



HOUSING DELIVERY & VIABILITY STATEMENT

71-73 CAVERSHAM ROAD, READING

NOVEMBER 2019

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EXECUTIVE SUMMARY

- 1 This Housing Delivery & Viability Statement ('Statement') has been prepared on behalf of Centre Matterhorn Capital ('the Applicant') in respect of land at 71-73 Caversham Road, Reading ('the Application Site').
- 2 A planning application has been submitted to Reading Borough Council for the redevelopment of the Application Site to provide 44 new homes alongside new commercial floorspace, cycle parking, landscaping and public realm improvements ('the Application'). The development proposals will support the continued regeneration and enhancement of Reading Town Centre.
- 3 Planning law requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise. Table 1 below provides an assessment of the application housing proposals against this statutory requirement.

Table 1 – Housing Proposals Assessment Summary

Overall Housing Amount
▪ Effective Land Use: The proposed quantum of new housing proposed will optimise the use of a brownfield site in accordance with the chapter 11 of the NPPF (2019). ▪ Housing Targets: The delivery of 44 new homes will make an important contribution towards meeting the Council's objectively assessed need (699 homes per annum) for new housing as identified in the Strategic Housing Market Assessment (2016).
Affordable Housing
▪ Financial Viability: The scheme is not required to provide any Affordable Housing in accordance with the adopted Core Strategy (Policy CS16) and the draft Local Plan (Policy H3) due to financial viability. Notwithstanding this, the applicant has confirmed that the scheme will provide a £160k cash in lieu contribution (equivalent to 10% affordable housing). ▪ National Policy: The proposal aligns with the national policy expectation for all major schemes to contribute 10% affordable home ownership (NPPF paragraph 64). ▪ Review Mechanism: The inclusion of an Early Review Mechanism enables the quantum of Affordable Housing proposed to increase to a complaint tenure mix (subject to future viability and delivery timescales).
Unit Size Mix
▪ General Suitability: The site is more suited to smaller households due to its Town Centre location. There is therefore unlikely to be sufficient demand for a larger number of family sized flats due to both their affordability and general suitability. ▪ Financial Viability: The introduction of larger units would result in a less efficient scheme constraining viability and in lieu affordable housing contribution that can be supported. ▪ Design Quality: The introduction of additional larger units would result in the need to reconfigure the design which in turn would compromise the overall quality of the scheme.

- 4 A high-level summary of the Financial Viability Appraisal referred to above is provided in Table 2 below. It shows that the viability of the scheme is constrained by the high existing value of the buildings that will need to be demolished at the site.

Table 2 – Viability Summary

Scheme Revenue	Assumption	Amount
Private Residential Revenue	£458 PSF	£13,091,472
Car Parking	£12,500 / unit	£337,500
Ground Rents	£300 PA / 10% Yield	£132,000
Commercial Revenue	£20 PSF / 6% Yield	£856,333
Purchaser costs	6.8%	(£67,207)
Total Revenue	-	£14,350,099
Scheme Costs	Assumption	Amount
Land Acquisition Costs	6.8%	£758
Residential Construction Costs	Fixed Sum	£7,780,000
Retail Construction Costs	Fixed Sum	£300,000
Other Construction Costs	Fixed Sum	£645,000
Contingency	5%	£436,250
Professional Fees	11%	£1,007,738
CIL	TBC	£272,540
S106	TBC	EXCLUDED
Residential Marketing	2%	£285,706
Letting Agent & Legals	15%	£9,687
Disposal Fees	2%	£288,346
Finance	6.75% (inc fees & surveys)	£459,288
Developer Return	20% Private 15% Commercial	£2,814,244
Total Costs	-	£14,350,099
Output Land Value		
Residual Land Value	-	£50,540
Benchmark Land Value		
Existing Use Value (EUV) +30%	-	£1,768,000

- 5 Overall this Statement demonstrates that the amount, type and mix of housing proposed in the planning application is appropriate for the site and development proposal in accordance with the statutory Development Plan and other material planning considerations.

1 INTRODUCTION

- 1.1 This Housing Delivery & Viability Statement ('Statement') has been prepared on behalf of Centre Matterhorn Capital ('the Applicant') in respect of land at 71-73 Caversham Road, Reading ('the Application Site').
- 1.2 A planning application has been submitted to Reading Borough Council for the redevelopment of the Application Site to provide 44 new homes alongside new commercial floorspace, cycle parking, landscaping and public realm improvements ('the Application'). The development proposals will support the continued regeneration of Reading Town Centre
- 1.3 Planning law¹ requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise.
- 1.4 This Statement provides evidence which seeks to demonstrate the amount, type and mix of housing proposed in the planning application is appropriate for the site and development proposal in accordance with the statutory Development Plan and other material planning considerations.
- 1.5 This Statement is structured to provide: -
 - An overview of the application site and the application proposals (Section 2);
 - An overview of relevant policy and guidance (Section 3);
 - A financial viability appraisal of the scheme proposals (Section 4);
 - Details and analysis of the housing proposals (Section 5); and
 - A summary of the overall conclusions (Section 6).
- 1.6 This has been produced in accordance with the NPPF (2019), PPG (2019) and RICS Professional Statement on Financial Viability in Planning: Conducting and Reporting (2019). It is confirmed that no performance related or contingent fees have been agreed for the work and no conflict of interest exists, including Party Conflicts, Own Interest Conflicts and Confidential Information conflicts.
- 1.7 This Statement should be read in conjunction with the application documents, including but not limited to the Planning Statement, the Design and Access Statement and the Application Drawings.

¹ Section 38(6) of the Planning and Compulsory Purchase Act 2004 and section 70(2) of the Town and Country Planning Act 1990

2 PLANNING APPLICATION OVERVIEW

2.1 This section of the Statement provides an overview of the planning application site and the development proposals.

Application Site

2.2 The Application Site is located at the junction of Northfield Road and Caversham Road, Reading. The location of the site is illustrated in Figure 1 below.

Figure 1 – Site Location Plan



2.3 The site is level, rectangular in shape and extends to approximately 0.159 hectares (0.393 acres). The site comprises a 2-storey retail warehouse, known as 71-73 Caversham Road, with a service yard and car parking area situated on the eastern part of the site fronting Caversham Road, together with 2 no. detached 2.5 storey office buildings, known as The Brewery and The Malthouse, with further car parking space situated on the western part of the site.

2.4 The retail warehouse on the site is currently used as an Ironmongers whilst the office buildings are fully let. A summary of the existing accommodation is provided in Table 3 below.

Table 3 – Existing Accommodation

Use	Floor Area (GIA SQM)
Office Building (Retained)	560
Retail Warehouse (Demolished)	1,258
Total	1,818

Development Proposals

2.5 The description of development for the Planning Application is as follows:

“Demolition of existing buildings on site and erection of a new 7 storey mixed use building comprising 44 residential units, 238.6 sqm of retail floorspace (Use Class A1) and associated car parking, cycle parking and landscaping.”

2.6 The proposed mix of land uses and floor areas is set out in Table 4 below.

Table 4 – Proposed Accommodation

Use	Floor Area (GIA SQM)
Private Residential (New Build)	3,448
Retail (New Build)	239
Office Buildings (Retained)	560
Total	4,247

2.7 Further details relating to the Application Site location, planning history, and details of the Application proposals are set out in the Planning Statement and the Design and Access Statement, submitted in support of the Application. Details of the Housing proposals are set out in Section 5 of this Statement.

3 PLANNING POLICY & GUIDANCE

- 3.1 This section of the Statement sets out relevant extracts of national, regional and local policy and guidance (including the supporting evidence base) which have informed the proposed approach to housing delivery.

National Policy & Guidance

National Planning Policy Framework (2019)

- 3.2 The National Planning Policy Framework (NPPF) provides the national context for planning in England, including implementing Central Government's housing policy objectives. The NPPF sets out national economic, social and environmental objectives and is an important material consideration in the determination of all planning applications.
- 3.3 The core message in respect of housing provision is that plans and decision-taking should ensure delivery of a wide choice of high quality homes for a range of needs for today and in the future (paragraph 8(b)).
- 3.4 Paragraph 11 of the NPPF outlines an overarching presumption in favour of sustainable development. It confirms that for decision making this means approving without delay those development proposals that are consistent with an up-to-date development plan or "where there are no relevant development plan policies, or the policies which are most important for determining the application are out-of-date, granting permission unless: i. the application of policies in this Framework that protect areas or assets of particular importance provides a clear reason for refusing the development proposed ; or ii. any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole."
- 3.5 In respect of financial viability paragraph 57 of the NPPF states that "It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available".

National Planning Policy Guidance (2019)

- 3.6 National Planning Policy Guidance (NPPG) provides guidance on the application of policies set out in the NPPF (2019).
- 3.7 Paragraph 004 (Planning Obligations) confirms Planning obligations must be fully justified and evidenced. Where affordable housing contributions are being sought, planning obligations should not prevent development from going forward. Paragraph 006 (Planning Obligations) confirms where local planning authorities are requiring affordable housing obligations or tariff style contributions to infrastructure, they should be flexible in their requirements. Paragraph 007 (Planning Obligations) states that on individual schemes, applicants should submit evidence on scheme viability where obligations are under consideration.

- 3.8 Paragraph 001 (Viability & Plan Making) states that plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing required, along with other infrastructure. These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies and local and national standards.
- 3.9 Paragraph 007 (Viability & Decision Taking) states that where up to date policies have set out the contributions expected for development, planning applications that comply with them should be assumed to be viable. It is up to the Applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.
- 3.10 Paragraph 010 (Standardised Inputs) confirms that Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at key elements of gross development value, costs, land value, land value premium and developer return. It goes on to state that decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.
- 3.11 Paragraph 021 (Accountability) states that any viability assessment should be prepared on the basis that it will be made publicly available, other than in exceptional circumstances where a suitable executive summary version should be provided.

Local Policy & Guidance

Reading Core Strategy (2015)

- 3.12 The Reading Core Strategy sets out the overall planning strategy and important principles for development in Reading.
- 3.13 The affordable housing policy CS16 requires all developments of 15 dwellings or more to provide 30% affordable housing subject to viability. Specifically, Core Strategy Policy CS16 notes that:

'In all cases where proposals fall short of the policy target as a result of viability considerations, an open-book approach will be taken and the onus will be on the developer/ landowner to clearly demonstrate the circumstances justifying a lower affordable housing contribution. In determining residential applications, the Council will assess the site size, suitability and type of units to be delivered in relation to the current evidence of identified needs. The Council will seek an appropriate tenure mix of affordable housing to include social rented, affordable rent, intermediate rent and shared ownership affordable units. The affordable units provided should be integrated into the development'.

Reading Draft Local Plan (2017)

- 3.14 The Local Plan was found to be legally sound and compliant by the independent planning inspector. The Local Plan will be considered for adoption at the meeting of full Council on 4th November 2019.

- 3.15 Policy H3 (Affordable Housing) identifies that on sites of more than 10 dwellings, 30% of the total dwellings will be in the form of affordable housing.
- 3.16 Policy H3 also states that in all cases where proposals fall short of the policy target as a result of viability considerations, an open-book approach will be taken, and the onus will be on the developer/landowner to clearly demonstrate the circumstances justifying a lower affordable housing contribution.

4 FINANCIAL VIABILITY APPRAISAL

- 4.1 This section of the Statement provides an overview of the approach taken to assessing the development viability of the Application Scheme and the outcomes of the assessment.

Measuring Viability

- 4.2 The approach taken considers the ability of the development to contribute towards Affordable Housing after the development costs, a competitive return for the landowner and the risk adjusted developer return have been deducted from the scheme revenues.
- 4.3 The approach has been informed by the National Planning Policy Framework (NPPF) and Practice Guidance (NPPG); the RICS Financial Viability in Planning 2012 Guidance Note (RICS GN); the adopted Core Strategy (2015).
- 4.4 In preparing the scheme specific viability, the RICS Guidance Note confirms that ‘the nature of the applicant should normally be disregarded as should benefits or disbenefits that are unique to the applicant. The aim should be to reflect industry benchmarks having regard to the particular circumstances in both development management and plan making viability testing’.

The Financial Model

- 4.5 A financial appraisal of the proposed development has been prepared using Argus Developer Software. This development appraisal package is widely used throughout the development industry and is appropriate for presenting the viability position on a development of the type proposed. Further details can be accessed at www.argussoftware.com.
- 4.6 Argus works in the same way as the GLA toolkit and other residual appraisal models. The value of the completed development and development costs (including either the profit margin required or land costs) can be cash-flowed over the development period and the difference between the total development value and total costs compared.
- 4.7 The model structure provides a sound basis on which to test scheme viability and to determine the developer subsidy available from the development.

Inputs & Assumptions

- 4.8 The financial model has been based on the proposed application scheme as set out in Section 2 of this report. For simplicity and transparency, the inputs and assumptions adopted in the model are set out in Table 5 below. The inputs adopted are supported by proportionate evidence in accordance with the government’s recommended approach to assessing viability set out in National Planning Guidance (Standardised Inputs).
- 4.9 A scheme specific Build Cost Plan has been prepared to inform the build costs and a Residential Market Report has been prepared to inform the residential sales values. All other inputs and assumptions are based on site/scheme specific considerations in line with up to date benchmarks and the 2018 local plan viability assessment where appropriate.

Table 5 – Inputs & Assumptions Table

Input	Assumption	Commentary
<i>Revenue Assumptions</i>		
Private Sale Values	£458 PSF	The blended average private sales revenue input is based on the capital value of the completed private market sale homes. Individual unit pricing has been informed by a detailed analysis of the proposed scheme, the local market and comparable transactional evidence having regard to a range of site-specific factors including outlook, height, amenity etc.
Car Parking	£12,500 PU	A average value of a parking space informed by a detailed analysis of the proposed scheme, the local market and comparable transactional evidence.
Commercial Retail Values	£20 PSF 6% Yield	The investment value of the retail floorspace. The proposed rent and investment yield have been informed by a detailed analysis of the proposed scheme, the local market and comparable transactional evidence.
Ground Rents	£300 PU/ 10% Yield	The investment value of the ground rents. A 10% yield has been adopted in light of HM Government's recent announcement to make certain that ground rents on new long leases for both houses and flats are set at zero.
<i>Cost Assumptions</i>		
Acquisition Costs	6.8%	This is an industry standard assumption which comprises 5% Stamp Duty, 1% Agent Fee, 0.5% Legal Fee and 0.3% VAT on fees.
Residential Construction Costs	£7.78m	The construction costs are based on a site-specific elemental cost plan. The cost plan is informed by a bespoke cost model and comparable build cost benchmarking data. It also includes the scheme specific abnormal costs.
Retail Construction Costs	£300k	
Site Preparation Work	£300k	
External Works	£210k	
Services Infrastructure	£135k	
Construction Contingency	5%	An industry standard 5% design risk contingency is included within the cost plan. This assumption is also consistent with the Council's Local Plan Viability Study (2018).
Developers Contingency	Excluded	A contingency allowance for unknown costs which fall outside of the contractor's agreement.
Neighbourly Costs	Excluded	The applicant's allowance for neighbourly compensation costs including, for example, Rights of Light (ROL).
Professional Fees	11%	This assumption falls within the industry standard range and is considered appropriate for the application site in consideration of the site-specific constraints which will require professional input/ advice. This also includes an allowance for Site Insurances, NHBC and Building

		Regulations which have been excluded elsewhere in the appraisal.
Site Insurances	Excluded	Allowance within professional fees.
NHBC & Building Regulations	Excluded	Allowance within professional fees.
Community Infrastructure Levy	£272k	The CIL calculation in accordance with the borough charging schedule.
S106	NIL (TBC)	The S106 budget is to be agreed with the Council. Its inclusion will reduce the overall viability of the scheme.
Residential Marketing	2%	The marketing budget reflects the marketing campaign required to support the target sales rate and sales value. A reduction in this budget would reduce the achievable sales values. This assumption is also consistent with the Council's Local Plan Viability Study (2018).
Letting Agent & Legals	15%	This is an industry standard assumption for commercial agent and legal fees applied to the annual rental income of commercial uses.
Disposal Agent & Legal Fees	1.5%	This is an industry standard assumption for disposal agent and legal fees applied to residential and commercial revenues. This assumption is also consistent with the Council's Local Plan Viability Study (2018).
Finance Costs	6.75%	Industry standard Assumption. The rate assumes 100% debt finance and all arrangement, valuation, survey and exit fees. This assumption is also consistent with the Council's Local Plan Viability Study (2018).

Programme Assumptions

4.10 The finance costs within the financial model are calculated based on a detailed cash flow. The programme assumptions, set out in Table 6 below, are consistent with that adopted within the Planning Application.

Table 6 – Programme

Building Stage	Period
Pre-Construction	6 Months
Construction	15 Months
Sales Period	6 Months

4.11 The construction period is based on a site-specific project construction programme. The private sales period assumes 40% of the private units are sold on practical completion (PC) with the remaining units sold at a rate of c.5 per month. This assumption supports the residential values proposed. An increase in sales rate would require sales values to be reduced.

Benchmark Land Value

4.12 In determining the Benchmark Land Value specific regard has been given to the guidance contained in the NPPF, NPPG and RICS Guidance Note, and recognition that scheme viability should consider competitive returns to a willing landowner to enable land to be released, so development can be deliverable.

4.13 The NPPG states that to define land value for any viability assessment, a benchmark land value should be established on the basis of the Existing Use Value (EUV) of the land, plus a

premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+) (Paragraph 013).

- 4.14 Paragraph 015 of the NPPG states that the EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing Use is not the price paid and should disregard hope value.
- 4.15 The RICS Guidance Note on Financial Viability in Planning states that *"The return to the landowner will be in the form of a land value in excess of current use value"*. Para 3.4.3 also states *"Any planning obligations imposed will need to be paid out of this uplift but cannot use up the whole of this difference..."*. The RICS Guidance Note provides further confirmation that Site Value will be based on market value which includes regard to current use value, alternative use value and market/transactional evidence (para 3.4.5).
- 4.16 In accordance with the above policy and professional guidance, consideration has been given to the EUV of the Application Site by valuation specialists Haslams. The EUV has been calculated based on the investment value of the existing commercial uses on the site. On this basis, the Application Site has a EUV (excluding premium) of £1,360,000
- 4.17 The EUV has been assessed on the basis that all hope value is excluded including any value arising from a planning permission. In accordance with policy, a premium of c.30% has been added to the EUV in order to provide a competitive return for the landowner. This provides a minimum Benchmark Land Value (BLV) of £1,768,000.
- 4.18 A premium of 30% is considered appropriate for the Application Site in view of the fact that the site includes existing buildings which provide a long-term income stream for the landowner.

Developer Return

- 4.19 The Applicant has considered the level of Developer Return required to bring forward the Application Scheme with its advisory team having regard to factors such as: the complexity and risk associated with this scheme compared with other schemes; the competitiveness of the local residential market and risks associated with the UK's decision to leave the European Union; and the absence of pre-lets for the commercial elements of the scheme.
- 4.20 On this basis the Developer Return adopted in the financial model is 20% of GDV for Private sale and 15% for Commercial. This provides an overall blended profit of c.19% of GDV. This target level of return is also considered appropriate in view of the omission of a separate developer's contingency and allowance for neighbourly costs.
- 4.21 This approach is consistent with the recently published NPPG (2019) which specifically states that a developer return of up to 20% on GDV is a reasonable assumption to make for the purposes of viability assessments. It is also consistent with the assumptions made in the Council's Local Plan Viability Study (2018).

Appraisal Results

4.22 A baseline development viability appraisal has been run on the basis of the present-day cost and value assumptions set out in this report and nil affordable housing. A headline summary of the appraisal is summarised in Table 7 below.

Table 7 – Appraisal Summary

Scheme Revenue	Assumption	Amount
Private Residential Revenue	£458 PSF	£13,091,472
Car Parking	£12,500 / unit	£337,500
Ground Rents	£300 PA / 10% Yield	£132,000
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Finance	6.75% (inc fees & surveys)	£459,288
Developer Return	20% Private 15% Commercial	£2,814,244
Total Costs	-	£14,350,099
Output Land Value		
Residual Land Value	-	£50,540
Benchmark Land Value		
Existing Use Value (EUV) +30%	-	£1,768,000

4.23 The output Residual Land Value (RLV) (c.£51k) is below the minimum BLV of c.£1.77m. The financial appraisal therefore evidences the scheme is constrained by the value of the existing buildings that will need to be demolished and, as a consequence, is not required to provide any Affordable Housing in accordance with the adopted Core Strategy Policy CS16 and the draft Local Plan Policy H3.

Affordable Housing Proposals

- 4.24 A growth appraisal has been prepared to illustrate the sensitivity of the RLV to market growth. The growth appraisal illustrates that a 10% increase in private sale revenues increases the RLV by c.£900k.
- 4.25 In view of this, and a range of other factors, including national planning policy, the applicant has confirmed that they are prepared to deliver the scheme with a £160k cash in lieu contribution (equivalent to 10% affordable housing). This aligns with national policy expectation for major schemes to contribute 10% affordable home ownership.
- 4.26 A financial contribution is proposed in lieu of on-site delivery because it would not be feasible for a Registered Provider to acquire and manage a small number of homes in isolation due to management practicality and efficiency.
- 4.27 The applicant has also confirmed that they would be willing to accept an Early Stage Review Mechanism which enables the amount of Affordable Housing to increase up a policy compliant mix of tenures (subject to future viability and delivery timescales). This provides the Council with certainty that the applicant is committed to delivering the scheme to support the ongoing regeneration and enhancement of the Town Centre.

5 HOUSING ASSESSMENT

5.1 This section of the Statement provides an overview of the proposed approach to housing delivery alongside an analysis of the proposals against the Development Plan and other material considerations set out within Sections 2 to 4 of this Statement.

Overall Amount

5.2 The application seeks permission for the erection of a new 6 storey mixed use building providing 44 residential dwellings.

5.3 The overall quantum of housing proposed is appropriate having regard to the following factors:-

- **Effective Land Use:** The proposed quantum of housing will optimise the use of a brownfield site in accordance with the chapter 11 of the NPPF (2019)
- **Housing Targets:** The new homes will make an important contribution towards meeting the Council's objectively assessed need (699 homes per annum) for new housing as identified in the Strategic Housing Market Assessment (2016).

5.4 The proposed quantum of housing is therefore supported by the Development Plan and other material planning considerations.

Affordable Housing

5.5 It is proposed that the scheme will provide private home ownership housing. The proposed mix of tenures is appropriate having regard to the following factors: -

- **Financial viability:** The scheme is not required to provide any Affordable Housing in accordance with Core Strategy Policy CS16.
- **National Policy:** The proposal aligns with the national policy expectation for all major schemes to contribute 10% affordable home ownership (NPPF paragraph 64).
- **Review Mechanism:** The inclusion of an Early Review Mechanism enables the quantum of Affordable Housing proposed to increase to a complaint tenure mix (subject to future viability and delivery timescales).

Unit Size Mix

5.6 The proposed unit mix is set out in Table 8 below.

Table 8: Unit Size Mix

Type	Number	%
1 Bed	17	39%
2 Bed	24	54%
3 Bed	3	7%
Total	44	100%

5.7 The proposed mix of private unit sizes is appropriate having regard to the following site-specific factors including: -

- **General Suitability:** The site is more suited to smaller households, with fewer children, due to its Town Centre location. There is therefore unlikely to be sufficient demand for a larger number of family sized flats due to both their affordability and general suitability.

- **Financial viability:** Smaller residential units create more value relative to their floorspace. The introduction of larger units would therefore result in a less efficient scheme constraining viability and the resultant financial contribution in lieu of affordable housing.
- **Design Quality:** The introduction of additional larger units would result in the need to reconfigure the design which in turn would compromise the overall quality of the scheme.

6 OVERALL CONCLUSION

- 6.1 This Housing Delivery & Viability Statement ('Statement') has been prepared on behalf of Centre Matterhorn Capital ('the Applicant') in respect of land at 71-73 Caversham Road, Reading ('the Application Site').
- 6.2 A planning application has been submitted to Reading Borough Council for the redevelopment of the Application Site to provide 44 new homes alongside new commercial floorspace, cycle parking, landscaping and public realm improvements ('the Application'). The development proposals will support the continued regeneration and enhancement of Reading Town Centre.
- 6.3 Planning law requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise.
- 6.4 This statement demonstrates the provision of any contribution towards Affordable Housing would exceed that the scheme is required to provide, in accordance with the Adopted Development Plan due to financial viability. The Financial Viability Appraisal shows that the Residual Land Value (RLV) of the scheme is below the minimum Benchmark Land Value (BLV). The viability of the scheme is therefore constrained by the high existing use value of the buildings that will need to be demolished at the site.
- 6.5 Notwithstanding this, the applicant has confirmed that the scheme will provide a £160k cash in lieu contribution (equivalent to 10% affordable housing). This aligns with national planning policy expectation for major schemes to contribute 10% affordable home ownership (NPPF paragraph 64).
- 6.6 The applicant has also confirmed that they would be willing to accept an Early Stage Review Mechanism which enables the amount of Affordable Housing to increase up a policy compliant mix of tenures (subject to future viability and delivery timescales). This provides the Council with certainty that the applicant is committed to delivering the scheme.
- 6.7 Overall this Statement demonstrates that the amount, type and mix of housing proposed in the planning application is appropriate for the site and development proposal in accordance with the statutory Development Plan and other material planning considerations.