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(By Email Only)

VIABILITY REBUTTAL

Maxwelton House, 41-43 Boltro Road, Haywards Heath, West Sussex
Mid Sussex District Council Planning Application Reference: DM/26/0679

We refer to the Independent Viability Assessment dated May 2026, prepared by DSP on behalf of Mid Sussex District Council (MSDC) which provides a review of the Financial Viability Assessment (FVA) submitted by Alder King (AK) in March 2026 on behalf of the Applicant, McCarthy Stone Retirement Lifestyles.

The above documents relate to the existing planning permission (**Application Reference: DM/22/2218**) which is described as follows:-

“Redevelopment of site to provide a development of 50 retirement living apartments, associated parking, landscaping and amenity provision. AMENDED PLANS received 13/12/2022 removing top floor of communal facilities and rooftop terrace and also submission of a Construction Management Plan and Surface Water Management Plan During construction”

The Applicant has subsequently implemented the above planning application through the demolition of the previous buildings. To date, the Applicant has undertaken demolition, remediation and initial groundwork associated with the above planning consent.

The above-referenced AK FVA supported the Section 106A (s.106A) application to amend the existing s.106 agreement which stipulates the payment of s.106 contributions of £1,135,582, of which £913,000 relate to the provision of affordable housing (financial payment in-lieu of on-site provision).

When assessing the viability of the scheme based on full s.106 contributions (£1,135,582) and reduced contributions of £222,582 which includes the removal of the affordable housing contribution, the proposed scheme was financially non-viable with deficits of (£2,123,559) and (£1,324,559) respectively after allowing for a Benchmark Land Value (BLV) of £2,610,000.

By comparison, the DSP assessment concluded that the scheme was viable with the provision of the full s.106 contributions. The DSP assessment considered the scheme based on 17.5% and 20% profit on GDV. The DSP assessment produced Residual Land Values (RLVs) of £964,091 and £584,013. In support of the scheme being viable on both basis, the DSP report references at paragraph 4.1.5 *“no evidence currently that the resultant RLV of c. £1m could not form a suitable level of land value”*.

We would take the opportunity to comment that the conclusions of the DSP assessment are not considered final. This is due the fact the assessment makes no allowance for a suitable BLV in-line with Viability PPG requirements. DSP therefore conclude that the scheme is viable although this assessment makes no allowance for a suitable landowner return, a requirement of viability testing. Paragraph 4.1.7 of the DSP report states:

“Aside from the viability position based on a development appraisal, the Council will also need to consider the wider question of whether it is appropriate to consider viability at this stage, and how much weight to give to viability assessment; i.e. to what extent the current viability position is the realisation of risk for the developer, what land value/profit is acceptable in the circumstances, and the benefits of housing delivery generally versus community benefits such as affordable housing. These matters go beyond the viability inputs being considered here.”

In response to this comment, we would take the opportunity to reiterate that the AK FVA provided an assessment of a partially implemented consent. The exercise is therefore not a traditional application stage FVA concerning a non-standard form of development. Both parties are considering the viability of a partially implemented scheme. Following the commencement of construction, the intervening period has been dominated by limited house price (revenue) growth and continued cost inflation. Should viability remain an issue, the possibility of no housing delivery is high. This therefore must be a consideration for the decision maker.

The table below provides a summary of the respective appraisals assuming full s.106 contributions:

Scenario	AK Full S.106 20% Profit	AK Reduced S.106 20% Profit	DSP Full s.106 17.5% Profit	DSP Full s.106 20% Profit
RLV	£486,441	£1,285,441	£964,091	£584,013
BLV	£2,610,000	£2,610,000	£0	£0
Surplus Deficit	(£2,123,559)	(£1,324,559)	£964,091	£584,013

In arriving at these conclusions, the key differences in appraisal inputs were as follows:-

1. Profit – AK adopted 20% of GDV, DSP have modelled 20% and 17.5% of GDV.
2. Professional Fees – AK adopted 10%, DSP adopted 8% in-line with area wide viability testing.
3. Benchmark Land Value – AK adopted a BLV of £2.61m, DSP have excluded a BLV from their assessment.

We comment on these items as follows:-

1. Profit

The DSP assessment provides conclusions at 17.5% and 20% profit on GDV. The DSP assessment is ambiguous at paragraph 3.12.4 which states:-

“Although we do not necessarily agree that an upper-end 20% profit assumption as submitted here, and regularly submitted in such cases, should apply to retirement housing where a policy concession is being sought, acknowledging the likely sales profile and scheme risk, we have tested the scheme viability with the submitted profit level alongside providing sensitivity testing on a profit level of 17.5% GDV given the presented outcomes.”

Again, we do not consider the presented outcomes of the DSP assessment to be final on the basis there is no allowance for a suitable BLV or landowner receipt. The above mentioned 17.5% profit on GDV scenario is referred to as sensitivity testing only and it should be considered in that context only.

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In support of our adopted developer profit allowances of 20% profit on GDV, the AK assessment referenced numerous appeal decisions. Within the Crab Hill, Wantage appeal decision (**APPV3120/W/24/3356728**), dated July 2025, the Inspector references the risks related to sheltered housing which support the application of a 20% profit margin. This includes the fact the development must be completed and operational before any sales are completed, the slower return on investment owing to a longer sales period and the restricted market by comparison to general housing.

The above comments are consistent with the Oakfield Road, Sale appeal decision (**APP/Q4245/W/23/3325034**) where the Inspector referenced the additional risks associated with retirement/sheltered housing by comparison to general housing schemes.

We would also refer to a recent independent review of a retirement scheme undertaken by DSP on behalf of Mole Valley District Council (MVDC) relating to Claire and James House, Leatherhead (**Application Reference: MO/2024/1870/PLA**). The DSP report references at paragraph 3.12.3:

“In this case, the level of profit has been included as a fixed input at 20.0% of gross development (GDV) for the proposed retirement scheme (based on 100% market units).”

Following an update to the scheme, a subsequent re-assessment by DSP in March 2026 commented as follows:-

“In our review report, we provided sensitivity testing based on a profit of 17.5% GDV on the market housing, which in our view, is a more typical and appropriate assumption in viability in planning generally where policy concessions are being considered. However, we suggest that the Council could accept a profit level of 20% GDV on the residential element - for a scheme of this nature. Hence our initial testing of the two different profit levels, for information purposes. “

We would also comment that the enhanced risk profile associated with brownfield development sites and most importantly, those developed for the purposes of sheltered housing with a restricted market is apparent from the exercise at hand. The risk profile associated with this form of development is abundantly clear.

In light of the above, we maintain that the appropriate profit margin for retirement/sheltered housing remains 20% on GDV.

2. Construction Costs & Professional Fees

Whilst DSP have adopted construction costs consistent with the AK assessment (£11,654,850), a lower professional fee at 8% has been applied to this cost. When applied to the above construction costs, professional fees within the DSP report equate to £932,388. By comparison, professional fee allowances within the AK assessment were included at £1,110,620 which equates to c. 10%.

In support of their approach, DSP state:-

“In addition to the above build costs, an allowance of £1,110,620 has been included for professional fees, which equates to c. 10% of the total construction costs. For the purposes of our appraisal testing, consistent with MSDC’s typical approach on this”

In order to narrow the areas of variance between the respective assessments, we have adopted professional fees consistent with those contained within the DSP assessment. In-light of the information provided by the Applicant within the initial assessment and in-line with “actual build cost incurred” as defined at page 25 of the MSDC Development Viability Supplementary Planning Document (Adopted July 2018), standard construction costs have been updated in-line with the Applicants current estimations. **These are included at £11,425,648 with an updated appraisal enclosed to this assessment. Professional fees are included at 8% of this value.**

3. Benchmark Land Value

After arriving at RLVs for the proposed scheme both with and without the full s.106 obligations, the AK assessment made allowances for a BLV in-line with viability requirements, The adopted BLV was derived values consistent with the latest area-wide viability assessment, undertaken by HDH Planning and Development in May 2022. The adopted BLV equated to £2,610,000.

By comparison, the DSP assessment currently makes no allowance for any BLV. In support of the absence of an appropriate BLV, paragraph 3.2.17 of the DSP report states:-

“Overall, therefore, we consider that the BLV is overstated. The policy requirement for affordable housing would have been known when signing the S106 agreement, therefore a key question is whether the viability position has changed significantly since the scheme was granted approval. In addition, the landowner and developer will have to/would have had to take the policy requirement into account when agreeing a purchase price for the land. We will come back to this in our summing up in Section 4 below.”

Paragraph 4.1.5 of the DSP report states:-

“Given the profit outcomes presented by the applicant, in our view, a profit target of 17.5% GDV should be regarded as being at a positive, acceptable level and there is no evidence currently that the resultant RLV of c. £1m could not form a suitable level of land value.”

We would initially comment that the adopted BLV as adopted within the AK assessment has been calculated by applying a value of £70,500 per unit to the number of market units contained within the previous residential consent for the Property (**Application Reference: RM/20/3516**) which equates to 37 units. This approach assumes the affordable housing within the existing consent would carry nil value. The aforementioned £70,500 per unit is consistent with the median value, price paid for consented land detailed at table 6.3 ¹ of the latest area-wide viability testing. For reference, the average stated value equates to £80,000 per unit.

When considering the available evidence within the latest area-wide viability testing and reviewing land transactions providing 30% affordable housing only (i.e. excluding all other sites), the average of the cited comparable transactions equates to £2.168m per hectare (c. £890k per acre). When applied to the area of the Property (0.60 ha), this provides a value of £1.4m. Whilst the cited comparables are historic, even by the LPAs own testing, a value of £1m for the Property would not provide a suitable level of land value as referenced by DSP.

¹ <https://www.midsussex.gov.uk/media/8671/dpr-viability-study-may22.pdf>

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The DSP report references at paragraph 3.2.16 that the adopted BLV could be based on the Alternative Use Value, derived from the value of the existing planning consent. We disagree with this approach due to the fact the existing planning permission (which requires the provision of 30% affordable housing and s.106 contributions of c. £370,000 would produce a negative RLV and this would not provide a realistic assessment of the value of the Property.

We are therefore of the opinion that were the general housing scheme (**Application Reference: RM/20/3516**) to be pursued today, similar viability issues would remain. It would therefore be expected that any Applicant or Developer of this scheme would also consider a viability assessment to reduce either the on-site affordable housing provision or s.106 contributions in order to derive a deliverable scheme.

As highlighted by DSP, the Property was purchased in March 2022 for approx. £2,000,000 and this provides evidence of Market Value as at the date of the transaction. In light of this information, it would therefore be unrealistic to assume that the Property would transact in-line with the minimal RLV for a non-viable existing planning consent.

Whilst it is recognised that adopting the actual Purchase Price is not appropriate for the exercise at hand, in the absence of an appropriate EUV or AUV for the Property, a suitable approach for considering whether the scheme is able to support the existing s.106 contributions sought from the scheme is to consider a BLV consistent with the latest area-wide viability testing. This is on the basis the impact of policy within the existing Local Plan has been considered on a similar basis.

On the basis that the latest area-wide testing assumes a minimum of £2,500,000 per hectare, plus a 20% premium for previously developed land (consistent with the Property), we have applied this approach within the enclosed updated appraisal. When applied to the area of the Property, this would produce a BLV of £1,800,000.

This BLV should be considered in the context of the other appraisal inputs adopted within the enclosed appraisal and the fact the actual purchase price is publicly available information. Key appraisal inputs include actual construction cost information, sales and marketing allowances consistent with inputs tested and substantiated at appeal and most importantly, unit values consistent with current asking price evidence. We would typically expect actual achieved unit values to fall below current asking price information after allowances for sales incentives/cash discounts etc. and clearly if a less optimistic approach were taken, the conclusions of the assessment would worsen. **The updated BLV is therefore £1,800,000.**

Conclusion

For the reasons outlined above, we maintain that conclusions of the current DSP assessment are provisional. We have provided evidence of why the profit allowances within the DSP assessment (17.5% GDV) are underassessed and why 20% is suitable for the exercise at hand. We have also provided confirmed construction cost information concerning the scheme but would reiterate that these are estimations only and actual constructions could conceivably exceed these.

Furthermore, the adopted GDV assumptions are consistent with the Applicant's current asking price information although again, we would expect actual achieved values to fall below these estimations once allowances for sales incentives/cash discounts are reflected. In producing the enclosed assessment, we have relied upon actual cost/revenue information and estimations in-line with standard viability practice where necessary. The remaining key input which needs to be considered is the BLV.

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Whilst the actual purchase price is known and existing planning requirements for the scheme would have been known as at the date of purchase, viability practice and guidance precludes this from being included within the enclosed assessment. When assessing costs and revenues in-line with actual figures, we are then required to adopt a BLV in order to assess the schemes ability to support planning obligations.

For the purpose of this analysis, the adopted BLV is consistent with the latest area-wide viability testing at £1,800,000. We maintain that this value represents the absolute minimum return that a landowner would expect for a site of this nature. We disagree with the DSP assertion that a value of £1,000,000 would represent a suitable land value given available evidence, including that contained within the latest area-wide testing demonstrates this is not the case.

We have enclosed an updated appraisal for the partially implemented scheme. The enclosed appraisal includes updated construction costs (in-line with the Applicant's estimations) and professional fees at 8% of total construction costs. All other appraisal inputs remain consistent with the previous assessment.

The enclosed updated appraisal demonstrates an RLV of £1,657,741 when reducing the s.106 contributions to £222,582 and removing the existing affordable housing contribution. When compared to the reduced BLV of £1,800,000 a deficit of **(£142,259)** is produced. On this basis, the scheme remains non-viable and unable to support the existing s.106 contributions when viability is assessed on a consistent basis with the latest area-wide viability testing.

For the purposes of sensitivity testing only, if the above RLV of £1,657,741 were to be compared to the estimated land values referred to within the DSP assessment at paragraph 4.1.5, (a BLV of £1,000,000), the surplus generated when assessing the scheme at 20% profit on GDV, would equate to c. £657,741. For completeness, this assumes the remaining s.106 contributions (£222,582) are paid in accordance with the existing agreement.

In considering this sensitivity testing, it is appropriate to reiterate that market evidence for residential development land within the locality of Haywards Heath, as demonstrated within the latest area-wide testing, equates to an average c. £890k per acre. Available evidence concerning the Property also exceeds this value. We therefore do not consider a BLV of £1,000,000 to represent a suitable return to a landowner in this location however we have assessed the viability on this basis in order to provide sensitivity testing only.

Alder King LLP
June 2026

Enclosed.
Alder King June 2026 Updated FVA