Liverpool SHLAA Update 2012
Appendix A: Methodology Paper

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For and on behalf of GVA Grimley Ltd
1. Introduction

Purpose

1.1 This paper presents an overview of the methodology adopted in the preparation of the 2012 Strategic Housing Land Availability Assessment (SHLAA) for Liverpool. It forms an Appendix to the Main SHLAA Report, which should be read in conjunction.

Assessing the Housing Supply - National Guidance

1.2 The 2012 SHLAA Update represents a comprehensive update to the 2008 SHLAA and its production has involved the refinement of the approach taken to assess the capacity of the portfolio of residential sites across the city. This paper therefore summarises the updates to the methodology and is structured around the SHLAA production stages as set out in the Strategic Housing Land Availability Assessment: Practice Guidance (July 2007) (hereafter ‘SHLAA Guidance’). This is presented in Figure 1.1.

Figure 1.1: SHLAA Process & Outputs
1.3 The approach for the 2012 SHLAA Update has been designed to be compliant with the National Planning Policy Framework (NPPF) in particular the new definition provided as to defining whether a site is deliverable or developable. The NPPF (2012) requires that local planning authorities:

- identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land; and

- identify a supply of specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15.

1.4 Further, the NPPF has a particular focus on deliverability, addressed within Stage 7 of the SHLAA Guidance, and provides guidance on the appropriate steps to take to ensure that local authorities conduct a robust analysis of site deliverability by highlighting three key tests:

- availability test - sites should be available now;
- suitability test - offer a suitable location for development now; and
- achievability test - be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable.

1.5 Sections 3 to 5 of this Methodology Statement examine in detail how sites have been subjected to the three tests of deliverability; namely Suitability, Availability and Achievability.

Produce the 2012 SHLAA Update

1.6 The 2012 SHLAA Update has been produced through a partnership between GVA and Liverpool City Council.

1.7 Liverpool City Council was responsible for undertaking Stages 1 to 7b of the SHLAA (2012) in conformity with both the requirements of the NPPF and the SHLAA Guidance produced

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1 NPPF, Footnote 11, p.12
by the DCLG. This has included updating the SHLAA database to a base-date of April 2012 and checking and inputting new site information, where available.

1.8 GVA has supported the Council in the preparation of the SHLAA. In particular GVA has provided housing market analysis and modelling to undertake site achievability appraisal (Stage 7c) of the assessment.

1.9 GVA has then been responsible for collating the SHLAA inputs and producing the final SHLAA document.

**Report Structure**

1.10 The report sets out the methodology which has been taken following the structure set out within the DCLG Guidance and the key tests reinforced through the NPPF:

- **Section 2:** SHLAA Stages 1 – 6: Overview of the approach taken to update the supply of sites considered through the SHLAA and the approach taken to estimate the housing potential of each site;

- **Section 3:** SHLAA Stage 7a: Assessing Suitability for Housing - presenting the methodology adopted by Liverpool City Council;

- **Section 4:** SHLAA Stage 7b: Assessing Availability for Housing - the methodology adopted by Liverpool City Council;

- **Section 5:** SHLAA Stage 7c: Assessing Achievability for Housing – stating the methodology and assumptions adopted by GVA;

- **Section 6:** SHLAA Stage 8: Assessment Review, including (Stage 7d) Overcoming Constraints; and

- **Section 7:** SHLAA Stages 9 & 10: Approach to Broad Locations and Windfalls.

1.11 The paper also includes a short reference to additional work undertaken by GVA to assess the implications of the introduction of affordable housing policies on the deliverability of the sites identified within the 2012 SHLAA Update. This is included in:

- **Section 8:** Viability of Sites to deliver Affordable Housing
2. SHLAA Stages 1 – 6: Database Development

Introduction

2.1 This section summarises the key processes taken to inform Stages 1 – 6 of the SHLAA methodology. The 2012 SHLAA is an update of the 2008 SHLAA and therefore emphasis in this section is placed on identifying methodological changes to the 2008 SHLAA in relation to:

- Stage 1: Planning the Assessment
- Stages 2 - 5: ‘Determining which sources of sites will be included in the Assessment’ / Desktop Review / Survey; and
- Stage 6: ‘Estimating the housing potential of each site’

Stage 1: Planning the Assessment

2.2 Since the 2008 SHLAA a number of significant changes have occurred which have been taken into account in planning for the 2012 SHLAA Update, namely:

- changes in housing market conditions, and
- changes in government guidance as set out in the National Planning Framework (NPPF)

2.3 Further, to support the production of the Local Plan, the Liverpool Core Strategy Draft Submission Document published in early 2012, required an up-to-date assessment of housing land supply.

2.4 To maintain consistency with the 2008 SHLAA and given the resources available, an Update approach was adopted, whereby:

- the 2008 database structure would be built upon;
- the pool of sites surviving from 2008 would be the starting point of site identification; and
- the Housing Market Partnership (HMP) would be reconvened to oversee the Update.
Stages 2 – 5: Database Preparation

2.5 For the 2012 SHLAA Update the 2008 SHLAA database was used as a starting point to identify sites for inclusion. The updating process involved the removal of sites that had progressed in the intervening period and the addition of new sites. The 2012 SHLAA Update methodology, however, has taken the opportunity to expand the range and depth of site information and refresh all existing site information, reflecting that four years has passed since the first database was built and populated.

2.6 This section outlines the approach taken to confirm the retention of sites from the 2008 SHLAA database and the addition of new sites for consideration within the 2012 SHLAA Update. The section concludes with an overview of the number of sites considered through the 2012 SHLAA Update, which populate the updated 2012 SHLAA Update database.

Sources of Site Information and Desktop Review (Stages 2-3)

2.7 These included:

- Planning permissions for residential development granted since 2008
- Planning Permissions for uses other than residential since 2008
- Lapsed residential planning permissions since 2008
- Planning Permission questionnaire surveys 2010
- Call For Sites submissions 2010
- New sites suggested / information obtained from within the City Council in respect of Council-owned sites

2.8 The outputs of each of these sources of information for new site suggestions and data are set out below.

1. Planning Permissions for residential development since 2008

2.9 Sites which have been granted planning permission for residential development since 2008 have been integrated into the 2012 SHLAA Update database.
2. Planning Permission for uses other than residential granted since 2008

2.10 Based on the understanding of Liverpool City Council’s Development Management officers, if there was specific knowledge that a site would be implemented for another use on the basis of an alternative planning permission, then the decision was made to remove that site from the 2012 SHLAA Update. Otherwise, the fact of the new planning permission was indicated on the database, as a potential constraint to housing delivery.

3. Lapsed Planning Permissions for residential development

2.11 Sites that had a live residential planning permission at the time of the 2008 SHLAA, but which had lapsed by April 2012, have been identified for inclusion in the 2012 SHLAA Update database. For sites that had a planning permission for residential use that has lapsed since 2008, but where the site appears to still be in use (typically involving redevelopment or conversion proposals), the approach taken was to not include such sites in the supply unless there was firm knowledge that the site is likely to become available for residential use and / or a renewal application for residential is in the pipeline.

4: Planning Permission Questionnaire Survey 2010

2.12 In August 2010 Liverpool City Council sent out questionnaires to 372 developers / agents / individuals with extant planning permissions for residential development to ascertain their intentions with regards to implementing those permissions. From these surveys 38 responses were received. These responses have been used to inform the assessment of delivery and phasing of sites with planning permission.

5: Call for Sites 2010

2.13 A Call for Sites exercise was initiated in 2010. The purpose of this was to enable landowners, developers and other interested bodies and individuals to bring potential development sites for a variety of uses to Liverpool City Council’s attention. The exercise was conducted to inform Liverpool City Council’s early work on a Land Allocations development plan document and as a follow-up to the 2008 Call for Sites exercise undertaken to inform the 2008 SHLAA.

2.14 The 2010 Call for Sites exercise lasted for 6 weeks with a closing date of 3rd September 2010. In total 11 Call for Site submissions were received suggesting new sites for residential development, while 3 submissions identified changes to existing 2008 SHLAA site details.

6: New sites suggested in the City Council’s ownership

2.15 Liverpool City Council has promoted a number of sites for housing development as part of the housing programme underpinning the delivery of the new mayor’s housing pledges. This involves the bringing together of a range of initiatives, including using Council land...
within asset-backed vehicles, disposal of surplus Council land, and working in partnership with housebuilders and RSL’s to complete housing delivery within housing priority areas such as those associated with the former Housing Market Renewal (HMR) programme.

**Surveying of Sites (Stages 4 & 5)**

2.16 All of the new sites identified through the processes above were surveyed by Officers within Liverpool City Council and inputted to the SHLAA database.

2.17 Desktop exercises were undertaken for large sites outstanding from the 2008 database (i.e. those above 0.4 hectares outside the City Centre and above 0.2 hectares in the City Centre) to ascertain any changes since 2008.

2.18 A less systematic review of small surviving sites was undertaken, though the opportunity was taken to reassess the policy suitability of small sites, particularly in respect of residential amenity. Potential problem sites were identified from an initial desk top review. The planning application history of these sites was then investigated using Liverpool City Council’s planning application database. The reasons for refusal on any sites prompted an investigation of those reasons to establish if there were fundamental development management policies that prevented their development.

2.19 Selective surveys were made of small sites outstanding from the 2008 SHLAA to establish any planning constraints to delivery. In the absence of any planning application history, site visits explored the potential for housing, particularly in respect of:

- Interface distances
- Access
- Residential amenity for existing and future residents
- Visual amenity for existing and future residents
- Character of the area, site situation and urban grain
- Contamination and other dereliction

2.20 In doing so, the following were key considerations in reappraising development potential and suitability:

- **Potential site assembly** was considered through a plan-based desk-top exercise. A group of sites in close proximity may benefit from a site assembly exercise to make individual schemes viable and allow their development to have a more flexible design to augment residential amenity.
• **Regeneration issues** often benefit from a more flexible application of development management policies and standards to eliminate anti-social behaviour, poor visual amenity and crime, and improve security and safety for residents.

• **Neighbourhood character** is often defined by the use of open spaces and verges. It is important to recognise these as small but important features that are integral to the design of a residential area, and to eliminate such sites from the potential supply.

• **Sites in active use** as a car park or open space were eliminated from the potential supply. It was important to recognise that even an informal amenity space or car park may have been regarded as essential for the provision of a good residential amenity for adjacent developments.

**Overview of the 2012 SHLAA Update Sites**

2.21 The process of updating the SHLAA has included sites both with and without planning permission for housing development surviving from the 2008 SHLAA. Some existing 2008 SHLAA sites have had changes made to their details / site boundaries.

2.22 The resulting 2012 SHLAA Update database contains 1,235 sites in all, of which 349 had a live residential permission at 1 April 2012. In comparison, the 2008 SHLAA included 1,582 sites in total, of which 460 were live residential permissions at the 1 April 2008 base date.

2.23 Full information on each of these sites is contained within the 2012 SHLAA updated database.

**Stage 6: Estimating the Housing Potential of Each Site**

2.24 Liverpool City Council estimated the capacity of each site using a variety of means depending on the site circumstances and the site-specific information available. The following categories represented sites where development capacity has already been identified:

• **Live residential planning permission** - this applies only to sites with a live residential permission where the dwelling capacity is taken directly from the permission.

• **Lapsed planning permission** - capacity taken directly from a lapsed residential permission.

• **Call For Sites Submission** – capacity specified as part of a Call For Sites submission.

• **Liverpool City Council** - capacity figure derives from Liverpool City Council for sites in its various housing delivery programmes, as indicated above at Para 2.15.
2.25 For other sites where a development capacity has had to be estimated, this has been done through the application of a density assumption. The following multipliers were applied:

- Houses – 36 dwgs/ha
- Mixed houses and flats – 53 dwgs/ha
- Flats (non City Centre) – 100 dwgs/ha
- Flats (City Centre) – 165 dwgs/ha

2.26 For a small number of sites these densities have not been applied. These relate to sites surviving from the 2008 SHLAA for which the capacity in 2008 was calculated through the application of a density multiplier determined by Roger Tym & Partners. The development capacity of these sites has been reviewed and confirmed by Liverpool City Council as part of the 2012 SHLAA Update process.
3. **SHLAA Stage 7a: Assessing Suitability for Housing**

3.1 The SHLAA Guidance recommends that a site is considered suitable for housing development if it offers a suitable location for development and would contribute to the creation of sustainable, mixed communities.

3.2 The SHLAA Guidance advocates that sites allocated in existing plans for housing or with planning permission for housing are generally considered suitable, although it may be necessary to assess whether circumstances have changed which would alter their suitability.

3.3 For other sites, the SHLAA Guidance recommends that the following factors are considered to assess a site’s suitability for housing, now or in the future:

1. **policy restrictions** – such as designations, protected areas, existing planning policy and corporate, or community strategy policy;

2. **physical problems or limitations** – such as access, infrastructure, ground conditions, flood risk, hazardous risks, pollution or contamination;

3. **potential impacts** – including effect upon landscape features and conservation; and

4. **the environmental conditions** – which would be experienced by prospective residents.

3.4 In order to maintain a level of consistency with the 2008 SHLAA the approach adopted by Roger Tym & Partners has been used as the foundation of the assessment of suitability. A number of refinements have been applied to reflect changing policy definitions and in order to ensure consistency with other strategy factors.

3.5 This section firstly summarises the approach taken to assessing the suitability of sites in the 2012 SHLAA Update under each of the tests listed above. As with the Roger Tym & Partners approach a scoring methodology has been adopted to arrive at a cumulative score for each site. Importantly a number of the scoring criteria (those marked with an asterisk) are considered particularly important. If a site achieves a low score against any of these criteria, the site’s overall suitability score is capped. Further detail on this cumulative scoring approach is provided at the end of the section.

3.6 The section then provides a summary of the changes made in the 2012 methodology from the 2008 iteration for reference.
2012 SHLAA Methodology

1. Policy Restrictions or Limitations

3.7 The purpose of this test is to identify fundamental challenges to the site’s suitability in relation to existing and emerging policy in particular against the Liverpool UDP. Each site has been scored against a number of criteria. A number of these criteria are considered particularly fundamental and are therefore identified (marked with as asterisk).

Test 1: Impact on Green Belt (UDP Policy OE2)²

- Not within the Green Belt 5
- Located on a Major Developed Site within the Green Belt 3
- Within the Green Belt (but not on a Major Developed Site) 0

Test 2: Impact on Green Wedges and the Undeveloped Mersey Coastal Zone (UDP Policies OE3 and OE4)³

- Not within a Green Wedge or the Undeveloped Mersey Coastal Zone 5
- Located on a Major Developed Site within a Green Wedge or the Undeveloped Mersey Coastal Zone 3
- Within a Green Wedge or the Undeveloped Mersey Coastal Zone (but not on a Major Developed Site) 0

Test 3: Impact on Biodiversity and Nature Conservation2 (UDP Policies OE5, OE7 and OE8)⁴

- Not within a defined key nature/wildlife conservation area 5
- Within a defined key nature/wildlife conservation area 0

Test 4: Local Green Space (UDP Policies OE11, OE12, OE13, OE14, OE15, OE16, OE17)⁵

- Site is lacking in its use and amenity value as a greenspace 5

² This criterion is as used by Roger Tym & Partners
³ This criterion is as used by Roger Tym & Partners
⁴ This criterion is as used by Roger Tym and Partners but newly designated Local Wildlife Sites were also considered to represent “a defined key nature/wildlife conservation area”.
⁵ Not assessed in the 2008 Study
• Some green space qualities not met 3
• Site is a functioning green space 0

2. Physical Problems or Limitations

3.8 This series of tests is intended to identify physical problems or limitations fundamentally affecting the sites suitability for residential development.

Test 5: Access Infrastructure Constraints (UDP Policies H1, H5)⁶
• Site has frontage or is adjacent to the highway and is accessible for both pedestrians and vehicles 5
• No access (i.e., it is landlocked) or is severely restricted (i.e., connection is via an alleyway, pedestrian-only route, open but privately-owned land, etc., to the adopted highway network) 0

Test 6: Drainage Infrastructure Constraints (UDP Policies EP13, H1)⁷
• Limited new drainage infrastructure is likely to be required 5
• Site is adjacent to the existing urban area, but is of significant scale, and is likely to require some new drainage infrastructure 3
• Site is separate from the existing urban area, and of significant scale, and is likely to require extensive new drainage 0

Test 7: Ground Condition Constraints (UDP Policies EP1, H1)⁸
• Treatment not expected to be required (e.g., sites within primarily residential areas, where there is no obvious indication of previous contaminating uses) 5
• Treatment expected to be required on the site (e.g., sites within employment areas, which would potentially require contamination treatment) 0

Test 8: Impact on Flood Risk Areas (as defined by the SFRA Flood Maps)(UDP Policy EP13)⁹
• Within Flood Zone 1 5

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⁶ As used in the 2008 SHLAA
⁷ The criterion has been applied in a different way from the 2008 SHLAA.
⁸ As used in the 2008 Study
• 10% - 50% of site area is within Flood Zone 2 \[4\]

• Over 50% of site area is within Flood Zone 2 \[3\]

• 10% - 25% of site area is within Flood Zone 3a \[2\]

• 25% - 50% of site area is within Flood Zone 3a \[1\]

• Over 50% of site area is within Flood Zone 3a \[0\]

3. Environmental Conditions (re prospective residents) (UDP Policy H1, H5.)

3.9 This final test looks to identify whether bringing the site forward for residential development would have an impact in terms of bad-neighbour constraints i.e. prospective residents would be detrimentally affected by surrounding uses.

"Bad neighbour” Constraints\(^{10}\)

• None \[5\]

• Yes but potential for mitigation (sites within residential areas with bad neighbours that could be screened, e.g. heavy industry along one boundary of the site only) \[3\]

• Yes, major constraint with limited potential for mitigation (e.g. sites enclosed on all or most sides by heavy industry/employment areas, or with another known bad neighbour which is difficult to mitigate against, e.g. sewage works) \[0\]

Overall Score for ‘Suitability’ – Classification of Site

3.10 The maximum possible unweighted ‘suitability’ score for each site is 45 (i.e. 9 criteria, each with a maximum potential score of 5). This represents a higher maximum score than used in the 2008 SHLAA, which reflects the inclusion of additional categories in the 2012 SHLAA Update process.

3.11 The total suitability score for the 2012 SHLAA Update is categorised, based on thresholds as used in the 2008 SHLAA\(^{11}\) and reassessed to reflect the increase in maximum potential score. The site is then allocated an ‘overall suitability score’ verdict of either 1, 2 or 3. In order to assess a site’s suitability the following classification has been applied:

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\(^{10}\) As used in the 2008 Study

\(^{11}\) 2008 SHLAA (Appendix 4) – See Summary of Changes sub-section for detailed explanation
• Sites with a total ‘suitability’ score of over 34 are given an overall suitability verdict of 1 (site is suitable and could go to make up part of the five year supply)

• Sites with a total ‘suitability’ score of 23-34 are given an overall suitability verdict of 2 (site is potentially suitable but faces some constraints and should not be included in the five year supply)

• Sites with a total ‘suitability’ score of less than 23 are given an overall suitability verdict of 3 (site faces significant suitability constraints).

3.12 As noted in paragraph 3.5, criteria identified in the above tests and marked by asterisks (*) are particularly important. If a site scores 0 or 1 against any of these asterisked criteria, the site can only achieve a maximum overall ‘suitability’ score of 3. If a site scores 3 against any of these asterisked criteria, the site can only achieve a maximum overall ‘suitability’ score of 2.

3.13 In exceptional circumstances suitability factors not listed above have been taken into account to give a different overall score, overriding the verdict arising from scoring the suitability criteria. These exceptional circumstances include:

• Where a site has a residential planning permission, which has lapsed since 1 April 2008. These were automatically given an overall “suitability” score of 1.

• Where a site is to be delivered as part of a Liverpool City Council programme or other Liverpool City Council partnership vehicle.

Summary of Changes in Approach from 2008 SHLAA

3.14 This sub-section sets out the changes in approach to assessing suitability from the 2008 SHLAA.

Impact on Green Belt (UDP Policy OE2)*1

3.15 No change.

Impact on Green Wedges and the Undeveloped Mersey Coastal Zone

3.16 The term “major developed site” has been more closely defined. Those sites in the Green Wedge that have 50% or more of their area previously developed are awarded a score of 3.
Impact on Biodiversity and Nature Conservation (UDP Policies OES)

3.17 In addition to the policy designations in the 2008 SHLAA, the City’s newly designated Local Wildlife Sites were also considered to represent “a defined key nature/wildlife conservation area”.

Local Green Space

3.18 Local green space policy as a suitability constraint was not addressed in the 2008 SHLAA Roger Tym & Partners methodology. In reappraising the methodology for the Update, Liverpool City Council considered that the inclusion of a local green space suitability test was warranted given the number of sites comprising or containing small greenspaces/openspaces of some form or which appeared to contain some greenfield land. The higher level, strategic tests against Green Belt policy, Green Wedges and Biodiversity and Nature Conservation do not, by themselves, address these policy matters.

3.19 Nine criteria, as follows, were used in the assessment of suitability, with sites assessed for their value as:

1. a cycle or pedestrian route;
2. part of a linked series of green or hard spaces;
3. openness in a densely developed area;
4. providing a setting for buildings;
5. a buffer between housing and a bad neighbour such as industry or a busy transport route;
6. potentially forming a natural habitat or high value in open space study;
7. having potential for biodiversity and nature conservation;
8. a visual amenity such as a link in a continuous tree belt; and
9. a visual amenity providing seasonal interest from flower beds or landscaping.

3.20 Sites that met three or fewer assessment criteria were scored 5 (Site is lacking in its use and amenity value as a greenspace), sites meeting four or five of the criteria scored 3 (some green space qualities not met) and sites meeting six or more scored 0 (site is a functioning green space).

3.21 In order to reflect the potential importance of local green space considerations, sites which scored 3 under the green space assessment were automatically ruled out of
consideration for the five year supply, while sites scoring 0 were further ruled out of the consideration for the 6-10 year supply.

3.22 The assessment did not take account of the potential cumulative loss of greenspace/open space arising from its development.

Access Infrastructure Constraints

3.23 For the 2008 SHLAA, Roger Tym & Partners scored sites a 0 if there was ‘no scope to provide road access’ and a 3 if access required upgrading.

3.24 The approach adopted for the 2012 SHLAA Update for access simplifies the scoring to a straight yes or no, in terms of connection to the adopted highway network for both pedestrians and vehicles, based on the existing circumstances of the site.

3.25 In the 2008 SHLAA, twenty-five sites scored 0 (no scope) which included sites that were both landlocked or had limited access for pedestrians-only. However, even though sites may have scored a 0, it was clear in a number of cases that, rather than there being “no scope to provide road access”, they could be made to be accessible and be developed if further actions were undertaken (for example, through the removal of existing properties as with the former Everton FC training ground at Bellefield, which is now under construction). Thus, the term ‘no scope to provide’ is considered too absolute as, within an urban area, access is relative.

3.26 The Roger Tym & Partners definition, of scoring a site 3 if access required upgrading, overlapped with other sites, which scored 0 – the difference lay in the subjective judgement of the severity of the constraint, particularly whether vehicular access could be provided within an existing pedestrian-only space or due to differences in ground levels. Roger Tym & Partners scored four sites as 3.

3.27 However, in reviewing the circumstances of those four sites, the score of 3 was awarded due to misleading or erroneous information provided on Liverpool City Council site survey forms. For the 2012 SHLAA Update, for the four sites in question a revised score of 0 was given to three sites while one site was re-scored as a 5. As a result, none of the 2008 SHLAA sites which survive in the 2012 SHLAA Update has a score of 3.

3.28 The twenty-five sites scoring 0 by Roger Tym & Partners have been reviewed using the 2012 approach and, as a consequence, three sites were given a revised score of 5 due to a re-examination of the circumstances of the site.

Drainage Infrastructure Constraints

3.29 The methodology used for assessing drainage infrastructure constraints for existing and new SHLAA sites is essentially the same as that which was applied by in the 2008 SHLAA.
3.30 However, unlike the 2008 SHLAA approach, no sites have been considered to be ‘separate’ from the existing urban area, given Liverpool is virtually wholly urban, therefore no sites have been scored 0 for the 2012 SHLAA Update (7 sites scored 0 in the 2008 SHLAA).

3.31 In terms of defining ‘significant scale’ to identify sites which score 3, a threshold of 2.5ha was applied by Roger Tym & Partners. This has been used again for the 2012 SHLAA Update.

*Ground Conditions*

3.32 The 2008 SHLAA approach was based on a presumption of contamination where Liverpool City Council site surveyors had indicated on site survey forms that a site was “possibly” contaminated.

3.33 In order to refine this process in the 2012 SHLAA Update, where nothing specific was known about contamination on a particular site, ground condition constraints have been scored entirely on the basis of the site’s UDP designation or its former use. Under this revised approach, sites with the following Unitary Development Plan (UDP) designations or former uses were automatically scored a zero:

- UDP designation – Primarily Industrial Area, Port, Railway, Site for industry / business
- Former use – industrial, petrol station, Council depot, rail land, docks

3.34 In a small number of cases there was site-specific knowledge about contamination. These sites all scored zero.

3.35 Sites where there was no known contamination and which fell outside of these definitions scored five.

3.36 The impact of the above changes was to increase the number of sites which scored a zero, from 103 in the 2008 SHLAA to 139 in the 2012 SHLAA Update.

3.37 The 2008 SHLAA approach included the option of a score of 3 where treatment was expected to be required only on part of the site (e.g. sites where an existing industrial use occupies only a small proportion of the overall site area). Two scores of 3 were awarded in 2008, both to development sites within the wider Liverpool Waters area, which is now the subject of a full planning permission. Given difficulties in adjudging precisely how much of a site had been occupied by a potentially hazardous use, such as industry, it was decided not to apply a 3 score in the 2012 SHLAA Update.
Impact on Flood Risk Areas (as defined by the SFRA Flood Maps)

3.38 No change to the 2008 criteria.

3.39 There is a clear sequential approach in PPS25 regarding flood risk. Flood Risk Zones 1 and 2 are both acceptable locations for housing, but under the sequential approach, Zone 1 is preferable to Zone 2. Housing development can be acceptable in Flood Zone 3a, provided a PPS25 ‘Exception Test’ is passed. Nevertheless, under the PPS25 sequential approach, Flood Zone 3a sites are the least preferred location for housing development and any sites within Flood Zone 3a will be given a Priority 3 rating (if more than 25 per cent of the site is covered by Flood Zone 3a).

3.40 Flood Risk Zone 3b comprises ‘functional floodplain’, and as such is unsuitable for residential development. Any site (or part of a site) located within Flood Zone 3b has not been assessed as part of this SHLAA study.

Bad Neighbour Constraints

3.41 This criterion has been applied in a different way from the methodology used in the 2008 SHLAA. A further appraisal of those sites that remain from the 2008 SHLAA has been undertaken in the context of a review of the circumstances under which a ‘bad neighbour’ had been flagged up in the original database to ensure that it had been done on a consistent basis.

3.42 The task was to apply a consistent and reasonable view of what constitutes a ‘bad neighbour’. Liverpool City Council’s Supplementary Planning Guidance on New Residential Development was used to assess good residential and visual amenity. Railway and airports were not considered bad neighbours. The proximity of other SHLAA sites and existing residential estates was considered to provide an opportunity to create a living environment of a domestic scale and character. The very fact that a site had secured a residential planning permission was given substantial weight in the assessment of bad neighbours as a constraint to suitability.

Overall Score for ‘Suitability’

3.43 The 2012 SHLAA Update approach includes an additional suitability scoring criterion – “Local Greenspace”. This means that the maximum possible score in the 2012 SHLAA Update is increased to 45 compared to the 2008 SHLAA, in which site suitability was scored out of 40.

3.44 The 2008 SHLAA applied scoring thresholds of 29 (72.5%) and 20 (50%) to the total points score to determine whether a site qualifies for consideration in the 5 year supply and the 5-10 year supply respectively. The equivalent percentage thresholds have been applied in
the Update. The threshold for sites qualifying for an overall suitability score of 1 has been correspondingly increased from 29 to 34, and the threshold for sites qualifying for an overall suitability score of 2 has increased from 20 to 23.

3.45 Under the 2008 SHLAA approach, the nature of the “exceptional circumstances” that could constitute a reason for overriding the scoring of the criteria was not defined, though in practice was only applied to nine sites, eight of which, including sites at Liverpool Waters and the former International Garden Festival Site, had clear and significant Liverpool City Council support.

3.46 Under the revised approach for the 2012 SHLAA Update, two potential circumstances which might be considered “exceptional” have been defined, as explained above.
4. **SHLAA Stage 7b: Assessing Availability for Housing**

4.1 The DCLG SHLAA Guidance states that a site is considered available for development, when, on the best information available, there is confidence that there are no legal or ownership problems, such as multiple ownerships, ransom strips, tenancies or operational requirements of landowners. The SHLAA Guidance recommends that for a site to qualify, it should be controlled by a housing developer who has expressed an intention to develop, or the land owner has expressed an intention to sell.

4.2 This section initially summarises the approach taken to assessing the availability of sites in the 2012 SHLAA Update\(^\text{12}\). As with the ‘suitability’ test a scoring approach has been adopted which is based broadly on the 2008 Roger Tym methodology. The section concludes with a short summary of changes from this methodology.

**2012 SHLAA Methodology**

4.3 It is outside the scope of a strategic study of this nature to collect and assess detailed information on legal and ownership issues. Thus, availability was scored on the basis of the best available information as follows:

- Held by developer/willing owner/public sector (e.g. Call for Sites submissions, and sites being actively marketed), sites where it is known that pre-application discussions are underway and sites with a recent (since 1/4/2008) lapsed residential planning permission. 5
- Vacant land and buildings 4
- Low intensity land uses (e.g. agriculture, informal car parking) 3
- Established single use (e.g. business, sports club, school) 2
- Established multiple uses (e.g. industrial estate, retail parade) 1
- Thought to be in particularly complex/multiple ownership, or apparently subject to ransom strip) 0

\(^\text{12}\) Note: Criteria marked by asterisks (*) are considered particularly important. If a site achieves a low score against any criteria marked by an asterisk, the site’s overall suitability score will be capped accordingly (as described within the report).
4.4 Where a site is known to be held by a developer, willing owner or public sector body then it should score 5 even if one of the other conditions is also fulfilled - so, for example, an established business where the site is being promoted for housing by the landowner would score 5.

4.5 Where there is no site-specific information to suggest otherwise, sites that have a recent lapsed planning permission for residential were given a score of 5.

Classification of the Availability of the Site

4.6 The above criterion directly scores the ‘availability’ of each site. The scores have been grouped into three categories of 5, 2-4, and 0-1 and allocated an an ‘overall availability score’ verdict of 1, 2, or 3 as follows:

- A score of 5 gives an overall availability verdict of 1 (site is available and can be included in the 5 year supply).
- A score of 2, 3 or 4 gives an overall availability verdict of 2 (site is potentially available but faces some constraints and should not be included in the 5 year supply).
- A score of 1 or 0 gives an overall availability verdict of 3 (site faces significant constraints).

Summary of Changes in Approach from 2008 SHLAA

4.7 This sub-section sets out the changes in approach to assessing availability from the 2008 SHLAA, which are taken in the 2012 SHLAA Update.

Availability

4.8 The approach has been amended for the 2012 SHLAA Update to take a more cautious approach to vacant land and buildings where there is no site-specific knowledge about availability. These sites still score a 4, but now only scores of 5 are given an overall availability verdict of 1 (i.e. site is available now and can be included in the 5 year supply).

4.9 Where there is no site-specific information to suggest otherwise, sites that have a recent lapsed planning permission for residential are given a score of 5.
5. **SHLAA Stage 7c: Assessing Achievability for Housing**

5.1 This Section sets out the methodology adopted within the 2012 SHLAA Update to assess ‘achievability’. The methodology adopted departs from the 2008 SHLAA approach reflecting the changing market context over the last four years and the increased definition and emphasis presented through the NPPF.

5.2 This section initially presents the overall approach and methodology taken and then provides details of the assumptions used to input into the viability model used to assess achieveability. The section concludes with a short section summarising the difference in the 2012 SHLAA Update approach from the 2008 SHLAA.

### 2012 SHLAA Methodology

5.3 To conduct Stage 7c of the SHLAA Update it is necessary to test the deliverability and developability of sites considered for housing within the SHLAA. Within footnote 11 (p.12) the NPPF provides guidance on the appropriate steps to take to ensure that local authorities conduct a robust analysis of site deliverability and developability:

“To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.” (NPPF, Footnote 11, p.12)

“To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged.” (NPPF, Footnote 12, p.12)

5.4 It is therefore necessary for GVA to undertake an assessment of the financial viability of sites considered for housing within the SHLAA in order to robustly establish their viability, deliverability and developability and therefore support the Council in identifying an achievable supply of specific deliverable sites sufficient to provide five years worth of housing against the city’s housing requirements.
Best Practice: Financial Viability in Planning

5.5 The Royal Institute of Chartered Surveyors (RICS) has produced the Guidance Note Financial Viability in Planning (August 2012) which sets out clear guidance for meeting the objectives of financial viability assessments through using a toolkit approach.

5.6 The Guidance Note (page 14) defines financial viability for the purposes of town planning decisions as:

"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project"

5.7 The fundamental issue is therefore to ensure an efficient use of the land and a fair return for the landowner with reasonable planning obligations that can be realised through the betterment of the land. Such an approach will ensure that;

- Land is released for development, meeting market demand and affordable housing needs;
- Developers obtain a suitable return;
- Development can be financed by lenders; and
- Assumptions over the quantum of development being delivered over the plan period are robust.

5.8 The RICS recommends consulting suitably qualified professionals in undertaking such assessments to inform the planning process. GVA is a company regulated by the RICS. As such the SHLAA Update has been undertaken by a team of suitably qualified chartered surveyors (MRICS) and chartered town planners (MRTPI).

5.9 In addition, further guidance Viability Testing Local Plans – Advice for planning practitioners was published by the Local Housing Delivery Group in June 2012. GVA has given due consideration to this document in undertaking the Liverpool SHLAA Update (2012).

The Site Viability Appraisal Model

5.10 The site viability appraisal model uses a standard residual approach (Revenues – Costs – Profit = Residual Sum) and appraisals are undertaken in a bespoke MS Excel model or “toolkit”. The accepted method of appraising developments is established in the RICS Valuation Information Paper 12 (2008). The approach is a “site value approach”
where a suitable developer return is fixed as a cost and the residual element is the appropriate sum for the land\(^\text{13}\).

5.11 The method undertaken involves a high level appraisal of all sites within the 2012 SHLAA Update across the City. The approach further allows for a number of key sensitivities to be applied to key costs (incl. affordable housing obligations) as well as testing the viability implications of an upturn in market conditions.

5.12 The appraisal assumptions made need to be representative of how the market would typically approach development on sites at an area wide level across the City. The level of detail known about each site in the model is based upon desktop evidence and therefore more detailed site investigation work by the individual developer would be likely to produce more accurate figures for individual sites.

5.13 However, for the purpose of Stage 7c of the 2012 SHLAA Update an area wide approach is assumed satisfactory in determining planning policy requirements. The validation of this approach is set out by the Government within the National Planning Policy Framework (NPPF) (March 2012) within paragraphs 173 - 174.

### Classifying Achievability

5.14 Within the 2012 SHLAA Update, all assessment sites are tested for their ‘achievability’ in order to categorise them into ‘deliverable’ or ‘developable’ supply. To test the deliverability or developability of assessment sites, all are run through the site viability appraisal model. Two scenarios are run:

- **Scenario 1**: This tests the achievability (viability) of all assessment sites within ‘current’ market conditions (i.e. with appraisal assumptions of cost/value reflecting the current housing market in Liverpool).

5.15 The site is:

- considered a ‘viable’ site if the residual value is 10% or greater to Gross Development Value (GDV);

- considered a ‘marginal’ site if the residual value is -9.9% to +9.9% to GDV. These sites could be ‘viable’ if the scheme is only slightly altered to reduce cost, boost value or if a write-down on developer profit is accepted; or

\(^{13}\) This does not constitute a valuation, and cannot be regarded, or relied upon as a valuation as it falls outside of the RICS Valuation Standards (The Red Book). The advice does provide a guide for feasibility in line with the purpose for which the assessment is required, as stated within the Financial Viability in Planning (Exposure Draft May 2012) Guidance Note.
• considered an ‘unviable’ site and excluded from the deliverable supply of sites if the negative residual value exceeds this.

_Treatment of Sites with Planning Permission_

5.16 As stated within the NPPF, Liverpool City Council has firstly adopted the baseline position set by the NPPF whereby if a site has an existing planning permission for residential uses the site is presumed deliverable within the 2012 SHLAA Update.

5.17 However, to increase the level of rigour within the 2012 SHLAA Update, and test whether there remains a demand for the type of units or sites\textsuperscript{14}, GVA has produced a Housing Market Analysis Report\textsuperscript{15} to inform the 2012 SHLAA Update. The purpose of the Report is to gain an accurate perspective on the current performance of Liverpool’s housing market to establish whether there is a demand for the type of units and sites being delivered across Liverpool – an issue particularly pertinent within the City Centre and Waterfront. The future housing supply within the City Centre and Waterfront is focused on flats/apartments, which have struggled for demand/delivery/viability nationally in recent years.

5.18 However, historically, these areas have played a considerable role in providing new homes within the City. Understanding whether there is deliverability, viability and demand for this type of supply currently and going forward is therefore important in order to effectively evaluate whether SHLAA sites within the City Centre and Waterfront should be considered for inclusion within the City’s deliverable 5-year housing supply.

5.19 Significant changes to the Liverpool housing market have occurred within the past decade, culminating in a reduction in both transactional value and volume in recent years, a decline in new housing supply and an increase in the strength of the city’s private rental market. This has impacted upon the city’s housing sub-markets to varying degrees.

5.20 Liverpool’s City Centre and Waterfront sub-markets have played a particularly dynamic role in the city’s housing market and housing growth over the last decade. Nevertheless, the flatted/apartment type of housing traditionally delivered within these sub-markets has seen demand, development viability and delivery decline considerably since late 2007.

5.21 Nevertheless, a review of recent transactions and completions reveals that conditions have stabilised in recent years. Development schemes in the City Centre pipeline

\textsuperscript{14} NPPF (2012) Page 12, Footnote 11
have recommenced delivery and others are progressing through the planning system. Moreover, the supply of private rented flats/apartment accommodation in the City Centre and Waterfront is currently being absorbed due to the professional household and growing student household markets. This therefore supports the conclusion that there is demand for the type of flatted/apartment units on sites within the City Centre and Waterfront sub-markets and that such sites should be considered / tested for inclusion within the 5 year deliverable supply of housing in accordance with the NPPF (2012).

5.22 To add to this, Liverpool City Council and GVA have reviewed sites in the SHLAA with planning permission where Liverpool City Council has significant site-specific intelligence as to their delivery status as a ‘check’ on their commerciality:

- Where clear evidence is available to suggest the site may not be implemented within five years, the site is tested for its ‘achievability’ using the site viability appraisal model in order to categorise such sites into ‘deliverable’ or ‘developable’ supply.

- Where no clear evidence is available to confirm that the site will not be implemented within five years, the site is presumed deliverable within the 2012 SHLAA Update.

5.23 Where sites received planning permission prior to 1st April 2010, but which are due to lapse in 2012/13 and for which there is no evidence that the planning permission will be implemented, the site is tested for its ‘achievability’ using the site viability appraisal model in order to categorise such sites into ‘deliverable’ or ‘developable’ supply.

5.24 This rigorous approach to testing sites with planning permission for the purposes of the 2012 SHLAA Update is seen as being in accordance with the NPPF (2012).

Treatment of Sites within City Council delivery programmes

5.25 The City Council is currently playing a pro-active part in enabling and facilitating delivery of a number of sites across the City, contained in various programmes and partnership initiatives. As such, they can be considered to demonstrate some certainty in delivery or funding. They include:

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15 Liverpool SHLAA Update 2012 – Housing Market Analysis Report (September 2012) - GVA

16 Where Liverpool City Council has specific detailed information regarding the delivery and phasing of sites [e.g. in Council ownership/programmes, or submitted by developers within planning applications / subsequent discussion with Council officers], this information has been applied to ‘override’ the assumed unit build out rates.

17 Evidence can include – a planning application being made for an alternative use, the site being marketed for sale and /or an awareness that the landowner / developer having ceased to trade.
• Sites with firm HCA funding allocations for affordable housing;

• Sites on which the City Council itself is facilitating affordable housing as part of its Housing Delivery Plan;

• Sites being delivered via Regeneration Liverpool, the Council’s Asset backed vehicle;

• Sites remaining from the Housing Market Renewal (HMR) programme, facilitated by HMR transition funding; and

• Sites in a range of other public and private sector led programmes.

5.26 These various initiatives and programmes have been brought together to focus the delivery of the new Liverpool Mayor’s housing pledge, which includes a target of 5000 new and 1000 refurbished homes in the city during the four years 2012-16.

Treatment of Other Sites without Planning Permission

5.27 Where assessment sites do not have a planning permission for residential uses, yet are viable based upon testing within Scenario 1, they are deemed deliverable. Sites without a planning permission that are ‘marginal’ in their viability within Scenario 1 are also deemed deliverable.

5.28 Sites considered deliverable are considered suitable for inclusion within Liverpool’s 5 year supply of land for housing18. The site delivery profile is driven by assumed unit build out rates (detailed later within this chapter). Therefore, larger sites can deliver over the 0-5, 6-10, and 11+ year phases19.

5.29 Those sites that are considered ‘unviable’ are excluded from the supply of deliverable sites, are subsequently tested for their developability within Scenario 2.

• Scenario 2: This tests the achievability (viability) of assessment sites that are deemed unviable within ‘current’ market conditions (as per the outcome of Scenario 1). Within Scenario 2 the viability of assessment sites is tested to reflect previous ‘peak’ market conditions (i.e. with appraisal assumptions of cost/value reflecting the 2007 housing market in Liverpool).

18 Sites are included in the 5 year land supply if considered deliverable (i.e. achievable), suitable and available in the first 5 years as assessed through Stages 7a and 7b.

19 Where Liverpool City Council has specific detailed information regarding the delivery and phasing of sites, this information has been applied to ‘override’ the assumed unit build out rates.
It is reasonable to assume that this Scenario will happen during the Core Strategy period based on projection of historic house price trends – and reflects a conservative estimation of house price increase. The peak house price (at Q4 2007) adds circa 12% to ‘current’ (2011/12 based) market conditions (i.e. Scenario 1) based on CLG’s latest records.

Within Scenario 2 the site is:

- considered a ‘viable’ site if the residual value is 10% or greater to Gross Development Value (GDV);
- considered a ‘marginal’ site if the residual value is -9.9% to +9.9% to GDV. These sites could be ‘viable’ if the scheme is only slightly altered to reduce cost, boost value or if a write-down on developer profit is accepted; or
- considered an ‘unviable’ site, and excluded from the developable supply of sites to be included in years 6-10, if the negative residual value exceeds this.

Sites classified as ‘viable’ and ‘marginal’ within Scenario 2 are classified as developable and are considered suitable for inclusion within Liverpool’s 6-10 year supply of land for housing. The site delivery profile is driven by assumed unit build out rates (detailed later within this chapter). Therefore, larger sites can deliver over the 6-10, and 11+ year phases.

Those sites that are considered ‘unviable’ are excluded from the supply of developable sites in years 6-10, and are subsequently included within the 11+ year phase.

### Appraisal Assumptions

This sub-section presents the appraisal assumptions and criteria underpinning Stage 7c of the SHLAA Update – Assessing Achievability for Housing. This conforms with the requirements of both the NPPF and CLG SHLAA Practice Guidance (2007).

These assumptions were finalised following testing with, and comment from, Liverpool City Council’s SHLAA Housing Market Partnership (HMP) in July 2012. The purpose of

Note: It is envisaged that this is a conservative estimate of house price change over this period, with the Halifax House Price Index – now prepared by LBG – recording a 20% (peak to current) change in house prices across the wider North West region.

Sites are included in the 6-10 year land supply if considered deliverable (i.e. achievable), suitable and available in the years 6-10 as assessed through Stages 7a and 7b.
this was to make the process transparent and to work in partnership with the local
development industry to ensure assumptions used are locally applicable.

SHLAA Sites

5.36 The appraisal of site viability includes all SHLAA assessment sites, incorporating:

- Re-appraising sites identified in the SHLAA 2008 which remain undeveloped;
- Appraising new sites which have come forward since April 2008; and
- Conducting a viability appraisal of sites to deliver affordable housing provision.

Value of Completed Development

Development Outputs

5.37 The following development output assumptions have been adopted for appraisal for both the open market and affordable components of sites.

*Figure 5.1: Development Outputs - Mix*

<table>
<thead>
<tr>
<th>Scheme Type</th>
<th>Residential Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houses</td>
<td>0%</td>
</tr>
<tr>
<td>Flats</td>
<td>50%</td>
</tr>
<tr>
<td>Mixed</td>
<td>25%</td>
</tr>
</tbody>
</table>

5.38 The appraisal model rounds the number of units to the nearest whole unit when the development outputs are calculated. The unit sizes are as follows.
Development Outputs – Unit Size (GIFA)\textsuperscript{22}

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Sale</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>85</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Social Rent</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>85</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Shared Ownership</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>85</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Affordable Rent</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>85</td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>

Development Revenues

5.39 Development revenues are all assumed within the appraisals to be based upon the sales price net of any incentives that a developer may typically offer to market the site.

Open Market Units

5.40 Analysis has established a ‘current’ market position for the value of open market units in Liverpool (to be used in Scenario 1).

5.41 To do this a process utilising HMLR (Land Registry) house price data (from 2011 – and held by Liverpool City Council) and a review of the marketed prices for comparable recent new build developments across Liverpool’s housing sub-markets has been undertaken in May 2012.

5.42 Figure 5.5 shows the geography of Liverpool sub-divided by its housing sub-markets.

5.43 Figure 5.6 uses the HMLR price data by postcode to show the geographical spread of prices from all property transactions during 2011. This data has been provided by Liverpool City Council and is from the Land Registry.

5.44 Figure 5.7 presents the analysis of the marketed values for recent new build developments across Liverpool overlaid upon ‘hotspot’ background mapping of average HMLR price data from 2011. On the plan recent new build development sites are identified by number and have been categorised according to the marketed price.

\textsuperscript{22} Note: Affordable unit sizes have been referenced against the HCA published Housing Quality Indicators (HQI) Version 4 (April 2008). It is noted that the unit sizes proposed exceed the HQI minimum size standards for compliance. This decision has been made to avoid a precedent being set towards the delivery of smaller affordable units.
5.45 Based on professional judgement and liaison with key officers each housing sub-market in Liverpool has subsequently been assigned to a broad market strength of ‘High’, ‘Medium’ or ‘Low’ by reflecting on the recent transaction values and patterns discussed above. In order to reflect the variance in values between the areas of broad market strength the price modelling presented in Figure 3 has been applied. The open market sales values used within the appraisal model are presented in Figure 4 and are mapped geographically in Figure 5.8.

**Figure 5.3: Development Revenues by Mix**

<table>
<thead>
<tr>
<th>Broad Market Strength</th>
<th>Residential Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>£130,000</td>
</tr>
<tr>
<td>Medium</td>
<td>£110,000</td>
</tr>
<tr>
<td>Low</td>
<td>£60,000</td>
</tr>
</tbody>
</table>

**Figure 5.4: Development Revenues – Broad Sub-market Strength**

<table>
<thead>
<tr>
<th>Liverpool Sub-market</th>
<th>Broad Market Strength Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Buffer</td>
<td>Medium</td>
</tr>
<tr>
<td>City Centre</td>
<td>Medium</td>
</tr>
<tr>
<td>Eastern Edge</td>
<td>Low</td>
</tr>
<tr>
<td>Inner Core</td>
<td>Low</td>
</tr>
<tr>
<td>Waterfront</td>
<td>High</td>
</tr>
<tr>
<td>Suburban Core</td>
<td>High</td>
</tr>
<tr>
<td>Southern Fringe</td>
<td>Medium</td>
</tr>
</tbody>
</table>

5.46 Individual developments may differ from the values presented above. However, this approach presents a generalised position for the different housing sub-market areas across Liverpool.
Figure 5.5: Liverpool Housing Sub-market Map

Source: GVA, 2010
Figure 5.6: Average House Price – all recorded sales 2011

Source: HMLR, 2012 (via Liverpool City Council)
Figure 5.7: Recent New Build Development & Approximate Marketed Values – Liverpool

Source: Rightmove.co.uk
Figure 5.8: Liverpool – Broad Local Housing Sub-market Strengths

GVA, 2012
**Affordable Units**

5.47 The transfer values for affordable units – from developer to RSL – are negotiated between developer and RSL on a site-by-site basis within Liverpool. As a result, a general transfer value has been applied to each unit type within the residential development mix, based on GVA’s recent experience elsewhere across the North of England. The values applied are set out in Figure 5.9. These represent a discount on the open market development revenues in ‘medium’ market areas of Liverpool of 70% for social rented units.

5.48 For shared ownership units, a discount of 30% on the open market development revenues is applied. If the site is in a ‘high’ or ‘medium’ value location, then the discount is applied to the open market development revenues in ‘medium’ market areas of Liverpool. If the site is in a ‘low’ value location, then the discount is applied to the open market development revenues in ‘low’ market areas of Liverpool.

*Figure 5.9: Development Revenues – Affordable Units*

<table>
<thead>
<tr>
<th>Development Tenure</th>
<th>Residential Mix</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Rent</td>
<td>£33,000</td>
<td>£39,000</td>
<td>£33,000</td>
<td>£42,000</td>
<td>£60,000</td>
</tr>
<tr>
<td>Shared Ownership (Medium / High)</td>
<td>£77,000</td>
<td>£91,000</td>
<td>£77,000</td>
<td>£98,000</td>
<td>£140,000</td>
</tr>
<tr>
<td>Shared Ownership (Low)</td>
<td>£42,000</td>
<td>£52,500</td>
<td>£70,000</td>
<td>£84,000</td>
<td>£105,000</td>
</tr>
</tbody>
</table>

5.49 The Liverpool Strategic Housing Market Assessment (SHMA) (2011) sets out a recommended tenure split for the delivery of affordable housing as 60% social rent and 40% intermediate (e.g. shared ownership). This has been tested within the site appraisals. Affordable rent units will be treated as generating the same revenues as social rent units for the purpose of appraisal. This is reflective of recent information from the Council and developers cited experience in the local market.
Development Costs

5.50 An accurate calculation of costs is required as part of the residual calculation, based upon market evidence.

Obtaining Planning Permissions and Associated Matters

5.51 The standardised cost of submitting an application for outline permission for residential uses are applied to each site.

Figure 5.10: Development Costs – Outline Planning Application Fee

<table>
<thead>
<tr>
<th>Site Size (ha)</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1 - 2.5</td>
<td>£335 per 0.1ha</td>
</tr>
<tr>
<td>Over 2.5</td>
<td>£8285 + £100 per 0.1ha (max £125,000)</td>
</tr>
</tbody>
</table>

Acquisition Costs

Land

5.52 There have been few recent residential land transactions against which to benchmark comparable land values for residential land across Liverpool. GVA has consulted the latest VOA Property Market Report published in 2011 to establish an appropriate alternative use value below which, land would be unattractive for sale by the landowner for residential uses. The average industrial land value for Liverpool is recorded at £450,000 per hectare within Liverpool.

5.53 In the absence of local information, this supports the assertion that the alternative use value to be applied should be set at £450,000 per hectare. If the residual land value of a scheme achieves a higher value, it is deemed viable for residential use.

5.54 Individual developments will, in reality, differ in the cost paid for residential land. However, this approach presents a generalised position for appraisal. This represents a similar approach to assessment to that taken in viability assessments for planning purposes elsewhere in the region.

5.55 We note that there is likely to be a discount attached to the acquisition cost of brownfield land to reflect higher site-related costs (i.e. remediation / clearance). These costs are accounted for separately within Figure 5.12.
Taxes on Land Acquisition

5.56 The costs associated with site acquisition – Stamp Duty Land Tax (STLT) have been applied consistent with HM Revenue and Customs stipulations.

Figure 5.11: Development Costs – Land Acquisition Taxes

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>% Value of Land</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£125,001 - £250,000</td>
</tr>
<tr>
<td>Stamp Duty Land Tax</td>
<td>1%</td>
</tr>
</tbody>
</table>

5.57 The relief for first-time buyers is not applied as this expired during March 2012.

Site-related Costs

5.58 Additional site cost are applicable and are influenced by the type of land being developed. Contingencies and abnormals are based upon market experienced from recent brownfield redevelopments. The remediation figures are benchmarked against English Partnerships BPN 27 Contamination and Dereliction Remediation Costs (2007). Land is heterogeneous in its nature and therefore these costs will be individual to every site. However, for the purpose of appraisal a set of general cost allowances have been made to take into account these factors.

Figure 5.12: Development Costs – Site Related (note – costs are cumulative)

<table>
<thead>
<tr>
<th>Proposed Scheme Type</th>
<th>Developer Contingency (on gross development build cost)</th>
<th>Abnormals/Clearance (/unit)</th>
<th>Remediation (/hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenfield</td>
<td>1.5%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Brownfield</td>
<td>5%</td>
<td>£8,000</td>
<td>£300,000</td>
</tr>
</tbody>
</table>

Phasing of the Development

5.59 In the current market place the phasing of development is dictated by the pace of sales that can be achieved. Developers are unwilling to hold large amounts of unsold stock on site due to the costs this incurs. Therefore the build rate will be guided by the sales rate.
5.60 The phasing and pace of delivery has been set at a standardised level. A pre-development period is also included as an addition to the overall construction programme. These are set out as follows:

*Figure 5.13: Development Phasing*

<table>
<thead>
<tr>
<th>Build Rate (units built per month)</th>
<th>Development Commence Post Acquisition (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

**Building Costs**

5.61 Build costs are based on the cost associated per square metre of the development’s gross internal floor area (GIFA). Build costs are utilised for each dwelling type considered within the dwelling mix. The model will not consider the availability of Social Housing Grant funding.

5.62 Build costs are based upon GVA’s extensive involvement with a range of residential developers through the north of England through a variety of development negotiations and funding bids (for example through the HCA’s Kickstart Programme and Get Britain Building).

5.63 The costs provided have been cross referenced against benchmarking sources such as BCIS and more detailed Cost Models GVA has access to. All developers will have different supply chains and therefore this approach is taken as a general local market representation.

5.64 The units are costed against Building Regs 2010 Part L and are therefore Code Level 3 energy compliant as standard. The homes do not meet Lifetime Homes Standards.

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23 Where Liverpool City Council has specific detailed information regarding the delivery and phasing of sites, this information has been applied to ‘override’ the assumed unit build out rates.
Figure 5.14: Build Costs – Per Unit (GIFA)

<table>
<thead>
<tr>
<th>Unit Tenure</th>
<th>Residential Mix</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GIFA Build Cost (/sq m)</td>
<td>Plot External Works (/unit)</td>
<td>Infrastructure Cost (/unit)</td>
<td>Prelims (/unit)</td>
</tr>
<tr>
<td></td>
<td>£900</td>
<td>£6,000</td>
<td>£8,000</td>
<td>£10,000</td>
</tr>
<tr>
<td></td>
<td>£900</td>
<td>£6,000</td>
<td>£8,000</td>
<td>£10,000</td>
</tr>
<tr>
<td></td>
<td>£550</td>
<td>£6,000</td>
<td>£8,000</td>
<td>£10,000</td>
</tr>
<tr>
<td></td>
<td>£500</td>
<td>£6,000</td>
<td>£8,000</td>
<td>£10,000</td>
</tr>
<tr>
<td></td>
<td>£500</td>
<td>£6,000</td>
<td>£8,000</td>
<td>£10,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GIFA Unit Size (sq m)</th>
<th>50</th>
<th>60</th>
<th>70</th>
<th>85</th>
<th>120</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build Cost (/unit)</td>
<td>£45,000</td>
<td>£54,000</td>
<td>£38,500</td>
<td>£42,500</td>
<td>£60,000</td>
</tr>
<tr>
<td>Plot External Works (/unit)</td>
<td>£6,000</td>
<td>£6,000</td>
<td>£6,000</td>
<td>£6,000</td>
<td>£6,000</td>
</tr>
<tr>
<td>Infrastructure Cost (/unit)</td>
<td>£8,000</td>
<td>£8,000</td>
<td>£8,000</td>
<td>£8,000</td>
<td>£8,000</td>
</tr>
<tr>
<td>Prelims (/unit)</td>
<td>£10,000</td>
<td>£10,000</td>
<td>£10,000</td>
<td>£10,000</td>
<td>£10,000</td>
</tr>
<tr>
<td>Gross Unit Cost</td>
<td>£69,000</td>
<td>£78,000</td>
<td>£62,500</td>
<td>£66,500</td>
<td>£84,000</td>
</tr>
<tr>
<td>GIFA Gross Cost (£/sq m)</td>
<td>£1,380</td>
<td>£1,300</td>
<td>£893</td>
<td>£782</td>
<td>£700</td>
</tr>
</tbody>
</table>

5.65 These costs have been cross referenced against the latest BCIS build costs at the time of writing (August 2012).

5.66 Cost assumptions of meeting higher sustainability standards through the Code for Sustainable Homes will also be included for the Council’s future use and reference. This places further cost implications on the unit build costs, described as Extra Over (E/O) Costs.

5.67 E/O costs for delivering CSH Levels 4 – 6 are taken from the Code for Sustainable Homes: A Cost Review guidance published by CLG in 2011 and are measure per square meter. E/O costs are measured as a percentage uplift in Base build costs over and above building regulations Part L (2006) baseline. For the purpose of appraisal, it is assumed that the basic unit costs quoted above meet CSH Level 3.

5.68 Therefore an E/O cost can be applied as a percentage for different units types – these are quoted below.

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25 The report notes that at the time of writing very few schemes had been undertaken to Part L 2010 Building Regs to provide a representative sample.
Figure 5.15: Build Costs – CfSH E/O Cost

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>CfSH 4</th>
<th>CfSH 5</th>
<th>CfSH 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starter Flat [1 bed]</td>
<td>5%</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Flat [2 bed]</td>
<td>5%</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Terraced/ Mews [2 bed]</td>
<td>3%</td>
<td>24%</td>
<td>41%</td>
</tr>
<tr>
<td>Semi Detached [3 bed]</td>
<td>4%</td>
<td>23%</td>
<td>41%</td>
</tr>
<tr>
<td>Detached [4 bed]</td>
<td>5%</td>
<td>24%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Fees and expenses

5.69 The applicable fees and expenses are set as follows:

- Legal fees are set at 0.75% of gross development cost.
- Sales fees are set at 1.5% of gross development value.
- Marketing fees are set at £1,500 per unit.
- Professional fees\(^\text{26}\) are set at 10% of development cost.
- Building regulations (statutory) fees are set at £500 per unit\(^\text{27}\).

Section 106 (S106) Contributions

5.70 Liverpool City Council Unitary Development Plan (2002) contains S106 contribution requirements, which are applied through negotiation. The following costs have been applied to make allowance for S106 contributions other than affordable housing\(^\text{28}\):

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\(^{26}\) Professional fees would normally include costs as follows: architect/planning, structural engineer, mechanical and electrical advice, QS / cost consultancy, project manager, construction design and management advice. This may vary by specific site.

\(^{27}\) Broad estimate based upon Liverpool City Council’s Guidance Notes on Building Regulation Charges: New Dwellings (February 2012).

\(^{28}\) It is recognised that these costs may vary on an individual scheme basis, dependent on site-specific circumstances. For the purposes of this assessment, site specific S106 or S278 costs have not been included. However, these may be required as part of granting planning permission.
- £2,000 per unit to contribute towards the upgrading and improved provision of open space within the City Centre sub-market and £1,000 per unit to contribute towards the upgrading and improved provision of open space across the rest of the city.

**Interest or financing costs**

5.71 Interest is set at 7% of development cost based on a 100% debt structure.

5.72 It is widely recognised that the approach to development varies widely and is influenced by the equity invested in the site along with the financial organisation of the developer. For example, a larger PLC Housebuilder may access debt finance from a revolving corporate structure whilst a smaller developer may access debt finance on a site by site basis. The interest rates can therefore differ widely between these approaches, however, the approach is standard practice undertaken in knowledge of its limitations.

**Holding costs**

5.73 No holding costs are assumed within the appraisals, this is standard practice in financial models for planning scenarios. Holding costs should not be included in individual site negotiations.

**Tax relief and grants**

5.74 No tax relief or grants are assumed. Affordable housing revenues are also based on a nil-grant approach.

5.75 It is possible for schemes to attract grant and support through a range of agencies. Where this occurs, appraisals should account for the level of grant being invested into the scheme, for example through the National Affordable Housing Programme managed by the HCA.

**Value added tax**

5.76 VAT is assumed as incorporated within the costs stated.

**Developer’s profit**

5.77 A key element of viability is to allow a risk adjusted market return to the developer. Without this there is no commercial justification to a developer investing money into a site.

5.78 A reasonable approach to return is included, which is based on recent market consultations with a range of residential developers. Developer’s profit is therefore set at 20% of gross development value (GDV).
Sensitivity Testing

Changing Market Conditions

5.79 To understand the potential impact of a potential future market recovery in house prices on site viability over the Core Strategy period two Scenarios have been used. This enables classification of the assessment sites into the different phased SHLAA delivery periods (i.e. five year / six to ten / eleven years plus).

5.80 The details of the Scenarios (1 and 2) are set out under the heading ‘Assessing Achievability’ earlier within this chapter.

Summary of Changes in Approach from 2008 SHLAA

5.81 This sub-section sets out the changes in approach to assessing achievability from the 2008 SHLAA, which are taken in the 2012 SHLAA Update.

Achievability

5.82 The 2012 SHLAA appraises the achievability of all assessment sites within the 2012 SHLAA Update, with the exception of those sites with planning permission and/or within Liverpool City Council delivery programmes (which are classified as ‘deliverable’ as defined within this chapter under the heading ‘Classifying Achievability’), utilising GVA’s viability appraisal model.

5.83 This is considered a more thorough approach than modelling a sample of sites and extrapolating wider results. This represents a change of approach from the 2008 SHLAA.

5.84 The 2008 SHLAA followed a two stage process for assessing achievability. This included:

- A ‘high-level’ achievability assessment for all of the 309 sites in the SHLAA over 0.4ha in size (and some sites in the City Centre over 0.2ha), as well as a sample of 117 small sites below 0.4ha. In total 426 sites were assessed. The findings from the 426 achievability assessments were subsequently used to extrapolate the theoretical dwelling potential of the remaining sites in each sub area of the city.

- Detailed development appraisals for a representative sample of 122 sites to test the ‘high-level’ achievability assumptions outputs. This verification process confirmed the phasing of sites into ‘deliverable’, ‘developable’ or ‘not currently developable’ 5 year phases.
6. **SHLAA Stage 8: Assessment Review, Including Overcoming Constraints**

**Assessment Review**

6.1 A review of all stages up to and including Stage 7 has been undertaken. This specifically considers the outputs of Stages 7a, 7b and 7c to arrive at a deliverable 5 year land supply figure, as well as a calculation of the developable supply in years 6-10 and beyond.

6.2 Following this process, specific analysis has been undertaken of the sites within the deliverable and developable supply to allow for re-appraisal and refinement using GVA’s viability appraisal model.

6.3 The SHLAA report draws together the findings of Stage 8 (DCLG Guidance) to present the housing supply position and present an indicative trajectory based on the analysis. The report outlines the implications regarding the need to identify future land and particular issues regarding the phasing of land.

**Overcoming Constraints**

6.4 In preparation of Stages 1 – 6 of the SHLAA 2012 Update, Liverpool City Council has taken into account the impact on sites of infrastructure, environmental and planning policy constraints. Importantly, consideration of the overcoming of constraints has been built into the assessment of deliverability within the 2012 SHLAA Update – as described within Stage 7c (see chapter 5). Notably, this involves the specific and detailed consideration applied to:

- Sites contained in the City Council’s housing delivery programme where the City Council’s involvement has sought to assess and resolve risks to delivery, including potential public sector funding risks;

- Sites with planning consent – sites with consent nearing expiry, and with implementation in question, have been identified and assessed to take into account potentially viability / funding constraints.
Identifying Additional Supply

6.5 If the programme and trajectory reveals that there is a lack of sites available to meet housing requirements for the next 15 years (i.e. a ‘shortfall’), then consideration should be given to undertaking and applying Stages 9 and 10 of the DCLG SHLAA Guidance. The two options for investigating how a shortfall could be planned for are:

- Stage 9: The identification of broad locations for future housing growth, within and outside settlements; and / or
- Stage 10: The use of a windfall allowance.

6.6 The methodology applied in undertaking these stages is presented in chapter 7.
7. **SHLAA Stage 9 & 10: Approach to Broad Locations & Windfalls**

**Stage 9: Broad Locations**

7.1 Given the geography of the City and that sites have been identified from all parts of the built up area, plus the fact that supply from identified and windfall sites has to date proved sufficient to meet numerical requirements contained in the Local Plan, no assessment has been made of the potential supply in broad locations.

**Stage 10: Windfalls**

7.2 The NPPF allows for local planning authorities to make an allowance for windfall sites in the 5 year housing supply if there is compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply. The allowance should have due regard to historic windfall delivery rates and expected future trends, and should not include residential gardens.

7.3 This is supported by the DCLG SHLAA Guidance (2007, paragraph 51), which states:

>'Where a windfall allowance can be justified, this should be based on an estimate of the amount of housing that could be delivered in the area on land that has not been identified in the list of deliverable/developable sites, or as part of broad locations for housing development.'

**Windfall Supply: 5 Year Supply**

7.4 Liverpool City Council has identified all completed dwellings since 2008 which have arisen on sites which were not included in the 2008 SHLAA, and made an estimate of the number that will arise in 2012/13 on sites not included in the 2008 SHLAA, based on the status of the site as at April 2012 and supplemented with information gathered at 1st September 2012.

7.5 This exercise has indicated the scale of housing delivery from windfall for the five year period 2008-2013.

7.6 The analysis of sites delivering windfall completions includes:
• brownfield / greenfield
• dwelling type – houses / flats
• location by sub-housing market area
• previous use (source), and if possible immediate previous activity

7.7 The analysis of historic trends over the 2008-2013 period forms the basis of projecting a total figure to be applied to the first five years of the 2012 SHLAA Update as a windfall supply assumption.

7.8 The windfall allowance for years 1-5 (the 5 year supply) is calculated based on extrapolation of the rising annual trend derived from known windfall dwelling completions within the city in the four years 2008/09-2012/13. These totalled 368 dwellings, of which there were 0 in 2008/09, 128 in 2010/11, and 191 in 2011/12. The application of the average annual increase in windfall dwelling delivery between 2008/09 and 2011/12 of 63 per annum has been utilised to provide a windfall delivery assumption of 255 dwellings (rounded) in 2012/13. This figure, and the method behind it, was discussed and agreed with the SHLAA Housing Market Partnership on 25 September 2012.

7.9 The total windfall allowance for years 1-5 on this basis is therefore 623 dwellings (=368+255). This is to be added to the 5 year supply capacity within the SHLAA Update (2012) database.

7.10 This is seen as a robust and conservative approach to the calculation of a windfall allowance, which aligns with both the NPPF and SHLAA Guidance whilst reflecting the challenging market conditions experienced since 2008.

Windfall Supply: 6 - 15 Year Supply

7.11 Liverpool City Council has specified the inclusion of a conservative windfall allowance for years 6 – 15 of the SHLAA supply, as is permitted by the SHLAA Guidance. The estimate of annual windfall delivery for 2012/13 (as set out in paragraph 7.8) is incorporated as an annual windfall allowance for each of the years 6 – 15 within the SHLAA supply.
8. The Viability of Sites to Deliver Affordable Housing

8.1 The current policy position regarding affordable housing in Liverpool, is that Liverpool City Council does not apply a requirement for affordable housing to new developments. As a result, the SHLAA 2012 Update does not directly include the testing of a contribution towards affordable housing in its Stage 7c assessment.

8.2 The Liverpool Core Strategy Submission Draft (2012) states that the City’s approach to delivering affordable housing will be set out in a further development plan document, including:

- An overall target for the amount of affordable housing to be provided
- The size and type of affordable housing that is needed
- The range of circumstances in which affordable housing will be required, and
- The approach to seeking developer contributions

8.3 Therefore, to inform this development plan document, Liverpool City Council has commissioned GVA to undertake a separate assessment (alongside the 2012 SHLAA Update) to evaluate the impact of applying affordable housing contributions on the viability of sites within the 2012 SHLAA Update. This will utilise GVA’s site viability appraisal model through the application of different affordable housing contributions.

8.4 Liverpool City Council will need to evaluate the findings of the SHMA (2011), and that of research conducted as part of the 2012 SHLAA Update, in order to determine the detail of the approach that any resulting affordable housing policy should take.