

Barnet Local Plan Viability Assessment
Workshop Q and A Paper - 18th May 2021

BNP Paribas Real Estate

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1. Is Benchmark Land Value (BLV) used in this Viability Assessment realistic in terms of existing use value of the land and a reasonable landowner's premium - known as EUV+ (existing use value plus a landowner's premium)?

AL - Yes. Please see section on Benchmark Land Value in the Viability Assessment.

2. Has BNPP included all policy requirements (including all development management policy requirements) in the viability assessment?

AL - Yes all requirements are reflected – please refer to the Viability Assessment. The Local Plan is required to be in general conformity with the London Plan and regional requirements are therefore reflected. In turn, the London Plan has to be consistent with national policy.

3. Has a reasonable buffer been included within the assessment? Calculations cannot be at the margins of viability, without any buffer, as to do so will threaten the delivery of sites where assumptions change over the life of the plan.

AL - Local Plan policies contain a degree of flexibility, particularly on affordable housing, which can be varied depending on site-specific circumstances. It cannot be said of Plan policies that they need a "buffer" because the policies themselves will flex if there are site-specific viability issues. CIL is different as it is fixed, hence the suggestion that rates are set below the maximum (i.e. a buffer).

4. Have you taken into account the risk profile of developers and the land value requirements of landowners?

AL - Local Plan policies will inevitably depress the prices that landowners can receive for sites and policy making is inevitably a process of negotiation and certainly not one in which "partnership working" can be expected. The risk profile of developers is reflected through the application of a risk margin in the appraisals.

5. Can you provide clarification on what is local context in terms of the assessment of the following:

- Current and emerging local needs and demands

AL - Need is addressed in other parts of the Local Plan evidence base.

- Local plan strategy and delivery priorities and intentions

AL - It is for the Council to weigh its priorities and intentions and resolve any potential trade-offs

- Spatial characteristics of the local area

AL - These are addressed through the typologies which take their lead in terms of density from the surrounding urban grain

- Market and affordability characteristics of the local area

AL - Market characteristics are reflected in the Assessment. Testing affordability is not part of the brief for the Assessment.

- Current and historic delivery rates

AL - This is not part of the brief for the Assessment.

- The policy circumstances under which previous consents that led to delivery were granted.

AL - This is not part of the brief for the Assessment. We are testing emerging Local Plan policy, not doing a critique or assessment of how the adopted Local Plan has performed.

6. Did you take into account cross borough viability assessments of neighbouring authorities especially for the areas shared between boroughs i.e. A5 with Harrow, Brent, Camden, Enfield, Haringey and Hertsmere

AL - There are no “cross borough viability assessments” in existence. In any event, each borough has their own housing market conditions, suite of plan policies and benchmark land values based on local circumstances. We undertook the local plan viability studies for Brent, Camden, Haringey and Hertsmere so are familiar with this body of work but market conditions in all these boroughs are different to those in Barnet.

7. We understand there are mainly six key stages of a local plan viability assessment. Have they all been covered by the Viability Assessment? Local plan viability assessment should follow the guidance in the NPPG:

- Facilitate early engagement between all stakeholders, including developers;
- Seek to assist understanding by simplifying and standardising inputs;
- Address each stage of NPPG’s residual appraisal approach in sequence;
- Identify reoccurring issues experienced across the country and formulate these into simple questions to be addressed if the process is to be robust ;
and
- Finally assess resultant BLV and the issues that must be balanced to ensure the Plan can be found sound, the necessary land supply identified and delivery of dwellings secured.

AL - Yes this has been covered. Please refer to the section on methodology and the section on appraisal inputs.

8. The NPPG strongly encourages an approach of working together with various stakeholders and partnership working with all interested parties in order to strike the

right balance between the aspirations of developers / landowners and the aims of the planning system. Did the Viability Assessment take this into account?

AL - The Planning System seeks to secure some of the uplifts in land value arising from the grant of planning permission for the benefit of the community. Landowners will not voluntarily share this benefit with the community unless compelled to do so by Development Plan policies. The PPG sets out the approach to how the needs of landowners should be balanced against the interests of the communities in which development takes place and this approach is reflected in the viability Viability Assessment.

The aspirations of developers are more straightforward to assess (i.e. to achieve a risk adjusted return) and this is reflected through the application of a profit margin in the appraisals. See sections relating to Benchmark Land Value and Developer's profit which deal with these points.

Clearly policies that benefit the community will reduce land value and it will rarely be possible to achieve complete unanimity on emerging Local Plan policies, or the appraisal inputs which test those policies. To a degree, the process of testing viability of plan policies is more characteristic of a negotiation between opposing parties and is certainly not an example of partnership working.

9. Each site is different and may have major constraints to site coverage within its boundaries, dependent upon its size and scale. For plan making and viability assessment, reasonable assumptions should be based on the expected nature of the scheme, the local housing need / demand objectives, site context and how the application of development management policies has previously affected coverage. A failure to understand mix and type of homes that achieve very different quantum of coverage per Net Developable Area can lead to problems. Has all this taken into account?

AL - In arriving at the capacity of each site (in terms of the numbers of units and non-residential floorspace), the Council has taken these factors into account, in addition to the need to provide adequate amenity space in line with emerging LP policies.

10. Unit Build Costs - There is often a lack of understanding about what is included in standard measures of costs. The BCIS cost is only the cost of the house itself and is based upon a flat site with standard foundations. BCIS does not account for plot works (drives / paths / fencing / walls / gardens & plot landscaping / connections / detached garages) nor any costs associated with more complex ground / gradient conditions. Although BCIS does include standard site management / overhead costs this is only to the extent of the items it measures, not full costs. BCIS does not account for any site externals or their overhead sums which are explained below. How is all this addressed in the Viability Assessment?

AL - Please refer to paragraph 4.17 which clarifies that additional allowances are added for external works. All of the typologies are based on flats, rather than houses, and the tenders upon which BCIS is based will include substructures that are suitable for flatted schemes.

11. How did the Viability Assessment take into account abnormal infrastructure costs which are all those costs over and above the standard costs that are required in order to deal with site specific conditions and meeting all planning and technical requirements? For example, in relation to external costs in addition to the standard cost will be all costs

specific to the scheme such as ground conditions / levels and topography / upgrading of utilities if insufficient capacity / drainage / contamination / additional specification required by design or development management policy requirements etc?

AL - Please see refer to paragraph 4.38. This is an area-wide assessment and the Council has not undertaken detailed site investigations (and indeed is not required to do so for the purposes of this exercise). In particular, please note the requirements of PPG in respect of abnormal costs.

12. Issues associated with effective site development are often hidden within the need to comply with other planning and/or technical requirements and are, therefore, missed or not fully understood. Commonly, only the most visible ones such as sustainable drainage or a need for a link road are picked up regularly. Has the Viability Assessment taken into account all the hidden costs by using a list of limitations/disclaimers/caveats? Caution is needed and plan assumptions must not be on the margins of viability. A clear buffer must be included within all viability assessments. All development schemes require a degree of contingency planning built into the viability to cover a wide range of matters

AL - The Viability Assessment includes normal caveats on the extent to which site-specific factors cannot be reflected in a high-level Viability Assessment in advance of detailed work on planning applications being undertaken. However, that said, the appraisals incorporate a contingency to allow for cost risks. The comments here regarding plan assumptions at the “margins of viability” are possibly confusing Local Plan policies (which contain a degree of flexibility, especially affordable housing, being the most significant requirement) with CIL (which is fixed). Key Local Plan policies cannot be said to be “at the margins of viability” if they contain provisions for flexible application to take account of site-specific circumstances at the DM stage.

13. Barnet’s existing Local Plan policy on affordable housing is not currently being implemented. Therefore the Council have a poor track record on affordable housing delivery.

AL - It is beyond the scope of our commission to comment on how effectively the Council is implementing its current Local Plan policies. We would, however, not accept the assertion that “affordable housing local policy is not currently being implemented” because it evidently is. Scheme-specific viability information is subject to independent scrutiny to determine that each scheme provides the maximum AH percentage, in accordance with policy requirements. This does NOT mean, however, that every single scheme will meet the target, but this does not mean that policy is not being implemented.

14. Can you clarify what is meant by the higher the yield the lower the potential for investment”. A little clarity would be appreciated. Is that from current market conditions?

AL - Higher yields are a signal of lower investor appetite for a building or class of property. This is typically because investors will lack confidence that the property will be occupied over the long term and they consequently expect a higher yield to reflect the additional risk of the building continuing to generate income. This point applies regardless of market conditions – the stronger the demand for a type of building, the lower the yield and risk is lower.

15. Why are the values for Beaufort Park and Thomas Lipton Hospital relatively High – is it the developer? How do you decide which value to apply?

AL - Values for each scheme are reflective of site-specific circumstances (e.g. design, micro-location, specification) and wider market conditions in an area. The values used in the Viability Assessment take all these factors into account on an 'area average' basis.