

Joanne Fisher

From:

Sent:

To:

Cc:

Subject:

DM/26/0679 - Maxwellton House, 41-43 Boltro Road - DSP25521AM

Follow Up Flag:

Follow up

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Dear Nick and Joanne,

DSP was previously commissioned (in April 2026) by the Council to carry out an independent review of the ‘Financial Viability Assessment’ (FVA) dated March 2026 and supplied to the Council on behalf of the applicant by Alder King.

The conclusion of the applicant’s FVA was that the consented scheme was not sufficiently viable to support the full s.106 obligations of £1,135,582 (including an Affordable Housing Contribution of £913,000). When including the full level of s.106 contributions the scheme produced a deficit of -£2,123,559. With the AH contribution removed the scheme continued to produce a deficit of -£1,324,559 and an actual developer return of 13.88% and that whilst this fell below the target return of 20% GDV, Alder King confirmed that the applicant was willing to proceed with the scheme on that basis.

DSP’s May 2026 review report (reference DSP25521AM) considered the effect on the scheme appraisal of a lower professional fees’ assumption (8% rather than the submitted 10%). We also considered the submitted

Profit % on GDV	Residual Land Value
20.0%	£584,013
17.5%	£964,091

BLV of £2.61m to be overstated and we were also unable to accept the submitted build cost without further explanation.

Our revised test appraisals indicated the following outcomes (table of results extracted from our review report):

Our review report therefore concluded that 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 that there was no evidence that the resultant RLV of c. £1m could not form a suitable level of land value.

On 13th August the Council requested that we review the ‘Viability Rebuttal’ dated 15th June 2026 also supplied by AK. Our comments follow.

Profit

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, across a wide range of these more specific development types and bearing in mind likely sales profile and scheme risk as well as appeal outcomes overall, we have been able to accept a higher profit level of 20% GDV for retirement living and similar schemes as more reflective of this

sector. Hence our initial testing of the two different profit levels, for information purposes. For the reasons we set out in context here we suggest that the Council could appropriately accept a profit level of 20% GDV for a scheme of this nature.

Construction Costs

It is noted that the construction costs are stated to have been updated '*in-line with the Applicants current estimations.*' The costs have been included in the updated appraisal at £11,425,648 – a reduction of £229,202 from the previously submitted £11,654,850. The updated cost equates to an all-in build rate of £2,524/m². We have benchmarked the costs against other similar schemes that we have reviewed, and the updated costs do not appear to be excessive, however, the Council may still wish to request additional evidence from the applicant.

As noted above, DSP tested a lower professional fees assumption of 8%. We note that this has been accepted, which is welcomed.

Benchmark Land Value

Within the original viability submission, Alder King considered the EUV of the application site should be calculated by reference to residential development land values. Referring to the Local Plan Viability Study May 2022 prepared by HDH Planning and Development, the FVA applies a value of £70,500 per unit to the consented scheme (reference RM/20/3516) to arrive at a BLV of £2,610,000 (rounded).

Our May 2025 review report considered the BLV to be overstated given that the application site included a vacant office building with little demand and that the Land Registry records indicated that the applicant purchased the site for £2m in March 2022.

The Viability Rebuttal states that DSP makes no allowance for any BLV. As above, our review report stated that there was no evidence that a value of c. £1m could not represent a suitable level of land value.

We note that Alder King has still not provided an AUV appraisal. This is stated to be because the scheme would produce a negative residual land value and that if the scheme were pursued a developer would likely seek to reduce either the AH provision or the s.106 contributions.

In Alder Kings' view, a suitable approach for considering the BLV is consistent with the area-wide viability testing, which would produce a BLV of £1.8m.

The Viability Rebuttal concludes that when reducing the s.106 contributions to £222,582 by removing the AH contribution of £913,000, the scheme produces a RLV of £1,657,741 and a deficit of -£142,259 against a BLV of £1.8m. It goes on to state that when assuming a developer return of 20% GDV, the RLV of £1,657,741 produces a surplus of £656,741 against a lower BLV of £1m.

We note in an email of 17th June that whilst the applicant does not accept a BLV of £1m, they are willing to offer an affordable housing contribution of £658,000.

Conclusion

We confirm that when updating the construction costs as above and including s.106 contributions of £222,582 (i.e. removing the AH contribution of £913,000), the scheme produces a residual land value of £1,657,741 and a surplus of £657,741 against a BLV of £1m.

In the circumstances, and although it is noted that a BLV of £1m is not accepted by the applicant, in our view, the Council could consider an offer of £658,000 to be reasonable.

We hope that this assists the Council with their next steps and should you have any questions, please do not hesitate to contact us. We would be grateful to receive the PO as soon as possible please.

Kind regards,



Emily Hatch LLB (Hons)

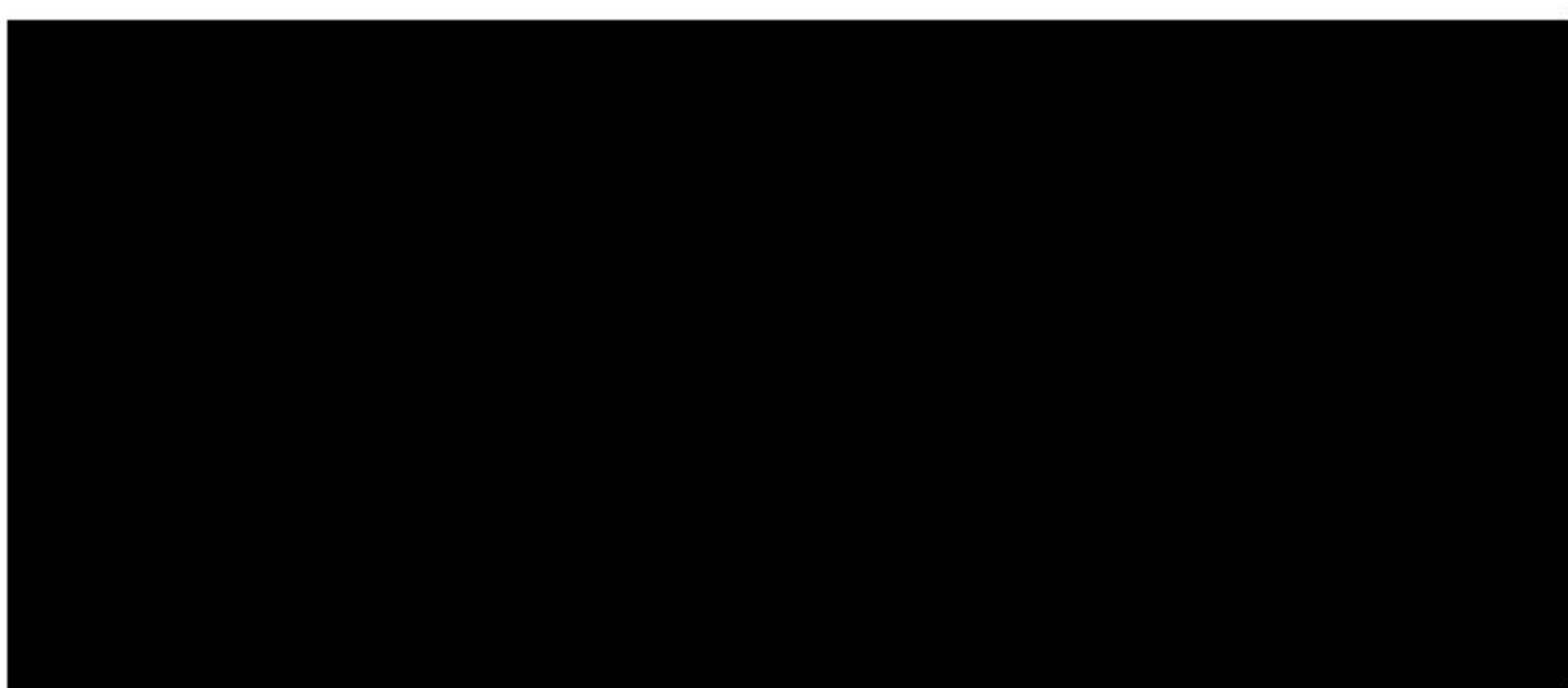
Consultant

Working days - Monday - Friday 9am - 4pm



Local Plan Viability | CIL & IL Economic Viability | Affordable Housing Viability | Strategic & Site Specific Viability

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