

**Addendum Report to District  
Development Control Committee**



**Epping Forest  
District Council**

**Report Reference: EPF/1849/17**

**Date of meeting: 31 January 2018**

**Address: Chigwell Primary School, High Road, Chigwell**

**Subject: Complete Refurbishment of Chigwell Primary Academy and enabling residential development comprising 59 no. residential properties together with associated off-street parking, dedicated parking court for existing residents, garden space, new vehicular accesses from High Road (A113) and Vicarage Lane, external landscaping and associated development.**

**Responsible Officer: Ian Ansell (01992 564481).**

**Democratic Services: Gary Woodhall (01992 564470).**

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**Recommendation:**

**(1) That planning application EPF/1849/17 be Refused for the following reasons:**

- 1. The application makes inadequate provision for affordable housing, either by way of on-site provision or off-site contribution in circumstances where available information indicates it is viable and appropriate to do so. Failure to make such provision creates an imbalance in housing supply and fails to meet an identified need for such accommodation in a location where provision would meet sustainable development objectives. As such, the proposals would be contrary to policies CP1, H5A, H6A and H7A of the approved Local Plan and Alterations, and the NPPF.**
- 2. The development fails to adequately address the location of the site on the edge of the Conservation Area and within the broader setting of designated listed buildings, and to adequately protect the quality of the existing landscape within the site and on its boundaries. As a direct result, the development has an adverse effect on the setting of the listed buildings, the landscape character of the site and surroundings and on the long term future of trees within the site, thereby contrary to policies HC12 and LL10 of the adopted Local Plan and Alterations, and the NPPF.**

**Report:**

- 1. The Officer's report on the main agenda for this application refers to incomplete comments in respect of submissions relating to the provision of affordable**

housing. These have now been received and are detailed below.

2. Members have been circulated a letter from the agents Phase 2 Planning which as may be expected presents a summary of the issues from the applicants perspective. Should members choose to attach weight to this unusual step, a cautious approach is advised until Members consider the response from the Council's consultants Kift Consulting Limited (KCL) which is recorded in this report..

### Affordable Housing Issues

3. To summarise the current policy position, the development proposals attract a requirement for a contribution to affordable housing. Under existing policies H6A and H7A this would be 40%. The emerging Local Plan maintains the 40% requirement while reducing the lower threshold for such contributions to be made. Both documents recognise that in appropriate cases such provision can be made as an off-site financial contribution of equivalent value, and both are subject to viability testing.

4. An off-site contribution was accepted on the previous development application where larger dwellings were proposed. The arguments are more finely balanced in this scheme where there are a number of smaller dwellings, including flats, proposed and in circumstances where it could be more appropriate to provide on-site affordable housing.

5. Following the decision of Members to defer the application at the November meeting, the applicants commissioned a wholly new viability assessment from a new consultant. As a result, a full re-assessment of the report was required, as opposed to the further negotiation on the original submission as Members had envisaged.

6. The applicants new viability report identifies build costs of around £30.96million inclusive of works to the school and other abnormal costs. The Gross Development Value (GDV) is calculated to be around £54.61million based on a mid-December valuation date. Other costs included in the assessment comprise professional fees (10% on costs), sales and marketing fees (3% plus £1,000 per unit legal fees), developers profits (20% residential and contractors profit for school works) and finance costs (7% inclusive debt interest and 4.5 % credit rate).

7. The scheme has been benchmarked against an Alternative Use Value (AUV) of £8.73million based on the extant permission for 32 dwellings.

8. The applicant's consultant concludes that although the development has a higher GDV to the previous scheme, the additional costs do not sustain the previous contributions, generating a surplus of up to £522,000 to maintain viability. Notwithstanding this conclusion, the applicants have indicated they are prepared to honour the previously agreed contribution of £2.8 million, thereby suggesting the development produces an overall deficit of £2,148,857 and is thereby not viable.

9. The report has been reviewed by KCL and they identify a number of discrepancies, as under:

- AUV understated by around £900,000
- GDV understated by around £1.4 million, smaller units being considered to generate a higher rate per sq.ft than the larger dwellings.

- Some elements within the build costs are overstated, such that the total costs are overestimated by around £1.45 million
- Ground rents are inaccurately stated on the basis of 8 rather than 7 units.
- External works and infrastructure costs are overstated by around £200,000
- Preliminary costs are overstated by around £1.27 million.
- Developers profit appears to be overstated given that the level of planning risk is lower with the extant planning permission which has the effect of increasing land value. KCL cite a recent appeal case from Barnsley where the Inspector agreed that 17.5% profit was reasonable.
- The sales programme suggests initial sales will take place 18 months into construction, potentially increasing finance costs. An earlier commencement to sales at 12 months could be achieved.

10. KCL do however accept that professional fees, build cost contingencies and sales and marketing costs are reasonable.

11. Taking all of these issues into consideration, KCL conclude that the development can deliver an additional surplus of £2,325,546. Added to the previously agreed affordable housing contribution, now with indexation valued at £2,073,823 (and safeguarding the transport infrastructure contribution previously agreed and factored into calculations), the development appears capable of delivering an affordable housing contribution of £4,399,369.

12. The applicant's rebuttal identifies nine primary areas of dispute and comments from both consultants are summarised below:

ISSUE	APPLCANTS COMMENTS	KCL COMMENTS
Land Values	Difference in land value reflects other inputs into the costings. The landowner would seek the highest disposal value and the approach is consistent with latest RICS guidance.	KCL agrees that the methodology employed in the modelling is acceptable, however, all costs associated with this 'Land Value' should be captured in determining AUV.
Market values	Plots have been valued on an individual basis. There is no evidence locally of the suggested uplift for smaller units, some figures suggest they generate a lower rate. Thus the analysis is considered robust.	The applicants' assessment is based on a less prestigious scheme (Oaklands Hamlet adjacent to Hainault Golf Course) in design and location. A more relevant comparison is the Chigwell Grange scheme opposite the application site. Having revisited the scheme on this basis, and assessing on the same individual unit basis, KCL report a GDV of £56.05 million reflects the characteristics of this scheme
Ground rents	This comment is acknowledged as an error.	No further comment
Build costs	Rates in the cost plan reflect market conditions while KCL have used average mean figures. KCL costs for	KCL's cost consultants stand by their assessment of electrical and foundation costs but agree to a further 5% contingency for

	foundation construction and electrical installation are highlighted. Deeper foundations may be required around trees for example.	unanticipated building problems including the need for deeper or piled foundations, which has been allowed for in the modelling
External works	Similar contingencies need to be applied as above, further details would be supplied.	The updated information has not been supplied; KCL remain confident in the information they have submitted
Garages	The applicants' assessment reflects the high standard of finish to be applied to ensure the garages are consistent with the high design standards applied to the buildings.	These comments have been noted but the costs suggested remain expensive against reasonable assessment.
Preliminary costs	KCL's assessment is considered to understate costs of managing the site safely. The quantity surveyor has re-assessed the preliminary works and has found limited reductions but remain £1.25 million above the KCL figure	The applicants' assumptions for personnel show significant over resourcing for a 59 unit scheme, and the hourly rates exceed recent comparative tenders. Allowances for accommodation, communications, scaffolding, hoardings and night security are also excessive. While some additional allowances can be made for specialist staff not previously considered by KCL, this has a marginal impact on the different figures.
Developer profit	A 20% return is broadly agreed as the norm and is supported by RICS guidance and appeal cases. The appeal case relied on by KCL is significantly different being a residential only scheme. There is some doubt that funding may not be secured without a 20% return particularly as site design remains at an early stage for the residential element and technical due diligence still has to be undertaken.	<p>KCL advised on 7 schemes in the Epping Forest District last year of which 4 proceeded on the basis of a 17.5% return. The appeal case is cited simply to show that this figure has been accepted and is not intended to be comparable to the application site.</p> <p>It remains KCL's view that the extant permission reduces risk and should be reflected in the profit calculation</p>
Sales programme	The KCL approach is noted as more standard. However given the construction period, a substantial first phase release would be required to ensure residents are not living on a building site, this is suggested as being around 25 units.	KCL remains of the opinion that the first sales could be brought forward to 12-months from start on site with final sales taking place 2-months after practical completion. This increases the sales period to 20-months and would result in an average sales rate of 3 (2.93) per month. Any additional costs in terms of additional sales and

		marketing costs as suggested by ADC would be mitigated by earlier introduction of revenue being brought into the scheme.
Conclusion	As a result of the re-assessment, and updated costings, the applicants now considered the surplus from the development to now be £282,000. Factors which influence this include the additional school works and market uncertainties including increased stamp duty, interest rate increases and external market factors.	<p>KCL accept adjustments need to be made to some preliminary costs for specialist staff and in the assessment of GDV. However, other costings are robust.</p> <p>As a result of the adjustments, KCL consider that the development now shows the additional surplus to be £2,367,144 which would permit an affordable housing contribution of £4,440,967 including the already agreed sum of £2million plus indexation..</p>

### Conclusion

13. In deferring the application, it was initially anticipated that further negotiations would follow on the original viability assessment in order to find whether any further common ground could be identified. The commissioning of a new validation report however effectively means the whole issue has had to be reconsidered in its entirety.

14. In terms of the application of the affordable housing provisions in the development plan, the issues around whether an on-site contribution could be secured have been debated in detail in the earlier report. Notwithstanding the continued failure of the applicants to demonstrate a policy compliant scheme, previous considerations could only reasonably be interpreted as acceptance of the principle of an off-site contribution as appropriate in this instance.

15. In assessing the level of such contribution, officers rely on the advice from KCL. Their assessment identifies distinct shortfalls in the developers submission of the Gross Development Value, which the developers consultant seeks to justify by comparison to a scheme adjacent to Hainault Golf Course of a significantly larger scale and a different character in form and location. Comparison with development in closer proximity produces a higher value.

16. KCL have also highlighted a substantial over assessment of preliminary costs and allowances for contingencies, additional information to support allowances for external works have not been forthcoming. A return of 17.5% for the developers is considered a reasonable return in the local context, on the overall value of the development and taking account of the extant planning permission.

17. Officers do accept there are other priorities to be considered, not least the delivery of the improvements to the school, but maintain that a similar level of priority needs to be given to the delivering of affordable housing. Members have already compromised on the delivery of that affordable housing on site (the fully policy compliant option) without that case being fully made. The alternative case of an off-site contribution at the level proposed has not been made and as a result officers

consider the recommended reason for refusal remains applicable to the current proposals.