

# MARKET RECOVERY SCHEME

Working Plymouth, 25 September 2013



## Background

The policy context for negotiating planning obligations is set out in Policies CS15 and CS33 of the Plymouth Core Strategy adopted on 23<sup>rd</sup> April 2007. Detailed guidance on these policies is set out in the Planning Obligations and Affordable Housing Supplementary Planning Document originally adopted on 1<sup>st</sup> December 2008. A review of this document was adopted on 2<sup>nd</sup> August 2010 and a further review adopted on 30<sup>th</sup> July 2012. After 16 years and 63 successive quarters of growth in June 2008 the UK economy had 0% growth. Fundamental structural changes have occurred in the global economy, which have resulted in recession. The depth of the downturn has been severe and unprecedented. It was within this context that market recovery measures were developed.

## Market Recovery Action Plan

A 10-point Market Recovery Action Plan was launched on 22<sup>nd</sup> October 2008 in response to the economic downturn following representations by the Plymouth Regeneration Forum. The actions were:

1. Delay Plymouth Development Tariff
2. Flexible approach to S106 (subject to safeguarding criteria)
3. Cost-sharing on various development-related costs
4. Planning services focussed on identifying / delivering “oven-ready” sites
5. Delivery team approach on all major development proposals
6. Streamlined pre-app process with Site Development Statements
7. Delay previously-agreed Planning Services fees
8. Waive Plymouth Regeneration Forum Fees
9. On Council-owned sites, streamlined resolution of covenant and Section 106 issues
10. Convene a group from Plymouth Regeneration Forum to review progress of Plan and the economic climate on a quarterly basis

The aim of the plan was to maintain optimism and momentum of the Plymouth growth agenda by offering incentives on selected sites where planning applications could be submitted between 14<sup>th</sup> October 2008 – 31<sup>st</sup> December 2009. The Plan contained 5 safeguards to avoid abuse of the approach and specifically excluded strategic sites crucial for the growth agenda e.g. Sherford, Plymstock Quarry, or key sites in the (then) 9 Area Action Plan areas.

After a call for sites, 10 planning consents were eventually granted under this Plan with a total development value of £134 Million.

## **Market Recovery Scheme**

The Market Recovery Scheme replaced the Market Recovery Action Plan in January 2009. This mainstreamed the market recovery measures and embedded the provisions into the Planning Obligations and Affordable Housing Supplementary Planning Document.

The new scheme promoted two types of incentives to respond to continuing economic challenges: measures to promote early delivery of projects and measures to have “oven-ready consents”, again with safeguards. This broadened the range of measures available and also extended incentives for job creating proposals.

On 29<sup>th</sup> March 2011 Cabinet extended the scheme until 31<sup>st</sup> March 2012 and some of the measures:

- Up to 100 % discount on tariff for development of employment uses within the B Use Classes as well as those that generate significant levels of new employment such as hotels and leisure uses (C1 and D1).
- Up to 50 % discount on tariff for other development on Brownfield sites.
- Up to 25 % discount on tariff for other development on Greenfield sites.
- Up to 50 % reduction of the full affordable housing requirement may be considered, together with the possible use of gap funding to support affordable housing delivery.
- 100% discount on the planning obligations management fee.
- Extended planning permission periods to be considered (up to 7 years)
- Flexible phasing of payments of planning obligation requirements.

Following the decision by Cabinet on 12<sup>th</sup> July 2011 to move towards a Community Infrastructure Levy, on 12<sup>th</sup> January 2012 Cabinet agreed to continue the market recovery measures until the implementation of the new Community Infrastructure Levy and put in place some transition arrangements. Cabinet also responded to concerns expressed at Planning Committee on 20<sup>th</sup> October 2011 regarding retrospective applications seeking support under the Market Recovery Scheme.

## **Implementation of the Market Recovery Scheme**

The focus of the initiative has always been on incentivising early delivery of projects that could benefit from market recovery measures whilst still being in accordance with the strategic objectives and policy framework of the Core Strategy. In addition the initiative was also aimed at creating the conditions for growth such that longer term consents would be ready for implementation when confidence in the economy returned. Typically sites that have benefited from these incentives have been a mixture of smaller sites and larger developments with specific viability issues. It has always been the case that strategically significant sites could also benefit from market recovery measures but this was at the

complete discretion of the Local Planning Authority. However these sites are typically larger and have significant infrastructure requirements that are strategically crucial for the overall growth strategy for the city so this has not been the main focus of the measures. Section 8 of the Planning Obligations and Affordable Housing Supplementary Planning Document 2<sup>nd</sup> Review sets out how obligations are to be implemented. There is also a Plymouth Viability Protocol which requires an open-book approach. All of the information submitted is assessed in order for claimed market recovery measures to be considered before they are reported to Planning Committee.

In total, excluding lapsed consents, market recovery approvals secured £4.1 million of Section 106 contributions, which was £8.4 million less than the full policy-compliant requirement would have been for these developments. On completed sites just over £2 million of Section 106 contributions were secured which was £4.2 million less than full policy-compliance would have required. Clearly the judgements made by officers and the Planning Committee on these Section 106 agreements secured under the market recovery measures must be seen in the context of the momentum that was maintained in delivering housing and employment generating projects in Plymouth between October 2008 and May 2013.

The Market Recovery Scheme was therefore an innovative approach because:

- A well-developed LDF allowed for policy experimentation
- Existing channels of stakeholder engagement made for a rapid policy response
- In-house viability skills enabled the City Council to negotiate flexibly and confidently
- Safeguards ensured developers shared the risks
- Successes have led to mainstreaming and extending the policy
- Sustainability and equality goals were not jeopardised
- A strong focus on delivery through a cooperative planning process and offering a variety of incentives to developers

The Market Recovery Scheme was also a well-received initiative from the development community:

*“The Plan was forged in the grim reality of the worst economic crisis since the war; it was expertly and urgently driven through the political and bureaucratic maze with commitment and an unswerving focus and was delivered at exactly the right time.”*

**John Stevens, CEO of Hunter Stone**

*“The Plan has been an innovative response to the challenges of delivering viable regeneration schemes in Plymouth whilst maintaining the best qualities of place-making. It shows how a proactive planning approach can support business and help maintain the momentum of regeneration during fragile economic circumstances.”*

**Ian Potts, MD of Architects Design Group & Plymouth Chamber of Commerce Board Member**

## **Community Infrastructure Levy**

The City Council approved the final Community Infrastructure Levy Charging Schedule on 22<sup>nd</sup> April 2013. When the Community Infrastructure Levy came into force on 1<sup>st</sup> June 2013 the Market Recovery Scheme ceased to exist, because the Community Infrastructure Charging rates legally have to be set at a level which ensures that development is viable.

## **A Plan for Growth**

On 2<sup>nd</sup> April 2011, a 15-point action plan was published in response to the Coalition Government's "A Plan for Growth" (23<sup>rd</sup> March 2011). This contained a series of reforms and streamlining provisions that would maintain overall momentum in delivering the Plymouth growth agenda. At Full Council on 30<sup>th</sup> January 2012 it was resolved that ward councillors should have greater input into planning obligation and pre-application discussions. On 30<sup>th</sup> July 2012 "Probity in Planning" was amended and incorporated into the Constitution to allow this to happen.

## **Get Plymouth Building**

On 24<sup>th</sup> August 2012 the "Get Plymouth Building" initiative was launched by the Portfolio Holder for Finance. The key elements of the programme to accelerate housing supply include reviewing all stalled sites, lapsed consents and Area Action Plan sites. It also includes a new call for sites, support for self-build, a small sites initiative, new funding mechanisms and the use of City Council and other public land holdings.

## **The Plan for Homes**

On 18<sup>th</sup> July 2013 the "Plan for Homes" was launched by the Portfolio Holder for Finance aimed at delivering a step change in the delivery of homes within the city with the overall aim and ambition to deliver 1,000 homes per annum.

## **What did the Market Recovery Scheme ultimately achieve?**

In total there were 115 planning permissions granted under both the Market Recovery Action Plan and Market Recovery Scheme with a total development value of over £200 Million.

These permissions approved 1,845 dwellings and 4 commercial projects of 4,188m<sup>2</sup> of commercial space with some additional mixed use developments.

As at August 2013, of the 115 permissions:

- 40 sites were completed (35%). These sites have delivered 429 homes and 470 m2 of commercial floor space.
- 18 sites are currently under construction (16%). These sites have delivered 296 homes and 1,859 m2 of commercial floor space.
- 51 sites have not yet started (44%). These sites could deliver a further 594 homes and a further 1,859 m2 of commercial floor space.
- 6 have lapsed (5%). These sites will not deliver any homes or commercial floorspace.

## **Conclusions**

Market recovery measures in Plymouth ran from 22<sup>nd</sup> October 2008 to 31<sup>st</sup> May 2013. The market recovery initiative has been commended by the Royal Town Planning Institute and short listed for the national Silver Jubilee Cup. It has raised Plymouth's profile and further reinforced its reputation for proactive positive planning. It has been presented at numerous conferences and a number of schemes have been delivered on the ground that probably would not have been taken forward had it not existed.

51% of the planning approvals under the Market Recovery Scheme have been completed or are currently under construction delivering 725 dwellings and 2,329 m2 of commercial floor space. 44% have yet to start and need to be reviewed given that the vast majority of consents were to support early deliver of projects. Only 5% of the permissions granted have lapsed.

95% of the applications granted could still be implemented demonstrating that the Market Recovery Scheme initiative, although not without risks, has been a success and has played a useful contribution in helping to keep the momentum for regeneration in Plymouth going.

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**25<sup>th</sup> September 2013**