

Supporting Statement in relation to Matter 4 Question 13:

Viability, abnormal costs and STC apportionment

1. The Inspector has requested that the Council set out a short note explaining how any abnormal costs were considered in both the BNP Paribas Study (HEB12) and the forthcoming Garden Town Viability Study prepared by HDH Planning. More specifically, the Inspector requested information on how the two studies have considered the Sustainable Transport Corridors and apportionment approach for this infrastructure item.

Please note both the Garden Town Infrastructure Delivery Plan (IDP) and Garden Town Viability Study are to be published week commencing 15th April 2019 and further details will be provided at this time.

BNP Paribas Study

2. The BNP Paribas Study is a Local Plan Viability Study prepared in accordance with the 2012 NPPF. It tested the viability of 9 typologies with various unit mixes reflecting the range of sites set out in Policy HS2 of the Harlow Pre-Submission Local Plan. The study also undertook a viability assessment for the Strategic Site East of Harlow, Policy HS3, presuming 2,600 units would be delivered over a 10 year period. The study was informed by the findings of the Harlow IDP (HEB11) and the costs identified in that study in relation to infrastructure requirements for the Strategic Site East of Harlow.
3. In respect of abnormal costs (or 'exceptional costs' as referred to in the study), paragraphs 4.29 – 4.30 of the study indicate that in the absence of detailed site investigations on the sites it was not possible to provide a reliable estimate of what the exceptional costs might be. Applying a blanket allowance would generate misleading results. An 'average' level of costs for abnormal ground conditions and some 'abnormal' costs is already reflected, however, in Building Cost Information Service (BCIS) data. The BCIS data has informed the viability appraisals undertaken in this study.
4. The BNP Paribas Study, in paragraphs 4.14 – 4.17 and 4.22, outline the policy and infrastructure costs that were applied to the typologies. The policy costs include for example the provision of accessible homes, SUDs and sustainability. For the larger typologies (6, 7, 8 and 9), an allowance of £15,000 per residential unit was applied for infrastructure costs. Furthermore the study applied an additional £1,000 blanket S106 cost per unit.
5. The Strategic Site East of Harlow, in addition to the costs above, was identified as requiring a primary school in the Harlow IDP. This cost was estimated at £12.5m or £4,808 per unit. The study noted in para 4.4 that further contributions will be required towards the Sustainable Transport Corridors (STCs) but that further viability work would be required once detailed costs were established for the Strategic Site East of Harlow.

Garden Town Viability Study (HDH Planning)

6. The Garden Town Viability Study has appraised the viability of the four Garden Town Communities and has been informed by the Garden Town Infrastructure Delivery Plan (GT IDP). The GT IDP has sought to apportion infrastructure costs for the Garden Town Communities; including the STCs which are critical to the delivery of the Garden Town. The STCs are not considered to be an 'abnormal cost' but are treated as a sustainable transport infrastructure item required to deliver sustainable development across the town. As such they are identified in the GT IDP (and apportioned appropriately as a strategic infrastructure item) and not in the Garden Town Viability Study as an abnormal cost. More details on the apportionment approach taken to the STCs are set out below and within the GT IDP.
7. In respect of abnormal costs, Chapter 7 of the Garden Town Viability Study sets out how they have been treated in the study. The wording of this section is set out below.
8. Further details on the assumptions and costs in the Garden Town Viability Study will be set out in the final report.

Abnormal costs

With regard to abnormals, paragraph 10-012-20180724 of the PPG says:

abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value

This needs to be read with paragraph 10-014-20180724 of the PPG that says that:

Benchmark land value should: ... reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and ...

The consequence of this, when considering viability in the planning system, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

This approach is consistent with the treatment of abnormals that was considered at Gedling Council's Examination in Public. There is an argument, as set out in Gedling¹, that it may not be appropriate for abnormals to be built into appraisals in a high-level assessment of this type. Councils should not plan for the worst-case option – rather for the norm. For example, if two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

¹ REPORT TO GEDLING BOROUGH COUNCIL, THE PLANNING INSPECTORATE REF PINS/N3020/429/4, MAY 2015

... demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.

In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs (the 19ha of glasshouses at Water Lane, West Katherine is treated as brownfield land).

By way of example, there are several very significant specific abnormal costs. To deliver the Gilston sites a new electricity substation is needed. The estimated cost is over £25,000,000 (this is to be confirmed). This has not been included in the appraisals. Whilst it is a cost, that cost would be offset by an equal reduction in the BLV. The acoustic wall that is required on the M11 boundary of Harlow East has been treated in the same way.

In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of an assessment of this type to standardise land prices across an area.

Apportionment approach to the STCs

9. The Sustainable Transport Corridors (STCs) will form a strategic network of sustainable transport routes, principally, north-south and east-west connecting the four new GT Communities to Harlow Town Centre, existing neighbourhoods and key locations including the railway stations and employment areas. The network will provide dedicated routes for public transport as well as cycling and walking. These modes of travel are key interventions necessary to achieve the 60% modal split for the GT Communities.
10. For the Sustainable Transport Corridors to be effective in achieving the modal split targets for the Garden Town, they will need to work as a network rather than piecemeal interventions. Accordingly, the network is considered to represent a single strategic item of essential infrastructure, with the cost of the works apportioned to all the strategic sites across the Garden Town based upon the number of dwellings that each site is contributing to the Garden Town's growth.

11. The STC network will result in benefits across the whole HGGT and for other planned, windfall or development allocations that might yet be identified in future Plan reviews, including non-residential development. At this stage however, the IDP has apportioned the delivery solely on the basis of the strategic scale growth consisting of the four GT Communities and the proposed redevelopment of the Princess Alexandra Hospital site.
12. Sections of the STC have been identified within a Housing Infrastructure Fund (HIF) Bid to Homes England as forming part of an infrastructure package for which external funding would support comprehensive and sustainable growth of the Garden Town. The HIF Bid is identified as supporting delivery of the STC both directly through funding sections of the network and indirectly through forward funding that will enable a rolling infrastructure fund to be set up and developer contributions recovered for HIF funded infrastructure.