

BRIEFING NOTE

Project:	East Float Outline Planning Application
Client:	Peel
File Ref:	PEEM1030
Date:	22 July 2010
Subject	Affordable Housing Targets and Viability

INTRODUCTION

Wirral Council's legal advisors have suggested that it is necessary to establish a greater level of precision regarding affordable housing targets and the approach to be taking to viability in respect of the East Float application. These will inform the Heads of Terms to be presented to Planning Committee at its forthcoming meeting. We agree that this is a necessity and set out our client's position below.

TARGETS

It has been considered by Peel for almost two years that the current WMBC 40% target is not in accordance with PPS3 because it was not informed by an assessment of viability (as per the Blythe case). The target should not form part of the approach to Wirral Waters.

Discussions initially took place over this in 2008. In recognition of this, the Council has been undertaking a viability assessment to establish a new target but this is not yet complete, albeit that the work was originally intended for completion over 1 year ago (as set out in the letter to our client from February 2009). Also we have not been consulted on this work notwithstanding that Wirral Waters will comprise a significant element of Wirral's housing.

The comment within the draft housing section of the Committee Report that the overall target should be higher than 40% seemingly has no basis. This is the first such mention of an even higher figure. As we have not been engaged in the process, it is unclear whether this figure arises from the ongoing housing needs and viability work. The situation is also confused by the reference of a 10% figure 'to start with' in the Core Strategy Preferred Options which are to be presented to Cabinet on 22 July (today).

However, it is clear that there is a need to agree some targets for the application which increase over time. But without seeing the Council's evidence it is almost impossible for us to say what these should be. It has always been our view that the greatest need is for jobs and investment, with a strong

skills/training agenda, which will help tackle the problem as it exists in inner Wirral – the inability to afford even modestly priced housing, due to worklessness, low skills and low incomes – which are all a result of the weak local economy that East Float is trying to tackle. We have consistently maintained that 'loading' the permission with affordable housing targets which are simply impossible to meet in the early years will only serve to hinder the ability to attract investment.

It is evident on the basis of the independently audited financial appraisal of Northbank East that the delivery of any affordable housing is unlikely in the immediate future. That scheme was several £m short of breaking even.

It has previously been our client's view that affordable housing should not be required for around the first 10 years. However, from discussions over 2008/09 we recognise this is unlikely to be acceptable to the Council. We would suggest though that in the current economic circumstances it would not be unreasonable to have a 0% target for an initial first period, albeit perhaps less than 10 years. We consider that a minimum of say 5 years is reasonable. After that, for the next 5 years, the target could be 5 or 10% perhaps subject to the findings of the emerging viability assessment, increasing further thereafter.

Such an approach would serve to incentivise Peel and private sector partners to get on site and start developing before the requirements start ramping up.

The Council has always presented its 40% figure as an 'up to' target. The incremental figures should also be up to targets.

It has also maintained for the past 2 years by the Peel team that within the order of priorities for Wirral Waters, affordable housing whilst a key issue is a less pressing matter of direct relevance to this project, and that in any logical ranking for Wirral Waters it comes below design quality, jobs/investment, skills/employability and infrastructure/connections. Although we have very clearly provided our priority ranking on numerous occasions, we are yet to see a clear prioritisation by the Council. This is an issue which has also been recognised by ATLAS.

We trust that this matter will be resolved via the Committee and recognise the difficulties in confirming a clear position prior to having all information, responses and views upon which to form a final view.

VIABILITY

We have reflected on Counsel's comments regarding the need to establish some viability parameters. Evidently we cannot be too prescriptive as there are a great many factors affecting viability and we are in uncertain economic and financial times. Also, for any assessment of viability, the Council will need to take account of the long term partnership approach Peel is taking to Wirral Waters. We suggest the following parameters:

- Auditing by an independent auditor (surveyor) appointed by the Council, funded by the developer

- Use of an appraisal model to be verified and agreed with independent auditor
- Open market land value at the time to be included in financial appraisal, to be valued/verified independently
- Costs to reflect the planning obligations and infrastructure package, design quality (construction costs), fees including upfront facilitation, interest, project management etc.
- Profit margin to be 15-25% guideline but with ability to vary to take account of risk profile and timescales

Financial appraisals of this nature will be commercially sensitive and submitted as confidential material to officers of the LPA only and their independent auditors. The summary position will be public information via report to Planning Committee on Reserved Matters applications. Agreement must be provided in writing by the developer to sharing confidential material with any other parties.

The above can form the basis of the section 106 as it relates to affordable housing and other parts of the consent which may trigger the need for viability testing (e.g. tariffs).

We also suggest a more detailed working basis for calculating viability on the first phase (if necessary) be submitted to and approved in writing as part of the first RM application, alongside the financial appraisal itself.

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