

Viability Report- Update

The Knowle, Sidmouth

Prepared by Plymouth City Council's Development Viability team for planning application 16/0872/MFUL / October 2017



Viability Report: The Knowle, Sidmouth – Update

Introduction

Following our initial advice to East Devon District Council we received a rebuttal from the applicant's advisor, G L Hearn (appendix 1). Within the rebuttal there was commentary from the applicant's cost consultant, PMP, in response to the advice that EDDC received from Mace Cost Consultants.

We commissioned Mace to further review the commentary from PMP and their advice is attached at Appendix 2. We have considered GL Hearn's commentary as well as the advice from Mace and provide our update below.

Viability Update

We have reviewed the further opinion from G L Hearn as well as the updated advice from Mace and broadly speaking our opinion of scheme viability has not changed. There are two notable exceptions to this and that is the allowance for disposal costs and the developers contingency.

In terms of disposal costs, we had allowed 3.8% in our initial appraisal against GL Hearn's 5.25%. GL Hearn have provided a range of surveyors and agents who will confirm their opinion of 5.25%. We verified the opinion of two who advise the public sector, the District Valuer and BPS surveyors, who confirmed that in their opinion 5.25% is a more appropriate level. We therefore include the disposal cost at 5.25%.

The second area of consideration relates to the contingency. Having reviewed the cost plan there are multiple contingency elements included accounting for an additional 2% of cost. GL Hearn believe these cover a different risk element and that a further developer contingency of 5% should be applied. We disagree and consider this to be double counting. However we do acknowledge that a typical contingency of 5% is usually applied to projects at this stage to reflect unknown risks and therefore we have made a further 3% contingency allowance taking the total to 5%.

Conclusion

These two items, whilst appearing small, amount to an increase in costs of £1,459,103 which is the effective surplus, above a £5.8m land value and 20% developer profit, that would have been available for off-site affordable housing contribution.

Our advice to East Devon District Council therefore is that (accepting a developer profit of 20% and a benchmark land value of £5.8m and based on the best information available) the scheme would not be able to viably make an



affordable housing contribution should the inspector find that it is in fact a C3 use class development.

We trust the above report is satisfactory for your purposes, but should you require any further information or clarification, please do not hesitate to contact us.

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