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Greater Norwich Local Plan (GNLP) Examination
Hearing Further Statement Matter 9: Residential Based Allocations (New sites without planning permission that are allocated for more than 500 dwellings)

Issue 1: Anglia Square (Ref GNLP 0506)

Question 2. Would a scheme for around 800 dwellings be viable and deliverable?

Prepared on behalf of Weston Homes Plc & Columbia Threadneedle Investments
7 February 2022

Introduction

This Hearing Further Statement response has been prepared on behalf of Weston Homes (WH), who have a 'subject to planning' contract to purchase the site of Anglia Square Shopping Centre and surrounding mostly vacant land from Columbia Threadneedle Investments, (CTI), the current landowners. It has been drafted by Francis Truss MRICS, Partner, Carter Jonas. It addresses the Inspectors' Question 2.

Commentary

Weston Homes is preparing a planning application, to be submitted in March 2022, for a residential-led mixed-use regeneration which comprises around 1060 dwellings and c.6,600 sq m flexible commercial floorspace to re-provide the part of the Large District Centre (LDC) currently forming Anglia Square. The new scheme has been the subject of an initial viability assessment which is currently with Norwich City Council (NCC) for comment, but it is not yet in the public domain as it is preliminary. It demonstrates that the emerging scheme is viable and thus deliverable, based on the same context as the Call-in scheme, namely a HIF grant of £15m and an affordable housing provision of around 10% of dwellings. It is noted that in respect of the Call-in scheme, the Secretary of State, (SoS), stated he "*agrees with the Inspector's conclusion (IR573) that if planning permission is granted there is a reasonable prospect that the scheme would be delivered as a whole, and that viability considerations do not weigh against the proposal*." (SoS para 67). Whilst the commercial floorspace and car parking provision now proposed are both less than the Call-in scheme, the relevant points are that the SoS did not criticize the quantum of affordable housing, and accepted that the scheme was deliverable even if only marginally viable, (as evidenced by the Homes England award of HIF grant funding).

Historic England (HE) presented a scheme to the Call-in Inquiry for about 600 dwellings prepared by Ash Sakula Architects, which they acknowledged was not viable and thus not deliverable. The SoS stated that "*he agrees with* [the Inspector's assessment of the alternatives presented at the Inquiry] *… that the other options and proposals for the site were not viable or deliverable (IR583 – 584)*". (SoS para 69). HE now state in their *SoCG Reps on Part 2* (03.11.21) for this Hearing "*Surely the overall viability of the scheme will depend on market conditions (which change over time), the precise mix of uses and also the availability of public subsidy. This issue needs further exploration and justification*." (HE SoCG pages 39 – 40). They do not offer an updated viability appraisal of their 600 unit scheme, notwithstanding that any appraisal should be based on current market conditions, not at some unstated future date. It is also the case that the public subsidy, (HIF grant), remains the same as the Call-in scheme, and the mix of units, whilst now broader, still comprises primarily flats in view of the sustainable location, to which NCC has not raised objection.

A scheme of around 800 dwellings on this site would not be viable nor deliverable. Each additional dwelling creates net value to the scheme and the quantum of dwellings needs to reach a certain critical mass to overcome major site constraints, most notably:

- Very high fixed costs to redevelop the site, (i.e., with limited variation relative to the proposed quantum of dwellings), including:
    - Infrastructure costs:
        - Demolition.
        - Asbestos removal.
        - Site decontamination.
        - Archaeological works.
        - Drainage and services (sewer diversion and surface water drainage).
        - Utility connections with new sub-stations.
        - Public realm creation and enhancement (on and off site).
    - Compensating for its potential value in its current use with occupied shops and car parks comprising c.600 spaces.
- The minimum quantum of commercial floorspace within the scheme acceptable to NCC in order to re-provide sufficient floorspace to serve the LDC, which – to be viably delivered – requires cross subsidy from the residential development.
- The finance costs associated with incurring significant proportions of the various fixed costs prior to the receipt of revenue.
- Ensuring receipt of Homes England's approved £15 million in non-repayable HIF grant funding to address the scheme's viability gap. One of the criteria used in determining the allocation of this funding was the number of dwellings enabled by the funding (stated as 1,250 at the time). Reducing the number of dwellings significantly below this level risks the ability to access the full £15 million of grant funding, whereas Homes England have indicated that the proposed number of dwellings with 10% affordable is acceptable to receive the entire sum.
- The costs associated with maintaining a functioning LDC offer on the site during all phases of redevelopment, including rental incentives for the tenants.

A high-level internal appraisal of an 800 unit scheme with the reduced quantum of commercial floorspace as now being proposed, (c.6,600 sq m or 71,000 sq ft), has been run, but is not considered appropriate to provide in a public forum given that:

a) it would rely on unresolved design and dwelling mix considerations, (eg how and where would the c.250 dwellings be omitted from the proposed 1,060 unit scheme),

b) the assumptions of the appraisal for the forthcoming application for c.1050 dwellings, remain to be discussed further with NCC, and

c) the Hearing is not considered the appropriate context in which to discuss and examine the detailed assumptions that are required to prepare a viability assessment.

Nevertheless, it is noted, using the very high level appraisals, that:

- The c.1,060 dwellings scheme appraisal analysis reflects standard assumptions but the scheme is only considered to be deliverable if, as with the Call-in scheme, construction costs reflect the reduced costs of a vertically integrated development company structure (i.e., with in-house construction capability to reduce costs), as is the case with WH;

- A scheme of 800 dwellings with the same quantum of commercial space as now proposed, generates about £12m less in returns, which is neither viable nor deliverable.

Accordingly, whilst a detailed appraisal for an 800 unit scheme and c.6,600 sq m commercial floorspace scheme cannot be presented in evidence at this stage, since it would rely on a series of assumptions which would need to be tested, and have not been agreed with NCC in respect of the emerging scheme for 1,060 units, nevertheless, an internal high level appraisal has convinced WH that such a quantum of dwellings would not be viable to deliver.