



Valuation Office
Agency

Town and Country Planning Act 1990 - Section 77
Town and Country Planning (Inquiries Procedure) (England) Rules
2000

Viability & Deliverability Review
Rebuttal of the Proof of Evidence presented on behalf of
Historic England by GL Hearn

Site:	Anglia Square including land and buildings to the north and west
Applicant:	Weston Holmes PLC and Columbia Threadneedle Investments
Local Planning Authority:	Norwich City Council
Name of witness:	Tony Williams BSc MRICS Valuation Office Agency
PINS reference:	APP/G2625/V/19/3225505
LPA reference:	18/00330/F
CD reference:	NCC5/4

I consider each section of the Proof of Evidence prepared by Jonathan Rhodes on behalf of Historic England as follows:

1 Initial Report Summary and Conclusions – I deal with a number of issues raised as follows:

4.2 iv – I am advised that demolition is included at £4.5m within the main construction cost.

4.2 vi – I am advised by Norwich City Council that section 106 costs total £175,450 for the scheme whilst Mr Truss has included £115,000 in his assessment.

4.2 viii – Whilst there is no government legislation on ground rents it is the policy of VOA to include them in viability assessments.

4.2 ix – The submitted scheme includes for 120 affordable units (10%) with 102 social rented units (85%) and 18 shared ownership units (15%)

4.6 – It is the contention of Mr Rhodes that the GDV is too high and the development costs are too low and the scheme is not viable. It is my view that this is not the case and Mr Rhodes is not taking sufficient account of the 3 years' work plus undertaken by the team and the knowledge of both the current landlords Columbia Threadneedle and Cushman and Wakefield and the experience of Weston Homes in undertaking this type of development.

4.10 – It is my view having considered all the facts that the scheme is viable with the inclusion of the Homes England grant and assuming exemption from CIL. My view as to viability accords with that of Carter Jonas on behalf of the applicants, and Deloitte, on behalf of Homes England.

2 Review of Valuation Appraisal of Mr Truss of Carter Jonas – My comments are as follows:

6.3 – As stated in my proof of evidence I'm of the opinion that the values and yields adopted by Mr Truss of Carter Jonas are reasonable in the current market and take account of the mixed nature of the scheme and the need to make a marked step forward as to the quality of the scheme and takes account of both Weston Homes and Columbia Threadneedle experience in this type of Scheme and my review of the evidence available.

6.3 vii - The assessment takes account of a 24 month incentive package to include for void periods, rent free periods and capital incentives. It is assumed that the commercial space will be prelet on a phase by phase basis including a number of relocations of existing tenants.

6.3 x – I have discussed this in the past with Weston Homes and delivery of the units based on cores will be in advance of whole block completions.

6.3 xii – A value of £15,000 per space in my experience is reasonable and achievable based on similar schemes.

6.3 xiii – The value of the car park is based on offers made but are presently confidential which Mr Truss and Cushman and Wakefield are seeking instructions to release.

6.3 xiv – The construction costs adopted have been provided by Weston Homes and reviewed by Gardiner & Theobald. They have also been reviewed by Deloitte on behalf of Homes England.

6.3 xvi – It is quite normal for works like archaeology and decontamination etc to be on a fixed price basis and therefore no prelims, contingency or professional fees are usually required.

6.3 xvii – It is my understanding that a HIF grant of £15m has been granted and that the Council expects to enter into contract with Homes England, securing the funding, on or around 17th January 2020.

6.3 xix – Sale and marketing fees are 3% of GDV which is reasonable for a scheme of this type and scale.

6.3 xx – In my opinion an all-inclusive finance rate of 6.5% is consistent with schemes of this type assessed for viability purposes.

6.3 xxi – As indicated in my proof of evidence with my minor changes the profit level increases to 17.56% on cost and 15.54% on GDV. Although at the lower end of expectations these profit levels are still reasonable at this stage of the project and do not take account of growth over the development period or the long term nature of the commercial investment.

3 Residual Valuations Sensitivity Analysis – My comments are as follows:

7.14 – Mr Rhodes states that a development of this type should be seeking to achieve an overall blended profit on GDV of in excess of 20%. The viability guidance in the Planning Practice Guidance issued pursuant to the NPPF states¹ that 15-20% of GDV may be considered a suitable return to developers whilst a lower figure may be more appropriate in consideration of delivery of affordable housing on the basis of a forward sale and alternative figures may also be appropriate for different development types. I appreciate that this guidance is given in the context of plan-making. However, I see no reason why the guidance should not apply also to decision-making. It shows 20% is at the top end of the range. Here, I think the profit expectation suggested by Mr Rhodes does not take account of the specifics of this scheme including the work carried out over 3 years, the requirement as an investment by Columbia Threadneedle and the long term growth potential of large scale regeneration schemes of this type.

4 Summary – Notwithstanding the Proof of Evidence prepared by Mr Rhodes I am of the opinion that the scheme as proposed is viable but on the margins and is deliverable in the current market with 10% affordable housing, the HIF grant from Homes England and the scheme's exemption from CIL.

¹ Paragraph 018 Reference ID: 10-018-20190509