

CIVIC QUARTER AREA ACTION PLAN

TRAFFORD COUNCIL'S RESPONSE TO THE INSPECTOR'S MATTERS, ISSUES AND QUESTIONS

Matter 11 – Infrastructure and Obligations

Introduction

This hearing statement has been prepared by Trafford Council in response to the Inspector's Matters, Issues and Questions for the Examination hearing sessions. It addresses Matter 11: Infrastructure and Obligations.

The following key documents are relevant to this response:

- The Civic Quarter Area Action Plan Regulation 19 Version (January 2021) **A01**
- Viability Assessment Evidence Base Document **C01**
- Constraints Report Evidence Base Document **C03, C04 and C05**
- Infrastructure Cost Plan Evidence Base Document **C07**
- Utility Assessment Evidence Base Document **C11**
- Copies of Representations at Regulation 19 stage **E01**
- Viability Consultation Event Response **F02**
- CIL Compliance Statement **F26**
- Viability Consultation Event (July 2021) slides **F27**
- Revised SPD1: Planning Obligations (Trafford Council) **F28**
- BNP Paribas Lambeth Viability Study **F29**
- Civic Quarter AAP Viability Input Sheet **F30**

11.1 *Is policy CQ11 – Infrastructure and Obligations - positively prepared, justified, effective and in accordance with national policy, for example in relation to NPPF56?*

11.1.1 Infrastructure is a necessary component of sustainable development as without it, development eventually stalls, either because there is simply no capacity remaining to absorb any additional demand (and thus planning applications necessarily have to be refused), or because a lack of infrastructure means that a place becomes unattractive for those who wish to live, work and invest in it, as they cannot access the facilities and services they require, or at least not easily. It is a long established principle of the planning system that those who benefit from development – landowners and developers – should contribute proportionally to the burden their development puts onto the public purse through increased demand for infrastructure, services and facilities.

11.1.2 The infrastructure here is necessary to make any intensive development of any site acceptable. The fact that planning applications have started to come forward in the Civic Quarter without funding the full range of infrastructure identified in the plan (albeit with a whole range of developer contributions imposed via existing planning policy) demonstrates the need for the Plan and a comprehensive approach rather than enabling sites to come forward piecemeal. Otherwise the transformational change can only go so far – and development will eventually stall, or need to be refused on the grounds of a lack of infrastructure capacity. The whole premise of the AAP is that there will be transformational change of the whole area allowing for a much higher density and number of units than would be acceptable without that wider transformational change. That transformational change is not just about the individual sites but about transforming the wider area to create a sustainable, high quality neighbourhood which has the infrastructure and public realm that can suitably accommodate a much higher population in an acceptable way.

11.1.3 Policy CQ11 proposes an ‘equalisation’ approach. That is, every development within the Civic Quarter area contributes fairly and proportionately to the totality of the public infrastructure required to make the AAP acceptable. This is because the approach to all sites is predicated on transformational change of the area as a whole and the density and overall planning approach is dependent on the infrastructure to provide a high quality sustainable neighbourhood. This equally applies to those on the periphery of the area. Further, all sites will benefit from the improvements to the Civic Quarter as a whole, and the delivery of sustainable development, a place and a community.

11.1.4 It is noted that the policy does not currently specifically address the fact that development could contribute ‘in kind’ by providing necessary identified infrastructure to benefit the whole on their individual site. It does not do so as this is an established principle of the planning system – such that if a developer

wished to carry out specific works which are designed to be covered by the equalised contributions they may do so and secure an offset against their contributions. If the Inspector considers it would be appropriate to make this offsetting ability explicit, such an amendment could be included to improve the clarity of the Plan in this regard.

- 11.1.5 There is no reasonable alternative to providing the infrastructure other than by developer contributions. The scale of the contributions required means there is no realistic prospect that the Council or other public sector body could fund the necessary infrastructure. A policy of equalisation is also considered to be the most appropriate alternative – partly because every site will benefit from the overall transformational change that will be brought within the Civic Quarter, and partly because otherwise big kit items such as the new primary substation will otherwise become undeliverable, thus stalling development. It is not possible to identify any site which does not require the infrastructure to make it acceptable in planning policy terms as part of the wider whole. Of course, initial sites could take whatever remaining capacity there is in electricity, drainage or transport systems but they would not then be contributing to the achievement of the whole which is a necessary pre-requisite to the scale and form of development considered appropriate under this AAP.
- 11.1.6 The equalisation approach also makes the Plan more effective, as it improves its ability to deliver over the plan period, and should limit if not prevent entirely trading off between sites and developers attempting to argue that specific contributions do not apply to them or should be set aside.
- 11.1.7 Policy CQ11 is in accordance with national policy. It is assumed that the reference to NPPF56 in the above question in fact relates to NPPF58, as that appears to be the relevant paragraph. Policy CQ11 and the plan led viability approach should negate the need for site specific viability at the planning application stage, unless a site comes forward outside of plan period or can demonstrate that it has a significantly different existing use value. The viability assessment has been prepared in accordance with the approach in national planning guidance and Matter 11.4 covers this in more detail below.
- 11.1.8 The approach in CQ11 is also in accordance with national policy in NPPF Paragraph 8, as it supports the three overarching objectives of sustainable development; economic (for example co-ordinating the provision of infrastructure); social (for example ensuring accessible services and open spaces); and environmental (for example assisting in making effective use of land). It aligns growth and infrastructure as required by NPPF Paragraph 11(a) in relation to plan making. It is a non-strategic policy to provide infrastructure and community facilities at a local level in accordance with Paragraph 28 of the NPPF. In accordance with Paragraph 34 NPPF, the policy sets out the contributions expected from development without undermining the deliverability

of the plan. It is demonstrated below and in the CIL compliance statement appended to this statement, that the obligations meet the 3 tests in Paragraph 57 of the NPPF (which derive from Regulation 122 of the CIL Regulations). It is also considered to be in accordance with the NPPF when it is taken as a whole.

11.2 *Are there any **critical infrastructure needs** that are not addressed in the Plan? For example, are there any sewerage, flood risk, drainage or water supply issues that could be described as significant constraints, and are there any infrastructure issues that could be described as ‘showstoppers’? Does the policy need to be any more specific in relation to encouraging water efficiency measures, such as rainwater recycling, green roofs, water butts and permeable surfaces?*

11.2.1 All critical infrastructure needs are considered to be addressed in the Plan. The area is already well served by the primary road network which, although congested at peak times, generally operates effectively. Public transport provision is also good with the area served by five different Metrolink lines (Trafford Bar: serves Altrincham, East Didsbury and Manchester Airport lines) (Old Trafford: Altrincham line), (Wharfside: Trafford Park line) (Pomona: Media City line) and numerous bus routes. Neither National Highways nor Transport for Greater Manchester suggest any additional transport infrastructure is required to support the AAP (Inquiry Document E02). If there were capacity issues on the public transport network, then it would have been expected that these would have been raised by TfGM in their representations.

11.2.2 The Civic Quarter Area is within Flood Zone 1. The Environment Agency have confirmed that the AAP is not required to be informed by an updated Strategic Flood Risk Assessment at this stage. They are content that an updated SFRA can inform the emerging Trafford Local Plan in due course. Where required site specific FRAs can accompany planning applications (Examination Document E02).

11.2.3 United Utilities have not identified a need for further significant sewerage or drainage infrastructure in the Civic Quarter area, or any difficulties with water supply. In fact they identify that there are number of combined sewers in the area and that these create constraints which will need to be taken into account in the layout of future development. They do not raise any concern about their capacity, and their representations about the use of SuDS are addressed in Policy CQ4 and its consequent minor modifications.

11.2.4 A new mains connection will be needed from Chester Road. This has been costed at £55,000 (Inquiry Document C12). Potential foul and surface water drainage connections from development sites have been identified – and although some are more complex than others, none are considered to create delivery impediments and most are straightforward (Examination Document C03, C04 and C05).

11.2.5 There is a requirement for an entirely new 33KV primary electricity substation. This is a very expensive piece of infrastructure (costed at £8.2m plus £250k for connection) and requires a non-contestable Point of Connection

to the existing 33KV network at Barton Bulk Supply Point Substation. That in turn requires 2no. underground circuits and associated pilot cables over a 6km length. The route would cross several constraints including the A56 / Chester Road canal crossing, the Metrolink line and Network Rail crossing on Park Road. (Examination Document C12). The primary substation will also need a site of no less than 15m x 50m, which cannot be adjacent to the Metrolink line. No specific site has yet been identified.

- 11.2.6 The need for a new primary substation in part underpins the equalisation approach to infrastructure contributions. It is evidently too large a piece of infrastructure to expect one developer to fund it. Development will stall quickly due to lack of infrastructure unless there is a means by which the primary substation can be funded. By this equalisation method in the Civic Quarter AAP, the Council can pool contributions coming forward and then potentially borrow against future receipts to fund the primary substation for the benefit of all. Additionally, as developer contributions can be made 'in kind', the land cost of the substation could be offset against a development's other contributions.
- 11.2.7 In respect of the Plan being more specific in relation to water efficiency measures, the minor modifications already proposed to Policy CQ4: Sustainability and Climate Change specify a requirement to apply the hierarchy of drainage options in dealing with surface water and incorporate sustainable drainage solutions. It also requires developers to achieve the highest levels of energy and water efficiency that is practical and viable. This modification came about in order to respond to the representations of United Utilities. If the Inspector considers it helpful, this policy could be amended to include specific water efficiency measures which might be utilised.
- 11.2.8 Waste collections will be carried out either by the Council or privately, funded by Council Tax / Business Rates receipts or privately if that is how a particular developer wishes to manage their own site. They are therefore not accounted for in the infrastructure costs or viability appraisal.
- 11.2.9 No other critical infrastructure needs have been identified. Other infrastructure needs, necessary to support a new residential population, have been identified. These are discussed in Matter 11.3 below and are the subject of the appended CIL Compliance Statement.

11.3 *Are the **financial contributions** set out for planning applications for major development which are listed in policy CQ11 justified and will they support the effectiveness of the Plan? Does the evidence point to any significant viability issues? What is the definition of 'major development' which is to be used as the threshold for this policy?*

11.3.1 The financial contributions which are set out for major development are considered justified. They will not only support the effectiveness of the Plan, they are critical to its success. Without this infrastructure, the delivery of the Civic Quarter would be severely undermined. Even if development were able to proceed, it not would be sustainable and would not deliver the high quality neighbourhood which is the basic premise of the AAP and necessary to make high density development here acceptable.

11.3.2 The financial contributions which are listed in Policy CQ11 for major planning applications are split into two broad sections; service infrastructure costs that will enable the delivery of the regeneration of the CQ AAP and residential S106 contributions which will serve to mitigate the impact of development upon local services.

11.3.3 The evidence provided in the various infrastructure constraints and costs documents (Examination Documents C03, 04, 05, 07 and 12) and the commentary in Matter 11.2 above demonstrates the need for the 'big kit' infrastructure to support the development of any meaningful quantum of development in the Civic Quarter. Without additional electricity and drainage infrastructure, which cannot and should not be the responsibility of a single developer, the plan becomes undeliverable as development will stall. This underpins the equalisation approach. The Infrastructure Cost Plan (Examination Document C07) provides evidence to underpin the cost assumptions for this infrastructure which have then fed into the viability appraisal.

11.3.4 The service infrastructure costs used within Continuum's viability assessment thus included in Policy CQ11 have been informed by a feasibility study undertaken by Richard Boothroyd & Associates (RBA) (Examination Document C07) in November 2020. The study identified a total infrastructure cost of £25,589,000 (excluding finance costs) which related to drainage, a new electricity substation, water connection works, public realm works, and highways upgrades. A further cost of £1,651,488 to account for hostile vehicle mitigation (HVM) has been included within the total service infrastructure cost allowance, for clarity this is not included within the RBA feasibility study (2020). For the purposes of the viability assessment undertaken by Continuum an allowance for finance costs has been included in addition the costs garnered from the RBA cost plan and HVM. Finance costs have been included to account for the early delivery of infrastructure before the Council begin to receive

contributions. The Council would incur finance costs on infrastructure delivery before they were to receive capital receipts. Once finance costs are taken into account the total service infrastructure allowance equates to £31,003,968.

11.3.5 The Hostile Vehicle Mitigation (HVM) element of infrastructure is required because Greater Manchester Police Counter Terrorism Unit have identified the Civic Quarter as being at particular risk of terrorist attack. As such the Council commissioned a report by DJ Goode Associates, which identified a number of HVM measures which would be considered necessary to protect the safety of event goers and future residents of the Civic Quarter, and then costed those measures. This report is Official Sensitive and the Council cannot publish it or provide extracts of it because it identifies areas of vulnerability. The HVM cost is informed by calculations undertaken by DJ Goode following a PAS 68 compliant solution, which is a publicly available specification (PAS) for impact testing and rating HVM, for the Old Trafford area. The provision of HVM through an equalisation approach is considered to be reasonable and necessary in order to protect the safety of the future community in the Civic Quarter – and in accordance with NPPF Paragraph 92, albeit some sites could provide HVM within their curtilage and offset their contribution.

11.3.6 The Council has also prepared a 'CIL Compliance Statement' for each of the infrastructure requirements which are required only for residential development, and where the calculations of the required sums have been made using existing Borough wide methodologies rather than new evidence produced as a result of investigation into the specific needs of the Civic Quarter. These are contributions which would be required from all major developments, across the Borough, and the means of calculating those contributions is consistent in the Civic Quarter and elsewhere. The CIL Compliance statement demonstrates why these contributions are necessary to the effectiveness and delivery of the plan.

11.3.7 The residential S106 costs relate to health, education, public open space, and sports and equate to a total of £29,919,047. A breakdown of the S106 costs for each individual element is included at paragraph 4.65 of the Continuum viability assessment. The health contribution is justified and based upon a cost estimate undertaken by Walker Sime to construct a 14 consulting room GP surgery (see the CIL Compliance Statement). The CCG provided an estimate to inform the quantum of consulting rooms that would be required for the Civic Quarter Area based upon the adequacy of the provision of surgeries in the Old Trafford area and the existing capacity to provide space for additional patients or extensions. There is insufficient capacity in existing GP surgeries to accommodate the additional population.

11.3.8 The formula used to calculate the education follows that adopted across major developments throughout the Borough by the Council. It follows the

Department for Education's basic need rate multiplied by the estimated pupil yield to calculate the contribution in terms of quantity deducting from the total the assessed number of places which are currently available and adds this to an allowance for school condition (quality). The breakdown of the education calculation is included in the CIL compliance statement.

11.3.9 The contribution to public open space has been assessed with reference to the Planning Obligations SPD (2014) which includes a S106 formula for calculating the contribution towards Public Open Space (POS) which is considered justified. The residential S106 contribution in regard of sports facilities has been informed via the Sports England consultation response in regard of the Pomona Island Masterplan Consultation. The masterplan proposed 2,708 units with a total population of 6,500. The total cost included in this response for outdoor and indoor sport has then been applied to the CQ AAP on a pro rata basis to assess the total sports facilities contribution.

11.3.10 The Council's responses to Matters 8 and 9 demonstrate why the public realm improvements and the provision of the processional and wellbeing routes are a necessary part of the plan and drive its effectiveness and success. The works to deliver the processional and wellbeing routes are costed by RBA Associates in Examination Document C07.

11.3.11 The approach to the residential S106 costs listed in Policy CQ11 follows accepted methodologies for calculating the component elements (Health, Education, POS, and Sports) and are informed by consultation with relevant bodies (Sports England, CCG). It is considered that the costs are justified and will effectively serve to make provision to mitigate the impact of development on public services and support the effective delivery of the Plan.

11.3.12 The combined total infrastructure cost equates to £60,923,015.

11.3.13 It is demonstrated, at section 5 of Continuum's viability assessment, that when incorporating affordable housing (both scenarios) in the holistic development of CQAAP area, as per the Feilden Clegg & Bradley Studios (FCB Studios) masterplan, that there are no significant viability issues regarding the delivery of service infrastructure costs or residential S106 costs based on the existing evidence and it considered the approach to estimating service infrastructure costs informed by a high level feasibility assessment (RBA, 2020) is justified for the purposes of plan making.

11.3.14 The definition of "major development" which is to be used as the threshold for policy CQ11 follows that which is set out in the DMPO (2015) and NPPF (2021) and refers to following:

- The provision of dwellinghouses where –
 - The number of dwellinghouses to be provided is 10 or more; or

- The development to be carried out on a site having an area of 0.5 hectares or more.
- The provision of a building or buildings where the floor space to be created by the development is 1,000 sq m or more
- Development carried out on a site having an area of 1 hectare or more

11.4 *Is the area-wide **Viability Assessment**, prepared by Continuum on behalf of Trafford Council, including its input data and methodology, a robust basis, compliant with the PPG on viability (2019), which underlines the effectiveness of the Plan? Are its basic assumptions sound?*

11.4.1 It is considered that the Continuum viability assessment (VA) is robust and the assumptions used are justified and well evidenced.

11.4.2 As per the PPG (2019) costs adopted for the purpose of the VA are reflective of local market conditions. Build costs have been predominantly based on the RICS Build Cost Information Service (BCIS) which the PPG (2019) considers to be an appropriate source of data for the purpose of plan making. In addition, Continuum have used, where applicable, independently reviewed cost plan evidence from proposed schemes located within the CQ AAP to substantiate the information sourced from the BCIS to demonstrate that it is truly reflective of local costs and market conditions as at the date of the VA. Paragraph 12 of the PPG (2019) states that abnormal costs should be reflected when assessing viability at the plan making stage. As is set out by Continuum in paragraph 4.44 of the VA, detailed site investigations were not available. Thus to ensure that abnormal costs were reflected reference was made to FVAs pursuant to development schemes within the CQ AAP boundary. Details of these schemes and the supporting abnormal costs are set out in paragraph 4.45 of the VA. An average of abnormal costs is then applied. Plainly if a particular site can demonstrate that it has exceptionally high abnormal costs that may, on the precise facts pertaining at that time, justify a site specific FVA to test viability of the S106 obligations.

11.4.3 Residential sales values have been informed by reference to transactional sales data, asking price data and financial viability appraisals (FVAs) received by the Council in support of planning applications for schemes located within the CQ AAP boundary. It should be noted that when the VA was prepared (Q4 2020) there was relatively limited data available in regard of new build transactional sales data in Old Trafford, as such Continuum made reference to permitted development rights (PDR) conversions (section 4.12 of the VA), which delivered a large proportion of recent residential development in Old Trafford, to ensure an accurate assessment of the local market. Paragraph 16 of the PPG (2019) makes provision for the use of other viability assessment as market evidence. In this regard, the VA refers to other FVA's (paragraph 4.15) which serves to substantiate the sales values assumptions made. To add a further level of detail to their sales value assumptions, and ensure values are reflective of the proposed scale of developments, Continuum have included an allowance for height premiums which is set out at paragraph 4.17 of their VA. Affordable housing has been included on the basis of guidance contained within the Planning Obligations SPD1 (2014) reflecting a discount to open market

value (OMV) for the proposed tenures that is supported through Appeal decisions.

- 11.4.4 Continuum have assessed benchmark land values (BLV) for the purposes of the VA with reference to other FVAs submitted in support of planning applications received by Trafford Council. This approach is supported by paragraph 16 of the PPG (2019). For the purpose of cross checking, advocated in paragraph 14 of the PPG (2019), the VA also refers to land value estimates for policy analysis (2019) applying an appropriate premium for brownfield land as per the GLA affordable housing SPD (2017) to ensure that inputs were reflective of the local market and justified for the purposes of plan making.
- 11.4.5 It is understood that there are sites within the boundary of the CQ AAP with significantly higher intrinsic existing use values when compared with the BLVs that have been adopted within the VA. An example of this is White City Retail Park, an occupied and operating retail park with a number of national retailers such as Aldi and Nandos recently signing substantial leases (circa 20 years). The investment value of White City Retail Park (EUV) is in excess currently of the residual land value generated from the viability assessment for residential development of the site irrespective of the impact of the affordable housing or S106 contributions. Following paragraph 68 of the NPPF (2021) it is considered that the site is not currently economically viable for redevelopment. Over the lifetime of the Plan the existing use value of the site could drop to a point where it were viable to pursue a residential development. It has been assumed that a site which makes optimum use of a site, that is attracting reasonable rents will not be promoted for development, this is as residual land value may not exceed existing use value in these cases. This is an accepted concept and one followed by BNP Paribas in the Lambeth Local Plan Viability Assessment (2019).
- 11.4.6 It is noted that a situation could be presented where residential development were viable and the optimum use for a site but unable to bear the full suite of planning obligations in compliance with Policy CQ11, this would allow for viability to be assessed on a site specific level at the decision making stage. The approach is considered appropriate and sound given the relative unique situation of White City Retail Park when compared to other sites within the CQAAP boundary in terms of existing use value; for the other sites in the Civic Quarter Area it is considered that the approach to BLV is sound given the residual land value output of the appraisals within the VA is able demonstrate a viability buffer above the adopted BLVs.
- 11.4.7 It is considered that for the standardised inputs to viability appraisals that are not directly impacted by the local market such as finance, contingency, professional fees, marketing, and profit margin, (not an exhaustive list), that

appropriate assumptions have been made by Continuum in line with paragraph 12 of the PPG (2019). The assumptions made are supported by appeal decisions and reference to viability assessments that support adopted Local Plans thus demonstrating they are robust.

- 11.4.8 The methodology used by Continuum compares the residual land value output, when assessing different development typologies expected to come forward in the Civic Quarter Area as per the FCB Studios masterplan, with adopted BLVs that reflect the existing value of a site plus a premium prior to redevelopment. Should an appraisal generate a higher residual land value when including the affordable housing and infrastructure costs as set out in Policy CQ11 then it will be considered that the site viable and deliverable. This methodology is supported and recommended by the PPG (2019) and RICS guidance note, assessing financial viability in planning under the NPPF 2019 in England (2021).
- 11.4.9 The residual methodology comprises assessing the value of a completed of a scheme (the GDV) and subtracting all development costs including developer's profit. The residual sum remaining is the output which is the land value. The methodology is used an accepted for the purposes of assessing financial viability through Appeals and Local Plan examinations.
- 11.4.10 As per paragraph 2 of the PPG (2019) the VA has been prepared via consultation with developers, landowners, and infrastructure providers to ensure that requirements in Policy CQ11 for contributions from development are deliverable. The first consultation event to inform the VA was undertaken in September 2020 (VA appendix 3), this explained the proposed methodology and sought responses, which were received, considered, and incorporated into the VA. Following the publication of the draft Plan consultation a number of consultation responses were received pursuant to the inputs used within the VA. In response, a "viability input sheet" where specific inputs in regard of cost, values and BLV assumptions were sought from all consultees that had responded to either of the previous consultation exercise. This process was followed to allow for direct comparison with the assumptions made in the VA. A further consultation event was undertaken in July 2021 subsequent to the issuance of the "viability input sheet", two written responses were provided to this consultation event, which were formally responded to. The multiple consultation events undertaken in regard of the VA are considered to have provided ample opportunity for interested parties to engage with the Plan making process for the CQAAP in advance of examination. As is set out at paragraph 2 of the PPG (2019), it is the responsibility of site promoters to engage in plan making so site specific costs are considered through the process and adopted policies are deliverable. The consultation exercises have allowed for the methodology and inputs to be reviewed by landowners,

developers, and infrastructure providers supporting the soundness of the approach followed in the preparation of the VA.

11.4.11 It is considered that the methodology used by Continuum in their VA is robust for the purposes of assessing financial viability in planning and is compliant with the provisions of PPG (2019). The inputs are considered robustly justified and evidenced with reference to a variety of accepted sources of data. Given the methodology and inputs are demonstrated in the VA to be robust, it is considered that the VA will underline the effective delivery of the Plan.

11.4.12 Since the VA was published in Q4 2020 the development market has undergone a period of fluctuation with both values and costs rising in response to the impact of Brexit and the COVID-19 pandemic amongst other macro factors. Using accepted indices, the impact of changes within the market upon the VA have been considered. The RICS Build Cost Information Service (BCIS) is identified by the PPG (2019) as an appropriate source of data, on this metric, build costs have grown by 6.71% from Q4 2020 to Q1 2022. Over the same timeframe values for all house types following the House Price Index (HPI) have increased by 11.85%, and for new build the increase is even more significant at 17.36%. The data shows that house price growth has outstripped cost inflation, and for new build properties at a rate of circa 3 to 1. This comparison is made without reflecting that value growth has a comparatively greater impact on a viability appraisal by virtue of GDV being substantially in advance of build costs in Policy compliant appraisal. The market conditions that have transpired following the publication of the VA show that the viability buffer when complying the contribution requirements in Policy CQ11 has increased. This underlines the robust basis that the VA has been prepared upon and substantiates the soundness of the VA as the basis for Policy CQ11.