

ANGLIA SQUARE, NORWICH – VIABILITY & DELIVERABILITY

SUMMARY EVIDENCE OF FRANCIS TRUSS MRICS

NORWICH CITY COUNCIL REFERENCE – 18/00330/F

PINS REFERENCE – APP/G2625/V/19/3225505

DOCUMENT REFERENCE – WH3/2

- 1 The Proof of Evidence is specifically for the application scheme ('the Scheme'). The existing uses on the site are considered only in the context of how the vacant possession of assets and phasing impacts the scheme programme, phasing and viability.
- 1.1 The Scheme appraisal is not a Red Book valuation. This is a development appraisal, reviewing the viability of the Scheme for the purposes of a planning inquiry. It demonstrates that the Applicant's approach to development viability is consistent with the National Planning Policy Framework (NPPF) (CD1.1), Planning Practice Guidance (PPG) (CD1.3), Royal Institution of Chartered Surveyors (RICS) guidance (CD10.16), Financial Viability in Planning - Royal Institution of Chartered Surveyors: conduct and reporting (1st Edition, May 2019) (CD10.17) and Norwich Local Plan Policy (CD2.2 to CD2.4), noting that the approach has been accepted by two separate 'third party' viability reviews for the Scheme.
- 2 The Scheme appraisal has been undertaken (November 2019) to update Appendix 2 of the September 2018 Viability Report (CD7.87) to reflect the current day position. This Proof of Evidence updates the September 2018 Viability Report but – as per the Note of the Pre-Inquiry Meeting - this does not seek to repeat information which are still valid.
- 3 This is a large scale regeneration site which restricts the number of developers with the appetite, skills and business model which can enable a viable and deliverable scheme to come forward – the analysis reflects this. Analysing the Scheme involves a degree of forecasting and the application of appropriate regeneration/ place making premiums based on experience and relevant expertise.
- 4 The Scheme (through the September 2018 Viability Report (CD7.87)) has been subject to third party due diligence processes and reviews to enable it to advance to the stage that it has. These were undertaken by:
 - The District Valuer Service (DVS) (on behalf of Norwich City Council (NCC) Local Planning Authority) which evidenced that the Scheme is viable and produces the maximum reasonable quantum of affordable housing (CD9.4). The DVS also reviewed the viability of a slightly different scheme in 2017.
 - Deloitte (on behalf of Homes England) which established the need and basis for granting £15.0 million of Housing Infrastructure Funding (HIF) money to ensure the Scheme's deliverability. This review was focused on the deliverability of the Scheme, ensuring that Homes England would achieve its objective of housing delivery (blind to the mix of private/ affordable housing).
- 5 My evidence demonstrates that the Scheme is viable:**
- 6 The Gross Development Value (GDV) within the Scheme appraisal is achievable given:
 - The residential values within the Scheme appraisal are commensurate with the type and scale of Scheme being delivered, the long timescale over which it will come forward and are at an appropriate premium to existing values.
 - The hotel, car parking, cinema and retail elements of the Scheme are appraised at appropriate rates (the cinema and retail elements being correlated with the Retail Strategy Report).
 - The £15.0 million HIF grant allocation by Homes England.

7 Total Development Costs with the Scheme appraisal are appropriate given:

- Weston Homes' base construction cost illustrate what an organisation with a business model which is attuned to large scale, long term regeneration projects can deliver for this Scheme in a competitive market. These costs are within the Building Cost Information Service (BCIS) benchmark range.
- Confirmation (from NCC) of the adoption of the Community Infrastructure Levy Exceptional Circumstances Relief policy (CD2.16). The adopted policy requires an application to demonstrate compliance with specified terms, which I consider would be satisfied by the Scheme in an application following grant of planning permission.
- Other development costs (professional fees, marketing and letting and finance) are at an appropriate level.

8 Developer Returns (and supporting factors) are sufficient to make the Scheme viable:

- Whilst profit is at the lower end of the returns that a developer would ordinarily accept to proceed with a mixed use development, it is consistent with the level often found on multi-phased regeneration schemes which anticipate 'real growth' in values over time and the repositioning of a significant segment of a major city.
- Major development schemes often proceed at a lower level of initial profitability (compared to the level shown by the Scheme appraisal) on the grounds that the prospects of long term growth are significant. Regard is also given to the overall quantum of profit achievable in this case.
- This is a multi-phase project where the developer has the ability to manage delivery risk at different points in the programme.

9 My evidence demonstrates that the Scheme is deliverable:

- 9.1 The total level of profit, the 'vertically integrated' business model of Weston Homes and the ability of the landowner (Columbia Threadneedle) to take a long term view on repositioning its asset makes the Scheme deliverable. The long timescale of the Scheme, the ability to manage risk as it is brought forward and Internal Rate of Return make the Scheme attractive.
- 9.2 Weston Homes has a track record of delivering major residential led schemes and has a very strong focus on cost management - estimating costs from first principles, costing up all items (rather than benchmarking) so that the risk allowance for design/ changes etc. is very limited.
- 9.3 This is a challenging time for owners – such as Columbia Threadneedle - of retail and leisure assets which reinforces the need to reposition these assets for long term sustainability. A comprehensive regeneration scheme which mixes retail, leisure and housing has the ability to do this.
- 9.4 Homes England and NCC have assisted in creating a funding and planning position which enables deliverability at this specific point in time:
- £15.0m of HIF money from Homes England. This fund is closed to applications and is the first gap funding initiative from Homes England/ central Government for circa 10 years. This funding is not normally available and must be spent by March 2024.
 - The potential to receive CIL Exceptional Circumstances Relief. This illustrates the commitment of NCC to enabling a viable and deliverable scheme to come forward on sites such as this.
- 9.5 There are mechanisms in place (through the CIL Exceptional Circumstances Relief policy (CD2.16) and future affordable housing viability reviews) to ensure that if the Scheme does achieve a greater level of profit – primarily through 'real' growth in residential values – this can be captured by NCC through greater affordable housing provision and/ or CIL contributions
- 9.6 Proceeding with the Scheme is an informed decision by the landowner and developer. Their reasons for taking this forward are clear and time limited.