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Mr E Durrant
South Cambridgeshire District Council
South Cambridgeshire Hall
Cambourne Business Park
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Cambridge
CB23 6EA

Dear Mr Durrant

**Wing Development: Land North of Newmarket Road, Cambridge (Application reference S/2682/13/OL)
Planning application for up to 1,300 homes and associated infrastructure and community facilities
Proposed approach to affordable housing delivery**

Further to the submission of the above planning application, I write to provide an update on the latest position with regards to affordable housing delivery on the Wing development. This is formally put forward as an amendment to the submitted planning application documents that specify the percentage of affordable housing that the development was proposed to deliver. This situation has come about as a result of the viability assessment work undertaken by Marshall and follows ongoing discussions with officers from South Cambridgeshire District Council and the City Council over the last 18 months.

The attached addendum document explains in more detail the background as to why this proposed amendment is being sought. This is primarily due to the significant abnormal costs associated with the development, and in particular relocating the existing Marshall operations and maintaining the employment of around 1,000 employees who currently work on the North Works.

Marshall is committed to the creation of a socially inclusive community at Wing and the original documents supporting the planning application demonstrated this by proposing 40% affordable housing with a 50:50 tenure split between affordable rented and low cost/intermediate tenure. The viability assessment work has demonstrated that if the scheme were to deliver the proposed levels of affordable housing it would result in an unviable position for Marshall as landowner and hence no incentive for the site to be brought forward for development. In light of this Marshall has been working with officers to secure the highest level of affordable housing that the scheme can deliver, whilst still delivering the necessary financial contributions to mitigate the impacts of the development and provide the facilities that will contribute a successful new community. **Therefore the exact level of affordable housing and tenure split will be identified through the viability work and ongoing discussions, and the planning application should be considered on this basis.**

It is recognised that where a development is expected to provide below the policy target of affordable housing a review mechanism can be used to potentially secure higher levels of affordable housing based on a periodic review of the development costs and sales values. However, in this instance, with the uncertainties surrounding the significant relocation costs and remedial works, such a mechanism would complicate Marshall's ability to secure a development partner and further delay the delivery of the site. Therefore, Marshall has put forward an offer that the scheme will deliver a headline percentage of 30% affordable housing, with a tenure split of 30:70 in favour of intermediate housing, on the basis of there being no phased review of viability as the scheme is built out. This offer is higher than the level of affordable housing that Marshall believes that the development can viably deliver.

Notwithstanding the above a mechanism is proposed by which the Councils may have the opportunity to alter the tenure split to deliver more affordable rent homes as a result of the emerging proposals for Starter Homes. This point is considered in more detail in the addendum.

Given the proposed amendment to the submitted planning application, we understand that the Council will need to consult and we propose that this letter and the attached document form the basis of the consultation.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,



Richard Oakley
Development Director

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This document sets out the revised position with regards to the proposed delivery of affordable housing from the Wing development, which proposes up to 1,300 homes, a primary school, sports pitches, retail, employment and open space, on land north of Newmarket Road.

Background

The submitted planning application proposed up to 1,300 homes, of which 40% were proposed as affordable housing (i.e. up to 520 dwellings). Of the affordable dwellings, the application proposed a 50:50 tenure split between affordable rented and low cost/intermediate housing (i.e. up to 260 affordable rented homes and 260 intermediate homes). All of these homes are proposed to be built to Lifetime Homes standards and based on London Space Standards, which ensures larger room sizes than most volume housebuilders often deliver.

As the site falls within the adopted Cambridge East Area Action Plan (CEAAP, 2008) area and will be considered by the Joint Development Control Committee (JDCC) negotiations have been carried out with officers from South Cambridgeshire District Council and the City Council. Given the submitted planning application proposed that the 40% affordable housing would not comply with the Councils' policy requirement of a 75:25 tenure split in favour of affordable rented housing, the Councils sought further justification from Marshall that this position was based on the financial viability of the development.

Viability Appraisal

In that context, Marshall instructed ARCADIS (formerly known as EC Harris) to prepare a detailed viability appraisal in accordance with guidance published by the Royal Institute of Chartered Surveyors (RICS). This has been a comprehensive piece of work with input from a range of technical experts. The financial model looks at a number of factors, including the likely timescale to build out and complete the scheme, anticipated sales values for residential properties and income from commercial premises, build costs for infrastructure, homes and other commercial buildings, remediation costs, and the anticipated return to a developer. All of this, whilst ensuring an appropriate land value is allowed for to incentivise Marshall to release the land for development, and to allow for appropriate relocation costs to enable the brownfield elements of the site to be delivered as part of the comprehensive redevelopment of the area. Although Marshall is the landowner in considering the viability of a development it is standard practice for the land value to be included as well as developer profit, whoever the land owner is.

Policy CE/33 of the CEAAP identifies the categories of infrastructure that may require contributions as a result of any development, which are applicable to the Wing proposal. These include such matters as affordable housing, education, health, transport and community facilities.

Discussions have advanced with South Cambridgeshire District Council, Cambridge City Council and Cambridgeshire County Council, with regards appropriate delivery of infrastructure and community facilities to mitigate the impacts of the development and to support the new community, for inclusion in the S106 legal agreement. This includes a commitment to around £28 million of funds towards primary and secondary education, health, transport, sports facilities, community facilities and waste facilities. This equates to around £22,000 per dwelling and is comparable to other Cambridge fringe sites.

The submitted viability appraisal prepared by ARCADIS on behalf of Marshall, supported by a number of detailed studies, has been reviewed and interrogated by the Councils and their independent viability advisers, with input from expert legal advice where appropriate.

The final paragraph of Policy CE/33 of the CEAAP states that the appropriate level of contributions should "*take into account costs which fall to the development*" and makes specific reference to the costs associated with the

relocation of the North Works. Joint legal advice has been sought on this matter and confirmed those costs which should be taken into account, including the following:

Over a quarter of the land area of the proposed application (some 17 hectares) is a brownfield site known as the North Works, which is the operating base for a number of Marshall Group businesses and some third party tenants. As a brownfield site, the costs of developing this site are significant, to include the relocation of the Marshall businesses to alternative premises, demolition of existing buildings, and remediation of the site to make way for the Wing development. It is projected that the majority of these costs will be incurred in the later phases of development.

The airport also operates an aircraft Engine Run Up Bay (ERUB) located to the south of Newmarket Road, which is used for engine testing of aircraft undergoing maintenance work at the airport. This gives rise to higher noise levels within the Wing site. To enable the first phases of the Wing site to be delivered it is proposed to relocate this activity to a purpose built facility which will attenuate noise effects on the new residents. This new facility should also provide a wider community benefit through reductions in noise levels experienced by residents around the Airport, both in the City and surrounding villages. In order to accommodate the types of aircraft that presently use the ERUB, and provide the necessary levels of sound attenuation, this purpose built facility represents a significant cost to the development.

Unlike the other Cambridge fringe sites that have delivered 40% affordable housing the need to relocate existing businesses and the ERUB, and the policy requirement for this cost to be borne by the development, are unique. The viability work has demonstrated that without the significant relocation costs the development would have been able to deliver a policy compliant level of affordable housing.

The Councils' costs consultants have identified areas where savings could be made in the construction process and most of these savings have been accepted and incorporated into the assessment. It is acknowledged that there are some areas where there is disagreement over whether the suggested savings could be achieved. However, there are also areas where the consultants believe that costs identified may have been underestimated. Therefore, on balance the proposed level of affordable housing is considered to comply with Policy CE/7 of the CEAAP, which although requires that the starting point for negotiations for affordable housing will be 40% also acknowledges that in considering the level of affordable housing "*...a balance may need to be struck between competing requirements, in the light of economic viability.*"

Proposed delivery of affordable housing

Given the negotiated package of infrastructure and community facilities, which is close to being finalised for inclusion in the S106 legal agreement, and taking into account the significant abnormal costs highlighted above, the development would not be financially viable for Marshall to proceed with the scheme at the proposed level of affordable housing as put forward in the original planning application.

As such, Marshall proposes to amend the position with regards affordable housing proposed as part of the package of infrastructure and community facilities through the S106 planning obligations. **The exact level of affordable housing and tenure split to be provided as part of the scheme will be identified through the viability work and ongoing discussions, and the planning application should be considered on this basis.**

Marshall has therefore put forward an offer to the Councils, which commits to delivery of all of the S106 commitments requested, provides for the relocation of the existing businesses and protects around 1,000 jobs in the displaced operations. In light of the above and on the basis of there being no phased review of viability as the scheme is built out, the offer is that the scheme will deliver a headline percentage of 30% affordable housing, with a tenure split of 30:70 in favour of intermediate housing.

Pending further discussions with the Councils, and given the emerging proposals for Starter Homes through the Government's Housing and Planning Bill, it is proposed that an element of flexibility in the 30:70 tenure split is

built into the wording of the S106 legal agreement. This may provide an opportunity to adjust the tenure split, for instance, if the introduction of Starter Homes (at 80% of market value, capped at £250,000) to replace a proportion of intermediate housing, generates more scheme income which can be used to cross-subsidise an increased proportion of affordable rented homes (again replacing a proportion of intermediate housing).

This offer would ensure delivery of up to 390 affordable homes if 1,300 homes are delivered across the site. On this same basis, and taking into account the potential impact of the emerging Starter Homes proposals at least 117 of the new homes would be affordable rent with 273 intermediate homes (or less depending on an increase in the number of affordable rent). Marshall is committed to 100% of the homes being built to Lifetime Homes standards and incorporating the London Space Standards. It is requested that the proposed amendment be considered as part of the overall proposals for the Wing development when it goes before the JDCC.