

Why viability appraisals don't add up

Exploring a number of options to find the best urban design solution and the most appropriate housing mix for a given site is a rewarding and necessary part of the early design process. Increasingly though, and all in the name of viability testing, designers are required to produce options that specifically seek to minimise the quantity and cost of affordable housing. For most architects, this is not rewarding, and nor, we believe, is it necessary.

Conceived by a new government in the wake of the 2007-8 recession, the National Planning Policy Framework (NPPF) set the viability hare running. In theory, it allows local authorities to set policies to ensure that they get the type, tenure and quality of housing that their communities need. But the need to ensure that development returns a reasonable profit is given higher priority. This open invitation to barter is a classic example of a policy that inevitably brings out the worst in a developer, rather than the best.

The reaction of some authorities has been to ask for twice as much affordable housing as they can reasonably expect in the hope they will come away with half. This is understandable but unhelpful. It makes aggressive negotiation a self-fulfilling prophecy. Under-resourced and under pressure to meet top-down targets, few planners have the courage, tenacity or time to win the war of attrition.

Meanwhile, designers are expected to progress multiple solutions; often juggling options for many months until a deal is struck.

Sadiq Khan's newly announced plan to appoint an expert panel to scrutinise viability appraisals is therefore a welcome step. It's somewhat more timid than the promise he made in a Commons debate in July 2015, to make appraisals public, should he be elected - but possibly more useful.

Viability appraisals are not intended to be user-friendly so a published summary of what was asked for, what was promised, what was delivered, and what accounted for the difference, is likely to mean more than the spreadsheet itself.

If everyone behaved sensibly, neither approach would be necessary. The majority of housebuilders have little faith in the viability process and little desire to negotiate. Both eat up valuable time and delay the planning process.

Developers admit that it's possible to 'prove' almost any preconceived outcome, and would prefer a clear set of reasonable, non-negotiable requirements. Tony Pidgely, one of the few prepared to speak up in public, called for a flat rate of around 30 per cent affordable housing at Ecobuild last year.

We'd like a little more than that, but the principle makes perfect sense. Within reason, the cost of any fixed policy requirement comes out of land

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value. The price you can afford to pay is the residual sum that remains when cost and profit have been deducted. Developers are caught because land is sold to the highest bidder based on moving targets, not fixed ones. As soon as one negotiates, the rest have to follow.

Affordable housing isn't the only thing to suffer. Developers can also chip away at CIL charges, standards and quality. Before adopting the new Nationally Described Space Standard and/or the 'optional requirements' for water efficiency and accessibility, every local authority must demonstrate need and viability. This is proving just as time-consuming and complicated as many feared and, at the end of that process, hard-won plan policies can still be lost or watered down through negotiation.

The Housing Standards Review revealed that developers are more willing to build to higher standards than they appear. Their priority is to know where they stand and compete on equal terms. Across the sector, the preference was for regulation, not optional standards, because once land prices adjust, regulation has no net cost. The analysis of consultation responses revealed that 83 per cent of respondents agreed. Committed to a deregulatory agenda, only the politicians seemed unable, or perhaps unwilling, to believe what they were hearing.

As a result, current policy incentivises poor quality, expensive housing. By anyone's standards this is the worst combination. Many of our housing problems will be difficult to solve, but this is one we could easily turn around. Better quality, more affordable housing is perfectly possible and doesn't need to mean fewer homes or higher cost.

Given a few years, it would undoubtedly prove to be a more efficient and satisfying way to house people, reduce local opposition, speed up planning and achieve better value. Changing the way we approach viability is one way to bring out the best in developers, rather than the worst. ■



Ocean Estate by architects Levitt Bernstein