

HARROW COUNCIL DEVELOPMENT SCENARIO TESTING AND VIABILITY APPRAISAL STUDY

Tender - Ref: LB Harrow/Viability Appraisal Study

The London Borough of Harrow invites you to submit a proposal for the Development Scenario Testing and Viability Appraisal Study, as detailed in the attached tender specification. Your quotation should:

- Be valid for a period of no less than 60 days.
- Provide full details of the goods/services you are offering including methodology statements.
- Give evidence demonstrating proven track record in producing similar studies.
- Separately identify any additional charges.

Please submit your proposal in accordance with section 9 in the attached tender, together with any necessary supporting documentation by **12.00pm, Friday 13th August 2010**. The proposal may be submitted either in writing or by email. When sending in written proposals, please supply three hard copies of all information.

Information supplied by the Council in connection with this quotation is confidential and must not be made available to any other person.

Following the close of the tender period, contractors may be invited to present their proposal in order to clarify and answer any outstanding questions. Such a meeting would be held the week commencing 16 August at Harrow Civic Centre 1, Station Road, Harrow HA1 2UY.

The London Borough of Harrow is not obliged to accept the lowest or any offer made. Any orders resulting from this enquiry will be subject to the Council's procurement terms and conditions, provided at Appendix B.

Please contact me if you have any questions regarding the tendering procedure or the tender specification.

I look forward to your response.

Yours faithfully,

Matthew Paterson,
LDF Team Leader
Email: matthew.paterson@harrow.gov.uk
Tel: 020 8736 6082

HARROW COUNCIL DEVELOPMENT SCENARIO TESTING AND VIABILITY APPRAISAL STUDY

Consultants' Brief

1.0 Introduction

- 1.1 The London Borough of Harrow consulted on the Core Strategy Preferred Option between November 2009 and January 2010. The preferred option policies relating to housing and employment were informed by the London-wide Strategic Housing Land Availability Assessment (SHLAA) and the Council's Housing Needs Assessment, Employment Land studies and Retail studies. Since then work has been progressing on the evidence base, including the preparation of a West London Strategic Housing Market Assessment (SHMA), which is required to be in place prior to pre-submission publication of the Core Strategy.
- 1.2 The London Borough of Harrow is seeking to commission a Development Scenario Testing and Viability Appraisal Study of the Council's proposed housing and employment requirements and invites submissions from suitably qualified consultants.
- 1.3 The study will assess the likely impact of a range of potential housing, employment and mixed use development scenarios on site viability. A key component of this work is the issue of affordable housing provision and the requirements of PPS3. However, the Council also requires information as to the viability of redeveloping employment sites for employment and mixed use development, as well as to the consideration of what other planning obligations can be supported through development having regard to PPS4, CIL Regulations and both the statutory and emerging London Plan.
- 1.4 The study, together with the SHLAA, SHMA and other studies will provide the evidence base to inform the preparation of Harrow's LDF and, in particular, the pre-submission Core Strategy policies, planned to be published for formal representations in November 2010.
- 1.5 This document refers to relevant background information and sets out the Brief for the study together with the proposed commissioning arrangements and timescale for completion of the work.

2.0 Background information

National planning policy

- 2.1 National guidance on delivery of affordable housing through the planning system is contained in PPS3, which advises that local planning authorities should, in their local development documents:
 - set separate targets for social rented and intermediate affordable housing;
 - specify the size and type of affordable housing that is likely to be needed in particular locations;
 - set out the range of circumstances in which affordable housing will be required, including the setting of minimum site size thresholds below the national indicative minimum of 15 homes where viable and practicable;
 - set out the approach to seeking developer contributions to facilitate the provision of affordable housing.

2.2 Paragraph 29 of PPS3 specifically states that affordable housing should not make housing unviable:

“In Local Development Documents, Local Planning Authorities should: ‘Set an overall (i.e. plan-wide) target for the amount of affordable housing to be provided. The target.....should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured”.

2.3 With regard to economic growth, government guidance is provided by PPS4, which widens previous definitions of economic development and seeks to provide a positive framework for employment generating development where this supports:

- the vitality and viability of town centres;
- existing business sectors, having regard to whether these are expanding or contracting, as well as new or emerging sectors; and
- inward investment.

2.4 A further change to national policy is the introduction of the CIL Regulations and the curtailing of s106 agreements as a means of securing obligations towards strategic infrastructure. The introduction of the Regulations has resulted in the Council abandoning its Planning Obligations SPD in favour of a commitment to bring forward a CIL to support implementation and delivery of the LDF.

Regional policy

2.5 At the regional level, the London Plan (2008) recognises the need to increase the provision of affordable housing and adopts a strategic target that 50% of all additional housing should be affordable, and within that, a London-wide tenure split of 70% social housing and 30% intermediate provision.

2.6 The London Plan requires that boroughs negotiate the maximum reasonable amount of affordable housing on individual private residential and mixed-use schemes that have capacity to provide 10 or more homes, having regard to site circumstances, individual site costs, the availability of public subsidy and other scheme requirement.

2.7 In October 2009, the Mayor of London published the draft Replacement London Plan, which seeks to alter the definition of intermediate housing, remove the 50% target in favour of a numerical provision target of at least 13,200 more affordable homes per year, and to alter the strategic tenure split to 60% social housing and 40% intermediate provision. The requirement to negotiate the maximum reasonable amount of affordable housing is retained, along with the threshold of sites capable of delivering 10 or more homes.

2.8 Further changes proposed by the draft Replacement London Plan, of relevance to Harrow, include the reduction in the Borough’s strategic housing requirement from 400 to 350 homes per annum and the designation of the town centers of Harrow and Wealdstone and the corridor between them (Station Road) as an Intensification Area.

- 2.9 In respect of employment land use, the draft Replacement London Plan retains Harrow's existing town centre hierarchy and strategic industrial land designations, suggesting the LDF should make provision for 'moderate' growth within our town centres and continue with a 'limited' transfer approach for the release of industrial sites to other uses.

Local policy

- 2.10 The affordable housing policies of the Harrow Unitary Development Plan (HUDP) (2004) have been deleted upon the Direction issued by the Secretary of State of 28 September 2007.
- 2.11 The Council is preparing a series of Development Plan Documents to form part of the Local Development Framework (LDF) that will eventually replace the 'saved' HUDP policies. The priority for delivery is the Harrow Core Strategy

Housing requirements – Core Strategy

- 2.12 In common with all other London authorities, Harrow has a high level of affordable housing need. The Council's Housing Needs Assessment (October 2007) estimated that there was a shortfall of affordable housing in the Borough of 2,303 units per annum. This is set against the current annual strategic housing requirement of 400 additional homes, which is likely to be reduced to 350 homes from 2011/12.
- 2.13 In recognition of the high levels of affordable housing need the Council's Core Strategy Preferred Option policy on affordable housing requirements (Policy 2) proposed that at least 3,063 of the new housing to be provided over the plan period to 2026 be affordable. This equates to just over 50%. Provision is to be required in all developments of 10 dwelling units or more, with the affordable housing tenure being split 60:40 in favour of social rented housing in line with the Replacement London Plan but subject to local evidence of a more appropriate alternative split.
- 2.14 Since the Core Strategy Preferred Option was prepared and consulted on the Council, in collaboration with the West London Housing Partnership, has prepared a SHMA. The West London SHMA states that while, there is a considerable difference in average house prices between inner and outer London, there continues to be a growing gap between household income and house prices across the sub-region, with the vast majority of properties being well beyond the reach of most first time buyers.
- 2.15 In terms of setting an affordable housing target, and estimating housing mix and tenures, the draft SHMA considers the following 6 scenarios:
- Scenario 1; supply of affordable housing from RSLs and Boroughs only (PPS3 (dedicated supply));
 - Scenario 2; as scenario 1 but using higher income limits for intermediate housing in line with the Mayor of London's proposal
 - Scenario 3; dedicated supply plus effective supply from the private rented sector;
 - Scenario 4; as scenario 3 but using higher income limits for intermediate housing in line with the Mayor of London's proposal
 - Scenario 5; as scenario 3 but models the effect of reducing supply due to Housing Benefit reform
 - Scenario 6; requirement constrained to planned 5 year strategic housing requirement for West London

- 2.16 The study concludes that scenarios 1 and 2 result in levels of affordable housing that are undeliverable (140,000 and 211,000 affordable dwellings over a five year period, far out stripping planned housing supply. Scenario 3 results in a sub-regional target of 45% market, 10% intermediate and 45% social. This ratio changes to 30:10:60 if the proposals to cap Housing Benefit is introduced. The outcomes for the remaining scenarios result in the following tenure splits:
- Scenario 4 = 41:14:45
 - Scenario 5 = 30:10:60
 - Scenario 6 = 8:18:75
- 2.17 Given the above range of outcomes, it is essential that the Viability Assessment is able to test a range of development scenarios that potentially may occur as a result of changes to social housing grant, housing benefit as well as market conditions.

Employment requirements – Core Strategy

- 2.18 The Council has recently prepared an updated Retail study and Employment Land Review. The Retail study indicates that the Core Strategy should make provision for relatively low levels of growth in the region of 5,000 sq m for convenience goods and 30,000 sq m for comparison to 2026.
- 2.19 The analysis of future employment projections of a range of growth scenarios, suggests there is sufficient overall quantitative supply of employment land within the Borough to meet future needs to 2026. However, there are qualitative issues that need to be addressed in order to maintain and support future employment needs. The Core Strategy Preferred Option policy seeks to provide a further 3,000 jobs, through managing levels of vacancy and supporting office renewal and consolidation and the redevelopment and intensification of industrial estates. Such a policy approach requires an understanding of the viability issues associated with office renewal and industrial estate redevelopment, and the levels of incentive necessary to implement the policy.

3.0 Aims of the Study

- 3.1 The aims or purpose of the study are to:
- Confirm Harrow's housing capacity assumptions set out in the London-wide SHLAA.
 - Test the impact on the viability of house building in Harrow of the affordable housing percentage requirements and tenure splits recommended in the West London SHMA, the London Plan, and the viability of realistic variants to these recommendations.
 - Consider the practicality of defining affordable housing requirements on small sites.
 - Assess and provide commentary on the impact of reducing levels of grant on affordable housing delivery, including housing and tenure mix.
 - Assess and provide commentary on the impact of affordable housing and other contributions (i.e. s106 agreements or a CIL), on the delivery of house building within the Borough.
 - Assess the viability of redeveloping employment sites for employment purposes and consider the contribution required of high value uses to ensure that employment opportunities are secured.
 - Report the findings to the Council.

4.0 Proposed Methodology

4.1 Consultants are invited to propose the detailed methods and data sources that will be used to model a comprehensive range of development scenarios, and result in a robust viability assessment, applicable to a range of sites across the Borough (actual or notional, as is appropriate) including:

- Sites or areas within the Harrow and Wealdstone Intensification Area
- Retail, office, leisure and mixed use sites within district and local centres
- Designated and non-designated commercial sites
- Strategic sites as identified through the SHLAA
- Suburban metroland sites.

4.2 In establishing the number and range of development scenarios to model, the following issues and variables should be considered, noting that this is an indicative list and the final range of variables will be agreed between the consultant and the Council prior to testing and reporting.

- Identify and illustrate any variances in existing use values across the Borough for the land use types covered by the sites describe in paragraph 4.1 (e.g. mapping high, middle and low band values).
- Agree a range of realistic build costs for residential development at Code Level 4 and aligned to the London Plan densities ranges relevant to Harrow and for commercial development at BREEAM standard 'good'.
- In consultation with local agents, agree a range of residential market sales values and commercial rents (e.g. prime and secondary office and retail accommodation, light industrial units etc).
- Agree a realistic range of developer profit and yield assumptions.
- Provide benchmark residual land values for the range of EUVs identified (i.e. without obligations for affordable housing or other requirements).
- Model a range of affordable housing targets, having regard to the West London SHMA and London Plan
- For each affordable housing target, model alternative tenure splits between social rented and intermediate housing, again having regard to the London Plan requirement (70% social / 30% intermediate housing), the draft replacement London Plan (60% social / 40% Intermediate, and the tenure splits recommended for Harrow and the sub-region by the West London SHMA.
- Take into account a mix of house types, having regard to the Borough and sub-regional mix identified by the West London SHMA.
- Model the affordable housing scenarios with and without grant subsidy
- Have consideration to the potential for accommodating various types of intermediate products, such as intermediate rent, rent to homebuy and shared equity, as well as low cost market housing, on schemes and implications for delivery.
- Consider the impact of affordable housing on land values and whether this prejudices the delivery of affordable housing.
- Consider the scope for other contributions from commercial, residential and mixed use development, outside of affordable housing, and the potential for a Community Infrastructure Levy to be introduced.

4.3 Whilst the assessment will be undertaken during a period of economic uncertainty, which will clearly affect the results of the financial viability, the Council would also like to assess viability and the levels of provision of affordable housing, in the context of varying market conditions (i.e. in a rising market).

5.0 Outcomes

- 5.1 To deliver a detailed final report that sets out the methodology, analysis and conclusions of the study. It should have due regard to national planning policy and any emerging guidance and best practice on economic viability appraisals. In addition the Council would expect that appropriate links and/or references are made to other strategies and studies as appropriate. A list of useful references is set out at Appendix A.
- 5.2 The report should contain firm recommendations on maximum viable and deliverable affordable housing targets achievable across land uses within the Borough. It should test the sensitivity of these targets, percentage requirements, tenure splits and a range of development thresholds, including the potential to secure affordable housing, or a financial contribution in lieu of on site provision on small schemes (below viable site size thresholds) and how much this should be (subject to site specific viability).
- 5.3 The report should comment about the nature of housing grant and the levels of affordable housing to be expected where grant drops significantly or is not available. In this respect the report should also comment on any cascade mechanisms that the Council should consider to improve housing provision beyond the current market and subsidy conditions.
- 5.4 In addition, the report should also draw conclusions as to the scope for other 'contributions' in addition to affordable housing requirements, and the viability of redeveloping employment sites for employment purposes and any requirement for as well as levels of mixed-use development needed to achieve various types of employment development.
- 5.4 The recommendations and conclusions should be supported by robust and transparent information, having consideration to the various matters set out in section 4 above, and being capable of detailed interrogation and defence through the statutory planning process.
- 5.5 A legacy of the Viability Assessment will be a toolkit/software allowing the Council to undertake future reviews and monitoring. This is to be developed and operated within Microsoft Excel.

6.0 Meetings, Reports and Presentations

- 6.1 The consultants shall attend an inception meeting, present interim findings to a meeting of Council officers, local developers, landowners, RSLs, agents, and attend a meeting of the Major Developments Panel to present the final report. The dates for these meetings will be agreed with the successful consultants. Between these times, it will be the responsibility of the consultants to keep the LDF team leader (or their appointed project manager) informed about progress and any issues arising.
- 6.2 Six copies of the draft report, together with an electronic copy, shall be submitted to the Council for approval before the final report is produced. Ten bound copies and one in electronic format, of the final report including an executive summary, shall be provided.

- 6.3 All data collection and analysis will be the responsibility of the successful consultancy. The Council will retain ownership of the final report, including all data and other materials. The consultants shall provide the data and material in an appropriate electronic format agreed with the Council.

7.0 Timescales

- 7.1 The timetable up to the appointment of the successful consultants is:

Consultancy Brief issued	Thursday 29 th July 2010
Submission of quotations	Friday 13 th August 2010
Interviews (if required)	w/c 16 th August 2010
Inception meeting	w/c 23 rd August 2010

- 7.2 It is anticipated that a contract for this study will be let to the successful consultancy by **20th August** with work to commence immediately following a first inception meeting.
- 7.3 Consultants are required to deliver the final report by **15th October 2010**. A more detailed timetable will be agreed with the successful contractor for key milestones, such as presentation to officers and developers, and the delivery and approval of the draft report.

8.0 Project Budget

- 8.1 Prices and details should be provided for the carrying out of the tasks specified above in this Brief. Consultants should provide a fixed price quotation for the study. The budget available for this study is in the region of £25,000 including expenses and exclusive of VAT, which is expected to cover the total cost to the Council of carrying out this work. However, there is a degree of flexibility subject to negotiation in order to ensure that the Council receives the best possible outputs.
- 8.2 The fee will be paid in three payments: 25% on acceptance of the quote, 50% on delivery of the draft and 25% upon the satisfactory completion and submission of the final report. For further information please refer to the Council's standard Terms and Conditions which are enclosed.
- 8.2 The Council does not bind itself to accept the lowest quotation. We will choose the bid that is most advantageous to the organisation. In addition, you will not be entitled to claim from the Council any costs or expenses that you may incur in preparing your tender whether or not your tender is successful.

9.0 Submissions

- 9.1 Consultants are invited to submit proposals for this work and are asked to provide a submission indicating how, if selected, they would carry out the Brief, including full details of the methods of study proposed to be used and the relevant data sources. Working to the delivery date for the final report of **15th October 2010**, submissions should provide a detailed timetable, with anticipated milestones dates, for each part of the work and provide details of the project team to be involved, including evidence of each team member's relevant experience.

- 9.2 The proposal should also provide clear costs for each element of the work in the final composite fee, broken down on the basis of the project outline (including number of work days and day rates for each team member, attendance at meetings, data acquisition and any survey costs, printing and graphics or similar undertakings, and any other expenses such as travel costs).
- 9.3 The proposal should provide details of the consultancy team's experience of producing similar studies and provide two contacts for references, preferably from other local authorities that have recently used the project director or consultancy team to carry out work of a similar kind during the last two years. The consultants may also accompany its proposal with such documents as it sees fit to demonstrate an appropriate level of property market and development industry knowledge relevant to the work.
- 9.4 The proposal should also confirm acceptance to working to the Council's Terms and Conditions, attached at Appendix B, subject to finalising the contract. Additionally, the consultants are asked to confirm at the point of submission, that they have no conflicts of interest or other work, which has recently taken place or is ongoing within the Borough, which may jeopardise the robustness of this study. If appointed, it is expected that, as a consultant for the Council, this will remain to be the case until a Final Report has been approved.
- 9.5 'After-sales' support - Should it prove necessary, the consultants are required to make themselves available to give evidence at any public examination at which the results of the viability assessment are being considered. Please include in the tender information the professional fees which the consultant would charge on a daily basis for giving expert evidence.
- 9.6 Proposals are to be submitted by **Noon Friday 13th August 2010**. The proposal may be submitted by email or in writing to:

Email: matthew.paterson@harrow.gov.uk

Matthew Paterson
LDF Team Leader
Place Shaping
London Borough of Harrow
Civic Centre 1
Station Road
Harrow
HA1 2UY

- 9.7 When sending in written proposals, please supply three hard copies of all information as well as an electronic copy on CD or USB.
- 9.8 The successful consultant will be chosen after considering the submission against criteria which will include cost, clear and relevant methodology that meets the brief, ability to deliver to the timescale specified, practical experience of similar work, experience of staff within this field, and staff time allocated to each element of the work.
- 9.10 Harrow Council reserves the right to reject all proposals and/or resubmit this ITT to the marketplace. This request does not constitute an offer. In the event that your organisation is selected as a result of this process, your response to this request will become binding, and will be utilised as an addendum to the contractual agreement.

10.0 Contacts

10.1 If further information or clarification of the brief is required, please contact:

- Matthew Paterson, LDF Team Leader
Email: matthew.paterson@harrow.gov.uk
Tel: 02087366082

10.2 Other contact officers at the Council are:

- Peter Barron: Principal Planning Officer
Email: peter.barron@harrow.gov.uk
Tel: 02087366086
- Philip Loveland-Cooper: Head of Service Corporate Estates
Email: philip.Loveland-Cooper@harrow.gov.uk
Tel: 02084241877
- Alison Pegg: Affordable Housing Enabling Manager
Email: alison.pegg@harrow.gov.uk
Tel: 02084241933

10.3 Officers will be pleased to answer queries during the project.

APPENDIX A - Provision of Information

Information provided by the Council for the purpose of this study, except that which is a matter of public record, will be provided in confidence and will remain the property of the Council. It must not be used for any purposes other than the viability study, except with the express consent of the client.

The Council will provide copies of the following documents, at no charge:

- Unitary Development Plan (2004)
- Core Strategy Preferred Option (2009)
- Draft Strategic Housing Market Assessment (2010)
- Annual Monitoring Report (2008/09)
- Housing Needs Assessment (2007)
- Employment Land Study (2010)
- Retail Study (2009)
- Single Conversation Draft Borough Investment Plan (2010)

The following documents are available on the GLA website:

- London Plan (2008)
- Draft Replacement London Plan (2009)
- Strategic Housing Land Availability Assessment (2009)
- Mayor's Housing Strategy
- Industrial Capacity SPG (2008)

In addition, the Council will provide details of notional or actual sites, which may be suitable for inclusion in the study. The final list of any actual sites to be used for the study must be agreed with the Council by the appointed consultant before commencing work on the study. Planning Policy Officers will advise what would constitute an acceptable scheme.