

## **PLANNING COMMITTEE - 11 JULY 2018**

**Application Number:** 17/11646

**Site:** 2 South Street, Hythe SO45 6EB

**Development:** 1 block of 43 retirement apartments; communal facilities; access; parking and landscaping

**Applicant:** Churchill Retirement Living Ltd.

**RECOMMENDATION:** No evidence be provided at the forthcoming appeal in support of the second reason for refusal of planning application 17/11646 in relation to affordable housing contributions

**Case Officer:** Nick Straw

### **1. REASON FOR COMMITTEE CONSIDERATION**

- 1.1 Urgent decision required prior to the submission of the Council's Statement of Case for an appeal

### **2. PURPOSE OF THE REPORT**

- 2.1 To consider whether to pursue the defence of one of the reasons for refusal relating to the lack of a contribution to affordable housing, in light of updated viability evidence which demonstrates that the scheme would be unviable if such a contribution were required.

### **3. BACKGROUND**

- 3.1 At its meeting on 14 March 2018 the Planning Committee considered a report by officers concerning an application for detailed planning permission to erect a block of 43 retirement apartments at 2 South Street, Hythe to replace an office building occupied by PC Building Supplies. The Committee accepted the officer recommendation to refuse permission for two reasons. The first reason related to the proposed building's inappropriate scale and design and harm to the Hythe Conservation Area and the setting of adjacent listed buildings. The second reason related to a failure to make any contribution to addressing the need for affordable housing. Permission was refused for these reasons on 14 March 2018.

- 3.2 In relation to affordable housing, whilst the applicant had submitted a report to demonstrate that the scheme was not viable if an affordable housing contribution was required, the District Valuer's assessment was that the scheme would be viable if the affordable housing contribution were to be reduced from £327,230 to £73,320. The applicants then agreed to make the reduced contribution specified by the District Valuer. The Committee was updated as to the applicants' position. The second reason for refusal relating to a lack of affordable housing contribution remained in place only because a legal agreement had not been completed to secure the reduced affordable housing contribution at the time the application was determined.

#### **4. CURRENT POSITION**

- 4.1 On 19 March the applicants submitted an appeal against the Council's refusal of planning permission. The appeal is to be considered at a public inquiry which is currently scheduled to commence on 22 January 2019. The Council's statement of case is due for submission on 18 July 2018.
- 4.2 On 15 June the appellants submitted to the Council an updated report on the viability of their scheme. The report indicates that since the previous report the costs of their scheme have increased and, as a result it would not now be viable if an affordable housing contribution were made. The report indicated that without any affordable housing contribution, the scheme would generate a deficit of **-£105,712**. The applicant's agreement to make a contribution to affordable housing is therefore withdrawn.
- 4.3 The District Valuer has considered the appellant's report and produced his own assessment of the viability of the scheme. While the District Valuer does not agree with the extent of the deficit indicated in the appellant's report, nevertheless, the District Valuer now considers that, having regard to updated costs, the scheme would generate a deficit of **-£56,922**, assuming no affordable housing contribution were made. The assessment concludes that the scheme is not able to make an affordable housing contribution due to a lack of viability.
- 4.4 The single most significant increase in costs relates to construction. On the basis of recognised industry standards, in the last 6 months the costs of construction for the scheme have risen by some £113,824 (an increase of £32 per square metre). In addition, the Council's Community Infrastructure Levy for this scheme has risen by £30,280. Moreover, the scheme would now be liable to a new Habitat Mitigation contribution of £32,608 (Solent Recreation Mitigation Partnership contribution). While some costs have decreased over the last 6 months (empty property costs, interest on loans), these do not offset the more substantial increase in costs.

#### **5. CONCLUSION**

- 5.1 In light of the updated viability report produced by the appellants and the assessment of that report by the District Valuer, there is objective evidence that the scheme is now not able to make a contribution towards affordable housing.

- 5.2 Policy CS25 of the Local Plan Part 1 (Core Strategy) states that in implementing the policy on developer contributions “*regard will be had to economic viability considerations, consistent with meeting the Core Strategy Objectives*”. Paragraph 173 of the National Planning Policy Framework advises that, to ensure viability “*...the costs of any requirements likely to be applied to development, such as requirements for affordable housing , 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*”.
- 5.3 In the revised circumstances of this case, it is recommended that no evidence be produced at the forthcoming appeal in support of the second reason for refusal relating to a lack of contribution to affordable housing.
- 5.4 This does not affect the Council's first reason for refusal relating to the harm the development would cause to the character and appearance of the area and to heritage issues, which will continue to be defended vigorously at the appeal.

## **6. RECOMMENDATION**

That no evidence be provided at the forthcoming appeal in support of the second reason for refusal of planning application 17/11646 in relation to affordable housing contributions.

### **For further information contact:**

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### **Background Papers:**

Application file 17/11646