

- a) **DOV/16/01026 – Hybrid planning application: (i) Outline planning permission (with all matters reserved except access) for the erection of 18 dwellings, accesses/roads, parking, associated services, infrastructure, groundworks and landscaping; and (ii) Full application for the change of use of two engine sheds to office accommodation and 5 no. residential dwellings, associated parking, services, infrastructure, sub-station, landscaping, groundworks, attenuation features and earthworks – Land South-West at Hammill Brickworks, Hammill Road, Woodnesborough**

Reason for report: Number of contrary views.

- b) **Summary of Recommendation**

Planning permission be refused

- c) **Addendum to Committee Report of 25th May 2017**

Introduction

- 1.1 This application was presented to planning committee on 25th May 2017 when it was recommended that planning permission be refused for the following reason:

“The site is located outside of any urban boundaries or rural settlement confines, in an isolated rural location. If permitted, the construction of eighteen dwellings, by virtue of their location, form and scale, would result in an intrusive form of development, adversely affecting the character and appearance of the countryside. As such, these dwellings represent an unjustified, unsustainable and inappropriate form of development within the countryside, contrary to Dover District Core Strategy Policies CP1, DM1, and DM15 and the National Planning Policy Framework paragraphs 17, 29, 55, 56, 58, 61 and 64”.

- 1.2 At the meeting, members resolved to defer determination of the application to allow for: (i) Further assessment of the Viability Assessment; and (ii) To understand whether there will be any additional public benefits arising from the developer’s revised financial offer. A copy of the May Committee Report, which addresses all the relevant material considerations, is attached at Appendix 1.
- 1.3 There have been no new or updated consultation responses or representations by third parties since the application was last presented to planning committee.

Further Assessment of Viability

- 1.4 The first reason for the deferral of this application related to the need for a further assessment of viability. Since the May planning committee officers have been in discussion with the applicants, who have submitted an updated viability appraisal which concludes that the development could provide financial contributions of £575,750 whilst producing a Gross Development Value of 17.21% and a profit on cost of £2,089,667. This updated appraisal has been subjected to independent expert review which, in this instance has been carried out by Savills on behalf of the Council. A copy of the Savills report (which also contains the applicants updated viability appraisal) is attached at Appendix 2.

- 1.5 The application as submitted included a viability assessment which sought to demonstrate that contributions of more than £320,000 would render the development unviable. The Council's viability consultant disagreed with this conclusion and, having reassessed the scheme, advised that the development could support the on-site provision of three affordable dwellings (two provided as affordable rent and one as shared ownership) or contributions of £450,000, whilst retaining an industry standard profit of 20% (a level which is usually required in order to gain bank finance). This viability assessment was based upon the applicant converting the engine sheds themselves and selling the 18 plots to other developers or self-builders to construct the dwellings.
- 1.6 The updated appraisal differs significantly from the appraisals previously submitted, in that the calculations have now been based upon the applicant building out the development in its entirety, as opposed to selling serviced plots to be developed by third parties. The overall size of the new dwellings (plots 1 to 18) has also increased by around 3,000sqft in total; albeit the size of the units in the converted engine sheds remain unaltered. As a result of these changes the total revenue from the development has increased markedly, with the properties being valued at between £485,000 and £695,000; however, this is balanced by an increase in costs associated with the construction of the 18 dwellings. The Council's viability consultant has concluded that the predicted sales values, construction costs and other costs are reasonable and realistic, broadly being derived from industry standard figures. The viability assessment concludes that the development would produce a profit on Gross Development Value of 17.21%. Whilst this is below the industry standard profit of 20%, which is usually required in order to achieve bank finance, it is not considered that this level of profitability would significantly prejudice the delivery of the development, particularly as some of the costs associated with the development have already been borne by the developer. It is also noted that this level of profitability is higher than that predicted for the previous scheme.
- 1.7 For the aforementioned reasons, it is concluded that the development could support a development contribution of £575,750 without unacceptably compromising its viability and providing competitive returns.

Public Benefits Arising

- 1.8 The second reason for deferral of this application was to allow for a better understanding as to whether there will be any additional public benefits arising from the developer's revised financial offer.
- 1.9 It is very difficult to accurately equate the financial contribution to the number of affordable units which can be provided off-site, as build costs, land costs and the availability of funding vary significantly. However, the Council's current programme for the delivery of affordable housing equates to an average cost of £140,000 per dwelling. This figure is considered to provide a reasonable basis for estimating the approximate cost of providing affordable housing within the district. On this basis, a contribution of £575,750 would provide approximately 4.1 affordable dwellings, whilst the previously proposed figure of £450,000 would have provided approximately 3.2 affordable dwellings.

Other Matters

- 1.10 Whilst the erection of 18 dwellings has been submitted in outline, the viability assessment, in assessing build costs and sales values, has increased the envisaged size of the dwellings from 1,800sqft. (167sqm.) to 1,961sqft. (182sqm.). Members had previously been advised that the development would be of a high density and, in the opinion of officers would create a prominent and harmful feature in the landscape. The increase in the scale of buildings would exacerbate this harm.

Conclusions

- 1.11 The additional information which has been submitted has demonstrated that the development could provide a contribution of £575,750. The only contribution which has been sought relates to the provision of affordable housing. It is very difficult to predict how many affordable houses could be provided for this sum, as it would be dependent upon a number of variables. However, based on current costs, the number of affordable dwellings which could be provided would be approximately 4.1, whilst the previous contribution could have provided approximately 3.2 affordable dwellings. This provision would remain below the level of 30% affordable housing (6.9 dwellings) which is sought by Policy DM5 of the Core Strategy. Whilst the ability to provide an increased contribution for off-site affordable dwelling is positive, this does not overcome the recommended reason for refusal and adds little weight in favour of the development. The development would also no longer provide self-build/custom build plots, with the applicant now proposing to deliver the development themselves. Consequently, the weight previously attributed to the provision of self-build/custom build no longer applies. No further evidence has been provided to demonstrate that there would be any other additional public benefits beyond those identified in the May committee report.
- 1.12 As set out within the previous report to planning committee, the development would be located within the countryside in an isolated location. Whilst the development would provide benefits, it is not considered that these benefits, either alone or in combination, are of sufficient weight to justify the application as a departure from the development plan, which requires “unusual and compelling” justification.
- 1.13 Whilst the NPPF has been considered holistically to reach this conclusion, in particular, it is considered that the development is contrary to NPPF paragraphs 29, which seeks to facilitate sustainable modes of transport, and 55, which seeks to direct housing in rural areas to locations at settlements and restricts isolated residential development in the countryside.
- 1.14 In the absence of any significant additional public benefits coming forward, the planning balance has not materially changed since the previous committee. Consequently, there are no sound reasons to depart from the development plan and the NPPF and, as such, it remains the case that the application is recommended for refusal.

d) **Recommendation**

- I PERMISSION BE REFUSED for the following reason:

(1) The site is located outside of any urban boundaries or rural settlement confines, in an isolated rural location. If permitted, the construction of eighteen dwellings, by virtue of their location, form and scale, would result in an intrusive form of development, adversely affecting the character and appearance of the countryside. As such, these dwellings represent an unjustified, unsustainable and inappropriate form of development within the countryside, contrary to Dover District Core Strategy Policies CP1, DM1, and DM15 and the National Planning Policy Framework paragraphs 17, 29, 55, 56, 58, 61 and 64.

Case Officer

Luke Blaskett

APPENDIX 1 – Committee Report of 25 May 2017

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Reason for report: Number of contrary views.

b) **Summary of Recommendation**

Planning permission be refused

c) **Planning Policies and Guidance**

Core Strategy Policies

- CP1 – The location and scale of development in the District must comply with the Settlement Hierarchy.
- CP3 – Of the 14,000 houses identified by the plan 1,200 (around 8%) is identified for the rural area.
- CP4 - Developments of 10 or more dwellings should identify the purpose of the development in terms of creating, reinforcing or restoring the local housing market in which they are located and development an appropriate mix of housing mix and design. Density will be determined through the design process, but should wherever possible exceed 40dph and will seldom be justified ta less than 30dph.
- CP6 – Development which generates a demand for infrastructure will only be permitted if the necessary infrastructure to support it is either in place, or there is a reliable mechanism to ensure that it will be provided at the time it is needed.
- DM1 – Development will not be permitted outside of the settlement confines, unless it is specifically justified by other development plan policies, or it functionally requires such a location, or it is ancillary to existing development or uses.
- DM3 – Permission for commercial development in the rural area, will be granted, provided it is at a rural service centre or local centre and is consistent with the scale and setting of the settlement, or it is at a village provided it would not generate significant travel demand and is consistent with the scale and setting of the settlement. In all cases the development should be within the settlement confines, unless no suitable site exists, in which event it should be located adjacent to the settlement unless there is a functional requirement for it to be located elsewhere.
- DM4 – Beyond the settlement confines, the re-use or conversion of structurally sound, permanent buildings will be granted: for commercial uses; for community uses; or for private residential use in buildings that are adjacent to the confines. In all cases the building to be converted must be of a suitable character and scale

for the use proposed, contribute to the local character and be acceptable in all other respects.

- DM5 – Development for 15 or more dwellings will be expected to provide 30% affordable housing at the site, in home types that will address prioritised need.
- DM11 – Development that would generate high levels of travel will only be permitted within the urban areas in locations that are, or can be made to be, well served by a range of means of transport.
- DM13 – Parking provision should be design-led, based upon an area's characteristics, the nature of the development and design objectives, having regard for the guidance in Table 1.1 of the Core Strategy.
- DM15 – Development which would result in the loss of, or adversely affect the character and appearance of the countryside will not normally be permitted.
- DM16 – Development that would harm the character of the landscape will only be permitted if it is in accordance with allocations made in Development Plan Documents and incorporates any necessary avoidance and mitigation measures or it can be sited to avoid or reduce harm and incorporate design measures to mitigate impacts to an acceptable level.
- DM17 – Within Groundwater Source Protection Zones 1 and 2, certain development which has the potential to cause contamination will not be permitted unless adequate safeguards against possible contamination are provided.

Land Allocations Local Plan

- DM27 - Residential development of five or more dwellings will be required to provide or contribute towards the provision of open space, unless existing provision within the relevant accessibility standard has sufficient capacity to accommodate this additional demand.

National Planning Policy Framework (NPPF)

- Paragraph 7 of the NPPF states that there are three dimensions to sustainable development: economic, social and environmental.
- Paragraph 11 states that “planning law requires that applications for planning permission must be determined in accordance with the development plan unless material considerations indicate otherwise”.
- Paragraph 12 states that the NPPF does not change the statutory status of the development plan. Development which accords with an up-to-date development plan should be approved and development which conflicts should be refused unless other material considerations indicate otherwise.
- Paragraph 17 of the NPPF sets out 12 Core Planning Principles which, amongst other things, seeks to: proactively drive and support sustainable economic development; secure high quality design and a good standard of amenity for all existing and future residents; recognise the intrinsic character and beauty of the countryside and support thriving rural communities within it; and actively manage patterns of growth to make the fullest possible use of public transport, walking

and cycling, conserve heritage assets and focus significant development in locations which are or can be made sustainable.

- Paragraph 49 of the NPPF states that “housing applications should be considered in the context of sustainable development. Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of housing sites.
- Chapter three of the NPPF seeks to support a prosperous rural economy.
- Chapter four of the NPPF seeks to promote sustainable transport. In particular, paragraph 29 states that “the transport system needs to be balanced in favour of sustainable transport modes, giving people a real choice about how they travel. However, the Government recognises that different policies and measures will be required in different communities and opportunities to maximise sustainable transport solutions will vary from urban to rural areas”.
- Chapter six of the NPPF seeks to significantly boost the supply of housing, requiring Local Planning Authorities to identify specific deliverable sites sufficient to provide five years’ worth of housing. Housing applications should be considered in the context of the presumption in favour of sustainable development. Of particular note, is paragraph 55 which directs housing in rural areas to be located where they will enhance or maintain the vitality of rural communities. New isolated homes in the countryside should be avoided, unless they would: provide essential rural worker housing; provide the optimum viable use of a heritage asset or would secure the future of a heritage asset; re-use redundant or disused buildings and lead to an enhancement of the immediate setting; or be of an exceptional quality or innovative design. Such a design should be: truly outstanding or innovative, helping to raise standards of design more generally in rural areas; reflect the highest standards in architecture; significantly enhance its immediate setting; and be sensitive to the defining characteristics of the local area.
- Chapter seven requires good design, which is a key aspect of sustainable development.
- Chapter eleven requires the that the planning system contributes to and enhances the natural and local environments, by protecting valued landscapes, geological conservation interests and soils, recognising the value of ecosystems, minimising impacts on, and where possible enhancing, biodiversity, preventing pollution and remediating contamination.

The Kent Design Guide (KDG)

- The Guide provides criteria and advice on providing well designed development.

d) **Relevant Planning History**

DOV/12/00460 – A) Full application for change of use and conversion of two engine sheds to six live/work units and B) Outline application for the erection of nineteen dwellings, 2352m² of B1(c) accommodation, construction of vehicular access, associated car parking and landscaping (existing buildings/structures to be demolished) – Granted

DOV/14/00642 – Reserved matters application for phase 4 (residential phase) pursuant to outline permission DOV/12/00460 at Hammill Brickworks, Sandwich Road, Woodnesborough - Granted

DOV/15/00153 - Reserved matters application for the layout, scale and appearance of the B1 (C) accommodation buildings pursuant to Condition 33 of planning permission DOV/12/00460 – Granted

DOV/15/00599 - Reserved matters application for A) Full application for change of use and conversion of two engine sheds to six live/work units and B) Outline application for the erection of nineteen dwellings, 2352m² of B1(c) accommodation, construction of vehicular access, associated car parking and landscaping (existing buildings/structures to be demolished) for the layout, scale and appearance of the B1 (C) accommodation buildings (pursuant to Condition 33 of approved outline permission DOV/12/00460) – Granted

DOV/15/00771 – Change of use and conversion of two engine sheds to ten residential dwellings - Granted

e) **Consultee and Third Party Responses**

Crime Prevention Officer: The applicant has considered crime prevention and has applied the seven attributes of Crime Prevention Through Environmental Design in their Design and Access Statement however to date we have had no communication from the applicant/agent and there are other issues that may need to be discussed and addressed including a formal application for BREEAM and Secured By Design if appropriate.

Natural England: No objection. The application site is in close proximity to European designated sites and therefore has the potential to affect their interest features. Whilst the proposals are not necessary for the management of the European sites, subject to appropriate financial contributions being made to strategic mitigation, the proposals are unlikely to have a significant effect on these sites, and can therefore be screened out from any requirement for further assessment. SSSI's do not represent a constraint to development. Regard should be had for local sites of biodiversity, geodiversity, landscape character and local or national biodiversity priority habitats and species. Regard must also be had for protected species, having regard for Natural England's Standing Advice. Biodiversity enhancements should be secured where possible.

The Coal Authority: The site falls within the defined Development Low Risk Area and, as such, there is no requirement to consult The Coal Authority. The Coal Authorities standing advice should be provided as an informative, should permission be granted.

KCC Highways and Transportation:

Initial response, received 26th September 2017

The location of the site is such that the vast majority of journeys are likely to be made by car and the trip rates identified in the Transport Statement (TS) reflect this. I concur that the additional trips over and above the previously approved scheme are unlikely to have a severe impact on the highway network, with only 2 or 3 additional trips in the network peak hours.

The dimensions of the access road, footway, turning head and parking spaces serving the converted engine sheds should be provided. The plans are confusing as drawing number 4098/1001 Rev. E in the TS shows a 7.15 metre wide road with a 2

metre wide footway on the south side, whereas the Proposed Strategic Layout shown on drawing number 16348/300 appears to show a narrower road with footways both sides. I would suggest that the road width could be reduced to 4.8 metres (after a suitable distance away from Hammill Road to allow for a rigid HGV turning) and a 1.8 metre wide footway provided on the south side only. The extent of road, footway and parking included in the full application for the engine sheds should also be clarified and should include the footpath connection to the approved phase 1 residential site.

The total amount of car parking shown for the engine shed conversions is acceptable; however the proposed separate allocation of parking to the office and residential uses should be clarified, with 11 spaces required for the 5 no. residential units in accordance with Policy DM13.

Subsequent response received 19th December 2017

I refer to the additional information submitted for the above and confirm I now have no objections in respect of highway matters. The location of the site is such that the vast majority of journeys are likely to be made by car and the trip rates identified in the Transport Statement (TS) reflect this. I concur that the additional trips over and above the previously approved scheme are unlikely to have a severe impact on the highway network, with only 2 or 3 additional trips in the network peak hours. The access arrangements shown are acceptable and include improvements to existing visibility. The parking arrangements for the 5 dwellings and office use covered by the full application are also now acceptable. The following should be secured by condition:

(i) Outline Application

- Use of a bound surface for the first 5 metres of private accesses from the edge of the highway.
- Provision of measures to prevent the discharge of surface water onto the highway.
- Provision and permanent retention of vehicle parking facilities prior to the use of the site commencing in accordance with details to be submitted to and approved by the Local Planning Authority.
- Provision and permanent retention of secure, covered cycle parking facilities prior to the use of the site commencing in accordance with details to be submitted to and approved by the Local Planning Authority.
- Completion of the access shown on the submitted plans prior to the use of the site commencing.
- Completion of a paved footpath link between the site and the adjacent residential site to the west prior to first occupation.
- Provision and maintenance of the visibility splays shown on the submitted plans with no obstructions over 1 metre above carriageway level within the splays, prior to the use of the site commencing.
- The proposed roads, footways, footpaths, verges, junctions, street lighting, sewers, drains, retaining walls, service routes, surface water outfall, vehicle overhang margins, embankments, visibility splays, accesses, carriageway gradients, driveway gradients, car parking and street furniture to be laid out and constructed in accordance with details to be submitted to and approved by the Local Planning Authority.
- Construction Management Plan to include the following:
 - (a) Routing of vehicles
 - (b) Timing of HGV movements
 - (c) Parking and turning facilities for site personnel and delivery vehicles
 - (d) Wheel washing facilities

(ii) Full Application

- Use of a bound surface for the first 5 metres of private accesses from the edge of the highway.
- Provision of measures to prevent the discharge of surface water onto the highway.
- Provision and permanent retention of the vehicle parking spaces shown on the submitted plans prior to the use of the site commencing.
- Provision and permanent retention of secure, covered cycle parking facilities prior to the use of the site commencing in accordance with details to be submitted to and approved by the Local Planning Authority.
- Completion of the access shown on the submitted plans prior to the use of the site commencing.
- Completion of a paved footpath link between the site and the adjacent residential site to the west prior to first occupation.
- Provision and maintenance of the visibility splays shown on the submitted plans with no obstructions over 1 metre above carriageway level within the splays, prior to the use of the site commencing.
- Construction Management Plan to include the following:
 - (a) Routing of vehicles
 - (b) Timing of HGV movements
 - (c) Parking and turning facilities for site personnel and delivery vehicles
 - (d) Wheel washing facilities

An informative has also been recommended

KCC PROW – Do not wish to comment on the application.

Principal Infrastructure Delivery Officer –

The S106 agreement for Hammill Phase II should secure long term maintenance of the play area required by the S106 agreement and condition 55 associated with Hammill Phase I. It appears that the play area will be easily accessible on foot from Phase II. A single management company should be responsible across the entire site for maintenance of the open space because this will help to ensure long term security of the provision. If this can be achieved then there is no need for new play provision within Phase II. I agree with you that the level of amenity open space provision within the site is acceptable, but we should require more detailed proposals to be approved prior to occupation of any unit, in particular the amenity space in Phase II should contain features such as benches and bins.

Regarding an appropriate SPA contribution for Phase II, on the basis of the housing mix in Phase I we should assume that all of the units for which outline permission is sought (15) will be 4+ bedrooms. The conversions will consist of 4 x 3 bed and 1 x 4 bed. Therefore an appropriate level of contribution is £1,373.52.

Environmental Health –

Initial response received 21st September 2016

The information submitted by the applicant regarding contamination adequately justifies that no further investigation or remedial works are justified on the Phase 2 area. Recommendations are provided regarding the historic septic tank and deep water well, and details of the remediation of these, if located, will be submitted as an Addendum Report following groundworks.

Subsequent response received 11th May 2017

Looking at my comments (September 2016) to the Ecologia letter report submitted in support of the site, I agree that condition 1 recommended by the EA would most certainly be surplus to requirements. Just to recap, my comments were as follows:

'I have reviewed the Ecologia letter report and appendices. I feel adequate justification has been provided by Ecologia to warrant no further investigative or general remedial works being required on the phase 2 area, resulting from the proposed change of use to a more sensitive use. Residential SSRUCs were used in the original verification of phase 2 rather than commercial, as a conservative approach, and although the sample grid sizes were larger than recommended for residential, I do not consider this to be an issue.'

There was however the following potential outstanding issue:

'Recommendations are provided regarding the historic septic tank and deep water well, and details of the remediation of these will, if located, will be submitted as an Addendum Report following groundworks.'

I therefore think it would be useful, for completeness, to include condition 2 in order that a post groundworks validation letter report is submitted, to confirm the status of these outstanding issues. You may wish to include somewhere in the condition what is specifically being referred to, for ease of reference, for example, submission of a validation letter report on the remediation of the historic septic tank and deep water well, as recommended in the Ecologia letter report reference 10.493.13 dated 26/7/16.

Environment Agency - No objection. However, a series of six conditions have been recommended, should permission be granted, to avoid harm to the aquifer and the environment. Informatives have also been recommended.

Southern Water - The Environment Agency should be consulted regarding the use of a private wastewater treatment works. Surface water drainage will be via Sustainable Urban Drainage Systems. The LPA should consider the acceptability of these details, including future maintenance.

DDC Head of Inward Investment – Planning Committee will be aware that Economic Regeneration remains the Council's top priority and that significant progress is being made on the delivery of a range of regeneration projects across the Dover district.

The vision for this Council is to ensure we create the environment to attract investment to the district that will stimulate growth and enterprise thereby creating much-needed jobs and delivering the overall ambitions and priorities in the Council's Adopted Core Strategy, alongside the Council's key Corporate Objectives.

Historical experiences around the development of the then Pfizer Pharmaceutical Complex at Sandwich and McLaren Motor Racing at Lydden were instrumental in founding the need to grow the scale, range and quality of accommodation across the district. While progress has been made on housing developments in a number of locations across the district, it is evident that the district continues to face challenges with delivery and supply of housing. Through work being undertaken on an East Kent basis by Lichfield's, refreshing the East Kent Growth Framework, it is evident that analysis of the Local Authority Annual Monitoring Reports indicate that Ashford, Canterbury and Thanet have consistently outperformed Shepway and Dover. The

trend has been for housing completions falling consistently short of anticipated trajectory, with the exception of the last reported year.

The draft report also indicates that “Housing stock has a key role to play in influencing housing market choices, particularly for those people moving into East Kent...” As an example, by comparison to Ashford at 33%, Canterbury at 31% and Shepway at 27% Dover has only 22% of detached housing stock (according to the ONS 2011 Census).

With this backdrop, the Council has been actively promoting the district through the ‘Enterprise Coast Brand – Dover, Deal, Sandwich’ as a great place to live, work and play. Our inward investment website www.investindover.co.uk continues to develop as platform for potential investors, and local businesses, to find out more about key locations, financial incentives, and news and information for business. This is complemented by a Twitter feed (@InvestInDover) that has over 900 followers. Along with this, working in partnership, the Council has exhibited at the MIPIM UK exhibition at London Olympia for the past 3-years. This has provided an excellent showcase for the district at the most prominent investment and property exhibition in the UK.

It is evident that as a number of significant, unprecedented economic challenges have been addressed over the past few years, as a combination of factors such as the changes at the Pfizer site and the deficit reduction programme have taken hold, we cannot afford to be complacent and miss opportunities to sustain forward growth. While good progress has been made at the former Pfizer site, Discovery Park, the district will face further challenges through the changes to public sector finance. Consequently, the need to provide for future high end housing and jobs across the district remains of paramount importance in growing the future economy.

In the case of Hammill, Planning Committee will no doubt recall the recent site history which has led to the current development on site and which has been recognised in a number of different ways. The site has received strong market recognition and has resulted in a unique self-build development bringing a scale and quality of development to the district which is not repeated elsewhere. It is also understood that a significant number of occupants of the 19 units previously permitted are new to Dover district, which endorses the point that the housing offer has influenced market choice while also freeing-up other units across the district as occupants have upgraded. In addition to this, the scheme is a finalist after being shortlisted from hundreds of entrants in the ‘Development Of The Year’ category at the prestigious Property Week Resi Awards.

<http://www.resiawards.com/resiawards2017/2017-shortlist>

The current application seeks to extend the offer at Hammill. I understand that Kent Highways and Transportation has confirmed that the proposal is unlikely to have a severe impact on the highway network over and above the approved scheme. It is recognised that the location of the site will result in the majority of journeys being made by car. That is, of course, likely to be the case in many other localities across the district as car ownership will be closely aligned to the scale and quality of development. It is further understood that there is positive support from the adjacent Parishes where facilities will be supported by the development.

The first phase has a Section 106 pot of £320,000, the second phase adds a further £450,000, the vast majority of this £770,000 sum is to be used for the construction of affordable housing in sustainable locations.

From an Inward Investment perspective, there is a clear desire to demonstrate that Dover and East Kent is 'open for business' and able to secure private sector investment in the current challenging economic climate.

I would, therefore, strongly support the application and recommend that consent should be granted in such a way that allows it to facilitate early and maximum delivery of the various components thereby ensuring the benefits are captured at the earliest time.

Eastry Parish Council - Eastry Parish Council has no objections to this application; however the Council feels that an additional contribution to the local community should be made to take into account the additional strain on local services. As the proposed site is uncontaminated they would expect a contribution of a similar level to that made with the original application.

Woodnesborough Parish Council - The Council has no objections in principle, however they would expect an additional contribution to the local community, as this site is uncontaminated it would expect a similar level of contribution as had been made with the original application.

Sandwich Town Council - Positively support the application.

Eythorne Parish Council - No objections.

Public Representations - Fifteen letters of support have been received, raising the following points:

- Provision of much needed housing land
- Provision of employment
- The development will provide a lasting legacy for the town
- The first phase of Hammill Park has been successful, being well designed and delivered quickly
- The renovation of the engine sheds (a part of the districts history) is welcomed
- The development will benefit Woodnesborough aesthetically and economically
- Provision of self-build plots
- Creation of green space

- f)
1. **The Site and the Proposal**
 - 1.1 The application site is located outside of the settlement confines within the Countryside. The surrounding area is predominantly in agricultural use, with farmsteads and small groups of buildings dotted across the landscape. The nearest defined settlement, Eastry, is located 1.4km to the south east, whilst Woodnesborough is located around 1.6m to the north east and Staple around 2.1km to the west. The site lies within Groundwater Protection Zone 1
 - 1.2 The site extends to approximately 2.7ha and forms the southern part of a larger site (of around 5.8ha) which formed Hammill Brickworks. Following the commencement of development which related to the larger site (which will be explained below), the current application site has been decontaminated and cleared. All that remains are two 'Engine Sheds' which date from the early C20th. The Dover Heritage Strategy describes the site as follows:

Woodnesborough (aka Hammill) Colliery was started in 1910 by another of Arthur Burr's syndicates. It was mothballed in 1914 and was relatively

complete when sold to Pearson & Dorman Long in 1923. They sold the colliery on to the Hammill Brick Company who developed the site as brickworks. Examination of the historic maps of the site indicates that an important collection of four of the original colliery buildings survive on the site

None of the buildings on the site are listed; however, the two Engine Sheds have previously been considered to be non-designated heritage assets. Production at the brickworks ceased in around 2009.

- 1.3 The sounding countryside is relatively flat, rising very gradually roughly from north to south. The site is also relatively flat, albeit there is a bank adjacent to the northern parcel of the Hammill Brickworks site and a balancing pond associated with the development of the wider site has been constructed to the north eastern corner of the site.
- 1.4 Following the closure of the brickworks, the wider site has been the subject of numerous planning applications, relating to the provision of dwellings and business uses. The original outline permission (DOV/12/00460) split the site, with the northern half of the site providing 19 dwellings and the southern half (the current application site) providing 8 buildings (including the two converted engine sheds) for use as 2352sqm of B1 use. The second application (DOV/14/00642) related solely to the provision of 19 dwellings on the northern half of the site and did not relate to the current application site. Application DOV/15/00153 granted permission for the erection of three buildings to the south of the current application site, which would have provided 10 B1 office units totalling approximately 1200sqm. Application DOV/15/00599 sought to provide a similar type and amount of accommodation, albeit in different arrangement, together with a surface water attenuation pond. The most recent application, DOV/15/00771, related to the conversion of the engine sheds within the current application site to 10 dwellings. All of these applications were granted. In addition to these directly relevant applications, application for reserved matters approval and discharge of conditions relating to the originally permitted 19 dwellings have been received and determined; however, it is not considered that these applications are directly relevant to the determination of the current application.
- 1.5 The current application seeks permission to erect a further 18 dwellings within the application site (this part of the application being submitted in outline), convert one engine shed into 5 dwellings and convert the second engine shed to offices (with details of these conversions being submitted in full). The proposed dwellings would occupy the land which had previously been granted planning permission for business uses. An area of open space would be provided to the western corner of the site which would provide a receptor site for reptiles.

2. **Main Issues**

2.1 The main issues are:

- The principle of the development
- The impact on the character and appearance of the area
- The impact on neighbouring properties
- The impact on the highway network
- Contributions and viability

Assessment

Principle

New Dwellings

- 2.2 The site lies outside of the settlement boundaries, where Policy DM1 applies. Having regard to the wording of this policy, it is considered that the erection of dwellings in this location is contrary to Policy DM1, as the development is not supported by other development plan policies, does not functionally require a rural location and would not be ancillary to existing development or uses.
- 2.3 Following publication of the Authority Monitoring Report 2015/2016 (March 2017), the Council is able to demonstrate a five year housing land supply. Specifically, the report confirms that the Council has a 6.02 year supply of housing land. At the time that the application was submitted, the Council was unable to demonstrate a five year housing land supply; however, regard must be had for the material circumstances at the time that a decision is made. As such, the Councils housing policies are up-to-date and carry full weight.
- 2.4 Paragraphs 11 and 12 of the NPPF, expanding upon Section 70(2) of the Town and Country Planning Act, confirm that applications must be determined in accordance with the development plan unless material considerations indicate otherwise, whilst development that conflicts with an up to date plan should be refused unless other material considerations indicate otherwise. The pre-amble to Policy DM1 states that any development which “would be a departure from this policy (sic) would require unusual and compelling justification for permission to be given”. Whilst the principle of the new dwellings is contrary to the development plan, regard will be had later in this report for whether there are any material considerations which indicate that permission should exceptionally be granted in this instance.

Conversion of Engine Shed to Dwellings

- 2.5 The conversion of one of the existing engine sheds to five dwellings necessitates consideration of Policy DM4 of the Core Strategy. Under this policy, permission will be given for the re-use or conversion of existing, structurally sound, permanent buildings to residential uses only where they are located within the settlement confines. The site is a significant distance from the nearest settlement and is not within or adjacent to settlement confines. This element of the application is not, therefore compliant with Policy DM4 and is not supported by any other development plan policy. However, permission was granted just over one year ago (DOV/15/00771) for the conversion of both engine sheds to residential, providing ten dwellings. This permission was granted on the basis that the Council were, at that time, unable to demonstrate a five year housing land supply and, consequently, the change of use of these sheds were on balance considered to be sustainable. Whilst the balance has, subsequently, shifted, it is considered that this permission presents a realistic fall-back position. In addition, the re-use of redundant or disused buildings in the rural area, subject to providing an enhancement of their setting, and providing an optimum viable use of a heritage asset, are circumstances where the NPPF (paragraph 55) supports residential development in the countryside. Having regard for these material considerations, it is concluded that the conversion of one engine shed to five dwellings is an acceptable departure

from the development plan. This principle of this aspect of the application is, on balance, therefore accepted.

Conversion of Engine Shed to Offices

- 2.6 Policy DM3 of the Core Strategy supports new commercial development in the rural area, provided it is within settlement confines. Outside settlement confines, new commercial development will only be permitted under this policy where it can be demonstrated that no suitable alternative site exists or where the use functionally requires the proposed location. As confirmed above, the site is not within or adjacent to any defined settlement, whilst no compelling evidence has been submitted to demonstrate that no suitable alternative sites exist. The application has not, therefore, demonstrated that the commercial element of the application complies with Policy DM3.
- 2.7 Policy DM4 of the Core Strategy allows the re-use or conversion of structurally sound, permanent buildings for commercial uses, even outside of settlement boundaries, provided the building to be converted is of a suitable character and scale for the proposed use, the development contributes to the local character and the scheme is acceptable in all other planning respects. The engine shed to be converted has been assessed as being structurally sound and capable of conversion, whilst the S106 agreement attached to the implemented permission (DOV/12/00460) required that the engine sheds be renovated to avoid structural deterioration prior to the occupation of the 15th dwelling of the permitted phase of development. Subject to other material considerations, which will be discussed later in this report, the principle of converting an engine shed to offices is acceptable. It should also be noted that permission DOV/12/00460, which is extant, allows for the conversion of both engine sheds to commercial use. This permission provides a fall-back position, although the applicant's submissions suggest that the conversion of both units is unviable which, consequently, diminishes the likelihood of this conversion taking place under that permission.

Character, Appearance and Heritage

- 2.8 The site lies within the countryside, where Policy DM15 applies. This policy states that development which would result in the loss of, or adversely affect the character or appearance of the countryside will only be permitted in exceptional circumstances. In addition, Policy DM16 generally resists development which would harm the character of the landscape.
- 2.9 Whilst the site itself does not contain any listed buildings and is not within a conservation area, the development is relatively close to two listed buildings, Denne Court Farm and Hammill Farm, both Grade II Listed. Furthermore, the engine sheds on the site are considered to be non-designated heritage assets, having historic and social value. In accordance with of the Planning (Listed Buildings and Conservation Areas) Act 1990, special regard must be had for the desirability of preserving the listed buildings and their settings or any features of special architectural or historic interest they possess. Notwithstanding this statutory duty, the NPPF requires that regard must be had for whether development would cause harm to any heritage asset (both designated and non-designated), whether that harm would be substantial or less than substantial and whether, if harm is identified, there is sufficient weight in favour of the development (public benefits) to outweigh that harm.

- 2.10 The topography of the area is relatively flat, although much of the site itself is set above the level of road. The boundaries of the site contain patches of vegetation. The site is relatively secluded within the broader landscape, due to the topography and vegetation of the area, the prevalence of hedges to the sides of roads and the screening provided by the now partially complete Phase 1 of the site. The site would, however, be highly visible from Hammill Road, particularly around the entrance to the site. Whilst the site would be visually exposed from the south, the closest public viewpoint would be around 500m away. In assessing the visual impact of the development, regard must be had for the development which has been approved, which could include the retention of the two existing engine sheds and the erection of an additional six large commercial buildings. The applicant has submitted evidence to demonstrate that there is little demand for such units, which are therefore unviable. Consequently, it is not considered that the previous commercial permissions represent realistic fall-back positions and, therefore, carry little weight. However, having regard for the general seclusion of the site and the lack of views of the site in the wider landscape, whilst the development would result in a suburbanisation of the countryside it is not considered that the development would cause substantial harm to any important views.
- 2.11 The listed buildings, Hammill Farm and Denne Court Farm are located approximately 200m to the south west and 375m to the east respectively. The development would be seen in the context of the approved development. It is considered that the separation distances to these heritage assets are significant, whilst the impact caused by the proposed dwellings would likely be less than the impact caused by the six commercial buildings which have been approved. Consequently, it is not considered that the settings of these designated heritage assets would be harmed. It is not considered that any other listed buildings, or their settings, would be harmed.
- 2.12 Whilst the layout of the development is reserved at this outline stage, the access road has been submitted in full. Consequently, whilst the precise location of dwellings is currently unknown, the location of housing will be informed by the road layout. As such, the final layout will closely resemble that of the indicative plan. This layout creates two long and one short cul-de-sacs, arranged around the retained and converted engine sheds. This layout aligns with the layout of the consented development at Phase 1 and is therefore not considered to be inappropriate, although this layout would perpetuate a suburban form of development in a rural location.
- 2.13 Whilst scale is reserved at this stage, the submitted Design and Access Statement suggests that each dwelling would have ridge heights of around 8.2m above ground level. Such a height would allow for houses of between 2 and 2.5 storeys. This scale of development would be similar to the scale of the existing engine sheds, the approved development in Phase 1 and other buildings in the vicinity. However, as has been said above, the site is highly visible from certain surrounding locations. Due to the rise of the land from the north east to south west, it is likely that the development of this site would result in greater prominence in the landscape than the adjacent site (or the approved commercial developments). In this regard the proposals are unacceptable and would result in a level of intrusiveness that be alien within this rural area.
- 2.14 The detailed design and materials to be used are also reserved at this stage. The Design and Access Statement provides examples of the type of dwelling which could be accommodated on the site and materials which could be used;

however, as the applicant has also confirmed an intention to sell serviced plots, it is likely that the detailed design of properties will vary from the examples suggested (which has happened on Phase 1). Notwithstanding this, given that Phase 1 provides a strong context for the development of this site, it is considered that the variety of house types in Phase 1 provides latitude for the detailed design of houses in Phase 2. Consequently, it is considered that, subject to acceptable reserved matters details being submitted, the detailed design of the scheme would not give rise to unacceptable visual harm.

- 2.15 The site provides opportunities for the provision of landscaping across the site. To the east of the site would be an attenuation pond with a landscape buffer around its peripheries; Phases 1 and 2 would be separated by a generous strip of landscaping; and the retained reptile receptor site to the west would provide areas of meadow grassland and structural landscaping. The density of the development would also allow for the provision of generously sized plots and landscaped areas around the access road. Together, whilst landscaping is reserved at this stage, it is considered that the development could provide scope for reasonable landscaping to be provided to reduce the visual impact of the development as a whole.
- 2.16 Overall, the new dwellings to be constructed, which have been submitted with appearance, landscaping, layout and scale reserved at this stage, would increase the sprawl of the Phase 1 development, causing harm to the character of the countryside. It is considered that this impact adds weight to the concern already expressed regarding the principle of constructing eighteen dwellings in this rural location.
- 2.17 One of the engine sheds would be converted to five dwellings, whilst the second would be converted to two offices. This part of the application has been submitted in full.
- 2.18 The conversion to dwellings would rely upon splitting the building vertically to create a terrace of two storey properties. The interior of the building is not protected, as it is not listed, but provides few if any features of interest. Externally, the conversion would require the insertion of windows and doors; however, it is considered that this has been done sensitively, with the ground floor windows and doors utilising or replicating the existing bow topped window and door detailing. Where first floor windows have been inserted, they have been kept as small as possible and located above ground floor openings to adhere to the rhythm of the fenestration.
- 2.19 The conversion to offices would rely on splitting the building vertically, roughly in half, and erecting a mezzanine. This conversion would require few significant alterations to the building but, where required, these respect the existing character of the building.
- 2.20 The design of the conversions closely matches the design of the approved conversions for commercial, under application DOV/12/00460, and residential, under DOV/15/00771. It is considered that the conversions retain the industrial character and appearance of these buildings, whilst providing them with new uses which will ensure their future maintenance. This part of the scheme is therefore supported.
- 2.21 There have been numerous finds within the vicinity of the site, particularly within the fields to the north. The site is also located between two listed buildings. Given this context, it is considered that there is a reasonable

likelihood that non-designated heritage assets of archaeological interest may be present at the site. Whilst archaeological work has taken place within Phase 1, such work has not been completed on the application site, as confirmed in a letter submitted by the applicant from SWAT Archaeology. In accordance with the previous permissions for the site, it is considered that the proportionate response would be to attach a condition to any grant of permission requiring an archaeological watching brief to be undertaken.

Impact on Residential Amenity

- 2.22 The engine sheds are well separated from the approved development within Phase 1 and would not be extended or enlarged. As such, the conversion of these building has no potential to cause overlooking, loss of light, or a sense of enclosure.
- 2.23 The access road would be well separated from the nearest properties within Phase 1, whilst the vehicle movements along this road would be comparable with those of the approved development. As such, it is not considered that any unacceptable noise or disturbance would be caused.
- 2.24 The precise location of the new build dwellings is unknown at this stage, with this element being submitted in outline. However, the proposed access roads have been submitted in full and will inform the final location and layout of these dwellings. Consequently, the final layout, which will be the subject of an application for approval of reserved matters, will be likely to closely align with the layout shown on the indicative plan. This plan demonstrates that the proposed development can be accommodated in a manner which would ensure that reasonable separation distances between properties and reasonable a standard of accommodation can be achieved.
- 2.25 Given the location of the site and the substantial separation distances to other properties, it is not considered that the living conditions of any properties would be harmed by the development.
- 2.26 Each of the dwellings to be provided within the converted engine shed would be well sized, with windows providing natural light and ventilation to rooms and private gardens. It is considered that the living conditions of occupants of the dwellings would be acceptable. Whilst the living conditions of the proposed new build dwellings cannot be established at this stage, with this element submitted in outline, the size of the site and the density of the development are more than sufficient to demonstrate that the 18 dwellings could be accommodated in a manner which would ensure a high standard of accommodation, particularly when regard is had for the indicative layout of the development.

Impact on the Local Highway Network

- 2.27 This section will not consider the sustainability of the sites location and whether the development would be balanced in favour of sustainable modes of transport. These considerations will instead be laid out within the 'Other Material Considerations' section which will follow. This section will focus upon the access, turning and parking arrangements for vehicles.
- 2.28 The proposal would use the same access point which was granted under previous applications, most recently under application number DOV/15/00771, whilst the development would generate a similar, albeit slightly higher, number

of vehicular journeys. This access is located on the outside of a 90 degree bend where Sandwich Road meets Hammill Road. Due to the bend in the road, vehicle speeds are expected to be approximately 25mph, which is comparable to the speeds recorded by the applicant of 23.5mph. Based on the expected speeds, the proposed junction requires visibility of 33m in either direction. The proposed access, subject to regrading works to verges which are within the applicant's ownership (and can be secured by condition) would achieve visibility splays of 33m by 2.4m by 56m. As such, it is considered that the visibility from this access is acceptable, in accordance with the findings of previous permissions.

- 2.29 Vehicle tracking plans have been submitted to demonstrate how vehicles (up to and including a HGV) are able to access the site, manoeuvre around the interior and exit the site in a forward gear. The access to the site from Hammill Road would be 7.15m in width, allowing vehicles to enter and exit the site concurrently.
- 2.30 Details of car parking have only been provided at this outline stage for the commercial and residential engine shed conversions. The office units would be provided with fifteen car parking spaces, one of which would be suitable for a disabled driver. The five residential units would also be provided with fifteen spaces, two of which would be suitable for a disabled driver.
- 2.31 There are no parking standards for non-residential uses within the development plan; however, some guidance is provided within KCC's SPG4: Kent Vehicle Parking Standards, albeit this dates from 2006. This guidance suggests a maximum provision of 1 space per 20sqm of office space. Given the size of the units, this would equate to a maximum provision of around 23 spaces. Whilst the development would provide eight spaces below this amount, it is not considered that the overall provision is unreasonable, particularly as the guidance is expressed as a maximum provision. Within this rural location Table 1.1 of the Core Strategy advises that four three bed roomed and one four bed roomed dwellings should be provided with a minimum of two car parking spaces each, with an additional two communal spaces provided for visitors; although, it must be noted that this table is for guidance only, whilst Policy DM13 states that parking provision should be a design led process. The proposed dwellings would have slightly in excess of the minimum requirements suggested by Table 1.1. This parking area could provide additional visitor parking to visitors of the wider development if required. Overall, it is considered that the level of car parking is appropriate.
- 2.32 The car parking to be provided to the new build dwellings is not known at this outline stage. However, the indicative details demonstrate that two spaces could be provided to each dwelling (excluding the garages which have also been indicatively shown). As such, it is considered that, subject to acceptable details being submitted at reserved matters stage, the application has demonstrated that provision in accordance with core strategy can be achieved.
- 2.33 Kent County Council Guidance SPG4, which is referenced within Policy DM13, recommends that dwellings provide one cycle parking space per bedroom for residential development and around 3 spaces in total for the commercial development. The application does not confirm what level of cycle parking will be provided, although the Planning Statement does confirm that such provision will be policy compliant. It is considered that the site contains ample space for the provision of cycle parking facilities, with each dwelling

having, or capable of having, a private garden and open space available around the commercial buildings. Consequently, it is considered that it would be reasonable to attach a condition to any grant of permission to require details of the provision of secure, covered cycle parking spaces.

Ecology

- 2.34 An ecological report has been submitted with the application, which assesses the likelihood of protected species or their habitats being impacted by the development and suggests possible ecological enhancements.
- 2.35 It is considered that the methodology and findings of the ecological report are acceptable. This report concludes that whilst the habitats on the site are of low to moderate ecological value, these habitats support roosting bats and reptiles. Accordingly, mitigation measures have been proposed including the provision of bat boxes and the provision of a reptile rector area to the west of the site, which will be maintained to provide a suitable habitat. Ecological enhancements have also been proposed. The mitigation and enhancements proposed align with those which were considered to be acceptable under the previous applications for the site. Consequently, subject to being secured by condition, it is not considered that the development would cause any harm to habitats or species.
- 2.36 The site is over the threshold of 15 units where development would be expected to provide mitigation against the cumulative impacts of development on the Pegwell Bay and Sandwich Bay SPA and Ramsar Site. The Land Allocations Local Plan sets out a mitigation strategy to avoid potential impacts brought about by cumulative development within the district, comprising a financial contribution to provide monitoring and wardening at Sandwich Bay and towards the Pegwell Bay and Sandwich Bay Disturbance Study. The applicant has agreed to pay this contribution, amounting to £1,373.52. Consequently, subject to being secured by legal agreement, it is not considered that the development would cause a likely significant effect on the SAC or SPA.

Contamination

- 2.37 The site has an industrial history and, as such, the potential contamination of the site must be considered. The remediation of contamination formed part of the justification for the first grant of permission at the site (DOV/12/00460). The site has now been decontaminated to a level which would make the site suitable for the end uses (the validation reports for which were submitted in June 2015). The decontamination which took place was carried out to residential standards, as opposed to lower commercial standards. The remediation of the land included the excavation and decommissioning of tanks and the remediation of areas of 'hot-spot' contamination. Consequently, the site is now considered by the applicant to be at low risk of contamination.
- 2.38 Environmental Health have considered the applicants submissions and have concluded that they provide adequate justification to warrant no further investigative or general remedial works on the application site. The submitted reports recommend that historic septic tank and deep water well, if located during development, are remediated. The details for, and confirmation of, such should be submitted and approved within an Addendum Report following groundworks.

- 2.39 The Environment Agency have requested a raft of conditions relating to contamination. The conditions relating to previously unidentified contamination, oversight of demolition and foundation work, details of foundation design, recommendations regarding the historic septic tank and deep water well and details of surface water drainage are reasonable and necessary for the prevention of pollution and environmental harm. However, as confirmed by Environmental Health, the conditions requiring a broader risk assessment, site investigation, remediation strategy and verification plan are not considered to be reasonable or necessary, as these details have previously been provided to, and approved by, the Council for the site (and to a standard suitable for residential occupation) pursuant to the previous application.
- 2.40 The site lies within Groundwater Source Protection Zone (GWPZ) 1, where potential sources of contamination to groundwater would have the most significant impact. Within this zone, certain types of development will not normally be permitted, including septic tanks, activities which involve the disposal of liquid waste to land and sustainable urban drainage systems, unless adequate safeguards against possible contamination are provided. The site would be served by the same package treatment plant which currently serves Phase 1 of the Hammill site. This plant has been sized to accommodate both the approved development and the development which is the subject of this application. The treated water is then piped to land within the applicant's ownership but is within GWPZ2 where the treated water will be discharged. The existing system benefits from a licence granted by the Environment Agency for this discharge, although a new licence will need to be sought by the applicants separately to increase the discharge.
- 2.41 The environmental benefits of the development at the Hammill Brickworks site were an important factor in the approval of that application and it is appropriate to consider whether the current scheme would provide similar benefits. The south western portion of the Hammill Brickworks site was identified as having significant concentrations of contamination present, whilst fuel storage areas were also of concern. The decontamination of the site has already taken place and it is unlikely that further decontamination will take place. The development would not, therefore, produce significant benefits, in terms of remediation of contamination, compared to the benefits provided by the development of Phase 1.

Drainage

- 2.42 The details of surface water drainage and foul drainage replicate the details which have been approved as part of Phase 1. Surface water would be channelled to a large surface water attenuation pond located to the west of the site. Permeable paving will also be utilised. There are no public sewers in the vicinity of the site and, as such, to facilitate Phase 1, the applicant constructed a private sewerage treatment plant which, once treated, pumps the water outside of Source Protection Zone 1 to discharge to ground. The current application would also utilise this system, which has been designed to cope with the both Phase 1 and 2. Notwithstanding that the system is appropriately designed to accommodate the development, the applicant will need to obtain a separate licence from the Environment Agency to increase the rate of discharge to ground from 25cum/day to 31.65cum/day.

Contributions

- 2.43 Core Strategy Policy DM5 requires that for schemes of more than 15 dwellings an on-site provision of affordable housing, amounting to 30% of the dwellings proposed, will be required. However, the policy also acknowledges that the exact amount of affordable housing, or financial contribution, to be delivered from any scheme will be determined by economic viability, having regard to individual site and market conditions.
- 2.44 The applicants have submitted a financial viability assessment which seeks to demonstrate that the development is unable to provide all of the contributions which have been requested. This assessment, attached at Appendix 1, concludes that contributions of more than £320,000 would render the development unviable.
- 2.45 In these circumstances the Council will expect 'open book' negotiations and that specialist independent advice in assessing the economic viability of development will be sought. In this instance the Council has instructed the Savills to carry out the assessment on behalf of the Council. A copy of Savills viability report is provided at Appendix 2.
- 2.46 The council's viability consultant initially disagreed with the conclusions of the applicant's viability appraisal, concluding that the development could support a significantly greater contribution. However, this conclusion was based on incomplete evidence regarding the costs of the development (in particular the abnormal costs which would be borne to provide sewerage to the site). Having reassessed the scheme on the basis of the additional information and justification which was provided by the applicant, the Council's viability consultant reassessed the scheme, concluding that the development could support the on-site provision of three affordable dwellings (two provided as affordable rent and one as shared ownership) or contributions of £450,000, whilst retaining an industry standard profit of 20% (a level which is usually required in order to gain bank finance). The provision of three affordable units is unlikely to attract registered providers of affordable housing, who typically seek groups of at least 8-10 affordable units. As such, it is unlikely that the on-site provision would be deliverable and, consequently, it is considered that a contribution for off-site provision should instead be sought. The applicant has confirmed that they would accept a contribution of £450,000 being provided, which will be secured by legal agreement.
- 2.47 In accordance with Policy DM27 of the Land Allocations Local Plan, the development would also be expected to provide Open Space on site, or a contribution towards off- site provision, to meet the Open Space demand which would be generated by the development. In this instance, the Principal Infrastructure and Delivery Officer has advised that the development would increase demand for use of the children's play area which was approved as part of the Phase 1 development. It appears that the play area will be easily accessible on foot from Phase 2. The Council's Principle Infrastructure and Delivery Officer has advised that, in order to ensure that the development meets this demand, the application should secure the long term maintenance of this play area. In particular, the S106 agreement for Hammill Phase 2 should secure long term maintenance of the play area; with a single management company responsible for the entire site which will help to ensure long term security of the provision. Subject to this being secured, there is no need for new play provision within Phase 2. Whilst the quantity of Open Space proposed is considered to be acceptable, its quality should be secured through a condition requiring full details to be submitted.

Other Material Considerations

- 2.48 The principle of the change of use of one of the engine sheds to offices and dwellings is considered to be acceptable; however, the principle of erecting of 18 new dwellings is not considered to be acceptable, being contrary to the development plan. In such circumstances, permission must be refused unless material considerations indicate otherwise.
- 2.49 An important material consideration is the NPPF, which must be carefully considered to determine whether it provides any “unusual and compelling justification” to depart from the development plan. Paragraph 49 of the NPPF states that "housing applications should be considered in the context of the presumption in favour of sustainable development. Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable housing sites". Sustainability is defined in the NPPF, at paragraph six, as paragraphs 18 to 219 of the NPPF taken as a whole. However, the assessment of sustainability can also be separated into three dimensions: economic, social and environmental. As confirmed above, the Council can demonstrate a five year housing land supply and it is in this context that the NPPF must be read.
- 2.50 Of particular relevance is paragraph 55 of the NPPF. This paragraph states that isolated dwellings in the countryside should be avoided, although it also provides examples of unusual circumstances where new dwellings in the countryside may be supported. It is therefore first necessary to consider whether this site is isolated, in relation to facilities and services and, in particular, the extent to which the development would support existing facilities and services in rural settlements. This consideration also links to paragraph 29 of the NPPF, which requires that development provides people with a real choice about how they travel (albeit, opportunities will vary from urban to rural areas).
- 2.51 The nearest defined settlement, Eastry, is located 1.4km to the south east. The route to Eastry (2km by road) does not include footpaths or street lighting along the vast majority of its length. Given the distance and the attractiveness of the route for walking or cycling, it is considered that it is highly unlikely occupants of the development would travel to Eastry by means other than a car. The submitted Transport Statement confirms that the vast majority of journeys are likely to be made by car. Furthermore, the nearest bus stop providing regular services to neighbouring settlements is in Eastry. Reference has been made in the applicant's submissions to the No.542 bus, which passes the site and the closest bus stop for which is around 700m away. This route provides just one service per week in each direction. The next nearest settlement, Woodnesborough, is located around 1.6km to the north east, whilst Staple is located around 2.1km to the west and, for the reasons set out above, the development is also poorly connected to these settlements. Consequently, the site is isolated from facilities and services. Whilst the site would be co-located with the existing development at Hammill, the development and its vicinity provide no day-to-day facilities and services.
- 2.52 Now that it has been established that the site is in an isolated location, it is necessary to consider whether the application meets any of the exceptional circumstances identified by paragraph 55 of the NPPF. These circumstances include:

- where there is the essential need for a rural worker to live permanently at or near their place of work in the countryside;
- where such development would represent the optimal viable use of a heritage asset or would be appropriate enabling development to secure the future of heritage assets;
- where the development would re-use redundant or disused buildings and lead to an enhancement to the immediate setting; or
- where the development would be of exceptional quality or innovative design; reflect the highest standards of architecture; significantly enhance its immediate setting and be sensitive to the defining characteristics of the area.

The first criterion is not relevant to the determination of the current application. The second and third criteria, whilst not relevant to the new build dwellings, are relevant to the conversion of the existing engine shed to five dwellings, providing support for this element of the proposal. However, for the reasons set out in paragraph 2.5 of this report, the principle of this aspect of the application has been accepted.

2.53 The final criterion relates to the development being of an exceptional quality or innovative nature. Such design should itself meet four criteria, requiring the design to:

- Be truly outstanding or innovative, helping to raise standards of design more generally in rural areas;
- Reflect the highest standards in architecture;
- Significantly enhance its immediate setting; and
- Be sensitive to the defining characteristics of the local area.

These four criteria must be jointly achieved. No substantive case has been made in respect of the fourth criterion, whilst, as this element of the application is submitted in outline, it would be very difficult to demonstrate that the requirements of this criterion have been met, with appearance, landscaping, layout and scale being reserved. The applicant has confirmed that some sustainable features will be incorporated into the build (which will be discussed in more detail later in this section). However, these features are well established technologies, the sum of which falls significantly below the threshold of 'truly outstanding or innovative' envisaged by paragraph 55. Consequently, it is not considered that the development meets the high threshold of being of exceptional quality or exceptionally innovative. As such, the new build element of the application does not meet any of the special circumstances specified by paragraph 55 to substantiate granting permission for a new isolated home in the countryside. Whilst the four exceptional circumstances identified by paragraph 55 have not been met, the wording of paragraph 55 does allow for other exceptional circumstances to be presented, as the list of exceptional circumstances is not exhaustive.

2.54 The applicant has stated that the site could provide plots self-build/custom build' houses, as some of the plots within the consented phase were constructed by their eventual occupants. The Self-build and Custom Housebuilding Act 2015 (at Section 2) requires that district councils must have regard to self-build registers that relate to that councils area when carrying out its planning functions. In furtherance, the PPG advises that "self-build registers that relate to their area may be a material consideration in decision-taking". The Council's self-build register went online at the start of April 2016 and includes 54 individuals and 2 associations. At present, the Council have no

policy for the supply of self-build plots and no land has been allocated for such a purpose, although the Council will be addressing this matter in its Local Plan review. Given the lack of self-build plots and the demand for plots, weight must be given in favour of the provision of such plots. However, it is not considered that this is of sufficient weight to demonstrate an unusual and compelling case for approval, particularly given the concerns raised regarding the location of this site.

- 2.55 The applicant has presented a case that the provision of high value housing will provide additional benefits to the local economy which are not realised by 'standard' housing types. In particular, it has been proposed that the first phase of the Hammill site has allowed large, executive houses to be built which will help to encourage high earners, and thus businesses, to the area. Such a model would be replicated in this phase, supporting the nearby Discovery Park and other sites. The benefits of providing such housing types have been acknowledged by the Councils Head of Inward Investment, who has written in support of the application, commenting that the lack of such housing has been cited by potential investors as a reason for not locating in the District whilst the provision of this type of housing offer has attracted new residents to the district. The Head of Inward Investment has also drawn attention to the wider Corporate Objectives and the overall ambitions and priorities of the Core Strategy. The Core Strategy sets out 14 objectives which, broadly, align with the relevant priorities in the Councils Corporate Plan 2016-2020. These objectives include fostering population growth and delivering additional housing to broaden the range and improve the quality and market perception of the District. However, the objectives also includes a need to improve ease of travel to, from and within the District and concentrate development where it can best align with facilities and reduce the need for travel. It is considered that these matters have been addressed within this report. Whilst it is agreed that encouraging inward investment should carry weight, having regard to Chapter 1 of the NPPF, the scale of such benefits are intangible and could not be secured. Notwithstanding the strong support from the Head of Inward Investment, the planning weight provided by these economic benefits is, accordingly, considered by officers to be limited. The comments of the Councils Head of Inward Investment are reproduced in Section (e) of this report.
- 2.56 The site is considered to be previously developed land and has been included on the Councils Brownfield Register. The preference is that previously developed or brownfield land is developed before non-previously developed land. These factors add some weight in favour of the development.
- 2.57 The applicant has confirmed that the development would include the provision of charging points for electric vehicles, which would increase the likelihood of occupants owning such vehicles. Whilst this does not overcome the isolation of the site and the need to travel for facilities and services, the potential to increase the use of such vehicles would reduce the carbon footprint of such journeys. The application also proposes the provision of ground or air heat source pumps. The provision of such technology would allow the dwellings to exceed current building regulations requirements, also reducing the carbon footprint of the development, albeit the scale of this benefit is unknown as details of the systems to be installed has not been provided. Subject to being secured by condition should permission be granted, these factors provide some, albeit limited, weight in favour of the development.

- 2.58 The application would provide a new use for engine sheds, which are considered to be non-designated heritage assets. Although securing the use and future maintenance of heritage assets will aid in the conservation of the assets, it is noted that the reuse of the buildings, for either commercial (DOV/12/00460) or residential (DOV/15/00771), has already been permitted, albeit the applicants have submitted that these schemes are unviable. The site has already been decontaminated to a level appropriate for residential use. As such, the development would be unlikely to provide significant further decontamination.
- 2.59 The applicant has advised that the development would create around 139 direct and 97 indirect jobs during the construction phase of the development, whilst the commercial floor space, if delivered, would create 60 jobs. Notwithstanding the previous permissions for the site which would have provided significantly greater levels of long term employment, the applicant has provided evidence which demonstrates that extensive marketing of the approved units has taken place, but little interest has been shown. Whilst this raises some doubt as to whether the unit currently proposed will be attractive to the market, it is more likely to draw interest due to the reduced scale of office space proposed. The applicants have also opined that the development would provide an economic output of £1.5 million per year. The employment and economic output which would be generated by the development, whilst highly variable and uncertain until an end user is found, adds some weight in favour of the development.
- 2.60 The applicant has also advised that the development would deliver a New Homes Bonus which would total £126,000 over a four year period whilst the development, once built, would provide between £35,000 and £45,000 of additional council tax payments. The LPA must have regard for local financial considerations, as far as they are material to the application. In this case, the New Homes Bonus and council tax receipts would not make the development acceptable in planning terms and, as such, are not material considerations in the determination of this application. In reaching this conclusion, it is noted that the Planning Practice Guide states that “it would not be appropriate to make a decision based on the potential for the development to raise money for a local authority or other government body”. Therefore this is not a material consideration and cannot be attributed weight. The development would provide a contribution of £450,000 towards off-site affordable housing which, whilst equivalent to less than the 30% which is sought by Policy DM5, is a material consideration.
- 2.61 The development would increase the local population and, accordingly, spending power. The applicant has submitted that, based on a summary report by Barton Willmore, this would equate to a spend of £400,000 per household per year (spent on convenience, comparison and leisure). This figure seems extraordinarily high, whilst no evidence has been provided in the report to justify this figure. The development would increase spending power and provide potential additional custom for local businesses, albeit it is highly questionable that the expenditure would be of the order suggested.
- 2.62 The development would provide a short term economic benefit, by providing employment during the construction phase. The development would also provide a small increase in the local population, which would produce a corresponding increase in spending in the local economy, and commercial floor space, which would provide longer term employment. However, it is not

considered that the residential development of the site represents development in the right place to support sustainable growth.

- 2.63 With regards to the social role, the development would provide additional dwellings, co-located with offices, which would, to a moderate degree, contribute towards the Districts housing supply and would accord with the aim of significantly boosting the supply of housing, albeit the site does not fall within the definition of a windfall site. However, this benefit is qualified by the Councils ability to demonstrate a housing land supply of 6.02 years. The development would also be located in a relatively remote location, which would provide a limited ability to access sustainable modes of transport and limited support for local facilities and services. The application, a substantial portion of which is submitted in outline, has not demonstrated that the development would secure a high quality built environment, whilst it is considered that the scheme would adversely affect the character of the countryside.
- 2.64 Turning to the environmental role, the development would cause significant suburbanisation of this part of the countryside. Whilst this is balanced against the previous permissions for the site which would have produced a relatively high density commercial development the likelihood of those permissions being implemented is low. The development would mitigate the potential impacts on protected species (reptiles and bats) and, subject to conditions, would provide for modest ecological enhancements. The development would re-use a previously developed site and would provide some features (heat pumps and charging points for electric vehicles) which would reduce energy consumption. However, the location of the site would necessitate journeys to access day-to-day facilities and services.
- 2.65 The development would be located within the countryside in an isolated location. Whilst the development would provide benefits, it is not considered that these benefits, either alone or in combination, are of sufficient weight to justify the application as a departure from the development plan, which requires “unusual and compelling” justification.
- 2.66 Whilst the NPPF has been considered holistically to reach this conclusion, in particular, it is considered that the development is contrary to NPPF paragraphs 29, which seeks to facilitate sustainable modes of transport, and 55, which seeks to direct housing in rural areas to locations at settlements and restricts isolated residential development in the countryside.

Overall Conclusions

- 2.67 The principle of converting the existing engine sheds to offices and five dwellings is considered to be acceptable, being supported by Policy DM4 of the Core Strategy, extant permissions and the NPPF. However, the principle of constructing eighteen dwellings in this isolated, countryside location is contrary to the development plan (in particular policies CP1 and DM1), does not benefit from any extant planning permissions and is not supported by the NPPF. It is not considered that other material considerations direct that planning permission be granted. Furthermore the development would introduce further suburbanisation into the countryside.
- 2.68 Whilst the development is acceptable in other material respects and would provide some benefits, it is not considered that these benefits are sufficient to outweigh the in principle objection to the erection of new dwellings, which is

contrary to Core Strategy Policies CP1, and DM1. It is therefore recommended that this application is refused permission.

g)

Recommendation

I PERMISSION BE REFUSED for the following reason:

(1) The site is located outside of any urban boundaries or rural settlement confines, in an isolated rural location. If permitted, the construction of eighteen dwellings, by virtue of their location, form and scale, would result in an intrusive form of development, adversely affecting the character and appearance of the countryside. As such, these dwellings represent an unjustified, unsustainable and inappropriate form of development within the countryside, contrary to Dover District Core Strategy Policies CP1, DM1, and DM15 and the National Planning Policy Framework paragraphs 17, 29, 55, 56, 58, 61 and 64.

Case Officer

Luke Blaskett

Appendix 1 – Applicants Viability Assessment



Former Hammill Brickworks, Hammill Road, Woodnesborough,
Kent - Viability Report

Prepared for: Quinn Estates Ltd

Date: 09th September 2016

Prepared by: Tim Mitford-Slade MLE MRICS

Contents

Report

1. Executive Summary	3
2. Background	4
3. Basis of Appraisals	4
4. Viability and Planning	5
5. VBS (or Land Cost/Value Input, also referred to as Site Viability Benchmark Sum)	6
6. The Site	10
7. Market Value of Existing Site (Viability Benchmark)	11
8. Alternative Use Value (AUV) (Development Scheme)	12
9. Development Value Appraisal	12
10. Analysis and Commentary	13
11. Conclusion	14

Appendices

Proposed Site Layout	A
Viability Appraisals	B

Former Hammill Brickworks, Hammill Road, Woodnesborough, Kent

1. Executive Summary

- 1.1 I have been instructed by Quinn Estates Limited to carry out an independent financial appraisal of the proposed development of the former Hammill Brickworks near Woodnesborough in Kent ("the Property"). This report is required to assess the viability implications of the currently consented scheme(s) and the proposed scheme, in respect of affordable housing and other Section 106 costs. Full details relating to the Property and proposed development can be found in the Design & Access Statement and Planning Statement.
- 1.2 This Viability Report accompanies and supports an application for **Hybrid application for development at The Former Hammill Brickworks. Application for outline permission (with all matters reserved except access) for the erection of 18 dwellings, accesses/roads, parking, associated services, infrastructure, groundworks and landscaping. Full application for the re-use of the two engine sheds for office accommodation (524.1m2 GIA) and 5 dwellings, associated parking, services, infrastructure, substation, landscaping, ground works, attenuation features and earthworks.**
- 1.3 The application scheme ("**Proposed Scheme**") is to vary an already consented scheme of 10 residential units and 2,352 sq.m (25,317 sq.ft) of B1(c) accommodation as granted under references DOV/12/00460 and DOV/15/00771 ("**Amended Original Consented Scheme**") and an earlier original consented hybrid scheme with six live/work units ("**Original Consented Live/Work Scheme**"), both of which were ultimately unviable. The new application proposal seeks to redevelop the Property to provide 5 residential dwellings and two office units within the existing engine sheds together with 18 self-build residential plots.
- 1.4 This Viability Report seeks to establish whether or not the Proposed Scheme can tolerate a full package of policy compliant contributions in respect of affordable housing and Section 106 costs. If not, the quantum of Section 106 costs and affordable housing which can be tolerated whilst maintaining an acceptable level of viability is considered.
- 1.5 I have given due regard to the National Planning Policy Framework ("NPPF"), The Royal Institution of Chartered Surveyors Guidance Note 1st Edition *Financial Viability in Planning* and the "Harman" report being *Viability Testing Local Plans* produced by the Local Government Association, The Home Builders Federation and the NHBC chaired by Sir. John Harman June 2012. The guidance contained in these documents has assisted in formulating the opinions set out in this report.

Former Hammill Brickworks, Woodnesborough, Kent

- 1.6 Having undertaken detailed analysis of the Original Consented Live/Work Scheme and Amended Original Consented Scheme I have reached the conclusion that the schemes deliver a 1.59% and 6.39% profit margin/developers' return on Gross Development Value ("GDV") with a fixed land value of £1,111,250 representing the purchase price of the Property in 2014/5, whilst still allowing for agreed S106 costs of £320,000. These margins are unviable and fall significantly below the 20% margin on GDV required for such a complex mixed scheme.
- 1.7 I have then undertaken detailed analysis of the Proposed Scheme and I have reached the conclusion that this delivers a 16.36% profit margin on GDV with a fixed land value of £1,111,250 representing the purchase price of the Property in 2014/5, whilst still allowing for agreed S106 costs of £320,000. This is considered to be unviable in market terms but nevertheless deliverable by the developer as it represents a significant improvement on margin over the consented schemes, albeit one that is below the technical threshold of 20%.
- 1.8 However, having analysed the tolerance in respect of other costs it is confirmed that the scheme cannot deliver any additional Section 106 costs or affordable housing over and above that already allowed for in the consented schemes whilst maintaining an acceptable level of viability in planning terms.

2. Background

- 2.1 The Property comprises part of a former brickworks site of approximately 3.44 hectares (8.5 acres) located on Hammill/Sandwich Road within close proximity to the villages of Woodnesborough and Eastry and about 10 miles east of Canterbury in Kent. The brickworks ceased production in 2006 and finally closed down in 2008.
- 2.2 The site is part built upon and comprises to the north, 19 self-built residential plots which have been remediated, serviced and sold away together with an area of remediated and serviced land ready for commercial development. The remainder of the site to the south comprises two engine sheds surrounded by undeveloped previously industrial land. Access into the north of the site is off Hammill Road with a separate access to the south of the site directly off Sandwich Road. Full details relating to the Property can be found in the Design & Access Statement and Planning Statement.
- 2.3 The National Planning Policy Framework refers to ensuring viability and delivery of development at Sec. 173-177 and states "to ensure viability, the costs of any requirement likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should when taking account of the normal cost of development and mitigation provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable".

3. Basis of Appraisals

- 3.1 The appraisals and figures provided herein do not strictly speaking fall within the scope of the RICS (Royal Institution of Chartered Surveyors) "Red Book" and is not a formal valuation in that context. However, the principles of good practice have been followed and detailed justification for the indicative

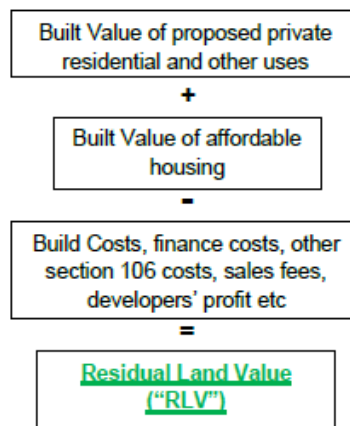
Former Hammill Brickworks, Woodnesborough, Kent

values and/or component valuation appraisals are provided. More to the point, the appraisals are in direct line with the RICS Guidance on Financial Viability in Planning.

- 3.2 The report is provided purely to assist planning discussions with Dover District Council.
- 3.3 The viability report is provided on a confidential basis and we therefore request that the report should not be disclosed to any third parties (other than Dover District Council and their advisers) under the Freedom of Information Act 2000 (Section 41 and 43/2) or under the Environmental Information Regulation. The report is not to be placed in the public domain. In addition, we do not offer Dover District Council, their advisers and/or any third parties a professional duty of care.
- 3.4 In appraising the proposed development we have taken note of and utilised guidance on Council policy as set out in:
- a. Dover District Council Local Plan 2002
 - b. Dover District Council Affordable Housing SPD 2007
 - c. Dover District Council Core Strategy 2010
 - d. Addendum to the Affordable Housing SPD 2011
 - e. KCC Guide to Development Contributions and the Provision of Community Infrastructure
 - f. The National Planning Policy Framework ("NPPF")

4. Viability and Planning

- 4.1 Scheme viability is normally assessed using residual valuation methodology.
- 4.2 A summary of the residual process is:



RLV is then compared to a **Viability Benchmark Sum ("VBS")**. If RLV is lower and/or not sufficiently higher than the VBS – project is not technically viable.

Former Hammill Brickworks, Woodnesborough, Kent

4.3 If the RLV driven by a proposed scheme is reduced to significantly below an appropriate VBS, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.4 The RLV approach (as summarised above) can be inverted so that it becomes a 'residual profit appraisal' based upon the insertion of a specific land cost/value (equivalent to the VBS) at the top. By doing this, the focus is moved onto the level of profit driven by a scheme. This is a purely presentational alternative.

5. VBS (or Land Cost/Value Input, also referred to as Site Viability Benchmark Sum)

5.1 The Royal Institution of Chartered Surveyors ("RICS") published their long awaited Guidance Note on this subject in 2012 (Financial Viability in Planning – RICS Guidance Note – GN 94/2012 August 2012).

5.2 The RICS have consulted more extensively than any other body on this subject to date and I believe that their latest guidance now represents the best possible consolidated guidance on this subject. However, due regard has also been given to the Harman guidance already referred to. The fundamental difference between the two is the approach to the VBS. Harman believes the dominant driver should be Existing Use Value ("EUV") (whereupon I believe they mean Current Use Value, or "CUV" which, based upon RICS guidance, excludes all hope value for a higher value through alternative uses). On the other hand, RICS states that the dominant driver should be Market Value (assuming that any hope value accounted for has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan).

5.3 A few local authorities and their advisors are still trying to disregard premiums applicable to EUVs or CUVs (i.e. EUV/CUV only - which was the basis being incorrectly enforced for several years) but the reference to 'competitive returns' in the new National Planning Policy Framework and planning precedent has now extinguished this stance.

5.4 There has been concern about how one can identify and logically justify what premium should be added to an EUV or CUV and what exactly EUV means. It is not as straight-forward as one might initially think.

5.5 There has also been some concern about Market Value potentially being influenced by land transaction comparables and/or bids for land that are excessive (thus triggering an inappropriate benchmark). However, I believe that any implied suggestion that developers deliberately (or might deliberately) over-pay for land in order to avoid having to deliver S.106 affordable housing contributions is misguided. Land buyers and developers seek to secure land for as little money as possible. They do not seek to overpay and are aware of the associated planning and financial risks should they do so. My view is that, if professional valuers disregard inappropriate land transaction comparables (e.g. where over-payments appear to have occurred accidentally or for some other legitimate but odd reason) and other inappropriate influences in deriving Market Value, both of which they should, Market Value is on-balance the more justifiable, logical, reasonable and realistic approach – albeit not perfect.

5.6 I believe that the premium over EUV or CUV to identify an appropriate VBS is in fact the same as the percentage difference between EUV or CUV and Market Value. In other words, both approaches should lead to the same number. However, Market Value is the logical side to approach this conundrum from.

Former Hammill Brickworks, Woodnesborough, Kent

- 5.7 As such, I have followed the latest RICS Guidance herein as well as recent Planning Inspectorate decisions including that by Clive Hughes BA (Hons) MA DMS MRTPI in Land at The Manor, Shinfield, Reading under Reference APP/X0360/A/12/2179141.
- 5.8 Of particular note, the RICS guidance says:
- a) Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows, "Site Value should equate to the Market Value subject to the following assumption that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan."
 - b) An accepted method of valuation of development sites and land is set out in RICS Valuation Information Paper (VIP) 12. This paper is shortly to be re-written as a Global Guidance Note.
 - c) Reviewing alternative uses is very much part of the process of assessing the Market Value of land and it is not unusual to consider a range of scenarios for certain properties. Where an alternative use can be readily identified as generating a higher value, the value for this alternative use would be the Market Value.
 - d) The nature of the applicant should normally be disregarded as should benefits or dis-benefits that are unique to the applicant.
 - e) The guidance provides this definition in the context of undertaking appraisals of financial viability for the purposes of town planning decisions: *An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project.*
 - f) With regard to indicative outline of what to include in a viability assessment it is up to the practitioner to submit what they believe is reasonable and appropriate in the particular circumstances and for the local authority or their advisors to agree whether this is sufficient for them to undertake an objective review.
 - g) For a development to be financially viable, any uplift from current use value to residual land value that arises when planning permission is granted must be able to meet the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project (the National Planning Policy Framework refers to this as 'competitive returns' in paragraph 173 on page 41). The return to the landowner will be in the form of a land value in excess of current use value but it would be inappropriate to assume an uplift based upon set percentages, given the heterogeneity of individual development sites. The land value will be based upon market value which will be risk-adjusted, so it will normally be less than current market prices for development land for which planning permission has been secured and planning obligation requirements are known.
 - h) Sale prices of comparable development sites may provide an indication of the land value that a landowner might expect but it is important to note that, depending on the planning status of the land, the market price will include risk-adjusted expectations of the nature of the permission and associated planning obligations. If these market prices are used in the negotiations of planning

Former Hammill Brickworks, Woodnesborough, Kent

obligations, then account should be taken of any expectation of planning obligations that is embedded in the market price (or valuation in the absence of a price). In many cases, relevant and up to date comparable evidence may not be available or the heterogeneity of development sites requires an approach not based on direct comparison. The importance, however, of comparable evidence cannot be over-emphasised, even if the supporting evidence is very limited, as evidenced in Court and Land Tribunal decisions.

- i) The assessment of Market Value with assumptions is not straightforward but must, by definition, be at a level which makes a landowner willing to sell, as recognised by the NPPF. Appropriate comparable evidence, even where this is limited, is important in establishing Site Value for a scheme specific as well as area wide assessments.
- j) Viability assessments will usually be dated when an application is submitted (or when a CIL charging schedule or Local Plan is published in draft). Exceptions to this may be pre-application submissions and appeals. Viability assessments may occasionally need to be updated due to market movements or if schemes are amended during the planning process.
- k) Site purchase price may or may not be material in arriving at a Site Value for the assessment of financial viability. In some circumstances the use of actual purchase price should be treated as a special case.
- l) It is for the practitioner to consider the relevance or otherwise of the actual purchase price, and whether any weight should be attached to it, having regard to the date of assessment and the Site Value definition set out in the guidance.
- m) Often in the case of development and site assembly, various interests need to be acquired or negotiated in order to be able to implement a project. These may include: buying in leases of existing occupiers or paying compensation; negotiating rights of light claims and payments; party wall agreements, over sailing rights, ransom strips/rights, agreeing arrangements with utility companies; temporary/facilitating works, etc. These are all relevant development costs that should be taken into account in viability assessments. For example, it is appropriate to include rights of light payments as it is a real cost to the developer in terms of compensation for loss of rights of light to neighbouring properties. This is often not reflected in Site Value given the different views on how a site can be developed.
- n) It is important that viability assessments be supported by adequate comparable evidence. For this reason it is important that the appraisal is undertaken by a suitably qualified practitioner who has experience of the type, scale and complexity of the development being reviewed or in connection with appraisals supporting the formulation of core strategies in local development frameworks. This ensures that appropriate assumptions are adopted and judgement formulated in respect of inputs such as values, yields, rents, sales periods, costs, profit levels and finance rates to be assumed in the appraisal. This should be carried out by an independent practitioner and ideally a suitably qualified surveyor.
- o) The RICS Valuation Standards 9th Edition (“Red Book”) gives a definition of Market Value as follows:

Former Hammill Brickworks, Woodnesborough, Kent

- “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.
- The Red Book also deals with the situation where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future. This element is often referred to as ‘hope value’ and should be reflected in Market Value. The Red Book provides two examples of where the hope of additional value being created or obtained in the future may impact on the Market Value:
 - the prospect of development where there is no current permission for that development; and
 - the prospect of synergistic value arising from merger with another property or interests within the same property at a future date.
- The guidance seeks to provide further clarification in respect of the first of these by stating that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.
- The second bullet point above is particularly relevant where sites have been assembled for a particular development.
- It should be noted that hope value is not defined in either the Valuation Standards. That is because it is not a basis of value but more a convenient way of expressing the certainty of a valuation where value reflects development for which permission is not guaranteed to be given but if it was, it would produce a value above current use.
- To date, in the absence of any guidance, a variety of practices have evolved which benchmark land value. One of these, used by a limited number of practitioners, has been to adopt Current Use Value (“CUV”) plus a margin or a variant of this (Existing Use Value (“EUV”) plus a premium). The EUV / CUV basis is discussed below. The margin is an arbitrary figure often ranging from 10% to 40% above CUV but higher percentages have been used particularly in respect of green-field and rural land development.
- In formulating this guidance, well understood valuation definitions have been examined as contained within the Red Book. In arriving at the definition of Site Value (being Market Value with an assumption), the Working Party / Consultant Team of this guidance have had regard to other definitions such as EUV and Alternative Use Value (“AUV”) in order to clarify the distinction necessary in a financial viability in a planning context. Existing Use Value is defined as follows:
 - “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other

Former Hammill Brickworks, Woodnesborough, Kent

characteristics of the property that would cause Market Value to differ from that needed to replace the remaining service potential at least cost.”

- It is clear the above definition is inappropriate when considered in a financial viability in planning context. EUV is used only for inclusion in financial statements prepared in accordance with UK accounting standards and as such, hypothetical in a market context. Property does not transact on an EUV (or CUV) basis.
- It follows that most practitioners have recognised and agreed that CUV does not reflect the workings of the market as land does not sell for its CUV, but rather at a price reflecting its potential for development. Whilst the use of CUV plus a margin does in effect recognise hope value by applying a percentage increase over CUV it is a very unsatisfactory methodology when compared to the Market Value approach set out in the Guidance and above. This is because it assumes land would be released for a fixed percentage above CUV that is arbitrary inconsistently applied and above all does not reflect the market.
- Accordingly, the guidance adopts the well understood definition of Market Value as the appropriate basis to assess Site Value, subject to an assumption. This is consistent with the NPPF, which acknowledges that “willing sellers” of land should receive “competitive returns”. Competitive returns can only be achieved in a market context (i.e. Market Value) not one which is hypothetically based with an arbitrary mark-up applied, as in the case of EUV (or CUV) plus.
- So far as alternative use value is concerned, the Valuation Standards state where it is clear that a purchaser in the market would acquire the property for an alternative use of the land because that alternative use can be readily identified as generating a higher value than the current use, and is both commercially and legally feasible, the value for this alternative use would be the Market Value and should be reported as such. In other words, hope value is also reflected and the answer is still Market Value.

6. The Site

- 6.1 Extensive details relating to the Property can be found in the Design & Access Statement and Planning Statement which accompany the planning application. In essence, however, the Property comprises of a former brickworks with 19 serviced and sold self-build plots and consent for a mixed use scheme comprising 10 residential units (previously 6 live/work units) and 2,352 sq.m (25,317 sq.ft) of B1(c) accommodation. Given the current commercial market conditions this consent is not deliverable in its current composition and does not represent a viable development scheme.
- 6.2 We are of the opinion that there would be insufficient demand for the Property in its current consented use. While demand for industrial and office space in Kent is strengthening, potential occupiers of commercial floor space are seeking very high quality, fully furnished and readily available units which can be occupied immediately, located close to motorways and major routes and with access to full services, including broadband and parking. This is leading to an increase in speculative development. A developer will look for a well serviced site to develop close to good transport links. The Property is in a rural location with poor transport links and limited surrounding services.

Former Hammill Brickworks, Woodnesborough, Kent

- 6.3 In order to demonstrate this we have run day one appraisals for the Original Consented Live/Work Scheme and Amended Original Consented Scheme, copies of which are attached at **Appendix B**. These show a margin on GDV of 1.57% and 6.39% respectively. In our appraisals we have phased the development in to two phases to show the actual cost and revenue for the remediation of the site for the current consented schemes as supplied to us by Quinn Estates Ltd. Phase 1 includes known costs, revenue and timescale for the remediation and servicing of the north of the site and the subsequent sales of the 19 self-build residential plots. Phase 2 then inputs the next undeveloped phase of the scheme for the 10 residential units and 25,317 sq.ft of commercial accommodation using pro-rata costs from known Phase 1 costs. A speculative developer would look for at least a 20% margin for their risk for such a commercially weighted scheme, rendering the site in its current consented nature entirely undeliverable.
- 6.4 We have then run a day one appraisal for the existing 19 self-build residential plots and the Proposed Scheme to provide 5 residential dwellings and two office units within the existing engine sheds together with 18 self-build residential plots, which looks to replace the consented 10 residential units and 25,317 sq.ft of commercial accommodation. The appraisal (attached at **Appendix B**) shows a margin of 16.36% of GDV. In our appraisal we have phased the development as above substituting the proposed scheme into Phase 2. As previously mentioned a developer/speculator would look for at least a 20% margin for their risk, rendering the proposed scheme only marginally viable and deliverable for the simple reason that the developer is already imbedded into the site, albeit technically well below the threshold required by the market.
- 6.5 Therefore a viable, residential led, planning permission is sought to inject life back into this extensive rural brownfield site whilst retaining a feasible commercial element and with significant added benefits as detailed in the conclusion of the Design & Access Statement. Such revision to the consented schemes is required as the site is no longer viable as a commercially weighted scheme given its rural location and lack of market appetite.
- 6.6 Given the Government's recent Planning Bill the provision of self-build residential plots within the scheme further lends itself to being policy compliant and supporting the regeneration of a previously developed brownfield site.

7. Market Value of Existing Site (Viability Benchmark)

- 7.1 The Property was acquired as two assets being the former brickworks site and Onion Beds, a property intrinsically linked to the brickworks. The purchase prices were £1,111,250 and £430,000 respectively.
- 7.2 The conclusion of the extensive marketing exposure was that the Property was sold after a prolonged marketing period in an open market, arm's length transaction for a sum of £1,541,250 on an entirely unconditional basis. However, Onion Beds has subsequently been sold on, with part of the land retained for service infrastructure. As such, only the purchase of the brickworks site is taken into account in assessing the benchmark. Given the nature of the transaction it is considered entirely appropriate that the figure of £1,111,250 is adopted as the Market Value for the Property, thus establishing the Viability Benchmark. Market Value is defined by the RICS as, "The estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's

length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

8. Alternative Use Value (AUV) (Development Scheme)

- 8.1 In looking at the market solution for the site detailed we make reference to our conclusions in Section 6 of the report, whereby we demonstrate that the current consented schemes are unviable and undeliverable and that the new Proposed Scheme provides a viable and deliverable option for the developer whilst also providing the agreed £320,000 of S106 contributions.

9. Development Value Appraisal

- 9.1 As mentioned in Section 6 I have undertaken a detailed analysis of the current consented schemes and the Proposed Scheme in order to assess their viability whilst providing the agreed level of S106 costs. In order to do this it is necessary to run development appraisals using the Argus Software Package, a widely used and recognised appraisal tool.

- 9.2 Having established the Viability Benchmark Sum I have then run the appraisals which are attached in Appendix B, which seeks to establish the profit margin generated by Original Consented Live/Work Scheme, Amended Original Consented Scheme and Proposed Scheme. The appraisals are summarised as follows:

Original Consented Live/Work Scheme and Amended Original Consented Scheme:

Revenue (Gross Development Value) – we have been provided with known sales evidence for the 19 individual self-build plots, which equates to a total of £4,047,000 to which I add the commercial units and the commercial plots.

Construction Costs – constructions costs have been analysed against not only the Building Cost Information Service (BCIS) but also known costs as provided by Quinn Estates Ltd to date and adjusted pro-rata.

Other Construction Costs – all other construction costs have been provided by Quinn Estates Ltd and take into account significant demolition, asbestos removal, road and site works and other costs associated with remediation, site strip and servicing.

Fees and Finance – acquisition costs include not only stamp duty land tax, agent's fees and legal fees but also an allowance for town planning costs, professional fees and sales and marketing costs incurred to date. A finance rate of 7% has been adopted over a total construction period of 36 months and a sales period of 42 months with cash activity over a 55 month period. Finance rate includes all bank charges and arrangement fees and is in line with the better rates for development finance in the marketplace to date.

Former Hammill Brickworks, Woodnesborough, Kent

- 9.3 With a fixed land value of £1,111,250 being the viability benchmark sum, the Original Consented Live/Work Scheme generates a profit on GDV of 1.57% and the Amended Original Consented Scheme a margin of 6.39%. As can be seen from the attached appraisals, this is entirely unviable.

Proposed Scheme:

Revenue (Gross Development Value) – we have been provided with known sales evidence for the 19 individual self-build plots, which equates to a total of £4,047,000 to which I have added £1,860,000 for the 5 residential units within the engine sheds equating to an average of £250 psf. Finally I have added the 5 commercial office units and £3,560,000 for the 18 self-build residential plots representing an average of £198,000 per plot in line with the known sales of the previous 19 plots and the current uncertain market conditions.

Construction Costs – constructions costs have been analysed against not only the Building Cost Information Service (BCIS) but also known costs as provided by Quinn Estates Ltd and prorated accordingly.

Other Construction Costs – all other construction costs have been provided by Quinn Estates Ltd and take into account significant demolition, asbestos removal, road and site works and other costs associated with remediation, site strip and servicing.

Fees and Finance – acquisition costs include not only stamp duty land tax, agent's fees and legal fees but also an allowance for town planning costs, professional fees and sales and marketing costs incurred to date. A finance rate of 7% has been adopted.

- 9.1 With a fixed land value of £1,111,250 being the viability benchmark sum, the Proposed Scheme generates a profit on GDV of 16.36%. As can be seen from the attached appraisal, the profit is only acceptable to the developer due to their commitment to the scheme and the fact that this represents a significant improvement on margin over the consented scheme, albeit technically well below the threshold of 20%.

In Summary:

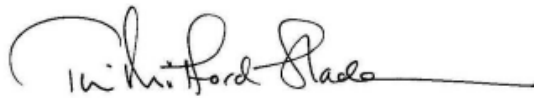
Original Consented Live/Work Scheme	1.57%
Amended Original Consented Scheme	6.39%
Proposed Scheme	16.36%

10. Analysis and Commentary

- 10.1 Having run the appraisals and included £320,000 for Section 106 costs within each scheme we conclude that the current consented schemes are unviable in their current form and requires revision to the Proposed Scheme in order to deliver a viable margin reflecting the risk profile of the proposed development.
- 10.2 Furthermore the Government has recently confirmed the doubling of self and custom build sites to 20,000 by 2020 within the new planning bill further strengthening the policy compliant nature of the Proposed Scheme.

11. Conclusion

- 11.1 The conclusion that I have reached is that the Original Consented Live/Work Scheme and Amended Original Consented Scheme are both unviable in their current form and requires revision to the Proposed Scheme in order to deliver an acceptable proposal for the developer at 16.36%, with the agreed S106 costs of £320,000. Any additional costs or affordable housing requirements over and above this will push the viability below an acceptable level within the realms of the NPPF.



.....
Tim Mitford-Slade MRICS
Partner Development & Valuation
Strutt & Parker LLP

09th September 2016

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Development Appraisal

Hammill Brickworks

Original Consented Live/Work Scheme

Former Hammill Brickworks
Hammill Road
Woodnesborough
Kent

Report Date: 14 September 2016

Prepared by Tim Mitford-Slade MRICS

APPRAISAL SUMMARY**LICENSED COPY**

Hammill Brickworks
Original Consented Live/Work Scheme

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Resi Plot 1	1	1,800	125.00	225,000	225,000
Resi Plot 2	1	1,800	122.92	221,250	221,250
Resi Plot 3	1	1,800	122.92	221,250	221,250
Resi Plot 4	1	1,800	87.78	158,000	158,000
Resi Plot 5	1	1,800	97.22	175,000	175,000
Resi Plot 6	1	1,800	97.22	175,000	175,000
Resi Plot 7	1	1,800	116.67	210,000	210,000
Resi Plot 8	1	1,800	122.92	221,250	221,250
Resi Plot 9	1	1,800	136.11	245,000	245,000
Resi Plot 10	1	1,800	122.92	221,250	221,250
Resi Plot 11	1	1,800	125.00	225,000	225,000
Resi Plot 12	1	1,800	131.94	237,500	237,500
Resi Plot 13	1	1,800	150.00	270,000	270,000
Resi Plot 14	1	1,800	133.33	240,000	240,000
Resi Plot 15	1	1,800	97.22	175,000	175,000
Resi Plot 16	1	1,800	118.06	212,500	212,500
Resi Plot 17	1	1,800	125.00	225,000	225,000
Resi Plot 18	1	1,800	82.78	149,000	149,000
Resi Plot 19	1	1,800	133.33	240,000	240,000
Engine Shed Live Work	6	12,464	194.16	403,333	2,420,000
Commercial Plot Type A	16	16,816	28.54	30,000	480,000
Commercial Offices Type B	8	8,408	160.00	168,160	1,345,280
Totals	49	71,888			6,292,280

NET REALISATION

6,292,280

OUTLAY**ACQUISITION COSTS**

Fixed Price - Hammill & Onion Beds			1,111,250	
Stamp Duty	5.00%		55,563	
Legal and Surveyors Costs			16,949	
Planning Costs			180,591	
Viability Costs			4,950	
				1,369,303

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Engine Shed Live Work	12,464 ft ²	99.00 pft ²	1,233,936	
Commercial Offices Type B	8,408 ft ²	110.00 pft ²	924,880	
Totals	71,888 ft²		2,158,816	2,158,816

Contingency	5.00%		107,941	
Demolition			269,847	
Site Works			40,783	
Statutory/LA			320,000	
				738,571

Other Construction

Asbestos & Site Remediation			380,653	
Ecology			103,824	
Services & Infrastructure			389,531	
Landscaping and groundworks			1,317,019	
Archaeology			17,879	
Site and access roads			131,742	
Additional site assembly			298,812	
				2,639,460

PROFESSIONAL FEES

All Prof Fees	9.00%		407,013	
---------------	-------	--	---------	--

APPRAISAL SUMMARY**LICENSED COPY**Hammill Brickworks
Original Consented Live/Work Scheme

		407,013
MARKETING & LETTING		
Marketing	126,910	126,910
DISPOSAL FEES		
Sales Agent Fee	116,805	
Sales Legal Fee	58,403	175,208
FINANCE		
Debit Rate 7.000% Credit Rate 0.500% (Nominal)		
Land	289,331	
Construction	170,122	
Other	87,745	
Total Finance Cost		547,197
TOTAL COSTS		8,162,478
PROFIT		129,802
Performance Measures		
Profit on Cost%	1.59%	
Profit on GDV%	1.57%	
Profit on NDV%	1.57%	
IRR	7.96%	
Profit Erosion (finance rate 7.000%)	0 yrs 3 mths	

Hammill Brickworks
Original Consented Live/Work Scheme

Project Timescale Summary	
Project Start Date	Jun 2013
Project End Date	Dec 2017
Project Duration (Inc Exit Period)	55 months

Phase Phase 1



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Development Appraisal

Hammill Brickworks

Amended Original Consented Scheme

Former Hammill Brickworks
Hammill Road
Woodnesborough
Kent

Report Date: 14 September 2016

Prepared by Tim Mitford-Slade MRICS

APPRAISAL SUMMARY**LICENSED COPY**

Hammill Brickworks
Amended Original Consented Scheme

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Resi Plot 1	1	1,800	125.00	225,000	225,000
Resi Plot 2	1	1,800	122.92	221,250	221,250
Resi Plot 3	1	1,800	122.92	221,250	221,250
Resi Plot 4	1	1,800	87.78	158,000	158,000
Resi Plot 5	1	1,800	97.22	175,000	175,000
Resi Plot 6	1	1,800	97.22	175,000	175,000
Resi Plot 7	1	1,800	116.67	210,000	210,000
Resi Plot 8	1	1,800	122.92	221,250	221,250
Resi Plot 9	1	1,800	136.11	245,000	245,000
Resi Plot 10	1	1,800	122.92	221,250	221,250
Resi Plot 11	1	1,800	125.00	225,000	225,000
Resi Plot 12	1	1,800	131.94	237,500	237,500
Resi Plot 13	1	1,800	150.00	270,000	270,000
Resi Plot 14	1	1,800	133.33	240,000	240,000
Resi Plot 15	1	1,800	97.22	175,000	175,000
Resi Plot 16	1	1,800	118.06	212,500	212,500
Resi Plot 17	1	1,800	125.00	225,000	225,000
Resi Plot 18	1	1,800	82.78	149,000	149,000
Resi Plot 19	1	1,800	133.33	240,000	240,000
Engine Shed Residential	10	14,557	238.03	346,500	3,465,000
Commercial Plot Type A	16	16,816	28.54	30,000	480,000
Commercial Offices Type B	8	8,408	160.00	168,160	1,345,280
Totals	53	73,981			9,337,280

NET REALISATION

9,337,280

OUTLAY**ACQUISITION COSTS**

Fixed Price - Hammill & Onion Beds		1,111,250	
Stamp Duty	5.00%	55,563	
Legal and Surveyors Costs		16,949	
Planning Costs		207,680	
Viability Costs		9,900	
			1,401,342

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Engine Shed Residential	14,557 ft ²	120.00 pf ²	1,746,840	
Commercial Offices Type B	8,408 ft ²	110.00 pf ²	924,880	
Totals	73,981 ft²		2,671,720	2,671,720
Contingency		5.00%	133,586	
Demolition			269,847	
Site Works			40,783	
Statutory/LA			320,685	
				764,901
Other Construction				
Asbestos & Site Remediation			380,653	
Ecology			103,824	
Services & Infrastructure			389,531	
Landscaping and groundworks			1,317,019	
Archaeology			17,879	
Site and access roads			131,742	
Additional site assembly			298,812	
				2,639,460

PROFESSIONAL FEES

All Prof Fees	9.00%	453,174
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APPRAISAL SUMMARY**LICENSED COPY**

Hammill Brickworks

Amended Original Consented Scheme

453,174

MARKETING & LETTING

Marketing

133,256

133,256

DISPOSAL FEES

Sales Agent Fee

1.50%

140,059

Sales Agent Fee

66,240

206,299

FINANCE

Debit Rate 7.000% Credit Rate 0.500% (Nominal)

Land

263,787

Construction

156,712

Other

49,627

Total Finance Cost

470,127

TOTAL COSTS

8,740,279

PROFIT

597,001

Performance Measures

Profit on Cost%

6.83%

Profit on GDV%

6.39%

Profit on NDV%

6.39%

IRR

12.77%

Profit Erosion (finance rate 7.000%)

0 yrs 11 mths

Hammill Brickworks
Amended Original Consented Scheme

Project Timescale Summary	
Project Start Date	Jun 2013
Project End Date	Dec 2017
Project Duration (Inc Exit Period)	55 months

Phase Phase 1



Licensed Copy

Development Appraisal

Hammill Brickworks

Proposed Scheme

Former Hammill Brickworks
Hammill Road
Woodnesborough
Kent

Report Date: 14 September 2016

Prepared by Tim Mitford-Slade MRICS

APPRAISAL SUMMARY**LICENSED COPY**Hammill Brickworks
Proposed Scheme

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Resi Plot 1	1	1,800	125.00	225,000	225,000
Resi Plot 2	1	1,800	122.92	221,250	221,250
Resi Plot 3	1	1,800	122.92	221,250	221,250
Resi Plot 4	1	1,800	87.78	158,000	158,000
Resi Plot 5	1	1,800	97.22	175,000	175,000
Resi Plot 6	1	1,800	97.22	175,000	175,000
Resi Plot 7	1	1,800	116.67	210,000	210,000
Resi Plot 8	1	1,800	122.92	221,250	221,250
Resi Plot 9	1	1,800	136.11	245,000	245,000
Resi Plot 10	1	1,800	122.92	221,250	221,250
Resi Plot 11	1	1,800	125.00	225,000	225,000
Resi Plot 12	1	1,800	131.94	237,500	237,500
Resi Plot 13	1	1,800	150.00	270,000	270,000
Resi Plot 14	1	1,800	133.33	240,000	240,000
Resi Plot 15	1	1,800	97.22	175,000	175,000
Resi Plot 16	1	1,800	118.06	212,500	212,500
Resi Plot 17	1	1,800	125.00	225,000	225,000
Resi Plot 18	1	1,800	82.78	149,000	149,000
Resi Plot 19	1	1,800	133.33	240,000	240,000
Engine Shed One	1	2,157	231.80	500,000	500,000
Engine Shed Two	1	1,380	239.13	330,000	330,000
Engine Shed Three	1	1,442	242.72	350,000	350,000
Engine Shed Four	1	1,382	238.78	330,000	330,000
Engine Shed Five	1	1,434	244.07	350,000	350,000
Commercial Offices	2	5,641	160.00	451,280	902,560
Ph 2 - Resi Plot 1	1	1,800	116.67	210,000	210,000
Ph 2 - Resi Plot 2	1	1,800	105.56	190,000	190,000
Ph 2 - Resi Plot 3	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 4	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 5	1	1,800	105.56	190,000	190,000
Ph 2 - Resi Plot 6	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 7	1	1,800	116.67	210,000	210,000
Ph 2 - Resi Plot 8	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 9	1	1,800	105.56	190,000	190,000
Ph 2 - Resi Plot 10	1	1,800	105.56	190,000	190,000
Ph 2 - Resi Plot 11	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 12	1	1,800	105.56	190,000	190,000
Ph 2 - Resi Plot 13	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 14	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 15	1	1,800	105.56	190,000	190,000
Ph 2 - Resi Plot 16	1	1,800	116.67	210,000	210,000
Ph 2 - Resi Plot 17	1	1,800	111.11	200,000	200,000
Ph 2 - Resi Plot 18	1	1,800	105.56	190,000	190,000
Totals	44	80,036			10,369,560

NET REALISATION

10,369,560

OUTLAY**ACQUISITION COSTS**

Fixed Price			1,111,250
Stamp Duty	5.00%	55,563	
Legal and Surveyors Costs		16,949	
Planning Costs		229,921	
Viability Costs		11,900	
			1,425,583

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
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APPRAISAL SUMMARY**LICENSED COPY****Hammill Brickworks****Proposed Scheme**

Engine Shed One	2,157 ft ²	120.00 pft ²	258,840	
Engine Shed Two	1,380 ft ²	120.00 pft ²	165,600	
Engine Shed Three	1,442 ft ²	120.00 pft ²	173,040	
Engine Shed Four	1,382 ft ²	120.00 pft ²	165,840	
Engine Shed Five	1,434 ft ²	120.00 pft ²	172,080	
Commercial Offices	<u>5,841 ft²</u>	110.00 pft ²	<u>620,510</u>	
Totals	115,717 ft²		1,555,910	
Contingency		5.00%	77,795	
Demolition			269,847	
Site Works			40,783	
Statutory/LA			320,000	2,264,336

Other Construction

Asbestos & Site Remediation			380,653	
Ecology			116,574	
Services & Infrastructure			365,876	
Landscaping and groundworks			1,942,019	
Archaeology			17,879	
Site and access roads			210,480	
Additional site assembly			298,812	3,332,293

PROFESSIONAL FEES

All Prof Fees		9.00%	415,107	415,107
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MARKETING & LETTING

Marketing			158,256	158,256
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DISPOSAL FEES

Sales Agent Fee		1.50%	94,838	
Sales Legal Fee		0.75%	47,419	
				142,258

FINANCE

Debit Rate 7.000% Credit Rate 0.500% (Nominal)				
Total Finance Cost				935,094

TOTAL COSTS**8,672,925****PROFIT****1,696,635****Performance Measures**

Profit on Cost%	19.56%
Profit on GDV%	16.36%
Profit on NDV%	16.36%

IRR 15.03%

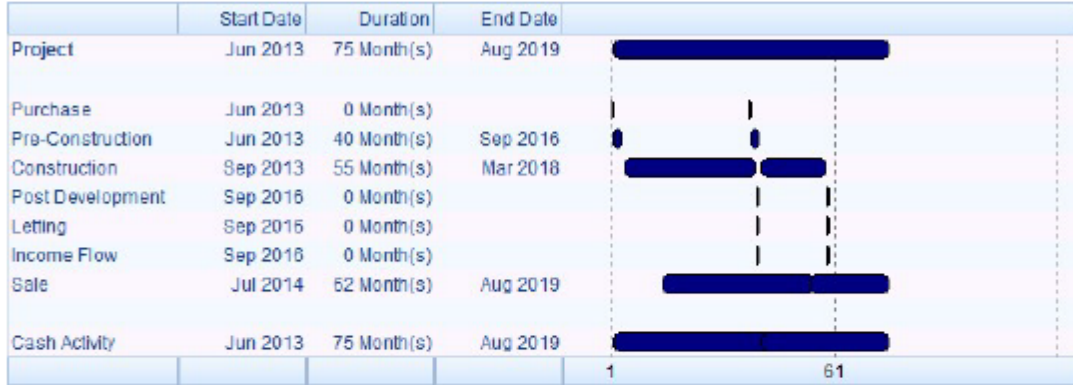
Profit Erosion (finance rate 7.000%) 2 yrs 7 mths

Hammill Brickworks
Proposed Scheme

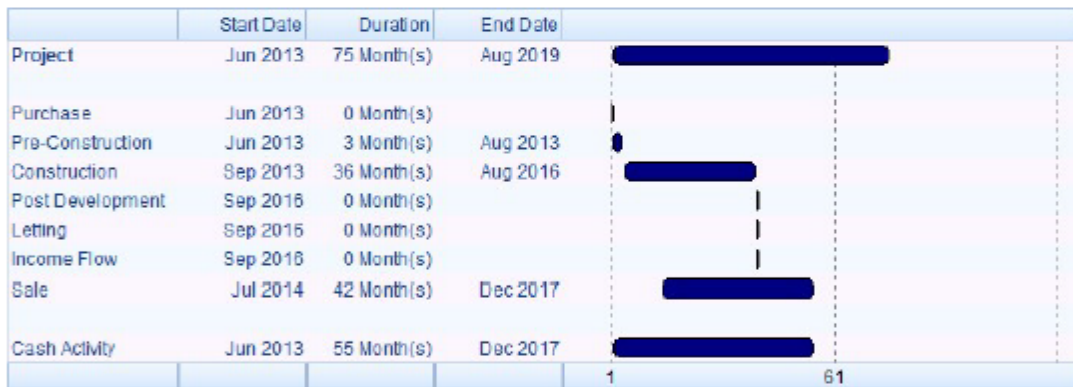
Project Timescale Summary

Project Start Date	Jun 2013
Project End Date	Aug 2019
Project Duration (Inc Exit Period)	75 months

All Phases



Phase Phase 1



**Hammill Brickworks
Proposed Scheme**

Phase Phase 2



Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill
Brickworks including conversion of Former Engine
Houses, Woodnesborough, Kent CT13 0EJ

Planning Ref. 16/01026

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



Contents

1.0	Introduction	1
1.1.	Instructions	1
1.2.	Previous Planning Consent.....	2
1.3.	Summary Proposal	2
1.4.	Inspection	2
1.5.	Guidance	2
2.0	Location	3
3.0	Description of Existing Site	3
4.0	Benchmark Land Value	3
5.0	Proposed Scheme	3
6.0	Development Value Appraisal	4
7.0	Residual Land Value for an All Private Scheme of Housing plus Commercial	6
8.0	Affordable Housing	6
9.0	Conclusion	6
10.0	Confidentiality	7
	Appendices	9
1.	Plan showing the application area	
2.	Site layout plan	
3.	Summary of house sales comparable evidence	
4.	Summary of commercial lease comparable evidence	
5.	Copy of email from Huw Evans, Quinn Estates	
6.	Residual appraisal – all private scheme	
7.	Residual appraisal – 4 affordable units scheme	
8.	Residual appraisal – 3 affordable units scheme	



12 May 2017

Ref. DGP/DAC

Dover District Council
Council Offices
White Cliffs Business Park
Whitfield
Dover
CT16 3PJ

For the attention of Luke Blaskett, Principal Planner

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Dear Sirs

FINANCIAL VIABILITY ASSESSMENT REVIEW
HYBRID PLANNING APPLICATION AT FORMER HAMMILL BRICKWORKS INCLUDING CONVERSION OF FORMER
ENGINE HOUSES, WOODNESBOROUGH, KENT CT13 0EJ
PLANNING REF. 16/01026

1.0 Introduction

1.1. Instructions

In accordance with your instructions conveyed by your email of 28 November 2016, we have considered the design access and planning statements submitted on behalf of the applicant, together with the viability assessments carried out by Tim Mitford Slade of Messrs Strutt & Parker on behalf of the applicant, dated 9 September 2016. We previously reviewed two viability assessments, one in association with the original planning application for overall redevelopment of the Hammill Brickworks (case no. 12/00460) on 23 October 2012; and a financial viability assessment review was carried out on an amendment to the proposed conversion of the former Engine Houses, planning ref. 15/00771, dated 7 January 2016.

Since issuing our initial draft review of the latest scheme on 23 December 2016, there has been further correspondence in terms of the infrastructure costs already constructed for the benefit of this phase, together with a private drainage easement which can only serve the subject site. Huw Evans of Quinn Estates emailed me on 10 February 2017, setting out the various costs which could be apportioned to the subject site, amounting to £1,072,683.21. We attach a copy of the email as **Appendix 5**. We have carried out a further review based on the email and also your response dated 7 March 2017 by email requesting us to take these costs into account.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills (UK) Limited. Chartered Surveyors. Regulated by RICS. A subsidiary of Savills plc. Registered in England No. 2605138.
Registered office: 33 Margaret Street, London, W1G 0JD

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



1.2. Previous Planning Consent

The original consent (case no. 12/00460) related to a scheme of 19 houses; 10 live/work units within the former Engine Houses, and new commercial B1/B8 premises in lieu of existing but disused industrial buildings, on this brownfield site. The total site then extended to about 5.79 hectares/14.3 acres, the existing buildings extending to close to 96,500 sq ft/8,966 sq m. We estimated the existing use value of the site as a whole was in the region of £380,000. The Land Registry at the time indicated the original price paid was £300,000 and with an uplift following planning consent for change of use of £200,000, together with an overage payable on the gross internal area of the residential accommodation, which included, unusually, garaging and outbuildings. The applicant at the time assessed the potential house sale prices ranging between £495,000 for an 1800 sq ft unit to £750,000 for a unit of 2,809 sq ft, reflecting approximately £267 - £285 psf. We considered that the site value was in the region of around £1,115,000 which was higher than the applicant's own estimates.

We understand the Section 106 Agreement did, however, include an affordable housing contribution of around £250,000 plus S106 payments of around £87,178; and it was covenanted with the District Council to complete the external renovation of the Engine House sheds together with landscaping prior to the occupation of the 15th residential dwelling.

Our second viability assessment review was confined to an alteration of accommodation in the former Engine Houses, converting each of the Engine Houses to five dwellings – a total of 10 units. The remaining commercial site was to remain with the benefit of the original planning consent. Strutt & Parker considered the land value with the benefit of such consent would be £375,000 as opposed to the original live/work consent of £300,000. Our own view was that the land value with the benefit of the revised consent would be in the region of £1 as it would be virtually unviable in terms of the applied for scheme.

1.3. Summary Proposal

The two Engine Houses are to remain, with one being converted to five residential dwellings as before and the other building being converted to office space with mezzanine office accommodation as well. The other proposed commercial units would be aborted and instead, the majority of the land would be used for development of 18 detached family houses, on a serviced individual plot basis. This follows the lines of the main brickworks site which is being developed for 19 houses, of which the majority appear to be being developed as serviced plots – that is, most services are installed together with access dropped kerbs for each of the individual plots. The development relates to the southern part of the site; the larger northern section is screened by a high earth bund and there is an attenuation pond already formed on the subject site. It is understood that contamination remediation has been carried out and the former Nissan commercial buildings have been demolished.

1.4. Inspection

The property was re-inspected on 1 December 2016 by David Parry FRICS.

This review has been prepared by David Parry FRICS who is a consultant with Savills and has extensive experience in valuing and appraising development properties across the South East region. He is an RICS Registered Valuer.

1.5. Guidance

We have followed the RICS Professional Guidance publication "Financial Viability in Planning" GN94/2012 (1st Edition) which sets out the principles in determining financial viability. Strutt & Parker have also followed the guidance together with the Harman Report guidance.

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



2.0 Location

The property is located in a rural position, fairly isolated, surrounded mainly by farmland and approached by country lanes, within a mile or so of the villages of Eastry, Woodnesborough and Staple, about 10 miles east of Canterbury and 3 miles from Sandwich. To the north of the subject site, a service road has been built and the majority of the building plots are being developed for the consented detached houses.

3.0 Description of Existing Site

We attach a plan at **Appendix 1** showing the application area edged in red, being an extract from the Design & Access Statement submitted on behalf of the applicant. The Planning Statement states that the site extends to about 2.7 ha/6.7 acres. The substantial engine houses are brick built and approximately 1.5 storey/2 storey in height with slate roofs. Shed 1 extends to approximately 374 sq m/4,029 sq ft and Shed 2 to about 322 sq m/3,460 sq ft being on one floor only. The buildings are over 100 years old and have deteriorated since our last visit, with rusty windows, holes in the roofs, spalling brickwork and missing pointing. No works of repair appear to have been carried out in recent years. However, some earth movement has taken place, together with removal of metal road surfaces and the Nissan commercial buildings.

4.0 Benchmark Land Value

We previously valued the engine sheds with their revised consent at approximately £1. We do not perceive any value attributable to the consented commercial new build units as the cost of construction will outweigh the built value in this location, in our opinion. We are of the opinion that the consented scheme will not be built out.

Strutt & Parker refer to the original planning consent and price paid, although the price paid does seem at variance with the initial price paid and therefore might include overage. They conclude that the whole site, including the subject site as a whole, extends to 3.44 ha/8.5 acres, although we understood the area to be 5.79 ha/14.3 acres. Bearing in mind the size of the site which is the subject of this application (2.7 ha), this is clearly less than 50% of the whole site, so that we find their determination of the area confusing and possibly not correct. Clearly the value of the original site with the consent for 19 detached houses was principally bound up by those houses/serviced plots, with the major cost being the potential restoration of the engine houses, still to be restored. The application is clearly geared towards the southern part of the site only, shown in **Appendix 1** attached.

We consider that for the site to come forward, there ought to be an incentive threshold and we are prepared to adopt £150,000 as a suitable threshold, a figure which we adopted for the present consented scheme.

5.0 Proposed Scheme

The proposed development comprises the conversion of the engine sheds to provide 5 residential dwellings of mainly 3 bedroom, 2 storey houses with 2 end units each with 4 bedrooms. The sizes range from approximately 1,080 sq ft up to 2,157 sq ft, therefore being reasonably substantial houses. Each would have its own garden facing southeast and would overlook a communal garden area shared with the office accommodation, to the northwest. The largest unit would have a further garden area to the south. The parking would be at its approach end, with approximately 2 spaces per dwelling. This part of the scheme is unaltered, comparative to the existing planning consent.

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



The other engine shed would be devoted to office accommodation. We have been unable to scale off the plans provided exactly but the commercial offices are stated in the Strutt & Parker appraisal to amount to 5,641 sq ft, to include the mezzanine floor and probably including the kitchen and cloakroom areas, entrance halls and staircases. The residual appraisal bases their costs and revenue on that floor area. We have therefore based our assessment of the building on the floor area provided. We note that the Design and Access Statement states that the commercial floor space is around 760 sq m/8,181 sq ft so that the 5,641 sq ft is likely to be the net floor area.

The application is also for the erection of 18 "self-build" residential dwellings, in outline form. It is assumed that this follows, to a degree, the vernacular adopted on the site to the north which effectively will have 19 detached dwellings of a similar nature. In addition, there will be an area of open space, designated as a wildlife meadow, together with the existing surface attenuation pond which is already landscaped to a degree. All but four of the plots are indicated to have single garages and the accommodation based on previous house types will tend to range from 4-5 bedrooms in a fairly orthodox urban layout. The plot sizes are reasonably similar but their locations will vary, with those plots overlooking open areas of countryside or open spaces, being the most desirable.

6.0 Development Value Appraisal

Strutt & Parker has carried out a residual appraisal to assess the value of the development site, although unlike previous exercises, they have included the whole site including the northern section which is nearly fully developed following its planning consent in 2014. They have set out in their appraisal apparent sale prices for the 19 plots already sold off, with prices varying from £149,000 up to £270,000, with the majority of plots selling for over £220,000. The majority of plots sold appear to be in the course of construction, some of the plots having been acquired by developers with a view to resale to private individuals. Clearly, each of the houses is aimed at the executive market, with a fairly urban layout in this relatively isolated country location. We note that Regal Estates is currently offering six of the properties at prices ranging from in excess of £800,000 to in excess of £1.25m. In our view these asking prices appear optimistic, particularly in the light of the volume available for purchase. As an illustration, if it is assumed that the size of the house is, say, 2,000 sq ft on a fully serviced plot basis, the total build costs are unlikely to exceed £200psf which, added to the plot value of, say, £225,000, indicates costs of around £625,000 including fees. However, if the cost of construction is on a BCIS tender basis, the build costs are unlikely to exceed £150psf to which must be added profit, professional and acquisition fees. Clearly, a price of £850,000 would indicate a substantial developer's profit, if that figure could be obtained. We attach as **Appendix 3** an indication of house prices in the vicinity. It should be noted that at the Elmwood Park site at Woodnesborough (which apparently has experienced a slow sales rate) detached four bedroom houses can be obtained at an asking price of £475,000. Nonetheless, individual building plots are sought after and in very short supply and therefore there would be a reasonable demand at the right price, notwithstanding their estate layout location. Strutt & Parker has attributed lower plot values for the 18 proposed plots, ranging from £190,000-£210,000. We agree similar figures and have averaged plots each at £200,000, giving rise to a similar GDV for the plots. The Strutt & Parker average plot value attributable is £197,778.

In terms of the Engine Shed conversion to residential units, these have previously been appraised but since the date of the viability study of the previous consent, there have been slight value rises; we still consider that the lack of garage facility with parking at one end (the furthest away from the largest unit) will diminish its sale value.

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



We show below the comparable gross development values adopted by Strutt & Parker and ourselves:

Shed	Unit No.	Floor Area Sq ft	No. of Bedrooms	Strutt & Parker Price	Savills Price
1	1	2157	4	£500,000	£395,000
1	2	1380	3	£330,000	£330,000
1	3	1442	3	£350,000	£335,000
1	4	1382	3	£330,000	£330,000
1	5	1434	3	£350,000	£340,000
	5	7795		£1,860,000	£1,730,000

In relation to the proposed office accommodation within Engine Shed No. 2, the net letting area appears to be 5,641 sq ft which Strutt & Parker has attributed a sales rate of £160psf. However, we consider this should be nearer £111.11psf on the basis of 9.5% yield and a rental basis of £10psf. **Appendix 4** attached indicates a good local example – Almond House, Betteshanger, a small unit of 227 sq ft which was let in July this year for £9.25psf. We also attach details of a former surgery at Deal where there is a sale in progress at £111.91psf. However, regrettably, Strutt & Parker has made an error in their calculations as they have assumed two units of 5,641 sq ft realising a total revenue of £902,560 instead of £451,280. Their total revenue is therefore mathematically incorrect.

Regarding costs, Strutt & Parker has attributed £120psf for the conversion of the Engine Shed to residential, £110psf for the conversion and mezzanine floor of the commercial unit. We can agree that approach. They have allowed a 5% contingency but have also indicated that demolition works would cost just under £270,000; as far as we could ascertain from our site visit there was no further demolition to be carried out. They have allowed other construction costs including asbestos and site remediation (which we believe has already been carried out), ecology and services infrastructure and just under £1.942m for landscaping and groundworks alone; they have also allowed for additional site assembly costs and clearly the costs they have set out relate to the whole site including that part of the site which is substantially constructed upon. The applicant has set out an estimate of costs applying to the whole development site including Phase 1, amounting to around £2,639,460.

They have apportioned £1,072,683.21 to this particular site on a pro rata basis which we consider is reasonably fair and in the nature of a holding cost which should be taken into account. Such a cost, if applied to the existing consented scheme on Phase 2, would thus make the existing consented scheme even less profitable.

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



We consider that the professional fees allowance at 9% provided by Strutt & Parker is excessive and have reduced this to 6% bearing in mind that a number of these fees would apply to Phase 1 in terms of the contamination assessment, ecology and transport and other items. We have allowed marketing and disposal fees of around £187,000 for the all private scheme. We have agreed with the finance debit rate adopted by Strutt & Parker of 7%. We have not allowed any credit rate.

We have not made any allowance for S106 contributions.

7.0 Residual Land Value for an All Private Scheme of Housing plus Commercial

The Strutt & Parker analysis suggests that if a fixed price for the site is taken at £1.111m or thereabouts, this would generate a profit on the basis of the proposed scheme, of 16.36% as opposed to the previous schemes where profit was shown at 1.57% or 6.39% for the amended scheme. This return is equivalent to just under 20% on costs, namely a profit of about £1.6966m. However, taking into account the reduced commercial value, the profit is in effect reduced by well over £450,000 – effectively a 12.6% profit return which may, on the basis set out, still be unprofitable.

The major part of the site has been disposed of already, no doubt profitably, so that we are just dealing with the southern area of the original site. Our approach is to value this section of the site as a separate entity, just as we have in terms of considering the altered arrangement for the Engine Sheds in the previous planning consent. However, we have taken into account apportioned abnormal infrastructure costs which would apply to this site.

Attached at **Appendix 6** is a residual appraisal based on an all private housing scheme which indicates a site value of around £700,000. This clearly exceeds the value of the subject property with the benefit of the current planning consent.

8.0 Affordable Housing

We have run alternative appraisals to analyse the impact of a policy compliant affordable housing quota; we have calculated that policy compliance at 30% (say, 5 or 6 affordable houses and just 12 or 13 private dwelling plots) means that the land value would be negative.

We have therefore run alternative scenarios, firstly showing the effect of 4 affordable dwellings of which 3 are affordable rented and 1 is shared ownership on an average 2/3 bedroom basis (average residual price being around £120,452 each) and we have allowed costs for the affordable housing in line with the costs submitted by Strutt & Parker. We set out this appraisal in **Appendix 7** attached which reflects a residual land value of under £120,000 which is lower than the threshold value under the existing scheme (£150,000).

We have therefore run a further appraisal showing just 3 affordable dwellings pro rata which gives rise to a site value of around £260,000 (see **Appendix 8** attached).

9.0 Conclusion

It is our view that the original consent for this part of the site was unviable, and clearly restoration of the Engine Sheds is required very urgently, preferably sustained by a more viable scheme. Without the new build commercial units and replacement by family housing, this part of the scheme would undoubtedly be profitable and indeed from the benchmark of £150,000, an all private scheme would show an uplift of around £560,000. This has not, however, taken into account any S106 contribution.

Financial Viability Assessment Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



The nearest viable affordable housing scenario is that of 3 dwellings on a 70:30 ratio of affordable rented to shared ownership. With a land value of £260,000 there is a differential against the all-private scheme of around **£450,000** which might apply to an offset affordable housing contribution as well as an S106 community contribution, within that amount.

10.0 Confidentiality

In accordance with the recommendations of the RICS, we would state that this Financial Viability Assessment Review is provided solely for the purposes stated above. It is confidential to and for the use only of the party to whom it is addressed and for the Appeal purposes and no responsibility whatsoever is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Yours faithfully

For and on behalf of Savills (UK) Limited

A handwritten signature in blue ink that reads "David Parry".

David Parry FRICS
RICS Registered Valuer
Consultant

Financial Viability Assessment - Further Review

Hybrid Planning Application at Former Hammill
Brickworks including conversion of Former Engine
Houses, Woodnesborough, Kent CT13 0EJ

Planning Ref. 16/01026

Financial Viability Assessment – Further Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



Contents

1.	Introduction	1
2.	Applicant's Revised Financial Viability Appraisal	1
3.	Conclusion	2
4.	Confidentiality	2
	Appendices	3
	Appendix 1 Development Appraisal Prepared by Strutt & Parker	5



18 July 2017

Ref: DGP/DAC

Dover District Council
Council Offices
White Cliffs Business Park
Whitfield
Dover
CT16 3PJ

For the attention of Luke Blaskett, Principal Planner

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Dear Sirs

**FINANCIAL VIABILITY ASSESSMENT REVIEW
HYBRID PLANNING APPLICATION AT FORMER HAMMILL BRICKWORKS INCLUDING CONVERSION OF FORMER
ENGINE HOUSES, WOODNESBOROUGH, KENT CT13 0EJ
PLANNING REF. 16/01026**

1. Introduction

On 12 May 2017, we reviewed the financial viability assessment submitted on behalf of the applicant and we concluded that whilst an all-private scheme would show an uplift of around £560,000 compared to the benchmark land value of £150,000 (including an incentive threshold); however, we carried out an exercise demonstrating that three affordable dwellings would produce a land value of £260,000 so that the differential against the all-private scheme would be £450,000 available as an off-site affordable housing contribution or S106 community contribution.

The applicant has, however, advised that they can increase their S106 contribution towards off-site affordable housing to £575,000. We have therefore considered this variation.

2. Applicant's Revised Financial Viability Appraisal

We attach as **Appendix 1** a copy of a development appraisal prepared by Strutt & Parker LLP. This is in line with our previous viability calculation and demonstrates that S106 contributions of £575,000 would be available.

The appraisal summary reflects an assessment on Gross Development Value if all the plots were built out by the applicant, showing a variation in house sizes for the proposed 18 plots ranging from around 1,524 sq ft up to 2,465 sq ft; the pricing has ranged from £485,000 to £695,000 which is in line with the evidence of the new build homes at Woodnesborough at Elmwood Park, together with a more realistic assessment of potential resale values on the new build units on the first phase, being offered by house builders.

Strutt & Parker has adopted our assessment of Gross Development Values for the conversion units and they are in line with some of the comparable evidence available in terms of the commercial unit assessment reflecting £111psf.

Financial Viability Assessment – Further Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



In total, Strutt & Parker's gross development revenue assessment is £12.14m.

Regarding construction costs, the applicant's viability assessment shows realistic costs ranging from £110psf for the commercial element (which means that that element effectively will be loss making); £120psf for the residential conversion element (and we agree these figures); for the new build plot elements they have taken £133psf which we believe is realistic for a quality scheme of this nature; in addition they have allowed 5% contingency and an amount for services and infrastructure.

They have allowed for an apportionment of the abnormal infrastructure costs relating to this part of the development site and marketing and finance costs appear to be realistic, with total costs of £10.05m to include an allowance for the S106 of around £575,000.

They have adopted a profit on cost at 20.79% equivalent to a profit on Gross Development Value of 17.21% which is regarded as reasonable; it is probable that many developers would require a profit on Gross Development Value of 20%.

3. Conclusion

By adopting a reasonably conservative profit return, the applicant is able to justify a contribution of £575,000 towards the off-site affordable housing contributions and indeed relates to the differential we concluded in our earlier report between the benchmark land value and the value which might be produced by an all-private scheme. We can therefore agree this increased contribution.

4. Confidentiality

In accordance with the recommendations of the RICS, we would state that this Financial Viability Assessment Review is provided solely for the purposes stated above. It is confidential to and for the use only of the party to whom it is addressed and for the Appeal purposes and no responsibility whatsoever is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Yours faithfully

For and on behalf of Savills (UK) Limited

A handwritten signature in blue ink, appearing to read "D. Parry".

David Parry FRICS
RICS Registered Valuer
Consultant

Financial Viability Assessment – Further Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



Appendices

Financial Viability Assessment – Further Review

Hybrid Planning Application at Former Hammill Brickworks including Conversion of Former Engine Houses, Woodnesborough, Kent CT13 0EJ



Appendix 1 Development Appraisal Prepared by Strutt & Parker

Strutt & Parker LLP

Development Appraisal

Hammill Brickworks Phase 2

Viability Appraisal

For Quinn Estates and Dover District Council

Report Date: 23 June 2017

Prepared by Tim Mitford-Slade MLE MRICS

APPRAISAL SUMMARY**STRUTT & PARKER LLP****Hammill Brickworks Phase 2
Viability Appraisal****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Engine Shed 1 One	1	2,157	183.12	395,000	395,000
Engine Shed 1 Two	1	1,380	239.13	330,000	330,000
Engine Shed 1 Three	1	1,442	232.32	335,000	335,000
Engine Shed 1 Four	1	1,382	238.78	330,000	330,000
Engine Shed 1 Five	1	1,434	237.10	340,000	340,000
Engine Shed 2 Commercial	1	5,641	110.30	625,000	625,000
Plot 1	1	2,220	268.02	595,000	595,000
Plot 2	1	2,070	282.31	585,000	585,000
Plot 3	1	2,022	279.43	565,000	565,000
Plot 4	1	2,036	277.50	565,000	565,000
Plot 5	1	1,918	273.72	525,000	525,000
Plot 6	1	2,465	281.95	695,000	695,000
Plot 7	1	2,095	279.24	585,000	585,000
Plot 8	1	1,684	288.00	485,000	485,000
Plot 9	1	1,811	273.33	495,000	495,000
Plot 10	1	1,628	297.91	485,000	485,000
Plot 11	1	1,656	292.87	485,000	485,000
Plot 12	1	1,524	295.28	450,000	450,000
Plot 13	1	1,972	266.23	525,000	525,000
Plot 14	1	2,153	271.71	585,000	585,000
Plot 15	1	1,711	283.46	485,000	485,000
Plot 16	1	1,889	277.92	525,000	525,000
Plot 17	1	2,203	261.81	575,000	575,000
Plot 18	1	<u>2,244</u>	256.24	575,000	<u>575,000</u>
Totals	24	48,737			12,140,000

NET REALISATION**12,140,000****OUTLAY****ACQUISITION COSTS**

Fixed Price		345,000
Agent Fee	1.00%	3,450
Legal Fee	0.75%	2,588
Town Planning		130,637
Viability Costs		15,000

496,675**CONSTRUCTION COSTS**

Construction	ft ²	Rate ft ²	Cost
Engine Shed 1 One	2,157 ft ²	120.00 pft ²	258,840
Engine Shed 1 Two	1,380 ft ²	120.00 pft ²	165,600
Engine Shed 1 Three	1,442 ft ²	120.00 pft ²	173,040
Engine Shed 1 Four	1,382 ft ²	120.00 pft ²	165,840
Engine Shed 1 Five	1,434 ft ²	120.00 pft ²	172,080
Engine Shed 2 Commercial	5,641 ft ²	110.00 pft ²	620,510
Plot 1	2,220 ft ²	133.00 pft ²	295,260
Plot 2	2,070 ft ²	133.00 pft ²	275,310
Plot 3	2,022 ft ²	133.00 pft ²	268,926
Plot 4	2,036 ft ²	133.00 pft ²	270,768
Plot 5	1,918 ft ²	133.00 pft ²	255,054
Plot 6	2,465 ft ²	133.00 pft ²	327,845
Plot 7	2,095 ft ²	133.00 pft ²	278,635
Plot 8	1,684 ft ²	133.00 pft ²	223,972
Plot 9	1,811 ft ²	133.00 pft ²	240,863
Plot 10	1,628 ft ²	133.00 pft ²	216,524
Plot 11	1,656 ft ²	133.00 pft ²	220,248

APPRAISAL SUMMARY**STRUTT & PARKER LLP****Hamill Brickworks Phase 2****Viability Appraisal**

Plot 12	1,524 ft ²	133.00 pF	202,692	
Plot 13	1,972 ft ²	133.00 pF	262,276	
Plot 14	2,153 ft ²	133.00 pF	286,349	
Plot 15	1,711 ft ²	133.00 pF	227,563	
Plot 16	1,889 ft ²	133.00 pF	251,237	
Plot 17	2,203 ft ²	133.00 pF	292,999	
Plot 18	<u>2,244 ft²</u>	133.00 pF	<u>298,452</u>	
Totals	48,737 ft²		6,250,943	6,250,943

Contingency		5.00%	312,547	
Services & Infrastructure			238,488	
S106		5.00%	575,750	
				1,126,785

Other Construction

Asbestos & Remediation			95,163	
Ecology			51,912	
Groundworks & Landscaping			526,808	
Archaeology			10,906	
Additional Site Assembly			149,406	
				834,195

PROFESSIONAL FEES

Professional Fees		10.00%	711,140	
				711,140

MARKETING & LETTING

Marketing		1.00%	121,400	
				121,400

DISPOSAL FEES

Sales Agent Fee		1.25%	151,750	
Sales Legal Fee	24 un	750.00 /un	18,000	
				169,750

FINANCE

Debit Rate 6.250% Credit Rate 0.000% (Nominal)				
Land			32,247	
Construction			290,734	
Other			16,464	
Total Finance Cost				339,445

TOTAL COSTS**10,050,333****PROFIT****2,089,667****Performance Measures**

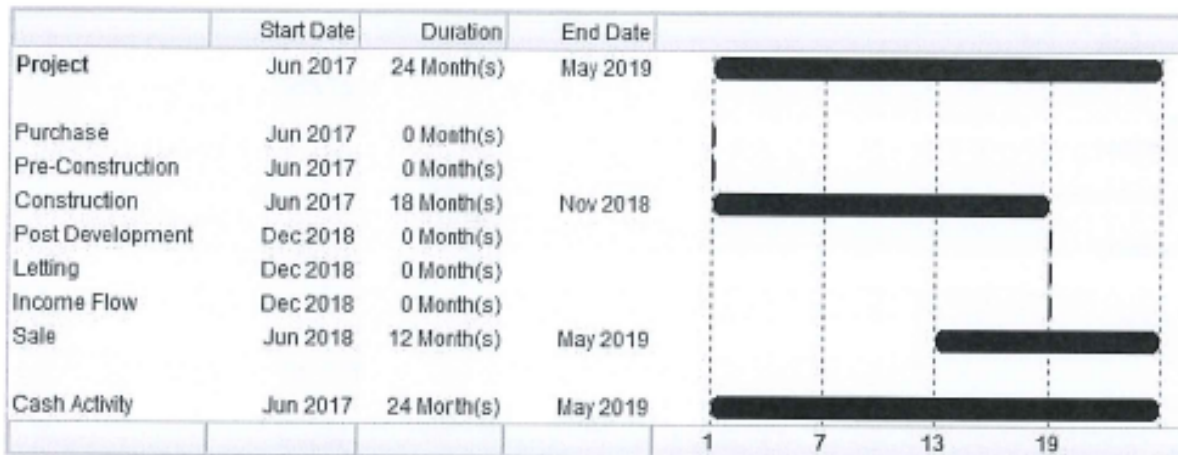
Profit on Cost%	20.79%
Profit on GDV%	17.21%
Profit on NDV%	17.21%
IRR	35.23%
Profit Erosion (finance rate 6.250%)	3 yrs 1 mth

**Hammill Brickworks Phase 2
Viability Appraisal**

Project Timescale Summary

Project Start Date	Jun 2017
Project End Date	May 2019
Project Duration (Inc Exit Period)	24 months

Phase Phase 1



ASSUMPTIONS AND DEFAULTS**STRUTT & PARKER LLP****Hammill Brickworks Phase 2
Viability Appraisal****Assumptions****Expenditure**

Professional Fees are based on Construction
 (Manual relations applied to some Professional Fees)
 Purchaser's Costs are based on Gross Capitalisation
 Purchaser's Costs Deducted from Sale (Not added to Cost)
 Sales Fees are based on Net Capitalisation
 Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions

ASSUMPTIONS AND DEFAULTS**STRUTT & PARKER LLP****Hammill Brickworks Phase 2
Viability Appraisal****Assumptions**

For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Jul 2017)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Fixed Land Value
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Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets**Interest Set 1**

Debit Rate	Credit Rate	Months	Start Date
6.250%	0.000%	Perpetuity	Jun 2017

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Jun 2017

Inflation and Growth**Growth Sets****Growth Set 1**

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Jun 2017

Inflation Sets**Inflation Set 1**

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Jun 2017