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Planning Development

By Email Only

3rd May 2024

Kirklees Council

FAO Align Property c/o Ellie Worth

**RE: DEVELOPMENT VIABILITY - ERECTION OF 11 DWELLINGS
AT: LAND ADJ. TO 894 HUDDERSFIELD ROAD, MIRFIELD, WF14 9HS**

LPA REF: 2022/93306

Dear Sir, Madam,

We write in connection with the above following the meeting between Align Property, the Council, J2 Quantity Surveying and ourselves on 22nd February. We are now able to respond as follows.

In summary the position before the meeting was that the respective appraisals appear to be moving closer in some areas, however there remained a £1.6 million gap between the two viability appraisals.

Notes from the meeting

- 1) Align and the applicant's team have agreed to disagree in relation to projected house sale / affordable housing revenue.¹ Align's overall **sales revenues** (GDV) are 500k higher than ours and we assert that the potential 'drag' factor on house prices of the Ravensthorpe area has not been adequately taken into account, as the local valuers inputting into the applicant's appraisal Bramleys did so. The comparable evidence of Align Property appears to be from within Mirfield only.
- 2) Graham (QS) hadn't seen the **revised version of our QS appraisal** submitted to the Council on 1st September last year. Obviously, this is important if not previously taken into account in Align's QS deliberations – action for Council to pass this information over please? – i.e. the dated 1st September 2023 together with the appraisals and J2 response accompanying that letter.

¹ Our view is on a without prejudice basis.

- 3) **Build costs:** agreement on £1,287 per square metre for House Types B and C. Graham (QS) thought the figure for House Type A was on the high side, however Jamie Patten (J2 Quantity Surveying) to provide some further information /justification.
- 4) Graham (QS) also requested that the **external works values** are isolated from the build cost. Jamie mentioned the pond (which is for biodiversity and surface water drainage) being a reasonably significant abnormal factor in this case.
- 5) Jamie Patten to provide more information in relation to **site clearance costs** (examples of similar schemes and also in connection with this case, what sort of depth the cut and fill exercise would be), as there is disagreement at the rate that should be adopted.
- 6) **Contingency rate.** Graham Tyerman accepted that in principle 5% was not unreasonable (compared with the 3% adopted in the Align appraisal). Nick Willock pointed out that the site is within a high risk coal mining area and so whilst the site appears as a greenfield site, there could be a risk of abnormal costs connected with coal mining legacy.
- 7) **Purchaser's costs** - it was accepted this ought to be included within the Align appraisal, as it is within the applicant's appraisal.
- 8) There was some debate about the appropriate **profit rate**. We pointed out that a line had previously accepted 17.5% in an earlier iteration of their appraisal. Victor Grayson of the Council confirmed that 17.5% had been accepted in other similar cases Kirklees. The applicant therefore sticks to the view that 17.5% is appropriate for this site.
- 9) There was a discussion about **finance rates**. Graham T said that the lending rate is often down to the particular applicant. However, Nick W reiterated the point that the original appraisal was conducted at a time when base rates were at their lowest point, and therefore whilst we agreed not to revisit this particular point at this stage, the applicant reserves the right to revisit this issue in future if necessary.
- 10) There was also a brief discussion about the biodiversity net gain contribution. Whilst the government have stated that net gain doesn't apply for pre-existing planning applications like this one, Ellie Thornhill of the Council pointed out that the Local Plan requires net gain. Adding a further view to that, we would say that the debate would then be around the level of net gain - i.e. 10% would not be compulsory for this particular application, so a net gain could be interpreted as something as little as 1% (or arguably less – e.g. 0.1%).

Applicant's Actions as per the above

Please find enclosed documents:

- Response to Align Property Partners
 - 894 Huddersfield Road Cost Appraisal Revision D
 - Cut and fill DQ
 - Revised Appendix G Viability Appraisal Spreadsheet inc. S106 contributions
 - Revised Appendix H Viability Appraisal Spreadsheet excl. S106 contributions
 - Layout plan showing levels / excavations
- 1) Build costs – Please see document 'Response to Align Property Partners' - House Type A – Source of Estate Housing £/m2 rate of £1,727 highlighted in Appendix A.

- 2) Site clearance – Please see document ‘Response to Align Property Partners’ Appendix B shows three highlighted examples of site preparation rates. These are £113, £62 and £24 per m2. This is an average of £66.33 per m2. The allowance in the applicant’s costings was originally £50 per m2. With reference to the attached documents ‘894 Huddersfield Road cost appraisal revision D’ and ‘Cut and fill DQ’ J2 Quantity Surveying have completed the cut and fill exercise based on the drawing provided. As such, the original figure adopted of £275,000 has been reduced to £225,000 within our revised appraisal at Appendix G.

The applicant’s revised position

The enclosed revised Appendix G Viability Appraisal (incl. S106 contributions) and Appendix H (excluding S106) appraisal spreadsheets reflect the applicant’s current position on these matters as per the above comments and enclosed updated costs documents, and also taking into account recent discussions at our joint meeting in February.

The revised Spreadsheet G with our adjustments arrives at a residual land value of **minus £818,028** including S106 contributions, whereas the figure is at **minus £586,243** without S106 contributions.

Other matters

We have not amended our original viability report (or non-technical summary) at this time, pending discussions on the above issues first of all.

Once a settled position between the Council’s and applicant’s team is reached, we would be happy to update all relevant documents in preparation for a final decision on the planning application.

Summary

We have adjusted our Appendix G (incl. S106 contributions) and Appendix H (excluding S106) appraisal spreadsheets in accordance with the above.

The revised Spreadsheet G with our adjustments arrives at a residual land value of **minus £818,028**, whereas without S106 contributions, the figure is at **minus £586,243**.

This is set against the actual agreed EUV+ land value of between £160,000 and £300,000 (the applicant’s figure) or £304,000 (Align’s figure).

This is without prejudice to further adjustments that could be justified in accordance with the above comments, such as the impacts of increased UK interest rates since the appraisal was first submitted in September 2022, and potential coal mining legacy / contaminated land remediation which could push the viability equation further into the red.

Both scenarios still show that our client’s development is significantly below the level required in order to be viable in relation to affordable housing and section 106 contributions.

Yours Faithfully

Nick Willock MRTPI MRICS

Robert Halstead Chartered Surveyors and Town Planners