

# Module 8 Climate Change and Viability – Case Study Project

## Introduction

The same case study project has been used for simplicity for both the morning and afternoon group activities. The details of this project are outlined below. Each group activity has however a different purpose, with the aim of building your understanding and confidence in dealing with viability issues.

The selected case study project brings together experience of several real projects Eye has advised on. These projects are not in Yorkshire and Humberside but it is hoped are similar to the types of projects you will encounter on a day-to-day basis in terms of size, mix and viability challenges.

## Project overview

The case study project is a residential-led, mixed-use scheme being brought forward on a 2 hectare (5 acre) brownfield site in a strategically important area. The site is in a location which is not only covered by general policies but also supplementary policy requirements. It is allocated for housing. Local stakeholders and residents are supportive and there is a willing developer. The only issue standing in the way of development is the developer securing a viable planning permission.

The developer acquired the site some time ago and has been working on a number of different options. They have approached you and provided a design for a project, which will be delivered in phases and achieves all of the Local Authority's policy requirements as follows:

- 80 housing units
- A corner shop
- High quality design
- Code 4 – achieved through a mixture of 'fabric first' solutions, roof-mounted photovoltaic panels and other measures
- 25% affordable housing
- Section 106 requirement to provide contributions to education and off-site public open space

## Module 8: Climate Change and Viability - Activity Instructions

They have, however, indicated that achievement of all of these requirements would not permit them a reasonable development profit and, in turn, that the development is unviable. At your request they have supplied you with a residual development appraisal. The developer has confirmed that there is no grant available for a project of this nature.

Please note that the development appraisal has been deliberately simplified in a number of areas. For example it assumes that all houses are 3 bedroom semi-detached properties and that all affordable housing units are for social rent. In addition no CIL payment is assumed.

### **1<sup>st</sup> Group Activity**

The objectives from this first session are to improve your understanding of how residual development appraisals work. Specifically you need to begin the process of thinking about which parts of the appraisal feel reasonable and which need further discussion with the developer.

By looking at the developer's Full Appraisal worksheet please answer the following questions and be prepared to present your group's findings:

- Which of the developer's assumptions seem reasonable?
- Which of the developer's assumptions do you feel need further questioning?
- For those assumptions that seem reasonable, what has led you to that conclusion?
- For those assumptions that need further questioning, what has led you to that conclusion?

Please note you have 40 minutes to complete this activity, after which you will return to the main room and present your findings.

### **2<sup>nd</sup> Group Activity**

Lets assume that the developer has come back now with evidence, assumptions and justification which support the majority of their original assumptions. However they accept that a fair land value is £250k. It therefore still looks like some form of negotiation is likely to be required. The objectives from the second session are to enable you to understand how changes in the assumptions in the developer's appraisal feed through to changes in project viability. Please assume that the percentage affordable housing cannot be changed, but otherwise all assumptions can.

By looking at the Sensitivity Testing worksheet please answer the following questions and be prepared to present your group's findings:

- How much does project viability change when certain inputs / assumptions are changed?
- Changes in which assumptions have the most impact on project viability?
- Based on this, and disregarding Political/strategic weighting of different policies, which areas would it be more effective to negotiate on with the developer?

Please note you have 40 minutes to complete this activity, after which you will return to the main room and present your findings.

## **Module 8: Climate Change and Viability - Activity Instructions**