

planning gain that is possible on any given site and from that assessment to prioritize the local authority's main requirements.

Land value changes over time and is affected by government legislation and planning policies. At the moment, a greenfield site in a good area will be much easier to develop than a brownfield site. With a reduction in the availability of greenfield sites, brownfield sites could increase in value as the only land with development potential. However, if development requirements are wildly different in neighbouring authorities, investment may be lost to one authority when it becomes cheaper to build elsewhere. The following example illustrates this point: 100 acres of residential land may be worth £230 000 per acre, depending on where the land is located. The land is worth £23 000 000 to the landowner. If an average density of thirteen houses per acre is permitted on the land, and if each house is worth £50 000, this would equal a potential revenue of £650 000 per acre from house sales. Each house may cost £20 000 to construct, totalling £260 000 per acre. The total development cost equals £260 000 plus £230 000, or £490 000, leaving only a total of £160 000 per acre for the house developer (see Table 2.2). The house developer is therefore going to be extremely resistant to further burdens imposed by the local authority.

Land values are readily affected by market forces and will reflect conditions in the neighbouring district. Land values will also reflect house prices which, in turn, are affected by the location of facilities, such as schools, in the area, together with the proximity of any existing or proposed affordable housing. It may, therefore, be more sensible for planning requirements to be negotiated before development is contemplated and at a time when the landowner is achieving high land values because of local plan proposals. It is at this stage that any betterment for the community can be realistically contemplated.

This demonstration can be taken a step further to show the effects of planning requirements on profit

Table 2.2 Housebuilding on 100 acres of land.

Cost per acre	£230 000
Total cost of 100 acres	£23 000 000
Density thirteen houses per acre	
Construction cost per house	£20 000
Construction cost per acre	£260 000
Total construction cost	£26 000 000
Total cost to housebuilder	£49 000 000
Site value of house	£50 000
Value of 1300 houses	£65 000 000
Total profit for housebuilder	£16 000 000
Profit per acre	£160 000

margins and ultimately on the viability of the project. For example, within the 100 acres of land the local authority may require ten acres of public open space and children's play areas as a matter of policy in the local plan. This will result in the reduction of £2 300 000 in the eventual profit for the landowner, as this land can no longer be used for house construction. Drainage and sewerage and engineering works may cost a further £5 million. The local authority may require up to 30 per cent of the whole development for affordable housing. This will reduce the value of the land for the affordable housing and also the adjacent land will be affected by the proximity of the affordable housing. This may affect the land value, in this case by £3 million. The cost of constructing a primary school may be £1.5 million and contributions to establish public transport may be approximately £200 000, depending on service provision in the area. Leisure and community facilities may cost a further £1 million, depending on requirements, while Public Art and improving the urban quality may add a further £500 000. Accepting the original figure of £23 000 000 for the cost of the land and deducting 40 per cent tax at £9 200 000 leaves a profit of £13 800 000 for the landowner. However, the rough planning requirements outlined above amount to £13 500 000

Table 2.3 Landowner's profit, sale of 100 acres of land.

Sale 100 acres at £230 000	£23 000 000
Costs to landowner	
Tax at 40 per cent	£9 200 000
Ten acres open space	£2 300 000
Drainage and engineering works	£5 000 000
Affordable housing	£3 000 000
Primary school	£1 500 000
Contribution to public transport	£200 000
Leisure facilities	£1 000 000
Public art	£500 000
Total	£22 700 000
Net profit to landowner	£300 000 or £3000 per acre

leaving the landowner with a net profit of £300 000. This is equivalent to the approximate value of the 100 acres of land for agricultural use. It is therefore unlikely that in the scenario outlined above the landowner would be interested in developing the land. If, however, the drainage and engineering works are only going to be £3 000 000 and the local authority requires only five acres of open space, the landowner may then achieve £3 450 000, or £34 500 per acre, which may make the scheme viable (see Table 2.3).

There are other costs and requirements associated with development but the above demonstration is used purely to show that the planning requirements for development can and do impact on whether a site is viable for development. If the local authority planning and urban design team is supported by professionals that will carry out land valuations and assessments of development costs the negotiating ability of the local authority will be much stronger. Developers should be aware of the constraints under which local authorities work and understand their role and obligation to secure betterment resulting from planning for the commu-

nity. Negotiations carried out with a knowledge of the other's bargaining position are more likely to lead to a negotiated development programme which satisfies the objectives of all the actors in the process.

SECURING DEVELOPMENT

The main mechanisms for achieving planning gain are either by the use of a Section 106 agreement as outlined in the Town and Country Planning Act or by planning conditions attached to a planning approval.⁶ A Section 106 agreement will always be required for planning gain related to off-site works such as road improvements. It is also possible to use negatively worded conditions to ensure a circumstance before development commences. This is known as a Grampian type condition. It has become known as this since it was given the approval of the House of Lords in the case of Grampian (1984).⁷

Grampian Regional Council applied for planning permission to carry out industrial development. As the City of Aberdeen failed to determine the application within the required period, the application was deemed to be refused. However, on appeal it was stated that the application would have been approved if the development had not resulted in unacceptable traffic danger at a road junction outside the site. A condition to require the closing of part of the road would have been invalid as it may have been beyond the powers of the applicant. The decision upholding the refusal of permission was challenged on the ground that while a condition requiring the road to be closed would have been invalid for unreasonableness, a condition could have been imposed to the effect that development was NOT to commence until the road in question had been closed. Compliance with a negative condition is within the control of an applicant and is therefore enforceable by a local authority.⁸

Optimistic assumptions are often made about the powers of the local authority to develop its own