

13th March 2014

Delivered via Email and Post

Planning Inspector / Programme Officer
Newport LDP Examination
Newport City Council
Civic Centre
Newport
NP20 4UR

Dear Planning Inspector / Programme Officer

**NEWPORT CITY COUNCIL LOCAL DEVELOPMENT PLAN EXAMINATION: HEARING SESSION 4-
AFFORDABLE HOUSING**

I write with regard to the above Local Development Plan Hearing Session on behalf of our client Gallagher Estates.

I can confirm that Gallagher Estates will not be attending Hearing Session 4. In this regard the Inspector should give full consideration to our previously submitted representations and the attached representations made in relation to the recent Affordable Housing Revised Draft Supplementary Planning Guidance consultation.

Yours Sincerely



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Newport City Council Consultation upon Affordable Housing Revised Draft SPG

Representations submitted
to November 2013
consultation on behalf of:

Gallagher Estates Limited

January 2014

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1 Introduction

- 1.1 This document is submitted on behalf of Gallagher Estates Limited ('Gallagher Estates') and has been prepared by Turley Associates.

Gallagher Estates

- 1.2 Gallagher Estates is one of the largest strategic land companies promoting and developing residential and mixed use schemes throughout the UK. Gallagher Estates is not a housebuilder, but plays a unique role as master developer, bringing together all aspects of the development process.
- 1.3 This enables Gallagher Estates to bring forward strategic development opportunities, through all stages of the development process including site assembly, master planning, planning promotion and negotiation, through to the delivery of serviced land to the market place.

Purpose of this Document

- 1.4 As one of the UK's largest strategic land companies, with land interests for residential uses within Newport, Gallagher Estates has a substantial interest in working with Newport City Council ('NCC') to ensure that the proposals with the NCC Affordable Housing Revised Draft Supplementary Planning Guidance (November 2013)¹ ('draft SPG') will both be fair and effective in operation following adoption.
- 1.5 This document represents Gallagher Estate's response to NCC in relation to the publication of the draft SPG².
- 1.6 In summary, Gallagher Estates does not consider that NCC has presented or cited appropriate financial viability evidence to underpin the proposals within the draft SPG³.
- 1.7 Gallagher Estates considers that it is important for the Council to reflect upon the comments included within this document, prior to proceeding to adopting the finalised SPG.

¹ Newport City Council (November 2013) Affordable Housing Revised Draft Supplementary Planning Guidance

² Ibid

³ Ibid

2 Comments upon the draft SPG

2.1 This section sets out Gallagher Estates detailed comments upon the draft SPG⁴.

Development Viability

2.2 TAN2⁵ places emphasis on the importance of local planning authorities setting affordable housing targets that are both realistic and take full account for site viability. Such affordable housing targets are specified as ‘indicative’ and are not stipulated as ‘requirements’.

2.3 Importantly, TAN2⁶ also introduces the requirement for local planning authorities to take into account the impact on delivery of the affordable housing target across the plan area and within individual parts of the plan area. Specifically, it states:

‘The target should take account of the anticipated levels of finance available for affordable housing, including public subsidy, and the level of developer contribution that can realistically be sought.’⁷

‘When setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability. Local planning authorities should also take into account the impact on the delivery of the affordable housing target and the objective of creating sustainable communities across the plan area and in the individual parts of the plan area.’⁸

2.4 However, paragraph 1.5 of the draft SPG⁹ makes reference to the setting of an affordable housing ‘requirement’. It is the view of Gallagher Estates that the term ‘requirement’ should be replaced with the term ‘target’. In addition, to reflect the emphasis on viability within TAN2¹⁰, the following sentence should be added to paragraph 1.5:

‘This is subject to consideration of development viability on a scheme-specific basis.’

2.5 Importantly, Gallagher Estates notes that no reference is made to the preparation of any underpinning viability evidence, such as recent Affordable Housing Viability Assessment’s (AHVA), to justify the proposals within the draft SPG¹¹ for the setting of a 30% affordable housing target. Gallagher Estates requests that a summary section is included in the draft SPG¹² relating to evidence of viability (similar to the ‘evidence of need’ section), which sets out transparently the justification behind NCC’s preferred approach to target setting.

⁴ Ibid

⁵ Welsh Assembly Government (2006) Technical Advice Note (TAN) 2: Planning and Affordable Housing

⁶ Ibid

⁷ Ibid – para. 9.1, p.7

⁸ Ibid – para. 10.4, p.8

⁹ Newport City Council (November 2013) Affordable Housing Revised Draft Supplementary Planning Guidance

¹⁰ Welsh Assembly Government (2006) Technical Advice Note (TAN) 2: Planning and Affordable Housing

¹¹ Newport City Council (November 2013) Affordable Housing Revised Draft Supplementary Planning Guidance

¹² Ibid

- 2.6 The draft SPG does makes reference to NCC working with the development industry to establish the viability of new build housing sites (see para 1.5, para A4.1)¹³. However, no evidence of this is either presented or referenced within the draft SPG. Gallagher Estates therefore requests that NCC provides evidence of this process of engagement, details of those engaged, and the outputs of the work undertaken.

Three Dragons Development Appraisal Toolkit

- 2.7 Gallagher Estates agrees in principle with NCC's preferred approach to utilise the Three Dragons Development Appraisal Toolkit ('DAT') to assist in the calculation of appropriate levels of affordable housing on a site-by-site basis. However, for clarity it is requested that where reference is made at paragraph 1.13 of the draft SPG to developers providing 'financial information', where a scheme is claimed to be unviable, that this term should be replaced with the term 'financial viability assessment'¹⁴.
- 2.8 Secondly, where paragraph 1.13 makes reference to the use of default values agreed with the HBF being used within the DAT, there is no transparency provided as to what the default values constitute. Details of the default values should be added as an additional appendix to the draft SPG for transparency¹⁵.

Acceptable Cost Guidance (ACG)

- 2.9 The draft SPG makes reference to the value paid for affordable units (neutral tenure) being determined using the Welsh Assembly Government's Acceptable Cost Guidance (ACG). This is acceptable to Gallagher Estates.
- 2.10 However, at A3.3 (and Appendix 5 para 8.1 – h) the draft SPG states that the developer will be expected to sell affordable housing to a Registered Social Landlord (RSL) at a discounted rate of 50% of the ACG banding for the appropriate neutral tenure property¹⁶.
- 2.11 This is a major concern for Gallagher Estates, as based on past dealings with NCC this represents a considerable decrease in the discount rate applied to the ACG level. In previous agreements, the discount rate has been closer to 65% of the ACG.
- 2.12 A further discount to 50% of ACG will have significant viability implications for new build development, as the reduced receipt to the developer for affordable units is likely to reduce the overall proportion of affordable housing deliverable on proposed development. This will have the detrimental effect of reducing the volume of affordable housing on proposed development schemes – therefore reducing the propensity of many sites from achieving anywhere near the 30% affordable housing target set in the draft SPG.
- 2.13 Moreover, within NCC's most recent viability evidence base - the NCC Affordable Housing Viability Assessment ('AHVA') (2012) – it is stated that viability testing was undertaken as follows:

¹³ Ibid

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Ibid

'The Study was required to review the viability of existing and emerging potential policy targets. In order to consider a full range of possible targets, testing took place assuming delivery of 10%; 15%; 20%; 25% 30%; 35%; 40%; based on 60% of ACG (Acceptable Cost Guidance)¹⁷

- 2.14 On this basis, the AHVA only undertook assessment of viability within Newport utilising a discount rate of 60% of the ACG banding in formulating its recommendations for affordable housing policy. This would suggest that NCC has not got robust and appropriate evidence of the impact of applying a 50% discount rate at a policy target of 30% affordable housing on the viability of development across the plan area. This would therefore contravene the requirements of TAN2¹⁸.
- 2.15 It is recommended that NCC strongly reconsiders the application of a 50% discount rate on ACG benchmarks unless robust viability evidence is presented to support this position. Instead, a 65% discount rate is recommended by Gallagher Estates.

How the Policy will be Applied

- 2.16 Under paragraph 5.3 of the draft SPG reference is made to the calculation of a presumed density of development by NCC in relation to outline planning applications¹⁹. Gallagher Estates requests that NCC makes clear within the draft SPG the calculation to be applied to reach the density of development. It is recommended that this should be calculated based on the developable area of development (i.e. excluding open space / landscaping etc).

Location of Affordable Housing

- 2.17 Within paragraph 5.3.7 the draft SPG details the procedure for payment of a commuted sum in lieu of provision of on-site affordable housing²⁰. For provision of clarity, Gallagher Estates requests that where it states 'may be scope' this is replaced by 'will be a mechanism'. Secondly, the second sentence should be altered to read as follows:

This route may be appropriate for development of small sites in the rural area or sites with significant abnormal or infrastructure cost burdens.

Special Needs

- 2.18 Paragraph 5.11 should be altered as follows for the purposes of clarity:

Where the affordable housing to be provided is designed to meet specialist housing needs at the behest of the City Council, an appropriate reduction in the proportion of affordable housing will be allowed. This will reflect the additional cost of such dwellings.

¹⁷ Dr Andrew Golland (2012) NCC Affordable Housing Viability Assessment – para. 3.10, p.11

¹⁸ Welsh Assembly Government (2006) Technical Advice Note (TAN) 2: Planning and Affordable Housing

¹⁹ Newport City Council (November 2013) Affordable Housing Revised Draft Supplementary Planning Guidance

²⁰ Ibid

Abnormal Development Costs

- 2.19 To provide the necessary clarity, and appropriate terminology, it is requested that the final sentence of paragraph 5.16 of the draft SPG is altered to reflect the requirement for submission of a financial viability assessment by the developer²¹. The final sentence should therefore be re-written as follows:

'Any such negotiation would need to be on an "open book" basis, providing a financial viability assessment including appropriate supporting evidence of costs and value. Where all parties are unable to agree the level of provision, a third party can be appointed (at cost to the developer/owner/applicant) to provide an independent financial viability assessment.'

Community Infrastructure Levy (CIL)

- 2.20 NCC states at para 5.18 of the draft SPG that negotiations on affordable housing will continue as previously, despite the introduction of CIL²². However, in the view of Gallagher Estates, this is not strictly correct as the cost implications of any CIL liability will be required to be considered alongside affordable housing in considerations of development viability in site-specific circumstances. It is therefore recommended that the following sentence is added after paragraph 5.18 of the draft SPG:

'However, in the circumstances where a developer submits a financial viability assessment to seek reduction in the required proportion of affordable housing, this should take into account the cost of any CIL liability and other residual site-specific Section 106 obligations required to make the proposed scheme acceptable in planning terms.'

²¹ Ibid

²² Ibid

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