



PATHFINDER
DEVELOPMENT CONSULTANTS

ADDENDUM TO: ECONOMIC VIABILITY ANALYSIS

**Development of sites at Whiffens Road & White
Road, Chatham.**

for

**Medway Development Company and Medway
Council.**

18th August 2022

1.1. Pathfinder were jointly commissioned by Medway Council, as the local planning authority, and Medway Development Company to provide an independent Economic Viability Analysis for the proposed development of two sites at Whiffens Road & White Road, Chatham.

1.2. The proposed development at Whiffens Road on a council owned and currently underused car park was for 115 apartments in four cores, with the aim of contributing to the wider regeneration of Chatham. The developer is of the view that this development in isolation is unviable if it is to be policy compliant. However they believe a policy compliant provision of affordable housing can be bought forward if 9 shared ownership homes are delivered on site, and a further 20 affordable homes for rent are delivered off site at White Road.

1.3. Our report of July 2018 tests that hypothesis, and is independent, with a duty of care being given equally to both clients.

1.4. We concluded that a combined scheme delivering policy levels of affordable housing (9 shared ownership homes at Whiffins Road, and 20 affordable rented homes off site at White Road) generated a residual land value of **£119,362**, (which equates to £124,617 per net developable hectare. This was not considered to be an economically viable level of land value as required by the National Planning Policy Framework, which notes sites need to deliver a *“competitive return to the landowner.”*

1.5. However an identical development but utilising the preferential interest rates available to Medway Development Company as a wholly owned local authority development vehicle generated a residual land value of **£339,896**, (which equates to £354,058 per net developable hectare or 101% of the benchmark land value). This was considered to be a marginally economically viable level of land value as required by the National Planning Policy Framework, which notes sites need to deliver a *“competitive return to the landowner.”*

1.6. We have been asked to reappraise the scheme in light of a number of changes detailed below:

1.7. White Road scheme mix. The final design of the scheme at White Road was required to be altered with all 20 homes being 2B4PH (no longer including 10 x 3B5PH). This will reduce revenues adversely effecting viability.

1.8. The Nationwide House Price Index reports increases to house prices of 18.63% from June 2018 until June 2022 (Q2) for the Outer Metropolitan Region (including Medway). This will increase revenues positively effecting viability.

1.9. Conversely the BCIS report that in summary, since March 2020, when the Covid Pandemic started, construction costs have increased by 22.8%. This will increase costs adversely effecting viability.

1.20 Abnormal Costs. In our original report of 2018 we noted:

i) Abnormal and additional costs with a total allowance of £1,296,000.

- ii) We have now been advised that the Environment Agency have requested design adjustments to the attention tanks (to the front of the site) at a further £119,715 is necessary.

1.21. We are advised that the cost of funding offered to MDC by the council is at on average at a rate of 5.5%. This is higher than the PWLB rate we previously used in 2018 for our 'advantageous lending rate'. It is however still lower a normal/typical rate used in viability testing that is considered reasonable at 6.5%.

1.22. The cumulative consequence of these changes has been tested and show that a viable level of S106 contribution affordable on the Whiffins scheme is £70,000. Note that this delivers a residual value at 100% of the benchmark. Full S106 contributions at White Road have been assumed at £153,222. It should be noted that the scheme still delivers 25% affordable housing provision and twenty houses have already been delivered.

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18th August 2022