Chichester District Council

CIL viability for the Draft Charging Schedule
Chichester Plan Viability

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1 EXECUTIVE SUMMARY

1.1 Peter Brett Associates were instructed by the Council to provide guidance on:

- The recommended level of affordable housing in planning policy
- The maximum level of CIL, and the recommended level of CIL
- The cumulative viability implications of these and other policy costs

1.2 In our viability assessments and the resulting recommendations, we have focussed on the main types of development anticipated, aiming to ensure that they remain broadly viable after S106 contributions (including affordable housing) and CIL have been paid.

1.3 For residential uses, a range of different sized schemes were tested which reflected the scale of development likely to come forward in the plan period. Analysis of second-hand house sales suggested that prices to the south of the National Park were lower than those to the north. Further analysis and consultation with local agents and development confirmed these themes, and showed that this also applied to the new build market. This has implications for the viability of development. We have therefore suggested that two charging zones: North of the National Park (higher viability band) and South of the National Park (lower viability band). We undertook formal viability testing of the chosen development scenarios. At 30% affordable housing across the district (excluding the National Park), we recommend the following CIL charges for residential uses:

Development	CIL Charge (£ per sq m)
Residential (North of National Park)	£200
Residential (South of National Park)	£120

1.4 Some sites may be unable to physically provide on-site affordable housing - often because they are too small. The Council may choose to have a method in place to collect a commuted sum for off-site provision. We have undertaken a series of separate development appraisals to calculate an appropriate charge. We suggest that the Council adopts a charge of between £300 and £350 per sq m on the gross floorspace of new residential development. This charge is set at a rate which will support the provision of off-site affordable housing at a rate broadly equivalent to 30% housing on-site and also allow the payment of CIL and other policy costs.

1.5 We have also undertaken rural exception testing. The results of the viability testing show that the grant funding requirement (subsidy) in the area South of the National Park is in the region of £40,000 per house and £59,000 per flat. In National Park and area North of the National Park, where affordable housing commands a greater value, the grant required is lower, at circa £8,000 per house and 29,000 per flat. We are therefore of the opinion that nearly all rural exception sites will require some level of public subsidy in the current market. Nevertheless this will vary considerably from site to site and each site would ideally need to be tested on its own merits.

1.6 For commercial uses, our results showed that office and industrial development was broadly unviable. As such there is no capacity for CIL. Similarly, care home development was shown to be only just viable; however, there is little capacity for a CIL charge.

1.7 Student accommodation and retail (comparison and convenience) development was shown to be viable. It is appropriate to set a CIL charge for these building uses.

1.8 We recommend the following CIL charges for commercial uses:

Development	CIL Charge (£ per sq m)
Retail – wholly or mainly convenience	£125
Retail – wholly or mainly comparison	£20
Student Housing	£30
Standard Charge (applies to all development not separately defined)	£0

1.9 We sought to investigate the developability and deliverability of the strategic housing sites in line with the NPPF.

1.10 We undertook high level strategic site testing. This was to ensure that the major sites in the plan can pay the combined policy charges that the Council is planning to levy, given their individual circumstances. The sites coming forward in Years 0-5 appear deliverable.

1.11 We then looked at sites coming forward in Years 6 and onwards to understand whether they were 'developable'. The bigger sites are likely to come forward in this period. Our testing indicates that these sites will remain viable, after policy costs, development costs, and likely values are taken into account.

1.12 The Harman report suggests that longer term plans should be subject to viability testing in order to be assured of plan viability over the plan period. We therefore looked at possible future costs and values. Here, we are not attempting to predict future market conditions. Accuracy is impossible. All we can do is set out a sensible possible scenario, and explore what would happen to viability if these conditions came to pass. If the scenario we tested did broadly play out, the Chichester plan would clearly remain viable in 2020. It thus passes the Harman test.

1.13 Infrastructure planning (not carried out by PBA) suggests a total known cost of £70.5m for infrastructure over the plan period. Please note that this excludes unknown figures which based on past experience in other areas are likely to be substantial. This relates to social infrastructure, green infrastructure, public services and utility services. Putting known costs together with funding indicates that there is a funding gap of circa £52m without CIL receipts, which would narrow to £18.5m once CIL receipts have been obtained. Whilst this funding gap is significant, it should be borne in mind that this plan runs until 2029. Looked at per annum, the funding gap appears much more tractable. This funding gap could be narrowed by the following means:

- Focusing on the delivery of essential infrastructure items;
- Re-prioritising the essential items; and
- Delaying the dates by which infrastructure items are required

1.14 There also might be a role for a Delivery Framework. The Delivery Framework could

- Identify tasks on the critical path, set dates for those issues to be resolved, and clarify delivery roles and responsibilities for different organisations and individuals.
- Focus on how any problems will be resolved - in a very head-on way.
- Define issues in time sequence. This would allow the focusing of resources on short term issues, cashflow management, and a process of active planning for medium term issues. Longer-term problems (where it is clear that fundamental changes in funding regimes or market conditions are required) could be left for future work; and
- Help the political process by clarifying decisions that need to be taken, when they need to be taken, and what the ramifications of choices are.

2 INTRODUCTION

2.1 Our objective in this study is, in the words of the brief, 'to help inform the decisions by locally elected members about the risk and balance between the policy aspirations of achieving sustainable development and the realities of economic viability'. In making their decision on the balance, members are seeking guidance on:

- The recommended level of affordable housing in policy;
- The maximum level of CIL, and the recommended level of CIL; and
- The cumulative viability implications of these and other policy costs.

2.2 These factors need to be taken into account in order to ensure that development in Chichester district (outside the National Park) remains viable.[1]

2.3 These are complex questions, and the only way to make the decision properly is to explicitly understand the trade-offs being made between those choices.

2.4 This report and the accompanying appraisals have been prepared in line with RICS valuation guidance and in line with the Harman Report. However, it is first and foremost a supporting document forming part of the CIL evidence base and evidence in support of the Local Plan.

2.5 This appraisal is not a formal 'Red Book' (RICS Valuation - Professional Standards March 2012) valuation and should not be relied upon as such.

[1] Part of the Chichester District Council area falls within the boundaries of the South Downs National Park (SDNP). The area within the South Downs National Park will not be liable for CIL Charges set by Chichester District Council. The South Downs National Park Authority will be responsible for the set-up and running of any CIL Charge within its boundary. Chichester District Council is responsible for affordable housing policy across the district (including the National Park) so our work on affordable housing also covers this area.

How data has been updated between drafting stages in the CIL evidence base

The market consultation for the Preliminary Draft Charging Schedule involved interviews with agents and developers, and a market review. This allowed us to derive new build sales values and threshold land values for viability modelling. This market review work was undertaken in October/November 2012. This data was used in the preliminary draft consultation, which was out to consultation from March to April 2014.

This document takes into account comments raised through consultation, and brings the study up to date for the Draft Consultation Stage. In order to ensure that the overall picture in the viability testing remains realistic, we have updated a series of assumptions.

We have made the following alterations.

- For this draft consultation stage, we have reviewed residential property price changes since the preliminary draft stage. We have used Land Registry data to do this. This has shown a 3% uplift in sales values across all property types in the area up until July 2014. We have used this new assumption in our viability testing.
- We have updated residential build costs, in line with changes in BCIS figures for West Sussex as at May 2014. Build cost inflation has been relatively strong recently. The updated assumptions are found in section 5.
- Our strategic site testing has looked at issues around servicing and the future relationship between CIL and section 106

3 PLANS AND POLICIES: POLICY CONTEXT

Introduction

3.1 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development as a whole. It is still possible for S106 obligations to be used to fund site specific infrastructure, subject to limits on pooling obligations for particular purposes. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas - which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

3.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[2], as amended in 2011[3], 2012[4], 2013[5] and 2014[6].
- The National Planning Practice Guidance on CIL (NPPG CIL) issued under S221 of the Planning Act 2008, which is statutory guidance, i.e. it has the force of law and the authority must have regard to the guidance[7].

3.3 Below, we summarise the key points from these various documents.

Striking the appropriate balance

3.4 The revised Regulation 14 requires that a charging authority 'strike an appropriate balance' between:

- The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and
- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

3.5 By itself, this statement is not easy to interpret. The June 2014 statutory guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement

3.6 In this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

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[2] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[3] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[4] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[5] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[6] http://www.legislation.gov.uk/ukdsi/2014/9780111106761/pdfs/ukdsi_9780111106761_en.pdf
[7] DCLG (June 2014) National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments. This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. As set out in the National Planning Policy Framework in England (paragraphs 173 - 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened'.[8]

3.7 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

3.8 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike an appropriate balance…' i.e. it is recognised there is no one perfect balance;

and the June 2014 statutory guidance says

3.9 A charging authority must use 'appropriate available evidence'… to inform their draft charging schedule… A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… There is room for some pragmatism.'[9]

3.10 The statutory guidance sets the delivery of development in the area firmly in the context of implementing the Core Strategy. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance. For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

3.11 '…..*evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.'*[10]

3.12 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

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[8] DCLG (June 2014) NPPG CIL (para.009

[9] DCLG (June 2014) NPPG CIL (para 019)

[10] DCLG (June 2014) NPPG CIL (Para 038)

3.13 The revised Regulation 14 effectively continues to recognise that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Core Strategy can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should 'use an area-based approach, involving a broad test of viability across their area', supplemented by sampling *'…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan… relies…'*[11]

3.14 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable. The levy may put some schemes at risk in this way so long as, in aiming strike an appropriate balance overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the Core Strategy.

Keeping clear of the ceiling

3.15 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust'[12]

3.16 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the charge

3.17 CIL Regulations (Regulation 13) currently allow the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, or both. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[13] The 2014 Regulations also allow variations by 'intended gross internal area of development' (where 'development' means buildings) or by 'the intended number of dwellings or units'. As part of this, some rates may be set at zero (which could still allow some infrastructure to be provided through S106 agreement(s), where appropriate). But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

[11] DCLG (June 2014) NPPG CIL (Para 019)

[12] DCLG (June 2014) NPPG CIL (Para 019)

[13] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area, in which case it does have the wider definition. See S 209(1) of PA 2008, Reg 2(2), and Reg 6.

3.18 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid 'undue complexity'.14

3.19 Moreover, generally speaking, 'differential rates should not have a disproportionate impact on particular sectors, or specialist forms of development'; otherwise the CIL may fall foul of State Aid rules.15

3.20 It is worth noting, however, that the guidance is clear that 'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.16

Supporting evidence

3.21 The legislation requires a charging authority to use *'appropriate available evidence'* to inform their charging schedules[17]. The statutory guidance expands on this, explaining that the available data 'is unlikely to be fully comprehensive'.[18]

3.22 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Core Strategy. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

Chargeable floorspace

3.23 CIL will be payable on most buildings that people normally use. It will be levied on the net additional floorspace created by any given development scheme[19]. Any new build that replaces existing floorspace that has been in use for six months in the last three years on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

What the examiner will be looking for

3.24 According to statutory guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation.
- The charging authority's draft charging schedule is supported by background documents containing appropriate available evidence.

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[14] DCLG (June 2014) NPPG CIL (Para 021)
[15] DCLG (February 2014) NPPG CIL (Para 021)
[16] DCLG (February 2014) NPPG CIL (Para 021)
[17] Section 211 (7A) of the Planning Act 2008
[18] DCLG (February 2014) NPPG CIL (Para 019)
[19] DCLG (February 2014) NPPG CIL (para 002)

- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.[20]

Policy and other requirements

3.25 Above, we have dealt with legal and statutory guidance requirements which are specific to establishing a CIL. More broadly, the guidance says that charging authorities '*should consider relevant national planning policy… when drawing up their charging schedules*[21]*'.* In addition, where consideration of development viability is concerned, the guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

3.26 The only policy requirements which relate directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013[22] this policy requirement has been complemented with a legal duty on charging authorities to pass a specified proportion of CIL receipts to local councils, to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

Summary

3.27 3.18 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation should:

'*strike an appropriate balance' between the need to fund infrastructure and the impact of CIL*; and

'*Not threaten delivery of the relevant plan as a whole'.*

3.28 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

3.29 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites.

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[20] DCLG (June 2014) NPPG CIL (Para 038)
[21] DCLG (June 2014) NPPG (Para 011)
[22] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

- CIL charging rates may vary across geographical zones, building uses, and, under the 2014 Regulations, scale of development (and only across these three factors). But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive or exhaustive'.

3.30 While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence[23]. In this, and other ways, charging authorities have discretion in setting charging rates.

3.31 In our analysis and recommendations, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Councils' own priorities, using the discretion that the legislation and guidance allow.

[23] Planning Act 2008 (Section 212 (4) (b))

4 PLANS AND POLICIES: PLANNED DEVELOPMENT

The Local Plan's main themes

4.1 The Council has submitted its draft Local Plan for examination. The Plan will cover Chichester District (excluding the South Downs National Park) for the period to 2029.

4.2 In total, the Local Plan makes provision to deliver 6,973 homes over the period 2012 - 2029. This equates to an average housing delivery of approximately 410 homes per year. This represents a significantly higher level of housing than has been delivered over the past decade. Of this total, 3,550 homes are to be delivered at strategic development locations. The strategic allocations are as follows:

- Shopwyke - 500 homes
- West of Chichester City - 1,000 homes within the plan period, but ultimately 1,600 homes
- Westhampnett/North East Chichester - 500 homes
- Tangmere 1,000 homes
- Southbourne Village - 300 homes
- Selsey - 150 homes
- East Wittering/Bracklesham - 100 homes

4.3 A further 775 homes are proposed for smaller settlements with the sites to be identified in neighbourhood plans to be prepared by parish councils or in a Site Allocation DPD. The remaining housing provision comprises existing planning permissions and an allowance for small windfall sites of less than 6 dwellings.

4.4 The land uses which are likely to account for the largest quantum of development, and hence are critical to the delivery of the Core Strategy, comprise:

- Residential
- Offices
- Industrial and Warehousing
- Retail
- Public services and community facilities.

4.5 In our viability assessments and the resulting recommendations, we have focussed on these types of development, aiming to ensure that they remain broadly viable after the CIL charge is levied.

4.6 We have also assessed the viability of other types of development where the Council believes that it is particularly appropriate.

4.7 We have provided more detail of emerging plans in the relevant sections of this report.

The implications of plan policy for viability

4.8 In order to be able to identify the full implications of local policies on development viability, a scoping exercise has been undertaken to include "a thorough consideration of the potential policy requirements within the emerging Local Plan" (*Viability Testing Local Plans*, June 2012).

4.9 We have assessed broad policy areas to identify those policies which may have a cost implication and hence an impact on viability.

4.10 In broad terms, there are three types of development policy contained within the emerging Local Plan. These are:

- Policies that do not have a particular bearing on development costs. We can safely set these policies to one side for our purposes.
- Policies that have cost implications for certain categories of development across the area as a whole or certain areas within it;
- Policies that apply to specific strategic sites, setting out the requirements and 'performance specification' from those developments only.

4.11 Table 4-1 sets out the results of the scoping exercise. We focus on the second element above.

Table 4-1 Cost implications of anticipated plan policy areas

Anticipated plan policy area	Does the policy have a cost implication?	Application to all development, specific forms of development or specific sites?	How have these costs been dealt with in this study?
District Wide Strategy	No		
Town Centre	No		
Urban Areas	No		
Rural Service Centres	No		
Countryside	No		
Design standards	Yes	All development	Build costs used are considered sufficient to deliver local design standards.

Anticipated plan policy area	Does the policy have a cost implication?	Application to all development, specific forms of development or specific sites?	How have these costs been dealt with in this study?
Sustainable Design and Development	Yes	All development	Build costs used to accommodate Code level 4. Future years sensitivity testing includes Code 5 costs and an allowance for cost inflation.
Sustainable Transport	Possible	All development, with possible variations on strategic sites	Will be paid for through CIL in the main. There may be requirements for cycle paths on strategic sites; these are likely to be delivered as part of the planning permission. Modest S106 for these routes is possible. Allowance for site-specific S106 costs have been built into the viability testing.
Economic Development	No		
Housing Mix	Possible		
Affordable Housing	Yes	All housing and mixed use development	These costs have been built into viability testing.
Gypsy and Traveller Accommodation	No		
Habitats	Yes	Specific sites as set	Costs are relatively

Anticipated plan policy area	Does the policy have a cost implication?	Application to all development, specific forms of development or specific sites?	How have these costs been dealt with in this study?
Regulations Assessment for onsite mitigation in the form of alternative green space		out in the Local Plan resubmission[24] within 5.6km of Chichester and Langstone Harbours SDA; and 3.5km from Pagham Harbour SDA.	modest. They are expected to sit comfortably within the amount allowed for S106 contributions.
HRA access management tariff	Yes	Applies to new houses built within the above zone.	Every new dwelling must pay £172 towards the management of the harbour and signage. Costs are modest enough to sit comfortably within the amount allowed for S106 contributions.
Infrastructure and open space delivery	Yes	All development	These costs will be predominantly met through CIL. CIL is set on the basis of viability after other policy costs have been met. Some site-specific S106 will be used to fund this infrastructure. There is no general policy for S106 contributions. An allowance for site-specific S106 has been made in the case of residential and retail development. Variations have been allowed for in the context

[24] Chichester DC (2014) Local Plan Resubmission. See map page 204 showing buffer zones. West of Chichester strategic site is dealing with this through provision of country park.

Anticipated plan policy area	Does the policy have a cost implication?	Application to all development, specific forms of development or specific sites?	How have these costs been dealt with in this study?
			of testing strategic sites.

5 VIABILITY TESTING METHOD

5.1 In order to run viability testing, we need to understand two things: firstly, residual land value; and secondly, the 'threshold' land value.

- The residual land value is the value of the land to the developer, assuming that affordable housing and other policy costs are paid, and the developer makes a target profit.
- The 'threshold' land value is the amount of money a landowner will need in order to sell his or her land.

5.2 The gap between the residual land value and the threshold land value provides the margin in which policy costs, such as affordable housing, CIL, or S106 can be paid.

5.3 If the residual land value exceeds the threshold land value, the site is viable. If the residual land value does not exceed the threshold land value, then the site is not viable and the scheme will not take place.

5.4 Theoretically, if residual land values exceed the threshold by a large amount, the scheme will be very viable, and developers will be keen to take the scheme forward. They will make a profit in excess of their target figure.

5.5 This study is attempting to judge the ability of developments to pay for policy costs (which will force down residual land values), whilst simultaneously making it worthwhile for a landowner to sell his or her land. This will allow development to happen and wider benefits to society to be delivered.

Determining the threshold land value

Ways of estimating a threshold land value

How is threshold land value calculated?

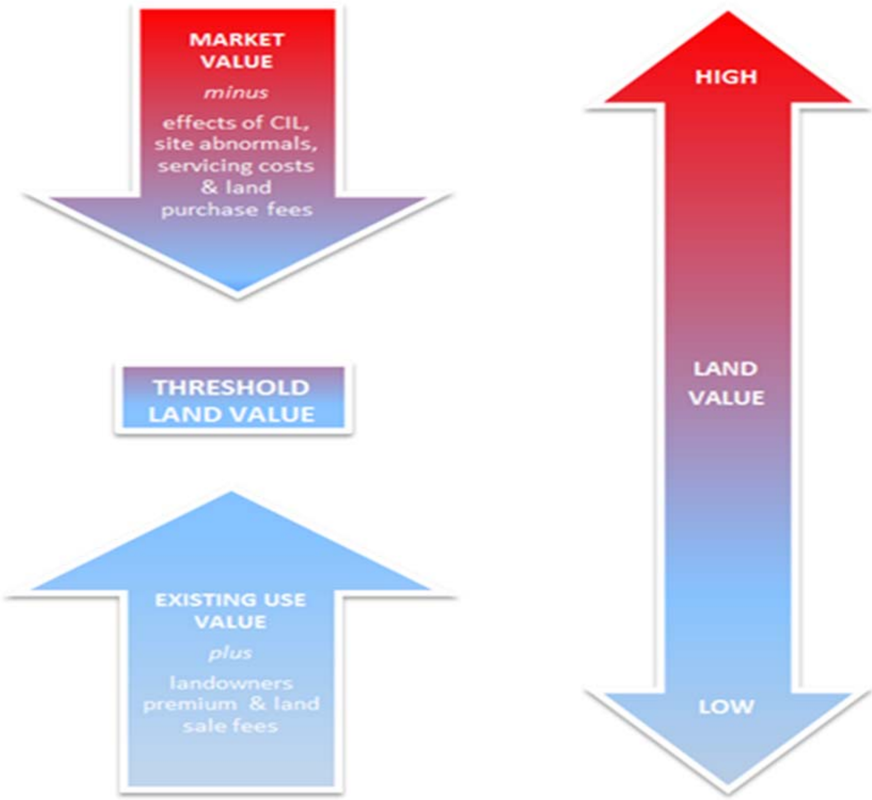
5.6 Broadly speaking there are two different approaches to arrive at an appropriate threshold land value:

i Assessing the uplift from an existing or known alternative use value.

ii Assessing the discount from the market value of a site, adjusted to allow for the costs of planning policy.

5.7 The two approaches start from different bases, but should theoretically produce a similar figure.

Figure 5-1The two methods of estimating a threshold land value



Source PBA

Method 1: Existing and alternative use value uplift

5.8 To derive an appropriate threshold land value from the existing use value it is necessary to work upwards in value.

5.9 Harman and the RICS acknowledge that in order for development to come forward over the existing use a 'competitive return' (also referred to as a premium) is necessary. There is no set rule as to how much of a premium should be applied on top of the existing use value. We can sensibly expect that a minimum uplift in value would be required in order to allow the seller to pay stamp duty, sales fees, legal costs and disruption. But that bare minimum is usually not an incentive to persuade a landowner to sell.

5.10 Beyond that bare minimum, an incentive (referred to as a 'premium') is required to encourage the landowner to sell. It is difficult to say what premium a seller would require in order to sell the land. This is because there are inevitable differences in each deal. For example, the motivations of the parties involved in the transaction may vary, as might perceptions of future market prospects. Some landowners (say family trusts, or Oxbridge Colleges) take a very long-term view of land holdings, and can only be persuaded to sell at a high price. We cannot know these individual circumstances, so Harman stipulates that an appropriate premium should be determined by local precedent. This is another way of saying market value.

5.11 In some instances an alternative to the main future use may be considered. Assuming that the alternative use is realistic, then it may be prudent to consider land values for this alternative use, in addition to its existing use. This may give a more accurate view of the threshold land value, because a rational landowner will always seek to maximise site value.

Method 2: Market value discount

5.12 To derive an appropriate threshold land value from the market value is it necessary to work downwards in value. Market value is based on transactional evidence. It is the value at which sites are being bought and sold at, and represents the value at which land can be delivered with the knowledge of current planning policy. It benefits from being based on comparable market evidence.

5.13 However, the threshold land value cannot be straightforwardly derived from current market values. The market value should be adjusted to allow for any future changes in planning policy. Furthermore, it may also be necessary to reduce the market value to allow for risk in obtaining planning permission, dependent upon comparable evidence. There is no set rule for the amount of discount that should be applied to the market value of a site.

Which method of estimating the threshold land value does this study use?

5.14 We rely on both approaches set out above. We examine a wide range of comparables, looking at residential development site values whilst taking into consideration existing uses. This is to ensure that the threshold land value used in whole plan viability and CIL studies is as accurate as possible. Given the complexities of development across a whole plan area, and limited nature of publically available transactional data, we have based this assessment on appropriate available evidence for a strategic assessment of this nature.

5.15 From our recent work we would highlight several key issues in assessing the threshold land value, as follows.

- It is important to stress that there is no single threshold land value at which land will come forward for development. Much depends on the land owner and their need to sell or wait in the hope that land values might improve and on the condition and location of the site.
- All sites vary in terms of the degree to which they are serviced or free of abnormal development conditions. Such associated costs vary considerably from site to site and it is difficult to adopt a generic figure with any degree of accuracy. Our starting point is to assume that the value of sites (when calculating the threshold level) relates to a full serviced development plot. In real terms, abnormal development costs or site servicing costs will be met by developers when the land is purchased. Careful analysis of transactions is required to assess the split between abnormal development and servicing costs (as a discount from the market value) from the premium sought by the land owner above the existing use value.

- The land transaction market is not transparent. Very little data is in the public domain and the subjective influences behind the deal are usually not available. We therefore place a strong emphasis on consultation with both landowners and developers to get an accurate picture as possible as to what the threshold value might be.

Ways of estimating the residual land value

5.16 Our viability assessments are based on development appraisals of hypothetical schemes, using the residual valuation method. This approach is in line with accepted practice and as recommended by RICS guidance[25] and the Harman report[26]. Residual valuation is applied to different land uses and where relevant to different parts of the area, aiming to show typical values for each. It is based on the following formula:

Value of completed development scheme

Less development costs - including build costs, fees, finance costs etc.

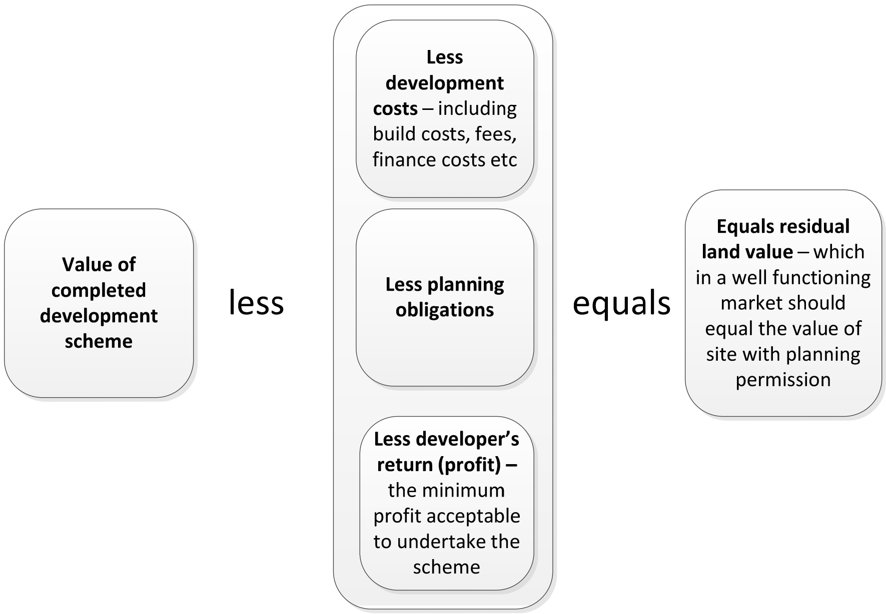
Less developer's return (profit) - the minimum profit acceptable in the market to undertake the scheme

Less policy costs - building in (for example) Section 106 costs and other policy requirements

Equals residual land value

- which in a well-functioning market should equal the value of the site with planning permission

Figure 5-2 Residential value calculation



[25] RICS (2012), Financial Viability in Planning, RICS First Edition Guidance Note
[26] Local Housing Delivery Group Chaired by Sir John Harman (2012) Viability Testing Local Plans

5.17 For each of the development categories tested, we use this formula to estimate typical residual land values, which is what the site should be worth once it has full planning permission. The residual value calculation requires a wide range of inputs, or assumptions, including the costs of development, the required developer's return.

5.18 The arithmetic of residual appraisal is straightforward. However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). Therefore our viability assessments are necessarily broad approximations, subject to a margin of uncertainty.

Bringing together the threshold land value and the residual land value to estimate developer contributions

5.19 Having estimated the residual value, we compare this residual value with the 'threshold land value' or 'land cost', which is the minimum land value the landowner will accept to release his or her land for the development specified.

5.20 If the residual land value shown by the appraisals is below the benchmark value, the development is not financially viable, even without CIL or S106. That means that unless the circumstances change it will not happen.

5.21 If the residual value and the threshold values are equal, the development is just viable, but there is surplus value available for CIL or S106.

5.22 If the residual land value shown by the appraisals is above the threshold value, the development is viable. The excess of residual over threshold value measures the maximum amount that may be potentially captured by CIL or S106.

5.23 Threshold land values are based on net developable areas, assuming that sites are fully serviced, without the benefit of planning permission, but with an assumption that permission would be forthcoming.

5.24 Detailed individual appraisals are at Appendix 1.

The summary tables

5.25 Having estimated the residual value, we compare this residual value with the 'threshold land value' or 'land cost', which is the minimum land value the landowner will accept to release his or her land for the development specified.

5.26 This process of comparison takes place in what we call the summary table. These summary tables can be found in the relevant sections. The first example in this report is found at Table 7.1.

5.27 Threshold values will vary to reflect the landowner's judgements, which might include the contextual nature of development, the site density achievable, the approach to the delivery of affordable housing (in the context of residential development) and so on. There are a wide range of permutations here. In order to make progress, we have to assume a central value, even though there could be a margin of error in practice.

- If the residual land value shown by the appraisals is below the threshold value, the development is not financially viable, even without CIL or affordable housing. That means that unless the circumstances change it will not happen.
- If the residual value and the threshold values are equal, the development is just viable, but there is no surplus value available for CIL or affordable housing.
- If the residual land value shown by the appraisals is above the threshold value, the development is viable. The excess of residual over threshold value measures the maximum amount that may be potentially captured in developer contributions towards CIL or affordable housing. The summary table then converts this amount available for CIL into a per square metre charge in the column at the far right.

5.28 It is important to bear in mind that these calculations are no more than approximations, surrounded by margins of uncertainty but are based on best available evidence and judgement. In drawing the implications for CIL, we take account of this uncertainty and use professional judgment to interpret the figures. We explain below.

Recommending a CIL charge

5.29 The summary table discussed above may indicate that CIL charges of (say) up to a given amount per sq m may be capable of being sustained in the area. However, we are likely to recommend that the charge is set well under the point indicated. The principal reasons for this are that:

- Markets fluctuate over time. There must be sufficient latitude for fluctuations to happen without rendering the policy cost package (CIL, affordable housing and other costs) unviable; and
- Individual site costs and values vary. Developments should remain viable after the policy cost package is paid in the bulk of cases.

5.30 It is conceivable that a simple, arithmetical approach could be used to take us from the 'overage' that the summary table suggests is available for policy costs, to a recommended policy cost package. For example, it would be possible to set a CIL at 50% of the overage indicated in the viability testing, and to mechanically apply this deflator across the study.

5.31 However, we have intentionally avoided this approach, because the viability tests necessarily cannot take account of developers' market understanding of risk, or of institutional investors' willingness to invest. These are important components of the judgement on a sensible level of CIL charge, but they cannot emerge arithmetically from the viability model. Instead, we use our market judgement in arriving at a sensible charge.

6 VIABILITY TESTING ASSUMPTIONS

Viability testing scenarios

6.1 Our viability testing scenarios are explained below.

Table 6-1 Viability testing scenarios

Assumption	Source	Notes
Scenarios	Client team, consultant team	This mix of schemes was selected in discussion with the client groupto create a representative but focused profile of residential likely to come forward in the district for the foreseeable future. We have produced indicative development appraisals of hypothetical schemes, comprising: Houses 4 Units Houses 5 Units Houses 9 Units Houses 10 Units Houses 50 Units Houses 100 Units Flats 4 Units Flats 6 Units Flats 12 Units Flats 24 Units
	Industry standards	Residential floorspace is based upon industry standards of new build schemes. Two floor areas are displayed for flatted schemes: The Gross Internal Area (GIA) is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue. Flats – 65 NIA sq m Flats – 76 GIA sq m Houses – 90 GIA sq m

Development revenue assumptions

6.2 The assumptions we made about the revenue that developers could expect from their developments are as follows.

Table 6-2 Residential development revenue assumptions

<table>
<tr><th>Assumption</th><th>Source</th><th>Notes</th></tr>
<tr><td colspan="3">Revenue</td></tr>
<tr><td>Sales value of completed scheme</td><td rowspan="2">Land Registry, CoStar and EGi</td><td>Property values are derived from different sources, depending on land use.
For housing, Land Registry data at July 2014 forms a basis for analysis. This provides a full record of all individual transactions. This data is then supplemented following conversations with agents and house builders' sales representatives, which allows us to form a view on new build sales values. Values used are as follows.
<table>
<tr><th>Ref</th><th>Type</th><th>Value</th><th></th></tr>
<tr><td>South of NP</td><td>Flats</td><td>£3,600</td><td>sq m</td></tr>
<tr><td>South of NP</td><td>Houses</td><td>£3,300</td><td>sq m</td></tr>
<tr><td>North of NP</td><td>Flats</td><td>£4,635</td><td>sq m</td></tr>
<tr><td>North of NP</td><td>Houses</td><td>£4,120</td><td>sq m</td></tr>
</table>
</td></tr>
<tr><td>Affordable housing transfer values</td><td>Consultation feedback has indicated that capital value transfer rates for houses are in the region of 55% market value for South of NP and 60% for National Park and High Value, (assuming no grant) for a blended average of intermediate and affordable rented accommodation in line with current policy. Based upon this feedback we have calculated transfer values as follows:
<table>
<tr><td>South of NP</td><td></td><td></td><td></td></tr>
<tr><td>Tenure split</td><td></td><td>as % of MV</td><td></td></tr>
<tr><td>Social rent</td><td>70%</td><td>50%</td><td></td></tr>
<tr><td>Intermediate</td><td>30%</td><td>70%</td><td></td></tr>
<tr><td>Blended rate</td><td>Type</td><td>Value</td><td></td></tr>
<tr><td></td><td>Flats</td><td>£2,016</td><td>sq m</td></tr>
<tr><td></td><td>Houses</td><td>£1,848</td><td>sq m</td></tr>
<tr><td>North of NP</td><td></td><td></td><td></td></tr>
<tr><td>Tenure split</td><td></td><td>as % of MV</td><td></td></tr>
<tr><td>Social rent</td><td>70%</td><td>50%</td><td></td></tr>
<tr><td>Intermediate</td><td>30%</td><td>70%</td><td></td></tr>
<tr><td>Blended rate</td><td>Type</td><td>Value</td><td></td></tr>
<tr><td></td><td>Flats</td><td>£2,596</td><td>sq m</td></tr>
<tr><td></td><td>Houses</td><td>£2,307</td><td>sq m</td></tr>
</table>
</td></tr>
</table>

Note: the source for the second row is "HCA policy and consultation with RSL's".

Housing densities	The emerging Chichester Local Plan states that 'Densities of 35 dwellings per hectare are broadly considered appropriate by the Council on most green and brownfield developments across the District. However, higher densities may be sought in urban areas where sites are better served by public transport and have access to a range of services and facilities.' (Draft Local Plan Key Policies - Preferred Approach - March 2013 para 17.9 p173).DC have undertaken additional analysis which shows that actual house densities achieved have been 35 dwellings/ha, and flatted densities achieved have been very high at 130 dwellings/ha. In order to make conservative assumptions regarding flatted development viability in future, we have therefore assumed average densities as follows: Houses 35 dwph Flats 100 dwph

Office, employment, care homes, retail revenue assumptions

6.3 For non-residential uses, we used the CoStar[27] and EGi databases[28] as at June 2014, supplemented by discussions with local property agents.

- Offices: £151 sq m capitalised at 7.5%
- Light industrial and warehousing: £70 sq m capitalised at 8.0%
- Care homes: in line with current research undertaken by Knight Frank[29] and CBRE[30] we have allowed for a rental income per bed of £9,000 per annum. Recent care home transactions have produced yields of between 6.5% and 7.5% for core areas with secondary covenants. Due to a number of care homes being located within the vicinity, potentially limiting demand, we have taken a cautious approach and capitalised income at a 7.5% yield.
- Convenience retail (superstore): £183 sq m capitalised at 6.5%
- Convenience retail (metro format): £183 sq m capitalised at 6.5%
- Comparison retail (town centre) £193.75 sq m capitalised at 7.5%
- Comparison (warehouse format): £215 sq m capitalised at 8%

[27] http://www.costar.co.uk/
[28] http://www.egi.co.uk/
[29] Knight Frank (2012) Care Homes – Trading Performance Review
[30] CBRE (2012) Healthcare Property Dashboard

Development cost assumptions

6.4 The assumptions we made about the costs that developers could expect from their developments are as follows.

Residential

Table 6-3 Residential development cost assumptions

Assumption	Source	Notes
Construction Costs		
Residential build costs	BCIS Quarterly Review of Building Prices May 2014 Issue 133. Figures used incorporate West Sussex adjustment factor.	BCIS is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. The following build costs used are derived from recent data of actual prices in the marketplace as at May 2014. As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 to 4 for private and Level 4 for social housing. This overall rate includes an allowance for external works. **Private** Flats – £1,168 sq m Houses – £938 sq m **Affordable** Flats – £1,168 sq m Houses – £938 sq m Costs may alter in future. In particular, there may be national policy change regarding Code for Sustainable Homes building standards. The final effect of these changes on viability is difficult to foresee. While we have reviewed current Government research on cost impacts of CSH we note that past forecasts of price changes (such as that predicted in the original Cyril Sweete work) have never affected costs to the extent forecast. When these future requirements come into force, they will impact on both development costs and land values. We have not incorporated these possible impacts into our calculations, because CIL should deal with current market conditions, not forecasts of potential future change. Our approach to incorporating these (and other) potential but unknown costs is to set a wide margin for error that will cover variations in factors such as build costs, site conditions, and timing. All major non-domestic development which does not qualify for assessment under Code for Sustainable Homes will to be built to a minimum of BREEAM (Building Research Establishment Assessment Method) Very Good standard.
Plot external		On-site preparation for internal access roads and other external works. This will vary from site to site, but we have assumed the following figure as a percentage of build costs: 15%
Professional Fees	Industry standards	Professional fees are based upon accepted industry standards and has been calculated as a percentage of build costs at: 8%

Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at: 5%		
Sale costs	Industry standards	These rates are based on industry accepted scales at the following rates:		
		Legals -	£500	per unit
		Sales agents fee -	1.25%	private sale value
		Marketing cost -	£1,000	per unit
Finance costs	Industry standards	Based upon the likely cost of development finance we have used current market rates of interest at: 7%		
Stamp Duty on residential Land Purchase	HMRC	These are the current rates set by Treasury at the following rates:		
		up to £125,000	0.00%	
		Over £125,000 to £250,000	1.00%	
		Over £250,000 to £500,000	3.00%	
		Over £500,000	4.00%	
Professional fees on Land Purchase	Industry standards	Fees associated with the land purchase are based upon the following industry standards:		
		Surveyor -	1.00%	
		Legals -	0.75%	
Profit				
	Industry standards	Profit taken as a percentage of gross development value		
		20%	of private housing sales	
		6%	of affordable housing sales	
Time-scales - build rate units/per annum				
	Market analysis of comparable schemes	These assumptions have been based upon current demand in the Chichester market.		
		Small sites up to 10	10	units pa
		Medium Schemes up to 100	50	units pa
		Large Schemes	50	units pa
Benchmark land value per ha				
	Market analysis, VOA, consultation	We have looked at two value zones. These are as follows.		
		South of the National Park	Flats	£2,470,000 ha
		South of the National Park	Houses	£2,750,000 ha
		National Park and North of National Park	Flats	£4,120,000 ha
		National Park and North of National Park	Houses	£3,600,000 ha

	Rural exception site per plot value	£12,000

Cost assumptions for office, employment, care homes, and retail

6.5 Costs assumptions for non-residential building uses are derived from BCIS. These costs are shown in the appraisals in Appendix 1.

6.6 In line with industry standards, we have allowed for external works, 8% for professional fees and a 5% contingency.

6.7 In addition, stamp duty, land tax and fees have been calculated at the prevailing rate. Finance has been charged at an adopted interest rate of 7%.

6.8 We have allowed for a developer’s profit of 20% on total development costs, in line with industry standards.

Policy costs on residential development

6.9 These costs are shown below.

Table 6-4 Basic policy costs on residential development

Assumption	Source	Notes
Site specific S106		In this section we deal with S106 costs which are not associated with affordable housing. Section 106 will continue to exist after CIL begins to be charged. However, the use of S106 will be scaled back. Section 106 is now expected to be very tightly targeted at mitigating the impacts of individual developments. To investigate how much viability testing should allow for S106 in the area, we have looked through the typical types of activities which used S106 funding, and indicated whether we would ordinarily expect to pay for a type of impact mitigation through S106 or through CIL. In Chichester, S106 and S278 contributions will typically be used for: 1) Site-specific transport improvements, such as connections from a development to the wider transport network; 2) Some open space and playspace. Frequently these are secured as part of the condition on the planning permission, but there may be infrequent instances when these demands form part of a S106 agreement; and 3) Affordable housing, which is separately allowed for in our viability testing. Based on the above, and in agreement with the client team, our appraisals allow the following amount for S106 and S278 contributions. This excludes affordable housing costs, which we deal with separately.

Type	Apply?	Amount per unit	
Site specific S106	**Yes**	per unit	£1,000

Policy costs on non-residential development

S106 contributions

6.10 Because S106 payments are now very precisely determined by the impacts of a specific development, it is very difficult to be specific about what, if anything might be required under S106.

6.11 However, in the case of convenience retail development, our viability assessments have allowed for some modest S106 payments (on the basis that CIL will now pick up area-wide strategic infrastructure requirements). As an example, these costs might be used to pay for a small amount of signage or small site specific works. Our viability assessments have allowed for:

- £5,000 S106 payment for each smaller convenience and comparison development tested.
- £10,000 S106 payment for each larger convenience and comparison development tested.

6.12 For other types of development we have not allowed for S106 payments. For development at employment locations in particular, S106 contributions towards site specific junction improvements could not be ruled out. However, as will be demonstrated, these developments are already unviable, and making an allowance for S106 will simply render the development even more unviable than previously. We have therefore avoided this extra complexity, because the additional analysis tells us nothing useful.

7 STRUCTURING THE RESIDENTIAL CIL CHARGE

Introduction

7.1 Local authorities have considerable discretion about how a CIL charge might be structured.

7.2 Geographical charging zones can be broken out on the basis of viability evidence.

7.3 In this section, we investigate how these zones might be structured using appropriate available evidence. This gives us a 'working hypothesis' on a CIL charge structure. In chapter 1, we go on to test this 'working hypothesis' using a viability model.

Viability zones

7.4 As we showed in Chapter 2 above, CIL Regulations allow the charging authority to introduce charge variations by geographical zone within its area, by land use, by floorspace of development or by a combination of the above factors. All differences in rates need to be justified by reference to the economic viability of development. Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required, and may be contested at examination. However, it will be worthwhile if the additional complexity generates significant additional revenues for the delivery of infrastructure and therefore growth.

Principles

7.5 Identifying different charging zones for CIL has inherent difficulties. One reason for this is that house prices are an imperfect indicator; we are not necessarily comparing like with like. Even within a given type of dwelling, such as terraced houses, there will be variations in, say, quality or size which will impact on price.

7.6 Another problem is that even a split that is correct 'on average' may produce anomalies when applied to individual houses – especially around the zone boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

7.7 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined, as well as the reality of actual house prices. Boundaries drawn in a different place might alter the average price of an area within the boundary, even with no change in individual house prices.

7.8 To avoid these statistical and boundary problems, it is our view that a robust set of differential charging zones should ideally meet two conditions:

- The zones should be separated by substantial and clear-cut price differences.
- They should also be separated by substantial and clear-cut geographical boundaries – for example with zones defined as individual settlements or groups of settlements, as urban or rural parts of the authority. We certainly should avoid any charging boundaries which might bisect a strategic site or development area.

7.9 We have held to these principles in devising zone boundaries in Chichester.

Method

7.10 Setting zones requires us to marshal the 'appropriate available evidence' available from a range of sources in order to advise on the best way forward. We took the following steps.

- Our first step was to look at home prices. Sales prices of homes are a good proxy for viability. We downloaded Land Registry data to do this. These are only a first step and generate a range of options or hypotheses.
- Secondly, we talked to agents, developers and members of the District Council. Together with Land Registry data, this allowed us to generate a main hypothesis.
- Thirdly, we tested this main hypothesis through formal development appraisals.

7.11 We explain this process below.

House prices

7.12 In advising on charging zones, our first step was to look at residential sales prices. In Figure 6.1 below, we looked at the average sales prices of all homes over the period shown. Average prices are shown for each Census Standard Table (ST) ward[31]. Aside from the highest and lowest bands (which are tailored to actual values), average prices are broken in eight equal bands.

7.13 We have presented this data on a map because it allows us to understand the broad contours of residential prices in the Chichester area. Sales prices are a reasonable, though imperfect, proxy for development viability, so the map provides us with a broad idea of which areas would tend to have more viable housing developments, other things being equal.

7.14 It is worth noting that new homes are typically more expensive than second hand homes, but the prices we have mapped include both second hand and new homes. We used data on both new and second hand homes because, firstly, datasets on sales values for new homes only would be very much smaller (and so more unstable), and secondly, because at this stage it is the differentials between areas that we are seeking to identify, not the absolute price levels[32]. There were therefore good reasons to look at both new and second hand data, and no compelling reasons to avoid it.

7.15 The map shows that:

- Looking at the areas of Chichester outside the National Park, areas in the north of the District tend to have higher prices compared to those areas in the south. One possible reason for this is that the north has a remarkably attractive rural

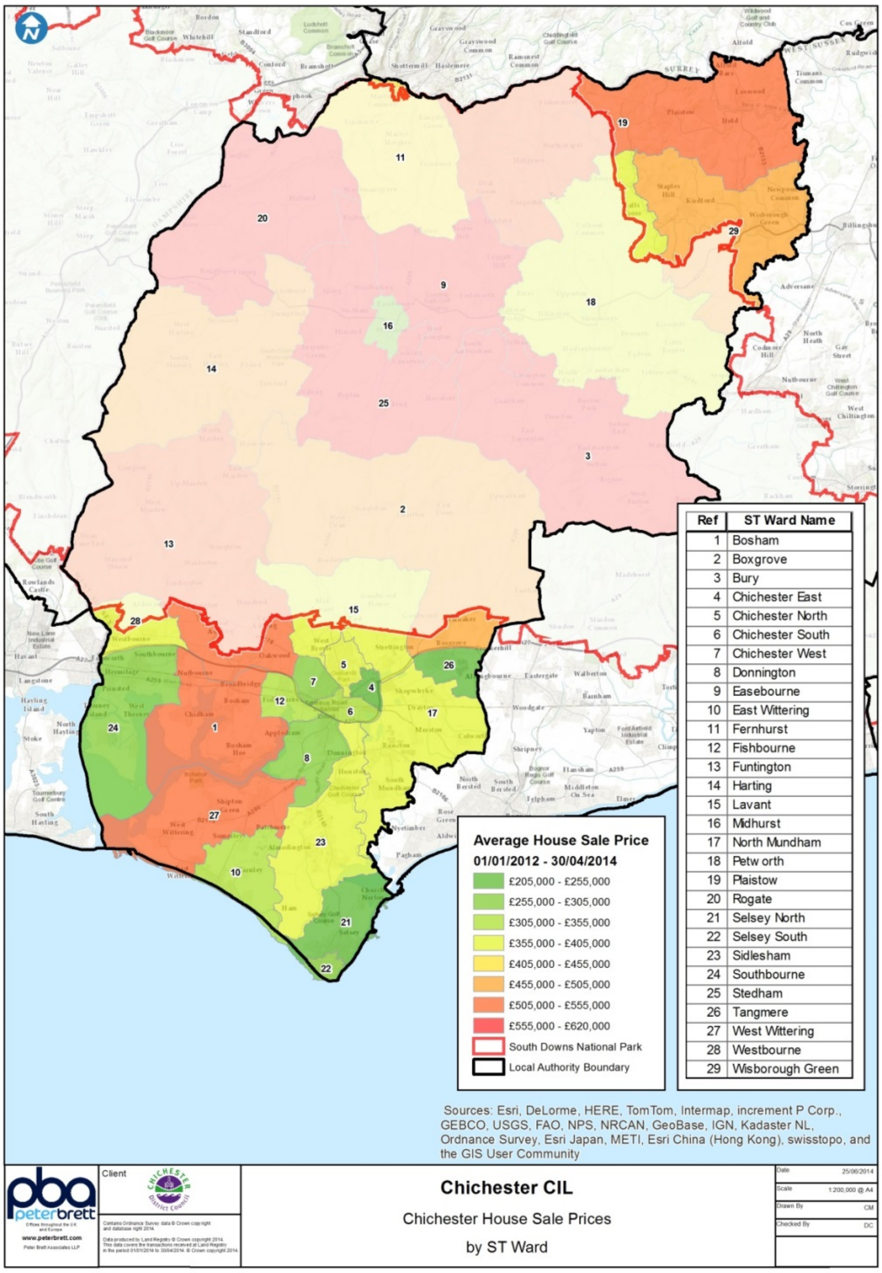
[31] ST wards are used because very precise boundary mapping exists which shows ward boundaries, and is not subject to the degree of change that electoral wards or postcode boundaries are subject to.

[32] Note that the map we have produced here is sophisticated, in that shows the results after eliminating the outlier values which skew the average. We have removed these outlier values using an accepted Interquartile Range test.

environment and is within commuting distance of high-paid jobs in places such as Guildford, Gatwick and even London. There is also a very small area of Chichester District outside the national park to the south of the town of Haslemere. This again offers a superb environment and strong commuting links.

- Prices in the area to the south of the National Park boundary are generally lower than those in the north. However, prices remain strong when compared with the national average. In particular, areas to the north and south of Bosham are very considerably above the national average.

Figure 7-1 Average sales price of homes (Jan 2012- Jan 2014)



Source: Land Registry, PBA

7.16 Table 7-1 is based on the same data as the map but shows actual averages by ward, rather than fitting the data into bands. This data is particularly helpful in allowing us to explore the breadth of the differences in price levels by area. Of the wards with no part of their area in the National Park, the very highest average prices are found in the Bosham ST ward (£548,000), while the lowest average prices are in Selsey North (£204,000). These areas were found to the south of the National Park.

7.17 Prices are higher in wards partially within the National Park, with the highest being £655,000 in Funtingdon, and the lowest being in Westbourne at £342,000.

Table 7-1 Average house prices by ST ward (Jan 2012- Jan 2014)

St Ward	Sales Count	Average Sale Price	National park	South or north of NP
Selsey North	253	£204,505	Not in NP	South of NP
Chichester East	252	£220,827	Not in NP	South of NP
Tangmere	68	£264,809	Not in NP	South of NP
Selsey South	180	£268,670	Not in NP	South of NP
Midhurst	196	£276,532	Entirely in NP	
Southbourne	203	£286,763	Not in NP	South of NP
Chichester West	160	£299,678	Not in NP	South of NP
East Wittering	193	£317,136	Not in NP	South of NP
Chichester South	272	£324,572	Not in NP	South of NP
Fishbourne	83	£332,802	Not in NP	South of NP
Donnington	77	£333,745	Not in NP	South of NP
Westbourne	71	£342,899	Partially in NP	South of NP
Sidlesham	77	£364,258	Not in NP	South of NP
Chichester North	215	£395,169	Not in NP	South of NP
North Mundham	54	£403,068	Not in NP	South of NP
Lavant	78	£408,676	Partially in NP	South of NP
Petworth	149	£419,060	Partially in NP	North of NP
Fernhurst	164	£489,996	Partially in NP	North of NP
Boxgrove	48	£520,862	Partially in NP	South of NP
Harting	48	£530,787	Entirely in NP	
West Wittering	218	£536,522	Not in NP	South of NP
Bosham	149	£548,972	Not in NP	South of NP
Wisborough Green	74	£556,240	Partially in NP	North of NP
Easebourne	82	£569,972	Entirely in NP	
Plaistow	148	£583,694	Partially in NP	North of NP
Bury	68	£596,088	Entirely in NP	
Rogate	79	£598,492	Entirely in NP	
Stedham	71	£642,200	Entirely in NP	
Funtington	76	£655,964	Partially in NP	South of NP

Source: Land Registry, PBA

Figure 7-2 Average sales price of all homes by ST ward (Jan 2012- Jan 2014)

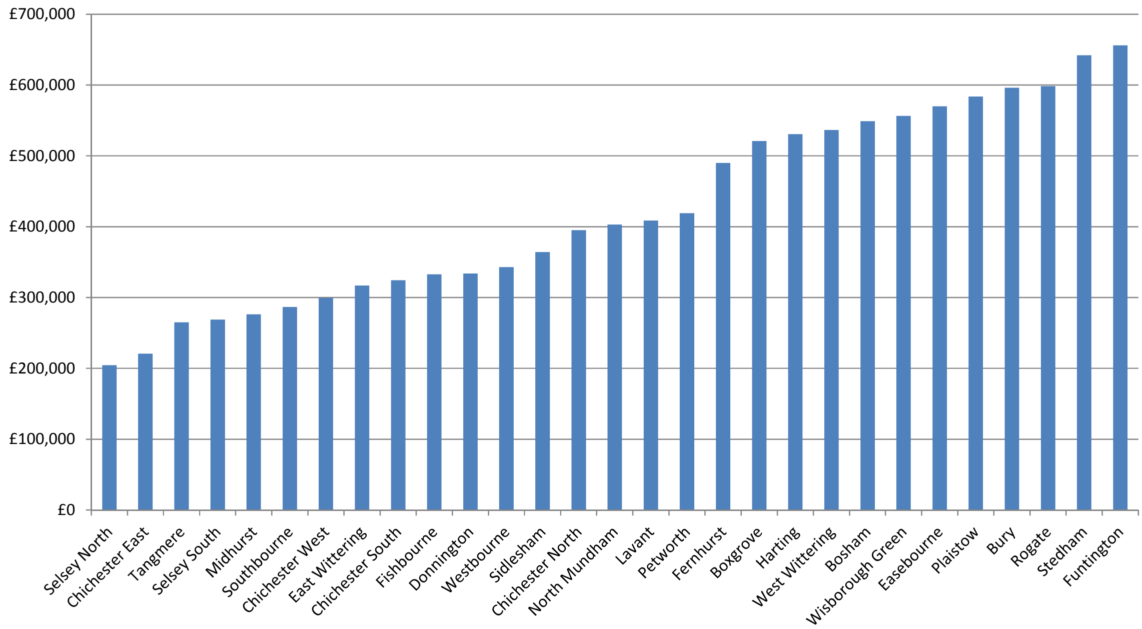
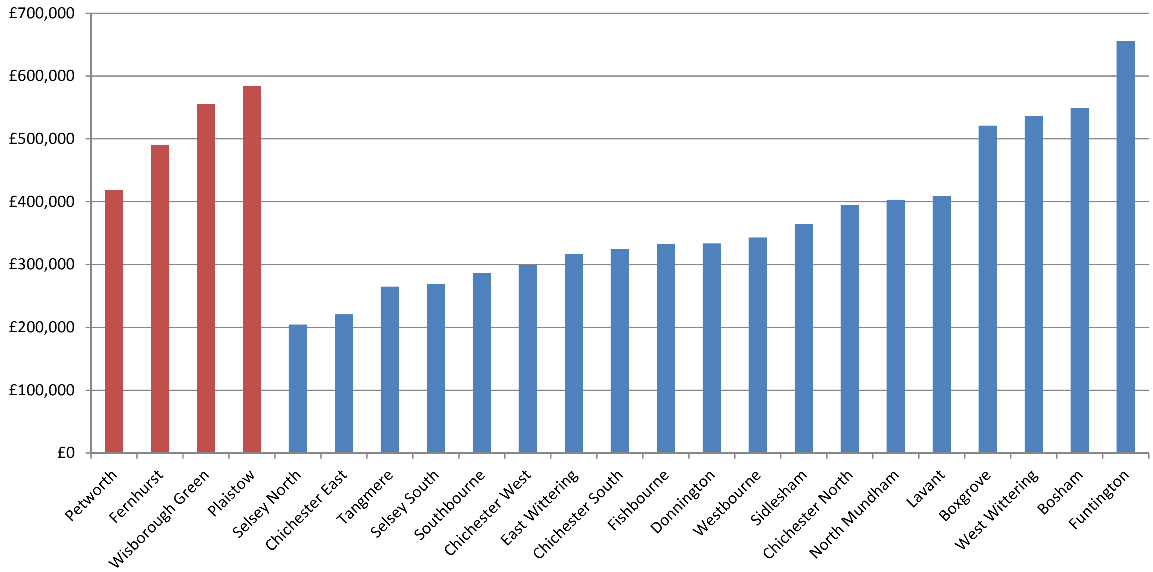


Figure 7-3 Average sales price of all homes by ST ward (Jan 2012- Jan 2014) (excluding wards entirely in the National Park)



7.18 In the table below, we have taken house price data and performed a simple average of prices in ST wards north and south of the National Park (unweighted by the sample size). This shows a considerable gap in average prices to the north and south of the National Park.

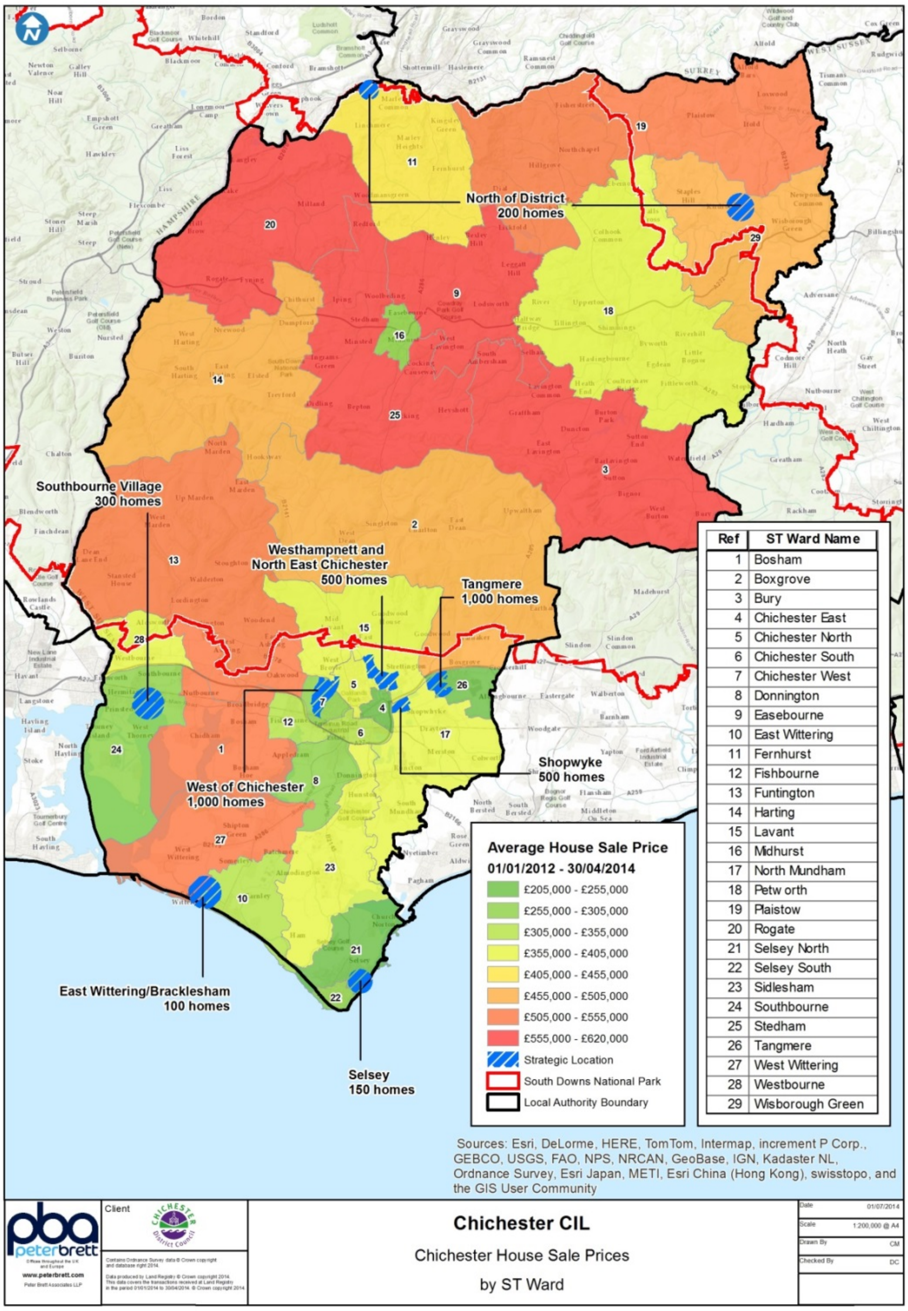
Table 7-2 Simple average house prices by ST ward (north and south of National Park)

North of National Park	£512,247
South of National Park	£369,995
Difference (absolute)	£142,253
Difference (%)	38%

7.19 On balance, this spread of prices to the north and south suggested that it might be worthwhile to create more than one charging band. However, it is also important to analyse how development is distributed before coming to a decision. If all development was going in a single price area, making geographical distinctions in the charging schedule would not be necessary.

7.20 Understanding the patterns of development is therefore the next stage in our analysis. If we overlay a rough approximation of the likely housing development areas (see Figure 7.4) we can better understand whether it is worthwhile creating separate charging bands for residential development in different areas.

Figure 7-4 Core Strategy Strategic Development Areas



Source: PBA, Land Registry, CDC

7.21 The maps and tables suggest that:

- A large proportion of Chichester's housing development will come in the lower-priced areas of the District to the south of the National Park. Of this development in the south, most will be in relatively similarly priced areas on the edges of established urban areas, and will tend not to take place in isolated rural locations which see higher prices.

- Looking at the higher priced areas of the District to the north of the National Park (which, as we have shown, are typically rural areas to the north of the District) 200+ dwellings are planned.

CIL geographical charging zones

7.22 At this stage in the analysis, there appeared to be arguments in favour of setting a two-band charge across Chichester district. A lower charge would be put in place to the south of the National Park targeted at prices prevailing in the areas which will see the bulk of development, and a higher charge to the north to reflect higher levels of viability. Therefore our two zones would be

- North of the National Park (which includes the National Park itself, when testing affordable housing policy). This is the higher viability band; and
- South of the National Park. This is the lower viability band.

7.23 We took this hypothesis forward to the next stage.

8 RESIDENTIAL VIABILITY & CIL TESTING

Introduction

8.1 In this section, we build on the previous chapters 'working hypothesis' regarding the CIL residential charging zones. We undertake viability testing of development in each of these zones.

8.2 Development appraisals are necessary to set a CIL, because the data used up until this point in the report is only a proxy for viability testing, rather than a viability test in itself. Only development appraisals can properly combine the receipts and costs of development to arrive at an overall picture of viability. To explain:

- First, development appraisals use sales prices which relate to new dwellings specifically. (By contrast, Land Registry prices presented in the map cover a longer period, and show second-hand as well as new houses). To arrive at these prices in the Preliminary Draft Consultation Stage Viability report, we consulted with developers and agents who have been selling new housing. In the Draft Consultation Viability Report, we continued to use this same evidence as a basis, but updated sales values in our model by the average rate of sales price increase for the area over the relevant period.
- Secondly, the results of the development appraisal (which shows the price that a developer can afford to pay for land) can be compared with prevailing threshold land values (in effect, what the landowner will accept in order to sell the land). Threshold values have an important bearing on the amount of developer contributions assumed to be available.

8.3 This process identifies an amount of developer contributions available. This sum of money can be targeted at either paying for

- CIL (which funds infrastructure to support growth), or
- affordable housing (via Section 106 affordable housing payments)
- or a mixture of the two.

8.4 Deciding about what share of developer contributions goes to affordable housing, and what goes to CIL is a decision which needs to be made carefully. The Local Authority has made decisions on this balance and in this section we provide justification for that choice.

Consultation, new build values and threshold land values

Consultation with agents: broad conclusions

8.5 We talked to a range of sources on residential markets, including local agents and local housebuilders active in the Chichester area. The broad conclusions were as follows

- Chichester's residential market is performing well. All locations within the district are popular, although the city centre is highly sought after, particularly properties located within the city walls. Land and property in close proximity to the Parklands command a premium.
- The smaller villages throughout the district attract developer and purchaser interest.
- The area north of Summersdale was cited as being a high value area as a consequence of its rural location. To the north of the District in areas towards Wisborough Green, values are high. This location is extremely sought after and located within the commuter belt, therefore attracting commuters seeking access into Guildford and London. Fast train links to London Victoria are provided from Billingshurst train station, just 2 miles to the east.
- With respect to Tangmere, values were considered to be comparatively lower. The industrial park was cited as a reason for this.
- The A27 Chichester Bypass which runs east –west along the South Coast linking areas such as Brighton, Worthing, Portsmouth, Southampton and beyond can become congested and this physical barrier to the city centre was cited as being a deterrent to some prospective purchasers with respect to properties to the south of the city.

New build development and price research: method

8.6 Research undertaken for the Preliminary Draft Charging Schedule showed that there were a number of recent and current residential developments. In the Draft Consultation Viability Report, we continued to use this same evidence as a basis for analysis, but we updated sales values in our model by the average rate of sales price increase for the area over the relevant period.

New build development and price research: findings

- The Grange development on Stane Street will comprise of a mix of 2,3,4 & 5 bed homes and is located on the Goodwood Estate in Westhampnett on the outskirts of Chichester. The agents confirm that they have been marketing the plots since the end of October which have generated interest and are available on a-250 year leasehold due to their location on the Goodwood Estate. In terms of asking prices a 2-bed terraced property extending to approximately 69.95 sq.m. is currently being marketed at a quoted asking price of £235,995. A 3-bed terraced property is being marketed at an asking price of £275,000 (approximately 83.98 sq.m.) and a 4- bed end terraced property for an asking price of £365,000 (approximately 137.9 sq.m.).
- Reflections is a joint venture development between Linden and Wates located on Stockbridge Road, a short distance to the south of Chichester city centre. The canalside development comprises 86 units (of which 17 are town houses) in total, a mix of 1 and 2 bed apartments and 3 bed town houses. All of the units benefit from car parking. Apartments range from £150,000 - £300,000 with the cheapest 1 bed apartments selling for £150,000. The 3 bed town houses range from

£470,000 up to £490,000. A 3 bed terraced property extending to 120 sq.m. is currently being marketed at a quoted price of £480,000. The development has sold extremely well with just two apartments and four houses remaining.

- Linden is also marketing the development at Graylingwell Park, Connolly Way just a short distance out of Chichester city centre. The development, which includes the conversion of a former hospital in conjunction with new build apartments and houses, will deliver 750-800 units comprises a mix of 1, 2, 3, and 4 bed apartments and houses when completed. The first phase commenced over 18 months ago. The current 2nd phase includes 23 houses and c. 40 apartments. The prices quoted with respect to purpose built flats are c. £285,000 whilst converted properties are £300,000 plus and slightly larger. A 2 bed apartment of approximately 98.20 sq.m. is being marketed at £390,000 whilst smaller two bed apartments. of 82.77 sq.m. are £285,000. The agents advise that fewer new apartments are being built due to market conditions, although they are selling reasonably well with 5 of the 8 apartments sold off plan following a 3-4 month marketing period. The 4-bed detached properties currently being marketed range from £410,000 to £420,000 and range in size from 110 sq.m. to 141 sq.m.
- Within the village of Birdham, approximately 4 miles south west of Chichester city centre. Bellways is currently marketing a new development of 28, 2, 3 and 4 bed family homes at Longmeadows, Main Road. A 2-bed end terrace is currently being marketed at a quoting price of £225,950. The 3 bed terraced homes range from £229,950 to £315,000 whilst, with respect to the 4 bed terraced property, £346,950 is quoted.
- Within the semi-rural village of Hambrook a development at Lion Park, Broad Road, comprises a new collection of 2, 3, 4 and 5 bed homes. Hambrook has good city connections located five miles west of Chichester. Nutbourne train station provides direct access to Chichester, Brighton, Portsmouth and Havant. The development has been marketed since the end of January and is now 60% sold. 3 & 4 bed units range on average from £275,000 - £380,000. A 4-bed detached property is currently being marketed for £385,000 extending to approximately 127 sq.m.

8.7 Within Selsey located approximately 8 miles south of Chichester, Wickborne Homes have developed a development of 4-bedroom luxury homes. Prices range from £439,950-£464,950 with sizes ranging from 121 sq.m. to 144 sq.m. respectively.

8.8 Local agents suggested that residential land values (with respect to cleared and serviced sites) range from £1m - £1.2m /acre. Land values to the south of the District are in the region of £1m /acre (equivalent to £2,470,000/ha) with the higher value areas to the North East area.

The summary table

8.9 Our objective in these summary tables is to show, for each notional development scenario, how much money might be theoretically available for a CIL charge. Reading Table 8.1 onwards from left to right, successive columns are as follows:

a) Number and type of dwellings: self-explanatory

b) Net site area: self-explanatory

c) Density: density in dwellings per ha

d) GIA Floor Space: this is the gross internal area created by the development, including both market and affordable housing.

e) CIL chargeable Floor Space: the accommodation within the scheme liable to CIL, equal to the floorspace of market housing (affordable housing is not liable).

f) Residual value policy on - £ per hectare, and £ per sq m: the residual value is produced by an indicative appraisal with S106, affordable housing and other policy costs taken into account. CIL is not included at this stage. The method and assumptions used in this appraisal to arrive at this number are described in the report. Briefly, the residual site value is the difference between the value of the completed development and the cost of that development with developer's profit.

g) Threshold land value per ha and per sq m: the estimated minimum a developer would typically need to pay to secure a fully serviced site of this kind, expressed in £ per ha or divided by its chargeable floorspace.

h) CIL overage per ha and per sq m: this column identifies the amount of money which is, in theory, available for CIL, after other policy costs have been paid. It is expressed per ha and per sq m of chargeable development. Note that this sum is derived from the difference between the threshold land value and the residual land value including policy contributions, once S106 and affordable housing costs have been taken into account. As noted earlier, this overage is an estimate of the CIL 'ceiling' – the maximum CIL that could be charged consistent with the development being financially viable. Given the uncertainties surrounding viability appraisal, it is of course an approximate indicator, which should be used cautiously.

8.10 The theoretical maximum CIL charge per square metre for each development is therefore shown in the far right column of the summary table below. As we explain below, though, we do not recommend that this theoretical maximum be directly translated into a CIL Charge.

8.11 At the densities assumed, flatted development creates very high potential overages per square metre. However, we do not expect a great deal of flatted development to the south of the national park, and negligible amounts to the north of the national park.

Table 8-1 Viability summary tables assuming affordable housing at 30% on all units, showing surplus available for CIL.

	No of dwellings	Net site area ha	Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
				GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm GIA	Per Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
South of NP											
Houses –	4	0.114	35	360	252	£3,008,244	£955	£2,550,000	£810	£458,244	£208
Houses –	5	0.143	35	450	315	£2,991,241	£950	£2,550,000	£810	£441,241	£200
Houses –	9	0.257	35	810	567	£2,918,321	£926	£2,550,000	£810	£368,321	£167
Houses –	10	0.286	35	900	630	£2,910,111	£924	£2,550,000	£810	£360,111	£163
Houses –	50	1.429	35	4,500	3,150	£2,910,111	£924	£2,550,000	£810	£360,111	£163
Houses –	100	2.857	35	9,000	6,300	£2,909,095	£924	£2,550,000	£810	£359,095	£163
Flats -	4	0.040	100	304	213	£4,026,336	£530	£2,830,000	£372	£1,196,336	£225
Flats -	6	0.060	100	456	319	£3,991,824	£525	£2,830,000	£372	£1,161,824	£218
Flats -	12	0.120	100	912	638	£3,966,279	£522	£2,830,000	£372	£1,136,279	£214
Flats -	24	0.240	100	1,824	1,277	£3,890,939	£512	£2,830,000	£372	£1,060,939	£199
North of NP											
Houses –	4	0.114	35	360	252	£4,612,891	£1,464	£3,600,000	£1,143	£1,012,891	£459
Houses –	5	0.143	35	450	315	£4,586,918	£1,456	£3,600,000	£1,143	£986,918	£448
Houses –	9	0.257	35	810	567	£4,522,831	£1,436	£3,600,000	£1,143	£922,831	£419
Houses –	10	0.286	35	900	630	£4,510,156	£1,432	£3,600,000	£1,143	£910,156	£413
Houses –	50	1.429	35	4,500	3,150	£4,510,156	£1,432	£3,600,000	£1,143	£910,156	£413
Houses –	100	2.857	35	9,000	6,300	£4,509,191	£1,431	£3,600,000	£1,143	£909,191	£412
Flats -	4	0.040	100	304	213	£8,223,852	£1,082	£4,120,000	£542	£4,103,852	£771
Flats -	6	0.060	100	456	319	£8,068,613	£1,062	£4,120,000	£542	£3,948,613	£742
Flats -	12	0.120	100	912	638	£8,183,877	£1,077	£4,120,000	£542	£4,063,877	£764
Flats -	24	0.240	100	1,824	1,277	£8,114,460	£1,068	£4,120,000	£542	£3,994,460	£751

Table 8-2 Viability summary tables assuming affordable housing at 40% on all units, showing surplus available for CIL

Ref	No of dwellings	Net site area ha	Total dev contrib - Policy Off		Benchmark		Cost of S.106		Cost of Affordable		CIL Overage	
			Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm
Low Value South of NP												
Houses –	4	0.11	£4,251,371	£2,249	£2,470,000	£1,307	£35,000	£19	£1,814,400	£960	-£68,029	-£36
Houses –	5	0.14	£4,227,408	£2,237	£2,470,000	£1,307	£35,000	£19	£1,814,400	£960	-£91,992	-£49
Houses –	9	0.26	£4,168,280	£2,205	£2,470,000	£1,307	£35,000	£19	£1,814,400	£960	-£151,120	-£80
Houses –	10	0.29	£4,156,587	£2,199	£2,470,000	£1,307	£35,000	£19	£1,814,400	£960	-£162,813	-£86
Houses –	50	1.43	£4,156,587	£2,199	£2,470,000	£1,307	£35,000	£19	£1,814,400	£960	-£162,813	-£86
Houses –	100	2.86	£4,155,543	£2,199	£2,470,000	£1,307	£35,000	£19	£1,814,400	£960	-£163,857	-£87
Flats -	4	0.04	£7,551,899	£1,948	£2,750,000	£709	£100,000	£26	£4,069,800	£1,050	£632,099	£163
Flats -	6	0.06	£7,487,854	£1,932	£2,750,000	£709	£100,000	£26	£4,069,800	£1,050	£568,054	£147
Flats -	12	0.12	£7,594,997	£1,959	£2,750,000	£709	£100,000	£26	£4,069,800	£1,050	£675,197	£174
Flats -	24	0.24	£7,530,470	£1,943	£2,750,000	£709	£100,000	£26	£4,069,800	£1,050	£610,670	£158
National Park and High Value												
Houses –	4	0.11	£6,137,742	£3,247	£3,500,000	£1,852	£35,000	£19	£2,016,000	£1,067	£586,742	£310
Houses –	5	0.14	£6,103,233	£3,229	£3,500,000	£1,852	£35,000	£19	£2,016,000	£1,067	£552,233	£292
Houses –	9	0.26	£6,018,082	£3,184	£3,500,000	£1,852	£35,000	£19	£2,016,000	£1,067	£467,082	£247
Houses –	10	0.29	£6,001,243	£3,175	£3,500,000	£1,852	£35,000	£19	£2,016,000	£1,067	£450,243	£238
Houses –	50	1.43	£6,001,243	£3,175	£3,500,000	£1,852	£35,000	£19	£2,016,000	£1,067	£450,243	£238
Houses –	100	2.86	£6,000,257	£3,175	£3,500,000	£1,852	£35,000	£19	£2,016,000	£1,067	£449,257	£238
Flats -	4	0.04	£12,387,595	£3,196	£4,000,000	£1,032	£100,000	£26	£4,651,200	£1,200	£3,636,395	£938
Flats -	6	0.06	£12,283,073	£3,169	£4,000,000	£1,032	£100,000	£26	£4,651,200	£1,200	£3,531,873	£911
Flats -	12	0.12	£12,457,933	£3,214	£4,000,000	£1,032	£100,000	£26	£4,651,200	£1,200	£3,706,733	£956
Flats -	24	0.24	£12,352,624	£3,187	£4,000,000	£1,032	£100,000	£26	£4,651,200	£1,200	£3,601,424	£929

Translating theoretical overages into viable CIL Charges and affordable housing requirements

8.12 In the tables above, we explore the impact of affordable housing requirements on the available CIL rates at 30% and at 40%. The implications of our findings are that although the whole of Chichester has historically achieved 40% affordable housing targets (including the SDNP), some scenarios may not be as viable on current evidence. We have therefore recommended that if CIL is introduced by Chichester DC that the affordable housing target is reduced to 30% to accommodate CIL funding

8.13 Note that in recommending CIL rates below, we have allowed a ‘buffer’ margin between a) the theoretical maximum developer contributions shown by the model, and b) the amount of CIL chosen.

8.14 We are attempting to ensure that the least viable development is not halted due to CIL.

Table 8-3 CIL assuming 30% affordable housing policy on all development scenarios

Development	CIL Charge (£ per sq m)
Residential (North of National Park)	£200
Residential (South of National Park)	£120

Source: PBA

8.15 As a percentage of gross sales values, the CIL charges as a percentage can be expressed as follows

Table 8-4 CIL charges as a percentage of gross sales values

Development	CIL as percentage of gross sales values
Houses North of National Park	4.8%
Flats North of National Park	4.3%
Houses South of National Park	3.6%
Flats South of National Park	3.3%

8.16 The charges are in line with similar charging schedules emerging round England and Wales.

Getting the right balance between affordable housing and CIL

8.17 When designing Local Plan policies, members have a relatively unconstrained choice about whether affordable housing or CIL is prioritised, and to what extent. However, once plan policy is set, CIL should be set at a rate that will allow stated plan policy to be delivered.

A note on affordable housing assumptions

8.18 Our viability tests assume that affordable housing contributions are made on sites of all sizes. We have therefore not followed current interim affordable housing policy, which sets different affordable housing requirements depending on the number of houses in a development.

Implications for a flat-rate affordable housing policy

8.19 Subject to the outcome of the Government consultation[33], we suggest that the affordable housing policy should work at a flat rate across developments of all sizes. Where an offsite financial contribution is made it would be levied at a rate which would place an equivalent burden on development as that made by an onsite contribution.

8.20 We believe that a flat-rate contribution approach has a number of advantages. It will:

- Reduce the market distortion of land values which can result from a policy "cliff edge". This can arise when certain developments (say, of 14 units and under) pay no affordable housing contribution, whilst fractionally larger developments (of 15 units) have a greater burden.
- Remove the financial incentive to developers to provide fewer units on site. This can arise when developers try to keep the number of units on a site underneath an affordable housing policy threshold.
- Ensure that the Council is able to obtain contributions towards affordable housing on all, rather than some, of their sites wherever viable.
- Ensure that any affordable housing offsite contributions do not threaten the viability of the development described in the Local Plan. As explained in this report, we have attempted to ensure that development remains deliverable after affordable housing, CIL, and other policy costs have been taken into account.

8.21 Please see Appendix 2 for more information on possible offsite affordable housing charges.

Striking the balance between CIL and S106 affordable housing

8.22 Factors that should be borne in mind are that:

- CIL is fixed, whereas affordable housing S106 is negotiable. In practice, this means that local authorities may choose to avoid setting a high CIL with an affordable housing S106 charge, because such an approach will leave little flexibility to cope with individual site circumstances (given that CIL cannot be varied once set). Note, though, that the CIL has been set with a 'buffer' that should allow developers plenty of room to cope with difficult site conditions.
- There is no technical requirement for the CIL revenue to precisely match the infrastructure funding gap.
- There is no technical requirement for affordable housing delivery to deliver the affordable housing need identified in the SHMA.

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[33] In the Autumn Statement of December 2013, the Chancellor of the Exchequer announced that the Government would publish a consultation paper on proposals to introduce a 10-unit threshold for Section 106 affordable housing contributions in order to "reduce costs for small house builders." https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295035/140320_Planning_Performance_and_Planning_Contributions_-_consultation.pdf

Viability testing the strategic residential site

Introduction

8.23 In this chapter, we deal directly with

- the Harman Report's suggestion that we provide an additional level of detailed testing on specific sites.
- the 2014 CIL guidance, which emphasises the importance of ensuring that strategic sites remain viable after all policy costs (which includes CIL and affordable housing) are taken into account.

8.24 It is not our objective in this chapter to make a definitive statement of the viability of the sites tested. This is because there is currently a lack of information about a) how sites will be developed, and b) the economic conditions that will prevail at the time of development.

8.25 This document does not substitute for detailed viability assessment for S106, affordable housing negotiation or other purposes. More detailed assessment may be undertaken separately when individual sites come forward.

8.26 No part of these documents is a formal 'Red Book' valuation (RICS Valuation - Professional Standards, March 2012) or should be relied upon as such.

Defining strategic sites

8.27 Although PPS12 is no longer current, it has a useful definition of strategic sites. It states that ‘strategic sites [are] those sites considered central to achievement of the strategy.’[34]

Selecting sites to review

8.28 We visited the strategic sites, and then worked through the list of sites in order to decide how the viability of the strategic sites might be best understood. In doing this, we have been mindful to ensure that we have had regard to NPPF's requirement to focus the greatest amount of attention on sites which are coming forward in the first five years (which must be viably 'deliverable'). We have also followed the spirit of the CIL guidance, which states that the 'focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy on economic viability is likely to be most significant.'

[34] DCLG Planning Policy Statement 12 (para 4.6)

8.29 The emerging Local Plan sites are shown in Table 8.5 below.

Table 8-5 Submitted Local Plan Housing allocations

Location	Number of homes (approximate)	Projected phasing
Strategic Allocations		
Shopwyke	500	From 2015
West of Chichester city	1,000 in plan period. 1,600 overall	Post-2019 (Development requires provision of additional wastewater capacity identified at Tangmere WwTW following its expansion/upgrade in 2019)
Westhampnett/North East Chichester	500	
Tangmere	1,000	
Southbourne village	300	Pre-2019
Selsey	150	
East Wittering/ Bracklesham	100	
Strategic allocations total	**3,550**	

Source: Chichester District Council Draft Local Plan Key Policies – (as submitted May 2014)

8.30 We explain more below.

Site 'deliverability' in the first five years of the plan

8.31 The following sites are expected to commence in the early part (Y0-5) of the plan period.

- Southbourne village, Selsey and East Wittering/Bracklesham. Housing sites are to be identified through neighbourhood plans which are currently being prepared by the relevant parish councils. Some sites already have planning permission and further housing sites will be identified through neighbourhood plans that are currently being prepared by the relevant parish councils.
- Shopwyke. The majority of the Submitted Local Plan allocation has outline planning permission for mixed development, including 500 homes and is currently phased for delivery over period 2015-2023. This development has outline planning permission and a negotiated S106 agreement.

8.32 These strategic sites are being actively promoted by the site owners and their agents and regular discussions are on-going between these parties and the local planning authority.

8.33 In the case of Southbourne, Selsey and East Wittering/ Bracklesham, we decided that undertaking individual site viability testing would not create helpful or 'proportionate' new evidence[35]. In the absence of a) good quality information in the public domain about development costs and b) the precise site layouts and housing products expected, the most reliable guide to viability of these sites is the generic site testing already carried out in the chapter above. This work shows that we do not anticipate any problems with delivery of these sites, based on the evidence in the public domain about each site, a site visit, and the analysis carried out in earlier chapters. Further viability testing in addition to the work carried out on the generic sites would create an impression of spurious accuracy. Sites larger than 100 units tend to be financed in packages of around 100 homes, so this 100-unit scenario provides a good guide to the viability of even very large sites.

8.34 However, in the case of Shopwyke, we carried out a viability test at the request of the Council.

Site 'developability' after the first five years of the plan

8.35 The following sites rely for delivery on provision of additional wastewater capacity, which the Submitted Local Plan identifies as being provided through the upgrade/expansion of Tangmere WwTW. Subject to Southern Water gaining Ofwat approval, the Tangmere WwTW upgrade would be operational from 2019 and therefore development of these sites is phased to commence from that date.

- West of Chichester.
- Westhampnett/North East Chichester.
- Tangmere.

Sites tested

8.36 Using the selection process outlined above, the sites tested are as follows.

- West of Chichester.
- Westhampnett/North East Chichester.
- Tangmere
- Shopwyke

Method

8.37 Our viability testing assumptions generally follow those used elsewhere in this study. In a limited number of instances, we have derogated from these assumptions. We

[35] The NPPF requires evidence bases to be proportionate. 'Evidence supporting the assessment should be proportionate, using only appropriate available evidence' (para 174)

have done this in order to tailor our work to the individual circumstances of each site. We have made these instances clear.

8.38 We have taken regard of submissions made on behalf of Savills providing further information on the level of historic section 106 payments made on strategic sites prior to CIL and generic site servicing costs.

8.39 We have however tested all the strategic sites at the new proposed affordable housing policy of 30% whereby historically strategic sites in Chichester achieved 40% with an average of £8,009.15 per unit for section 106. The table below is reproduced from the Savills Submission and contains publically available evidence

Site	No. Of Dwellings	Affordable Provision	Total[28]	Per Dwelling
Tawny Nurseries, Birdham (12/04147/OUT)	30	40%	£218,224.65	£7,274.16
Beech Avenue, Bracklesham (12/02461/FUL)	50	40%	£370,440.00	£7,408.80
Park Farm, Selsey (11/04954/OUT)	50	40%	£345,429.00	£6,908.58
West of Broad Road, HambrookWest of Broad Road, Hambrook (12/04778/FUL)	28	40%	£298,947.60	£10,676.70
Roussillon Barracks, Chichester (10/03490/FUL)	252	40%	£1,959,936.27	£7,777.52
			Average	**£8,009.15**

8.40 As a general principle, reducing the level of affordable housing allows individual sites to fund additional infrastructure that can be collected either by way of Section 278, Section 106 or CIL or a combination of all three.

8.41 In high level terms the equivalent CIL charge based on £8,000 per unit and assuming a unit of size of 90m2 (roughly a new build 3 bed semi-detached house) would equate to £89m2. In the case of Shopwyke which has outline planning permission and an agreed level of Section 106 at approximately £11,000 per unit we have used this figure. This is discussed in more detail below.

8.42 Reducing the affordable housing by 10% increases the overage available for CIL and allows for a margin to deal with short term market fluctuations. These are reflected in the site specific appraisals below.

Sales rates

8.43 The strategic sites are of a larger quantum than scenarios tested in the generic appraisals. We have assumed that the sites will be delivered by two Housebuilders developing simultaneously with a collective average output of 100 units per annum.

Strategic site approach to benchmark land values

8.44 The generic appraisals in this report also assumes development land is fully serviced and free of abnormal development costs. In practice however all these sites to a greater or lesser degree will have some abnormal development costs. It is impossible to assume a generic figure for such infrastructure and therefore we would expect a prudent purchaser of these sites to reflect these costs in the acquisition value from the current owner once detailed site investigations have been completed;

8.45 In the context of the strategic site testing where more is known about the sites, we have adopted an alternative approach. We have assumed an existing site value, applied an appropriate uplift and then applied servicing and infrastructure costs. The assumptions adopted are as follows

- Benchmark land value for residential land £310,000 per hectare (gross)
- Gross to net ratio of 50%
- Additional SANGS land costs of £50,000 per hectare

West of Chichester

About the site

8.46 The land west of Chichester is being promoted by Miller and Linden Homes. It has an allocation of 1,000 dwellings in the plan period but an overall potential to accommodate 1,600 homes. The site is clear, relatively flat and predominantly in agricultural use.

Scenario tested

8.47 We have tested a 1,000 unit scheme. This assumes the strategic sites will be delivered by two or more developers.

Site servicing costs

8.48 We have allowed for £600,000 per hectare on a net basis to allow for site servicing costs. On a scheme of 1,000 units this equates to approximately £17,142 per unit.

8.49 Within this figure is an on-site waste treatment solution at a cost of circa £3m.

Findings

8.50 Below we detail the viability results for West of Chichester, analysing the residual land value against the benchmark land value and including a CIL charge of £120m2 and section 106 costs of £8,000 per unit.

8.51 Ultimately, if the residual land value is greater than the benchmark land value, there may be capacity for a CIL charge.

Table 8-6 West of Chichester Viability Results

				Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
	No of dwellings	Gross site area	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per net developable Ha	Per £psm GIA	Per net developable Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
West of Chichester	1000	57.14	28.571	35	90,000	63,000	£1,189,556	£378	£700,000	£222	£489,556	£222

Source: PBA

8.52 As shown in the table above, the residual value is greater than the benchmark. There is capacity for a CIL charge of £120 when accounting for full affordable housing provision and estimated S106/S278 costs of £8,000 per dwelling.

8.53 We have included a detailed appraisal within Appendix D.

Recommendation

8.54 The findings indicate that, once site-specific S106 costs have been taken into account, there is capacity for a £120m2 CIL charge within West of Chichester. A £120 psm CIL charge for West of Chichester is recommended.

Westhampnett/North East Chichester

About the site

8.55 The site comprises 110 hectares and occupies an area extending from the eastern edge of the City to the Goodwood Motor Circuit/Aerodrome and the edge of Westhampnett village.

8.56 The allocated land extends over parts of the Parishes of Westhampnett and Chichester City, around 2 to 3 km north-east and east of the City Centre. The land slopes gently down from north to south and is framed to the north by a backdrop of the South Downs. To the south the land is bounded by Stane Street a Roman Road and the River Lavant runs through the site from north to south.

8.57 The site is currently in agricultural use and contains only a few buildings, principally Oldplace Farm which lies in the centre of the site. The site excludes the buildings along the north side of Madgwick Lane including the Grade II Listed Old Place House within a characterful group of converted farm buildings at Old Place Lane and the Grade II Listed semi-detached pair of estate cottages. There are a number of trackways and public footpaths that cross the site. The motor racing circuit and Aerodrome to the east of the site represent key economic assets for the city. Figure 1 shows the extent of the Strategic Location.

8.58 The proposed residential development will comprise two separate areas:

- Land between Stane Street and Madgwick Lane will provide approximately 350 dwellings, developed as an integrated extension of Westhampnett village; and
- Land between the edge of Chichester City (east of Winterbourne Road) and the River Lavant floodplain will provide approximately 150 dwellings, developed as an integrated extension to the City.

Scenario tested

8.59 We have tested two schemes as in accordance with the strategic allocation of 150 and 350 units respectively

New assumptions made in this study

8.60 Our appraisals have assumed site servicing costs of £600,000 per hectare which is inclusive of an on-site sewage solution.

Findings

8.61 Below we detail the viability results for Westhampnett/ North East Chichester, analysing the residual land value against the benchmark land value and including a CIL charge of £120m2 and section 106 costs of £8,000 per unit.

8.62 Ultimately, if the residual land value is greater than the benchmark land value, there may be capacity for a CIL charge.

Table 8-7 Westhampnett / North East Chichester Viability Results

				Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
	No of dwellings	Gross site area	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per net developable Ha	Per £psm GIA	Per net developable Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
Westhampnett / NE Chichester - small phase	150	8.57	4.286	35	13,500	9,450	£1,230,933	£391	£700,000	£222	£530,933	£241
Westhampnett / NE Chichester - large phase	350	20.00	10.000	35	31,500	22,050	£1,199,405	£381	£700,000	£222	£499,405	£226

Source: PBA

8.63 As shown in the table above, the residual value is greater than the benchmark. There is capacity for a CIL charge of £120 when accounting for full affordable housing provision and estimated S106/S278 costs.

Recommendation

8.64 The findings indicate that, once site-specific S106 costs have been taken into account, there is capacity for a £120m2 CIL charge within the Westhampnett and North East Chichester Sites. A £120 psm CIL charge for North East Chichester and Westhampnett is recommended.

Tangmere

About the site

8.65 This is a large allocation of around 1000 units on potential sites which are clear, flat and mostly in agricultural use. The most significant potential abnormal is an expansion/upgrade of the Tangmere Waste Water Treatment Plant. It is assumed that delivery of this significant item will be outside of CIL. Savills on behalf of the site owner has suggested a figure of £3m for on-site treatment independent of the wider sewage network upgrade.

Scenario tested

8.66 We have tested Tangmere as a 1,000 unit scheme.

New assumptions made in this study

8.67 Savills on behalf of the site owner has suggested a figure of £3m for on-site treatment independent of the wider sewage network upgrade. This is included in the site servicing costs of £600,000 per hectare. We would stress that the long term intention is that sewage will be initially funded by Southern Water with the monies recouped through the additional water rates generated by this and other new developments. As this delivery route has not been formally confirmed we have erred on the side of caution and assumed a cost for an on-site solution.

Findings

8.68 Below we detail the viability results for the strategic allocations at Tangmere, analysing the residual land value against the benchmark land value. Ultimately, if the residual land value is greater than the benchmark land value, there may be capacity for a CIL charge.

Table 8-8 Tangmere Viability Results

				Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
	No of dwellings	Gross site area	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per net developable Ha	Per £psm GIA	Per net developable Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
Tangmere	1000	57.14	28.571	35	90,000	63,000	£1,189,556	£378	£700,000	£222	£489,556	£222

Source: PBA

8.69 As shown in the table above, the residual value is greater than the benchmark. There is a capacity for a CIL charge of £120 when accounting for full affordable housing provision and estimated S106/S278 costs of £8,000 per dwelling.

Recommendation

8.70 A £ 120psm CIL charge for Tangmere is recommended.

Shopwyke

Introduction

8.71 Shopwyke is a residential development of up to 500 dwellings within a parkland setting with supporting employment, retail and community uses on a site of 31.71 hectares. The scheme was granted planning permission by the local planning authority under the reference (Ref 11/05283/OUT). Although the site falls outside the boundaries of CIL, we have been asked to test the site if a further planning application is made which results in the scheme falling within the CIL regulations.

8.72 Unlike the other strategic sites, Shopwyke differs by being brownfield and requiring investment in groundwater treatment. Detailed servicing and reclamation results were produced by the applicant in March 2013 and subsequently appraised by the VOA on behalf of the applicant.

8.73 The details of these costs were part of a confidential submission but confirmed that the site was capable of providing 30% affordable housing and the sum equivalent to £11,000 per unit for section 106 costs.

Scenario Tested

8.74 Without providing a detailed breakdown we have incorporated the known abnormal and site servicing costs into our appraisal based on the 500 unit residential scheme. Costs relating to the other uses on site (commercial and retail) have been excluded.

Findings

Below we detail the viability results for Shopwyke, analysing the residual land value against the benchmark land value. Ultimately, if the residual land value is greater than the benchmark land value, there may be capacity for a CIL charge.

Table 8-9 Shopwyke Viability Results

				Density	Floor Space per sq.m		Residual land value		Benchmark		Overage	
	No of dwellings	Gross site area	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per net developable Ha	Per £psm GIA	Per net developable Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
Shopwyke	500	28.57	14.286	35	45,000	31,500	£722,352	£229	£500,000	£159	£222,352	£101

Source: PBA

8.75 As shown in the table above, the residual value is greater than the benchmark which confirms that the scheme is viable. However the overage is not sufficient to justify a CIL charge of £120m2 at the headline level of section 106 costs.

8.76 Assuming CIL was to be introduced that element of the existing section 106 obligations would form part of the CIL obligation. In other words, a future CIL would not be entirely in addition to the existing 106 obligations currently agreed with the developer. For example the school and library donations would be funded through CIL. The budget estimate for these items is currently £2m. Assuming these items are funded through CIL the results of the viability appraisal do show an overage at a CIL charge of £120m2

Table 8-10 Shopwyke viability results with Education and Libraries excluded from current section 106 obligations

				Density	Floor Space per sq.m		Residual land value		Benchmark		Overage	
	No of dwellings	Gross site area	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per net developable Ha	Per £psm GIA	Per net developable Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
Shopwyke	500	28.57	14.286	35	45,000	31,500	£593,637	£188	£500,000	£159	£93,637	£42

Recommendation

8.77 We therefore recommend that Shopwyke does have a CIL charge of £120m2 but with due regard to the future contents of the Councils Regulation 123 list

9 VIABILITY TESTING FOR FUTURE PLAN DELIVERY

Introduction

9.1 The Harman report suggests that longer term plans should be subject to viability testing in order to be assured of plan viability over the plan period. For sites expected in Year 6 and onwards of the later period, there should be a "reasonable prospect that the site is available and could be viably developed at the point envisaged[36]." However, future economic circumstances are opaque, and Harman points out that 'it should be recognised that the forecasts for the latter part of the plan period are unlikely to be proved accurate and will need review'[37].

Method

9.2 Given these uncertainties, there appears to be little point in undertaking hugely detailed analysis of future economic conditions. We cannot and are not attempting to predict future market conditions. All we can do is set out a sensible possible scenario, and explore what would happen to viability if these conditions came to pass.

9.3 Harman points out that it is important that variations against baseline costs, as well as values, be tested and based, where appropriate, on construction cost and other indices. As a result, we have chosen to test two key variables: house prices and build costs.

9.4 The effects of inflation over the time period are hard to predict. The numbers quoted below are expressed in nominal terms (at current prices). In other words, they are estimates of values and costs as they will be in the future – without any adjustment to remove the growth that is merely due to background inflation.

Future house price scenario

9.5 Research has been undertaken on house price trends, which has then been projected forward to 2020.

9.6 The trend used is based upon medium term change in new build house prices for the outer South East region produced by Nationwide. This data shows that the annual change in house prices since quarter 4 1975 is 7.87%. This equates to a 13-fold increase in prices over this period.

9.7 Due to the recent uncertainties in the housing market and the wider economy, a more conservative approach has been undertaken to projecting future prices. We have therefore generated trend data from a starting point in quarter 4 1998. This period takes into account a full economic cycle. The average annual change in new build

[36] NPPF, para 47, footnote 12
[37] Local Housing Delivery Group Chaired by Sir John Harman (2012), Viability Testing Local Plans (27)

prices since Q4 1998 is 5.75% to 2013. Compounding these values at this rate to 2020 produces the following results.

Table 9-1 Possible 2020 sales prices using trend house price increases

Type	Sales values per sq m
South of the National Park flats	£5,035
South of the National Park houses	£4,615
North of the National Park flats	£6,482
North of the National Park houses	£5,762

Source: PBA/Nationwide

Future build cost scenario

9.8 We have assumed that, by 2020, Code Level 5 standards or similar will be in place. The Government has recently announced proposals for zero carbon homes from 2016 which will include allowable solutions (one of which would be enabling developers to make payments into a fund that invests in carbon abatement), but it is very difficult to know exactly how much these might cost, given the rate of technological innovation in this area.

9.9 We have therefore taken today's Code Level 5 costs based on DCLG Housing Standards Review Consultation Impact Assessment August 2013, and projected these costs forward in time using build cost inflation based upon BCIS General Building Cost Index updated on 18 October 2013.

9.10 The costs used in the future scenario are therefore as follows.

Table 9-2 Possible 2020 build costs using Code 5 costs and BCIS General Build Cost Index

Type	Cost per sq m in 2016
Flats (across Chichester District)	£1730
Houses (across Chichester District)	£1396

9.11 Other costs including land value threshold land values have not been altered. In reality, we can expect them to adjust, but we cannot accurately predict how.

Findings

9.12 The results of this exercise are shown in the table overpage. We have presented the findings in the same format as shown Table 9.3. The analysis suggests that, under this future scenario, the proposed policy costs (including CIL and affordable housing) remain viable. The far right hand column indicates that there is considerable development surplus available. Indeed, on this scenario, viability has improved quite significantly over the current position, because development receipts have risen more quickly than build costs. (In reality, the overage produced will not be as great appears here, as some of the uplift in value might be captured by the landowner).

9.13 In summary, if this scenario came to pass, the Chichester plan would clearly remain viable in 2020. It thus passes the Harman test.

Table 9-3 Viability summary tables using 2020 scenario, assuming affordable housing at 30% on all units, showing surplus available for CIL

			Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
	No of dwellings	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm GIA	Per Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
South of NP											
Houses –	4	0.114	35	360	252	£3,914,331	£1,243	£2,750,000	£873	£1,164,331	£528
Houses –	5	0.143	35	450	315	£3,851,398	£1,223	£2,750,000	£873	£1,101,398	£500
Houses –	9	0.257	35	810	567	£3,797,514	£1,206	£2,750,000	£873	£1,047,514	£475
Houses –	10	0.286	35	900	630	£3,786,857	£1,202	£2,750,000	£873	£1,036,857	£470
Houses –	50	1.429	35	4,500	3,150	£3,786,857	£1,202	£2,750,000	£873	£1,036,857	£470
Houses –	100	2.857	35	9,000	6,300	£3,785,869	£1,202	£2,750,000	£873	£1,035,869	£470
Flats -	4	0.040	100	304	213	£4,808,705	£633	£2,470,000	£325	£2,338,705	£440
Flats -	6	0.060	100	456	319	£4,669,595	£614	£2,470,000	£325	£2,199,595	£413
Flats -	12	0.120	100	912	638	£4,687,143	£617	£2,470,000	£325	£2,217,143	£417
Flats -	24	0.240	100	1,824	1,277	£4,647,050	£611	£2,470,000	£325	£2,177,050	£409
North of NP											
Houses –	4	0.114	35	360	252	£6,161,961	£1,956	£3,600,000	£1,143	£2,561,961	£1,162
Houses –	5	0.143	35	450	315	£6,127,327	£1,945	£3,600,000	£1,143	£2,527,327	£1,146
Houses –	9	0.257	35	810	567	£6,041,870	£1,918	£3,600,000	£1,143	£2,441,870	£1,107
Houses –	10	0.286	35	900	630	£6,024,970	£1,913	£3,600,000	£1,143	£2,424,970	£1,100
Houses –	50	1.429	35	4,500	3,150	£6,024,970	£1,913	£3,600,000	£1,143	£2,424,970	£1,100
Houses –	100	2.857	35	9,000	6,300	£6,024,053	£1,912	£3,600,000	£1,143	£2,424,053	£1,099
Flats -	4	0.040	100	304	213	£10,693,988	£1,407	£4,120,000	£542	£6,573,988	£1,236
Flats -	6	0.060	100	456	319	£10,492,357	£1,381	£4,120,000	£542	£6,372,357	£1,198
Flats -	12	0.120	100	912	638	£10,641,848	£1,400	£4,120,000	£542	£6,521,848	£1,226
Flats -	24	0.240	100	1,824	1,277	£10,551,817	£1,388	£4,120,000	£542	£6,431,817	£1,209

Source: PBA

10 CARE HOME VIABILITY & CIL CHARGES

10.1 We have defined this sector as follows.[38]

- Residential care homes (now generally referred to simply as care homes) are residential settings where a number of older people live, usually in single rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only - help with washing, dressing and giving medication. Some care homes are registered to meet a specific care need, for example dementia or terminal illness.
- What used to be called nursing homes are now called care homes with nursing. These settings will provide the same personal care but also have a qualified nurse on duty twenty-four hours a day to carry out nursing tasks. These homes are for people who are physically or mentally frail or people who need regular attention from a nurse[39]. Homes registered for nursing care may accept people who just have personal care needs but who may need nursing care in the future.

10.2 These uses fall under the C2 (residential institutions) use class.

Market overview

National marketplace

10.3 Research by Colliers in Autumn 2011 found that 'The last half year has seen very few large investment deals, with the impact and publicity surrounding the demise of Southern Cross, certainly having an adverse effect on the market'. The report shows the difficulties being experienced by operators 'in terms of lower occupancy rates, lower average fees and lower referrals from local authorities putting pressure on profit margins and an increasing cost base.' The same research found that 'development finance is generally absent from the market.[40]'

10.4 However, the report found 'positive notes within the general gloom… where quality propositions come to market they attract healthy interest…we also see an appetite for new development, with operators adopting innovative methods to process schemes, often involving partnerships with developers'.

10.5 In summary, then, the market is in flux. There appears to be appetite for development in some instances in particularly prosperous local markets, but this would be dependent on individual circumstances and deal structures.

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[38] Definition derived from the Elderly Accommodation Counsel http://www.housingcare.org/jargon-residential-care-homes.aspx

[39] http://www.firststopcareadvice.org.uk/jargon-care-home.aspx

[40] Colliers International Care Homes Review (7) http://healthcare.colliers-uk.com/documents/Care_Homes_Review_Autumn_2011.pdf

Viability appraisal

Scenarios modelled

10.6 We have relied upon BUPA's typical layout plan in assessing the value of the completed scheme, assuming a 60 bed care home with a building footprint of 1,200 sq m over two levels.

10.7 In line with current research undertaken by Knight Frank[41] and CBRE[42] we have allowed for a rental income per bed of £9,000 per annum. Recent care home transactions have produced yields of between 6.5% and 7.5% for core areas with secondary covenants. Due to a number of care homes being located within the vicinity, potentially limiting demand, we have taken a cautious approach and capitalised income at a 7.5% yield.

Findings of viability testing

10.8 Table 10.1 shows the results of our viability appraisal. Please refer to paragraph 7.10 for an explanation of how to interpret the summary table below.

Table 10-1 Summary viability assessment, care homes

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.40	2,400	£2,801,643	£467	£2,700,000	£450	£101,643	£17

The recommended CIL charge

10.9 We suggest that a CIL charge for a care home is set at £0 sq m. This is because viability on this type of development is too low to confidently recommend that a CIL charge should be set.

[41] Knight Frank (2012) Care Homes – Trading Performance Review
[42] CBRE (2012) Healthcare Property Dashboard

11 STUDENT ACCOMMODATION & CIL CHARGES

Planning context

11.1 The University's importance to the Chichester economy is covered in the Local Plan.

11.2 There is also considerable support for the provision of additional student accommodation within Chichester outlined in the Local Plan, which states that

'the student population of Chichester University grew by 14% between 2008/9 – 2010/11. The growth of students living within the private rented sector in Chichester has influenced the dynamics of the housing market in the City and the supply of entry-level market housing, increasing pressure on the private rented sector and contributing to escalating rents. Measures to address this will be achieved through joint working with the University and College Institutes of Higher Education, including the potential development of halls of residence student housing in appropriate locations.[43]'

Market overview

11.3 Despite the effects of higher tuition fees and the recent administration of one student housing developer, Opal, the purpose built student accommodation market appears resilient. Research indicates that the market for student accommodation remains undersupplied, with strong demand and high occupancy rates, resulting in strengthening yields.[44]

11.4 CBRE indicate that the new development of halls has not kept pace with the growth in students.[45] Whilst there have been a number of developments in the major university towns, a shortage of viable sites, with increased competition from commercial and residential use, together with planning difficulties, has contributed to reduced levels of supply.

11.5 Investment demand in purpose built student housing remains strong; student accommodation is one of the few property sectors where long leases to a partner or occupiers is guaranteed, providing the investor with a stronger annuity-style investment.

11.6 Location, competition and quality play a vital role in the size of yield, as well as lease length and strength of covenant. Yields for direct let student accommodation vary between 6% and 7.5% with university let accommodation achieving between 5% and 6.5%.

[43] Chichester District Council (May 2014) Local Plan
[44] GVA (2012), Student housing market overview
[45] CBRE (2012), Student housing viewpoint

Viability analysis

Scenarios tested

11.7 We have produced indicative development appraisals for a hypothetical 60 bed scheme with no affordable housing requirement, in line with likely development coming forward within the District.

Findings

11.8 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table.

11.9 We have included detailed appraisals within Appendix 1b.

Table 11-1 Viability summary student accommodation

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.20	1,028	£3,266,042	£635	£2,750,000	£535	£516,042	£100

The recommended CIL charge

11.10 Given the evidence above, we have therefore recommended the following rate for student accommodation development across the District.

Development type	CIL charge per sq m
Student accommodation	£30

Source: PBA

12 OFFICE VIABILITY & CIL CHARGES

Market overview

Sources

12.1 We have relied on the Chichester Employment Land Review for this review, supplemented with discussions with agents to understand threshold land values.

12.2 We have focused on the area outside the National Park. The area outside the National Park has seen 93% of the office floorspace take-up recorded by Focus and EGI over the 2006-2012 period.[46]

Current market conditions

12.3 Overall the office market in Chichester is relatively subdued, with low levels of take-up of office space in recent years and a significant amount of availability[47]. Local agents confirm that the office market in Chichester remains flat with few enquiries for office accommodation currently being generated. There is a general lack of Grade A office accommodation although the supply of second hand and refurbished accommodation is good.

12.4 The market in Chichester is focused on demand from small businesses reflecting the wider structure of the local economy[48]. Given the high existing vacant rate, current muted levels of demand and difficulties in securing bank finance, there is little market appetite for speculative development. There are however a number of schemes in the development pipeline which are being advertised on a pre-let or design and build basis.

12.5 The office market in the district is focused on Chichester City Centre, which includes a range of office accommodation.

Current activity

12.6 Within Chichester city centre, local agents are currently marketing Metro House, a four storey office building with open plan office suites ranging from 1,575 sq.ft. to 10,477 sq.ft. with easy access to the A27. The suites are available to let on new full repairing and insuring leases. The quoting rental is £12.75 per sq.ft.

12.7 There has been recent new build activity focused around the Terminus Road area which is close to the rail station and within walking distance of the city centre. This has included delivery of new-build offices for Hyde Martlet and Nicola Jane and delivery of Bicentennial Buildings.

12.8 There are also a number of further schemes in the Terminus Road area with planning consent, including development of 1858 sq m at Cedar Park, 2,500 sq m at

[46] GL Hearn, 2012, Chichester Employment Land Review Update (43)
[47] GL Hearn, 2012, Chichester Employment Land Review Update (45)
[48] GL Hearn, 2012, Chichester Employment Land Review Update (42)

Chichester House and a further 1,395 sq m at Southern Gate. All are being marketed on a pre-let basis. Discussions with the marketing agents at Cedar Park indicate that rents are likely to be in the order of £16.50 per sq.ft.

12.9 Pre-lets are currently being sought with respect to 7,070 sq.ft. of accommodation at a site being marketed at Donnington Business Park, prior to commencement of development. A deal has recently been completed with respect to 2,000 sq.ft. at the park on a stepped rental basis at an initial rent of £10.00 per sq.ft. A 3 month rent free incentive has been agreed on a 6 year lease term.

12.10 The rental tone for new-build development varies depending on the size of unit, location and quality of space. Established out of town office locations are located at Vinnetrow Business Park and Donnington Business Park. Recently refurbished and serviced accommodation is also available at Drayton House, Drayton Lane, Chichester. Smaller units in the city centre can fetch up to £15.80 psf. New-build units for small businesses at Vinnetrow Business Park are being marketed for between £14-17.25 psf.

12.11 Local agents have been marketing office suites at Vinnetrow Business Park ranging from 1,000-2,000 sq.ft for 6 months but although these have generated some interest no lettings have been secured. This is described as the best Grade A office accommodation in the district. Rents quoted are £12.00 per sq.ft. but they would expect to achieve from £10.00 - £14.00 per sq.ft. for accommodation for office suites of this quality and in this location.

12.12 Proposed development of office space at Meteor Court within Chichester Business Park, Tangmere is being advertised at £17 psf on a design and build basis.

12.13 Local agents advise that new build office accommodation is only likely to prove viable at rental levels of approximately £16.00 per sq.ft. to £17.00 per sq.ft. Minimum lease terms in the order of 10 years are likely to be sought.

12.14 13.14 In terms of vacant office space, there was an estimated 7,018 sq m of vacant floorspace in August 2012 equating to a supply of 2.7 years based on past take-up. This vacant floorspace equates to around 8% of all office floorspace. This is around 70% higher than the 4.5% office vacant rate estimated in 2009, and this growth in availability is common with trends seen more widely[49].

12.15 There are also a number of schemes where there remains significant vacancy of good quality space and take up in these schemes has been relatively low. This may by partly influenced by the speed of broadband access. The city centre market appears stronger and there has been some recent good quality development with further schemes with planning consent which can be delivered over time subject to market demand[50].

12.16 With respect to land values, local agents were reticent in providing a view due to lack of transactional evidence. One local agent currently marketing a 1 acre site at Cedar

[49] GL Hearn, 2012, Chichester Employment Land Review Update (44)
[50] GL Hearn, 2012, Chichester Employment Land Review Update (45)

Park considered land values with respect to serviced offices sites might achieve c. £650,000 - £750,000 /acre (equivalent to £1,610,000 - £1,853,250 / ha) however considered it very difficult to determine in the current market.

Viability analysis

Scenarios tested

12.17 We have produced indicative development appraisals of hypothetical schemes, comprising a 929 sq m scheme, typical 2-3 storey business park style scheme.

Findings

12.18 We have included a detailed appraisal as an appendix.

Table 12.1 Summary viability assessment, office development

Zone	Site area	Floorspace sq m		Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Gross (GIA)	Net (NIA)	Per ha	Per sq m	Per ha	Per sq m (GIA)	Per ha	Per sq m
Chichester	0.40	929	929	-£417,994	-£180	£1,750,000	£753	-£2,167,994	-£217

Source: PBA

The charging schedule

12.19 Table 12.1 summarises the development appraisal based on current values, yields and development costs and concluded that the speculative office development produces a negative land value. The development therefore does not generate an overage that could be captured by CIL. We therefore recommend that a CIL Charge should not be set for office floorspace.

12.20 We believe that some development may occur on traditional employment sites but this will be linked to specific user requirements, or through mixed use developments which incorporate office accommodation alongside other more viable uses such as residential or retail.

12.21 We have included a detailed appraisal as an appendix.

13 INDUSTRIAL AND WAREHOUSING VIABILITY & CIL CHARGES

13.1 We have appraised industrial and warehouse space as a single use, covering use classes B1c (light industrial), B2 (general industrial) and B8 (warehousing and distribution).

Market overview

13.2 Local agents confirm that no new development is likely to occur in the current market without significant pre-lets or sales. The continued lack of developer finance and prevailing low rental levels achievable are likely to render new development unviable. The local agents advise that pre-lets would need to be secured with good covenant strength and a minimum lease term of 10 years.

- Quarry Lane Industrial Estate is one of two established industrial locations located close to the A27/A259 roundabout. A light industrial warehouse/industrial unit extending to 2,725 sq.m (29,326 sq.ft.) is currently being marketed at Spur Road, Quarry Lane Industrial Estate for a quoting rent of £5.50 per sq.ft. per annum. The accommodation is three storey and is available on a new (effectively) full repairing and insuring lease.
- Vinnetrow Business Park is also an established business location within Chichester located within easy access of the A27 and A259. A warehouse unit extending to 452.33 sq.m. (4,869 sq.ft.) is currently being marketed on a Full Repairing and Insuring Lease for a quoted rental of £25,950 per annum, equating to a rental of £5.33 per sq.ft
- With respect to industrial development opportunity sites, an existing site is currently being marketed at Chichester Business Park at Tangmere extending to 12 acres. The quoted rent is £7.50 per sq.ft. with respect to warehouse/industrial units of a minimum of 15,000 sq.ft. Local agents would assume yields to be in the order of 7.5% to 8%. Agents also consider that a minimum of a 10 year lease would be required to provide some degree of security and in order for developer's to secure finance. It is considered in the current climate that a rent free incentive in the order of 6-12 months would be appropriate.
- Another major development site extending to 10.34 acres is located at Glenmore Business Park. The site is located opposite Chichester Retail Park, on the eastern edge of Chichester and will provide a gateway redevelopment to the area. The park has outline planning consent for 188,000 sq.ft. of B8 accommodation and is available for other uses including B1, B2, residential, trade counter, hotel and self-storage, subject to planning. We understand that the site has been marketed for some time with both freehold and leasehold availability, but no new build has yet commenced. Design and build packages are available tailored to individual requirements.

13.3 Local agents considered land values to be in the order of £350,000/acre with respect to cleared serviced sites, although the lack of transactional evidence makes it very difficult to state. We understand that one local agent is currently marketing a site at Selsey for £325,000 / acre.

13.4 We understand that the 10 acre site at Glenmore was purchased 5-6 years ago for between £350,000 / acre - £500,000 / acre.

Viability analysis

Scenarios tested

13.5 We have produced indicative development appraisals of a hypothetical scheme, comprising a scheme of 3,500 sq m which could be potentially either let as a single unit or subdivided into smaller units.

Findings

13.6 The appraisal presented at Table 13.1 concludes that industrial/warehouse development in Chichester is generally not viable. There is therefore no potential for sustaining a CIL charge.

13.7 It is difficult for private sector developers to fund speculative space in this sector. The perceived higher risk of such developments and the relatively low returns will limit the potential for new development.

Table 13.1 Summary viability assessment, industrial and warehousing development

Zone	Nº of units	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
		Ha	Total GIA sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	3.0	1	3,500	-£201,982	-£173	£865,000	£124	-£1,066,982	-£107

Source: PBA

The charging schedule

13.8 We conclude that, based on our research, industrial / warehouse development is not viable. We therefore recommend that a CIL Charge should not be set for industrial / warehouse development.

14 RETAIL VIABILITY & CIL CHARGES

14.1 We have looked at both comparison and convenience retailing when developing our evidence and both in town and edge of town.

Planning context

14.2 Retail growth is planned in both Chichester itself, and other settlements.

Defining retail categories

14.3 As shown above at paragraph 2.20 onwards, the Regulations allow charge distinctions to be made by use of buildings.

14.4 In this analysis of retail viability, we are setting out the distinct retail building use categories we have used in this analysis: these are, firstly, convenience uses, and secondly, comparison uses.

14.5 These distinctions between convenience and comparison uses are based on the definitions provided at Annex B of PPS4[51] , which we have slightly reworded to fit the present context (the Annex B definition discussion applies to goods, but we wish to define the sales units in which those goods are sold).

14.6 In March 2012, PPS 4 was superseded by the National Planning Policy Framework (NPPF). The NPPF does not define different categories of retail goods. This does not cause difficulties for this study, because the definitions provided below do not rely on PPS4. We do not rely on PPS4 to support a particular policy stance, or use it to justify a particular definition. Instead, we use PPS4 as analytical support to help us clearly distinguish between particular types of retailing commonly observable in the marketplace, and to provide reassurance that these distinctions are not ours alone.

- A *convenience unit* is a shop or store selling wholly or mainly everyday essential items, including food, drinks, newspapers/magazines and confectionery.
- A *comparison unit* is a shop or store selling wholly or mainly goods which are not everyday essential items. Such items include clothing, footwear, household and recreational goods.

14.7 Some stores sell a mixture of convenience and comparison goods. In those instances, a store should be categorised as having convenience or comparison status according to its main use (our definition above defines convenience and comparison units as shops or stores selling mainly these types of items). We have used this phrasing carefully, and in this have taken the lead from the way that PPS4 defines superstores.[52]

[51] DCLG (2009) Planning Policy Statement 4: Planning for Sustainable Economic Growth

[52] DCLG (2009) Planning Policy Statement 4: Planning for Sustainable Economic Growth (27) Annex B provides the following definition. 'Superstores: Self-service stores selling mainly food, or food and non-food goods...'

14.8 Additional precision on the types of goods sold in convenience and comparison stores can be taken from Appendix A of the PPS4 companion document *Practice guidance on need, impact and the sequential approach.*[53] It is worth noting that this document remains in use following the March 2012 introduction of the NPPF.

Market overview

Comparison retailing

14.9 Comparison retailing in the UK is in a period of transition. The majority of comparison retail-led regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. There have been a number of insolvencies, and the traditional high-street operators are frequently struggling, particularly in more secondary retail locations.

14.10 In the retail warehousing market, Savills report[54] that there has been a major change in sentiment from retailers on their expectations for future trade, and from landlords and retailers' on their view of market rents. Savills state that there is now a widening acceptance amongst both parties that rents have either fallen, or need to fall further, thus making it easier for tenants and landlords to agree on realistic rental terms. However, despite the weak economic picture, Savills report that there has been a rise in requirements for new stores. This is predominantly due to retailers looking to upsize their footprints to offer a more 'web-like' experience, and some new requirements, but they state demand is likely to remain highly selective on location.

14.11 The long term trend suggests that out-of-town (and online) shopping is doing a little better than in-town retail. The sector has had difficulties, with the failure of retailers such as Dreams Beds, Focus DIY and Allied Carpets, but the market is gradually reabsorbing vacant space. According to The Local Data Company, at the conclusion of Q1 2014, the retail vacancy rate for the UK stood at 13.6%, which represented the lowest rate for over four years.[55]

Convenience retail

14.12 15.12 During the economic downturn the grocery market was very resilient; it saw growth where other parts of the retail sector were contracting. Many foodstore operators took advantage of the gap created in the market by the collapse of

[53] DCLG (2009) Practice guidance on need, impact and the sequential approach. Appendix A lists Convenience goods as follows: food and non-alcoholic beverages, Tobacco, Alcoholic beverages (off-trade), newspapers and periodicals, non-durable household goods. Appendix A lists Comparison goods as follows: Clothing materials & garments, Shoes & other footwear, Materials for maintenance & repair of dwellings, Furniture & furnishings; carpets & other floor coverings, Household textiles, Major household appliances, whether electric or not, Small electric household appliances, Tools & miscellaneous accessories, Glassware, tableware & household utensils, Medical goods & other pharmaceutical products, Therapeutic appliances & equipment, Bicycles, Recording media, Games, toys & hobbies; sport & camping equipment; musical instruments, Gardens, plants & flowers, Pets & related products, Books & stationery, Audio-visual, photographic and information processing equipment, Appliances for personal care, Jewellery, watches & clocks, Other personal effects.

[54] Savills (November 2013) Spotlight UK Retail Warehouse Market

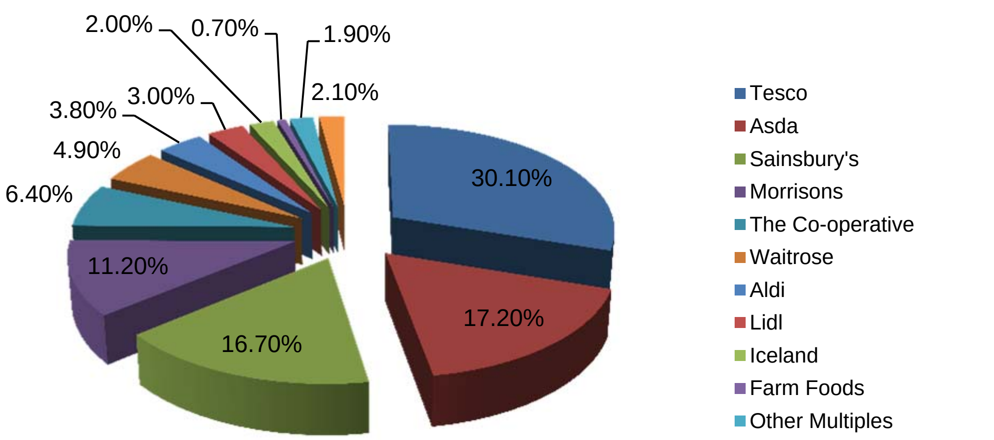
[55] LDC quoted in http://www.realestate.bnpparibas.co.uk/upload/docs/application/pdf/2014-05/retail_market_report_q1_2014_-_bnppre_uk_2014-05-07_16-27-8_699.pdf

speculative development following the 'credit crunch' in 2007/08, and they used this opportunity to increase expansion activity.

14.13 Senior industry executives have stated that the supermarket 'race for space' is over, with a focus away from large hypermarket formats (circa 9,300 sq m (100,000 sq ft). However, the extent to which this deal flow tapers down over time remains to be seen. Research from CBRE shows that development pipeline has grown by 67% since September 2007[56]. This includes sites with planning consent to become convenience stores or supermarkets, some of which may never be built. But the amount of new grocery space under construction has also risen by almost 20% from 274,000 sq m (2.95 million sq ft) in March 2013 to 326,000 sq m (3.51 million sq ft) in September 2013.

14.14 The main focus of store growth now is for the smaller for 'C' store metro-type format. These are circa 370 sq m (4,000 sq ft) stores and expansion has been predominantly through conversion of existing premise. The reason for growth in this format is because customers are supplementing a 'big' shopping trip with regularly smaller shops during the week. Also some customers are splitting their shopping trips between the big four supermarkets (defined in Figure 14-1) and discounters such as Aldi and Lidl.

Figure 14-1 Market Share of the UK's Nine Largest Foodstore Operators



Source: Kantar Worldpanel data for the 12 weeks to 13 December 2013

14.15 However, CBRE research shows that although growing rapidly, the metro-format stores contribute relatively little additional grocery space. Out-of-town development activity will continue to deliver the bulk of new grocery space.

[56] CBRE Market View – Grocery Outlets in the Pipeline, December 2013

Charging zones

14.16 Within convenience retail, residual land value is remarkably insensitive to precise location. Data from CBRE shows that grocery viability is similar in locations throughout the UK with a premium being paid for schemes in London. There is very little investment adjustment (around 1% on yield) between major supermarket developments of a similar size based on the transactional evidence for leases of similar length and terms. Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions. We have therefore not broken out separate geographical charging zones for this building use.

14.17 The analysis above suggests that a separate charging zone for convenience retail is not necessary, given that viability is not particularly sensitive to precise location.

Viability analysis

Scenarios tested

14.18 We have produced indicative development appraisals of hypothetical schemes, comprising:

- Convenience retailing:
  - a larger out of town centre grocery store of 4,000 sq m GIA;
  - an in-town Metro-style grocery store of 465 sq m GIA scheme.
- Comparison retailing:
  - A 465 sq m GIA in-town high street scheme,
  - A 929 sq m GIA out of town centre retail park type scheme.

Convenience retailing

Comparable evidence on rents and yields

14.19 We have used nationally available comparable evidence to support our views of rents and yields for supermarket development. We have also used comparable evidence to support our assumptions on site coverage, both for small and large convenience developments.

Table 14-1 Convenience retail - rent, yield and site coverage comparable analysis (larger stores)

Address	Date sold	Size sq m	Site area ha /coverage	Rent sq m	Net initial yield
Tesco, Edinburgh Road, Perth	Aug-13	5,760	2.192/ 26%	£212	4.35%
Sainsbury's, Curzon Road, Sale	Aug-13	4,831	1.86/ 26%	£242	4.10%
Sainsbury's, Military Rd, Hythe	Aug-13	5,153	1.752/ 29%	£226	4.10%
Sainsbury's, Simone Weil Avenue, Ashford	Aug-13	14,061	4.924/ 29%	£248	4.10%
Morrisons, Leisure Plaza Milton Keynes	Jul-13	7,432		£242	4.25%
Morrisons, Edgware Road, London	N/k	7,556	2.5/ 30%	£286	4.60% NIY
Sainsbury's, Mill View, March, Cambridgeshire,	Jul-13	3,032	1.414/ 21%	£194	4.76% NIY
Morrisons, Wellington Avenue, Aldershot	Apr-13	7,246	1.45/ 50%	£224	4.25% NIY
Average			30%	£234	4.31%

Source: CoStar Focus

14.20 For our viability modelling we have assumed a 25 year lease on the larger superstore, with RPI fixed increases at rent review. With the smaller store, we have assumed a 15 year lease with RPI at rent review. This has translated into a keener yield on the larger superstore.

Threshold land values

14.21 Threshold land value is hard to judge precisely, because comparable evidence is difficult to come by. We have used Land Registry data and Promap to arrive at the values below. This has informed our choice of threshold land value.

Table 14-2 Threshold land value comparables (South East England-gross)

	ha	acre	£	date	£/ha	£/acre	Source
Hadleigh Morrisons	3.25	8.03075	£17,853,000	Oct-12	£5,493,231	£2,223,080	Promap/Land Registry
Colne Causeway Colchester Sainsbury	3.022	7.46736	£14,250,000	Aug-13	£4,715,420	£1,908,304	Promap/Land Registry
Waitrose Chelmsford	1.05	2.59455	£5,900,000	Apr-13	£5,619,048	£2,273,997	Promap/Land Registry
Aldi Chelmsford	0.5319	1.314	£2,820,000	Nov-08	£5,301,748	£2,146,119	Promap/Land Registry
Average					£5,282,362	£2,137,875	

Table 14-3 Threshold land value comparables and site coverage comparables

Date of sale	Operator	Address	Purchase price	Comment	Net developable	Gross / net	£ per net ha	Source
04-Jul-12	Co-Operative	20 High St, Haxey, North Lincolnshire, DN9 2HH	£400,000	Fomer pretrol station. Store GIA 352 sqm net retail area 248 sqm. Stock/ancillary area 102 sqm.	0.11	85%	£3,774,973.81	Land Registry / Promap/Local Authority planning portal
21-May-10	Lidl	Former Pioneer Store, Peel Street, Barnsley, S70 2RB	£2,702,500	Redevelopment of former Pioneer store into two retail units with associated car parking. GIA 1,611 and sale 1,286 sq m for Lidl. On the site is another unit of GIA 1,347 sq m	0.77	77%	£3,524,387.06	Land Registry / Promap/Local Authority planning portal
30-Apr-10	Lidl	Pontefract Road, Featherstone, WF7 5HG	£2,100,000	Former employment site	0.51	67%	£4,157,798.35	Land Registry / Promap/Local Authority planning portal
22-Jul-11	Sainsbury's	Corner of Melton Road and Troon Road, Rushey Mead, Leicester	£9,300,000	Former GE Lighting site. The new 11,757 sq m GIA supermarket plus 1.76 ha B classs employment	4.68	67%	£1,986,754.97	Land Registry / Promap/Local Authority planning portal
27-Jun-13	Sainsbury's	154 and 156 Bramcote Lane, Wollaton, Nottingham	£650,000	Former 2 houses . 280 sq m net and plus 122 sq m ancillary tota 402 sq m with 3 flats	0.11	100%	£6,029,684.60	Land Registry / Promap/Local Authority planning portal
12-Aug-13	Lidl	Boultham Park Road Lincoln Lincolnshire LN6 7SA	£1,604,700	Former Boultham Dairy	N/k	N/k		Land Registry / Promap/Local Authority planning portal
01-Oct-12	Morrisons	Hadleigh	£17,853,000	Brownfield	3.25	N/k	£5,493,230.77	Land Registry / Promap/Local Authority planning portal
01-Aug-13	Sainsbury's	Colme Causeway, Colchester	£14,250,000	Brownfield	3.02	N/k	£4,715,420.25	Land Registry / Promap/Local Authority planning portal
01-Apr-13	Waitrose	Chelsmford	£5,900,000	Brownfield	1.05	N/k	£5,619,047.62	Land Registry / Promap/Local Authority planning portal
01-Nov-08	Aldi	Chelsmford	£2,820,000	Brownfield	0.53	N/k	£5,301,748.45	Land Registry / Promap/Local Authority planning portal

Source: PBA / Promap/ Land Registry

14.22 The values we have used in our appraisal are shown in the appendix.

Findings - Convenience retailing

14.23 We have undertaken viability testing on convenience retailing. There is no requirement to undertake different scenarios based on different locations around Chichester. This is again because the most significant determinant of convenience retail viability is occupier covenant. Although there are some small regional variations on yields, viability remains generally strong with investors focussing primarily on the strength of the operator covenant and security of income.

14.24 The tables below summarise our appraisals. The theoretical maximum CIL charge is shown on the far right column of the tables below. For an explanation of a similar table format, see paragraph 7.10.

Table 14-4 Summary viability assessment, convenience retail development of 465 sq m (GIA) in town metro style format and edge of town, large store scheme and 4,000 sq m (GIA) edge of town, large store scheme

Ref	Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
		Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
13	Chichester	0.08	465	£7,965,246	£1,370	£5,282,362	£909	£2,682,884	£462

Ref	Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
		Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
14	Chichester	1.33	4,000	£5,867,436	£1,951	£5,282,362	£1,756	£585,074	£195

Source: PBA

14.25 This viability testing suggests that both convenience schemes generate useful surpluses that can be used to pay a CIL charge.

Comparison retailing

Comparable evidence on rents and yields

14.26 It is difficult to model the viability of town centre retail development, as values are usually more sensitive to location, footfall patterns and sizes of unit than office or residential development. These patterns can lead to large variations in values - even on the same street. Our response is therefore to adopt 'overall' rental values to understand the broad potential range of comparison retail viability across Chichester district.

14.27 We gained particular market feedback on viability in Chichester itself, which local interviewees felt was the strongest high street retail area in the district.

Table 14-5 In-town comparison retail yields, Chichester

Town	Date	Use Code	Grade	Deal Type	Size SqFt	Size SqM	Sale Price (£)	Yield Achieved(%)	Notes
Chichester	01/12/2013	RETAIL HIGH STREET UNIT	Not disclosed	Freehold Investment Sold	11,858	1,102	7,300,000	4.4	NFU Mutual Insurance Society Ltd has purchased the freehold interest in 11,858 sq ft (1,102 sqm) of retail space at 89-91 East Street from Boots Group plc for £7.3m as an investment, reflecting a net initial yield of 4.4%. Savills acted on behalf of Boots Group plc. CBRE Ltd acted on behalf of NFU Mutual Insurance Society Ltd. Deal confirmed by Savills.
Chichester	17/02/2012	RETAIL HIGH STREET UNIT	Second Hand	Freehold Investment Sold	2,432	226	1,330,000	5.15	A private investor has purchased the freehold interest in 2,432 sq ft (226 sq m) of retail space from F & C Reit Asset Management LLP for £1.33m as an investment, reflecting a net initial yield of 5.15%. The property is let to Kuoni Travel Ltd by way of a new 10 year lease until October 2021 at a rent of £72,500 per annum exclusive, £165 Zone A. Nash Bond Ltd acted on behalf of F & C Reit Asset Management LLP (the vendor). Robert Irving & Burns represented the purchaser.
Chichester	30/08/2013	RETAIL HIGH STREET UNIT	Second Hand	Freehold Investment Sold	2,152	200	1,475,000	5.93	An undisclosed purchaser has taken the freehold interest in 2,152 sq ft (199.03 sq m) of retail space at £1,475,000 as an investment from J Leon & Company Ltd, with an initial yield of 5.93%. Savills and JD Retail Property acted on behalf of J Leon & Company Ltd. Hoffman Partners represented the purchaser. The quoting price was £1,450,000. Deal confirmed by Matt Salter at Savills.
Chichester	01/03/2013	RETAIL HIGH STREET UNIT	Not disclosed	Freehold Investment Sold	7,548	701	3,960,000	6.05	A private investor has purchased the freehold interest in 6,931 sq ft (644 sq m) of retail space at 62-64 East Street, Chichester for £3,960,000 as an investment, reflecting a net initial yield of 6.05%. The property is let to Boots UK Limited (sublet to Poundland Ltd) at a passing rent of £253,450 pa. Fawcett Mead Ltd represented the purchaser.
Chichester	01/10/2013	RETAIL HIGH STREET UNIT	Not disclosed	Freehold Investment Sold	2,406	224	585,000	7.41	A private investor has purchased the freehold interest in 2,406 sq ft (190 sq m) of retail space from another private investor for £585,000 as an investment, reflecting a net initial yield of 7.41%. The asking price was £650,000. The property is let in its entirety to Shuropody Limited on a 10 year lease from 15th July 2009 on full repairing and insuring terms expiring on 14th July 2019 with five yearly upward only rent reviews. The current passing rent is £45,000 per annum with a tenant€™s option to determine the lease on 14th July 2014. Kitchen La Frenais Morgan acted on behalf of the vendor. Simon Child Associates represented the purchaser.
Average								5.8	

Source: CoStar Focus

14.28 The values used are shown in our appraisals. These are attached as an Appendix.

Table 14-6 In-town comparison retail rents, Chichester

Street	Town	Event Date	Grade	Size SqM	Achieved R	Rent Free Pe	Lease End	Tenant
Little London	Chichester	15/07/2013	Second H	148	£189	0	14/07/2023	Sahara
St Peters	Chichester	16/07/2014	Not discl	68	£177	0	15/07/2023	Judy Ann Hill
South Street	Chichester	14/06/2013	Second H	155	£448	0	01/12/2025	C-Salt
Eastgate Square	Chichester	02/05/2012	New or re	87	£343	0	01/05/2022	Fiandre Trading Ltd
South Street	Chichester	01/07/2012	New or R	86	£486	3	14/08/2022	JoJo Maman Bebe
West Street	Chichester	04/01/2012	New or re	440	£211	3	03/01/2032	Belle Isle Bistros
North Street	Chichester	02/06/2012	Second H	367	£477	0	01/07/2022	The White Company
Guildhall Street	Chichester	02/03/2012	Second H	99	£201	4	01/03/2027	Not disclosed
Southgate Street	Chichester	24/01/2013	Second H	38	£357	2	31/01/2016	Planning Design Pract
West Street	Chichester	03/12/2012	Second H	39	£311	0	Not disclosed	Foxed Grey
High Street	Chichester	18/05/2012	Second H	200	£120	0	17/11/2012	Not disclosed
North Street	Chichester	13/11/2012	Second H	177	£198	0	12/11/2022	Truly Gorgeous Ltd
St Peters	Chichester	26/07/2013	Second H	68	£206	0	25/07/2018	CoCo Moon Limted
North Street	Chichester	16/08/2012	New or R	295	£271	0	14/09/2032	Bills Produce Store
Southgate	Chichester	31/01/2012	New or R	116	£107	3	28/02/2017	Appliance 365 LLP
St Pancras	Chichester	01/07/2013	Not discl	35	£224	0	30/06/2016	Posh Beauty
The Hornet	Chichester	01/01/2012	Second H	115	£174	0	01/06/2019	Ware Droxford Ltd
Eastgate Square	Chichester	05/06/2014	Second H	132	£181	0	04/06/2024	St Wilfrid's Hospice T
The Hornet	Chichester	01/04/2014	Second H	214	£87	0	01/10/2019	Not disclosed
Little London	Chichester	12/09/2013	Second H	137	£279	0	11/09/2023	A Plan Holdings
East Street	Chichester	30/09/2013	Second H	110	£386	0	01/03/2015	Not disclosed
North Street	Chichester	01/10/2013	Second H	176	n/a	0	n/a	n/a
Southgate	Chichester	02/10/2013	Second H	131	£176	0	01/10/2023	AARI & Zari Limited
Southgate	Chichester	04/10/2013	Second H	77	£129	0	03/10/2018	Fantasia Styling Limit
Average				**146.25**	**£250**			

14.29 Local appropriate available evidence for the retail park scheme is scarcer. We have used up-to-date rental evidence from sub-regional schemes, together with an understanding of yields derived from regional and national comparators.

14.30 The values used are shown in our appraisals. These are attached as an Appendix.

Findings – comparison retailing

The in-town comparison retail development

14.31 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table. For an explanation of a similar table format, see paragraph 7.10.

14.32 The summary table (Table 14-7) shows a modest surplus available for CIL.

Table 14-7 Summary viability assessment, in-town comparison retail development, 465 sq m (GIA)

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.08	465	£4,884,051	£840	£4,500,000	£774	£384,051	£66

Source: PBA

The edge-of-centre comparison retail park scheme

14.33 Our approach was to look at how an edge-of-centre retail park type scheme might work using a threshold land value typical for Chichester.

14.34 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table. For an explanation of a similar table format, see paragraph 7.10.

Table 14-8 Summary viability assessment, edge-of-town retail park comparison development, 929 sq m (GIA)

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.20	929	£5,055,102	£1,088	£4,500,000	£969	£555,102	£120

Source PBA

14.35 Table 14-8 Summary viability assessment, edge-of-town retail park comparison development, 929 sq m (GIA)shows a small surplus theoretically available for CIL for this type of development.

The charging schedule

14.36 The viability testing indicates that convenience and comparison retail CIL charges are capable of being sustained in the District.

14.37 Allowing for a buffer between the theoretical maximum charge and the chosen CIL, and mindful of the market context outlined above, we recommend the following rates for convenience and comparison retailing.

Table 14-9 Recommended retail charging rates

Development	14.38 CIL Charge (£ per sq m)
Retail – wholly or mainly convenience	£125
Retail – wholly or mainly comparison	£20

Source: PBA

15 PUBLIC SERVICE AND COMMUNITY FACILITIES

15.1 We see this category as including public service and community facilities developed by the public, not-for-profit or charitable sectors.

15.2 By public services, we refer to the following development, including:

- development by the emergency services for operational purposes;
- development used wholly or mainly for the provision of education as a school or college under the Education Acts or as an institution of higher education; and
- development used wholly or mainly for the provision of any medical or health services.

15.3 A number of these facilities may be delivered in the District over the plan period. They fall into three broad categories, which may overlap:

- Some, like independent schools and free schools, will be provided by organisations which have charitable status. They would be exempt from CIL in any case.
- Others, probably the largest category, will be developed, commissioned or subsidised by the public sector. These projects by definition do not deliver a financial return; rather, they make a loss, which is paid for by the public purse. In general they will not produce a commercial land value either, because the land they use will be in public ownership at the outset. Therefore in most cases that there will be not be an overage, on which CIL can be charged. In those instances where land for public facilities is purchased by the public sector provider in the open market, an overage may be generated; but we have no evidence on which to estimate this and we do not believe it to be significant.
- Thirdly, some facilities will be provided on a commercial basis. The main instance of this is primary care premises occupied by GPs. There is a commercial market for properties of this sort. We have analysed the price paid for completed investments across the country by specialist investors. We have found that the sites used are usually sourced on a preferential basis and the surplus land values they generate are not significant in most cases. It is possible that privately-funded BUPA-type health provision might be developed, but this is likely to be de minimis.

15.4 We conclude that the development of public service and community facilities should not be subject to CIL.

16 THE STANDARD CIL CHARGE

16.1 In the chapters above, we have outlined the key development types that will be central to the delivery of the Core Strategy. Where relevant, we have then undertaken viability testing of these principal types of development that will come forward in future, and have shown that CIL charges at the stated levels will not render the main components of development unviable. We have therefore undertaken the tests required by the CIL Regulations.

16.2 The question now is how to use this analysis to help set a charge for development of peripheral uses that are not central to the delivery of the Core Strategy.

Our approach to peripheral uses

16.3 These peripheral types of development might be as diverse as scrapyards, laundrettes, youth hostels and so on. We have not undertaken individual viability testing of this range of possible uses, for the following reasons.

1. These uses are not critical to the delivery of the Core Strategy, and historical evidence suggests that they have not been particularly important in the past.

2. Because limited amounts of net new floorspace will be delivered in these categories, it is likely that only small amounts of CIL would be raised.

3. Frequently (in the case of, say, taxi offices and laundrettes) these uses will be in units smaller than 100 sq m, or in units which have been subject to a change of use. In these cases, they would not be liable for CIL.

4. Any robust viability assessment of these (often quite specialist) uses would be required to look at the interaction between a) the category of development and b) the type of business taking place in the building. It is not possible to anticipate the combinations of development category and business types accurately. Even if these combinations of development category and business activities could be accurately forecast, a robust viability assessment would need industry specific valuation expertise, which even then would be relatively speculative.

16.4 Individual viability testing for peripheral uses is therefore neither particularly feasible, nor particularly helpful.

Recommendations

16.5 While we have not undertaken individual viability testing for these peripheral uses, we can use the work carried out in this report on the principal development types to indicate the level of values which might be achievable by sui generis uses and other development not specifically covered in our research.

16.6 Of the sui generis uses, for example,

- Laundrettes, nightclubs, taxi businesses and amusement centres are likely to be in the same type of premises as small comparison uses and covering similar purchase or rental costs. (We note that these types of development are not particularly prevalent in Chichester now, nor are likely to be in future, but we mention them here in order to cover unforeseen future scenarios). Mindful that the lowest of the recommended charges for comparison retail is zero, a precautionary approach here would suggest that a zero charging rate is appropriate.
- Scrapyards and the selling and/or displaying of motor vehicles are likely to occupy the same sorts of premises and locations as many B2 uses. Our work on light industrial therefore provides a guide to a sensible level of CIL charge which would suggest no charge is appropriate.

16.7 Based on the scale of charges assessed for the various peripheral uses we have tested, we recommend that a CIL charge is not set for other peripheral uses. This will apply to all uses not specified separately in the charging schedule.

17 THE CIL CHARGING SCHEDULE

Introduction

17.1 In this section, we make recommendations on the content of the Draft charging schedule.

Summary

17.2 Table 17-1 below summarises the recommended CIL charges.

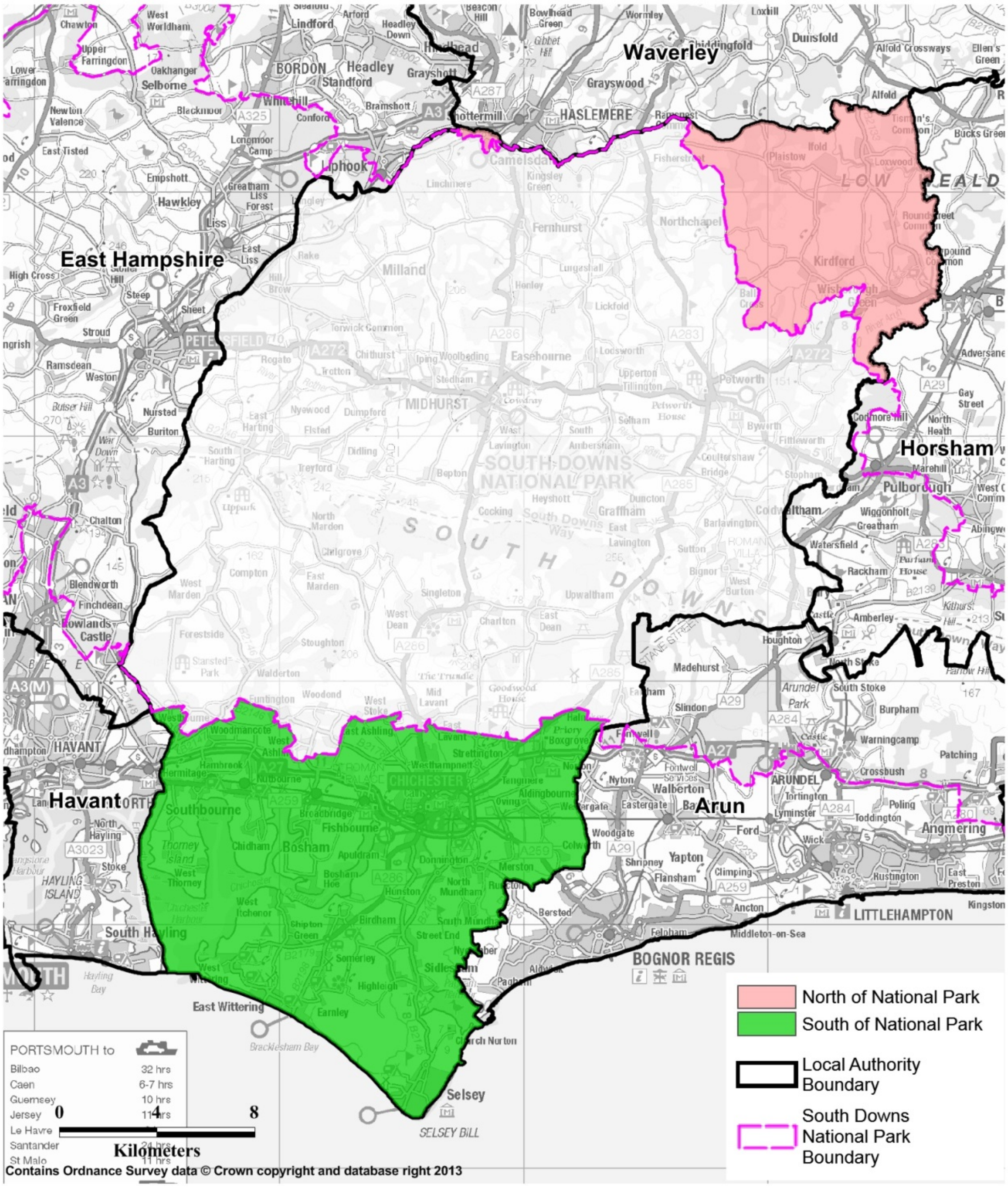
Table 17-1 Recommended charging rates for Chichester District Council CIL (£ per sq m) (assuming 30% affordable housing policy)

Development	CIL Charge (£ per sq m)
Residential (North of National Park)	
At 30% affordable housing	£200
Residential (South of National Park)	
At 30% affordable housing	£120
Retail – wholly or mainly convenience	£125
Retail – wholly or mainly comparison	£20
Student Housing	£30
Standard Charge (applies to all development not separately defined)	£0

Source: PBA

17.3 The figure below provides a view of the residential charging zone boundaries on an Ordnance Survey base.

Figure 17-1 Residential charging zone boundaries



Source: PBA/OS

18 PLAN DELIVERABILITY AND DEVELOPABILITY

Introduction

18.1 The NPPF is clear that it is looking at plan deliverability and viability overall. It states:

'Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.'[57]

[…]'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up. For this reason, infrastructure and development policies should be planned at the same time, in the Local Plan.'[58]

18.2 It is not necessary to prove that all funding for infrastructure has been identified. The NPPF states that standards and policies in Local Plans should 'facilitate development across the economic cycle,'[59] suggesting that it will be reasonable for a Local Authority to argue that viability is likely to improve over time; that CIL may be revised upwards; that some infrastructure requirements are not required immediately; and that mainstream funding levels may recover.

18.3 The key point, though, is that the overall amount of infrastructure needed to support the plan over time will be affordable. Aspirations need to be sensible and deliverable, and backed by a thought-through set of priorities and delivery sequencing that allows a clear narrative to be set up around how the plan will actually be paid for and delivered.

Development deliverability and developability

18.4 Our analysis suggests that sites which the current housing trajectory sees as starting in Years 0-5 of the plan are generally viably deliverable using current costs, values and policy charges as tested (see Section 7).

18.5 We sought to test specific strategic sites in order to look in more detail at plan viability. Testing shows that strategic sites are viable, even when taking into account the higher S106 demands that will be made of the strategic sites (see Section 8).

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[57] DCLG (2012) National Planning Policy Framework (41, para 173)
[58] DCLG (2012) National Planning Policy Framework (42, para 177)
[59] DCLG (2012) National Planning Policy Framework (42, para 174)

18.6 Similarly, our analysis of scenarios for future years suggests that sites which the current housing trajectory sees as starting in Year 6+ of the plan are viably deliverable (see Section 9).

Total infrastructure costs

18.7 Infrastructure planning current at time of writing suggests a total known cost of £70.5 m for infrastructure over the plan period. This figure currently excludes social infrastructure, green infrastructure, public services and utility services.

18.8 Assuming affordable housing delivery at the stated rate, the headline figures on costs, funding and developer contributions are as follows.

Known strategic infrastructure costs of approximately	£70,417,900
Less existing S106 funding available (including not yet received) [60]	-£5,682,409
Less anticipated S106 funding (estimate) [61]	-£13,455,276
Less other known funding [62]	Unknown
Less anticipated CIL receipts [63]	£32,843,400
Funding gap of	**£18,436,815**

18.9 Some of this funding gap might be plugged through a combination of mainstream funding and New Homes Bonus. However, New Homes Bonus is simply a reallocation of previously existing mainstream funding, and so cannot be relied on as a funding stream for strategic infrastructure requirements.

[60] The amount of S106 received and available to use from development that has commenced. Source: Amended Draft Infrastructure Delivery Plan 15-10-13 (11)

[61] The amount of S106 that has been agreed but not yet received from development that has planning permission but has not yet commenced. Source: Amended Draft Infrastructure Delivery Plan 15-10-13 (11)

[62] This is other funding identified in the Infrastructure Delivery Schedules as contributing towards infrastructure schemes, e.g. Funding from Ofwat. It currently excludes other funding streams. Source: Amended Draft Infrastructure Delivery Plan 15-10-13 (11)

[63] Residential CIL revenue calculation: total number of all types of homes north of the national park to be built over the plan period (excluding sites with existing planning permission) 292; private homes 204. Total south of the national park (excluding sites with existing planning permission) 3,947; private homes 2,763. Source: Chichester District Council 18/10/13. Development mix of 100 units assumed, comprised of 24x 2bed flats at 68 sqm; 35x 3 bed houses at 85 sq m; 11x 4 bed houses at 100 sq m. Source: Chichester District Council 18/10/13. Average blended flats and 3,4 bed dwelling floorspace therefore assumed at 81sq m. CIL Revenue in north: 204 private homes x 81 sq m x £200/sq m CIL = £3.3m. CIL revenue in south: 2763 private homes x 81 sq m x £120 /sq m CIL = £26.8m. Total = £30.1m. Retail and student accommodation CIL revenue: there is no allocation stated in plan. CIL receipts are likely to be windfalls, and so cannot be quantified or relied on here. No calculation of receipts from these uses has therefore been made. These estimates assume that all new space is net additional. They are necessarily subject to a wide margin of error, given their reliance on real world delivery.

Dealing with the funding gap

18.10 Whilst there is a large funding gap, it should be borne in mind that this plan runs until 2029. Looked at per annum, the funding gap appears much more tractable.

18.11 This funding gap could be narrowed by the following means.

- Focusing on the delivery of essential infrastructure items;
- Re-prioritising the essential items. The Council may need to prioritise both within theme areas (say, prioritising the most important transport projects) and also between theme areas (say, deciding to invest in open space, rather than transport, or vice versa). Properly, these decisions rest with elected representatives and their officers on the basis of good quality information about what is realistically possible.
- Delaying the dates by which infrastructure items are required.

18.12 There might be a role for a Delivery Framework. If this route was taken, the Delivery Framework would need to be a very practically orientated project plan document. The Delivery Framework could do the following:

- Identify tasks on the critical path, set dates for those issues to be resolved, and clarify delivery roles and responsibilities for different organisations and individuals;
- Focus on how any problems will be resolved - in a very head-on way;
- Define issues in time sequence. This would allow the focusing of resources on short term issues, cash flowing, and a process of active planning for medium term issues. Longer-term problems (where it is clear that fundamental changes in funding regimes or market conditions are required) could be left for future work;
- Help the political process by clarifying decisions that need to be taken, when they need to be taken, and what the ramifications of choices are.

Pulling together the overarching narrative of the plan

18.13 The Council may wish to develop the analysis deliverability and developability to create an overall plan 'storyboard' that will clearly explain to an examiner and others how growth and supporting infrastructure delivery work together to support the realisation of the plan.

18.14 This would help the Council demonstrate compliance with the duty to show and explain how the CIL fits with the overall deliverability of the Local Plan.

APPENDIX A RESIDENTIAL VIABILITY APPRAISALS

A.1 Generic Residential Appraisals

ITEM						
Net Site Area	0.04					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	4	3	1	£8,223,852	per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	3	65	181	£4,635	£838,379
	Houses –	0	90	0	£4,120	£0
		3		181		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	1	65	78	£2,596	£201,211
	Houses	0	90	0	£2,307	£0
		1		78		
		4		258		£1,039,590
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£346,359
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%
	Net residual land value					£328,954
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	3	76	212.8	£1,168	£248,550.40
	Houses –	0	0	0	£938	£0.00
		3		212.8		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	1	76	91.2	£1,168	£106,521.60
	Houses	0	0	0	£938	£0.00
		1		91.2		
		4		304		£355,072
2.4	Externals					
2.4.1	Plot external	15%				£53,261
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£53,261
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£32,667
						£32,667
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£17,754
						£17,754
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£4,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£4,000
2.8	Sale cost					
2.8.1	Legals -	£500				£2,000
2.8.2	Sales agents fee -	1.25%				£12,995
2.8.3	Marketing cost -	£1,000	per unit			£2,800
						£17,795
	TOTAL DEVELOPMENT COSTS					£825,907
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£167,676
	Affordable -	6%				£12,073
						£179,748
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,005,655
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£33,935
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£33,935
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

This appraisal has been prepared by Peter Brett Associates on behalf of Chichester District Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to info Chichester District Council as to the impact of planning policy has on viability at a strategic borough level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards March 2012) valuation and should not be relied upon as such.

ITEM							
Net Site Area	0.11						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	4	3	1		£4,364,908	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	65	0	£4,635	£0
	Houses –		3	90	252	£4,120	£1,038,240
			3		252		
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	65	0	£2,596	£0
	Houses		1	90	108	£2,307	£249,178
			1		108		
			4		360		£1,287,418
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£529,280
					Less Purchaser Costs (SDLT, legals and agents fees)		5.75%
	Net residual land value						£498,847
2.3	Build Costs						
2.3.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		3	252	£938		£236,376.00
			3	252			
2.3.2	Affordable unit		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		1	108	£938		£101,304.00
			1	108			
			4	360			£337,680
2.4	Externals						
2.4.1	Plot external		15%				£50,652
2.4.2	CO2 reduction		£0	per unit			£0
2.4.3	Lifetime homes		£0	per unit			£0
							£50,652
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£31,067
							£31,067
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£16,884
							£16,884
2.7	Developer contributions						
2.7.1	Site specific S106		£1,000	per unit			£4,000
2.7.2	CIL low		£120	per sq.m			£30,240
2.7.3	Landscape management		£0	per unit			£0
	Total developer contributions						£34,240
2.8	Sale cost						
2.8.1	Legals -		£500				£2,000
2.8.2	Sales agents fee -		1.25%				£16,093
2.8.3	Marketing cost -		£1,000	per unit			£2,800
							£20,893
	TOTAL DEVELOPMENT COSTS						£1,020,695
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£207,648
	Affordable -		6%				£14,951
							£222,599
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£1,243,294
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£44,123
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£44,123
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	0.14					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	5	4	2	£4,338,935	per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£4,635	£0
	Houses –	4	90	315	£4,120	£1,297,800
		4		315		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,596	£0
	Houses	2	90	135	£2,307	£311,472
		2		135		
		5		450		£1,609,272
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£657,663
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£619,848
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	4	315	£938		£295,470.00
		4	315			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	2	135	£938		£126,630.00
		2	135			
		5	450			£422,100
2.4	Externals					
2.4.1	Plot external	15%				£63,315
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£63,315
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£38,833
						£38,833
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£21,105
						£21,105
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£5,000
2.7.2	CIL low	£120	per sq.m			£37,800
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£42,800
2.8	Sale cost					
2.8.1	Legals -	£500				£2,500
2.8.2	Sales agents fee -	1.25%				£20,116
2.8.3	Marketing cost -	£1,000	per unit			£3,500
						£26,116
	TOTAL DEVELOPMENT COSTS					£1,271,933
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£259,560
	Affordable -	6%				£18,688
						£278,248
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,550,181
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£59,091
4.00	Finance Costs		APR		PCM	
			7.00%		0.565%	-£59,091
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.06					
		No. of Private	No. of affordable		Net residual land value per ha	
Yield	6	4	2		£8,068,613 per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	4	65	271	£4,635	£1,257,568
	Houses –	0	90	0	£4,120	£0
		4		271		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	2	65	116	£2,596	£301,816
	Houses	0	90	0	£2,307	£0
		2		116		
		6		388		£1,559,385
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£513,652
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£484,117
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	4	76	319.2	£1,168	£372,825.60
	Houses –	0	0	0	£938	£0.00
		4		319.2		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	2	76	136.8	£1,168	£159,782.40
	Houses	0	0	0	£938	£0.00
		2		136.8		
		6		456		£532,608
2.4	Externals					
2.4.1	Plot external	15%				£79,891
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£79,891
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£49,000
						£49,000
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£26,630
						£26,630
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£6,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£6,000
2.8	Sale cost					
2.8.1	Legals -	£500				£3,000
2.8.2	Sales agents fee -	1.25%				£19,492
2.8.3	Marketing cost -	£1,000	per unit			£4,200
						£26,692
	TOTAL DEVELOPMENT COSTS					£1,234,474
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£251,514
	Affordable -	6%				£18,109
						£269,623
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,504,096
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£55,288
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£55,288
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.26					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	9	6	3	£4274847	per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£4,635	£0
	Houses –	6	90	567	£4,120	£2,336,040
		6		567		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,596	£0
	Houses	3	90	243	£2,307	£560,650
		3		243		
		9		810		£2,896,690
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£1,166,309
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£1,099,246
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	6	567	£938		£531,846.00
		6	567			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	3	243	£938		£227,934.00
		3	243			
		9	810			£759,780
2.4	Externals					
2.4.1	Plot external	15%				£113,967
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£113,967
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£69,900
						£69,900
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£37,989
						£37,989
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£9,000
2.7.2	CIL low	£120	per sq.m			£68,040
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£77,040
2.8	Sale cost					
2.8.1	Legals -	£500				£4,500
2.8.2	Sales agents fee -	1.25%				£36,209
2.8.3	Marketing cost -	£1,000	per unit			£6,300
						£47,009
	TOTAL DEVELOPMENT COSTS					£2,271,994
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£467,208
	Affordable -	6%				£33,639
						£500,847
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£2,772,841
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£123,849
4.00	Finance Costs		APR		PCM	
			7.00%		0.565%	-£123,849
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.29					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	10	7	3	£4,262,173	per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£4,635	£0
	Houses –	7	90	630	£4,120	£2,595,600
		7		630		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,596	£0
	Houses	3	90	270	£2,307	£622,944
		3		270		
		10		900		£3,218,544
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£1,292,057
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£1,217,764
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	7	630	£938		£590,940.00
		7	630			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	3	270	£938		£253,260.00
		3	270			
		10	900			£844,200
2.4	Externals					
2.4.1	Plot external	15%				£126,630
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£126,630
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£77,666
						£77,666
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£42,210
						£42,210
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£10,000
2.7.2	CIL low	£120	per sq.m			£75,600
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£85,600
2.8	Sale cost					
2.8.1	Legals -	£500				£5,000
2.8.2	Sales agents fee -	1.25%				£40,232
2.8.3	Marketing cost -	£1,000	per unit			£7,000
						£52,232
	TOTAL DEVELOPMENT COSTS					£2,520,595
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£519,120
	Affordable -	6%				£37,377
						£556,497
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£3,077,092
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£141,452
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£141,452
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM				
Net Site Area	0.12			
		No. of Private	No. of affordable	Net residual land value per ha
Yield	12	8	4	£8,183,877 per ha

1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	8	65	543	£4,635	£2,515,136
	Houses –	0	90	0	£4,120	£0
		8		543		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	4	65	233	£2,596	£603,633
	Houses	0	90	0	£2,307	£0
		4		233		
		12		775		£3,118,769
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£1,041,979
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£982,065
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	8	76	638.4	£1,168	£745,651.20
	Houses –	0	0	0	£938	£0.00
		8		638.4		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	4	76	273.6	£1,168	£319,564.80
	Houses	0	0	0	£938	£0.00
		4		273.6		
		12		912		£1,065,216
2.4	Externals					
2.4.1	Plot external	15%				£159,782
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£159,782
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£98,000
						£98,000
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£53,261
						£53,261
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£12,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£12,000
2.8	Sale cost					
2.8.1	Legals -	£500				£6,000
2.8.2	Sales agents fee -	1.25%				£38,985
2.8.3	Marketing cost -	£1,000	per unit			£8,400
						£53,385
	TOTAL DEVELOPMENT COSTS					£2,483,623
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£503,027
	Affordable -	6%				£36,218
						£539,245
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£3,022,868
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£95,901
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£95,901
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM							
Net Site Area	0.24						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	24	17	7		£8,114,460 per ha		
1.0	Development Value						
Value Zone	3						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		17	65	1,085	£4,635	£5,030,273
	Houses –		0	90	0	£4,120	£0
			17		1085		
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		7	65	465	£2,596	£1,207,265
	Houses		0	90	0	£2,307	£0
			7		465		
			24		1550		£6,237,538
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£2,066,282
				Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value						£1,947,470
2.3	Build Costs						
2.3.1	Private units		No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –		17	76	1276.8	£1,168	£1,491,302.40
	Houses –		0	0	0	£938	£0.00
			17		1276.8		
2.3.2	Affordable unit		No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats		7	76	547.2	£1,168	£639,129.60
	Houses		0	0	0	£938	£0.00
			7		547.2		
			24		1824		£2,130,432
2.4	Externals						
2.4.1	Plot external		15%				£319,565
2.4.2	CO2 reduction		£0	per unit			£0
2.4.3	Lifetime homes		£0	per unit			£0
							£319,565
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£196,000
							£196,000
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£106,522
							£106,522
2.7	Developer contributions						
2.7.1	Site specific S106		£1,000	per unit			£24,000
2.7.2	CIL low		£120	per sq.m			
2.7.3	Landscape management		£0	per unit			£0
	Total developer contributions						£24,000
2.8	Sale cost						
2.8.1	Legals -		£500				£12,000
2.8.2	Sales agents fee -		1.25%				£77,969
2.8.3	Marketing cost -		£1,000	per unit			£16,800
							£106,769
	TOTAL DEVELOPMENT COSTS						£4,949,569
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£1,006,055
	Affordable -		6%				£72,436
							£1,078,490
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£6,028,059
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£209,479
4.00	Finance Costs			APR 7.00%		PCM 0.565%	-£209,479
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	1.43					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	50	35	15	£4262,173	per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£4,635	£0
	Houses –	35	90	3,150	£4,120	£12,978,000
		35		3150		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,596	£0
	Houses	15	90	1,350	£2,307	£3,114,720
		15		1350		
		50		4500		£16,092,720
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£6,460,285
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£6,088,818
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	35	3150	£938		£2,954,700.00
		35	3150			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	15	1350	£938		£1,266,300.00
		15	1350			
		50	4500			£4,221,000
2.4	Externals					
2.4.1	Plot external	15%				£633,150
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£633,150
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£388,332
						£388,332
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£211,050
						£211,050
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£50,000
2.7.2	CIL low	£120	per sq.m			£378,000
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£428,000
2.8	Sale cost					
2.8.1	Legals -	£500				£25,000
2.8.2	Sales agents fee -	1.25%				£201,159
2.8.3	Marketing cost -	£1,000	per unit			£35,000
						£261,159
	TOTAL DEVELOPMENT COSTS					£12,602,976
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£2,595,600
	Affordable -	6%				£186,883
						£2,782,483
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£15,385,459
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£707,261
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£707,261
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM								
Net Site Area		2.86						
			No. of Private	No. of affordable		Net residual land value per ha		
Yield		100	70	30		£4252,822	per ha	
1.0	Development Value							
Value Zone	3							
1.1	Private Units			No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –			0	65	0	£4,635	£0
	Houses –			70	90	6,300	£4,120	£25,956,000
				70		6300		
1.2	Affordable unit			No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats			0	65	0	£2,596	£0
	Houses			30	90	2,700	£2,307	£6,229,440
				30		2700		
				100		9000		£32,185,440
2.0	Development Cost							
2.1	Site Acquisition							
2.1.1	Site Value							£12,892,223
					Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value							£12,150,920
2.3	Build Costs							
2.3.1	Private units			No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –			0	0	£1,168		£0.00
	Houses –			70	6300	£938		£5,909,400.00
				70	6300			
2.3.2	Affordable unit			No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats			0	0	£1,168		£0.00
	Houses			30	2700	£938		£2,532,600.00
				30	2700			
				100	9000			£8,442,000
2.4	Externals							
2.4.1	Plot external			15%				£1,266,300
2.4.2	CO2 reduction			£0	per unit			£0
2.4.3	Lifetime homes			£0	per unit			£0
								£1,266,300
2.5	Professional Fees							
2.5.1	as percentage of build costs			8%				£776,664
								£776,664
2.6	Contingency							
2.6.1	Based upon percentage of construction costs			5%				£422,100
								£422,100
2.7	Developer contributions							
2.7.1	Site specific S106			£1,000	per unit			£100,000
2.7.2	CIL low			£120	per sq.m			£756,000
2.7.3	Landscape management			£0	per unit			£0
	Total developer contributions							£856,000
2.8	Sale cost							
2.8.1	Legals -			£500				£50,000
2.8.2	Sales agents fee -			1.25%				£402,318
2.8.3	Marketing cost -			£1,000	per unit			£70,000
								£522,318
	TOTAL DEVELOPMENT COSTS							£25,177,605
3.0	Developers' Profit							
3.1	Based upon percentage of gross development value			Rate				
	Private -			20%				£5,191,200
	Affordable -			6%				£373,766
								£5,564,966
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£30,742,571
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£1,442,869
4.00	Finance Costs				APR 7.00%		PCM 0.565%	-£1,442,869
	TOTAL PROJECT COSTS [INCLUDING INTEREST]							

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ITEM						
Net Site Area	0.04					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	4	3	1	£4,026,336	per ha	
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	3	65	181	£3,600	£651,168
	Houses –	0	90	0	£3,300	£0
		3		181		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	1	65	78	£2,016	£156,280
	Houses	0	90	0	£1,848	£0
		1		78		
		4		258		£807,448
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£165,608
			Less Purchaser Costs (SDLT, legals and agents fees)			2.75%
	Net residual land value					£161,053
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	3	76	212.8	£1,168	£248,550.40
	Houses –	0	0	0	£938	£0.00
		3		212.8		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	1	76	91.2	£1,168	£106,521.60
	Houses	0	0	0	£938	£0.00
		1		91.2		
		4		304		£355,072
2.4	Externals					
2.4.1	Plot external	15%				£53,261
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£53,261
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£32,667
						£32,667
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£17,754
						£17,754
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£4,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£4,000
2.8	Sale cost					
2.8.1	Legals -	£500				£2,000
2.8.2	Sales agents fee -	1.25%				£10,093
2.8.3	Marketing cost -	£1,000	per unit			£2,800
						£14,893
	TOTAL DEVELOPMENT COSTS					£643,254
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£130,234
	Affordable -	6%				£9,377
						£139,610
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£782,864
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£24,584
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£24,584
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.11					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	4	3	1	£2,757,630	per ha	
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£3,600	£0
	Houses –	3	90	252	£3,300	£831,600
		3		252		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,016	£0
	Houses	1	90	108	£1,848	£199,584
		1		108		
		4		360		£1,031,184
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£330,874
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%
	Net residual land value					£315,158
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	3	252	£938		£236,376.00
		3	252			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	1	108	£938		£101,304.00
		1	108			
		4	360			£337,680
2.4	Externals					
2.4.1	Plot external	15%				£50,652
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£50,652
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£31,067
						£31,067
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£16,884
						£16,884
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£4,000
2.7.2	CIL low	£120	per sq.m			£30,240
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£34,240
2.8	Sale cost					
2.8.1	Legals -	£500				£2,000
2.8.2	Sales agents fee -	1.25%				£12,890
2.8.3	Marketing cost -	£1,000	per unit			£2,800
						£17,690
	TOTAL DEVELOPMENT COSTS					£819,087
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£166,320
	Affordable -	6%				£11,975
						£178,295
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£997,382
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£33,802
4.00	Finance Costs		APR		PCM	
			7.00%		0.565%	-£33,802
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.14					
		No. of Private	No. of affordable		Net residual land value per ha	
Yield	5	4	2		£2,740,626 per ha	
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£3,600	£0
	Houses –	4	90	315	£3,300	£1,039,500
		4		315		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,016	£0
	Houses	2	90	135	£1,848	£249,480
		2		135		
		5		450		£1,288,980
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£411,043
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%
	Net residual land value					£391,518
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	4	315	£938		£295,470.00
		4	315			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	2	135	£938		£126,630.00
		2	135			
		5	450			£422,100
2.4	Externals					
2.4.1	Plot external	15%				£63,315
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£63,315
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£38,833
						£38,833
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£21,105
						£21,105
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£5,000
2.7.2	CIL low	£120	per sq.m			£37,800
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£42,800
2.8	Sale cost					
2.8.1	Legals -	£500				£2,500
2.8.2	Sales agents fee -	1.25%				£16,112
2.8.3	Marketing cost -	£1,000	per unit			£3,500
						£22,112
	TOTAL DEVELOPMENT COSTS					£1,021,308
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£207,900
	Affordable -	6%				£14,969
						£222,869
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,244,177
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£44,803
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£44,803
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.06					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	6	4.20	1.80	£3,991,824	per ha	
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	4	65	271	£3,600	£976,752
	Houses –	0	90	0	£3,300	£0
		4		271		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	2	65	116	£2,016	£234,420
	Houses	0	90	0	£1,848	£0
		2		116		
		6		388		£1,211,172
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£246,282
			Less Purchaser Costs (SDLT, legals and agents fees)			2.75%
	Net residual land value					£239,509
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	4	76	319.2	£1,168	£372,825.60
	Houses –	0	0	0	£938	£0.00
		4		319.2		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	2	76	136.8	£1,168	£159,782.40
	Houses	0	0	0	£938	£0.00
		2		136.8		
		6		456		£532,608
2.4	Externals					
2.4.1	Plot external	15%				£79,891
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£79,891
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£49,000
						£49,000
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£26,630
						£26,630
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£6,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£6,000
2.8	Sale cost					
2.8.1	Legals -	£500				£3,000
2.8.2	Sales agents fee -	1.25%				£15,140
2.8.3	Marketing cost -	£1,000	per unit			£4,200
						£22,340
	TOTAL DEVELOPMENT COSTS					£962,751
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£195,350
	Affordable -	6%				£14,065
						£209,416
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,172,167
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£39,005
4.00	Finance Costs		APR		PCM	
			7.00%		0.565%	-£39,005
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM							
Net Site Area	0.26						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	9	9	0		£2,670,338	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	65	0	£3,600	£0
	Houses –		6	90	567	£3,300	£1,871,100
			6		567		
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	65	0	£2,016	£0
	Houses		3	90	243	£1,848	£449,064
			3		243		
			9		810		£2,320,164
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£728,550
				Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value						£686,658
2.3	Build Costs						
2.3.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		6	567	£938		£531,846.00
			6	567			
2.3.2	Affordable unit		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		3	243	£938		£227,934.00
			3	243			
			9	810			£759,780
2.4	Externals						
2.4.1	Plot external		15%				£113,967
2.4.2	CO2 reduction		£0	per unit			£0
2.4.3	Lifetime homes		£0	per unit			£0
							£113,967
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£69,900
							£69,900
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£37,989
							£37,989
2.7	Developer contributions						
2.7.1	Site specific S106		£1,000	per unit			£9,000
2.7.2	CIL low		£120	per sq.m			£68,040
2.7.3	Landscape management		£0	per unit			£0
	Total developer contributions						£77,040
2.8	Sale cost						
2.8.1	Legals -		£500				£4,500
2.8.2	Sales agents fee -		1.25%				£29,002
2.8.3	Marketing cost -		£1,000	per unit			£6,300
							£39,802
	TOTAL DEVELOPMENT COSTS						£1,827,028
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£374,220
	Affordable -		6%				£26,944
							£401,164
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£2,228,191
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£91,973
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£91,973
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.29						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	10	7	3		£2,662,127	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	65	0	£3,600	£0
	Houses –		7	90	630	£3,300	£2,079,000
			7		630		
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	65	0	£2,016	£0
	Houses		3	90	270	£1,848	£498,960
			3		270		
			10		900		£2,577,960
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£807,011
					Less Purchaser Costs (SDLT, legals and agents fees)		5.75%
	Net residual land value						£760,608
2.3	Build Costs						
2.3.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		7	630	£938		£590,940.00
			7	630			
2.3.2	Affordable unit		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		3	270	£938		£253,260.00
			3	270			
			10	900			£844,200
2.4	Externals						
2.4.1	Plot external		15%				£126,630
2.4.2	CO2 reduction		£0	per unit			£0
2.4.3	Lifetime homes		£0	per unit			£0
							£126,630
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£77,666
							£77,666
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£42,210
							£42,210
2.7	Developer contributions						
2.7.1	Site specific S106		£1,000	per unit			£10,000
2.7.2	CIL low		£120	per sq.m			£75,600
2.7.3	Landscape management		£0	per unit			£0
	Total developer contributions						£85,600
2.8	Sale cost						
2.8.1	Legals -		£500				£5,000
2.8.2	Sales agents fee -		1.25%				£32,225
2.8.3	Marketing cost -		£1,000	per unit			£7,000
							£44,225
	TOTAL DEVELOPMENT COSTS						£2,027,542
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£415,800
	Affordable -		6%				£29,938
							£445,738
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£2,473,279
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£104,681
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£104,681
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	0.12					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	12	8	4	£3,966,279 per ha		
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	8	65	543	£3,600	£1,953,504
	Houses –	0	90	0	£3,300	£0
		8		543		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	4	65	233	£2,016	£468,841
	Houses	0	90	0	£1,848	£0
		4		233		
		12		775		£2,422,345
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£499,689
		Less Purchaser Costs (SDLT, legals and agents fees)				4.75%
	Net residual land value					£475,953
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	8	76	638.4	£1,168	£745,651.20
	Houses –	0	0	0	£938	£0.00
		8		638.4		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	4	76	273.6	£1,168	£319,564.80
	Houses	0	0	0	£938	£0.00
		4		273.6		
		12		912		£1,065,216
2.4	Externals					
2.4.1	Plot external	15%				£159,782
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£159,782
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£98,000
						£98,000
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£53,261
						£53,261
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£12,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£12,000
2.8	Sale cost					
2.8.1	Legals -	£500				£6,000
2.8.2	Sales agents fee -	1.25%				£30,279
2.8.3	Marketing cost -	£1,000	per unit			£8,400
						£44,679
	TOTAL DEVELOPMENT COSTS					£1,932,627
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£390,701
	Affordable -	6%				£28,130
						£418,831
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£2,351,458
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£70,887
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£70,887
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM							
Net Site Area	0.24						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	24	17	7		£3,890,939	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		17	65	1,085	£3,600	£3,907,008
	Houses –		0	90	0	£3,300	£0
			17		1085		
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		7	65	465	£2,016	£937,682
	Houses		0	90	0	£1,848	£0
			7		465		
			24		1550		£4,844,690
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£990,796
				Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value						£933,825
2.3	Build Costs						
2.3.1	Private units		No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –		17	76	1276.8	£1,168	£1,491,302.40
	Houses –		0	0	0	£938	£0.00
			17		1276.8		
2.3.2	Affordable unit		No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats		7	76	547.2	£1,168	£639,129.60
	Houses		0	0	0	£938	£0.00
			7		547.2		
			24		1824		£2,130,432
2.4	Externals						
2.4.1	Plot external		15%				£319,565
2.4.2	CO2 reduction		£0	per unit			£0
2.4.3	Lifetime homes		£0	per unit			£0
							£319,565
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£196,000
							£196,000
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£106,522
							£106,522
2.7	Developer contributions						
2.7.1	Site specific S106		£1,000	per unit			£24,000
2.7.2	CIL low		£120	per sq.m			
2.7.3	Landscape management		£0	per unit			£0
	Total developer contributions						£24,000
2.8	Sale cost						
2.8.1	Legals -		£500				£12,000
2.8.2	Sales agents fee -		1.25%				£60,559
2.8.3	Marketing cost -		£1,000	per unit			£16,800
							£89,359
	TOTAL DEVELOPMENT COSTS						£3,856,673
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£781,402
	Affordable -		6%				£56,261
							£837,663
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£4,694,335
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£150,354
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£150,354
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	1.43						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	50	35	15		£2,662,127	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	65	0	£3,600	£0
	Houses –		35	90	3,150	£3,300	£10,395,000
			35		3150		
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	65	0	£2,016	£0
	Houses		15	90	1,350	£1,848	£2,494,800
			15		1350		
			50		4500		£12,889,800
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£4,035,054
					Less Purchaser Costs (SDLT, legals and agents fees)		5.75%
	Net residual land value						£3,803,039
2.3	Build Costs						
2.3.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		35	3150	£938		£2,954,700.00
			35	3150			
2.3.2	Affordable unit		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		15	1350	£938		£1,266,300.00
			15	1350			
			50	4500			£4,221,000
2.4	Externals						
2.4.1	Plot external		15%				£633,150
2.4.2	CO2 reduction		£0	per unit			£0
2.4.3	Lifetime homes		£0	per unit			£0
							£633,150
2.5	Professional Fees						
2.5.1	as percentage of build costs		8%				£388,332
							£388,332
2.6	Contingency						
2.6.1	Based upon percentage of construction costs		5%				£211,050
							£211,050
2.7	Developer contributions						
2.7.1	Site specific S106		£1,000	per unit			£50,000
2.7.2	CIL low		£120	per sq.m			£378,000
2.7.3	Landscape management		£0	per unit			£0
	Total developer contributions						£428,000
2.8	Sale cost						
2.8.1	Legals -		£500				£25,000
2.8.2	Sales agents fee -		1.25%				£161,123
2.8.3	Marketing cost -		£1,000	per unit			£35,000
							£221,123
	TOTAL DEVELOPMENT COSTS						£10,137,709
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£2,079,000
	Affordable -		6%				£149,688
							£2,228,688
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£12,366,397
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£523,403
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£523,403
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	2.86					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	100	70	30	£2,652,726	per ha	
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	65	0	£3,600	£0
	Houses –	70	90	6,300	£3,300	£20,790,000
		70		6300		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	65	0	£2,016	£0
	Houses	30	90	2,700	£1,848	£4,989,600
		30		2700		
		100		9000		£25,779,600
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£8,041,608
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					£7,579,216
2.3	Build Costs					
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	70	6300	£938		£5,909,400.00
		70	6300			
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	30	2700	£938		£2,532,600.00
		30	2700			
		100	9000			£8,442,000
2.4	Externals					
2.4.1	Plot external	15%				£1,266,300
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£1,266,300
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£776,664
						£776,664
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£422,100
						£422,100
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£100,000
2.7.2	CIL low	£120	per sq.m			£756,000
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£856,000
2.8	Sale cost					
2.8.1	Legals -	£500				£50,000
2.8.2	Sales agents fee -	1.25%				£322,245
2.8.3	Marketing cost -	£1,000	per unit			£70,000
						£442,245
	TOTAL DEVELOPMENT COSTS					£20,246,917
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£4,158,000
	Affordable -	6%				£299,376
						£4,457,376
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£24,704,293
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£1,075,307
4.00	Finance Costs			APR 7.00%	PCM 0.565%	-£1,075,307
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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A.2 Strategic Site appraisals

Westhampnett / NE Chichester - small phase							
ITEM							
Gross development area	8.57						
Net Site Area	4.29						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	150	105	45		£1,230,933	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	0	0	£3,600	£0
	Houses –		105	90	9,450	£3,100	£29,295,000
			105		9450		
1.2	Affordable		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	0	0	£2,016	£0
	Houses		45	90	4,050	£1,736	£7,030,800
			45		4050		
			150		13500		£36,325,800
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£5,597,269
				Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value						£5,275,426
2.2	Build Costs						
2.2.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		105	9450	£938		£8,864,100.00
			105	9450			
2.2.2	Affordable		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		45	4050	£938		£3,798,900.00
			45	4050			
			150	13500			£12,663,000
2.3	Externals						
2.3.1	Plot external		15%				£1,899,450
2.3.2	Servicing costs		£600,000	per net developable hectare			£2,571,429
							£4,470,879
2.4	Professional Fees						
2.4.1	as percentage of build costs		8%				£1,164,996
							£1,164,996
2.5	Contingency						
2.5.1	Based upon percentage of construction costs		5%				£633,150
							£633,150
2.6	Developer contributions						
2.6.1	Site specific S106		£8,000	per unit			£1,200,000
2.6.2	SANGS		14.28	No. of ha	£50,000	per hectare non developable are	£714,000
2.6.3	CIL Charge		£120	psm GIA on private housing			£1,134,000
	Total developer contributions						£3,048,000
2.7	Sale cost						
2.7.1	Legals -		£500				£75,000
2.7.2	Sales agents fee -		1.25%				£454,073
2.7.3	Marketing cost -		£1,000	per unit			£105,000
							£634,073
	TOTAL DEVELOPMENT COSTS						£28,211,366
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£5,859,000
	Affordable -		6%				£421,848
							£6,280,848
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£34,492,214
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£1,833,586
4.00	Finance Costs			APR 7.00%		PCM 0.565%	-£1,833,586
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						-£36,325,800

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Westhampnett / NE Chichester - small phase							
ITEM							
Gross development area	20.00						
Net Site Area	10.00						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	350	245	105		£1,199,405	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	0	0	£3,600	£0
	Houses –		245	90	22,050	£3,100	£68,355,000
			245		22050		
1.2	Affordable		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	0	0	£2,016	£0
	Houses		105	90	9,450	£1,736	£16,405,200
			105		9450		
			350		31500		£84,760,200
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£12,725,778
				Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value						£11,994,045
2.2	Build Costs						
2.2.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		245	22050	£938		£20,682,900.00
			245	22050			
2.2.2	Affordable		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		105	9450	£938		£8,864,100.00
			105	9450			
			350	31500			£29,547,000
2.3	Externals						
2.3.1	Plot external		15%				£4,432,050
2.3.2	Servicing costs		£600,000	per net developable hectare			£6,000,000
							£10,432,050
2.4	Professional Fees						
2.4.1	as percentage of build costs		8%				£2,718,324
							£2,718,324
2.5	Contingency						
2.5.1	Based upon percentage of construction costs		5%				£1,477,350
							£1,477,350
2.6	Developer contributions						
2.6.1	Site specific S106		£8,000	per unit			£2,800,000
2.6.2	SANGS		14.28	No. of ha	£50,000	per hectare non developable are	£714,000
2.6.3	CIL Charge		£120	psm GIA on private housing			£2,646,000
	Total developer contributions						£6,160,000
2.7	Sale cost						
2.7.1	Legals -		£500				£175,000
2.7.2	Sales agents fee -		1.25%				£1,059,503
2.7.3	Marketing cost -		£1,000	per unit			£245,000
							£1,479,503
	TOTAL DEVELOPMENT COSTS						£64,540,004
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£13,671,000
	Affordable -		6%				£984,312
							£14,655,312
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£79,195,316
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£5,564,884
4.00	Finance Costs			APR 7.00%		PCM 0.565%	-£5,564,884
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						-£84,760,200

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West of Chichester						
ITEM						
Gross development area	57.14					
Net Site Area	28.57					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	1,000	700	300	£1,189,556	per ha	

Ref	Item					Value
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	0	0	£3,600	£0
	Houses –	700	90	63,000	£3,100	£195,300,000
		700		63000		
1.2	Affordable	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	0	0	£2,016	£0
	Houses	300	90	27,000	£1,736	£46,872,000
		300		27000		
		1000		90000		£242,172,000
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value		Total site value			£36,060,819
			Phase 1			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 1			£8,496,831
			Phase 2			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 2			£8,496,831
			Phase 3			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 3			£8,496,831
			Phase 4			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 4			£8,496,831
	Net residual land value					£33,987,322
2.2	Build Costs					
2.2.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	700	63000	£938		£59,094,000.00
		700	63000			
2.2.2	Affordable	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	300	27000	£938		£25,326,000.00
		300	27000			
		1000	90000			£84,420,000
2.3	Externals					
2.3.1	Plot externals	15%				£12,663,000
2.3.2	Servicing costs	£600,000	per net developable hectar			£17,142,857
						£29,805,857
2.4	Professional Fees					
2.4.1	as percentage of build costs	8%				£7,766,640
						£7,766,640
2.5	Contingency					
2.5.1	Based upon percentage of construction cost	5%				£4,221,000
						£4,221,000
2.6	Developer contributions					
2.6.1	Site specific S106	£8,000	per unit			£8,000,000
2.6.2	SANGS	£0	per hectare non developable are			£0
2.6.3	CIL Charge	£120	psm GIA on private housing			£7,560,000
	Total developer contributions					£15,560,000
2.7	Sale cost					
2.7.1	Legals –	£500				£500,000
2.7.2	Sales agents fee –	1.25%				£3,027,150
2.7.3	Marketing cost –	£1,000	per unit			£700,000
						£4,227,150
	TOTAL DEVELOPMENT COSTS					£182,061,467
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private –	20%				£39,060,000
	Affordable –	6%				£2,812,320
						£41,872,320
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£223,933,787
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£18,238,213
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£18,238,213
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					-£242,172,000

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Tangmere						
ITEM						
Gross development area	57.14					
Net Site Area	28.57					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	1,000	700	300	£1,189,556	per ha	
1.0	Development Value					
Value Zone	2					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	0	0	0	£3,600	£0
	Houses –	700	90	63,000	£3,100	£195,300,000
		700		63000		
1.2	Affordable	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	0	0	0	£2,016	£0
	Houses	300	90	27,000	£1,736	£46,872,000
		300		27000		
		1000		90000		£242,172,000
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value		Total site value			£36,060,819
			Phase 1			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 1			£8,496,831
			Phase 2			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 2			£8,496,831
			Phase 3			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 3			£8,496,831
			Phase 4			£9,015,204.86
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
			Net land value Phase 4			£8,496,831
	Net residual land value					£33,987,322
2.2	Build Costs					
2.2.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –	0	0	£1,168		£0.00
	Houses –	700	63000	£938		£59,094,000.00
		700	63000			
2.2.2	Affordable	No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats	0	0	£1,168		£0.00
	Houses	300	27000	£938		£25,326,000.00
		300	27000			
		1000	90000			£84,420,000
2.3	Externals					
2.3.1	Plot externals	15%				£12,663,000
2.3.2	Servicing costs	£600,000	per net developable hectar			£17,142,857
						£29,805,857
2.4	Professional Fees					
2.4.1	as percentage of build costs	8%				£7,766,640
						£7,766,640
2.5	Contingency					
2.5.1	Based upon percentage of construction cost	5%				£4,221,000
						£4,221,000
2.6	Developer contributions					
2.6.1	Site specific S106	£8,000	per unit			£8,000,000
2.6.2	SANGS	£0	per hectare non developable are			£0
2.6.3	CIL Charge	£120	psm GIA on private housing			£7,560,000
	Total developer contributions					£15,560,000
2.7	Sale cost					
2.7.1	Legals -	£500				£500,000
2.7.2	Sales agents fee -	1.25%				£3,027,150
2.7.3	Marketing cost -	£1,000	per unit			£700,000
						£4,227,150
	TOTAL DEVELOPMENT COSTS					£182,061,467
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£39,060,000
	Affordable -	6%				£2,812,320
						£41,872,320
	TOTAL PROJECT COSTS (EXCLUDING INTEREST)					£223,933,787
	TOTAL INCOME - TOTAL COSTS (EXCLUDING INTEREST)					£18,238,213
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£18,238,213
	TOTAL PROJECT COSTS (INCLUDING INTEREST)					-£242,172,000

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Shopwyke							
ITEM							
Gross development area	28.57						
Net Site Area	14.29						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	500	350	150		£593,637	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –		0	0	0	£3,600	£0
	Houses –		350	90	31,500	£3,100	£97,650,000
			350		31500		
1.2	Affordable		No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats		0	0	0	£2,016	£0
	Houses		150	90	13,500	£1,736	£23,436,000
			150		13500		
			500		45000		£121,086,000
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value						£8,997,910
				Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value						£8,480,530
2.2	Build Costs						
2.2.1	Private units		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats –		0	0	£1,168		£0.00
	Houses –		350	31500	£938		£29,547,000.00
			350	31500			
2.2.2	Affordable		No. of units	Total sq.m	Cost per sq.m		Total Costs
	Flats		0	0	£1,168		£0.00
	Houses		150	13500	£938		£12,663,000.00
			150	13500			
			500	45000			£42,210,000
2.3	Externals						
2.3.1	Plot external		15%				£6,331,500
2.3.2	Servicing costs		£800,000	per net developable hectare			£11,428,571
2.3.3	Shopwyke site specific abnormals		£540,000	per net developable hectare			£7,714,286
							£25,474,357
2.4	Professional Fees						
2.4.1	as percentage of build costs		8%				£3,883,320
							£3,883,320
2.5	Contingency						
2.5.1	Based upon percentage of construction costs		5%				£2,110,500
							£2,110,500
2.6	Developer contributions						
2.6.1	Site specific S106 - Shopwyke		£7,964	per unit			£3,982,000
2.6.2	SANGS		£0	per hectare non developable area			£0
2.6.3	CIL Charge		£120	psm GIA on private housing			£3,780,000
	Total developer contributions						£7,762,000
2.7	Sale cost						
2.7.1	Legals -		£500				£250,000
2.7.2	Sales agents fee -		1.25%				£1,513,575
2.7.3	Marketing cost -		£1,000	per unit			£350,000
							£2,113,575
	TOTAL DEVELOPMENT COSTS						£92,551,662
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value		Rate				
	Private -		20%				£19,530,000
	Affordable -		6%				£1,406,160
							£20,936,160
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£113,487,822
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£7,598,178
4.00	Finance Costs			APR		PCM	
				7.00%		0.565%	-£7,598,178
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						-£121,086,000

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ITEM						
Net Site Area	0.04					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	4	3	1	£8,223,852	per ha	
1.0	Development Value					
Value Zone	3					
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats –	3	65	181	£4,635	£838,379
	Houses –	0	90	0	£4,120	£0
		3		181		
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value
	Flats	1	65	78	£2,596	£201,211
	Houses	0	90	0	£2,307	£0
		1		78		
		4		258		£1,039,590
2.0	Development Cost					
2.1	Site Acquisition					
2.1.1	Site Value					£346,359
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%
	Net residual land value					£328,954
2.3	Build Costs					
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs
	Flats –	3	76	212.8	£1,168	£248,550.40
	Houses –	0	0	0	£938	£0.00
		3		212.8		
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs
	Flats	1	76	91.2	£1,168	£106,521.60
	Houses	0	0	0	£938	£0.00
		1		91.2		
		4		304		£355,072
2.4	Externals					
2.4.1	Plot external	15%				£53,261
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£53,261
2.5	Professional Fees					
2.5.1	as percentage of build costs	8%				£32,667
						£32,667
2.6	Contingency					
2.6.1	Based upon percentage of construction costs	5%				£17,754
						£17,754
2.7	Developer contributions					
2.7.1	Site specific S106	£1,000	per unit			£4,000
2.7.2	CIL low	£120	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					£4,000
2.8	Sale cost					
2.8.1	Legals -	£500				£2,000
2.8.2	Sales agents fee -	1.25%				£12,995
2.8.3	Marketing cost -	£1,000	per unit			£2,800
						£17,795
	TOTAL DEVELOPMENT COSTS					£825,907
3.0	Developers' Profit					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£167,676
	Affordable -	6%				£12,073
						£179,748
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,005,655
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£33,935
4.00	Finance Costs		APR 7.00%		PCM 0.565%	-£33,935
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM								
Net Site Area	0.04							
		No. of Private	No. of affordable		Net residual land value per ha			
Yield	4	3	1		£8,223,852	per ha		
1.0	Development Value							
Value Zone	3							
1.1	Private Units		No. of units	Size sq.m	Total sq.m		£psm	Total Value
	Flats –		3	65	181		£4,635	£838,379
	Houses –		0	90	0		£4,120	£0
			3		181			
1.2	Affordable unit		No. of units	Size sq.m	Total sq.m		£psm	Total Value
	Flats		1	65	78		£2,596	£201,211
	Houses		0	90	0		£2,307	£0
			1		78			
			4		258			£1,039,590
2.0	Development Cost							
2.1	Site Acquisition							
2.1.1	Site Value							£345,359
					Less Purchaser Costs (SDLT, legals and agents fees)			4.75%
	Net residual land value							£328,954
2.3	Build Costs							
2.3.1	Private units		No. of units	Sq.m per unit	Total sq.m		Cost per sq.m	Total Costs
	Flats –		3	76	212.8		£1,168	£248,550.40
	Houses –		0	0	0		£938	£0.00
			3		212.8			
2.3.2	Affordable unit		No. of units	Total sq.m	Total sq.m		Cost per sq.m	Total Costs
	Flats		1	76	91.2		£1,168	£106,521.60
	Houses		0	0	0		£938	£0.00
			1		91.2			
			4		304			£355,072
2.4	Externals							
2.4.1	Plot external		15%					£53,261
2.4.2	CO2 reduction		£0	per unit				£0
2.4.3	Lifetime homes		£0	per unit				£0
								£53,261
2.5	Professional Fees							
2.5.1	as percentage of build costs		8%					£32,667
								£32,667
2.6	Contingency							
2.6.1	Based upon percentage of construction costs		5%					£17,754
								£17,754
2.7	Developer contributions							
2.7.1	Site specific S106		£1,000	per unit				£4,000
2.7.2	CIL low		£120	per sq.m				
2.7.3	Landscape management		£0	per unit				£0
	Total developer contributions							£4,000
2.8	Sale cost							
2.8.1	Legals -		£500					£2,000
2.8.2	Sales agents fee -		1.25%					£12,995
2.8.3	Marketing cost -		£1,000	per unit				£2,800
								£17,795
	TOTAL DEVELOPMENT COSTS							£825,907
3.0	Developers' Profit							
3.1	Based upon percentage of gross development value		Rate					
	Private -		20%					£167,676
	Affordable -		6%					£12,073
								£179,748
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£1,005,655
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£33,935
4.00	Finance Costs			APR			PCM	
				7.00%			0.565%	-£33,935
	TOTAL PROJECT COSTS [INCLUDING INTEREST]							

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APPENDIX B COMMERCIAL VIABILITY APPRAISALS

Peter Brett Associates

Development Appraisal

Chichester - Care Home

Report Date: 12 August 2014

Chichester - Care Home

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	
	60	£8,500	510,000	510,000	
Investment Valuation					
Current Rent	510,000	YP @	8.0000%	12.5000	6,375,000
GROSS DEVELOPMENT VALUE				6,375,000	
Stamp Duty		4.00%	(255,000)		
NET DEVELOPMENT VALUE				6,120,000	
NET REALISATION				**6,120,000**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (0.40 Ha £2,801,643.32 pHect)			1,120,657		
Stamp Duty		4.00%	44,826		
Agent Fee		1.00%	11,207		
Legal Fee		0.75%	8,405		
				1,185,095	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
	2,400.00	£1,178.00	2,827,200	**2,827,200**	
Contingency		5.00%	141,360		
Externals		15.00%	424,080		
				565,440	
PROFESSIONAL FEES					
Professional Fees		8.00%	226,176		
				226,176	
DISPOSAL FEES					
Sales Agent Fee		1.00%	61,200		
Sales Legal Fee		0.75%	45,900		
				107,100	
FINANCE					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			77,877		

Chichester - Care Home

Construction		111,111	
Total Finance Cost			188,989
TOTAL COSTS			**5,100,000**
PROFIT			
			1,020,000
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.00%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	10.00%		
Equivalent Yield% (Nominal)	8.00%		
Equivalent Yield% (True)	8.42%		
IRR	41.19%		
Rent Cover	2 yrs		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Student Accommodation - 60 beds

Report Date: 12 August 2014

APPRAISAL SUMMARY	PETER BRETT ASSOCIATES

Student Accommodation - 60 beds

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
	60	719.88	£422.57	£5,070	212,940	304,200	212,940

Investment Valuation					
Current Rent	212,940	YP @	6.6000%	15.1515	3,226,364
GROSS DEVELOPMENT VALUE				3,226,364	
Purchaser's Costs		5.75%	(185,516)		
NET DEVELOPMENT VALUE				3,040,848	
NET REALISATION				**3,040,848**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (0.20 Ha £3,266,042.93 pHect)			653,209		
Agent Fee		1.00%	6,532		
Legal Fee		0.75%	4,899		
				664,640	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
	1,028.40	£1,367.00	1,405,823	**1,405,823**	
Contingency		5.00%	70,291		
				70,291	
Other Construction					
Externals		10.00%	140,582		
				140,582	
PROFESSIONAL FEES					
Professional Fees		10.00%	154,641		
				154,641	
FINANCE					
Debit Rate 7.000% Credit Rate 7.000% (Nominal)					
Land			43,676		
Construction			54,387		
Total Finance Cost				98,063	

Student Accommodation - 60 beds

TOTAL COSTS		2,534,039
PROFIT		506,808
Performance Measures		
Profit on Cost%	20.00%	
Profit on GDV%	15.71%	
Profit on NDV%	16.67%	
Development Yield% (on Rent)	8.40%	
Equivalent Yield% (Nominal)	6.60%	
Equivalent Yield% (True)	6.88%	
IRR	39.71%	
Rent Cover	2 yrs 5 mths	
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths	

Peter Brett Associates

Development Appraisal

Chichester - Offices - 929 sq m

Report Date: 12 August 2014

APPRAISAL SUMMARY

PETER BRETT ASSOCIATES

Chichester - Offices - 929 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Office space	1	789.65	£151.00	£119,237	119,237	119,237

Investment Valuation					
Office space					
Market Rent	119,237	YP @	7.5000%	13.3333	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	7.5000%	0.9645	1,533,367
GROSS DEVELOPMENT VALUE				1,533,367	
Purchaser's Costs		5.75%	(88,169)		
NET DEVELOPMENT VALUE				1,445,198	
NEGATIVE LAND ALLOWANCE					
Residualised Price			417,994		
				417,994	
NET REALISATION				**1,863,193**	

OUTLAY

ACQUISITION COSTS				
Negative Land Allowance			(417,994)	
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Office space	929.00	£1,280.00	1,189,120	**1,189,120**
Contingency		5.00%	59,456	
				59,456
Other Construction				
Other Construction		5.00%	59,456	
				59,456
PROFESSIONAL FEES				
Professional Fees		8.00%	99,886	
				99,886
MARKETING & LETTING				
Marketing			10,000	
Letting Agent Fee		10.00%	11,924	

Chichester - Offices - 929 sq m

Letting Legal Fee	5.00%	5,962	
			27,886
DISPOSAL FEES			
Sales Agent Fee	1.00%	14,452	
Sales Legal Fee	0.50%	7,226	
			21,678
Additional Costs			
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		(21,409)	
Construction		43,228	
Letting Void		73,360	
Total Finance Cost			95,179
TOTAL COSTS			**1,552,661**
PROFIT			
			310,532
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	20.25%		
Profit on NDV%	21.49%		
Development Yield% (on Rent)	7.68%		
Equivalent Yield% (Nominal)	7.50%		
Equivalent Yield% (True)	7.87%		
IRR	29.92%		
Rent Cover	2 yrs 7 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Industrial - 3,500 sq m

Report Date: 12 August 2014

APPRAISAL SUMMARY	PETER BRETT ASSOCIATES

Chichester - Industrial - 3,500 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Industrial	1	3,500.00	£70.00	£245,000	245,000	245,000

Investment Valuation					
Industrial					
Market Rent	245,000	YP @	8.0000%	12.5000	
(0yrs 8mths Unexpired Rent Free)		PV 0yrs 8mths @	8.0000%	0.9500	2,909,334
GROSS DEVELOPMENT VALUE				2,909,334	
Purchaser's Costs		5.75%	(167,287)		
NET DEVELOPMENT VALUE				2,742,047	
NET REALISATION				**2,742,047**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			201,982		
Stamp Duty		4.00%	8,079		
Agent Fee		1.00%	2,020		
Legal Fee		0.50%	1,010		
				213,091	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Industrial	3,500.00	£429.00	1,501,500	**1,501,500**	
Contingency		5.00%	75,075		
				75,075	
Other Construction					
Other Construction		5.00%	75,075		
				75,075	
PROFESSIONAL FEES					
Architect		8.00%	126,126		
				126,126	
MARKETING & LETTING					
Marketing			15,000		
Letting Agent Fee		10.00%	24,500		
Letting Legal Fee		5.00%	12,250		

Chichester - Industrial - 3,500 sq m

			51,750
DISPOSAL FEES			
Sales Agent Fee	1.00%	27,420	
Sales Legal Fee		5,000	
			32,420
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		10,097	
Construction		39,446	
Letting Void		147,608	
Other		12,851	
Total Finance Cost			210,002
TOTAL COSTS			**2,285,039**
PROFIT			
			457,008
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	15.71%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	10.72%		
Equivalent Yield% (Nominal)	8.00%		
Equivalent Yield% (True)	8.42%		
IRR	20.79%		
Rent Cover	1 yr 10 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Convenience Retail - 465 sq m

Report Date: 12 August 2014

APPRAISAL SUMMARY
PETER BRETT ASSOCIATES

Chichester - Convenience Retail - 465 sq m

Summary Appraisal for Phase 1

REVENUE							
Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Convenience Retail	1	465.00	£234.00	£108,810	108,810	108,810
Investment Valuation						
Convenience Retail						
Market Rent	108,810	YP @	4.7500%	21.0526		
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	4.7500%	0.9771	2,238,196	
GROSS DEVELOPMENT VALUE				2,238,196		
Purchaser's Costs		5.75%	(128,696)			
NET DEVELOPMENT VALUE				2,109,500		
NET REALISATION				**2,109,500**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price (0.10 Ha £7,965,246.65 pHect)			796,525			
Stamp Duty		4.00%	31,861			
Agent Fee		1.00%	7,965			
Legal Fee		0.50%	3,983			
				840,334		
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Convenience Retail	465.00	£1,171.00	544,515	**544,515**		
Contingency		5.00%	27,226			
External works		10.00%	54,451			
				81,677		
Other Construction						
Other Construction		10.00%	54,451			
section 106			5,000			
				59,451		
PROFESSIONAL FEES						
Professional Fees		8.00%	47,917			
				47,917		
MARKETING & LETTING						
Letting Agent Fee		10.00%	10,881			

Chichester - Convenience Retail - 465 sq m

Letting Legal Fee	5.00%	5,441	
			16,322
DISPOSAL FEES			
Sales Agent Fee	1.00%	21,095	
Sales Legal Fee	0.50%	10,548	
			31,643
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		55,222	
Construction		22,523	
Letting Void		58,313	
Total Finance Cost			136,058
TOTAL COSTS			**1,757,917**
PROFIT			
			351,583
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	15.71%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	6.19%		
Equivalent Yield% (Nominal)	4.75%		
Equivalent Yield% (True)	4.89%		
IRR	23.40%		
Rent Cover	3 yrs 3 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Convenience Retail - 4,000 sq m

Report Date: 12 August 2014

APPRAISAL SUMMARY

PETER BRETT ASSOCIATES

Chichester - Convenience Retail - 4,000 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary				**Initial**	**Net Rent**	**Initial**
	Units	**m²**	**Rate m²**	**MRV/Unit**	**at Sale**	**MRV**
Convenience Retail	1	4,000.00	£234.00	£936,000	936,000	936,000
Investment Valuation						
Convenience Retail						
Market Rent	936,000	YP @	4.2500%	23.5294		
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	4.2500%	0.9794	21,569,938	
GROSS DEVELOPMENT VALUE				21,569,938		
Purchaser's Costs		5.75%	(1,240,271)			
NET DEVELOPMENT VALUE				20,329,666		
NET REALISATION				**20,329,666**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price (1.33 Ha £5,867,436.90 pHect)			7,803,691			
Stamp Duty		4.00%	312,148			
Agent Fee		1.00%	78,037			
Legal Fee		0.50%	39,018			
				8,232,894		
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Convenience Retail	4,000.00	£1,398.00	5,592,000	**5,592,000**		
Contingency		5.00%	279,600			
External works		10.00%	559,200			
				838,800		
Other Construction						
Other Construction		10.00%	559,200			
section 106			10,000			
				569,200		
PROFESSIONAL FEES						
Professional Fees		8.00%	492,096			
				492,096		
MARKETING & LETTING						
Letting Agent Fee		10.00%	93,600			

APPRAISAL SUMMARY

PETER BRETT ASSOCIATES

Chichester - Convenience Retail - 4,000 sq m

Letting Legal Fee	5.00%	46,800	
			140,400
DISPOSAL FEES			
Sales Agent Fee	1.00%	203,297	
Sales Legal Fee	0.50%	101,648	
			304,945
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		541,017	
Construction		230,035	
Total Finance Cost			771,052
TOTAL COSTS			**16,941,387**
PROFIT			
			3,388,279
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	15.71%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	5.52%		
Equivalent Yield% (Nominal)	4.25%		
Equivalent Yield% (True)	4.37%		
IRR	34.99%		
Rent Cover	3 yrs 7 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Comparison Retail - 465 sqm

Report Date: 12 August 2014

Chichester - Comparison Retail - 465 sqm

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	371.98	£234.00	£87,044	87,044	87,044

Investment Valuation					
Retail					
Market Rent	87,044	YP @	4.8100%	20.7900	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	4.8100%	0.9768	1,767,639
GROSS DEVELOPMENT VALUE				1,767,639	
Purchaser's Costs		5.75%	(101,639)		
NET DEVELOPMENT VALUE				1,666,000	
NET REALISATION				**1,666,000**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (0.08 Ha £6,532,299.78 pHect)			522,584		
Agent Fee		1.00%	5,226		
Legal Fee		0.50%	2,613		
				530,423	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Retail	464.98	£1,171.00	544,492	**544,492**	
Contingency		5.00%	27,225		
				27,225	
Other Construction					
Other Construction		5.00%	27,225		
Section 106			5,000		
				32,225	
PROFESSIONAL FEES					
Professional Fees		8.00%	45,737		
				45,737	
MARKETING & LETTING					
Marketing			25,000		
Letting Agent Fee		10.00%	8,704		
Letting Legal Fee		5.00%	4,352		

Chichester - Comparison Retail - 465 sqm

			38,057
DISPOSAL FEES			
Sales Agent Fee	1.00%	16,660	
Sales Legal Fee	0.50%	8,330	
			24,990
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		34,856	
Construction		19,948	
Letting Void		90,382	
Total Finance Cost			145,186
TOTAL COSTS			**1,388,333**
PROFIT			
			277,667
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	15.71%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	6.27%		
Equivalent Yield% (Nominal)	4.81%		
Equivalent Yield% (True)	4.96%		
IRR	19.02%		
Rent Cover	3 yrs 2 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Comparison Retail - 929 sq m

Report Date: 12 August 2014

Chichester - Comparison Retail - 929 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	929.00	£285.00	£264,765	264,765	264,765

Investment Valuation					
Retail					
Market Rent	264,765	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	3,534,913
GROSS DEVELOPMENT VALUE				3,534,913	
Purchaser's Costs		5.75%	(203,258)		
NET DEVELOPMENT VALUE				3,331,656	
NET REALISATION				**3,331,656**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (0.30 Ha £5,055,102.85 pHect)			1,516,531		
Agent Fee		1.00%	15,165		
Legal Fee		0.50%	7,583		
				1,539,279	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Retail	929.00	£701.00	651,229	**651,229**	
Contingency		5.00%	32,561		
				32,561	
Other Construction					
Other Construction		10.00%	65,123		
Section 106			10,000		
				75,123	
PROFESSIONAL FEES					
Professional Fees		8.00%	57,308		
				57,308	
MARKETING & LETTING					
Marketing			25,000		
Letting Agent Fee		10.00%	26,477		
Letting Legal Fee		5.00%	13,238		

APPRAISAL SUMMARY				PETER BRETT ASSOCIATES

Chichester - Comparison Retail - 929 sq m

			64,715
DISPOSAL FEES			
Sales Agent Fee	1.00%	33,317	
Sales Legal Fee	0.50%	16,658	
			49,975
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		101,152	
Construction		25,061	
Letting Void		179,976	
Total Finance Cost			306,190
TOTAL COSTS			**2,776,380**
PROFIT			
			555,276
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	15.71%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	9.54%		
Equivalent Yield% (Nominal)	7.00%		
Equivalent Yield% (True)	7.32%		
IRR	18.38%		
Rent Cover	2 yrs 1 mth		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

APPENDIX C OFFSITE AFFORDABLE HOUSING

1. Introduction

18.15 In this appendix we have provided guidance to Chichester District Council on

- Developing a mechanism to calculate off-site financial contributions in lieu of onsite affordable housing.
- A rural exception site viability.

18.16 This report must be read alongside the main body of the Plan Viability and Community Infrastructure Levy (CIL) evidence base work. It shares a viability methodology and development appraisal assumptions. It is reliant on the same market evidence base. The reader should refer to this companion document for more detail in these areas.

2. Policy Content

Introduction

1. In this section, we put this advice on off-site contributions in context.

The changing national policy context

National Planning Policy Framework

2. Policy 50 of the NPPF states that local planning authorities should, where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

Possible changes to national policy on small sites

3. In the Autumn Statement of December 2013, the Chancellor of the Exchequer announced that the Government would publish a consultation paper on proposals to introduce a 10-unit threshold for Section 106 affordable housing contributions in order to "reduce costs for small house builders".[64]

4. In the 2013 Budget, the government stated that every new home in Britain would have to be constructed to be zero carbon from 2016. But the 2014 Queen's Speech announced that homes built on "small sites" will now be exempt from this standard.

5. We have not taken account of these changes here, because we do not yet know how these alterations will work in practice.

The effects of affordable housing policy changes on viability

6. There have been alterations to national affordable housing policy which have significant implications for the delivery of affordable housing. The principal alterations are as follows.

- Before policy changes, social rents were fixed by central Government. When affordable housing was provided through S106 agreements, the developer would transfer the ownership of units to a Registered Provider at a discount to the market value of the unit. Typically, this discount would reflect the availability of grant and capitalised rental values.
- Historically, much of the affordable housing programme benefited from grant assistance from the Housing Corporation and subsequently the Homes and Communities Agency.
- From April 2010, S106 schemes are no longer eligible for grant. To compensate in part for the removal of grant, the newly introduced Affordable Rent model does not

[64] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295035/140320_Planning_Performance_and_Planning_Contributions_-_consultation.pdf

use rents that are set centrally by Government. Instead, the Affordable Rent model sets rents at a percentage of local market rents. These rents are higher than those prevailing under the social rent policy. Because rents are higher, the units produced as part of new housing schemes are more valuable. When units are transferred from the developer to the Registered Provider, transfer rates are raised, compared to a no-grant scenario.

- However in the absence of grant funding the financial burden of affordable housing subsidy on S106 schemes now falls almost entirely on the private sector (landowners and developers). Despite the benefits offered by the Affordable Rent product, the wider financial burden on the Registered Provider and the private sector has resulted in a general fall in financial transfer rates from the private to the public sector for such products and introduced significantly increased risks for RPs.

7. This policy change has significant implications to the development process, particularly in high value, high rent locations. The policy shift from social rents to affordable rents is double edged.

- On the one hand, the policy shift improves the viability of developments. Developers receive a higher proportion of the open market value of their units compared to a social rent scenario. Their receipts are therefore higher (though perhaps not enough to offset the loss of grant which enabled RSL's to bid more for affordable units). Compared to a social rent scenario, this means that developers of a given scheme will be able to produce more affordable units (because they receive higher receipts for the units produced); but
- On the other hand, occupiers will have to pay more rent for the housing they use. In areas with high market rents, the discount from market rents that tenants receive may create increased dependency upon Housing Benefit.
- Within Chichester the impact of affordable rents may be more limited which in turn could impact on transfer rates from private development. Many RP's are still adapting to the 'no grant' world which means they need to devise new forms of development finance. This is perhaps more of a challenge for small and medium sized RSLs who have traditionally operated in Chichester. There are also concerns within this sector on the ability of qualifying tenants to meet to higher affordable rents compared to a social rent. As a consequence we have been conservative in our assessment in transfer rates reflecting the current state of the social housing sector.

The effects of HCA design standards

8. The Homes and Communities Agency sets minimum design standards for schemes to qualify for grant funding and for approval as Affordable Rent units. These standards include a minimum gross internal floor area requirement depending on the number of persons (measured by reference to Housing Quality Indicators) and Code for Sustainable Homes standards. This will not apply to the 2015-18 programme

9. The Council will need to consider whether it wishes to include a planning policy specifying that all S106 rented dwellings must comply with the HCA minimum

standards thereby enabling the Registered Provider to charge affordable rents (despite there being no grant going into the dwellings). The Council may need to be mindful of the need to require HCA standards (particularly on any future large scale development) if a Registered Provider is to be able to offer affordable rented dwellings.

The changing local policy context

Historic offsite affordable housing policy

10. Offsite affordable housing is permissible under the existing Local Plan (this document is in the process of being replaced but only in exceptional circumstances)[65]. In the 2004 document, offsite affordable housing is to be provided either as an alternative site provided by the developer or in the form of a commuted sum. In the 2004 document, the method of calculation is set out in Appendix 7 together with the District Valuer's guidance notes. Five different housing value bands were to be used in calculating the right amount of affordable housing.

11. The method is not aligned to the CIL charge structure. Given the importance of the CIL charge to new policy, it is important to get a unified approach where affordable housing policy integrates with the CIL charge effectively.

A possible alternative mechanism

Criteria for contributions for off-site provision

12. The NPPF allows local authorities to determine policies which set out requirements for provision of on-site affordable housing and setting criteria based on locally agreed minimum thresholds for different sub area or settlements. No other guidance or criteria are included in the NPPF on how any threshold or commuted sum should be set. It is left to the local authority to come to a considered approach based on their local circumstances.

A suggested streamlined approach

13. The policy set out here attempts to streamline the calculation of financial contributions to off-site affordable housing.

14. We have adopted the general approach taken by the Community Infrastructure Levy policy, in that we suggest a contribution to off-site affordable housing based on the floorspace of private housing produced.

15. The approach taken here is intended to dovetail with the Community Infrastructure Levy financial viability calculations undertaken.

16. Our objectives are to:

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[65] Chichester District Council, December 2004 *The Provision of Service Infrastructure Part 2* para 4.49 http://www.chichester.gov.uk/index.cfm?articleid=5084

- Reduce the market distortion of land values which can result from a policy "cliff edge". This can arise when certain developments pay no affordable housing contribution, whilst fractionally larger developments have a greater burden.
- Remove the financial incentive to developers to provide fewer units on site. This can arise when developers try to keep the number of units on a site underneath an affordable housing policy threshold.
- Ensure that Chichester DC is able to obtain contributions towards affordable housing on all, rather than some, of their sites wherever viable.
- Ensure that any affordable housing offsite contributions do not threaten the viability of the development described in the Local Plan. As explained in the main CIL viability report, we have attempted to ensure that development remains deliverable after affordable housing, CIL, and other policy costs have been taken into account.

3. Viability analysis method

Method

1. The method used in this study is very closely related to the method used in the main Community Infrastructure Levy (CIL) evidence base work. It shares a viability methodology and development appraisal assumptions, and is reliant on the same market evidence base. It is therefore not useful to reiterate this method here.

2. The reader should refer to main CIL evidence base work for more detail on methods used. Below, we have confined ourselves to discussing the most assumptions made.

Residential scenarios tested

3. To assess the capacity of different types of development to pay an affordable housing contribution in Chichester, we have produced indicative development appraisals of hypothetical schemes.

4. This mix of development scenarios was selected in discussion with the client group, making use of their local knowledge, to create a representative but focused profile of residential likely to come forward in the area for the foreseeable future.

5. We have used the same generic testing scenarios as employed in the main report. Although smaller schemes would potentially be the main generator of offsite contributions, we have found with our research that these projects tend to be the most viable. We therefore do not see any viability issues with the vast majority of smaller projects in Chichester.

Affordable housing proportion assumed

6. The affordable housing analysis has been tested at a rate of 30% contribution. This is because:

   - We wished to keep the off-site contribution consistent with the on-site affordable housing percentages assumed in the main body of the CIL evidence base.
   - This rate of affordable housing contribution is consistent with the headline affordable housing policy for Chichester.
   - Adopting a different level for offsite affordable housing (for example lower than the 30%) for offsite contributions will distort the housing market by either leading to higher land prices or incentivising developers to pursue an offsite financial solution.

7. Market conditions constantly change. This report has been based on costs and values during the third quarter of 2012, using updated viability testing assumptions as part of the 2014 Draft Charging Schedule work.

Size and quality of affordable housing provision

8. In our viability appraisals, we have examined a broad range of schemes which could be provided by the private sector. We have assumed that the affordable housing produced will be of a similar size and standard to that produced for private sale.

9. Generally speaking, then, there is no need for developers to attempt to produce smaller or cheaper provision than that provided to the market generally in order to hit the 30% affordable housing proportion assumed here.

CIL rate assumed

10. We assumed a CIL rate of £120 sq m on chargeable floorspace in the areas south of the national park and £200 sq m on development in the areas north of the national park.

11. This is in line with the assumptions made in the main body of the CIL evidence base report.

Calculating the cost of off-site affordable housing provision

12. The scale of the contribution that developers should make for off-site affordable housing is derived from the projected opportunity cost of affordable housing provision to the developer. The opportunity cost will equate to the cost of re-provision of affordable housing off-site.

13. The details are as follows:

- We begin with the open market sales value of a house/flat. The sales values we use here align with the sales values assumed in the main body of the CIL evidence base report.
- We then calculate the open market sales value of the development scenario considered.
- Using the open market sales value as a basis, we then calculate the Supportable Transfer Value (STV) of an affordable housing unit. This sum represents what a Housing Association (HA) or Registered Provider (RP), can be realistically expected to pay for such units if transferred from the development at the stated affordable housing proportion. On the current market evidence we have available, units are transferred from private developers to Registered Providers at 50-55% of open market values.
- This opportunity cost is expressed as a rate per square metre of the gross floorspace provided in the development.

4. Viability analysis findings

1. Presentation of findings are in figure 18.1 below. The table summarises the residential development appraisals. Individual detailed appraisals are at Appendix 4 below.
2. Our objective in these summary tables is to investigate each notional development scenario. We are seeking to ensure that the cumulative policy costs of CIL, S106 and an offsite affordable housing contribution at a given rate retain development viability.
3. Given the uncertainties surrounding viability appraisal, it is of course an approximate number, surrounded by a wide margin of uncertainty. We take account of this uncertainty in our recommendations.
4. Reading the tables from left to right, successive columns are as follows:

   a) Number and type of units: self-explanatory.

   b) Net site area (ha): self-explanatory.

   c) Density: this is the density in dwellings per ha of the development as a whole. This includes both market and affordable housing.

   d) Total and Chargeable floorspace: total floorspace shows the total private and affordable housing space created. Chargeable floorspace shows the floorspace within the scheme liable for a CIL charge (this is the private housing only; affordable housing is not liable for CIL).

   e) Residual value before policy contributions - £ per hectare, and £ per sq m: The residual value is produced by an indicative appraisal before S106, affordable housing, CIL and all other policy costs have been taken into account. The method and assumptions used in this appraisal to arrive at this number are described in the report. Briefly, the residual site value is the difference between the value of the completed development and the cost of that development, and developer's profit.

   f) Benchmark land value per ha and per sq m: the estimated minimum a developer would typically need to pay to secure a site of this kind, expressed in £ per ha or divided by its chargeable floorspace. Note that the difference between e) and f) represents the amount of money which is available to pay for policy requirements.

   g) Cost of S106: this is the cost of the S106 requirements (excluding affordable housing) expressed as a rate per ha and per square metre. This sum is assumed to pay for small scale site-specific infrastructure requirements.

   h) Cost of affordable housing: this is the cost of affordable housing per ha and per sq m, at the stated rate of affordable housing requirement. It is the column which we use to derive a recommended rate of offsite provision, although they do not precisely mirror the rate shown.

   i) CIL: this is the amount of money which the tested rate of CIL requires to be paid, per ha and per sq m.

   j) Buffer: as we explain in the main CIL evidence base report, the lack of precision in all development appraisals, and individual site variances, mean that it is important not to extract all theoretically conceivable development value from these indicative schemes

k) to pay for policy costs. This point is reiterated in Government guidance. This column indicates the size of that 'buffer'. This column has a further valuable application, in that it would indicate when a site was unviable. In these instances, a minus number would be recorded.

Interpreting the summary table

5. Our calculations shown in Table 18-1 below show the cost of off-site provision of affordable housing at 30%, assuming CIL at £120 sq m in the area south of the national park and £200 sq m in the area north of the national park. We have also allowed for S106 payments for small-scale local infrastructure.

6. Using these assumptions, we can see from the table that all developments are viable, because each scheme has a 'buffer' sum which can be used by developers to cope with the margin of error, which is inevitably required in these types of calculations. This margin of error might be created by abnormal site conditions, adverse market movements, and unaccounted for contingencies.

7. Other baseline tests of higher affordable housing requirements (not shown here) either render sites straightforwardly unviable, or bring a number of viable development scenarios close to unviability.

Table 18-1 Chichester financial summary volume house-building scenarios (assuming off-site contributions equivalent to 30% affordable housing and CIL at £120 sq m in the area south of the national park and £200 sq m in area north of the national park.)

				Floor Space per sq.m		Residual land value policy off		Benchmark		Cost of S.106		Cost of affordable		Cost of CIL		Policy Overage	
	No of dwellings	Net site area ha	Density	GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm CIL Chargeable
South of NP																	
Houses –	4	0.11	35	360	252	£3,788,866	£1,203	£2,470,000	£784	£35,000	£11	£1,372,140	£436	£264,600	£120	£166,045	£75
Houses –	5	0.14	35	450	315	£3,728,128	£1,184	£2,470,000	£784	£35,000	£11	£1,372,140	£436	£264,600	£120	£105,306	£48
Houses –	9	0.26	35	810	567	£3,676,409	£1,167	£2,470,000	£784	£35,000	£11	£1,372,140	£436	£264,600	£120	£53,587	£24
Houses –	10	0.29	35	900	630	£3,666,181	£1,164	£2,470,000	£784	£35,000	£11	£1,372,140	£436	£264,600	£120	£43,359	£20
Houses –	50	1.43	35	4,500	3,150	£3,666,181	£1,164	£2,470,000	£784	£35,000	£11	£1,372,140	£436	£264,600	£120	£43,359	£20
Houses –	100	2.86	35	9,000	6,300	£3,666,297	£1,164	£2,470,000	£784	£35,000	£11	£1,372,140	£436	£264,600	£120	£43,476	£20
Flats -	4	0.04	100	304	213	£5,824,401	£766	£2,750,000	£362	£100,000	£13	£3,069,792	£404	£638,400	£120	£427,148	£80
Flats -	6	0.06	100	456	319	£5,656,869	£744	£2,750,000	£362	£100,000	£13	£3,069,792	£404	£638,400	£120	£259,616	£49
Flats -	12	0.12	100	912	638	£5,676,524	£747	£2,750,000	£362	£100,000	£13	£3,069,792	£404	£638,400	£120	£279,271	£52
Flats -	24	0.24	100	1,824	1,277	£5,628,919	£741	£2,750,000	£362	£100,000	£13	£3,069,792	£404	£638,400	£120	£231,667	£44
North of NP																	
Houses –	4	0.11	35	360	252	£5,571,440	£1,769	£3,600,000	£1,143	£35,000	£11	£1,713,096	£544	£441,000	£200	£430,206	£195
Houses –	5	0.14	35	450	315	£5,540,292	£1,759	£3,600,000	£1,143	£35,000	£11	£1,713,096	£544	£441,000	£200	£399,057	£181
Houses –	9	0.26	35	810	567	£5,463,433	£1,734	£3,600,000	£1,143	£35,000	£11	£1,713,096	£544	£441,000	£200	£322,199	£146
Houses –	10	0.29	35	900	630	£5,448,233	£1,730	£3,600,000	£1,143	£35,000	£11	£1,713,096	£544	£441,000	£200	£306,999	£139
Houses –	50	1.43	35	4,500	3,150	£5,448,233	£1,730	£3,600,000	£1,143	£35,000	£11	£1,713,096	£544	£441,000	£200	£306,999	£139
Houses –	100	2.86	35	9,000	6,300	£5,448,407	£1,730	£3,600,000	£1,143	£35,000	£11	£1,713,096	£544	£441,000	£200	£307,172	£139
Flats -	4	0.04	100	304	213	£10,471,830	£1,378	£4,120,000	£542	£100,000	£13	£3,952,357	£520	£1,064,000	£200	£2,730,182	£513
Flats -	6	0.06	100	456	319	£10,275,156	£1,352	£4,120,000	£542	£100,000	£13	£3,952,357	£520	£1,064,000	£200	£2,533,508	£476
Flats -	12	0.12	100	912	638	£10,420,256	£1,371	£4,120,000	£542	£100,000	£13	£3,952,357	£520	£1,064,000	£200	£2,678,609	£503
Flats -	24	0.24	100	1,824	1,277	£10,332,870	£1,360	£4,120,000	£542	£100,000	£13	£3,952,357	£520	£1,064,000	£200	£2,591,222	£487

5. Recommending a commuted sum charge

6. We suggest that the Council adopts a charge of between £300 and £350 per sq m on the gross floorspace provided for offsite affordable housing contributions. Broadly speaking, this will create funding sufficient to 'buy' offsite affordable housing at the stated rate. We cannot be *certain* that this will be the case, because much depends on factors such as affordable housing policy, transfer rates, sales values and land values.

7. Our recommendations do not precisely mirror the findings in the 'Cost of Affordable' column in table 4.1. This is because these rates are based on broad approximations of the cost of the re-provision of affordable housing, based on private market sales data and affordable housing transfer rates in mid-late 2012. Individual schemes will always have variations, and it is important to allow a margin of error that can cope with these market uncertainties. We have also allowed for a 'buffer' sum that also helps developers deal with these market uncertainties.

8. Our calculations suggest that a charge at the recommended rate will

   - Support the provision of off-site affordable housing at a rate equivalent to that of 30% housing onsite;
   - Allow the payment of CIL and other policy costs;
   - Retain the overall deliverability and viability of development in the area; and
   - Allow for sufficient 'buffer' to cope with short term adverse changes in housing markets, site specific circumstances, and unaccounted for contingencies.

9. The introduction of a standard offsite contribution for affordable housing will create a straightforward and transparent charge.

10. We note that all affordable housing contributions remain negotiable. However, we understand that the local authority take its responsibility to obtain affordable housing seriously.

APPENDIX D RURAL EXCEPTION SITES

1. A development plan or a development plan document may allow for the development of small sites within rural areas solely for affordable housing, based on a defined local need. These are known as rural exception sites. Rural exception sites may adjoin the settlement boundary of a village (village envelope) or within villages with no settlement boundaries where residential development is permitted as an exception to normal planning policy.

2. Development of exception sites can be a complex and lengthy process and not all Registered Providers (RPs) are prepared to invest in such accommodation. The future use of such housing is restricted to social housing in perpetuity and this has an impact on long term management and investment plans of RPs.

3. Historically within Chichester rural exception housing has not been delivered without a public subsidy. Market housing has been used in local authority areas but this would not be acceptable in policy terms within this District. In support of continued help and investment in this sector, we have tested the viability of a range of typical rural exception site developments.

4. Our approach has been to calculate the level of gap funding required to make a rural exception site viable. By 'gap funding', we mean the amount of income funding required to move a scheme from being unviable to viable for an RP to proceed with. This has been calculated through appraising the scheme with 100% affordable housing. This results in a negative land value after the costs of land is deducted, because it costs more to buy land and build the units then the return received from the completed scheme. This negative value is converted into a cost per unit, and equates to the level of grant funding required to move the scheme from a negative viability to neutral.

5. Developing a rural exception site is different from a typical allocated greenfield site for market housing for many reasons. Development costs, sales /investment values and land prices are all different. To reflect this different market our assumptions in our development appraisals have changed in the following areas.

   - Land values. In the era of grant funding being available, land values were typically set at between £10,000 to £12,000 per plot. This reflects that these sites can only come forward for affordable housing. Although the value per plot is significantly below market value for a site with residential consent (representing the impact affordable housing has on capital value), it is higher than agricultural values. For the purposes of our testing we have used a price of £12,000 per plot which equates to £420,000 per hectare on a housing site at 35 dwph and £6,000 per plot on a flatted scheme at 100 dwph, which equates to £600,000 per hectare.
   - Build costs have been adjusted to reflect the units being a 'one off' type dwelling rather than volume house builder type product. To reflect this, we have used BCIS costs for 'One-off' housing semi-detached (3 units or less) at £1,154sq m. For flats we have adopted a figure of £1,344

- Consultation with the main Register Provider in Chichester indicates that developing rural exception sites often involves incurring abnormal development costs. An analysis of relevant cases studies shows that these costs can vary between £4,200 to £12,000 per unit. Due to the nature of potential rural sites in Chichester we have adopted a conservative approach and used the higher sum of £12,000 in our viability testing.
- Consultations with Register Providers and the HCA indicates that professional fees are higher for rural exception sites due to a higher level of consultation with residents and a potentially greater assessment of ecological impact. In our viability testing for rural exception sites we have assumed 12% for professional fees.
- When delivering rural exception sites the scheme has to absorb the Register Providers costs (including on-costs, legal fees and interest charges). These vary from provider to provider and scheme to scheme but generally around 15%. This has been adopted in our viability testing.
- The Rural Housing Economic Viability Toolkit report July 2010 published by Homes & Communities Agency and Scott Wilson provides case studies of rural exception developments throughout the country. These case studies provide the headline figures in the development appraisals. These development appraisals show a profit margin of 15% on development costs which is a different calculation of profit margin used in out our viability testing. We have used the 15% margin in the viability testing for the rural exception policy.

RESULTS OF RURAL EXCEPTION TESTING

1. The results of the viability testing shows that the grant funding requirement (subsidy) in the area South of the National Park is in the region of £40,000 per house and £59,000 per flat. In National Park and High Value area where affordable housing commands a greater value, the grant required is lower, circa £8,000 per house and £29,000 per flat.

2. We understand that flatted development on rural exception sites is very rare. Usually only 1-2 units per scheme in an upper and lower maisonette style development. We would therefore expect the grant numbers for houses to be the most relevant.

			Density	Floor Space per sq.m		Residual land value		Benchmark		Grant funding requirement	
	No of dwellings	Net site area ha		GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm GIA	Per Ha	Per £psm GIA	Per Ha	Per unit
South of NP											
Houses –	4	0.114	35	360	0	-£1,028,009	-£326	£420,000	£133	-£1,448,009	-£41,371.67
Houses –	5	0.143	35	450	0	-£1,023,414	-£325	£420,000	£133	-£1,443,414	-£41,240.41
Houses –	9	0.257	35	810	0	-£1,011,685	-£321	£420,000	£133	-£1,431,685	-£40,905.29
Houses –	10	0.286	35	900	0	-£1,009,568	-£320	£420,000	£133	-£1,429,568	-£40,844.79
Houses –	50	1.429	35	4,500	0	-£1,009,568	-£320	£420,000	£133	-£1,429,568	-£40,844.79
Houses –	100	2.857	35	9,000	0	-£1,005,934	-£319	£420,000	£133	-£1,425,934	-£40,740.97
Flats -	4	0.040	100	304	0	-£5,363,946	-£706	£600,000	£79	-£5,963,946	-£59,639.46
Flats -	6	0.060	100	456	0	-£5,333,580	-£702	£600,000	£79	-£5,933,580	-£59,335.80
Flats -	12	0.120	100	912	0	-£5,381,777	-£708	£600,000	£79	-£5,981,777	-£59,817.77
National Park and High Value											
Houses –	4	0.114	35	360	0	£135,575	£43	£420,000	£133	-£284,425	-£8,126.44
Houses –	5	0.143	35	450	0	£134,626	£43	£420,000	£133	-£285,374	-£8,153.55
Houses –	9	0.257	35	810	0	£132,284	£42	£420,000	£133	-£287,716	-£8,220.47
Houses –	10	0.286	35	900	0	£131,820	£42	£420,000	£133	-£288,180	-£8,233.70
Houses –	50	1.429	35	4,500	0	£130,479	£41	£420,000	£133	-£289,521	-£8,272.03
Houses –	100	2.857	35	9,000	0	£126,680	£40	£420,000	£133	-£293,320	-£8,380.59
Flats -	4	0.040	100	304	0	-£2,338,261	-£308	£600,000	£79	-£2,938,261	-£29,382.61
Flats -	6	0.060	100	456	0	-£2,320,856	-£305	£600,000	£79	-£2,920,856	-£29,208.56
Flats -	12	0.120	100	912	0	-£2,350,879	-£309	£600,000	£79	-£2,950,879	-£29,508.79

3. We would stress that these appraisals are high level. We are of the opinion that nearly all rural exception sites will require some level of public subsidy in the current market. Nevertheless this will vary considerably from site to site and each one would ideally need to be tested on its own merits.

APPENDIX E CONSULTEES

List of Contributors

1. Natural England
2. Environment Agency
3. Chichester Harbour Conservancy
4. Southern Water

Landowners / Developers

5. Knightsbridge Estates
6. Crayfern Homes
7. Glenmore
8. Whiteheads
9. Taylor Wimpey
10. Linden Homes
11. Henry Adams

Agents

12. Flude Commercial
13. Henry Adams
14. Savills

Registered Providers

15. Affinity Sutton
16. A2 Dominion
17. Radian
18. Hyde Group