



# Melton Mowbray Sustainable Urban Extension

## Viability Appraisal Report

Prepared on behalf of Melton Borough Council

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Prepared by:

**Savills (L&P) Ltd**

9 Fletcher Gate

Nottingham

NG1 1QQ

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## 1.0 Introduction

Savills (L&P) Ltd have been appointed, as a result of a competitive tendering exercise, to undertake a commercial viability assessment of each of the preferred options that have been identified within the Melton Core Strategy (Preferred Options) Development Plan Document (MCSDP).

The MCSDP has established the need for around 1,000 additional dwellings in order to meet future requirements. It identified four potential development options that could accommodate this growth. In addition to this it also identified two options to accommodate a further 30 hectares of land suitable for business and employment growth.

The purpose of the report is to investigate the viability of delivering the strategic housing growth areas. We also provide commentary upon the employment growth options.

This report is structured so as to:-

- Introduce and explain the methodology we have used to produce this report;
- Present our findings from the core and market baseline analysis;
- Set out the assessment of each option;
- Comment upon the viability of differing scenarios;
- Comment upon the potential methods of capturing uplift; and
- Set out the conclusions.

## 2.0 Methodology

The methodology that we have adopted comprises a detailed baseline analysis and evaluation of the viability of the individual development options. The baseline analysis comprises an initial evaluation of the study area, planning policy and core strategic sites, which is followed by a detailed market analysis. We have then undertaken a comprehensive evaluation of the viability and delivery of each option resulting in final summaries and conclusions.

## 3.0 Core Baseline Analysis

### 3.1 Study Area Context

#### 3.1.1 Melton Mowbray

The district of Melton is centrally located within the East Midlands region and is situated in the north east part of the County of Leicestershire. It borders the counties of Nottinghamshire, Lincolnshire and Rutland.

The principal urban settlements surrounding the district are Leicester (population 280,000), which lies 16.8 miles (27km) to the south west; Nottingham (population 267,000)), which lies 21.2 miles (34km) to the north west and Peterborough (population 156,000) which lies 30.5 miles (49km) to the south east.

Lesser settlements include Loughborough (population 55,000), which lies 19 miles (31km) to the west; Grantham (population 34,000) which lies 16 miles (26km) to the north east; Oakham (population 9,620), which lies 10 miles (18km) to the south east; and Stamford (population 19,500) which lies 21.8 miles (35km) to the south east.

Whilst Melton Mowbray itself is not a designated Growth Point it does lie within the '3 Cities and 3 Counties' Growth Point, which encompasses Nottingham, Derby and Leicester and the three respective counties. One of the Growth Point Status targets is to provide an additional 81,500 homes by 2016.

### 3.1.2 **Description**

Melton is one of the smallest districts in the United Kingdom and also one of the fifty most sparsely populated, with approximately 86% of land (41,422 ha)<sup>1</sup> being used for agriculture. Melton Mowbray is the primary urban settlement within the district and is its main service and administration centre. Melton Mowbray is an important market town that serves a rural catchment area population of about 60,000<sup>2</sup>. The town centre core retail area is centred upon the Market Square, Nottingham Street and Sherrad Street.

The other settlements within the district comprise villages and hamlets scattered throughout the area.

In terms of communications, Melton lies at the intersection between the A607 and A606. The A607 runs between the settlements of Leicester and Grantham and provides access to the M1 motorway, via the A46, to the west of Leicester. It also provides access to the A1 dual carriageway, which is located to the west of Grantham. The A606 runs between the settlements of Nottingham and Oakham. It provides access to the M1 motorway via the A52, which runs to the west of Nottingham. It also provides access to the A1 dual carriageway, which runs to the west of Stamford and east of Oakham.

Melton Mowbray is located on a railway line that runs between Leicester and Peterborough with regular services between Cambridge and Birmingham, which in turn provides connections to the main railway network. The opening of a new station at Corby and a former mineral branch line will create the opportunity to run direct services from Melton Mowbray to London St Pancras. This will enhance connectivity to London.

### 3.1.3 **Population**

The district of Melton has a population of 48,300 (mid-2007). 18.1% are under 16 years of age whereas 19.2% are of pensionable age. The town of Melton Mowbray has a population of approximately 25,500<sup>3</sup>, which equates to approximately 52% of the overall population.

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<sup>1</sup> Melton Local Development Framework 'The Countryside Discussion Paper'

<sup>2</sup> Local Development Framework 'Melton Mowbray Town Centre and Shopping'

<sup>3</sup> MLDF Core Strategic Document Jan 2008

The sub-national population projections (SNPP) for England (provided by National Statistics) suggest that the population for all-ages will increase to 56,000 by 2026; a rise of 14.5%.

### 3.1.4 Demographics

In 2001 the total number of households within the district was 19,615; whereas the figure for the urban area was 10,454. The age structure for the district is comparable to those for the national figures with the exception of the age bracket 20-29 where the figure is 1.9% lower than the national average. For the age bracket 32-34, Melton has a marginally higher percentage (0.7%) and a marginally higher figure for the age bracket 45-59 (0.5%). Population projections for 2016 and 2021 suggest a large increase in the over 65's population.

In terms of socio-economic structures, the mosaic consumer classification<sup>4</sup> scores Melton more highly under the ranking 'happy families', 'suburban comfort' and 'ties of community' than the national average. This is particularly apparent for the classification 'ties of community' where the score is 29.59 in comparison to the national average which was 16.33. The classification for these groups are as follows:-

*'Symbols of Success' - People with rewarding careers who live in sought after locations, affording luxuries and premium quality products.*

*'Happy Families' - Families with focus on careers and home, mostly younger age groups now raising children.*

*'Suburban Comfort' - Families who are successfully established in comfortable, mature homes. Children are growing up and finances are easier.*

*'Ties of Community' - People living in close-knit inner city and manufacturing town communities, responsible workers with unsophisticated tastes.*

The higher the score for each classification, the more prevalent that classification is within the borough.

In terms of class groupings Melton had a marginally lower percentage of A, B (higher and intermediate managerial/administrative/) and C1 (supervisory, clerical, junior managerial/administrative/professional) positions than the national average but had higher numbers of C2 (skills and manual workers) and D (semi-skilled and unskilled workers positions).

### 3.1.5 Local Economy

Melton has one of the highest economic activity rates in Leicestershire. It is a relatively prosperous rural area with low levels of social deprivation (albeit there are some pockets of deprivation) and unemployment. The town centre also displays high levels of vitality and viability.

The index of deprivation ranks Melton Mowbray 294 out of the 354 local authority areas in England with the most deprived ranked 1. The district is therefore one of the least deprived local authority areas in England.

Improvements in the national economy in the last 10 years and growth in the service sector at the local level have been largely responsible for a steady

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<sup>4</sup> Focus Information Ltd Town Centre Reports

increase in new jobs. As the population of the borough has increased so has the number of people in employment. In 1991 there were 45,112 people living in the borough and 21,000 in employment. By 2001 the population had risen to 47,866 and the number of people employed increased to 24,000. These figures will be subject to changes as a consequence of the recent downturn in the economy.

A baseline study was undertaken in 2004 on behalf of the Leicestershire Economic Partnership<sup>5</sup>. It reviewed the current economic and labour market conditions and forecast changes anticipated over the next decade for Leicester and Leicestershire. An assessment of competitiveness illustrates that Melton borough has a particularly strong workforce, which is the second strongest in the county behind the district of Harborough. Melton scores highly for three competitiveness factors, dynamism, enterprise and workforce. However the borough is relatively weak in terms of sector structure.

The study identified that Melton has the second highest percentage of employment in the agricultural sector (2.6%) in comparison to the average figure for Leicestershire (0.6%) and the UK (1%). Melton also has a significantly higher percentage of employment in the manufacturing sector (28%) in comparison to the overall figure for Leicestershire (24.8%) and the UK (14.2%). However, the study noted that Melton had a lower percentage of employment in the banking, finance and insurance sector (10.3%) in comparison to the county as a whole (13.3%) and also the UK (19.6%).

### 3.1.6 Strategic Priorities

#### (i) Sub-Regional Strategy Partnership

The Welland Sub-Regional Strategy Partnership (SSP), which incorporates Melton, is one of seven sub-regional strategic partners funded by EMDA to tackle economic regeneration issues. It is a cross-boundary, cross community partnership covering five districts across four counties and includes market towns, rural communities and farming land.

The Welland SSP continues to work with a wide range of partners to stimulate enterprise development, an enterprise culture and to encourage the start-up, growth and development of successful companies.

Key issues:-

- Promoting enterprise within the rural economy.
- A need to provide business support infrastructure.
- Realising potential of market towns within the local economy.
- Need for quality space for incubation and enterprise development.
- Support for start-up businesses and growing businesses.

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<sup>5</sup> Leicestershire Baseline Study 2004 ECOTEC Consultants

(ii) **Growth Point Status**

In 2005, the Government announced the New Growth Points Initiative to support local communities wishing to pursue large scale, sustainable growth including housing.

29 New Growth Points were identified in 2006 through a bidding process. The 3 Cities & 3 Counties (6 C's) Growth Point is the largest and most complex of these incorporating Derby, Leicester, Nottingham and their respective counties (to include Melton).

In 2007, growth point areas were invited to submit programmes of development relating to infrastructure vital for the early delivery of housing growth. The Sustainable Urban Extension at Melton has been identified as part of this Programme of Development as a key housing site likely to deliver over 800 dwellings.

Leicester City Council will act as lead authority for the ongoing payment of grant to the 6Cs Partnership.

3.1.7 **Summary**

The district is centrally located within the East Midlands region. It is one of the most sparsely populated districts with a large agricultural hinterland. The principal urban settlement is Melton Mowbray, which is the centre for administration and employment within the district. The town comprises 50% of the District's population. Future population predictions suggest a significant rise in the 65+ population. The all-ages population of the district is projected to increase by 14.5% by 2026 (a projected increase of approximately 8,000).

Historically, Melton Mowbray is well served with links to both the local road network and rail network. However, it is not in close proximity to the main arterial routes, which serve the region.

Melton has one of the highest economic activity rates in Leicestershire. It is a relatively prosperous rural area with low levels of social deprivation and unemployment. The town centre also displays high levels of vitality and viability. The local economy is heavily reliant upon the manufacturing and agricultural sectors and is under-represented within the service and emerging sectors.

As part of the Growth Point initiative it has been recognised that Melton can have an important role contributing towards the Programme of Development through the delivery of a growth area which can accommodate substantial housing.

3.2 **Planning Context**

3.2.1 **Local Development Framework Process**

The Melton Local Plan was prepared by Melton Borough Council (MBC) to guide development in the Borough. It was adopted on 23 June 1999 and covers the period 1991 to 2006. It superseded the old Melton Mowbray and Asfordby Local Plan, the Melton (Rural Areas) Local Plan and the old style Leicestershire County Development Plan (as far as it affects Melton Borough).

The Planning and Compulsory Purchase Act 2004 now requires all Local Planning Authorities to prepare Local Development Frameworks (LDFs) to replace Local Plans. This is an ongoing process.

The Secretary of State for Communities and Local Government made provision to 'save' certain Local Plan policies until the emerging LDF is implemented. Those policies within the Melton Local Plan which have been saved are as follows:-

OS1	Development Within The Countryside
OS3	Infrastructure
H2	Proposed Allocations: Melton Mowbray
H7 & H8	Affordable housing
H10	Amenity Open Space in New Housing Developments
H11	Outdoor Playing Space in New Housing Developments
H21	Gypsy Caravan and Travelling Showpeople's Sites
EM2	Employment Allocations in the Borough
EM3	Existing Commitments
EM10	Employment Development Outside of Town or Village Envelopes
T1	Road Improvements
T3	Suitable Road Layouts for Public Transport
T6	Provision for Cyclists and Pedestrians in New Developments
C1	Development of Agricultural Land
C14	Nature Conservation Value
C15	Wildlife Habitat Protection
C16	Trees and Woodland
S6	Village and Neighborhood Centres
R1	Recreation Allocations
R3	Recreation Facilities in the Open Countryside
UT3	Development in Essential Washland Areas

### 3.2.2 Core Strategy

As part of the emerging LDF, a Core Strategy will be produced that will set out the vision and future planning strategy for the district. It will be based upon three stages of consultation before adoption. The stages of consultation are as follows:-

#### (i) Stage 1 'Issue & Options'

This stage comprises the issuing of an 'Issues and Options' paper. This was published in April 2006. The paper set out the options for both housing and employment as follows:-

## *Housing*

The paper set out three strategic options for the distribution of new houses within the district with varying proportions allocated between urban and rural areas. These were as follows:

- Option One: Melton Mowbray 80% - Rural Area 20%;
- Option Two: Melton Mowbray 70% - Rural Area 30%;
- Option Three: Melton Mowbray 60% - Rural Area 40%.

Option 1 received a positive reaction with 61% of the respondents favouring this option. Option 1 also complies with both national and regional planning policy.

In addition to the above the extent of development was also consulted upon with three options being presented for comment. These comprised:

### **Housing Option One**

Leicestershire, Leicester and Rutland Structure Plan. With a Structure Plan requirement to provide 4,200 houses between 1996 and 2016, there is likely to be a need for a Greenfield Allocation of 1,000 houses.

### **Housing Option Two**

Draft East Midlands Regional Plan. Under this option MBC will have an annual target of 160 dwelling per year between 2001 and 2026, equating to 4,000 for the total period. Taking into account planning permissions and urban capacity, approximately 1,260 additional dwellings will need to be planned for on Greenfield Land.

### **Housing Option Three**

Housing Needs Survey. The Housing Needs Survey Update 2006 identified the need for 185 affordable housing units a year. This would equate to 3,700 units over the 20 year period 2006 to 2026. It is suggested that at 116% of the housing target for the Borough, this level of need is unachievable. Incidentally, the council will be pursuing a target of 40% affordable on suitable sites.

It was concluded as part of the exercise that **Option Two** should form the basis of housing policy in the emerging Core Strategy.

## *Employment*

The East Midlands Regional Plan (Policy 20) makes no quantification for the allocation of employment land within the LDFs. The 'Issues and Options' paper sets out the options for the amount of land required for business/employment development. These comprise:

### **Employment Option One**

Leicestershire, Leicester and Rutland Structure Plan. Employment Policy 1 of the Structure Plan says that 125 hectares of employment land should be provided between 1996 and 2016. Around 30 hectares of additional employment land is needed within the plan period to achieve this requirement.

### Employment Option Two

Employment Land Study 2006. The 2006 study recommended the following targets:

- 20,000 sq m of additional office floor space.
- 16 hectares of industrial/warehousing space.

### Employment Option Three

Draft East Midlands Regional Plan. A draft update to the 2006 employment land study projects employment land demand to 2026. It suggests that during the period 2003 to 2026 there will be a negative demand for industrial and warehousing provision of 9.1 hectares (around 35,000 sq m). However there would be demand for an additional 3 hectares (around 12,000 sq m) of office provision.

Melton Borough Council comment that there is no certainty that the 9.1 hectares of industrial land will be made available to the market within the period, and that it may be more prudent to plan for the additional office space through the identification of an additional 3 hectares of office land.

It was concluded as part of the exercise that **Option Three** would form the basis of the emerging Core Strategy on the basis that it provides for the period to 2026.

#### (ii) Stage 2 'Preferred Options'

Having considered the comments during the Issues and Options stage, MBC published 'The Melton Core Strategy (Preferred Options) paper at the start of 2008. The paper provides commentary on the future growth of Melton Mowbray and sets out four alternatives for accommodating housing growth. These options are the subject of this study. Three of these alternatives reflect a single extension to the town, whereas the fourth option comprises a number of smaller extensions to the built-up area of the town. The first three options were tested by a traffic model to assess the impact of capacity upon the local highway network. The results suggested a need for a bypass to help relieve traffic congestion in the town.

The Melton Core Strategy (Preferred Options) paper illustrates each of the alternative housing and employment growth scenarios. The plans broadly illustrate the location of the growth areas but they are not site specific. A more detailed description of each of the growth areas is set out within Section 3.4. Plans illustrating each of the options are attached at **Appendix 1**.

#### (iii) Stage 3 Independent Examination

A submission document will be prepared by Melton Borough Council after they have received and considered the results of consultation on the Preferred Options document. It is likely that an independent examination will then be held where anybody who wishes to challenge the soundness of the Core Strategy can be heard by a Planning Inspector. The Core Strategy can only be adopted if it is found to be sound at Examination.

### 3.2.3 SHLAA

In accordance with Planning Policy Statement 3, Local Authorities are now required to carry out a Strategic Housing Land Availability Assessment (SHLAA), in order to identify future sources of land for housing.

As part of this exercise landowners are requested to submit sites for development, which will be evaluated by the planning authority to establish whether they are suitable to be allocated for residential development.

The Melton SHLAA is nearing completion and will form part of the evidence base informing both the Core Strategy and Site Allocations documents.

### 3.2.4 RSS Figures

The Draft East Midlands Regional Strategy (RSS) published September 2006, includes a strategic allocation of 160 dwellings per annum between 2001 and 2026. The Panel Report states that when the Draft RSS was submitted, the latest household projections were based on the 2003 Housing Market Assessments for each sub-region of the East Midlands. These have now been superseded by 2004 based population projections. The latter suggest that there will be 21,000 more households in the region by 2026 than the 2003 projections did, and the Panel suggests the housing targets should be adjusted accordingly.

This has been further revised by the recent changes made by the Secretary of State (SoS). The result is an increase of dwelling provision from 4,000 to a minimum of 4,100 for the period 2001 to 2026. The SoS has also accepted the Panel's recommendation that housing provision should be expressed in a similar way to that adopted for Northamptonshire, i.e. annual averages over five year periods, with the first period (2001-06) reflecting actual completion figures. The revised figures are as follows:

2001-06	2006-11	2011-16	2016-26
150	240	190	120

Melton Borough Council annualised dwelling provision targets.

The annual averages for the remaining periods reflect the constant rate of change needed from current build rates in order to meet the required district totals by the end of the RSS period. However, in those areas where evidenced-based forward housing trajectories were available to the SoS from local planning authority December 2007 Annual Monitoring Reports, those figures have been used for the 2006-2011 period. As figures for the period 2016-26 are inevitably less precise these have been expressed as an annual average over the 10 year period. However, we understand that the local planning authority is seeking revisions to the phasing of this development, but not the overall provision.

### 3.2.5 Summary

The adopted Melton Local Plan covered the period to 2006. The SoS has allowed Melton to 'save' relevant policies for the period leading up to the adoption of the LDF.

As part of the LDF process, Melton Borough Council are at the Preferred Options stage in the production of their Core Strategy document. The process so far has highlighted the need for future development to be focused within and around Melton Town to meet an identified need of the Borough over the RSS plan period.

The revised East Midlands RSS is nearing a state of adoption following comments from the SoS. In accordance with the RSS, Melton will have to satisfy housing provision of at least 4,100 dwellings for the period 2001 – 2026.

The RSS makes no quantification for employment allocations through the LDF process. There is likely to be a changing profile of employment land use over the forthcoming years and the ‘plan, monitor, manage’ approach will be the key in enabling the correct employment balance over the plan period.

### 3.3 Bypass Options

MBC has undertaken a consultation exercise with the local community and businesses to seek their responses on transport issues. One of the principal concerns arising from the exercise was concern over congestion of the main roads into and around the town centre. MBC employed a traffic model to assess the possibility of a bypass for the town. The modelling investigated a number of options and it was concluded that all of them would significantly reduce traffic on the roads into Melton Mowbray and in the town centre. The exercise suggested that the most effective way of reducing traffic congestion would be to construct a full ring road.

The Local Transport Plan (2006-2011) aims to develop proposals for a bypass between 2011-2016. However, the Regional Funding Allocation has designated the scheme a ‘low priority’ in the short term with funding unlikely until after 2015. It is recognised that the location of new housing and employment development within Melton Mowbray will affect the overall case for a bypass. The Core Strategy (Preferred Options) Development Plan Document sets out a range of options to deliver the bypass. The delivery of a full ring road is seen as a long term aim. In the short term, the delivery of a bypass is seen as the first stage in achieving a full ring road. An extension to the inner relief road to the south of the town centre has been rejected; however, new development will be expected to contribute to the costs of a bypass, which would have major benefits by reducing traffic in the town centre.

The following table<sup>6</sup> illustrates the potential impact upon traffic flows as a result of delivering the ring road.

Route	Existing Traffic Flow	Predicted Reduction in Traffic Flow
Norman Way	13,270	5,900
Sherrard St./Thorpe End	6,400	5,100
Leicester St.	8,540	4,500
Wilton Rd	15,740	5,400
Total Traffic or Total reduction	43,950	20,900

<sup>6</sup> [http://www.leics.gov.uk/index/highways/road\\_improvements/consultations/melton\\_traffic\\_issues.htm](http://www.leics.gov.uk/index/highways/road_improvements/consultations/melton_traffic_issues.htm)

### 3.4 **Strategic Growth Areas**

The 'Preferred Options' paper identified four strategic growth areas and two employment growth areas. These can be summarised as follows:

#### 3.4.1 **Housing**

Option A – South

Option B – East

Option C – North

Option D – Small Sites

#### 3.4.2 **Employment**

Option 1 – West

Option 2 – East

We have undertaken desktop analysis of the strategic growth areas, which have been combined with site visits and a ground review of the strategic sites. The desktop research has included a review of policies relating to each area and we have undertaken Land Registry searches to establish general ownerships and interests associated with each growth area.

We are aware of a number of studies which have been commissioned by Melton Borough Council in the recent past which include:

- Agricultural Land Quality Study (December 2005)
- Flood Risk Assessment (January 2008)
- Landscape assessment (March 2006)
- Access and movement studies by Leicestershire County Council (Ongoing)

In line with the scope of this report, we have not been tasked with reviewing these past studies. Needless to say, after discussions with MBC, no serious constraints or implications can be drawn out for any of the potential development locations highlighted.

Further to this, whilst we acknowledge that the alternative growth areas are not site specific, we have, for the purpose of the study, attempted to identify more tangible locations, which can be translated into geographical site areas. These areas have been identified in concert with MBC and the residential sites are labelled as H1 (Option C – North), H2 (Option A - South) and H3 (Option B - East). The strategic employment sites are labelled as E1 (Option 2 - West) and E2 (Option 1 - East). These areas are by no means fixed but provide a basis for the review. The precise location of a growth area, if adopted, will be determined by an allocation within the LDF. A location will also be the subject to the granting of planning permission. A plan illustrating the location of these strategic growth areas is appended at **Appendix 2**.

A description of the areas is as follows:

#### 3.4.3 **Housing Strategic Growth Area: Option A – South**

##### i) **Location**

This growth area is located on the southern fringe of the Melton Mowbray urban area, abutting Kirby Lane.

ii) **Description**

The area for the main part comprises agricultural land and paddocks. Located within the area is a County Council Highways Depot. The site is roughly rectangular in shape and is bounded to the north by residential development. To the south, west and east, the site is directly adjacent to agricultural land, with a disused airfield further to the south along Dalby Road.

iii) **Size**

We estimate that the area extends to 42.1 hectares (103.9 acres).

iv) **Access and Linkage**

The entire northern boundary of the site is fronting onto Kirby Lane. Although access along Kirby Lane extends the full boundary of the site, only part of Kirby Lane is made up to adoptable standards. Much of Kirby Lane is single track. Two roads trisect the site; Dalby Road and Sandy Lane, both of which run north-south through the site linking Melton Mowbray with Great Dalby to the south west. These roads give the site a high level of accessibility, although Kirby Lane would require upgrading. If a new bypass were to be constructed, it is believed that it would run adjacent to the site, but to the south. This would give this site unrivalled accessibility.

v) **Visible Constraints**

There do not appear to be any visible constraints on the site; however, we believe there to be a watercourse running from south-north through the site, which is shown on Ordnance Survey maps. We have not inspected the site internally, other than from the main road frontages. From our inspection, we believe there to be a telephone mast located within the Council Depot on the western part of the site. This Council Depot would need to be relocated in order to bring forward a comprehensive development of the site.

vi) **Ownership and Interests**

We have reviewed the land ownerships for the site and have found two key title ownerships, both registered to the same proprietor. The remainder of the site is unregistered. The main landowner is the Official Custodian for the Charities of the Town on behalf of the Trustees of Melton Mowbray Town Estates. Details of the titles can be found in **Appendix 3**.

As the majority of the site is owned by one party, the assembly of the site should, in theory, be relatively simple. However, being owned by Trustees will constrain the manner in which the site can be dealt with and disposed of, potentially causing a delay to its delivery.

It appears that parcels of the land are in occupation and being used for paddocks. It is likely that there will be shorthold tenancies or licences over parts of the land, which should not hinder its delivery. However, the County Highways Depot, situated on the western part of the site, is subject to a 15 year lease from 1 November 2004. We have not had

sight of this lease, however it may include provisions that would enable the lease to be terminated and vacant possession provided early.

David Wilson Homes have submitted representations on this site on behalf of a consortium of land owners. The site on which they propose development is somewhat larger than that identified within this study and reaches further west than the site boundary. We are not aware of their actual legal interest in this site and cannot, therefore, comment on their ability to develop the site. However, the quality and depth of their submission supports their commitment to their proposals.

#### 3.4.4 **Housing Strategic Growth Area: Option B - East**

i) **Location**

Site H3 is located to the south east of Melton Mowbray town centre. It is directly adjacent to the urban area, to the west.

ii) **Description**

The site is roughly L-shaped and is bounded to the north by the railway line, to the south and east by agricultural land and to the west by established estate housing and schools. Land appears to be undulating and is mainly used for agricultural use.

iii) **Size**

We estimate the size of the site to be 34.2 hectares (84.5 acres). This is the smallest of the three housing sites, being some 8 hectares smaller than site H2.

iv) **Access and Linkage**

The site does not currently have any road access. It is presumed that the land is currently accessed via neighbouring land also within the Title ownership. There appears to be a public footpath running through the site from the north western boundary to the southern boundary. Although adjacent to the established housing, there have been no vehicular accesses left into the site. There is, however, a footpath through from Willcox Drive. The site is directly adjacent to Birch Wood Special School and it could be possible for an access to be created here.

It is unlikely that this site could be developed without a new access being created. This access would be most appropriate from Burton Road to the south. However, this would involve land not within the boundary of the site. It would also be inefficient to create a long access road up to the site whilst not incorporating the land either side of the access way. The site would also require more than one access given its size, and it does not appear that this could currently be accommodated.

v) **Visible Constraints**

The northern edge of the site bounds a mainline railway line over which there is no access to the site.

vi) **Ownership and Interests**

The site identified is currently owned by two parties. The majority of the site is in the ownership of four private individuals and, according to the title, cannot be disposed of without the express permission of all parties.

The second owner is Leicestershire County Council, whose ownership extends to incorporate the neighbouring four schools. Details of the ownerships that cover this site can be found in **Appendix 3**.

The primary ownership extends beyond the boundary of the site, to the A606 Burton Road to the south. This therefore allows scope for an access road to be linked from the site to the main road. Alternatively, a revised site boundary could be considered, to incorporate a frontage to Burton Road.

The title documents for this site note that the land is subject to restrictive covenants, albeit these are listed on deeds which are separate to these titles. Without sight of the deeds, we are unable to say whether or not they would restrict the development that could occur on the site.

We have been notified that the owners of the majority of this site have a land agent acting on their behalf, and the site has been submitted as part of the Melton Mowbray Strategic Housing Land Availability Assessment consultation process. As far as we are aware, there is no specific developer interest in this site at the present time.

3.4.5 **Housing Strategic Growth Area: Option C - North**

i) **Location**

Site H1 is located directly to the north of Melton Mowbray town centre. It is bisected by Scalford Road running from the north into Melton Mowbray at the south. To the south west of the site is Sysonsby Lodge, a former hunting lodge. To the east of the site, beyond a block of agricultural land, is the Melton Mowbray Country Park.

ii) **Description**

The site currently exists as agricultural land and is bounded to the north and east by similar land. Directly to the south, the site is adjacent to existing built-up residential areas and the John Ferneley High School. The site slopes from north to south and has three-phase overhead cables crossing the site.

The neighbouring residential development to the south consists of a mix of dwelling types and ages. The dwellings range from bungalows through to detached properties with ages ranging from 1930s to present day. Towards the eastern edge of this housing lies a relatively new housing estate likely to have been constructed in the late 1990s.

The site itself appears to be used as grazing land. At the very southern extremities of the site, there appears to be a balancing pond.

iii) **Size**

We estimate the size of the site to be 43.6 hectares (107.6 acres).

iv) **Access and Linkage**

The site can be accessed from Scalford Road, which bisects the site. There are also several farm accesses to various areas of land along the southern boundary of the site. The eastern parcel of the land accommodates Scalford Road Lodge, which, being central to the land, gives access from Scalford Road. There appears to be a potential access to the site from the south from both Darcy Gardens and Dickens Drive.

The site is well linked to Melton Mowbray and offers the potential to create a well located and accessible development.

v) **Visible Constraints**

From our visual inspection of the site from the boundaries, there does not appear to be any major physical constraints affecting the site. However, our desktop review has revealed a potential watercourse running from north to south through the western part of the site. We believe there may also be a small watercourse running north – south along the western boundary of the site. It is not envisaged that these watercourses would affect the deliverability of the site. The overhead three-phase electricity supply would need to be relocated, preferably underground, to lessen the restriction on the developable area. A Landscape Assessment commissioned by Melton Mowbray in March 2006 found some high sensitivity areas to the north which may affect this site.

vi) **Ownership and Interests**

We have conducted a title search for this site and only two titles have been found. The remainder of the site, roughly one third, is currently unregistered. Details of title ownerships can be found in **Appendix 3**.

The land to the east of Scalford Road is currently in the ownership of a single private owner. The registered land to the west is owned by Leicestershire County Council. We are not aware of any title restrictions which may hinder the delivery of development on this land.

Persimmon Homes (North Midlands) Ltd have submitted representations to the Core Strategy through their planning consultant, Landmark Planning. They have advised us that they have an Option to buy the land currently in private ownership, in order to facilitate the development, however we have not seen evidence of this. An element of site assembly will still be required in order to undertake a comprehensive development.

#### 3.4.6 **Housing Strategic Growth Area: Option D – Small Sites**

In contrast to the three previous options the fourth option comprises a number of sites coming forward in different locations in, and around, the town. In the absence of any readily identifiable growth areas we have sought to map out potential multiple sites which may come forward and satisfy the criteria for growth envisaged by the 'Preferred Options' paper. MBC have provided us with a list of

sites that have been submitted as part of the SHLAA. We have reviewed each site (if not part of the SUE sites), which are as follows:-

- 1 - Mill House Nurseries, Leicester Road
- 2 - Long Field School, Leicester Road
- 3 - Land to the Rear of Lake Terrace
- 4 - King Edward VII School, Burton Road
- 5 - Recreation Allocation, Thorpe Road
- 6 - Land at Great Dalby Airfield
- 7 - Field No's 0198 and 8789, Dalby Road
- 8 - Land at Spinney Road

Site 6 has already been considered as part of the Core Strategy and subsequently dismissed. Site 8 is the same as Option B above. As a result, neither site has been considered any further in this section.

Of the remainder, sites 1 and 3 are generally more appropriate as employment sites. Site 5 would result in the loss of an allocated recreation area and does not seem like an appropriate location or a significant contribution to housing figures. However, including all these three sites and excluding sites 6 and 8 we estimate that the sites could potentially accommodate a 1,000 dwellings or thereabouts.

If sites 1, 3, 5, 6 and 8 are excluded we estimate that the remaining sites (2, 4 and 7) could accommodate 336 dwellings. However, site 2 is an operational school, the closure of which would impede delivery whilst resulting in an increased burden on other local schools and a traffic impact on the road immediately servicing the site. Site 7 is not served at all by local facilities which would render it an unsustainable location. Site 4 appears to be the only suitable site that could be deliverable.

Notwithstanding the constraints or relative appropriateness of the sites referred to above, we have considered whether the allocation of the sites above would provide a more sustainable alternative to options A, B and C (see Section 5 below for more detail). Given the disparate locations of the sites and possible wider improvements required to facilitate their development, the sites are neither guaranteed to be delivered nor is the timescale for their possible delivery obvious. It is highly likely that the sites would come forward in a sporadic nature and the sum total of dwellings delivered may be significantly lower than the 1,000 target. In the event that the sites listed above are not delivered it is probable that other sites would be forthcoming to satisfy demand. However, the identification of alternative sites is beyond the scope of the study.

i) **A Single Urban Extension v Multiple Site Delivery**

It is our opinion that, in comparison to a single urban extension, Option D will not deliver dedicated community facilities to service an enlarged population created by the development of a series of sites within or adjacent to the town. The probability is that the sites will be scattered throughout the town resulting in increased capacity being placed on existing facilities. A series of small sites are unlikely to provide facilities or services because of insufficient quantum and economies of scale whereas a single urban extension would.

A traffic modelling exercise was undertaken to assess the impact of each of the options. However, it did not include analysis of Option D. Multiple sites would be able to contribute towards a bypass but they are unlikely to contribute the same amount as a single urban extension due to the efficiencies of scale i.e. there is likely to be more money available through a single urban extension.

In terms of viability and delivery the market prefers larger, single sites. As described previously, the larger the size of development the greater the efficiency resulting from economies of scale. There will be greater demand from the market (house-builders), notwithstanding the current climate, for larger sites.

Finally, by 2010/11, when we envisage the earliest delivery to occur, the Code for Sustainable Homes will require all new homes to be constructed to Level 4, with Level 6 being required by 2016. In order to meet these requirements, new developments will need to incorporate on-site renewable technologies which can either be provided individually to properties or site-wide.

The scale of the development along with the usage mix will influence the choice of low/zero carbon technology. The advantage of large-scale developments is that they are likely to reach a certain size/density which makes zero carbon design more economically viable through the deployment of site-wide solutions. This would not be practical with smaller multiple sites.

Economies of scale arise from reducing the cost of equipment needed per building, by connecting to a network rather than equipping each building to be functionally autonomous. Site-wide provision relies on an underlying infrastructure of pipes and wires plus generation/fuel store/hot water storage facilities which service a number of properties. For large developments where phasing over a period of time is more likely, an energy infrastructure 'master plan' may need to incorporate a degree of modularity to systems. Modular systems, such as photovoltaic arrays, may then be added and connected at each phase as developers are likely to find loading the cost of distribution all on the first phase to be onerous.

On this basis we consider that the delivery of a single urban extension (reflected by Strategic Housing Growth Areas: Options A, B and C) is preferential to the delivery of multiple sites, due to practical reasons.

### 3.4.7 **Employment Growth Area: Option 1 - West**

#### i) **Location**

Site E1 is located to the south west of Melton Mowbray town centre, to the south of Leicester Road. The site is not directly adjacent to the town centre and is separated by areas of open land and an industrial estate.

#### ii) **Description**

The site is currently disused agricultural land, with a small pond in the centre. To the north west and south of the site lies open countryside, with a railway line to the north beyond. Directly to the east of the site lies the established Leicester Industrial Estate.

iii) **Size**

We estimate the size of the site to be 29.9 hectares (73.9 acres) and is roughly elongated.

iv) **Access and Linkage**

The site is bounded on three sides by adopted public highways. These are Kirby Lane to the south and Leicester Road to the north with a small section running along the western boundary of the site. The Leicester Road runs east towards Melton Mowbray and west towards Kirby Bellars. As such, the site has excellent access onto main roads and into Melton Mowbray itself. It is also ideally located adjacent to existing employment areas.

v) **Visible Constraints**

The site slopes from west to east and may have flooding and/or drainage issues.

vi) **Ownership and Interests**

Having undertaken Land Registry searches on this site, we have established only three registered interests, none of which are substantial. One freehold slither of roadside land is owned by Leicestershire County Council, most likely for highways purposes and another is also part of the roadside.

The third ownership belongs to David Wilson Homes Ltd, albeit only a fragment of the site. It appears that David Wilson Homes have freehold ownership of a small entranceway into the site. We are not aware of a particular rationale for this; however it could possibly be for strategic purposes. Details of the title ownerships can be found in **Appendix 3**.

3.4.8 **Employment Growth Area: Option 2 - East**

i) **Location**

Site E2 is located directly to the east of Melton Mowbray town centre, along the B676 Saxby Road to the south. The site relates to, but is not immediately adjacent to, Thorpe Road/Saxby Road Industrial Estate.

ii) **Description**

The site is currently arable land farmed for crop and pasture. There are two farmsteads located within the centre of the site. The site has overhead electricity cables crossing the site from west to east.

iii) **Size**

We estimate the size of the site to be 81.7 acres (33.1 hectares) and is the larger of the two employment sites.

iv) **Access and Linkage**

The site has good access onto the B676 and also has the single track laglane running through the site from the B676 to the south, to the A607 Thorpe Road to the north. The site links well with Melton Mowbray town centre to the west and the A1 to the east. Immediately adjacent of the site to the west, lies a relatively new large shed building. However, the

site itself represents a visual intrusion into the open countryside and does not create a smooth boundary to the principal urban area.

v) **Visible Constraints**

The site is somewhat elevated above the principle levels within Melton Mowbray and therefore, any new development is likely to be partially visible from Melton Mowbray itself. The site itself does not appear to have any physical constraints upon visual inspection.

vi) **Ownership and Interests**

There are six titles registered on this site. Full details can be found in **Appendix 3**. Two freehold interests are registered to the same party, being the main farmstead (Shipman's Farm Stud) and the land to the south, with the exception of a field, which is registered to a second party. Shipman's Farm Stud is subject to restrictive covenants, although we have not had sight of these as they are not shown in the title registration.

The westernmost field is in separate freehold ownership. The land and property directly to the east of the main farmstead is in separate ownership, including an access to Saxby Road. The remaining land to the north of the farmstead and beyond is in the final ownership.

### 3.4.9 **Summary**

All options, bar Strategic Housing Growth Area: Option D, consist of agricultural land holdings. Strategic Housing Growth Areas: Options A and C have developer interest and together with Option B are currently being promoted through the emerging LDF planning process.

Strategic Housing Growth Area: Option B is under singular ownership. The remaining sites have varying degrees of multiple ownership and some contain partly unregistered land.

With the exception of Strategic Housing Growth: Option B all sites have direct access onto an adopted road. In addition, Employment Options 1 and 2 and Strategic Housing Growth Area: Option C are adjacent to main arterial routes into and out of Melton town.

Electricity infrastructure runs through Strategic Housing Growth Area: Option C and Employment Option 2. Further to this we understand that there are watercourses running through Housing Options A and C and there may be flood risk issues associated with Employment Option 2.

## **4.0 Market Baseline Analysis**

### 4.1 **Residential**

An overview of the residential market is as follows:-

#### 4.1.1 **National Context**

The recent 'dislocation' of the residential market created by the uncertainty within the financial markets has resulted in falling house prices. The general mood and negativity within the market, combined with the extensive media coverage, is

making matters worse. It has now translated beyond just the original credit crunch and the impact of general negativity is being felt across the market. In general we expect a further downturn in the market and we consider that we have not reached the bottom yet.

Whilst there is a reluctance to invest in residential property during a downturn the fact that turnover is now down by 50% and housings starts are likely to fall even more, means that, when the market does bottom out, the lack of supply is going to be a major constraint for investors and owner occupiers alike. This principle of economics offers hope in terms of market recovery within a realistic timescale.

In line with this, Savills Research has been looking into future predictions. Currently predictions are of – 25% falls nationally from peak values of September 2007 to trough values that we believe will be seen during 2009. Past this point there will be a stabilisation of prices in 2010 and house price growth will be back to 9% in 2011 and 10% in 2012. The East Midlands will follow this broad pattern with healthy increases in 2011 and 2012, with full market recovery at some point in 2014. We provide the following table to indicate Savills current (December 2008) house price growth predictions for the next 5 years:

2008	2009	2010	2011	2012	2013
-15%	-12%	1%	8%	12%	12%

These figures are speculative and will change as time progresses but it provides some form of guidance as to where the market might go, albeit it remains very difficult under the current circumstances. On a national level, Savills Research have identified that the market has been inadequately supplied, particularly with three and four bedroom family dwellings.

#### 4.1.2 Local Supply

Typical of rural districts, and in contrast to the national picture above, Melton has a low proportion of small units. The 2004 Housing Needs Survey (HNS) identified that only 27.6% of all stock is one or two bedroom but 24% is four bedrooms or more. These proportions, however, vary significantly between tenures and over 82% of owner occupied stock has three or more bedrooms.

The Housing Stock Analysis (HSA) took information from the HNS and examined housing needs and the type and size of existing dwellings. Future development will require a bias in favour of small units of a significant scale to address both the current shortfall and future demographic and household formation change.

The HSA made a number of recommendations:

- It is not sustainable or deliverable in market terms to build all new stock in one or two sectors of the market. Provision for a range of dwelling types and sizes should be made to meet the assessed needs of all sectors of the community, including the elderly and disabled.
- There is need for new low cost market housing.
- Planning policies and site development briefs should address the shortage of 1 and 2-bed affordable houses and modern flats in the current stock.
- Existing surrounding or local stock mix should be taken into account so that

the local area should become more balanced and sustainable after a development is completed.

- In terms of the housing market, there is a clear scale of demand from both existing and new forming households for smaller units to meet the aspirations of new forming household.

Echoing the above statements, a 'Strategic Housing Market Assessment' (SHMA) covering Leicester and Leicestershire was launched on Tuesday 13<sup>th</sup> January 2009.

The study found that in theory, almost two thirds of all new houses planned to be built in Leicester and Leicestershire over the next seven years would need to be 'affordable' housing to meet the needs of those who cannot afford open market costs. The study identified that housing issues within Melton Borough are different from the rest of the Leicestershire conurbation because of its unique rural nature. Identified challenges for the future are likely to include;

- Local people being priced out of owner occupation in rural areas because of overdevelopment of large, executive houses marketed at a high premium to wealthy commuters.
- Undersupply of suitable smaller sized dwellings for shrinking households, exacerbating under-occupation and tying up larger family houses.
- Need to encourage a balanced supply of suitable family housing (for middle and lower homes), as well as housing for smaller households (both starter homes and downsizing).

#### 4.1.3 Local Demand

The HNS found that population estimates show that there will be an average rise of about 0.5% each year in the number of people in the borough. Taking account of people moving into and out of the borough, by 2016 there will be about 3,850 more people than there were in 2001. The most significant feature is the expected growth of 32.5% in the population aged over 65. This will equate to approximately 20% of the whole population by 2016 (Leicestershire County Council, 2003).

There is an inextricable link between ageing and disability and the Housing Need Survey found that almost two thirds of those with a support need were over 60; with almost 52% of them having a walking difficulty.

The "older" retirement group, those 80 and over, grows by 110.0% up to 2026. Given the resource demands often associated with very elderly people, these are significant figures. Given the projected change in the demographics for the population of the borough it is likely that single elderly households will account for a significant proportion of the projected increase in households.

There will also be an increase in the number of new households above population growth because of long term changes in household demographics and a growth in one-person households. This is because more people are living longer, because of separation and divorce, and an increase in households of young single people.

#### 4.1.4 **Take-Up**

We have subdivided this into:

##### i) **Build Rates**

Developers have slowed down their dwelling completion rates due to current market conditions. Recent research by the Royal Institution of Chartered Surveyors confirms the decline in house building nationally and locally.

The decline is illustrated by the failure to meet Government house building targets. The Government needs to build in excess of 200,000 new homes each year if they are to reach their target of 2 million homes by 2016. However, to date, only 66,220 new homes have been built in 2008, falling 25,000 per quarter by the end of the year.

In estimating the build rates for large scale sites, we would normally expect approximately eight completions per month, equating to approximately 100 dwellings per year. This would normally be undertaken by a selection of developers at once, as mainstream house builders usually construct between 40 and 50 dwellings per annum on any one site. However, recently, this has dropped as low as two to three dwellings per month and some smaller sites have come to a full stop until further sales are made.

Developers will plan their build programme based on an assumed number of sales per month and any change to that programme would lag behind any changes in demand, noticeable through fluctuations in sales rates. For the purposes of our appraisals we have assumed a construction rate of 100 dwellings per annum as an average figure, although this may fluctuate. This is based upon two house builders developing on site.

##### ii) **Sales Rates**

Sales rates on developments in the locality have historically been around four dwellings per month, equating to 48 dwellings per annum, albeit recent developments are on a smaller scale. This is dependent upon the size of the development overall and the number of units being offered per phase. This has significantly reduced over the last three months and even more so over the last twelve weeks as the “credit crunch” has affected the ability of purchasers to raise mortgage finance. On large scale developments, under ‘normal’ market conditions, we would expect sales rates of between 8 to 10 units per month, based upon phased development by two or more developers at once. We have therefore reflected these figures within the appraisal.

#### 4.1.5 **Values**

Savills Research Department predict that Real House Price Growth will be lowest in Q4 2009 (approx 14% below Q2 2008) rising to positive figures sometime in Q2 2011 (the equivalent values to Q2 2008 would be reached sometime in Q3 2010). The research suggests that there will be a steady increase in residential values rising 7% from Q2 2011 and then gently declining. These figures are speculative and will change as time progresses but it provides some form of

guidance as to where the market might go, albeit it remains very difficult under the current circumstances.

Whilst we recognise that predicting future trends and values is fraught with difficulties, and uncertainty, we have attempted to map out potential price trends for the purpose of the appraisal exercise. A schedule at **Appendix 4** illustrates the availability of residential new build within the locality.

Significant incentives are being offered on new build developments. The average discount being offered is in the region of 5–10%. Additional discounts include part exchange; legal fees and stamp duty paid; contributions towards mortgage costs and furnishings packages. The sales prices range from £160 - £220 per square foot with a £190 per square foot average. For the purpose of the appraisals and prediction of future values we have adopted a current residential value equating to £190 per square foot.

In addition to future predictions, Savills Research have identified that the market has been inadequately supplied, particularly with three and four bedroom family dwellings.

Savills Research also indicates that there is not the affordability problem as there was in the early 1990's recession when people had no surplus income. Today, people do have a surplus above basic spend and this is envisaged to remain so until around 2018. The problem is the limited availability of credit which has resulted in a 65% decrease in mortgage approvals in the year to July 2008 according to the British Bankers Association. However, there are concerns that this will translate to the wider economy.

Further to this, Savills Research has identified the importance of 'place-making'. The eight highest ranking requirements were, with the highest first, as follows:

- Neighbourhoods
- External appearance
- Proximity to good schools
- Low maintenance
- Safe environment
- Large plot
- Proximity to amenities.

We consider that if the proposed SUE were to come forward then the aspiration would be to create a high quality sustainable community that embodies 'place making'.

#### 4.1.6 **Affordable Housing**

##### i) **Policy**

PPS3 reduced the threshold at which affordable housing may be required from 25 to 15 dwellings (the national indicative minimum site size threshold). As part of their Local Development Frameworks, local planning authorities should adopt affordable housing targets in line with the conclusions of the most up to date Housing Market Area Assessments for their area. For the purposes of this report, Melton's

Core Strategy (Preferred Options) document indicates that MBC will be seeking 40% affordable housing provision as part of the SUE.

Local Plan Policy H7 states that:

- The council would seek to negotiate the provision of affordable housing on specific sites allocated for residential development.
- The council will also have regard to evidence of need for affordable housing in the locality when considering planning applications for residential development on land not allocated in the Local Plan. Where there is evidence of need, the council will negotiate for the inclusion of an element of affordable housing having regard to site, size and suitability.

The make-up and nature of affordable housing provision continues to be ever evolving. A difficult housing market, the inception of the new Homes and Communities Agency and a potential change in political power will all be key variables over the next few years.

#### 4.1.7 **Market Update**

The most recent market research undertaken by Savills Research suggests that larger, strategic sites have become increasingly important in the delivery of any house building targets. The research estimates that there already are a potential 1 million residential units on 960 strategic sites across the country. Theoretically, (credit crunch aside), this is enough to deliver 22% of the national 20 year Regional Spatial Strategy (RSS) planning targets.

The research recognises that it is very important that these large sites are brought forward if large numbers of housing units are to be provided in future. Yet the prospects for many large sites are dismal in that the cost of delivery (including infrastructure, environmental credentials, affordable housing and other Section 106 agreements) in some instances outweighs the current value of schemes. Even where sites do potentially 'stack up', developers are finding the high, up-front costs of promotion difficult to finance in a risk-averse world. Without a fundamental change in the way these sites are brought forward, developed and managed long term, it seems unlikely that large numbers of units will be delivered on them.

The costs of infrastructure promotion on strategic sites proved difficult even at the height of the housing boom. If a different approach to funding and returns was needed then, it is certainly now. The big disadvantage that strategic sites have is also their advantage. The sheer scale of many of the schemes in our database gives them the potential to become completely new places, different to and distinct from their current surroundings. Successful, new 'placemaking' in regeneration areas or elsewhere has the potential to substantially increase development values over the longer term. The UK real estate industry has now to find a way to capture this long term value in a reliable way in order to bring these strategic sites forward.

Most strategic development sites are on previously developed brownfield land, which makes up 87% of schemes (by unit numbers); greenfield sites account for the remaining 13%. Many of the less complicated brownfield sites have come forward for development. Developers now have to take on more difficult sites associated with greater remediation costs, such as former manufacturing and

industrial sites. Therefore Greenfield development opportunities will attract considerable interest due to less risk arising from abnormal costs. The complications associated with bringing forward strategic sites will most likely encourage the involvement of 'big players', such as commercial developers with the relevant expertise (as well as the financial and organisational backing) to get major strategic sites off the ground. The house builders role in delivery is likely to become more marginalised with them focusing upon the build-out stage only, or simply playing a limited role within a larger partnership with commercial developers or other private sector firms.

In terms of land values, research has shown that the current land market downturn is affecting the whole country, with no region escaping the sharp falls in development land value. This reflects the global nature of the cause of the falls, which originated in the credit crises. The withdrawal, not only of mortgage funding and consequent demand of newly built housing but also of developers' own debt-funding, means that only a very few players are left in a position to buy land. At low levels of housing output, they will not be in a hurry to acquire land for immediate production. Some developers and investors will be drawn to the best strategic sites if they can be obtained at bargain-basement values for longer-term promotion for the upturn. Furthermore, the house building and development industry's national reach and interconnected nature mean that any further local shocks have country-wide implications. There will have to be realistic pricing of strategic sites. However, for landowners, it will still remain an attractive proposition to facilitate sites coming forward if the uplift from existing uses can be greatly enhanced.

In terms of outlook the research estimates that in light of the challenges faced, we anticipate development, land values will not return to their 2007 peak until 2026. More readily developed fully serviced plots are predicted to return their 2007 values by 2016. Savills Research predict residential values will be restored to their 2007 peak in most of the regions in 2014, and this will eventually drive forward some confidence in the land market.

#### 4.1.8 **Summary**

The current economic climate casts a shadow over what has been a buoyant market for the past decade and the effects of the 'credit crunch' have been outlined above. The delivery of the Melton SUE is unlikely to commence before 2010/2011 and will probably last for ten years. Savills Research suggests that the East Midlands will see recovery to 2007 house prices by 2014.

Whilst the market has seen a decrease in values and an increase in promotional costs, many of the large strategic sites are on previously developed brownfield land. Many of the less complicated brownfield sites have been developed and developers now have to take on more difficult sites that are associated with greater remediation costs. The interest in, and appetite for, greenfield sites is therefore likely to be strong, particularly as the market begins to recover. The opportunity to uplift values above agricultural use will remain an attractive incentive for landowners to release land for development.

The research recognises that big strategic sites have their advantages. The scale of the developments gives them the potential to become completely new places. Successful, new 'placemaking' on regeneration areas or elsewhere has the potential to substantially increase development values over the longer term.

There are a number of comparable schemes emerging and the UK property industry now has to incorporate ways of capturing this long term value in a reliable way in order to bring strategic sites forward. The suggested recovery of residential values by 2014 will assist in driving confidence in the land market.

The Housing Needs Survey, Housing Stock Analysis and the Strategic Housing Market Assessment, highlight both the need for a range of housing types within a community and to address the need for low cost one and two bedroom houses. This trend is set to continue due to a long term change in household demographics principally due to an 'ageing' population and increase in one-person households.

Melton currently has a wide range of new build houses for sale. Significant incentives are being offered on new build developments offering an average discount of 5% plus additional non-monetary incentives. From the evidence we have gathered, sale prices average £190 per square foot.

In consideration of the construction programme, we have assumed a build rate of 100 dwellings per annum for a site of this nature. This is based upon two house builders developing the site simultaneously.

#### 4.1.9 Sustainable Construction

##### i) Code for Sustainable Homes

The Code for Sustainable Homes is a sustainability standard for new homes. In February 2008 the Government confirmed that a mandatory rating against the Code will be implemented from 1 May 2008.

The Code measures the sustainability of a new home against nine categories of sustainable design, rating the 'whole home' as a complete package. The Code uses a 1 to 6 star rating system to communicate the overall sustainability performance of a new home. The Code sets minimum standards for energy and water use at each level and, within England, replaces the EcoHomes scheme, developed by the Building Research Establishment (BRE).

The technical guidance for the Code for Sustainable Homes was published in October 2007, with an amended version issued April 2008 following feedback from assessors, developers and wider industry stakeholders.

The costs of implementing the Code are uncertain as the market is still in its infancy and technology is improving. However, there have been a number of studies to estimate costs, which will impose additional costs upon construction of dwellings. The most recent research was a cost review undertaken by the Department for Communities and Local Government in July 2008. The report presents findings of research to consider the enhanced costs of delivering the code for sustainable homes. The DCLG report was an update to a previous cost analysis undertaken by Cyril Sweett for English Partnerships and the Housing Corporation in light of the finalised technical guidance of the Code as well as providing greater confidence in the analysis of the cost implications.

This report considers a number of development scenarios. For the development scenarios highlighted in this report, we consider the most

comparable scenario is that of a 'market town' development. We have summarised the findings in the table below, which considers the additional cost of implementing the Code against 2006 Building Regulations.

Code	Detached House	End Terrace	Mid Terrace	Flat
1	£275	£275	£275	£275
2	£1,648	£1,648	£1,648	£1,648
3	£3,916	£3,692	£3,692	£2,622
4	£9,868	£7,115	£46,187	£5,054
5	£17,132	£12,353	£10,742	£9,962
6	£32,752	£24,822	£24,696	£18,996

The figures quoted in the table above assume that no wind energy can be utilised and that additional Code credits in relation to energy; water and flexible credits are not sought. Additional credit offering within each level of the Code will increase build costs but we have assumed that these will not be required.

The costs are only 'additional costs' against existing Building Regulations. Should a revision of such regulations create a new benchmark, delivery of the Code may be more in line with the costs in delivering a standard product.

The added value in delivering the Code has yet to be fully established and Savills research have concluded that the general public are not yet prepared to pay a premium for "eco homes". However, with consumer energy prices set to rise 40% this year, this is unlikely to be the case for much longer.

ii) **Low Carbon Development and Scale**

By 2011/12, when we envisage the earliest construction to commence on the SUEs, the Code for Sustainable Homes will require all new homes to be constructed to Level 4, with Level 6 being required by 2016. In order to meet these requirements, under current guidance, new developments will need to incorporate on-site renewable technologies which can either be provided individually to properties or site-wide.

The scale of the development along with the usage mix will influence the choice of low/zero carbon technology. The advantage of large-scale developments is that they are likely to reach a certain size/density which makes zero carbon design more economically viable through the deployment of site-wide based solutions.

Economies of scale arise from reducing the cost of equipment needed per building, by connecting to a network rather than equipping each building to be functionally autonomous. Site-wide provision relies on an underlying infrastructure of pipes and wires plus generation/fuel store/hot

water storage facilities which service a number of properties. For large developments where phasing over a period of time is more likely, an energy infrastructure 'master plan' may need to incorporate a degree of modularity to systems. Modular systems, such as photovoltaic arrays, may then be added and connected at each phase as developers are likely to find loading the cost of distribution all on the first phase to be onerous.

Attaining the Code for Sustainable Homes would account for an increasing proportion of build costs, rising from less than 2% in 2008 to over a third by 2016. The eco-premium would be even higher in order to meet Code Level 6 from 2016 onwards.

In addition, site-wide provision will require the creation of an organisation capable of managing the collective infrastructure over the life of the project.

Provision of technologies for individual buildings will be more expensive than site-wide technologies; however, economies of scale can again be achieved by bulk buying discounts and purchasing power, being proportional to scale of the entire development.

At this stage, it is anticipated that building larger developments of around 2,500+ homes is likely to create a scale of community that will require 'onsite' community and service infrastructure capable of creating a balance of energy demand (zero carbon or CFSH Level 6). Having said this, there is likely to be a sliding scale of implementation for smaller sites and with the various technologies evolving, this figure is likely to be reduced over the forthcoming years.

Based on the current Code 6 definition, the Government has three main options moving forward:

1. Deliver fewer homes that meet the current definition of 'zero carbon'
2. Reduce the requirement for carbon savings from new buildings; or
3. Find a suitable mechanism for allowing off-site solutions where on and near site installations are not practicable or are prohibitively expensive.

iii) **Delivery of Code Level 6 Homes**

The delivery of Code Level 6 homes is not scheduled until 2016. English Partnerships (EP), (now part of the New Homes and Communities Agency (HCA)), and the East Midlands Development Agency (emda) has investigated the delivery of Code Level 6 homes in advance of this date. Aside from the provision of combined heat and power sources, one of the main impacts is the increased costs associated with the construction of Code Level 6 homes.

There is little direct comparable evidence and the scale of estimated costs varies. HCA (EP) has relied upon cost information from the consultants, Cyril Sweett, which suggests potential costs, over and above the standard construction, of circa £40,000. However, in consultation, HCA have suggested there may be a variance of 20%, which could potentially reduce these costs to circa £32,000. It must be noted that these figures are based upon estimates. It is an emerging market and

technology is evolving. It is anticipated that as the market develops, these costs will reduce due to the economies of scale etc. Nonetheless, delivery in advance of 2016 is likely to result in additional build costs. This will have a significant impact upon the “bottom-line”. The delivery of Code Level 6 homes becomes an obligation to deliver in advance of 2016 and these costs will be absorbed by the land value resulting in deductions, which is likely to be a deterrent to land owners, particularly in current market conditions.

## 4.2 **Employment**

An overview of the employment land market is as follows:-

### 4.2.1 **Context**

There are a variety of small employment areas across the Borough, including at Bottesford, John O’Gaunt, Asfordby Business Park (the former Asfordby Mine) and Old Dalby. Notwithstanding this, the majority of business premises are concentrated in the principal town of Melton Mowbray.

Roger Tym and Partners and Innes England produced the Employment Land Review (ELR) in July 2006 with an update in November 2007. It provides a review of the employment supply and demand for Melton Borough and is referenced throughout the respective sections below.

### 4.2.2 **Supply**

According to MBC’s latest Annual Monitoring Report (AMR) 48.68ha of land has been developed since 1996 and 48.48ha of land remains available (at 31 March 2007), amounting to 97.16ha of land overall for the period to 2016.

The adopted Leicestershire, Leicester and Rutland Structure Plan requires 125ha of land to be made available between 1996 and 2016. A further 27.9ha will need to be allocated in the Melton LDF if the structure plan target is to be achieved. The Regional Plan which covers the period to 2026 will supersede the Structure Plan, in terms of employment provision, when it is adopted towards the end of 2008. The Melton LDF will address the need for additional employment land in conformity with the Regional Plan.

As it stands, the Local Plan (1991 – 2006) allocates approximately 43 hectares of employment land, on the following sites:

Melton Mowbray/Asfordby

- Holwell Works (15.03 ha)
- Kirby Lane – South (8.6 ha)
- Leicester Road – North (13.7 ha, developed)
- Norman Way (0.32 ha, developed)

Former Melton Mowbray Airfield

- New Village (2.8 ha)
- Dalby Road, Former Airfield (3 ha)

In addition, the Asfordby coal mine site at Melton Mowbray, which became available for redevelopment during the final phase of adoption of the Local Plan, is now considered suitable for employment generating and leisure purposes. The Asfordby Business Park Development Brief was approved by the Council as Supplementary Planning Guidance in 2000, and is material consideration in determining future development proposals for the site.

The airfield sites are no longer considered likely to come forward because they were attached to a new village application which was called in by the Secretary of State. Similarly, the Kirby Lane South site will also not come forward because it was dependent on the provision of a new bypass which would have been provided as part of the new village development.

The only allocated employment site which now remains wholly without planning permission is the Holwell Works site which is understood to be highly constrained. There is also a proportion of the Asfordby Business Park which remains undeveloped.

The latest Melton AMR, published in December 2007, indicates that 6,351 square metres of employment floor space was developed during the 2006/2007 monitoring period. This equates to just of over 1% of the total employment floor space for Melton when compared with figures from the Office for National Statistics.

To put this into context, over the last three years an average of 1.4 hectares of employment land per year has been lost to other uses. This would equate to 35 hectares over the RSS plan period (2001 – 2026).

i) **Offices**

The majority of Melton's office stock is either in town centre traditional offices, in converted houses or above high street occupiers.

There has not been any significant office development in the Borough in recent times and no speculative development at all. From discussions with local agents, there appears to be a fair supply of smaller, older units available. There was a general opinion that, if it was available, good quality, modern specification, space would be taken up.

The Melton ELR concluded that 20,000 square metres (net) of office space would be required by 2016. The report concluded that there is potential to attract more office occupiers due to a frustrated local demand.

ii) **Industrial**

Melton has the lowest stock of industrial floor space out of the Leicestershire Districts, with the exception of Oadby & Wigston. Melton's industrial stock is of mixed quality, although the majority is post-war and most of the main industrial areas are populated by modern steel portal-framed buildings.

Reflecting the rural nature of the Borough, there are also several successful small rural business centres in locations surrounding Melton Mowbray.

#### 4.2.3 Demand

##### i) Context

In recent years there has been reasonable demand for small freehold units reflecting the attraction of ownership over leasing, in large part due to low interest rates. However, the current illiquidity in the money markets has made it increasingly hard for potential owner occupiers to obtain a mortgage. In 2008 we have seen this result in a perceived fall in demand, ultimately resulting in a drop of freehold values.

##### ii) Offices

Demand is generally limited to small scale local occupiers and there have been no significant inward investors in recent years seeking good quality large scale development. The rural nature of the Borough is such that occupiers are attracted to the area due to its pleasant living and working environment.

We would comment generally that occupiers that require better connectivity to the M1 Motorway will locate closer to Leicester or other competing locations within the county.

##### iii) Industrial

We would comment generally that the demand for premises is from small, indigenous companies with little inward investment either regionally or from the rest of the UK. There continues to be a wide cross-section of interest from a range of manufacturing uses. Notably, food manufacturing is significant, with the company Masterfoods employing over 1,000 workers plus 350 in their headquarters.

#### 4.2.4 Take-Up

The Melton ELR draws the conclusion that there is latent demand in the office sector. If we attribute the lack of speculative development due to a perceived low rental value, then the conclusion can be drawn that a degree public of public sector intervention will be needed as a catalyst for future development.

#### 4.2.5 Values

##### i) Office

From enquiries we have made, office asking rents vary from £5.50 - £10.00 per square foot depending on quality, age and location. A further search of internet based resources confirmed that these figures had been achieved on sites within and around Melton over the past 18 months.

##### ii) Industrial

Industrial transactional evidence for the area we have obtained mainly relates to the Leicester Road Industrial Estate to the south west of the town. Rental values within a range of £3.30 - £4.70 per square foot have been achieved in this area.

A search of both [egpropertylink.com](http://egpropertylink.com) and [focusnet.co.uk](http://focusnet.co.uk) and discussions with local agents has shown that there is little industrial property available on the market. We would comment generally that the majority of available space is less than 2,500 square feet and falls comfortably with in the rental value range indicated above.

#### 4.2.6 **Summary**

The majority of business premises in Melton Borough are concentrated in the principle town of Melton Mowbray.

There remain a number of employment sites available for development, with land still to be identified within the structure plan period.

Roger Tym and Partners and Innes England produced an employment land review in July 2006. The report highlighted reasonable demand in recent years for new industrial space and a frustrated local office market with a lack of speculative development.

Demand for both office and industrial units continues to be from indigenous businesses with a preference for smaller freehold units.

Office rental values range from £5.50 - £10.00 per square foot depending on quality, age and location. Industrial transactional evidence suggests rental values in the region of £4.00 per square foot.

### 4.3 **Community Facilities & Services**

#### 4.3.1 **Context**

We assume that any proposed SUE would embody the principles that define a sustainable community. The aspiration of the LDF Core Strategy (Preferred Options) Development Plan Document (Section 13.11) is that the extension is well-planned, well-designed and well-managed. This is to ensure that occupiers and residents have a better quality of life. The aim is for the development to be sustainable, environmentally friendly and help meet community aspirations. On this basis the SUE would be well-connected with good transport services and communication linking people to jobs, schools, health and other services. This would support the delivery of a flourishing, diverse and well served community with public, private, community and voluntary services that are appropriate to people's needs and accessible to all.

We would also anticipate the SUE to embrace the principles of 'sustainable urbanism'. Sustainable urbanism puts dwellings, retail, leisure and commercial uses into much closer, often walking proximity or near to effective public transport connections. This would be in contrast to later 20<sup>th</sup> Century urban forms which make car use a necessity by separating and segregating different use classes into different neighbourhoods.

We would therefore envisage the SUE would, aside from just residential use, incorporate a mix of uses that would enable residents to access jobs and services relatively easily without being wholly dependant upon motor vehicles. These uses would serve the local community and would not be in direct competition with the town centre.

These ancillary uses could potentially comprise, but not exclusively, neighbourhood or local centres, leisure, schools, health centres and employment

opportunities. We note that it is a requirement of the LDF Core Strategy (Preferred Options) Development Plan Document that the proposed development should incorporate a local centre as well as providing a place of worship, primary school, community hall and general medical practice. The provision of employment opportunities has been addressed within separate sections. A description of the main ancillary uses is as follows:

#### 4.3.2 **Neighbourhood/Local Centre**

A 'local centre' normally comprises a range of small shops, serving a small local catchment of approximately 1,000 dwellings. Typically, local centres might include, amongst other shops, a small supermarket, a newsagent, a sub-post office and a pharmacy. Other facilities could include a hot-food takeaway and launderette. It must be noted that these are not competing with town centre uses, which would continue to provide retail, leisure uses to service the wider community.

National convenience store chains generally require approximately 2,500 square feet of accommodation. It is clear that this is a market that has seen a lot of activity over recent years and we understand that Waitrose, aside from Tesco and Sainsbury's, is the latest supermarket retailer which intends to open a chain of urban convenience stores.

When considering comparison goods such as furniture, electrical goods and other expensive items we are conscious that a high threshold population is required. Shops selling comparison goods often cluster in the central business district and share customers to increase trade. For this reason, we have not considered this use type in the context of the Melton SUE.

We would comment generally that Retail (A1) and Hot Food Takeaways (A5) benefit from being clustered together, traditionally in a neighbourhood parade.

There are a number of developers who specialise in delivering 'local centres', particularly on large SUEs where house builders have preferred to concentrate on providing residential uses.

#### 4.3.3 **Leisure**

There has been a polarisation of the pubs market, as demand is maintained for large, well-sited pubs and restaurants and falls for smaller, poorly located pubs. Values at the top end will be maintained whereas pubs at the bottom end will be under demand for alternative uses. However, on a sizable SUE there is likely to be strong interest in the provision of a pub operation, which would complement a local neighbourhood centre.

#### 4.3.4 **Schools**

As part of this study we have sought advice on education provision from Leicestershire County Council as the education authority for Melton.

Below is a schedule of schools within the confines of Melton town:

i) **Primary**

Name	Distance from Melton Centre	Number of pupils (2007 figures)
St Francis Catholic	0.57 km	255
The Grove	0.62 km	238
Brownlow	0.92 km	573
Sherard	1.24 km	280
Swallowdale	1.37 km	307
St Mary's Church of England	1.94 km	203
	<b>Total</b>	<b>1856</b>

The six primary schools in Melton town have a current total net capacity of 2,112. Leicestershire County Council's statistical pupil yield data indicates that each additional 100 dwellings will increase pupil numbers by 24. Flats, on the other hand, will show an increase of 4.3 pupils per 100 dwellings. So the proposed urban extension of c.1,000 houses would yield 240 pupils or at 80% houses/20% flats the yield would be 201 pupils.

The county council forecasting models do not go beyond 2013. However, assuming all 1,000 urban extension dwellings have been built, 1,000 other long term dwellings have been built and occupied plus 37 pupils from pending developments, primary education needs will be as follows:

	Total Net Capacity	2008 NOR	2013 Forecast NOR	Deficit/ Surplus
6 Primary Schools	2,112	1,886	2,362	-250

These figures are based on a housing/flat split as mentioned above. The deficit would increase to -328 if all the urban extension dwellings built were houses.

Based on the assumption that a financial contribution will be sought, each pupil place in deficit generates an education contribution request of £12,099 per pupil at 2008/09 rates. The table suggests the contribution would be 250 x £12,099 = £3,024,750. As the SUE is likely to account for half of the extra households, current guidance would suggest the SUE will face a contribution of £1.5m.

In reality, the need for a new primary school as a result of a SUE will have been tested in light of a number of factors. Access and highways safety at the existing primary schools, sustainability, inclusive communities and the prevailing planning policy, to name but a few.

ii) **Secondary Schools**

<b>Name</b>	<b>Distance from Melton Centre</b>	<b>Number of pupils (2007 figures)</b>
Long Field	0.99 km	442
King Edward VII School	1.43	1,889 (Including 6 <sup>th</sup> form provision)
John Ferneley	1.85	570
	<b>Total</b>	<b>2,901</b>

We are aware that John Ferneley High School, adjacent to Housing Option A, has been given funding approval to be rebuilt as part of the County Council's £45 million investment to improve education in Melton and the Vale of Belvoir. From September this year, the school will offer 800 places for pupils aged 11-16 years. In addition to this, a new school facility is proposed at the King Edward VII School as well as a redevelopment/extension of Long Field High School.

Leicestershire County Council does not believe that the secondary sector will require any additional contributions due to the impact of the SUE or other long term development in general. They have already incorporated the impact of these developments into existing planning for the three Melton town secondary schools and they should all have adequate capacity to meet any demand from the SUE.

As a final point, we would comment that as two of the three proposed SUEs adjoin schools, we would comment that there is scope for a strategic alliance between these schools and any future housing provision as part of an holistic planning process.

4.3.5 **Health Centre**

The level of health care provision which would be required to support the population of the new community has been identified with reference to national NHS targets in relation to General Practitioners (GP) provision and NHS Estates Building Standards.

GPs are self-employed contractors who have a contract with their local Primary Care Trust for the provision of general medical services. GPs operate in single-handed practices or in group partnerships, operating from the same premises. Although in theory a single GP could have up to 3,500 patients, list sizes are usually far smaller. The 35,000 GPs in the UK have an average list size of 1,838.

Latham House Medical Practice on Sage Cross Street is Melton's only medical practice. With 22 doctors and 34,500 patients its one of the largest practices within the Leicestershire County and Rutland Primary Care Trust. Equating to 1,568 patients per doctor, Latham House has a below average list size. An informal discussion with Latham House confirmed that they have capacity to expand and will take patients from anywhere within an 11.2 km (7 mile) radius.

There are potentially a number of medical service providers that could meet increased demand. Subject to whether it is provided by a private medical practice or by the public sector, a contribution towards improving existing facilities needed to meet the additional demand arising from development may be required.

The level of contributions that will be expected will clearly depend upon the scale and type of the development proposed, and the amount of spare capacity at the local medical practice.

#### 4.3.6 **Summary**

The commercial elements of the Melton SUE will have to complement and enhance the neighbourhood in which they will be placed. Retail/leisure occupiers such as newsagents, pharmacies, cafes and hairdressers will be needed to attract residents.

The phasing will be key to creating a busy neighbourhood at the earliest possible opportunity. We suggest that incentives will need to be offered to the first retail occupiers in order to get them trading during the initial phases of development.

Adding retail elements to this residential led scheme will help create and sustain a thriving neighbourhood. Creating activity throughout the day as well as at night will help maintain a secure environment in which to live and work.

## **5.0 Viability**

### 5.1 **Financial Appraisals**

To assess viability we have undertaken a series of financial appraisals of the proposed delivery of a single urban extension (SUE) only. They do not include the employment growth areas. The SUE Option D has been excluded for the reasons stated earlier (Section 3.4.6).

Normally a financial appraisal would be applied to each option to enable comparison between them to establish which of the options was the most viable. However, in this instance, we are informed that the size of each strategic growth area will be similar, subject to any unidentified constraints, with each being capable of accommodating around 1,000 dwellings (Core Strategy Preferred Options DPD (January 2008)). Our initial analysis of the sites suggests that there are no readily identifiable physical constraints which would result in one option incurring higher costs than the others. In the absence of more detailed information, due to the theoretical nature of the development areas, we consider the options to be broadly similar.

The strategic growth areas will remain theoretical until they have been adopted or allocated for development within the LDF. The appraisal of the options is therefore academic in the absence of tangible evidence relating to delivery costs. However, little variation is expected between the three housing growth options if the threshold of 1,000 dwellings remains.

We have, therefore, for the purpose of illustrating viability, undertaken a baseline appraisal of a single urban extension based upon the provision of 1,000 dwellings.

The baseline appraisal incorporates current market levels, maximum affordable housing policy and current construction costs. We have undertaken the appraisals at today's date and have not allowed for any inflationary costs. We have also applied what we consider to be reasonable profit levels. It is important to note that whilst we have based the data on reasonable comparable information, the information could potentially vary in the future. The appraisals are not formal valuations and should not be relied upon as such. They are indicative and for the purpose of guidance only.

It is important to note that whilst we have made allowances for affordable housing, we have not applied any other Section 106 costs to the appraisal.

To illustrate sensitivity and variance we have applied a number of individual scenarios to the baseline appraisal. These scenarios comprise:

- a) The inclusion of the Core Strategy requirements
- b) A lower affordable housing policy (20%)
- c) The potential impact of delivering the Code for Sustainable Homes
- d) Peak Market Values
- e) Two sets of 'enhanced values' to reflect a high quality 'place-making' concept (7.5% and 15% respectively).

As a final scenario we have applied an 'inclusive appraisal' comprising each of the above scenarios and upper 'enhanced value'.

We have also undertaken an appraisal based upon the provision of 1,200 dwellings (to which we have applied all of the above scenarios) to illustrate the impact upon residual values by delivering additional dwellings.

#### 5.1.1 **Summary**

Each appraisal suggests that the development of a SUE, comprising both 1,000 and 1,200 dwellings, is financially viable. The lowest figure is associated with the provision of the highest level of Code for Sustainable Homes in advance of the mandatory timetable set by the Government (i.e. from the onset of development). The second lowest figure is associated with the Core Strategy Requirements, whilst the highest figure is provided by the aspirational all-inclusive appraisal. The Core Strategy appraisal is influenced by the delivery of a zero carbon community at the outset, which substantially increases costs. Increasing the number of dwellings from 1,000 to 1,200 increases the residual figure and potential to subsidise S106 costs or contributions towards the bypass.

The appraisals illustrate that by applying increased housing values and lower affordable homes thresholds the resulting outcomes have a positive impact upon the residual figures. The reduction of the affordable homes threshold by 50% results in one of the highest increases equating to a value approximately 40% above the baseline position, which is comparable to increasing the house values by 15%.

We have not applied a fixed land cost as the returns on investment and value of the land will be subject to the imposition of costs. The appraisals illustrate the sensitivities associated with the key variables, illustrating the potential capacity to subsidise additional costs, such as the proposed bypass. If these costs are too high, resulting in the uplifts (the increase/s in value from the existing use value) being marginalised, the actual land values may be below that of the landowners

'expectation of worth' (i.e. it is below the level at which they consider it worth releasing the land for development). They may then be reluctant to bring it forward for development.

The appraisal exercise highlights the uplifts generated by development of a theoretical hectare/acreage based upon the assumption that original land values reflected agricultural use. The uplift for instance could potentially amount to approximately 10,000%.

However, capturing the uplift is not always straightforward as matters can be complicated if the land is sold or traded prior to development. For example, a landowner with little experience, skill or funding who is seeking to promote an area for development is likely to enter into an option agreement with either a house builder or strategic land promoter. The benefit for the landowner is that another party will promote the site through the planning process. The party, if successful, will acquire the land at a discounted market value (generally between 5-15% less). The value would normally be calculated on a residual basis, although it can be the subject of interpretation. It would take into account the incorporation of affordable homes provision and other s106 costs. A large proportion of the uplift would be passed to the landowner.

If the 'audit-trail' were simple (i.e. the landowner was also the developer) the process of capturing uplift would be straightforward. However, the system is complicated by the fact that the land is generally sold or traded before development occurs. Purchasers will probably have acquired the land on a residual basis. The difficulty of trying to capture uplift after a transaction has occurred is that these costs are unlikely to have been incorporated within the transaction and would be imposed upon the developer and not the landowner, which could have potential impact upon viability. Developers are therefore likely to oppose the imposition of additional costs after an acquisition has been agreed unless there is a clause within the option agreement that allows the deduction of costs from the end value.

It will therefore be beneficial to set any potential s106 or CIL costs or Tariffs at the earliest opportunity to ensure they are factored into the calculations and drawn down from the uplift in land values. We comment upon the potential methods of capturing uplift within Section 6.

## 5.2 Development Trajectory

We have reviewed the potential housing trajectory for Melton for the period 2001 - 2026 (**Appendix 5**). Taking into account housing options H1 - North, H2 - South & H3 – South East, the trajectory is based on figures taken from the latest Melton AMR. A number of assumptions are made, namely:

- Urban Capacity and Small Site allowances are taken directly from the AMR.
- Future allocations are replaced in each instance, by housing provision relating to H1, H2 & H3.
- Adoption of the Melton Land Allocation DPD by mid 2010.
- Build rates of 8 dwellings per month; say 100 per annum for each potential urban extension.
- 90% net residential area.

- Site density of 35 dwellings per net hectare.

When mapping out the trajectory we have had regard to what developers will deliver. Given the timescales that lead into developments of this scale, we envisage that the market will be in recovery and residential development will be back up to speed by the time that the SUE is on-site. As such, our assumptions are based on what we know to be average build out rates for sites of this scale. This is based primarily on direct contact with developers but also reflects our experience dealing with developer agreements that include specific clauses relating to the build rate. It does, however, rely on there being more than one developer active on the SUE at any one time, in order to create competition and variation.

As can be seen, the total completions to 2026 are well above that required; however, when appraising the sites, we have taken into account their individual characteristics when assessing their capacity. We have therefore commented on the potential capacity of each site and deduced, through reasoned assumptions the land take for other uses. We would further comment that it is difficult to fully quantify how much land is required to meet Melton's housing targets on each site, as some sites are more physically constrained than others and some are, perhaps, too big.

## 6.0 Capturing Uplift

There are several mechanisms available for capturing uplift. We outline the options below, with their specific benefits and difficulties.

### 6.1 S.106 Contributions

Section 106 of The Town and Country Planning Act 1990, is the traditional method by which 'uplift' (generated from granting planning permission) is captured, allowing local planning authorities to offset the costs of the external effects of development.

Section 106 agreements (s.106) are legal agreements between local authorities and developers, which are linked to a planning permission. These are also known as planning gain, planning benefits, community benefits or planning obligations. s.106 legal agreements are associated with a particular development and as they are a legal charge on the land, they transfer automatically with any change in ownership.

The s.106 Heads of Terms are agreed during the application process, prior to them being incorporated in the committee report to planning committee. The committee may approve an application subject to the completion of an s.106 agreement. Where this is the case, the council and the developer agree the final wording of the s.106 agreement based upon the Heads of Terms. Once this s.106 agreement is signed and completed, the planning permission can be issued.

A s.106 agreement is formulated through a series of negotiations. Clearly developers will seek to minimise their outlay. Points of contention will be tests of necessity; reasonableness and relevance to a particular development. With this in mind, the wider delivery of a bypass will be difficult to implement based on individual s.106 agreements, with negotiations becoming both timely and costly.

One further point to make is that it may be a sign of the current economic climate but property agents have devised a new business line in real estate consultancy, that of renegotiating existing s.106 agreements based on revised viability appraisals. If this is a trend that is set to continue, it could be a potential deliverability risk for using the s.106 process to secure funding towards a new bypass.

## 6.2 **Community Infrastructure Levy (CIL)**

The CIL, which was introduced by virtue of the 2007 Planning Bill, is a new charge which local authorities are empowered to, but not required to, charge on most types of development in their area.

The development plan will set out the broad quantum, type and location of development anticipated in the area and infrastructure planning should identify the likely cost of infrastructure coming forward. Taking other funding sources into account, the charging authority should then identify gaps in funding to arrive at a proposed amount to be raised by CIL.

The development plan can also specify identified items of infrastructure needed to support major strands of development, in this case a bypass.

Charges will be expressed as a cost per unit of development e.g. £1,000 per dwelling or £1 per square foot. It is anticipated that the Local Planning Authority in question will produce a charging schedule which will form part of the Local Development Framework.

So far, there has been widespread criticism from the development industry that the proposed CIL does not explain how developers can ensure that their contributions are spent appropriately or spent at all. In its current form there is scepticism that it just takes on the appearance of an additional land tax. In contrast to the Tariff System we are unaware of any CILs being imposed. Its implementation has yet to be tested.

## 6.3 **Examples of Existing Charging Schemes**

As an alternative to both s106 agreements and the proposed CIL there have been various alternative charging schemes trialled over recent years. We have highlighted two successful schemes below:

### 6.3.1 **Milton Keynes Tariff System**

Milton Keynes Council is the most recent proponent of the tariff system. Dubbed as the 'roof tax' it meant that planning permissions for major schemes in and around the city were not approved unless developers agreed to contribute towards key local and regional infrastructure projects.

The contribution is based on the number of dwelling units involved, with developers paying in the region of £18,000 per new dwelling.

The arrangements, a break with the traditional approach of 'site by site' negotiations via s.106 agreements, have been drawn up by the local urban regeneration agency.

Under this system, some 10 per cent of the unit contribution is effectively 'front loaded', provided by developers once they obtain reserved matters approval and a further 15 per cent paid once development starts. The remaining 75 per cent is paid on completion/occupation of each consented phase of development.

The system has received little criticism from developers despite going 'well beyond' what the Local Authority has received from s.106 contributions in the past. Having knowledge of upfront contributions that are needed to facilitate development can form the basis for land price negotiation for it will ultimately be the landowners who bare the cost of any infrastructure improvement works.

Milton Keynes argue that through this system, there will be greater certainty that schools, surgeries and other facilities will be up and running as the houses are built. This, however, is clearly reliant on the council having the capital, revenue funding and expertise to allow the facilities to open and deliver local services.

### 6.3.2 **Bedford Western Bypass**

English Partnerships (EP) (now part of the Homes and Communities Agency) are currently involved in the facilitation of a bypass to the west of Bedford. The new, £24m bypass will unlock access to two of the major housing allocations west of Bedford, the Land West of Kempston and the Biddenham Loop, totalling 2,750 houses.

At the time of inception, the land was owned by the original landowners and it was clear that a degree of public intervention was needed to enable such a facility. As such, English Partnerships proposed a simple legal contract whereby the Local Authority or County Council were paid a capped amount by EP to build the bypass.

Key to the justification of funding was the mechanism whereby English Partnerships could recoup their monies. The answer to this was threefold:

**Stage 1)** EP have a legal agreement with the landowners whereby as each individual parcel of land is sold for development, 75% of the profit goes to EP, with the remaining profit going directly to the land owner. The agreement will continue until EP recoups all of their outlay.

**Stage 2)** In addition to this, the agreement contains long stop/bullet payments staggered every 2 years to be paid to EP if Stage 1 fails to be effective.

**Stage 3)** English Partnerships also have an Option Agreement to buy the land after a fixed time period has lapsed.

In the context of the above options, the key to the Bedford bypass was that it was paralleled to an outline planning application.

We are aware that Grantham are currently trying to enact a broadly similar process to that of Bedford. We have been in discussions with David Livingstone at EP who has been involved with both projects. He is happy to provide MBC with further information on grant funding if needed.

## 7.0 Summary and Conclusions

The Melton Local Development Framework Core Strategy (Preferred Options) document has sought views on four strategic housing growth options and two employment growth options. Each housing option is capable of delivering around 1,000 houses while each employment option provides for some 30ha of employment land. The development of 1,000 residential units in a single location, due to its significant size, would enable the creation of a distinct community with its own dynamics and environment, incorporating a variety of uses to enable the function of a sustainable community.

The most recent market research undertaken by Savills Research suggests that larger strategic sites have become increasingly important in the delivery of any house building targets. The research estimates that there already are a potential 1 million residential units on 960 strategic sites across the country. Theoretically, (credit crunch aside), this is enough to deliver 22% of the national 20 year Regional Spatial Strategy (RSS) planning targets.

The sheer scale of many of the strategic sites gives them the potential to become completely new places, different to and distinct from their current surroundings. Successful, new 'placemaking' in regeneration areas or elsewhere has the potential to substantially increase development values over the longer term.

Most strategic development sites are on previously developed brownfield land, which makes up 87% of schemes (by unit numbers); greenfield sites account for the remaining 13%. Many of the less complicated brownfield sites have already come forward for development. Developers now have to take on more difficult sites associated with greater remediation costs, such as former manufacturing and industrial sites. Therefore Greenfield development opportunities will attract considerable interest due to less risk arising from abnormal costs. The complications associated with bringing forward strategic sites will most likely encourage the involvement of 'big players', such as commercial developers with the relevant expertise (as well as the financial and organisational backing) to get major strategic sites off the ground.

In terms of outlook, the research estimates that in light of the challenges faced, we anticipate development land values will not return to their 2007 peak until 2026. At the peak, land values were in some instances achieving £2,470,00 per hectare (£1,000,00 per acre) particularly for greenfield opportunities.

More readily developed fully serviced plots are predicted to return their 2007 values by 2016. Savills Research predict residential values will be restored to their 2007 peak in most of the regions in 2014, and this will eventually drive forward some confidence in the land market. In terms of land values, research has shown that the current land market downturn is affecting the whole country, with no region escaping the sharp falls in development land value. For landowners it will still remain an attractive proposition to facilitate sites coming forward if the uplift from existing uses can be greatly enhanced.

An analysis and assessment of the individual growth areas concluded that each was broadly comparable in terms of delivery. There were no visible or onerous constraints, or complicated land ownerships, which suggested that the delivery of a growth area was prejudiced in favour of an alternative option. Each of the three single urban growth areas to the north, south and east are being promoted to a lesser or greater degree by national house-builders and strategic land promoters, all of whom have strategic interests. They have all demonstrated their commitment to bringing the sites forward and suggest a willingness to continue their involvement, notwithstanding the current turmoil in the property market and economy. Each one of them considers their growth areas to be well suited to accommodate future growth and is therefore

keen to pursue delivery of their sites. With the northern growth area there are two large strategic land holdings which are being promoted separately by individual house-builders. We understand that discussions have occurred between both parties to consider merging their approaches. Naturally the house-builders will be seeking to maximise the development potential and increase the number of dwellings.

We undertook a separate comparison of a multiple site approach versus a single urban extension. We concluded that Option D was less well placed to contribute towards community infrastructures in comparison to a single urban extension. In terms of the strategic employment site E1 (west), we consider that it is the more appropriate site location.

It must be noted that the difference between each of the proposed growth areas is marginal. This was due to the fact that each of the growth areas has broadly similar characteristics. If there had been more direct evidence of constraints, or overtly complicated land assembly issues, it would have been easier to eliminate options from the selection process as they would have had an important bearing upon costs and delivery. However, this was not the case.

To complement the assessment and comparison of each of the growth areas, we proposed to undertake a number of financial appraisals. However, due to the similarities of each growth area, coupled with the fixed dwelling threshold for each growth area being equivalent, we applied a generic appraisal on the basis that they would be indistinguishable. The strategic growth areas remain theoretical until they have been adopted or allocated for development within the LDF. Therefore, in the absence of any significant constraints and more detailed cost information, which could have a detrimental impact upon delivery, we have adopted a common appraisal for each of the growth areas. In the absence of more detailed cost information, we cannot identify if one particular growth area has any significant advantage, in terms of commercial viability and delivery, over the alternative areas. Based upon the fact that the majority of the growth areas are located within greenfield locations, this is unlikely, unless there are unidentified abnormal costs. However, the appraisal outcomes have been useful in identifying potential residual sums that could potentially contribute towards s.106 costs, but did not illustrate any commercial variances between the growth areas. The values ranged between £16 million to £56 million. These figures do not include the employment growth areas.

Each appraisal suggests that the development of a SUE, comprising both 1,000 and 1,200 dwellings, is financially viable. The lowest figure is associated with the delivery of the highest level of Code for Sustainable Homes Core Strategy from the onset of the development and in advance of the Government's mandatory timetable. The second lowest figure is provided by the Core Strategy requirements appraisal, whilst the highest figure is provided by the aspirational all-inclusive appraisal. The appraisals illustrate that by applying increased housing values and lower affordable homes thresholds, the resulting outcomes have a positive impact upon the residual figures. The appraisals illustrate that the reduction of the affordable homes threshold by 50% results in one of the highest increases equating to a value approximately 40% above the baseline position, which is comparable to increasing the house values by 15%. The delivery of the highest levels of sustainable housing, in advance of the mandatory timetables, also has a significant impact. The appraisals illustrate that residual values are 63% less than if delivery was staggered in accordance with the mandatory timetable. The reduction in value is attributable to the high level of costs of providing Code Level 6 Homes (the highest level); much of the technology is in its infancy and the market is still emerging. Costs in the early stages will therefore be higher.

We have not applied a fixed land cost as the returns on investment and value of the land will be subject to the imposition of costs. The appraisals illustrate the sensitivities associated with the key variables affecting the potential capacity to subsidise additional costs, such as the proposed bypass. If these costs are too high, resulting in the uplifts (the increase/s in value from the existing use value) being marginalised, or profit levels are increased to compensate greater risk, the actual land values may be below that of the landowners 'expectation of worth' (i.e. it is below the level at which they consider it worth releasing the land for development), then they may be reluctant to bring it forward for development.

Any contribution towards the bypass would be the subject of negotiation and would have to be at a sufficient level to encourage landowners to bring the land forward for development. This will very much depend upon the landowners 'expectation of worth'. However, we would consider the imposition of a 100% of the cost of delivering the bypass to be unreasonable and impractical. There are various methods by which contributions could be secured, which include s106 agreements, the new Community Infrastructure Levy (CIL) and a 'roof tax'. The appraisals illustrate that if a high percentage of affordable housing or delivery of Code Level 6 homes is imposed upon the development, these costs will reduce the amount available to subsidise the bypass. We suggest that a decision is made early to establish what level of contributions are sought from the development so that these can be factored into future appraisals used to calculate potential land values, which would give landowners and developers greater certainty.

It is our opinion that the bypass needs to guide the location of the growth areas, as opposed to vice versa. This is on the basis that all three single urban extension areas each share broadly similar characteristics and are limited to 1,000 dwellings per growth area. In the absence of more detailed cost information there is no one particular growth area that has a distinct advantage over its competitors.

We would suggest that further investigations are undertaken to establish if more detailed modelling work could determine more clearly which route is needed the most to alleviate traffic congestion within the town centre. We also suggest that a desk-top cost analysis is undertaken of these potential routes to establish more clearly the costs associated with delivery. In seeking to identify the solutions we suggest that a range of delivery options and phasing are investigated to enable each phase to be mapped against costs. This would provide an indication of the budget required to fund delivery and would determine which solution was the most cost-effective. It would also provide an early indication as to how and which a growth option could potentially contribute to the delivery of the bypass as well as identifying any potential funding shortfalls.

Notwithstanding whether one route is more effective in alleviating the traffic problems, the actual costs associated with construction of the bypass will be equally important in determining delivery. If one route is more expensive than the alternatives then the growth area will be less able to contribute to the delivery of the infrastructure. If potential sources of funding are restricted then this will have an important influence upon which route is preferential.

The appraisals suggest there is potential for considerable uplift from the existing uses should an area be allocated or granted planning permission for residential development. However, the capturing of uplift is complicated. There are a number of methods by which this can be achieved, providing there remains sufficient incentive for the landowner to bring forward the land for development.

The proportion of the uplift will be dependant upon a number of factors, namely market conditions and costs. However, one of the most influential factors upon viability is the imposition of affordable housing levels. A reduction can greatly enhance a residual amount. A reduction of a 40% affordable housing threshold by 50% would have the same impact as if the values of the dwellings were increased by 15%.

There are various methods by which the uplift can be captured. We would suggest a tariff system similar to CIL or the system used by English Partnerships (now part of the Homes and Communities Agency) to deliver the South Bedfordshire bypass, both methods of which would impose a tariff upon dwellings i.e. a roof tax.

In summary, we consider that it is the bypass that needs to determine the location of the growth area. We consider it essential to undertake further modelling to establish the costs and appropriate method by which it can be delivered. This will inform and guide the method by which uplift can be captured.