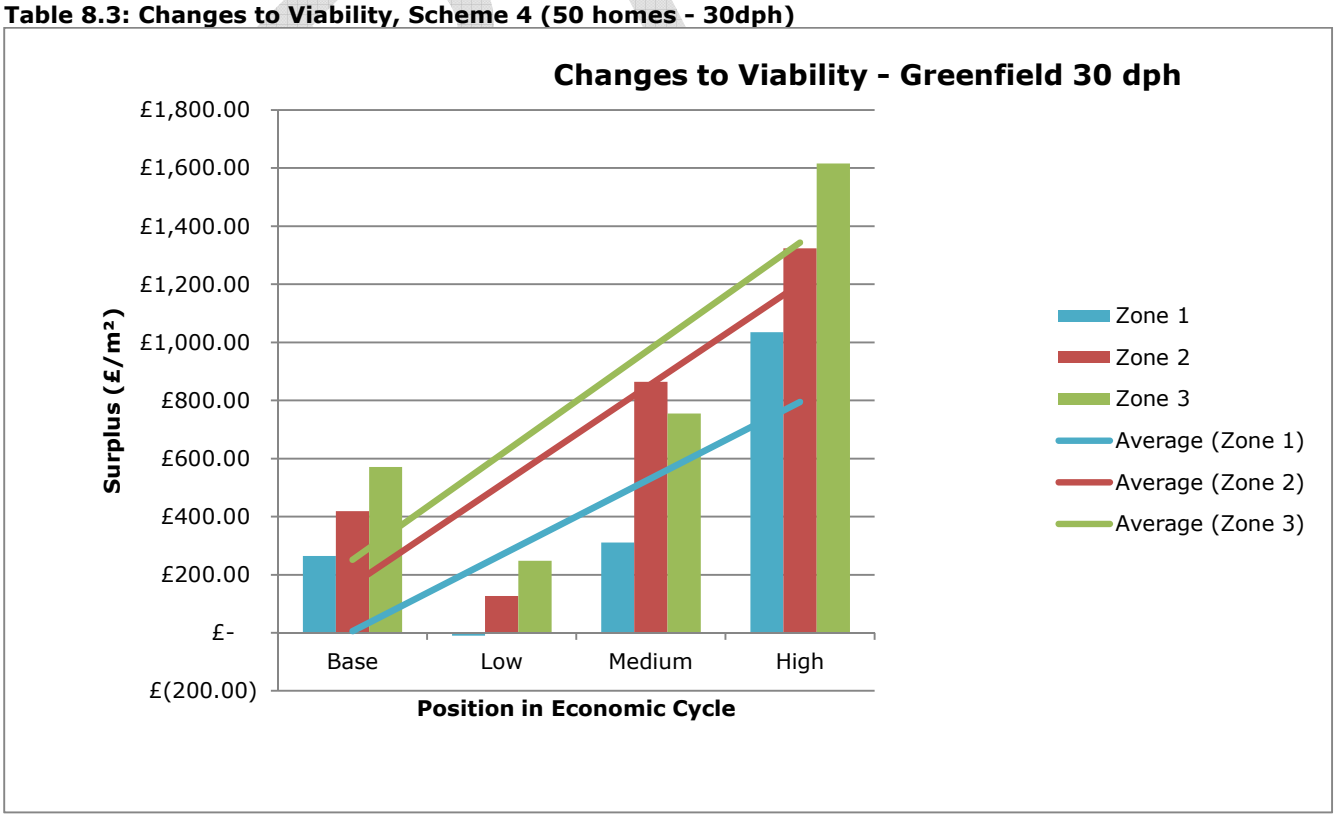
Changes to Viability on Previously Developed Land

Table 8.2: Changes to Viability, Scheme 4 (50 homes - 30dph)



Changes to Viability on Greenfield Land

Table 8.3: Changes to Viability, Scheme 4 (50 homes - 30dph)



8.12 The results show that development viability will change depending on economic cycles. Generally, the current assessment levels (base position) used as the basis for the policy consideration represent a reasonable moderate to low position over the series of modelled economic cycles. Accordingly, it is considered that this assessment represents a robust basis for policy consideration which may not have been the case if the current assessments had been at the extremes of the economic variations. Indeed the modelling suggests that whilst the viability of development can change significantly over the course of an economic cycle, throughout a significant portion of the periods examined there was an increase in the viability of development.

8.13 The modelling does not seek to predict when economic cycles will take place. It may be the case that in the event of a significantly improved set of economic conditions, the viability of development could increase from its present position to levels which result in increased scope for the Council to implement for example increases to the level of a CIL charge. Clearly that would be a matter for additional real time viability testing at that point, which emphasises the value of ensuring that viability evidence is as up to date as possible.

8.14 As described earlier, there are limitations to this form of analysis and this impact assessment has been undertaken for illustrative purposes in order to assess the robustness of the current viability modelling over various hypothetical economic cycles. It is unlikely that the market will react in exactly the same way in the future as it has behaved in the past. Property prices, land values, build costs and interest rates are all complex variables and are each linked to a number of macro-economic factors and locally specific circumstances. In order then to gauge viability in the future, further viability studies would need to be undertaken at regular intervals. Though this section has attempted to look at the impact of viability by scenario-testing each of the main variables, the results should be taken in the context of the limitations of this type of analysis.

9.0 PLAN VIABILITY AND DELIVERY

Local Plan Policies

9.1 As outlined in Section 3, the Framework requires that the Local Plan should be deliverable and the sites and scale of development identified in the Plan should not be subject to such a scale of obligations and Policy burdens that their ability to be viably developed is threatened.

9.2 In preparing this study we have considered the spatial and strategic policies of the emerging Local Plan, the proposed housing and employment allocations on which new development will be based, the development management policies that will guide the form, design, quality of development and the associated planning obligations.

Housing

9.3 Based on the Local Plan allocations policies and the strategic development sites, we have prepared site specific viability appraisals for a number of the major housing allocations on which the plan relies together with a representative sample of other potential housing typologies. These range in size from 4 dwellings to 1,000 dwellings and are based on both greenfield and previously developed land development scenarios. A summary of the development scenarios and sites tested is contained at Tables 3.4 to 3.8.

9.4 The Development Management Policies contained within the emerging Local Plan vary in terms of their impact on development. Not all will have direct implications for development viability. A summary of the key policies and their effect on development is contained at Section 2 of this report.

9.5 Of these policies assessed a number will impact on the form and design of development such as those which require compliance with the national space standards or requirements for open space. Others such as Affordable Housing will place an obligation on the developer which will have a cost implication. Requirements for local infrastructure provision may require a monetary payment either through a S.106/S278 contribution or CIL (which is explored in more detail within the next section).

9.6 In preparing our viability assessments we have firstly considered those policies which guide form and design. The construction cost assessments that have been prepared to meet current building regulation requirements and are fully reflective of Policy requirements in relation to design standards, and on-site open space provision (where required) and drainage management. In addition we have also considered the requirements for new infrastructure provision on the respective sites, and any site specific S106/S278 contributions/works required.

9.7 Full details of our assumptions in relation policy requirements are contained at table 3.19 whilst WYG's report on the Build Cost assumptions is included at Appendix 2. Tables 6.2-6.22 contain the results of our viability testing of the Local Plan policies. The tables show the impact of individual local plan policies on the base development surplus. To understand the cumulative impact of these policies we have prepared further viability testing. The following tables, 9.1 – 9.21 show the results of this testing which considers the viability of development in Fylde based on the combination of local plan policies including 30% affordable housing provision, provision for the elderly, water measures in the form of rainwater harvesting and S106/S278 contributions of £5,000 and £10,000 per dwelling.

9.8 This viability testing relates to both the generic development typologies assessed at Section 6 and also the three housing allocations identified in table 3.8. In each case the tables are presented to show the development surplus per sq.m of new floor-space. For simplicity the cell is coloured red where the result is unviable. For completeness, as a further sense check we have also re-run the financial appraisals with the base input land cost removed. This means that the cost of undertaking the development (excluding land value but including planning policy costs) is deducted from the GDV to leave a residual land value. This residual land value can then be benchmarked against the threshold land values to determine whether the land value is below the threshold figure and hence the development is viable.

ZONE 1 – COMBINED POLICY VIABILITY RESULTS

Table 9.1: Zone 1 Combined Policies – 30 dph Surplus per sq.m and Residual Land Values Previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£154	£1,289,592	£522,102	£102	£1,154,515	£467,415
2 (10 homes)	£278	£1,654,958	£670,023	£229	£1,515,752	£613,665
3 (25 homes)	-£77	£651,959	£263,951	-£125	£515,554	£208,726
4 (50 homes)	-£35	£765,255	£309,820	-£83	£632,305	£255,994
5 (75 homes)	£38	£803,082	£325,134	-£9	£671,852	£272,005
6 (100 homes)	£51	£833,815	£337,577	£5	£705,728	£285,720

Table 9.2: Zone 1 Combined Policies – 30 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£311	£1,466,100	£593,563	£260	£1,319,792	£534,329
2 (10 homes)	£422	£1,781,897	£721,416	£373	£1,642,691	£665,057
3 (25 homes)	£57	£749,578	£303,473	£8	£613,173	£248,248
4 (50 homes)	£117	£822,138	£332,850	£70	£689,187	£279,023
5 (75 homes)	£127	£850,722	£344,422	£81	£720,386	£291,654
6 (100 homes)	£129	£347,295	£347,295	£84	£729,732	£295,438
7 (250 homes)	£128	£345,099	£345,099	£84	£729,206	£295,225
8 (500 homes)	£126	£342,982	£342,982	£86	£736,680	£298,251
9 (1,000 homes)	£91	£303,279	£303,279	£59	£658,576	£266,630

Table 9.3: Zone 1 Combined Policies – 40 dph Surplus per sq.m and Residual Land Values previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£125	£1,325,800	£536,761	£73	£1,133,720	£458,996
2 (10 homes)	£236	£1,742,540	£705,482	£187	£1,557,036	£630,379
3 (25 homes)	-£79	£577,384	£233,759	-£127	£395,960	£160,308
4 (50 homes)	-£35	£735,217	£297,659	-£82	£557,594	£225,747
5 (75 homes)	£23	£777,255	£314,678	-£24	£603,764	£244,439
6 (100 homes)	£37	£831,538	£336,655	-£8	£660,735	£267,504

Table 9.4: Zone 1 Combined Policies – 40 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£255	£1,539,410	£623,243	£204	£1,347,340	£545,482
2 (10 homes)	£364	£1,956,224	£791,994	£315	£1,770,716	£716,889
3 (25 homes)	£27	£692,870	£280,514	-£22	£511,448	£207,064
4 (50 homes)	£80	£793,624	£321,305	£33	£616,002	£249,393
5 (75 homes)	£91	£834,155	£337,714	£45	£660,738	£267,505
6 (100 homes)	£95	£344,131	£344,131	£49	£679,231	£274,992
7 (250 homes)	£98	£347,728	£347,728	£54	£694,316	£281,100
8 (500 homes)	£102	£354,173	£354,173	£62	£726,388	£294,084
9 (1,000 homes)	£78	£317,640	£317,640	£45	£661,459	£267,797

Table 9.5: Zone 1 Combined Policies – 20 dph Surplus per sq.m and Residual Land Values previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
10 (10 homes)	£273	£1,477,178	£598,048	£233	£1,384,772	£560,636
11 (25 homes)	-£55	£737,428	£298,554	-£93	£647,799	£262,267
12 (50 homes)	-£26	£803,038	£325,117	-£63	£716,147	£289,938

Table 9.6: Zone 1 Combined Policies – 20 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
10 (10 homes)	£444	£1,594,816	£645,674	£403	£1,502,410	£608,263
11 (25 homes)	£104	£833,464	£337,435	£65	£743,835	£301,148
12 (50 homes)	£163	£878,485	£355,662	£126	£791,594	£320,484

Table 9.7: Zone 1 Combined Policies – Apartments Surplus per sq.m and Residual Land Values

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
13 (15 homes)	-£160	£44,292	£17,932	-£228	-£333,779	-£135,133
14 (50 homes)	-£312	-£1,255,439	-£508,275	-£383	-£1,750,757	-£708,809
15 (50 homes exec)	-£416	-£2,316,876	-£938,007	-£478	-£2,794,216	-£1,131,261

ZONE 2 – COMBINED POLICY VIABILITY RESULTS

Table 9.8: Zone 2 Combined Policies – 30 dph Surplus per sq.m and Residual Land Values previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£236	£1,766,192	£715,058	£184	£1,619,877	£655,821
2 (10 homes)	£344	£2,088,779	£845,659	£295	£1,949,573	£789,301
3 (25 homes)	-£32	£1,025,727	£415,274	-£80	£889,322	£360,049
4 (50 homes)	£8	£1,133,154	£458,767	-£40	£1,000,210	£404,943
5 (75 homes)	£96	£1,157,971	£468,814	£49	£1,027,673	£416,062
6 (100 homes)	£106	£1,187,770	£480,879	£61	£1,059,864	£429,095

Table 9.9: Zone 2 Combined Policies – 30 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£428	£1,942,700	£786,518	£376	£1,796,392	£727,284
2 (10 homes)	£539	£2,260,185	£915,055	£248	£2,120,979	£858,696
3 (25 homes)	£135	£1,123,346	£454,796	£86	£986,941	£399,571
4 (50 homes)	£204	£1,190,022	£481,790	£157	£1,057,093	£427,973
5 (75 homes)	£211	£1,211,022	£490,292	£165	£1,080,781	£437,563
6 (100 homes)	£211	£490,582	£490,582	£166	£1,083,834	£438,799
7 (250 homes)	£206	£483,651	£483,651	£162	£1,071,767	£433,914
8 (500 homes)	£192	£468,200	£468,200	£153	£1,046,848	£423,825
9 (1,000 homes)	£138	£407,210	£407,210	£107	£917,164	£371,321

Table 9.10: Zone 2 Combined Policies – 40 dph Surplus per sq.m and Residual Land Values Previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£213	£1,901,990	£770,036	£162	£1,709,920	£692,275
2 (10 homes)	£321	£2,307,484	£934,204	£272	£2,123,732	£859,811
3 (25 homes)	-£23	£1,025,413	£415,147	-£72	£845,705	£342,391
4 (50 homes)	£20	£1,187,874	£480,921	-£27	£1,010,252	£409,009
5 (75 homes)	£88	£1,218,609	£493,364	£42	£1,045,290	£423,195
6 (100 homes)	£101	£1,266,004	£512,552	£55	£1,113,524	£450,819

Table 9.11: Zone 2 Combined Policies – 40 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£371	£2,095,020	£848,186	£319	£1,904,810	£771,178
2 (10 homes)	£479	£2,519,144	£1,019,896	£430	£2,335,392	£945,503
3 (25 homes)	£109	£1,139,806	£461,460	£61	£960,098	£388,704
4 (50 homes)	£168	£1,246,282	£504,567	£120	£1,068,659	£432,656
5 (75 homes)	£176	£1,275,509	£516,400	£130	£1,102,190	£446,231
6 (100 homes)	£178	£520,018	£520,018	£133	£1,113,991	£451,008
7 (250 homes)	£177	£518,011	£518,011	£133	£1,115,499	£451,619
8 (500 homes)	£171	£508,518	£508,518	£131	£1,109,206	£449,071
9 (1,000 homes)	£130	£446,455	£446,455	£98	£982,972	£397,964

Table 9.12: Zone 2 Combined Policies – 20 dph Surplus per sq.m and Residual Land Values previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
10 (10 homes)	£329	£1,859,864	£752,981	£289	£1,767,460	£715,571
11 (25 homes)	-£27	£1,048,269	£424,400	-£66	£958,640	£388,113
12 (50 homes)	£0	£1,112,240	£450,300	-£37	£1,025,444	£415,160

Table 9.13: Zone 2 Combined Policies – 20 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
10 (10 homes)	£547	£1,977,502	£800,608	£507	£1,885,098	£763,198
11 (25 homes)	£174	£1,144,305	£463,281	£135	£1,054,676	£426,994
12 (50 homes)	£242	£1,187,605	£480,812	£205	£1,100,809	£445,672

Table 9.14: Zone 2 Combined Policies – Apartments Surplus per sq.m and Residual Land Values

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
13 (15 homes)	-£71	£295,510	£119,640	-£142	£151,038	£61,149
14 (50 homes)	-£216	-£149,670	-£60,595	-£287	-£342,568	-£138,691
15 (50 homes exec)	-£321	-£274,783	-£111,248	-£384	-£371,639	-£150,461

ZONE 3 – COMBINED POLICY VIABILITY RESULTS

Table 9.15: Zone 3 Combined Policies – 30 dph Surplus per sq.m and Residual Land Values previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£405	£2,199,969	£890,676	£353	£2,056,454	£832,572
2 (10 homes)	£512	£2,567,821	£1,039,604	£463	£2,428,615	£983,245
3 (25 homes)	£101	£1,399,494	£566,597	£52	£1,263,089	£511,372
4 (50 homes)	£139	£1,500,989	£607,688	£92	£1,368,073	£553,876
5 (75 homes)	£224	£1,518,084	£614,609	£178	£1,387,890	£561,899
6 (100 homes)	£232	£1,541,454	£624,071	£187	£1,413,714	£572,354

Table 9.16: Zone 3 Combined Policies – 30 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£597	£2,373,108	£960,772	£545	£2,229,592	£902,669
2 (10 homes)	£707	£2,738,473	£1,108,693	£658	£2,599,267	£1,052,335
3 (25 homes)	£267	£1,497,113	£606,119	£219	£1,360,708	£550,894
4 (50 homes)	£335	£1,557,857	£630,711	£288	£1,424,941	£576,899
5 (75 homes)	£340	£1,571,134	£636,087	£293	£1,440,940	£583,377
6 (100 homes)	£337	£633,762	£633,762	£292	£1,437,653	£582,046
7 (250 homes)	£327	£622,020	£622,020	£284	£1,413,768	£572,376
8 (500 homes)	£302	£592,957	£592,957	£263	£1,355,522	£548,794
9 (1,000 homes)	£229	£510,170	£510,170	£198	£1,172,578	£474,728

Table 9.17: Zone 3 Combined Policies – 40 dph Surplus per sq.m and Residual Land Values previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£370	£2,456,960	£994,721	£318	£2,266,750	£917,713
2 (10 homes)	£477	£2,891,840	£1,170,785	£428	£2,708,088	£1,096,392
3 (25 homes)	£100	£1,481,190	£599,672	£51	£1,301,483	£526,916
4 (50 homes)	£142	£1,642,778	£665,092	£94	£1,465,195	£593,196
5 (75 homes)	£207	£1,662,023	£672,884	£161	£1,488,874	£602,783
6 (100 homes)	£217	£1,702,308	£689,193	£172	£1,531,959	£620,226

Table 9.18: Zone 3 Combined Policies – 40 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
1 (4 homes)	£527	£2,617,540	£1,059,733	£475	£2,478,290	£1,003,356
2 (10 homes)	£635	£3,103,500	£1,256,478	£586	£2,919,748	£1,182,084
3 (25 homes)	£232	£1,595,584	£645,985	£184	£1,415,878	£573,230
4 (50 homes)	£289	£1,701,170	£688,733	£242	£1,523,594	£616,840
5 (75 homes)	£295	£1,718,862	£695,895	£249	£1,545,732	£625,802
6 (100 homes)	£295	£696,650	£696,650	£249	£1,550,400	£627,692
7 (250 homes)	£290	£688,844	£688,844	£246	£1,537,834	£622,605
8 (500 homes)	£272	£662,857	£662,857	£233	£1,491,329	£603,777
9 (1,000 homes)	£214	£574,216	£574,216	£183	£1,300,651	£526,579

Table 9.19: Zone 3 Combined Policies – 20 dph Surplus per sq.m and Residual Land Values Previously developed Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
10 (10 homes)	£583	£2,434,786	£985,743	£542	£2,342,380	£948,332
11 (25 homes)	£174	£1,515,253	£613,463	£135	£1,425,624	£577,176
12 (50 homes)	£198	£1,576,636	£638,314	£161	£1,489,841	£603,174

Table 9.20: Zone 3 Combined Policies – 20 dph Surplus per sq.m and Residual Land Values Greenfield Sites

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
10 (10 homes)	£792	£2,532,094	£1,025,139	£751	£2,439,688	£987,728
11 (25 homes)	£375	£1,611,290	£652,344	£336	£1,521,661	£616,057
12 (50 homes)	£439	£1,652,001	£668,826	£402	£1,565,206	£633,686

Table 9.21: Zone 3 Combined Policies – Apartments Surplus per sq.m and Residual Land Values

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
13 (15 homes)	£68	£557,312	£225,632	-£4	£688,502	£278,746
14 (50 homes)	-£100	£185,411	£75,065	-£161	£321,366	£130,108
15 (50 homes exec)	-£195	-£78,161	-£31,644	-£257	£21,974	£8,896

9.9 With reference to these tables, the results for the cumulative policy viability testing show that of the 216 housing typologies tested across the three value zones, 25 were unviable which equates to 11.5% of the total. Of these unviable developments 24 were in relation to previously developed sites, located in either value Zones 1 or 2, and comprised the 25 or 50 home schemes. There was one result for a 25 homes greenfield site in value Zone 1 which was unviable on the basis of a S106/S278 contribution at £10,000 per dwelling.

9.10 One of the comments made as a result of the stakeholder consultation was about the level of land value that the owner of a greenfield site would require to incentivise them to sell. We have adopted £494,000 per hectare (£200,000 per acre) in Zone 1 and £617,500 per hectare (£250,000 per acre) elsewhere as our 'threshold' figures. The suggestions from stakeholders were either £802,750 per hectare (£325,000 per acre) in the lowest value zone, or the other suggestion made was £864,500 per hectare (£350,000 per acre) to £1,111,500 per hectare (£450,000 per acre). These figures do not accord with the approach that should be taken in preparing the assessment, and no evidence has been provided by the stakeholders to support the figures. However even if we did adopt the figure of £802,750 per hectare (£325,000 per acre) as a benchmark land value for greenfield sites, 105 of the 126 development scenarios tested have residual land values in excess of this amount. In all instances the development scenarios with residual land values below this figure are in Zone 1, and in the majority of cases it is the results from the viability testing that incorporates a S106/S278 contribution of £10,000 per dwelling. In 6 cases the schemes are those in excess of 500 dwellings. Here it is assumed that all of the land is acquired on day 1, which have a limiting effect on viability given the extent of finance costs that are then carried on the land over a lengthy development programme. Normal market practice in relation to these sites would be to acquire the land on a phased basis over a number of years hence limiting finance costs and improving viability. If a landowner did sell the entire site on day 1 then we would expect a discount to the price paid to reflect this.

9.11 In relation to the apartment developments tested the results generally indicated that apartment development is unviable based on the policy compliant position of 30% affordable housing. It is possible that apartment developments could take place along the seafront at St Annes and Lytham. Such developments are likely to achieve the highest values in the Borough, and we have undertaken some additional testing of apartments at £2,799 per sq.m (£260 per sq.ft) reflecting the values that developments in these locations are likely to achieve. The results are contained in table 9.22.

Table 9.22: Higher Value Zone Combined Policies – Apartments Surplus per sq.m and Residual Land Values

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
13 (15 homes)	£206	£828,836	£335,561	£135	£688,502	£278,746
14 (50 homes)	£26	£502,511	£203,446	-£45	£321,366	£130,108
15 (50 homes exec)	-£78	£112,782	£45,661	-£139	£21,974	£8,896

9.12 On the basis of these higher values the viability of the apartment schemes tested improves, albeit on the assumption of a £10,000 per dwelling S106/S278 contribution 2 of the 3 schemes still remain unviable.

9.13 Overall of the 25 apartment schemes tested 20 or 83% are unviable at 30% affordable housing provision.

Site Specific Viability Testing

9.14 Table 9.23 contains the results of the viability testing undertaken for the strategic sites assuming all emerging policies are combined. As with the generic testing the results show the development surplus per sq. m of built floorspace together with the residual land value. Again we have prepared testing on the basis of S106/S278 contributions of £5,000 and £10,000 per dwelling. For the mixed use scheme at Cropper Road East we have provided results for the housing allocation alone and then in combination with the employment development. In addition we have prepared an assessment for this site on the basis of a reduced affordable housing requirement at 20%. The assumptions used for our testing are contained in Appendix 4.

SITE SPECIFIC – COMBINED POLICY VIABILITY RESULTS

Table 9.23: Site Specific Viability Results

Scheme	Assumed Development	Affordable Housing Provision	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
			Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
EDS, Heyhouses Lane, St Annes	84 homes	30%	£154	£1,308,169	£529,623	£107	£1,177,959	£476,906
Cropper Road, West	422 dwellings and local centre	30%	£109	£871,978	£353,028	£69	£732,433	£296,532
Cropper Road East (Housing)	226 homes	30%	£154	£992,196	£401,699	£113	£858,033	£347,382
Cropper Road East (Including Employment)	226 homes 26,500 sq.m employment	30%	-£12	£374,166	£151,484	-£31	£305,297	£123,602
Cropper Road East (Including Employment)	226 homes 26,500 sq.m employment	20%	£17	£479,906	£194,294	-£2	£411,285	£166,512

9.15 The results from the site specific viability testing show that the balance of the EDS allocation at Heyhouses Lane and the allocation at Cropper Road West are viable based on the emerging local plan policy requirements. The results at both £5,000 and £10,000 per dwelling S106/S278 contribution show a surplus.

9.16 In relation to the allocation at Cropper Road East, the housing element of the allocation is viable in isolation with a surplus per sq.m of £154 assuming £5,000 per dwelling S106/S278 contribution and £113 at £10,000 per dwelling. This is a mixed use allocation and when the viability testing is undertaken incorporating the new employment floor space then the viability position reduces. The new employment floor space is less viable than the housing and to a degree the new housing development acts as a cross-subsidy to the less viable employment uses. At 30% affordable housing provision the development is not viable and makes a loss equivalent to £12 per sq.m of built floorspace assuming a £5,000 per dwelling S106/S278 contribution and £31 per sq.m at £10,000 per dwelling. With a reduction in the affordable housing provision to 20% the development makes a small surplus equivalent to £17 per sq.m at £5,000 per dwelling S106/S278 contribution and a small loss equivalent to £2 per sq.m at £10,000 per dwelling. These results suggest a more marginal form of development that may require a further adjustment in affordable housing provision to deliver a viable development.

Neighbourhood Development Plan Policy BWH1: Managing Housing Growth in Warton

9.17 As outlined at paragraph 2.81 this policy requires that the developable area of the sites east and west of Warton will be limited to 55% of the total site at 30 dwellings per hectare. This is an adjustment to the gross to net site area assumptions adopted for the purpose of the viability testing undertaken in this study at 65%. As a result to consider the viability of this neighbourhood development plan policy we have prepared some additional testing of greenfield field sites on the basis of this revised developable area. The results are contained in table 9.24.

Table 9.24: Neighbourhood Development Plan Policy Testing Warton

Scheme	S106/S278 Contribution - £5,000 per dwelling			S106/S278 Contribution - £10,000 per dwelling		
	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)	Surplus (per sq.m)	Residual Land Value (per Ha)	Residual Land Value (per acre)
6 (100 homes)	£105	£319,586	£319,586	£60	£661,291	£267,729
7 (250 homes)	£110	£325,370	£325,370	£66	£680,395	£275,464
8 (500 homes)	£111	£326,189	£326,189	£72	£694,991	£281,373

9.18 The results from the testing of this policy show that the requirement to limit the net developable area to 55% does lead to a reduction in viability in comparison to the equivalent results at 65% (table 9.2). Notwithstanding this the developments tested still deliver a surplus which indicates that development on this basis is viable and the proposed policy will not undermine delivery.

Housing Conclusions

9.19 The delivery of Affordable Housing Policy requirements at 30% on site provision has the greatest impact of the plan policies tested. In the majority of cases new housing development in Fylde can support the requirement for 30% provision combined with other polices. The impact of affordable provision is greatest on previously developed sites, where in a number of cases in the lower value zones, delivery of the Policy requirement at 30% is unviable. In relation to greenfield sites these are, except for one case, able to achieve a Policy compliant level of affordable housing.

9.20 Policy H4 – Provision of Affordable Housing as currently drafted requires 30% affordable housing provision subject to a test of viability where such a level of provision will prevent development proceeding. This viability test provides a level of flexibility in the plan policy, and as a result for those sites where viability may be at issue it may be possible to justify a lower level of provision to enable a site to be delivered.

9.21 Our viability testing assumes a no grant position. It is possible that Registered Providers may be able to secure funding through the HCA to assist in the delivery of higher numbers of affordable homes on sites where viability is at issue.

9.22 Our testing assumes compliance with current building regulation requirements. In the longer term Building Regulations are likely to be revised and updated to incorporate further energy efficiency requirements however following the abolition of Code in March, the Government has not subsequently provided any timescale for these changes. The Council will not have the same flexibility in relation to these nationally set standards if introduced however should future changes occur this will be balanced by improvements in technologies and efficiencies in manufacture which over time should help to reduce the cost of delivering the requirements of higher energy efficiency standards.

9.23 In relation to new housing development in Fylde the Council may need to balance the requirements for Affordable Housing and S106/CIL contributions so as not to undermine delivery. However, the respective policy in relation to Affordable Housing does allow a degree of flexibility to accommodate this. CIL on the other hand does not, and once implemented is fixed. This will need to be considered in any future decisions that are made regarding the introduction of CIL.

Non-Residential Developments

9.24 The results from the viability testing for the offices and industrial suggest that employment development is not currently viable on a speculative basis. In certain cases for industrial development the results indicate that in the absence of a developers profit requirement development is close to 'breaking even'.

9.25 In our view the Local Plan Policy obligations, as drafted, do not place such a burden on new employment development so as to prejudice its future delivery. Issues in relation to viability arise because rents and capital values for employment uses are currently at a low level and in comparison there is a 'gap' with build costs. Traditionally in recent years this gap has been met by public sector funding support or in the case of mixed use schemes cross-subsidised by other more viable forms of development as demonstrated by the testing carried out for the Cropper Road, East allocation.

9.26 Notwithstanding the results of our viability testing it is likely that office and industrial development will come forward in Fylde in the future motivated by specific circumstances such as an owner occupier wishing to expand or alternatively with the benefit of public sector funding support.

9.27 In respect of other forms of commercial development convenience retail is viable. Comparison retail is also viable albeit the results for Town Centre comparison retail suggest a more marginal form of development and similarly the results are marginal for the larger forms of bulky goods retail warehousing.

9.28 The development of leisure accommodation is generally unviable based on the speculative form of development assumed with the exception of food and drink.

9.29 Our results suggest that Extra Care accommodation built on a speculative basis is unviable at values of £2,583 per sq.m (£240 per sq.ft) or less. It is likely that such forms of development built for sale on a speculative basis by specialist developers such as McCarthy and Stone are likely to be delivered in the higher value areas of the Borough. It is not always the case however that extra care accommodation is built on a speculative basis. Many such facilities are purpose built for the operator who may then derive a profit from the operation of the accommodation rather than necessarily receiving a profit from the sale of the development itself. If this delivery model is implemented, the viability of Extra Care accommodation significantly improves as a developers profit reduces to a contractors profit. A developer will then typically derive an income from the accommodation which in the majority of instances takes the form of rented accommodation. Similarly nursing home development is unviable on a speculative basis.

Summary

9.30 Subject to the comments made above, the overall scale of obligations, standards and policy burdens contained in the emerging Local Plan are not of such a scale that cumulatively they threaten the ability of the sites and scale of development identified in the Plan to be developed viably. In certain circumstances there will need to be a balance achieved between the requirements for affordable housing, sustainability initiatives and CIL (if introduced), however there is sufficient flexibility in the Plan policies as currently drafted in relation to affordable housing with a test based on economic viability to allow a relaxation of policy requirements if appropriate.