

**CAMBRIDGE EAST**  
**RELOCATION, AFFORDABLE HOUSING AND VIABILITY ISSUES**

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**A D V I C E**

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1. My advice has been sought on a range of matters arising from the proposed development of Cambridge East. This written advice confirms the advice that I have given orally in consultation on the following:
  - (a) The interpretation and application of part 2 of policy CE/33 of the Cambridge East Area Action Plan (“the AAP”) in respect of relocation costs;
  - (b) The costs in principle allowable in relation to the relocation of uses on the North Works site;
  - (c) The robustness of the draft Viability Report prepared by E C Harris in demonstrating that the currently proposed development cannot bear a policy compliant level or mix of affordable housing.

Part 2 of Policy CE/33

2. Part 2 of the policy states:

*“The appropriate level of contributions sought from the development will take into account costs which fall to the*

*development, including the relocation of the airport and associated activities and elements of the North Works site”.*

3. In my view, the words “*take account of*” mean make allowance for those relocation costs which it is necessary to incur in order to deliver the planning objectives for the Phase 1 Cambridge East development. It was clearly anticipated in the formulation of the policy that there would be a need for some relocation of existing uses in terms of place making objectives and in terms of maximising the use of previously developed land (see e.g. paras C1.7 and C1.15 of the AAP). However, the AAP is not prescriptive as to the extent of relocation required or its timescale. It was for example, anticipated that the car showrooms on the Newmarket Road frontage might be retained at least in the short term.
4. The extent of relocation required in order to meet the objectives for the development will reflect a balance of considerations. Those include urban design, townscape and amenity considerations and also delivery implications. It may well be that there is a tension between what might be considered the “ideal” development from an urban design perspective and the delivery of essential infrastructure to serve the completed development. Where the balance lies and reconciling the potentially competing objectives is a matter for the Council as local planning authority but any decision needs to be evidence based. The implications of a lesser extent of relocation in terms of deliverability, viability and delay would all need to be taken into account.

#### Allowable Costs

5. In terms of the allowable costs in relation to relocation, those must reflect all the costs which the business needs to receive in order to facilitate the extent of relocation which the wider design process has shown to be appropriate. Such costs properly include the land/premises costs, construction costs of new buildings and potentially removal costs. However, costs which would have been incurred at some stage in the ordinary run of business, irrespective of the development are not sensibly allowable.
6. As to the relocation costs utilised by E C Harris in their draft appraisal, it will clearly be necessary for the Council to be satisfied as to their reasonableness. If this extent of cost cannot be borne by the development without reduced affordable housing and/or other infrastructure contributions then the Council will need to consider whether there is scope to reduce those costs by reducing the scale of relocations. This is where a full understanding of the implications of any such reduction will be essential to striking the balance. It will not necessarily follow that a reduced extent of relocation will be reflected in a proportionate increase in the viability of the scheme. Equally, it may be objectionable for design and/or other amenity reasons.

#### Robustness of the Draft Viability Report

7. I am not presently satisfied that the Draft Viability Report demonstrates that a policy compliant affordable housing provision cannot be achieved. My principal concern relates to the phasing of the infrastructure provision. Not unreasonably, the E C Harris draft appraisal reflects their understanding of either the stated or likely position of the District Council and Cambridgeshire County Council in terms of the timing of the infrastructure to serve the

development. However, any indication as to phasing of infrastructure has been given in the context of previous statements by Marshalls that the development can viably deliver 40% affordable housing.

8. In the light of the more recent viability evidence, the phasing needs to be reviewed as the first priority. It may well be that with less front end loading of infrastructure costs the viability sufficiently improves so as to be able to maintain a 40% affordable housing provision. The prospects of this may be enhanced if the Council is flexible in terms of the balance as between affordable rent and intermediate. Both re-phasing and alternative tenure mixes should be considered as the first priority.
9. To assist the consideration of re-phasing, I would advise the Council to draw up an informal updated policy which sets out what it sees as being the key objectives for the Cambridge East North and its priorities in the interests of securing the most appropriate sustainable development for the site. The County Council should also be consulted for their views. This should establish the broad extent of re-phasing which is realistically achievable and which can then be fed in to some revised viability analysis.
10. Beyond the issue of phasing, the other issues which I consider need further work in order to demonstrate robustness are:
  - (a) The sales rate – 100 dpa appears cautious; perhaps overly so;
  - (b) Sales values – I question whether £355 psf is too cautious given sales values achieved elsewhere around Cambridge. At the very least I

would expect some sensitivity analysis to show the effect of slightly higher values on the residual value.

- (c) Build costs – the build costs for the employment/sui generis uses need to be supported by evidence.

### Conclusion

11. In order to minimise further delay in the progress of the scheme, the sensible and proportionate response to the viability issues now raised is to consider whether these can be resolved by re-phasing the timing of the necessary infrastructure. If that alone cannot ensure the delivery of a policy compliant affordable housing offer, then consideration should next be given to the additional step of increasing the percentage of the intermediate element of the affordable housing. Only if those two steps in combination fail to deliver the 40% required should consideration be given to other means to reduce the development costs such as reduced relocation, reduced infrastructure and a reduced percentage of affordable housing.
12. I should add, finally, that if ultimately the Council accept a reduced initial percentage of affordable housing, it would clearly be essential to include within the section 106 agreement, a cascade mechanism which allows for the viability of the scheme and the affordable housing provision to be reviewed on a phased basis, so that any improved viability is reflected in an enhanced provision of affordable housing.

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