

Eastfield Stables, Stansted (UTT/23/2193/PINS)

FVA Response

12th February 2024

1. Context

Background

In November 2023 NB Investments ('the applicant') submitted a Financial Viability Assessment as part of the planning application at Eastfield Stables, May Walk, Elsenham Road, Stansted, Essex, CM24 8SS (referenced UTT/23/2193/PINS - S62A/2023/0023) stating that the application could provide an off site financial contribution in lieu of an on site provision of affordable housing equating to a value of £140,000. In January 2024 Altair were appointed as the independent assessor for the FVA on behalf of Uttlesford District Council as part of the planning application.

The review carried out by Altair concluded that the application could viably provide an increased affordable housing contribution of £604,990. This was however based upon no evidence base from the applicant.

Since this time the applicant has provided a report evidencing their assumptions.

Purpose

The purpose of this document is to review the assumptions made by the applicant as part of their 3rd November 2023 report and make conclusions on what appropriate assumptions should be made as part of the review of viability on the application.

2. Assumptions Review

This section will review the assumptions provided by the applicant as part of their 3rd November report.

Gross Development Value

As per our January 2024 report an assumption of £6,245,250 (£1,248,050 pu) for the 5 x homes is agreed as part of this application.

Build Costs

The applicant has applied a build cost of £3,656,817 (inclusive of a 3% contingency) in their appraisal of a 100% private sale scheme. This is based upon a base BCIS rate of £1,587/sqm plus an allowance for substructures, services, external works, drainage and abnormals. We have carried out an initial review of these assumptions and based upon our experience of similar developments we consider this to be within a reasonable allowance for the likely cost. We will therefore apply a cost of £3,656,817 within our appraisal of the application.

Professional Fees

The applicant has applied a rate of 8.5% of build costs for professional fees. This is in line with industry standard benchmarks of 8-10% and the Local Plan Viability Assessment and we will therefore apply a this rate as part of our appraisal of the application.

Sales & Marketing Fees

The Applicant has not provided an assumption around sales and marketing costs. In line with the Local Plan Viability Assessment we will be assuming a rate of 2.5% on private sale GDV plus £1,000 pu for legal fees. This is in line with industry standard benchmarks the Local Plan Viability Assessment and we will therefore apply a this rate as part of our appraisal of the application.

Finance Costs

The Applicant has assumed 'all-in' debt interest rate of 7.5% within their appraisal of the application which we consider to be reflective of the current prevailing cost of finance and will therefore apply it within our appraisal of the application.

Programme

The applicant has assumed an 18 month build period with sales happening between months 15-18. Altair consider this to be reasonable and will apply it within our appraisal of the application.

Developers Return

The applicant has applied a rate of 17.5% on GDV for private sale homes. They reference recent cases where this is accepted, and given this and the Local Plan Viability Assessment we will accept this allowance and apply it within our appraisal of the application.

Benchmark Land Value

To establish the BLV for the application the applicant has applied a rate of £440,000 per hectare (1.95 ha) based upon a premium of 20 times agricultural value (£22,000 per hectare) bearing in its proximity to the M11. The applicant has evidenced this rate by cross referencing to recent market transactions.

Having reviewed the evidence provided, and given the Local Plan Viability Assessment assumption, we will apply this value within our appraisal of the application.

3. Financial Viability

To assess the level of affordable housing contributions that can be viably provided as part of the application the applicant has sought to take any surplus generated by a 100% private sale scheme after the residual land value has been compared to the benchmark land value. In this scenario they have generated a £140,000 surplus.

Altair have now been provided with the applicant's evidence base, and as per section 2 (above) Altair agree with the assumptions applied by the applicant and therefore conclude that a contribution of £140,000 is financially viable as part of the application.