



Bridging Island Plan

Viability Note

April 2021

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1. Background

- 1.1 The Government of Jersey Government is preparing a bridging Island Plan to set out the framework for new development in the island. The shorter-term bridging Island Plan is being taken forward as a result of the longer-term uncertainties presented by the COVID-19 pandemic and impacts of Brexit, before a longer-term (10 year) plan is brought forward to cover the 2025-2035 period. The draft bridging Island Plan will be subject to an independent examination in public to ensure that it is effective. Whilst this process is similar to the process in England, Jersey does not have a test of soundness. However, the Minister for the Environment has tasked independent planning inspectors to consider the *adequacy*¹ of the draft bridging Island Plan. As part of the adequacy considerations, the inspectors are required to consider the plan in relation to its overall *deliverability*, of which may include viability considerations. It is therefore considered prudent to briefly consider viability to provide comfort that the draft bridging Island Plan will be able to deliver its aspirations.
- 1.2 In 2017 HDH, as subcontractors to Arup, produced *Viability Assessment for review of Developer Contributions* (Arup and HDH, May 2017) (2017 Viability Assessment). This was a full island-wide viability assessment that considered the scope to reform developer contributions and to introduce a standardised system, possibly similar to Community Infrastructure Levy (CIL) in England. The 2017 Viability Assessment assessed the effect that developer contributions may have on the economics of development. The outcome of the process was that a standard 'levy' was recommended, to be paid per square metre of new development.
- 1.3 These recommendations were presented to the States Assembly by the Minister for the Environment, but were ultimately not supported, although the general principal of some of the uplift in value that arises from the grant of planning consent should be captured for the public benefit was agreed.
- 1.4 This note reflects on the outcome of the 2017 Viability Assessment and briefly considers the impact that the policies in the draft bridging Island Plan may have on viability and whether the draft bridging Island Plan will be able to deliver its aspirations. This is not a fresh study, rather

1 The 'adequacy' considerations are :

1. The Island Plan, overall, meets the purposes contained within the Planning and Building (Jersey) Law 2002, and that in particular that it provides for the orderly, comprehensive and sustainable development of the land which best meets the needs of the community, without undue harm to the natural environment.
2. The Island Plan, overall, is based on proportionate evidence and assessment of development needs.
3. The Island Plan, overall, adopts an appropriate strategy for sustainable development, having regard to a range of plausible scenarios.
4. The Island Plan, overall, is capable of delivery.
5. The Island Plan, overall, is otherwise consistent with the Government of Jersey's wider strategic objectives and decisions of the State Assembly.

builds on *Viability Assessment for review of Developer Contributions* (Arup and HDH, May 2017).

2. Scope

- 2.1 The scope of this brief note was agreed in a meeting on the 12th March 2021 between officers, Arup and HDH. The purpose is to review the draft bridging Island Plan (we have been provided with a draft version dated 18th March 2021) and consider the impact on viability.
- 2.2 Jersey's planning system is similar to those of England, Scotland and Wales, there are however significant differences, so it is important not to simply apply an English viability test to this Plan. In Jersey the draft plan will be subject to independent examination, which will consider the adequacy of the draft plan, including considerations the as to whether the plan, overall, is capable of delivery. This could include considerations of viability. This note has been prepared, as an annex to *Viability Assessment for review of Developer Contributions* (Arup and HDH, May 2017) to consider whether the draft bridging Island Plan will be able to deliver its aspirations. This note will:
- a. Review how viability may have changed since the 2017 Viability Assessment was undertaken.
 - b. What the impact of any new policy requirements that are proposed in the draft bridging Island Plan may have on viability.
 - c. Comment on taking forward a standardised and more formal approach to developer contributions and affordable housing.
- 2.3 This note is not a fresh viability study or update to the viability study, rather it is a consideration of viability in the context of the existing available evidence. This is a proportionate approach bearing in mind the limited time available and the limited duration of the draft bridging Island Plan.

Compliance

- 2.4 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As such it is necessary to have regard to RICS Professional Standards and Guidance. Due to the nature of this note it is not a piece work that falls under formal RICS Guidance. Having said this, it is confirmed that this study has been carried out, as far as practicable, in line with *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)*. It is important to note that this RICS Guidance applies to England, and the English planning system, which is different to Jersey's system.

COVID 19

- 2.5 This note is being carried out during the coronavirus pandemic. There are real material uncertainties around the values of property and the costs of construction that are a direct result of the Covid 19 pandemic. It is not the purpose of this note to predict what the impact may be and how long the effect will be. This note is prepared in March 2021.



3. Existing Available Evidence

- 3.1 The 2017 Viability Assessment considered the types of development that was likely to come forward in the future, under the adopted Island Plan. A set of typical (hypothetical) development sites, referred to as typologies, were modelled. Development appraisals then were run, based on normalised costs and values, that had been locally derived and verified through consultation with the industry. There was not agreement on all the assumptions used, but there was a general consensus that the assumptions were in the normal range.
- 3.2 The main output of the appraisals was the Residual Value. For development to be viable, the Residual Value must be more than the Existing Use Value (EUV) of the land by a sufficient margin for the developer to be able to pay the landowner a large enough premium to induce the landowner to sell the land. The EUV is the value of the land without the benefit of planning consent and disregarding hope value. The landowner's premium was taken to be 20% of the EUV. For a development to be considered viable the Residual Value needed to exceed the EUV plus 20%.
- 3.3 The more onerous that planning policies are (space standards, parking, environmental standards, developer contributions, etc), the more development costs and the less the developer can afford to pay for the land. In essence the purpose of the 2017 Viability Assessment was to estimate the amount that land values may fall as a result of a more formalised and standardised approach to developer contributions being introduced.
- 3.4 The 2017 Viability Assessment was completed 2017, but the bulk of the data was collected in the summer / autumn of 2016 and then refreshed early in 2017. Since then both build costs and residential values have changed.
- 3.5 In the 2017 Viability Assessment, the base build costs were based on the cost of construction in London (as verified by Colin Smith Partnership), being £1,280/m² (March 2017).

Change in Construction Costs

		BCIS	Change	
Mar-17	Used	£1,280		
Mar-21	Unindexed	£1,220		
	Indexed x1.2	£1,464	£184	14%
	BCIS - London	£1,521	£241	19%
	BCIS - Channel Islands	£1,390	£110	9%

Source: BCIS (March 2021)

- 3.6 Depending on which measure is used, build costs have increased less than 20% since the 2017 Viability Assessment was undertaken.

3.7 In this context it is necessary to be a little cautious about the BCIS data. There is uncertainty around construction costs due COVID-19 and Brexit. In particular there have been delays in contributors submitting data to the BCIS.

3.8 In the 2017 Viability Assessment, the value assumptions were derived from prices paid as reported through the Royal Court and a market survey. The most recent (Q4 2020) data from Statistics Jersey reports the Overall Mix-adjusted House Price Index at 208.2. The equivalent figure for Q1 2017 was 159.9.

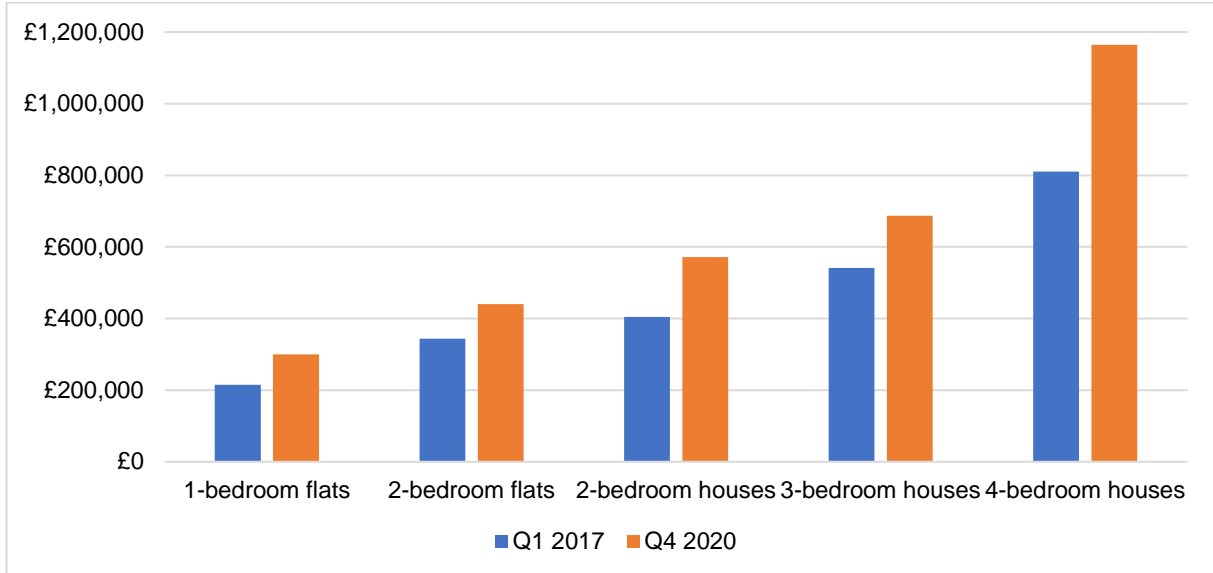
Change in House Price Index

	Non seasonally adjusted	Seasonally adjusted
Q1 2017	159.9	161.4
Q4 2020	208.2	197.9
Change	48.3	36.5
	30.21%	22.61%

Source: Statistics Jersey House Price Index

3.9 The house price index has increased by over 20% since the 2017 Viability Assessment was undertaken. When disaggregated, the Statistics Jersey data includes some much higher increases.

Change in Average House Prices



Source: Statistics Jersey House Price Index

3.10 1-bedroom flats have increased by 39.5%, 2-bedroom flats have increased by 27.9%, 2-bedroom houses have increased by 41.5%, 3-bedroom houses have increased by 27% and 4-bedroom houses have increased by 43.7%. These are very substantial increases.



General changes in viability

- 3.11 Since the 2017 Viability Assessment house prices have increased by well over 20% and build costs have increased by less than 20%. Values have increased by more than costs indicating that there has been an improvement in viability. The disaggregated data suggests that house prices may have increased by at least 8% more than build costs.
- 3.12 The 2017 Viability Assessment concluded that there was scope to introduce a standardised charge on residential development in the range of £50/m² to £125/m² and for non-residential development, maximum rates of a standard developer contributions of £80/m² for offices and £150/m² for retail development were recommended.
- 3.13 The high-level data from the BCIS and Statistics Jersey indicates that viability has improved, that is to say the scope to make developer contributions or to deliver greater levels of policy requirement are now greater than they were in 2017.

4. 'New' Policy Requirements

- 4.1 The States of Jersey approved and implemented the Jersey Revised 2011 Island Plan in the summer of 2014. As set out at the start of this note, the Government of Jersey is preparing a bridging Island Plan to set out the framework for new development in the island until 2025, before preparing a longer-term Island Plan. In this section we have reviewed the policies in the draft bridging Island Plan and considered whether or not these are more onerous and costly to developers than the policies in the Revised 2011 Island Plan that were considered in the 2017 Viability Assessment. We have taken a similar approach to that taken in Chapter 8 of the 2017 Viability Assessment.
- 4.2 We have used the chapter headings used in the draft bridging Island Plan. It is important to note that the iteration of the draft bridging Island Plan that we are working to (March 2021) is a working draft and therefore may be subject to further change.

Places

- 4.3 On the whole, this section does not impact directly on the costs of development. The exception is in relation to the proposal to create a Sustainable Communities Fund. This is an additional cost and is considered under the developer contribution heading below.

General Development

- 4.4 This chapter includes a variety of general planning matters.
- 4.5 In terms of viability the key policy of note here is Policy GD3 – Planning Obligation Agreements and Policy GD10 – Percent for Art. These are both costs to the developer and are considered under the Developer Contributions section at the end of this chapter.
- 4.6 The Chapter includes a section headed Design Quality and refers to the Jersey Design Guide (2008). Policy GD6 – Design quality and the Jersey Design Guide (2008) set out best practice which have been in place for many years. In themselves, they do not add to the costs over and above those reflected in the indexed BCIS based costs.

Biodiversity and Natural Environment

- 4.7 As drafted, this is a general policy that sets out a general landscape and biodiversity requirement and includes a proposal to consider the applying the concept of biodiversity net gain in Jersey in the future. Policy NE1 – Protection and improvement of biodiversity and geodiversity seeks that development must ensure that the importance of habitats, designated sites and species is taken into account and should seek to improve biodiversity and geodiversity value and, where possible, to deliver biodiversity net gain, rather than making a specific, measured, improvement.

- 4.8 It is timely to mention the situation in England where a more prescriptive approach is being taken. In March 2019, the UK Government announced that new developments must deliver an overall increase in biodiversity. The current expectation is that all consented developments (with a few exceptions), will be mandated to deliver a biodiversity net gain of 10% as against the measured baseline position. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.
- 4.9 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line ‘pre-development’ situation as a survey will need to be carried out.
- 4.10 The UK Government’s impact assessment² suggests an average cost in the region of £20,000 per hectare, (including fees) for residential development and £15,000/ha for non-residential development where the provision is made on site. This is a modest cost, relative to the overall cost of a development.
- 4.11 The proposal to bring Biodiversity Net Gain forward in Jersey specifically states that the Minister for the Environment will consider the details and the impact it may have before it is implemented. Whilst the impact on viability is likely to be small, we recommend that is a factor that is taken into account.

Historic Environment

- 4.12 This section does not impact directly on the costs of development.

Economy

- 4.13 This section does not impact directly on the costs of development.

Housing

- 4.14 The 2011 Island Plan previously included Policy H 3 - Affordable housing, before its withdrawal when the plan underwent review in 2014. This policy sought to introduce the requirement for developers to provide affordable housing as part of market housing led schemes over time. The policy was not implemented due to the 2007 recession. This chapter of the draft bridging Island Plan includes Proposal – Future affordable housing provision under which this route to

² Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

providing affordable housing is to be further researched. We understand that such a provision would only be introduced through a new Island Plan.

- 4.15 Whilst this proposal will not affect development coming forward under the draft bridging Island Plan, we welcomed fact that the Government has flagged up its general intention in this regard so developers can, again, build this into their land buying decisions as this will have an impact on the amount that developers can bid for land (which can be a long process). The provision of affordable housing as a part of market housing schemes will be an additional cost and it will be necessary for the amount of any requirement to be informed by up-to-date viability evidence.
- 4.16 The chapter includes a range of more detailed requirements which, on the whole, carry forward the requirements of the current Revised 2011 Island Plan, rather than introducing new standards. In the 2017 Viability Assessment a housing mix taken from Table 7 of *Jersey's Future Housing Needs 2016 - 2018* was used to inform the modelling. This was not updated through the *An Objective Assessment of Housing Need (OAHN) 2018 The States of Jersey Final Report* (Arc4 January 2019) which set out the housing needs for the island. There is not a requirement for each and every scheme to follow a particular mix – rather for designers to have regard to the levels in particular areas.

Managing Emissions

- 4.17 This is a very broad chapter that ranges from major offshore developments, to detailed policies that impact on general development. For the purpose of this note and the impact on viability, the principal impact arises from '*ensuring new development is built to the highest standards, being thermally efficient and achieving high standards for energy performance*'. The requirements do go beyond this chapter, for example Travel and Transport.
- 4.18 The government has declared a Climate Emergency and as a result a policy has been developed.
- 4.19 In this regard it is important to note that there is much that can be done without incurring significant additional costs, and that responsible and aware architects and developers will be doing this in any event on behalf of their clients. This will include the general design to make the most of solar gain / natural ventilation, the use of locally and responsibly sourced materials and labour and consideration of the longterm running costs of a building.
- 4.20 The aim of minimising and reducing carbon emissions means different things to different people (as does zero carbon), however it is clear that building to increased standards would result in higher costs. We understand that it is the Government's intention to take an incremental approach, with steps over time. It also wishes to 'keep things simple' and to avoid overly complex requirements.
- 4.21 At this stage the approach in Policy ME1 – 20% reduction in target energy rate for large-scale developments is to seek a 20% reduction in target energy rate from new dwellings within large scale development, compared to the current building bye-law standards. Policy ME2 –

Passivhaus standards for affordable homes and major development in the countryside goes somewhat further, setting out that affordable housing and new homes in the countryside are built to Passivhaus³ Standards. For non-residential development, under Policy ME3 – BREEAM rating for new larger-scale non-residential buildings BREEAM Very Good will be sought. Development brought forward by the public sector will be expected to be fully zero carbon.

- 4.22 A 20% CO₂ saving is broadly equivalent to the Option 1 - 'Future Homes Fabric' of England's Future Homes Standard⁴. This option is likely to encourage very high fabric standards to minimise heat loss from windows, walls, floors and roofs (typically with triple glazing). In England the estimated cost of a 20% saving would typically be £2,257 per new home. Generally, this is less than 2.5% of the likely BCIS Build cost.
- 4.23 The costs of Passivhaus, over and above current standards may add about 2.9% to the cost of a flat and between 5% and 8% to the costs of housing⁵. Having said this, as practice improves within the industry the additional costs are falling.
- 4.24 The performance of non-residential development is normally assessed using the BREEAM system⁶. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research⁷ by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme with offices being a little under 2%.

Community Infrastructure

- 4.25 This chapters includes enabling policies. On the whole the policies do not impose specific requirements on general (for example housing) development.
- 4.26 There are several exceptions to this.
- 4.27 Policy CI6 – Provision and enhancement of open space includes the following provision:

To ensure the adequate provision, accessibility and quality of open spaces throughout the island, all large-scale development will be expected to provide adequate open space on-site to

³ Passivhaus is an international energy standard that was originally developed for housing and is now applied to a range of building types. A building certified to the Passivhaus standard must meet stringent standards for energy consumption for heating (15kWh per m²) and for overall energy demand. In addition, there are design requirements to control the quality of the internal environment for example by controlling internal surface temperatures and the risk of overheating to provide a comfortable living space.

⁴ The UK Government consulted on two options. Future Homes standard Option 1 that would lead to a 20% saving in CO₂ and Future Homes Standard Option 2 that would lead to a 31% CO₂ saving. The UK Government is in the process of incorporating the higher, 31% saving into English Building Regulations.

⁵ Table 7.1. Centre for Sustainable Energy Cost of carbon reduction in new buildings December 2018

⁶ Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

⁷ *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

the benefit of those who will occupy the development. In the case of residential development, the provision of outdoor space is required to meet or exceed the adopted residential space standards.

4.28 It is understood that the density expectations take these requirements into account. The modelling in the 2017 Viability Assessment was based on the residential space standards.

4.29 Policy CI8 – Space for children and play seeks that:

Development proposals providing between five-ten family homes (2+ bedrooms), are required to provide appropriate communal space for play on-site where possible, or otherwise make a contribution to the provision of new or enhanced space for play within 10 minutes' walking distance, or 1,000m.

4.30 Such contributions are considered under the developer contributions heading at the end of this chapter.

Travel and Transport

4.31 The policies in this section are largely enabling policies. Having said this Policy TT1: Integrated safe and inclusive travel is broad seeking safe and accessible transport.

4.32 We have discussed this with officers and it is not expected that the developer requirements will be dissimilar to the extant Island Plan. By way of an example, the eastern cycle route contribution remains (presently £1,350 per unit in the east) and developers will still need to contribute to sustainable transport and highway improvements.

4.33 In the past, these policies lead to Planning Obligation Agreements on larger schemes, and are the highest proportion of POAs that are entered into. The SPG for Planning Obligation Agreements (2017) which was accounted for in the 2017 Viability Assessment highlighted the cost schedule for this.

4.34 The policy does not specifically seek the provision of electric vehicle charging points. In this regard, a cost of about £650/unit⁸ is generally allowed for, although it is important to note that this is for a full installation. The fitting of a 33amp fused spur, to a convenient location for the later installation of a charger by the householder would be a minimal cost⁹.

Minimising Waste and Environmental Risk

4.35 The main policy that has an impact in this section is Policy WER1 – Waste minimisation which seeks to 'minimise the waste arising from demolition and construction activity, and to recycle, re-use and recover as much as possible'.

⁸ Paragraph 9 Electric Vehicle Charging in Residential and Non-Residential Buildings (DfT, July 2019).

⁹ We take this opportunity to comment in relation to EV charging points. This is an area where there is not industry standardisation (Audi cannot use a Tesla point etc), so we would suggest that rather than requiring developers to install charging points, a more pragmatic approach would be to require a 33amp fused spur to be provided to a convenient point for the householder to install the appropriate unit in due course.

- 4.36 The advantages of this policy are thought to be cost neutral and reflected in the BCIS costs.
- 4.37 The thrust of the policy is to require developers to appropriately manage site waste in-line with waste hierarchy. More developments will be caught by this policy than have been in the past as the threshold of scale to trigger the requirement has been lowered from 10 homes down to 5.

Utilities and Strategic Infrastructure

- 4.38 This chapter includes enabling policies. On the whole the policies do not impose specific requirements on general (for example housing) development.
- 4.39 The exception to this is Policy UI3 – Supply and use of water that requires:

Major development proposals (with a floorspace of 1,000sqm and above, or ten or more dwellings) that require a water supply will only be supported where they clearly demonstrate how water consumption will be minimised to the lowest practicable levels including how grey and/or storm water recycling has been incorporated into the design.

A water conservation statement must be provided, as part of a design statement or statement of sustainability, and will be subject to conditions to ensure the implementation of water conservation and management measures prior to the first occupation and use of the development.

- 4.40 The cost of minimising water consumption is likely to be less than £50/unit so not a significant cost.
- 4.41 The cost of how grey and/or storm water recycling is a more significant cost. Both require the installation of extra tanks and pumps and the doubling up of some internal plumbing. These are in addition to the conventional plumbing systems. The costs can vary significantly, particularly with the move towards tankless systems (which tend to be more efficient). The installation of tanks can require the strengthening of roof joists etc.
- 4.42 There are few published costs in this regard, however the cost is likely to be less than £1,000 per unit (although it could be more).

Mineral Extraction and Solid Waste Disposal

- 4.43 This section does not impact directly on the costs of development.

Developer Contributions

- 4.44 For many years development as been expected to support the social, environmental and economic sustainability of the island. This requirement is set out in Policy GD3 – Planning Obligation Agreements. This is very similar to the requirement under the adopted Island Plan and the detail remains as set out in the adopted SPG for Planning Obligation Agreements (2017) which was accounted for in the 2017 Viability Assessment. No major change is expected in this regard, although the costs are likely to continue to increase in line with inflation.

- 4.45 The scope for requesting Planning Obligation Agreements is to remain unchanged as:
- a. Necessary to make the development acceptable in planning terms, meeting the objectives of the Island Plan;
 - b. Directly related to the development; and,
 - c. Fairly and reasonably related in scale and kind to the development.
- 4.46 In the 2017 Viability Assessment an allowance of £2,000/unit was made in the appraisals to cover POA contributions. This amount may included payments sought under Policy CI8 – Space for children and play.
- 4.47 Policy GD10 – Percent for Art carries forward from the adopted Island Plan a requirement that residential development of five or more homes and non-residential development of 200sqm and over should make a contribution to public art of approximately 1% of the total construction cost of the development. This is an increase from the long standing policy requiring a 0.75% contribution that was reflected in the 2017 Viability Assessment.
- 4.48 In the 2017 Viability Assessment an allowance of 0.75% of costs was made in the appraisals to cover contributions towards public art.
- 4.49 The Places chapter includes Proposal – Sustainable Communities Fund which includes the following wording.
- Recognising the challenges to secure the sustainable future development of town, a Sustainable Communities Fund will be established and funded through a land development levy, subject to approval by the States Assembly.*
- Work to design and introduce the Fund will take place over the course of the bridging Island Plan.*
- The viability of the proposed Fund will be assessed and arrangements for the governance and allocation of the Fund, including the role of Parishes, will be set out when it is proposed*
- 4.50 This proposal has similarities to the levy recommended in 2017. Whilst this proposal will not affect development coming forward under the draft bridging Island Plan, it welcomed the fact that the Government has flagged up is general intention in this regard so developers can, again, build this into their land buying decisions (which can be a long process). The payment of such a charge will be an additional cost and it will be necessary for the amount of any requirement to be informed by up-to-date viability evidence.



5. Conclusions and Summary

- 5.1 The purpose of this brief review is to:
- a. Review how viability may have changed since the 2017 Viability Assessment was undertaken.
 - b. What the impact of any new policy requirements that are proposed in the draft bridging Island Plan may have on viability.
 - c. Comment on taking forward a standardised and more formal approach to developer contributions.
- 5.2 As set out in Chapter 3 above, high level data suggests that residential values have increased more than build costs indicating that that viability has improved since the *Viability Assessment for review of Developer Contributions* (Arup and HDH, May 2017) was completed. Since the 2017 Viability Assessment house prices have increased by well over 20% and build costs have increased by less than 20%. Values have increased by more than costs indicating that there has been an improvement in viability. The disaggregated data suggests that house prices may have increased by at least 8% more than build costs.
- 5.3 The 2017 Viability Assessment concluded that there was scope to introduce a standardised charge on residential development in the range of £50/m² to £125/m² and for non-residential development, maximum rates of a standard developer contributions of £80/m² for offices and £150/m² for retail development were recommended. The high-level data from the BCIS and Statistics Jersey indicates that viability has improved, that is to say the scope to make developer contributions or to deliver greater levels of policy requirement are now greater than they were in 2017.
- 5.4 The draft Bridging Island Plan does seek to bring in increased standards to tackle climate change and ensure increased biodiversity. These are an additional cost to development, however that additional cost is likely to be less than either the improvement in viability or the amount of the proposed standardised levy. The Government can therefore be confident that the bridging Island Plan will be effective in facilitating development and the policies within it will not threaten the delivery of the anticipated development.
- 5.5 If a more formalised and standardised approach to developer contributions is to be introduced (the 'Sustainable Communities Fund'), it will be necessary to update the 2017 Viability Assessment. Recommendations in the 2017 Viability Assessment were made in the context of 2017 costs and values and against the policies set out in the Revised 2011 Island Plan. Cost values and the polices have changed so if the Government were to decide to pursue a standardised developer contribution framework, then it would be necessary to revisit viability and make a thorough and comprehensive assessment, fully updating the *Viability Assessment for review of Developer Contributions* (Arup and HDH, May 2017) report.

- 5.6 The proposal under which the provision of affordable housing is required as part market housing schemes is to be further researched, although such a provision would only be introduced through a new Island Plan. Whilst this proposal will not affect development coming forward under the draft bridging Island Plan, we welcome the fact that the Government has flagged up its general intention in this regard so developers can, again, build this into their land buying decisions. The provision of affordable housing as a part of market housing schemes will be an additional cost and it will be necessary for the amount of any requirement to be informed by up-to-date viability evidence.
- 5.7 In summary, there has been an improvement in viability since the 2017 Viability Assessment. The draft bridging Island Plan does include some modest additional requirements that will add to the cost of development however, as the standardised Levy is not being introduced at the rates recommended in 2017 these additional requirements will not threaten the delivery of development. If the Government do proceed with either a formalised developer contribution or levy, or with a requirement for market housing schemes to provide affordable housing it is recommended that the full viability evidence is refreshed and updated.
- 5.8 This note has been drafted during the coronavirus pandemic. There are real material uncertainties around the values of property and the costs of construction that are a direct result of the Covid 19 pandemic. We therefore recommend that the Government keep viability under review, particularly if there is a downturn in the economy.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, landowners and developers. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site-specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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