

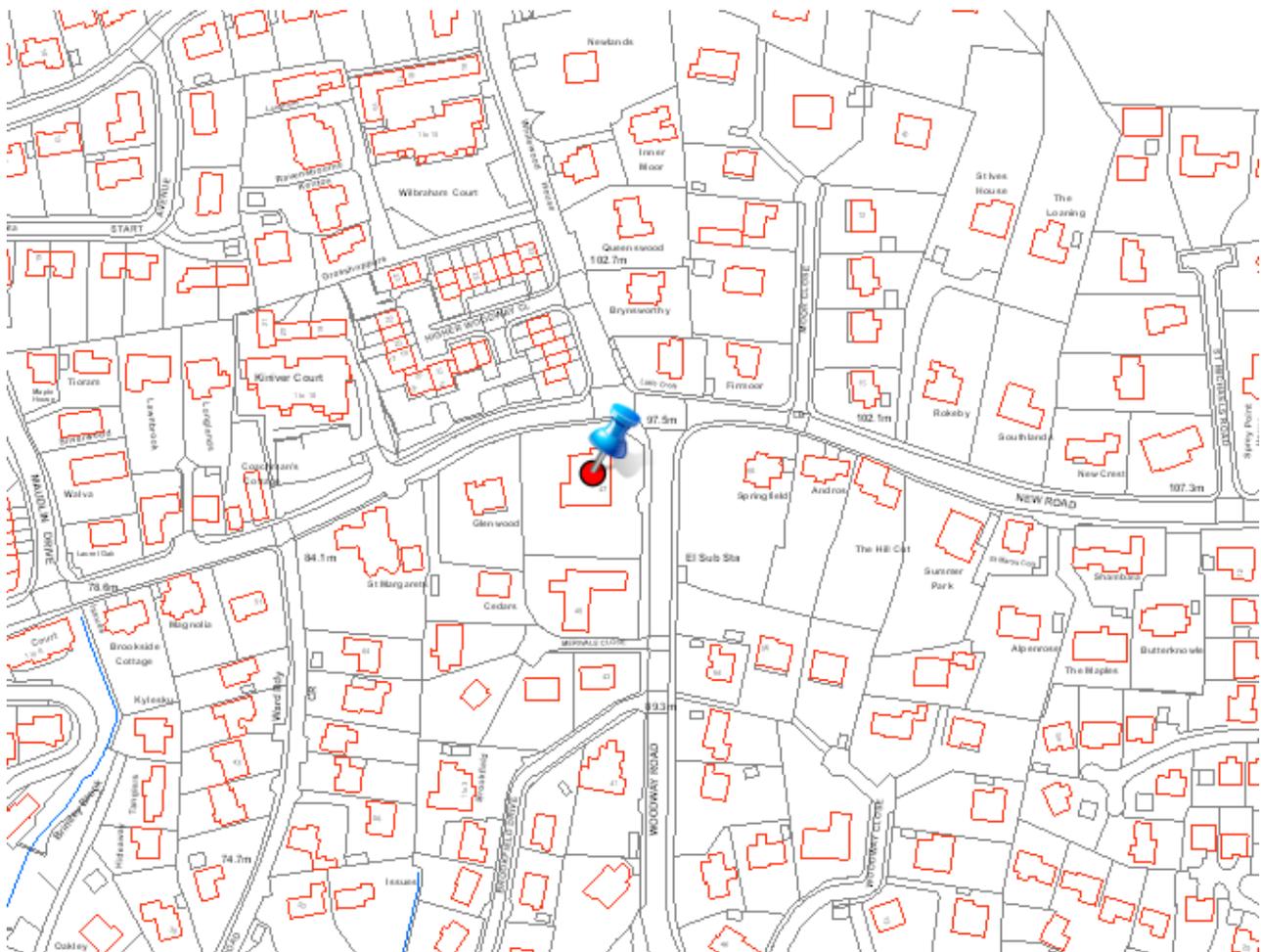
PLANNING COMMITTEE REPORT

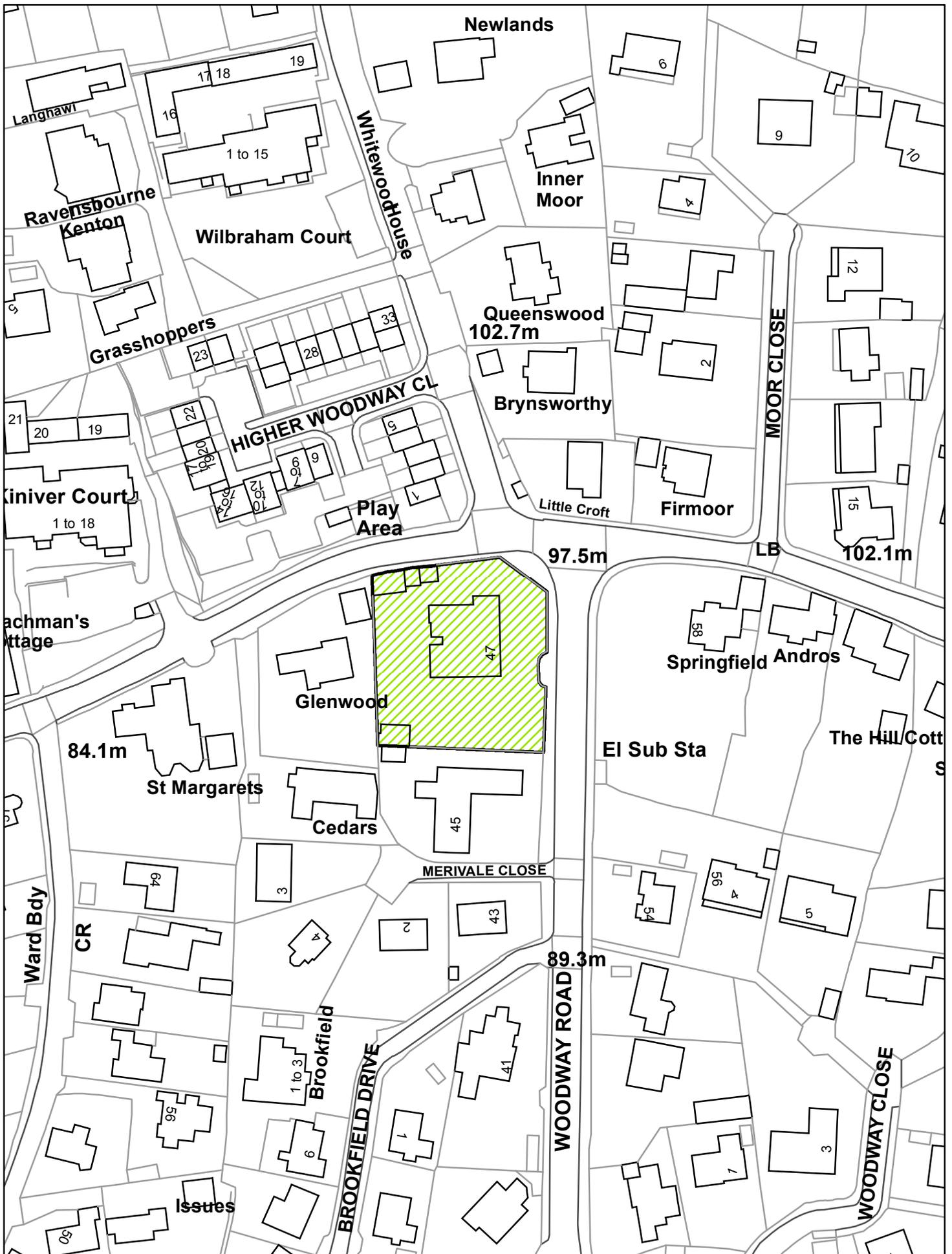
19 February 2019

CHAIRMAN: Cllr Dennis Smith



APPLICATION FOR CONSIDERATION:	TEIGNMOUTH - 18/01406/MAJ - Neilston Retirement Hotel, 47 Woodway Road - Demolition of existing vacant care facility and construction of 10 new two and three bed apartments	
APPLICANT:	Mr P Konetsky	
CASE OFFICER	Anna Holloway	
WARD MEMBERS:	Councillor Mrs Russell Councillor Fusco	Teignmouth East
VIEW PLANNING FILE:	https://www.teignbridge.gov.uk/planning/forms/planning-application-details/?Type=Application&Refval=18/01406/MAJ&MN	





1. REASON FOR REPORT

This application was considered at 22 January 2019 Planning Committee Meeting. Members considered the development and resolved to grant planning permission subject to the conditions and habitat regulations contribution as set out in the Committee Report but with an affordable housing contribution of £86,431. The increase in the affordable housing contribution has been requested; however, the applicant has responded that they are unable to enter into an Section 106 agreement containing a contribution at this level as having looked at the figures they unfortunately would not be able to proceed at this level. As the Section 106 agreement cannot be completed without the agreement of both parties and the applicant has stated that they are unable to proceed on the basis of the higher contribution, this matter is referred back to the Committee. As part of this process, and following the comments raised by Members at the previous Committee Meeting, Officers have appended the independent viability appraisal to this Report and have requested updated comments from the Housing Enabling Officer.

2. RECOMMENDATION

SUBJECT TO: the completion of a Section 106 agreement for an Affordable Housing contribution of £37,500 and a Habitat Regulations contribution of £8,000, **PERMISSION BE GRANTED** subject to the following conditions:

1. Standard 3 year time limit for commencement of development;
2. In accordance with approved plans;
3. Construction Management Plan to be agreed prior to development commencing;
4. Results of percolation test in accordance with BRE Digest 365 Soakaway Design to be agreed prior to development commencing;
5. Detailed design of surface water drainage management system to be agreed prior to development commencing;
6. Details of exceedance pathways and overland flow routes for rainfall in excess of the design standard of the proposed surface water drainage management system to be agreed prior to development commencing;
7. The works, including demolition and site clearance, shall proceed in strict accordance with the precautions and measures described in the preliminary ecological appraisal report and mitigation and enhancement measures shall be provided as described in this report;
8. Details of location and design of 10 bird boxes and 2 bat boxes to be agreed prior to development above damp proof course;
9. Prior to first use, samples or details of the materials to be used on the external surfaces of the buildings to be submitted and approved;
10. Parking facilities to be provided prior to initial occupation and thereafter be permanently retained;
11. Detailed design of cycle storage to be approved and to be provided prior to initial occupation and thereafter maintained and retained;
12. Detailed design for refuse and recycling storage to be approved and for such storage only within approved bin storage areas and to be provided prior to initial occupation and thereafter retained;
13. Prior to first occupation full details of hard and soft landscaping works and an implementation and management plan to be submitted and approved and implemented in accordance with approved details. Details to include soft landscaping along the southern and western boundaries of the site;

14. Boundary treatment to be installed prior to initial occupation and thereafter permanently maintained and retained;
15. The installation of the obscurely glazed, top-hung windows within the west elevation to a minimum of level 3 obscured glazing prior to first occupation;
16. The installation of the obscurely glazed privacy screens to the balconies, as shown within the proposed west elevation, to a minimum of level 3 obscured glazing prior to first occupation.

3. DESCRIPTION

- 3.1 The previous Committee Report has been appended and there is no update on the majority of the considerations and the principle of development, which has already been found to be acceptable by Members. Therefore, this report provides an update on the proposed affordable housing contribution.

Affordable Housing Considerations

- 3.2 In accordance with Policy WE2, this proposal for 10 apartments would trigger the need for affordable housing. Based on a site capacity of 10 units and the 25% target for Teignmouth, the proposed development would trigger a requirement for 2 affordable housing units. Ideally provision would be made on site; however, given the number of units proposed and the nature of the proposed development it is considered that a contribution in lieu of on-site provision would be appropriate in this instance. Based on a contribution £86,431 per Affordable Housing unit, the proposed development would result in a total liability of £172,863 in this case. Discussions took place with the applicant on this basis: however, the applicant's position is that a contribution at this level would make the scheme unviable and a contribution of £20,000 was originally put forward in lieu of on-site provision. Following an independent viability appraisal the applicant agreed to a contribution of £37,500. At the January Committee meeting Members resolved to grant planning permission subject to a contribution equalling one affordable housing unit, i.e. £86,431.
- 3.3 Policy WE2 recognises that the provision of affordable housing is a high priority in considering planning applications; however, at WE2(b) it goes on to state that if independently verified evidence is submitted which proves that the affordable housing target renders the site undeliverable, a reduced level of provision or other alterations to the scheme sufficient to bring it forward will be negotiated. An independent assessment of the viability was therefore undertaken by PorterPE, a copy of which has been appended to this Report. The following paragraphs set out the main assumptions that underpin this appraisal.
- 3.4 Residential Sales Values are estimated by the applicant at £3,603 per square metre drawn from three valuations by local residential agents. The independent assessor reviewed their own sources for values including Land Registry data. Analysis of the sales values suggests that the average sales value is likely to be in the range of £3,600psm and therefore based on this evidence and analysis the applicant's assumed sales values were considered appropriate.
- 3.5 Marketing Costs were set out at 1.9% GDV, which is considered acceptable.
- 3.6 In terms of Land Value, the applicant costed the land at £712,500, which reflects the price paid in July 2018 for the retirement hotel, or what might be considered a

reasonable alternative residential use. Based on the few properties for sale within Teignmouth with this potential use and to this scale, the price paid is considered to meet the recommended approach as set out in the Planning Practice Guidance, which states:

“...the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.” (PPG, para: 013 Reference ID: 10-013-20180724)

- 3.7 Land Purchase Costs reflect the current prevailing rate for commercial land and includes surveying and legal costs to a developer in the acquisition of land and Government's Stamp Duty Land Tax.
- 3.8 CIL is included and calculated based on £125psm index linked and includes a vacant building credit.
- 3.9 Section 106 obligations include a Habitat Mitigation contribution of £8,000.
- 3.10 Demolition Costs of £50,000 were put forward by the applicant for the demolition of existing structures and recycling of the material for on-site aggregates plus the removal of asbestos. Based on the approximate size of the existing building and the prevailing demolition costs within SPON's a cost of £40,000 might be considered appropriate for standard demolition costs. However, should the applicant be correct about the exceptional asbestos removal associated with the existing building, which can incur significant disposal costs, then the higher end demolition costs of £50,000 is appropriate.
- 3.11 Build Costs are stated by the applicant to be £1,615psm for the apartments plus £66,000 for common areas. This is considered to be high based on a comparison with the £1,433psm median average obtained from BCIS database supplied by RICS. The independent viability assessor therefore adopted the lower £1,433psm BCIS cost within the appraisal.
- 3.12 Under Site Costs and External Works, the applicant included a provisional sum of £225,000 for site works. This is understood to include the need for an exceptional surface water drainage, requiring excavation of the main highway, which the applicant has identified to be in the order of £40,000. The provisional sum (which is equivalent to 18% of the build costs used within the independent appraisal) is considered appropriate.
- 3.13 The applicant includes professional fees and disbursements including planning and building regulations, legal fees, architects' fees and 10 year build warranties of £160,000, which is equivalent to 9.4% of the applicant's total build costs plus site costs. Typically, an allowance for professional fees is normally priced between 8% and 12% of build cost plus external works depending on the complexity of development. The professional fees are within this range and therefore the figure is considered acceptable for the appraisal.
- 3.14 At this early stage in planning for the scheme, it is reasonable to include a contingency of between 3% and 5%. The independent assessor included a 4% buffer within the appraisal.

- 3.15 The applicant's appraisal identifies a developer's profit of £228,280, which is 7% of GDV and 8% on development costs. This is considered a low return for undertaking development, but this will vary depending on the strength of the market, nature of the scheme and the risk to the investors involved with the scheme.
- 3.16 A borrowing finance cost of 5% APR is applied to reflect the investor's/lender's risk under the current economic climate in the housing market. This was considered acceptable by the independent assessor, who adopted the same rate in the appraisal. The applicant assumed a two year build timeline; however, the independent assessor considered, for a scheme of this size, that this could be accelerated to 18 months.
- 3.17 Taking into account the assumptions and findings contained within the independent viability assessment it is considered that the maximum figure that the development can make whilst maintaining viability is £37,500. The applicant has confirmed their agreement to a contribution at this level. The Housing Enabling Officer has also concluded that they agree the independent appraisal is reasonable and robust in determining that £37,500 as the maximum achievable off-site affordable housing payment, which does not undermine overall scheme viability.
- 3.18 Whilst the higher level sought by Committee (which would equate to a contribution for one off-site affordable housing unit) has been requested, the applicant has stated that they are unable to proceed on the basis of the higher contribution on viability grounds. However, based on the findings of the independent viability assessment as set out above, a contribution of £37,500 would accord with Policy WE2 and therefore the recommendation of Officers remains to grant planning permission subject to the completion of a Section 106 agreement containing an affordable housing contribution of £37,500.

4. CONSULTEES

Housing Enabling Team - In accordance with the Local Plan policies the Housing Enabling Team will always endeavour to negotiate affordable housing on site as part of Section 106 negotiations. However, where this is not possible or appropriate then an off-site affordable housing contribution will be negotiated in accordance with the schedule agreed by Members. Where this figure deems the site to be unviable then an independent viability assessment will be used to agree the maximum figure that the development can make whilst maintaining viability.

Off-site affordable housing contributions can be used by the Housing Enabling Team once received by the Council. Only in exceptional, Member approved, circumstances will these payments be used ahead of receipt. The policing of these payments is carried out by the Council's Section 106 Monitoring Officer.

The Enabling Team aim to use funds to deliver off-site the same number of units that would otherwise have been delivered on-site. It is sometimes necessary to pool payments – especially where smaller sums of money are paid on grounds of development viability concerns. This is usually achieved by working with Registered Providers to fund the acquisition of additional units within housing developments. This is, where possible, used within the parish of origin or neighbouring parish. It is only used in other parts of Teignbridge if there is a risk of having to repay the funds to the developer in accordance with the terms of the Section 106 agreement.

Alongside the original Enabling comments for this scheme, the Housing Enabling Officer has now looked through the independent development viability appraisal assessments, which have considered the applicant's very basic spreadsheet viability submission.

The applicant position at that stage was offering £20,000 for off-site affordable housing.

Each set of assumptions is tested against comparables – including project sales values and build costs. Indeed the key difference between the applicant's submission and the independent assessment comes from a rounding down of high build costs to BCIS (which the Housing Enabling Officer agrees with). Making this change generates the additional margin to secure £37,500 for off-site affordable housing.

Where the Housing Enabling Officer would differ slightly from the independent report is about land values, which are compared to LV for other similar redevelopment schemes in Teignmouth. The comparable schemes did not provide affordable housing and therefore will have commanded higher LV. Hence, while on paper the residual profit value of the scheme appears low, in practice the Housing Enabling Officer considers there to be some wriggle room in the overpayment land value for the site. In their view this does not change the affordable housing sum conclusion, but it does provide a bit of context as to why the applicant may be inclined to take a 'view' about paying the slightly higher affordable housing sum, especially as appeals are taking so long and their borrowing costs will start to mount up.

Notable is the £61,000 CIL fixed payment which depresses the affordable housing payment potential.

In summary, the Housing Enabling Officer would conclude that they agree the independent appraisal is reasonable and robust in determining that £37,500 as the maximum achievable off site affordable housing payment, which does not undermine overall scheme viability.

5. REPRESENTATIONS

Two additional letters of objection and three of support have been received since the January Planning Committee (see case file for full representations). These representations do not raise any additional matters to those already addressed within the previous Committee Report, which is appended to this update report.

Business Manager – Strategic Place

Appendix 1: Planning Committee Report 22 January 2019

Appendix 2: Viability Appraisal Final Report January 2019 by PorterPE on behalf of Teignbridge District Council