

**LAND AT HAREFIELD GROVE, RICKMANSWORTH ROAD,
HAREFIELD, UB9 6JY**

VIABILITY ASSESSMENT

August 2023



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1. INTRODUCTION

The Harefield Grove site contains a Grade II listed mansion set within a parkland setting. The mansion was converted to offices some years ago. An office extension was added in the 1980s, as well as further outbuildings comprising offices and housing.

A planning permission was granted at appeal for a 24 unit scheme involving the conversion of the listed mansion to a single house, conversion of the offices to flats and restoration of the other properties to residential use (planning reference 28301/APP/2013/3104).

The planning permission for this scheme has been implemented by the completion of two houses in the entrance lodge house (planning reference 28301/APP/2013/3105).

No affordable housing is required by the permitted scheme.

The site is located to the north east of Harefield village, north of Uxbridge. It is close to both the M25 and M40.

A residential redevelopment of the site is necessary to ensure the Grade II listed mansion can be improved to meet modern day standards and enable it to be brought back into productive use.

The new application scheme involves the following:

- Converting the historic Main House into six residential flats, with two on each floor to create 1 x 1 bed, 3 x 2 bed and 2 x 3 bed units.
- The Stable Buildings will be demolished and redeveloped into 29 residential flats, with nine at garden level, then 10 on each of the first and second floors. In total, there will be 10 x 1 bed, 12 x 2 bed and 7 x 3 bed units.
- The Conservatory House and adjacent building will be replaced by a single 4 bed property, to be named Lake View House.
- The Cottage House will be restored and retained as one 3 bed house.
- A new 4 bed house with a garage will be constructed to the south east (Orchard House).
- The southern outbuilding (Garden House) will be converted and extended into one 3 bed house with a garage, the same as with the extant permission.

The historic landscape will be completely reinstated as required by the planning process, with the kitchen garden wall restored.

The redevelopment will enhance the historic buildings to high standards throughout, with extra costs and risks relating to the listed status of the properties.

The site has very limited public transport. Many essential services and shops are accessible only by car from the site.

This Viability Assessment (VA) sets out the financial viability justification for the proposed scheme in terms of Section 106, Mayoral/Council community infrastructure levy (CIL) and affordable housing contributions (if any) on the basis of a reasonable developer's return.

Before undertaking financial analyses using the Homes England Development Appraisal Tool (DAT), which has been applied across London for more than 20 years in the evaluation of viability in planning, the following Section sets out the planning policy context for affordable housing obligations as part of viable residential schemes.

2. PLANNING POLICY

The national policy context relating to affordable housing and financial viability is covered by the ‘National Planning Policy Framework’ (NPPF) (2021) and the associated Planning Practice Guidance (PPG) (2019), as well as GLA guidance covering all London boroughs, whilst Hillingdon’s Local Plan covers local policy.

The following sub-sections cover the national, regional and local planning policy position in relation to financial viability in planning.

2.1 National Planning Policy

As part of the NPPF, the separate viability in plan making and decision taking guidance (“PPG Viability”) provides detailed advice on how viability in planning should be assessed.

In paragraph 010 of PPG Viability, it is made clear that **“in plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.”**

Whilst PPG Viability covers the application of existing use value (EUV) Plus to set the benchmark land value (BLV) in viability evidence, it also references the use of alternative use value (AUV) in certain circumstances.

Paragraph 017 of PPG Viability states that: in viability assessments, AUV **“refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If supplying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.”**

The NPPF therefore continues to ensure that the level of planning obligations (including affordable housing) sought by a Council should be moderated when assessed against scheme viability, whilst the application of either EUV Plus or AUV is the accepted means of setting the BLV.

In this case, the site benefits from an extant planning permission, which under normal circumstances would form the basis of the BLV (see also Section 3.4 below).

2.2 Regional Planning Policy

The GLA’s ‘London Plan’ (2021) sets the strategic policy context for local planning authorities across the capital.

Table 4.1 identifies a 10 year affordable housing completions target of 10,830 units across Hillingdon from 2019/20 onwards.

Policy H4 seeks a strategic target for the plan period of 50% affordable housing.

The GLA's 'Affordable Housing and Viability Supplementary Planning Guidance (SPG)' (2017) reiterates in paragraph 3.46 that: **“the Mayor considers that the ‘Existing Use Value plus’ (EUV+) approach is usually the most appropriate approach for planning purposes.”**

Meanwhile, the SPG also reinforces the need for **“competitive returns”** for both land owners and developers (paragraphs 1.8, 2.73, 3.32, 3.38, 3.39, 3.45 and 3.46).

Moreover, as with PPG Viability, the SPG provides for the application of AUV in setting the BLV **“where there is an existing implementable planning permission for that use...(if it) would fully comply with development plan policies and if it can be demonstrated that the alternative use could be implemented”** (paragraph 3.51).

As already noted, the treatment of the BLV is covered further in Section 3.4 below.

2.3 Council Planning Policy

The Council's 'Supplementary Planning Document (SPD) Planning Obligations' (July 2014) states the position on affordable housing with reference to Local Plan policies.

Section 4.9 states that: **“Policy H2 in Hillingdon's Local Plan Part 1 indicates that as a minimum the Council will seek to deliver 35% of all housing to meet the definition of affordable housing, with a tenure split of 70% social rented and 30% intermediate housing.”**

Further in the same Section, it is made clear that **“an economic viability assessment (financial appraisal) is required to be provided to the Council to accompany any planning application”**, where the target level of affordable housing cannot be provided viably.

Based on the preceding paragraphs, the following Section produces a financial appraisal of the proposed scheme using the DAT to demonstrate the quantum of CIL/Section 106 contributions and affordable housing that can be delivered (if any), whilst allowing the scheme to make a reasonable developer's return.

3. VIABILITY APPRAISAL

As already noted above, the DAT is used by councils across London to assess the level and tenure mix of affordable housing that could be delivered as part of financially viable schemes.

The sub-sections below explain the inputs and outputs of the DAT, showing a financially viable scheme. The application scheme DAT is attached as **Appendix 1**.

3.1 Residential Values

This worksheet shows the size mix and values of the private residential units in the application scheme.

The values of the units have been estimated by Fisher German (previously Matthews & Goodman) in its 'Valuation Report' dated 11 August 2023. The Report is attached as **Appendix 2**.

The values by unit type are as follows for the residential scheme, which consists of 35 flats and 4 houses:

| # beds | # units | Ave Sq M | House/Flat | Ave Value | Total Value | Total Sq M |
|--------|---------|----------|------------|-----------|-------------|------------|
| 1 | 11 | 58.5 | Flats | 390,909 | £4,300,000 | 644 |
| 2 | 15 | 90.1 | Flats | 596,667 | £8,950,000 | 1,351 |
| 3 | 9 | 128.3 | Flats | 855,556 | £7,700,000 | 1,155 |
| 3 | 2 | 139.5 | Houses | 925,000 | £1,850,000 | 279 |
| 4 | 2 | 245.0 | Houses | 1,275,000 | £2,550,000 | 490 |
| | 39 | | | | £25,350,000 | 3,919 |

Fisher German's Report provides details of the proposed scheme, comparable evidence to support the values of the application units and an overall gross development value (GDV) of £25.350m.

The GDV equates to an average value of £6,468 per sqm or £601 per sqft across the scheme.

3.2 Development Costs

The total build cost of £15.842m before contingencies is based on the 'Budget Estimate Report' dated 5 July 2023 produced by Peter Bushnell Associates (PBA), which is attached as **Appendix 3**.

The build costs for the new application scheme are summarised over the page, including preliminaries:

| | |
|--------------------|--------------------|
| • Main House | £ 2,068,000 |
| • Stable Block | £ 7,536,000 |
| • Cottage House | £ 395,000 |
| • Garden House | £ 352,000 |
| • Orchard House | £ 398,000 |
| • Lake View House | £ 437,000 |
| • External Works | £ 4,656,000 |
| Total costs | £15,842,000 |

A contingency of 7.5% has been added to the above figure to reflect a combination of conversion and new build in the application scheme.

The Developer's Return of 15.3% on GDV is below the generally accepted level of between 17.5% and 20% on GDV that has been observed in viability reviews over the past few years.

Professional fees of 10% on build cost are included, which can be considered to be more than reasonable given the complexities and risks involved with this scheme.

Residential sales and marketing fees total 3% of GDV, plus £1,000 per unit for legal fees.

Meanwhile, the interest rate is 9% per annum. With a base rate of 5.25% and entry/exit and administration fees incorporated, this reflects the current funding market for schemes such as this one.

The recent GLA 'Development Viability, Consultation Draft' makes clear that viability evidence should include **"the likely interest rate throughout the development period"** (paragraph 4.3.11). This requirement has been met in this case.

Other inputs reflect the costs that the applicant expects to incur during the course of the development.

3.3 Financial Planning Obligations

The following financial planning obligations have been estimated for the application scheme:

| | |
|--------------------------|--------------------|
| • Council CIL | £663,971.80 |
| • Mayoral CIL | £301,190.30 |
| Total CILs | £965,162.10 |
| • Carbon Offset | £ 42,721.50 |
| • Other Section 106 | £ 47,278.50 |
| Total Section 106 | £ 90,000.00 |

An additional figure of £10,000 has been included to cover the Council's monitoring and legal costs.

The eventual financial planning obligations of the scheme will be agreed with the planning officer prior to determination of the application.

3.4 Benchmark Land Value (BLV)

Currently, the consented scheme (planning references 28301/APP/2013/3104 and 28301/APP/2013/3105) generates insufficient value to produce a positive AUV/BLV, hence the need for the current application.

So, for simplicity and to avoid dispute with the viability reviewer, at this stage a BLV of £0 has been included in the appended DAT, although this assumption may be revisited at a later date, if required.

3.5 Scheme Results

The appended DAT shows a zero Residual Value with a £0 BLV and a developer's return of 15.3% on GDV, lower than the accepted threshold for viability evidence.

The modest developer's return shown is increasingly becoming the norm for residential schemes, given that in the current London housing market, build costs continue to rise inexorably whilst house prices have plateaued or are now falling, as in Hillingdon where apartment prices are down by 2.5% (and detached houses are down by 3.7%) since November 2022 according to the Land Registry.

This house price reduction appears to be largely the result of a new high interest rate environment, coupled with a cost of living squeeze that has worsened since Russia invaded Ukraine in February 2022.

Moreover, the relatively high build costs of the application scheme are exacerbated by the significant costs that will be incurred in order to bring the historic buildings back into productive use.

The applicant is willing to accept a modest developer's return to take this scheme forward for development, in the expectation that rising residential values will enable a higher profit to be generated over time.

The application scheme is therefore unable to provide any affordable housing until the threshold figure of 17.5% - 20% developer's return on GDV is reached.

Overall, it is considered by the applicant that the optimal planning contributions are being offered for the new application scheme at Harefield Grove.