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|  | **Financial Viability Advice**  Consultants brief |

**SITE ADDRESS:**

**PROPOSAL:**

**APPLICANT’S DETAILS:**

Applicant: **xxxxxxxx**

Agents/Architects: **xxxxxxxxxx**

Viability Appraisal prepared by: **xxxxxxxx**

Other consultants/development managers etc:

Policy requirement

The proposal results in the creation of:

1. **xxxx sqm** residential floorspace (GIA) **OR**
2. **xxxx sqm** net additional Class B1 office floorspace within Core CAZ, Named Streets or Opportunity Areas.

In the case of i) above, on the basis of Policies S16 of Westminster’s City Plan 2016 and H4 of Westminster’s UDP adopted January 2007 and the Council’s Interim Guidance Note on Affordable Housing 2013 (<file:///Q:/Interim%20note%20revised%20Autumn%202013.pdf>), the proposal generates a requirement for **xxx sqm** on site affordable housing.

Where it is neither practical nor viable to provide affordable housing on-site and the applicant is unable to provide off site affordable housing (either in the vicinity or beyond the vicinity), a financial contribution towards the City Council’s Affordable Housing Fund may be accepted as an alternative. The payment generated by the current scheme is **£xxxx** (based on the **xxx sqm** shortfall in affordable housing provision). The payment would be expected to be paid in full on commencement of development and to be index linked from the date of the planning permission.

In the case of ii) above, and where the net increase in Class B1 office floorspace is between 30% and 50% of the existing building floorspace and more than 400sqm, on the basis of Policy S1 of Westminster’s City Plan 2016 and the Council’s Interim Guidance Note on Affordable Housing 2013 (<file:///Q:/Interim%20note%20revised%20Autumn%202013.pdf>), the proposal generates a requirement for an equivalent amount (i.e. **xxxx sqm**) of residential floorspace less 30% of the existing building floorspace to be provided either on site, off site, or by mixed use credits or alternatively a financial contribution of **£xxxx** to be provided towards the Affordable Housing Fund; at the applicant’s discretion. In the event that the applicant chooses to make a payment in lieu of provision, the payment would be expected to be paid in full on commencement of development and to be index linked from the date of the planning permission.

In the case of ii) above, and where the net increase in Class B1 office floorspace is more than 50% of the existing building floorspace and more than 400sqm, on the basis of Policy S1 of Westminster’s City Plan 2016 and the Council’s Interim Guidance Note on Affordable Housing 2013 (<file:///Q:/Interim%20note%20revised%20Autumn%202013.pdf>), the proposal generates a requirement for an equivalent amount (i.e. **xxxx sqm**) of residential floorspace less 30% of the existing building floorspace to be provided in accordance with the following cascade (applicants are required to demonstrate to the City Council’s satisfaction that it is not appropriate or practicable to provide the floorspace (in whole or in part) at each step of the policy cascade before they can move to the next part of the cascade):

i. The residential floorspace will be provided on‐site or in the immediate vicinity of the site.

ii. The residential floorspace will be provided off‐site, including by mixed use credits (Policy CM47.2), on a site in the vicinity of the development site, or in the case of Victoria and Paddington Opportunity Areas, within that Opportunity Area.

iii. The residential floorspace will be provided off‐site, including by mixed use credits (Policy CM47.2) elsewhere within the Central Activities Zone. This part of the cascade does not apply to Victoria and Paddington Opportunity Areas. The housing provided must be of a higher quality than would be possible under i. or ii. above.

iv. Payment of **£xxxx** to the Affordable Housing Fund (equivalent to the net additional B1 office floorspace less 30% of the existing building floorspace). In the event that the accepts that a payment in lieu of residential floorspace is appropriate, the payment would be expected to be paid in full on commencement of development and to be index linked from the date of the planning permission.

In addition to the above, the proposal would generate requirements for S106 obligations in respect of **xxxxxx** and a CIL contribution of **£xxxx.**

Applicant’s proposal

The applicant’s submission includes the following (*delete as appropriate*):

* **xxxx sqm** on site affordable housing
* **xxxx sqm** off site affordable housing
* **xxxx sqm** on site residential floorspace
* **xxxx sqm** off site residential floorspace
* **xxxx sqm** mixed use credits
* a payment in lieu of **£xxxx**

In addition to the above, the applicants are offering other S106 obligations in respect of **xxxxxx** equivalent to **£xxxx** and a CIL contribution of **£xxxx.**

**SUMMARY OF WORK REQUIRED**

The applicant has submitted a viability appraisal setting out why they consider it to be financially unviable to provide a policy compliant scheme.

This appraisal is expected to comply with the guidance set out by the City Council regarding the form and content of viability appraisals.

The content and conclusions of the applicant’s viability appraisal need to be independently reviewed to enable the Council to determine the current planning application against its adopted policies.

Please advise us before you provide a quote if you consider there are any potential conflicts of interest with the applicants or their associates.

**Please note that if you are appointed, all invoices must be sent directly to the applicant for payment and should not be sent to the City Council. Notwithstanding the above, Westminster City Council will be your client and that you will have a professional duty of care in providing advice to the City Council. Please also note that any advice you provide may be publically available (other than any exempt commercially sensitive information provided by the applicant).**

**DETAILED REQUIREMENTS**

**Outcome**

Your review of the submitted viability assessment should provide clear advice on the following;

1. Whether it would be viable for a policy compliant scheme to be delivered *(N.B. our primary objective is to provide a policy compliant scheme, we should not immediately accept alternative options);*
2. If a policy compliant scheme is not viable, advice on the maximum achievable quantum of on-site affordable housing which it would be viable to provide;
3. In the event that a payment in lieu is the only practical or viable option, to assess the maximum achievable payment that can be made. (Note - the payment is expected to be paid in full, upfront on commencement of development. However, it is recognised that there may be a small number of developments where a bigger payment is possible if it is paid on a phased basis).

**Process**

Your review of the submitted viability assessment should be based on the government’s recommended approach to [defining key inputs](https://www.gov.uk/guidance/viability#standard-inputs); namely gross development value, costs, land value, landowner premium, and developer return, as set out in Planning Practice Guidance and the Mayor of London’s Affordable Housing and Viability SPG. For the avoidance of doubt, the Existing Use Value plus Premium (EUV+) methodology should be used to establish the benchmark land value.

You should address the following:

* Whether the information supplied by the applicants viability consultant is sufficient to enable you to provide detailed advice.
* You should identify the inputs to the applicant’s viability assessment which you agree and disagree with. These should be clearly presented in the form of a table.
* You should advise whether the design of the scheme results in higher costs or lower values than might be reasonably expected. (For example, very deep basement excavation).
* You should clearly set out your key assumptions to the assessment. Standard market assumptions should not necessarily be applied unless you consider it appropriate to do so. (For example, the % profit required to enable the development to proceed should take into account the location of the site, the nature of the development, the type of bidder and the risks involved).
* You should review the land value adopted by the applicant and clearly set out your rationale for agreeing/ disagreeing with the applicant’s value.
* You should carry out a thorough review of the applicant’s adopted sales values (GDV), clearly setting out your rationale for the values you consider appropriate, including providing a range of up to date market comparables. Values and costs should be expressed consistently on a per sq ft basis to enable comparisons to be drawn.
* You should check S106 figures with the Council’s case officer and CiL figures with the Council’s CIL team at [cil@westminster.gov.uk](mailto:cil@westminster.gov.uk) to ensure correct figures have been included in the assessment.
* You should check whether any other extraneous payments (for example, to rights to light allowances) are appropriate and reasonable. If the figure is significant (over £1million or over 10% of GDV whichever is the lesser) you may need to obtain advice from a specialist in that field. The cost of this will need to be agreed before you appoint a specialist to give advice, unless it is included in your quote.
* On largescale and phased developments you should consider whether the sales values should be subject to a projection model for capturing future market growth; in such schemes a review mechanism may be secured by legal agreement. On more minor developments a sensitivity analysis should be applied.
* Your report should provide clear conclusions outlining the affordable housing package you consider the current application can viably deliver.

You are expected to allow time for the following:

* Any necessary discussions with the Council’s case officer;
* If you consider it necessary, in order to understand the applicant’s assessment, one meeting with the applicant before the initial draft report is issued.  The Council’s case officer must be kept informed by email.

You should provide the Council’s case officer a draft report for comment and approval to release before it is issued to the applicant. ***Your report should be structured as follows:***

* *Executive summary including table clearly comparing the applicants and your figures,*
* *Introduction and background,*
* *Planning policy context,*
* *Description of scheme,*
* *Market information summary,*
* *Build cost and programme,*
* *Methodology and approach,*
* *Outputs and results,*
* *Sensitivity analysis,*
* *Clear conclusion.*

There may need to be further discussion with the applicants after the issue of the draft report. This should only take place if it is agreed by the Council’s case officer that it is necessary and appropriate. You must keep the Council’s case officer informed of further meetings and discussions by email. All information provided by the applicant for these meetings and discussions must also be provided to the Council’s case officer.

If your draft report needs to be amended as a result of these discussions then a further draft report must be provided to the Council’s case officer for comment and approval before it is issued to the applicant. This report must clearly list the changes made to the scheme as a result of the further discussion or additional information provided to you by the applicants and must clearly explain the reasons for any changes to your advice.

The final report should be issued promptly once the above process has been completed.

**Date Work Required**

Draft report to be provided to the City Council within **xx** weeks *(usually 4 weeks but more for complex proposals)* of the agreed date of appointment. However, this timeframe depends on the applicant’s viability assessment providing the information necessary to enable you to produce your draft report.

Revised draft report to be provided to the City Council’s case officer within 2 weeks of further meetings and discussions.

Final report to be provided to the City Council and the applicant within 48 hours of the City Council agreeing its release.

**Fee Quotation**

This should include a breakdown of the following costs:

* research and preparation of the initial draft report (including one meeting with the applicant’s viability consultant if this is considered necessary);
* review of the cost plan submitted by the applicant by an appropriately qualified Quantity Surveyor and costs associated with any other specialist reviews;
* research and preparation of the final report;

In addition please provide a separate cost for discussions with the applicant after preparation of the initial draft report plus a fee for production of an amended draft report (if necessary). This additional fee should be quoted on the basis of an hourly rate with an overall cap, if possible.

**Relevant Documents**

All relevant documents (with the exception of the unredacted viability report submitted by the applicant\*) accompanying the application can be viewed at the following link:

**xxxxxxxxxxxxxxx**

*(Alternatively provide hard copies of relevant documents/drawings with the letter and brief)*

*\* The applicant has asked for the full unredacted viability report to be treated as private and confidential due to commercially sensitive information contained within it. The full report will be provided to the appointed consultant.*