For:

Chichester District Council

Local Plan & CIL Viability Assessment

Stage 1 (Initial review phase 2019-2020)

Final Report

Finalised April 2021

DSP18563

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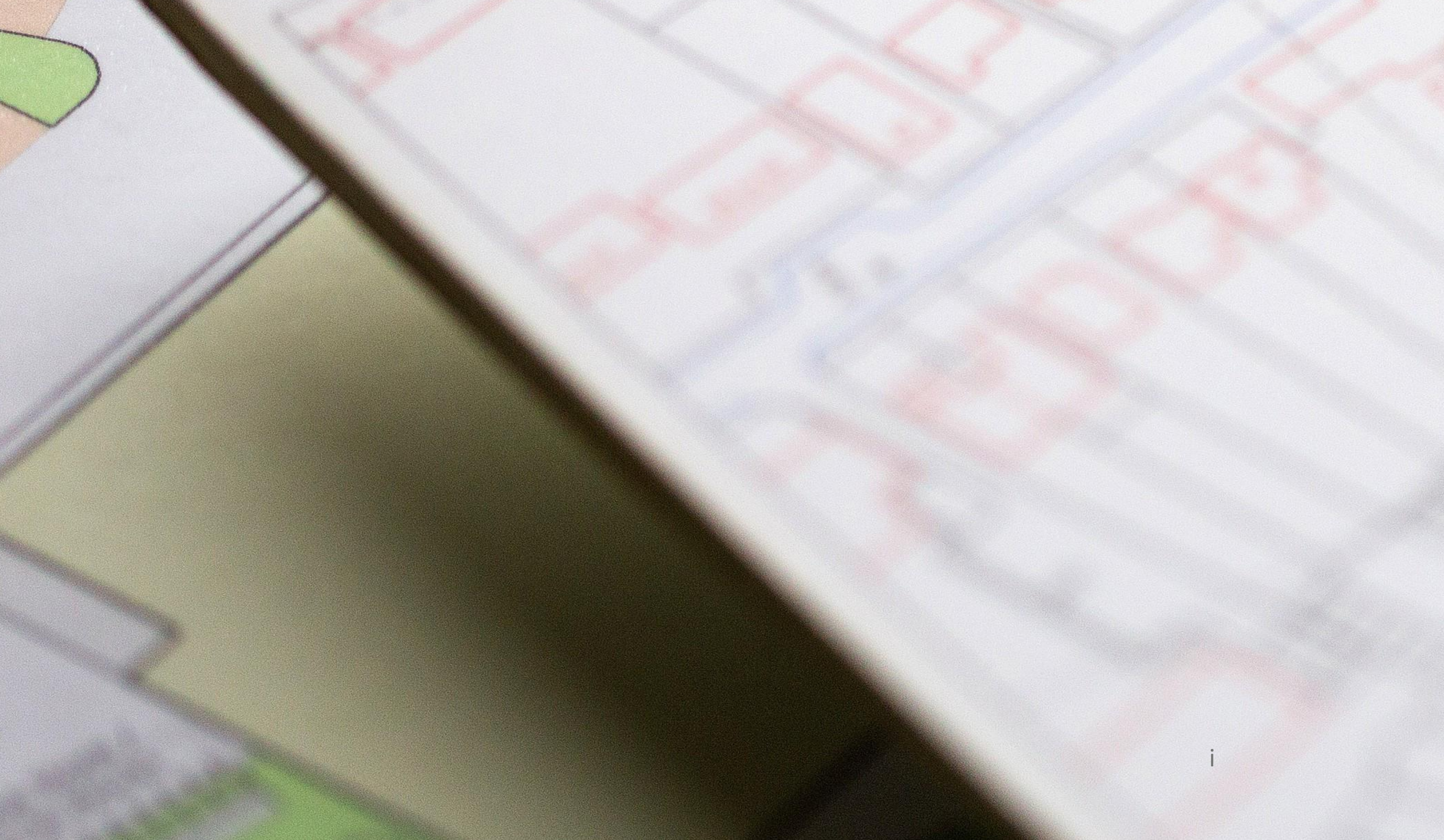


Executive Summary

Introduction

1. This summary aims to provide a brief overview of the full report that follows (Chichester District Council Local Plan Stage 1 Viability Assessment (DSP18563)). The overview set out here is not a substitute for the full detail in the report, which should also be referred to.

2. Chichester District Council (CDC) appointed Dixon Searle Partnership (DSP) to prepare the Viability Assessment as part of the wider evidence base informing a review of the Council's Local Plan (the Chichester District Local Plan Review or LPR) for the district as well as a potential review of the Council's Community Infrastructure Levy Charging Schedule (CIL CS) – adopted in February 2016.

3. Once adopted, the LPR will replace the current Local Plan (adopted in July 2015) and will direct the spatial strategy for increasing housing supply in the district balanced against key objectives of meeting affordable housing need, sustainable development & carbon reduction.

4. 'Viability' in the sense of this study refers to the financial "health" of development. This means that the study looks at the likely strength of the relationship between development values and costs, across a range of proposed development types.

5. In this way, the study approach and findings enable a review of the potential viability of Strategic Site Allocations alongside consideration of how much financial scope there is likely to be for developments in the district to support the provision of planning obligations (such as for the provision of affordable housing), development standards (such as relating to housing standards and sustainability) and infrastructure.

6. In terms of infrastructure to support the Development Plan, CDC has in place a Community Infrastructure Levy (CIL) charging schedule – implemented in 2016. The indexed CIL rates set out in the Council's adopted Charging Schedule are considered

as part of the overall costs of development within this assessment as are any changes that are considered necessary to support the Local Plan Review. The collective costs of development overall need to be considered and this viability evidence investigates both the viability of the current CIL (as indexed) as well as discussing the potential for any review.

7. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance.

8. The National Planning Policy Framework (NPPF) para 34 on *'Development contributions'* states*: 'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*

9. The Planning Practice Guidance (PPG) on 'Viability', published alongside the updated NPPF in July 2018 and most recently updated on 1st September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles.

10. The PPG on Viability follows this theme and states: '*These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development…Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.*

11. The national guidance on CIL is within the PPG too, which also contains other sections relevant to considering matters relating to plan making and development of various types.

Study (assessment) approach - methodology

12. Responding to the above, the well-established approach involves a method known as 'residual valuation'. This deducts estimated costs (using assumptions that reflect the usual costs of development e.g. build costs, fees, finance, marketing and sale costs and developer's profit) from the expected end value on sale of a scheme (the gross development value or 'GDV'). The approach produces a surplus, hence a 'residual' or (in some cases where viability is challenging) deficit that points to the amount that could be paid for the development land (site or premises to be developed).

13. A large number of these appraisals are undertaken across scenarios ('typologies') broadly reflecting anticipated development in the area. Testing has also been undertaken on specific Strategic Site Allocations. This approach allows varying potential levels of affordable housing, other planning policy costs and CIL charging to be tested for viability – collectively, as above.

14. The resulting 'residual land value' (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels being supportable (viable), and sites therefore being deliverable all in support of the Local Plan. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide an appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of 'Existing Use Value Plus' (EUV+) whereby the value of land is considered on an existing use basis and a level of uplift or premium is then added, as may be appropriate to secure a site for development – to take it out of its current use.

15. It is intended that this report is considered to be a preliminary stage assessment conducted at a point in time, with the main report aspects undertaken during the period 2019 to 2020. At the point of finalising this assessment in early 2021, the Council has begun the phase of revising and updating the proposed emerging

strategy with this preliminary viability assessment acting as a first stage of informing Plan development. The next stage of viability assessment will build on the key messages and outputs from this report based on the revised strategy with the wider moving context fully considered.

16. The full report and its Appendices set out the details of the approach to the assessment. This includes more on the principles, the assumptions used and their source, an outline of how development industry stakeholders have been consulted and the review and analysis of results leading to the findings; a brief overview as follows.

Findings – overview

Chichester District Local Plan Review

17. Bearing in mind that this study should be regarded as a preliminary assessment, our initial view is that the overall strategy and range of emerging policy requirements as reviewed so far have the potential to be supported viably. At a whole plan level, subject to further checks and potential refinements as the Council's work progresses, the approach appears to be capable of meeting the requirements of the NPPF and being consistent with the PPG.

18. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH). This is almost always the case and not just a feature in Chichester District. The reason for this is due to the fact that affordable housing development costs are essentially the same as for market housing, but in order to make ensure affordability to meet the local need, affordable housing creates a much lower level of value (typically around half of the market sale value overall when considering a mix of affordable housing tenure).

19. Viewed alongside other policies and assuming an affordable housing tenure split that includes, as a starting point, 1/3 affordable rent, 1/3 social rent and 1/3 intermediate tenures, we consider the following options to be viable at a Plan-wide level:

- **For major developments (except the SSAs) 40% AH on greenfield sites; 30% on PDL – applied district-wide**

This approach maintains a higher AH proportion on greenfield sites, whilst also acknowledging the often more challenging viability position presented on PDL in some circumstances, and especially for flatted based developments.

Or:

- **For major developments (except the SSAs) 40% AH target on both PDL and greenfield site types – district-wide**
  This option would be on the basis that the majority of residential development is planned on greenfield sites and that is represents an ambitious and challenging target on at least some PDL sites. Although this option may trigger potential viability challenge in some circumstances, we also note the opportunity for adaptable/flexible policy application relating to AH tenure which has been tested currently with an even split of social and affordable rent as a fixed input.

20. Linked to the above, it may also be relevant to consider that affordable housing tenure models change over time. For example, at the time of this writing this report, it appears that the Government is going to be confirming the requirement for 'First Homes' to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route in the form of shared ownership. Viability may not improve as a result of First Homes, but also appears unlikely to be significantly negatively affected by that proposed new model.

21. In terms of the SSAs at this stage, our overview of findings suggest that the SSAs are unlikely to support more than 30% AH in conjunction with the wider set of infrastructure and policy costs assumptions made to date including assumptions on key items such as A27 improvements, education, community uses, green infrastructure and SPA mitigation.

22. The report also presents information on the relative influences of other policy areas, for example in respect of enhanced accessibility and sustainability standards. This includes those policies that have potential direct cost impact on development

(although noting that in some cases there may be unquantified value / benefits also associated with the same policies) such as:

- Nationally described space standard (emerging policy DM2): appropriate dwelling sizes have been assumed and the approach considered to be viable.

- Open space requirements (emerging policy DM34): requirement for on-site provision should be viable, subject to any physical constraints that may need to be considered.

- Enhanced accessibility standards (emerging policy DM2 / DM16): approach considered relatively onerous but at this stage we consider this policy position to be viable based on the range of typologies tested.

- Water efficiency (consumption) standards (emerging policy DM16): nominal additional cost and therefore supportable in viability terms.

- Sustainable Design & Construction – Zero Carbon (emerging policy DM16): whilst an approach to including zero carbon related policy is likely to be supportable based on the review to date, this will be an element to consider further with the details to be reviewed and with the aim of more closely informing any trade-off considerations with other policy areas / level of CIL.

- Chichester, Langstone & Pagham Harbour SPA Mitigation (emerging policy DM30): The mitigation contribution costs for both 'zones of influence' have been tested and taking into account the location of the planned site supply, we consider that the approach can be supported.

- Custom / Self Build (emerging policy DM2): We consider there to be no significant implication for overall scheme viability but, as a proportion of a development, this may have better potential to be achieved from a practical point of view on larger schemes.

- Nutrients Neutrality: This is another evolving area for which the approach and related costs in the Chichester District context were not known at the time of building appraisal assumptions – not specifically accounted for at this stage. This is amongst the areas likely to require consideration on further review, therefore.

- Biodiversity Net Gain: as with nutrient neutrality policies, this is amongst the areas likely to require consideration on further review at the next stage of assessment.

23. In general terms, the viability of the non-residential proposals / development is more mixed. This was borne out by and consistent with the non-residential typologies tests and findings with only some forms of retail development likely to be viable, particularly relating to CIL charging. This does not necessarily mean that developments would not come forward for development. They may be brought forward on a different basis to that appraised for this or a CIL assessment purpose. Developments will be expected to meet the usual sustainable development criteria but there are considered to be no CDC policy proposals that unduly affect or influence the viability of such schemes.

24. The findings of this assessment as they relate to residential CIL rates indicate that the currently charged CIL (as indexed) continues to reflect positive viability in most key respects and should also continue to be appropriate alongside the emerging Local Plan policies (although bearing in mind potential review of policies relating to zero carbon, nutrient neutrality and biodiversity net gain as above). So, for further review based on any updated information, our findings indicate for now that residential charging rates at around £150/m2 (south of district) and £250/m2 (north) remain appropriate – i.e. rates at very similar to the existing levels, as indexed.

25. In relation to non-residential and commercial uses, again, our findings here point to the existing CIL charges continuing to be broadly appropriate. Charging at a very similar rate to the current rate (as indexed) – i.e. around £150/m^2 for 'wholly or mainly convenience' retail remains appropriate for application to larger format retail in the form of **foodstore/supermarket developments**. In our view, reflecting similar overall viability, the scope of this charging could also be considered for application to **retail warehousing/retail park development**. If progressed, this would place the district-wide charging rate for these development uses at a similar point to the southern area residential charge, which we consider would be appropriate.

26. Our suggestion for CDC on **all other retail use developments** that are liable for CIL is to continue the current level of (effectively nominal rate) charging, or consider a nil rate approach at this time given the sensitivity of the viability outcomes to falling values (or rising costs).

27. On balance, the findings on CIL for all other development uses not specifically addressed above (including for the hotel, care home, industrial/warehousing, horticultural development and offices) are that a nil charge (rating at £0/m^2) looks very likely to remain appropriate based on the viability evidence.

Additional general context

28. This assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's proposals on planning reform present a range of extended unknowns.

29. DSP will be happy to assist and input further, working with CDC and advising additionally if required as its Local Plan proposals progress.

Executive summary ends

Finalised April 2021

1. Introduction

1.1 Introduction & Report Purpose

1.1.1 Chichester District Council (CDC) adopted its current Local Plan (LP) in July 2015. The Local Plan Inspector stated that it required further review within five years to make sure that sufficient housing is to be accommodated. This was because the Plan did not make provision for the full identified housing need for the area – due to uncertainty around the delivery of future infrastructure including A27 improvements and sewage treatment capacity. The Council carried out an Issues and Options consultation on a review of the Local Plan in 2017, and a preferred approach was consulted on in early 2019.

1.1.2 The Local Plan covers the area of Chichester District that falls outside the South Downs National Park. The Preferred Approach Plan set out a spatial strategy for increasing the housing supply, with proposals for 650 new dwellings per annum (12,350 dwellings for the period 2016-2035[1]). The approach includes the proposed allocation of a number of specific larger sites described as Strategic Site Allocations (SSAs) located in the south of the Plan area. These were selected through a comprehensive process, with CDC identifying 8 no. SSAs to be considered through initial stage high level viability appraisals as part of this study. The draft Local Plan Review also identifies smaller-scale housing requirements for other parishes across the Plan area which are expected to be taken forward through the neighbourhood planning process in the first instance.

1.1.3 It is in the interests of the local communities, council, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the Plan are deliverable as a whole - to inform and, alongside other evidence, underpin a sound Plan through the examination process to guide sustainable development moving ahead. This is equally true of the level of

[1] At the time of this initial assessment, we understand this is subject to revision. The influence of this and any revision to the overall strategy will be considered further as part of the proposed next phase of the assessment process and as the CDC LP context and evidence base builds generally.

Community Infrastructure Levy (CIL) charging that may be required across the District in support of the planned development.

1.1.4 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG). Viability testing is an important part of the plan-making process. The NPPF introduces a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key further guidance on this is within the PPG, with longstanding experience, established good practice and other publications collectively informing this too.

1.1.5 In light of the above, the Council commissioned this assessment, at this stage to consider the potential viability implications of the emerging LP preferred approach. Moving ahead, the intention is that this may be built upon as appropriate and will help to further inform and assess the way forward for the LP review, by considering the policies in the emerging Plan that have cost implications for development. Accordingly, using information available at the time of this stage of review (2019 - 2020), the assessment provides a typologies-based appraisal of the site and development types likely to come forward through the LP and also takes an early look through initial high-level review or appraisals at the emerging viability prospects for key proposed sites (including SSAs). Collectively, this and likely further viability assessment work seeks to both feed into the LP development and ultimately provide a high-level assurance that the proposed sites and the scale of development identified in the Plan will not be subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is threatened.

1.1.6 In summary, the objectives of the assessment overall include the consideration of viability in respect of the following, based on the context and available information at the time (and to be revisited and / or built on as becomes appropriate subsequently, as the LP review develops further):

- Recommendations for the headline target percentages of affordable housing that might be sought (potentially by area of the District, according to the size (scale) of development and for the SSAs).

- Consideration of the strength of viability evidence for supporting affordable housing delivery on small sites, including any recommendations relevant to considering potential policy on these i.e., beneath the national planning policy based 10 dwellings threshold.

- Review of the current methodology for calculating off-site financial contributions (both for small sites and for units or partial units on major sites), updating or amending as necessary, and testing the viability of the updated rates.

- High-level review of the viability prospects for different types of commercial development in the district.

- Review of and recommendations on appropriate potential CIL charging rates scope in respect of both residential and commercial development uses - reviewing the current charging areas and rates and including older persons' accommodation amongst the various use types considered.

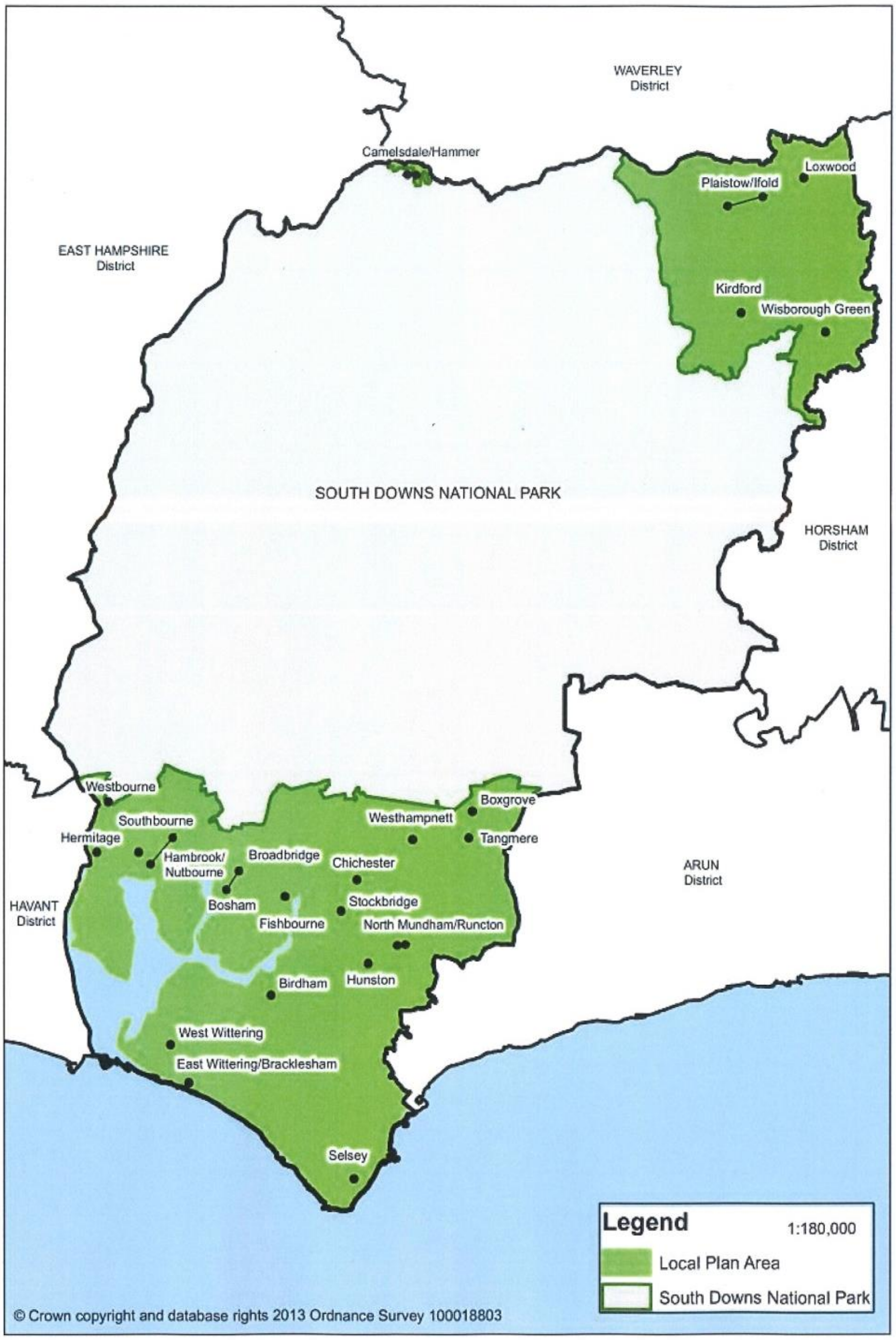
- Consideration of how the viability assessment work for the new Local Plan and potential review of the CIL Charging Schedule can suitably reflect locational differences around the district as well as building in resilience as far as possible to recent/current and anticipated changes in the market and other factors/circumstances.

- Bringing this together, consideration of and commentary on the likely viability of the emerging Local Plan policies and of this picture at a "whole plan" strategic level.

1.2 Chichester District Profile

1.2.1. The District is the largest in West Sussex, covering over 300 square miles stretching from Selsey in the south to Lynchmere in the north and with an estimated population of 118,1751 (in July 2017). It is bordered by Havant and East Hampshire to the west, Waverley to the north, with Horsham and Arun to the east. In between the northern and southern areas is the South Downs National Park. The district also features the Chichester Harbour AONB. Nearly 80% of the district is in either the SDNP or designated as AONB, creating pressure for development in the remaining areas and contributing to the overall high house prices in the district along with the attractive, high-quality living environment.

Figure 1: Chichester District extent - Overview



1.2.2. The Council's context information at the time of commencing the assessment indicated an average house price of £433,000 in the district, approximately £40,000 higher than the West Sussex average generally, making it very difficult for residents, and particularly younger people, to access the housing market.

1.2.3. The key aims of the Council's adopted Local Plan are to:

- protect the character and beauty of the district;
- make it easier to move around the district safely and conveniently;
- provide job and housing opportunities so that people can continue to work and live locally;
- support and help to boost the local economy;
- help residents to maintain healthy and active lifestyles; and,
- make sure that there are adequate services, travel options and community facilities.

1.3 Scope of assessment and further backdrop including topical matters

1.3.1. Viability testing is an important part of the plan-making process. In order to meet the requirements of the NPPF, CDC commissioned Dixon Searle Partnership (DSP) to carry out this first phase of Viability Assessment with an objective to consider and begin determining the likely impact on development viability of including the various relevant policy requirements of the emerging Local Plan including recommendations on affordable housing targets and any potential need for or options relating to potential revision of the Council's CIL Charging Schedule.

1.3.2. The assessment involves the review of the financial viability of site typologies (representing a range of typical site types likely to come forward) and an initial; high-level overview of specific sites where those are important individually as well in delivering the aims and objectives of the Plan. In this case we have reviewed 8 proposed strategic sites allocations (SSAs), ranging in size from approximately 100 to 1300 dwellings. Full details of the strategic sites considered are provided in Appendix I. The viability of sites has been reviewed by means of initial appraisals and /or commentary based on information review, given that the relevant circumstances range from earlier stage locations or broad concepts only to development at key stages in decision making (planning application stage) progression. The assessment will form an initial basis upon which to further build and provide the evidence base for the viability of the Local Plan policies, informing and supporting the deliverability of the Plan overall.

1.3.3. This viability assessment has been produced in the context of and with regard to the NPPF, PPG, the CIL Regulations and guidance (within the PPG) as well as being informed by considerable experience of such projects, other good practice and guidance applicable to studies of this nature.

1.3.4. Having set out the context above, the following report structure, on the study detail, is presented over 3 further sections:-

- **Methodology** – residual valuation approach, assumptions basis and discussion;

- **Findings Review** – overall results context and detailed analysis of the typology results and their viability strength in relation to range of Affordable Housing (AH) proportions, CIL rates and other key policy considerations;

- **Findings Summary** – draws out from the detailed analysis above summary findings for CIL rates in the district, alongside recommendations for affordable housing targets, considering the need for differential approaches to site size and type, and including whether a different approach from the current approach is an option for consideration.

1.3.5. The suitable and proportionate approach to Local Plan and other strategic level viability testing does not require a detailed viability appraisal of every site anticipated to come forward over the plan period, but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to be relevant. Neither does it require an appraisal of every likely policy area. Instead, potential policies that are likely to influence viability by having a close bearing on development costs are the key ones to consider. In our experience this means a focus on the viability prospects and potential policies associated with housing development, because the scope of this or other Councils' influence – i.e., through local policy positions - over the viability of other forms of development (non-residential/employment/commercial) is much more limited.

1.3.6. To this end, the study requires the policies and proposals in the emerging Local Plan to be reviewed together to consider their cumulative impact on development viability (including affordable housing targets and thresholds) along with that of the CDC CIL charges and the potential review of those.

1.3.7. The assessment approach uses sensitivity testing representing a range of policy costs including affordable housing proportions, tested at different thresholds and combined with allowances for meeting the likely requirements for other housing standards to be met. The scope of those, which is typical, includes likely provision relating to enhanced access to and use of buildings, water efficiency, space standards and, as the project progresses, also with an increasing level of emphasis on climate change response (sustainable construction benefitting energy efficiency and carbon reduction).

1.3.8. In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Whilst acknowledging that, this assessment appropriately provides a high level, area-wide overview. This cannot and does not need to fully reflect a wide range of highly variable site specifics.

1.3.9. This initial phase of review work with the Council has been conducted 2019-20, based on information and data available at the time.

1.3.10. The timing means that there are other acknowledgements that need to be made and these also reflect the likelihood that the following will be areas for ongoing review and further consideration as this and other assessment work informing the further development of the Local Plan progresses in subsequent stages, as we understand is currently intended. Inevitably, these lead to some uncertainties at this stage, with these and other areas needing to be kept under review as regards any further data and information/clarifications that may become available in order to inform subsequent assessment detail. These aspects of the context are much discussed at this time, with an outline of the particularly topical matters as below.

1.3.11. The first area is that of the economic backdrop. Brexit has caused a deal of uncertainty, but this has of course been compounded by the global Covid-19 pandemic that has been dominating the news and most aspects of like since early 2020. Essentially, this initial stage assessment uses largely pre-Covid-19 information. However, we have been monitoring this over the period and earlier stage fears of a housing market slump have been far from materialising to date (as at Spring 2021). The market has been seen to be remarkably resilient in the last year as evidenced by Land Registry data and other mainstream reporting – with house prices up between around +4 and +7%, depending on source and exact review period. Furthermore, current market forecasts (e.g., those of Savills) remain notably positive overall for the year ahead and indeed next few years.

1.3.12. Nevertheless, this key feature of the ongoing assessment context will need to be considered further, using latest available data from recognised sources once again. This is also relevant to consider in the context of the likely viability prospects for commercial / non-residential development in various forms (development use types) as have also been reviewed at a high-level. This was undertaken using typologies or represented by assumptions within other appraisals as relevant during this assessment - with the potential CIL review and some mixed-use developments in mind within the emerging Local Plan context.

1.3.13. This assessment to date has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's White Paper proposals on planning reform (as well as emerging climate change initiatives and potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.

1.3.14. Accordingly, the second area involving likely further evolving circumstances and, therefore, a watching brief is that of the government's approach – national policy consultations / proposals and developments.

1.3.15. There have been and continue to be a number of initiatives and developments in this regard. Potentially relevant aspects of these have been considered and themes or possible viability influences initially reviewed through either main appraisal assumptions/sensitivity testing or commentary at this stage, as appropriate. Ongoing review work by and for the Council can pick up on this as far as matters become more relevant or established moving forward.

1.3.16. The more established optional (enhanced over base building regulations) housing standards involve space standards (e.g., with reference to the Nationally Described Space Standard), accessibility (Building Regulations Part M4(2) and (3)) and water usage efficiency. However, the current increasingly topical areas undergoing and needing further consideration now also relate to climate change (carbon reduction) and affordable housing tenure. The Planning White Paper along with other potential changes to the planning system could also be particularly relevant - to policy development and /or operation, and to Local Plans as a whole.

1.3.17. The assessment work to date has begun to consider the potential viability implications of the direction of travel generally on reducing carbon emissions. Our experience so far is that local authorities are considering or progressing with a variety of routes and measures on this. Alignment to the emerging Future Homes Standard, as the Government's pathway towards zero carbon development looks set to be key amongst these considerations, and it is likely that this area will need further review as both the Council's proposals and the assessment work move on subsequently.

1.3.18. Affordable housing tenure models change over time. For example, at the time of this report, it appears that the Government is going to be confirming the requirement for 'First Homes' to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route - in the form of shared ownership. Viability may not be seen to improve as a result of the inclusion of First Homes, therefore, but also appears unlikely to be significantly negatively affected by that proposed new model. Again, this may warrant further review as proposals settle and more detail is available to inform assumptions.

1.4 National Policy & Guidance

1.4.1 The requirement to consider viability now stems from the National Planning Policy Framework (NPPF) (2018 and as updated 2019) which says on *'Preparing and reviewing plans' at para 31: 'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*

1.4.2 NPPF para 34 on *'Development contributions'* states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure* *(such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*

1.4.3 The updated national Planning Practice Guidance (PPG) also published in July 2018 (again, with some sections updated subsequently) on 'Viability' provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The PPG states:

'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).
These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development…Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.

1.4.4 In addition, relevant good practice continues to be provided within the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.4.5 This viability assessment has therefore been carried out in the context of and with regard to the NPPF, CIL Regulations PPG (including the CIL Guidance) and other guidance applicable to studies of this nature.

1.5 CIL and policy backdrop

1.5.1. The council adopted its CIL Charging Schedule on 26 January 2016, which took effect from 1 February 2016. The Charging Schedule sets out the following (see figure 2 below)[2]:

Figure 2: Chichester DC Existing CIL Charging Schedule

The rate at which CIL is charged shall be:

Use of Development	Levy (£per square metre)
*Residential - South of the National Park	£120
*Residential - North of the National Park	£200
Retail (wholly or mainly convenience)	£125
Retail (wholly of mainly comparison)	£20
Purpose Built Student Housing	£30
Standard Charge (applies to all development not separately defined)	£0

*This charge applies to the creation of one or more dwellings, and residential extensions or annexes which are 100 square metres or more gross internal area which are not for the benefit of the owner/occupier. See further guidance provided at http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/relief/self-build-exemption/

This charge does not apply to residential institutions (C2)

Note: The CIL rates will be index linked from the base year to the date when permission is granted using the 'All-in Tender Price Index' published by the Building Cost Information Service of the Royal Institute of Chartered Surveyors.

1.5.2. The CIL rates above had a base date of 1 February 2016. Indexation applies to all permissions issued after 2016. At the point of carrying out this study, indexation had led to the following rates[3], and from January 2021 the indexation has informed a

[2] Details, including current charges as now indexed, are set out within the Council's website pages on CIL
[3] CIL rates increased from 1 January 2020 in accordance with the index set out in the revised 2019 CIL Regulations. The new indexed rates can be found on the Council's website - CIL pages (process, forms and payments)

further update (with the latest CDC website published charging rates applicable 1st January to 31st December 2021 shown bracketed below):

- Residential – South of the Park: £141.25/m² (£147.45/m² current indexed rate)
- Residential – North of the Park: £235.42/m² (245.76/m²current indexed rate)
- Retail – wholly or mainly convenience: £147.14/m² (£153.60/m² current indexed rate)
- Retail – wholly or mainly comparison: £23.54/m² (£24.58/m² current indexed rate)
- Purpose built student housing: £35.31/m² (£36.86/m² current indexed rate)

1.5.3. As well as testing the viability of the Local Plan policies and strategies, the Council wishes to ascertain whether its adopted CIL Charging Schedule is at a level which ensures the viability and deliverability of development with policy burdens and other obligations proposed for inclusion in the Local Plan.

1.5.4. The CIL regulations came into force in April 2010 and have been revised on a number of occasions since, with the most recent revisions (and to the associated guidance) - The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 – coming into force on 1st September 2019.

1.5.5. Local Authorities in England and Wales may put a CIL in place to raise funds from developers undertaking new development in their area (in this case Chichester District Council is and will continue to be the charging authority). This acts as an important tool for local authorities to deliver the infrastructure needed to support that development.

1.5.6. CIL takes the form of a charge that may be payable on 'development which creates net additional floor space'[4]. The majority of developments providing an addition of less than 100 sq. m in gross internal floor area will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100 sq. m will not be subject to the charge.

[4] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 002 Reference ID: 25-002-20140612 Revision date: 12 06 2014)

Additionally, the Community Infrastructure (Amendment) Regulations 2014 allows for a mandatory exemption for residential annexes and extensions regardless of size. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor area of less than 100 sq. m.[5]

1.5.7. The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.

1.5.8. The CIL regulations require charging authorities to allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas. Where there is a neighbourhood development plan in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development that they have chosen to accept. Under the Regulations the money would be paid directly to the neighbourhood planning bodies and could be used for community projects. PPG provides further information on spending of Levy receipts including distribution to local neighbourhoods[6].

1.5.9. Neighbourhoods without a neighbourhood development plan but where a CIL is still charged will receive a capped share of 15% of the levy revenue arising from development in their area.

1.5.10. Under the Government's regulations, affordable housing and development by charities will not be liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings only that will be liable for the payments at the rate(s) set by the charging authority.

1.5.11. The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England). '*Charging authorities will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding*

[5] Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provide a mandatory exemption for self-build housing, including communal housing.
[6] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 072 Reference ID: 25-072-20140612 Revision date: 12 06 2014)

infrastructure from the levy and the potential impact upon the economic viability of development across their area.'[7]

1.5.12. The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated Local Plan level of growth to be accommodated across the District as a whole through the development of an Infrastructure Delivery Plan (IDP). The IDP will ensure that new development is served by necessary infrastructure in a predictable, timely and effective fashion. It sets out key infrastructure and facility requirements for new development, taking account of existing provision and cumulative impact. At the point of conducting this assessment, the IDP identified a significant gap in infrastructure funding.

1.5.13. Infrastructure is taken to mean any service or facility that supports the Chichester District Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.

1.5.14. Within this study, an allowance has been made for the cost to developers of providing affordable housing and other costs of policy compliance in addition to the inclusion of both the previously recommended potential CIL charging rates (indexed) as well as sensitivity testing higher and lower potential CIL rates. In this sense, the collective planning obligations (including affordable housing, CIL and any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.5.15. In most cases, where adopted, CIL replaces or largely replaces s.106 as the mechanism for securing developer contributions towards infrastructure. The 2019 updated CIL Regulations and PPG reflect the greater flexibility that authorities now

[7] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 008 Reference ID: 25-008-20140612 Revision date: 12 06 2014)

have to use funds from both section 106 planning obligations and the Levy to pay for the same items of infrastructure, regardless of how many planning obligations have already contributed towards an item of infrastructure (the previously in place s.106 'pooling restrictions' have been removed).

1.5.16. The CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.5.17. A key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).

'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), as amended by the 2014 Regulations), 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. The same principle applies in Wales.' [8]

1.5.18. Later amendments to the CIL Regulations introduced:

- new mandatory exemptions for self-build housing, and for residential annexes and extensions;

- a change to allow charging authorities to set differential rates by the size of development (i.e., floorspace, units);

[8] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 009 Reference ID: 25-009-20140612

Revision date: 12 06 2014)

- the option for charging authorities to accept payments in kind through the provision of infrastructure either on-site or off-site for the whole or part of the levy payable on a development;

- a new ‘vacancy test' - buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net addition of floorspace (previously a building to be in continuous lawful use for at least six of the previous 12 months);

- a requirement on the charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area. Previously a charging authority had to ‘aim to strike the appropriate balance';

- provisions for phasing of levy payments to all types of planning permission to deal fairly with more complex developments.

1.5.19. The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion the preparation of this study meets the requirements of all appropriate Guidance.

1.5.20. At the time of this report write up, however, there could be changes made to the CIL as a part of the Government’s proposed planning reforms that have been the subject of consultation during this assessment period. As noted above in respect of other aspects of the planning backdrop and criteria that may change, both the Council’s approach and any related further assessment work may need to respond to this. Also, in terms of evolving context for the CIL, it is worth noting that the nature of the development use is what is important, including in any differentials between charging rates, rather than Use Class. CIL does not need to be determined or defined by planning Use Class, so that the recent reorganisation of these does not make the development use types and descriptions irrelevant. At the time of writing, any references made to (now) former Use Classes relate to the position at the time of review and undertaking appraisals; these do not affect the assumptions, appraisals or relating findings on the various development use types considered.

2. Methodology & Assumptions

2.1 Residual Valuation Principles

2.1.1. The approach used to inform this study applies the well-recognised methodology of residual valuation. As noted above, 'viability' in this study means the financial health of development, so the assessment centres around the strength of the relationship between the completed development (sale) value and the development costs; and how this varies across a range of development types, host site types and locations as informed by the emerging policy basis.

2.1.2. The residual valuation methodology has been used to run a large number of appraisals based on sample scheme typologies - representing Chichester district's characteristics, site types and development scenarios that are likely to continue to come forward across the plan area.

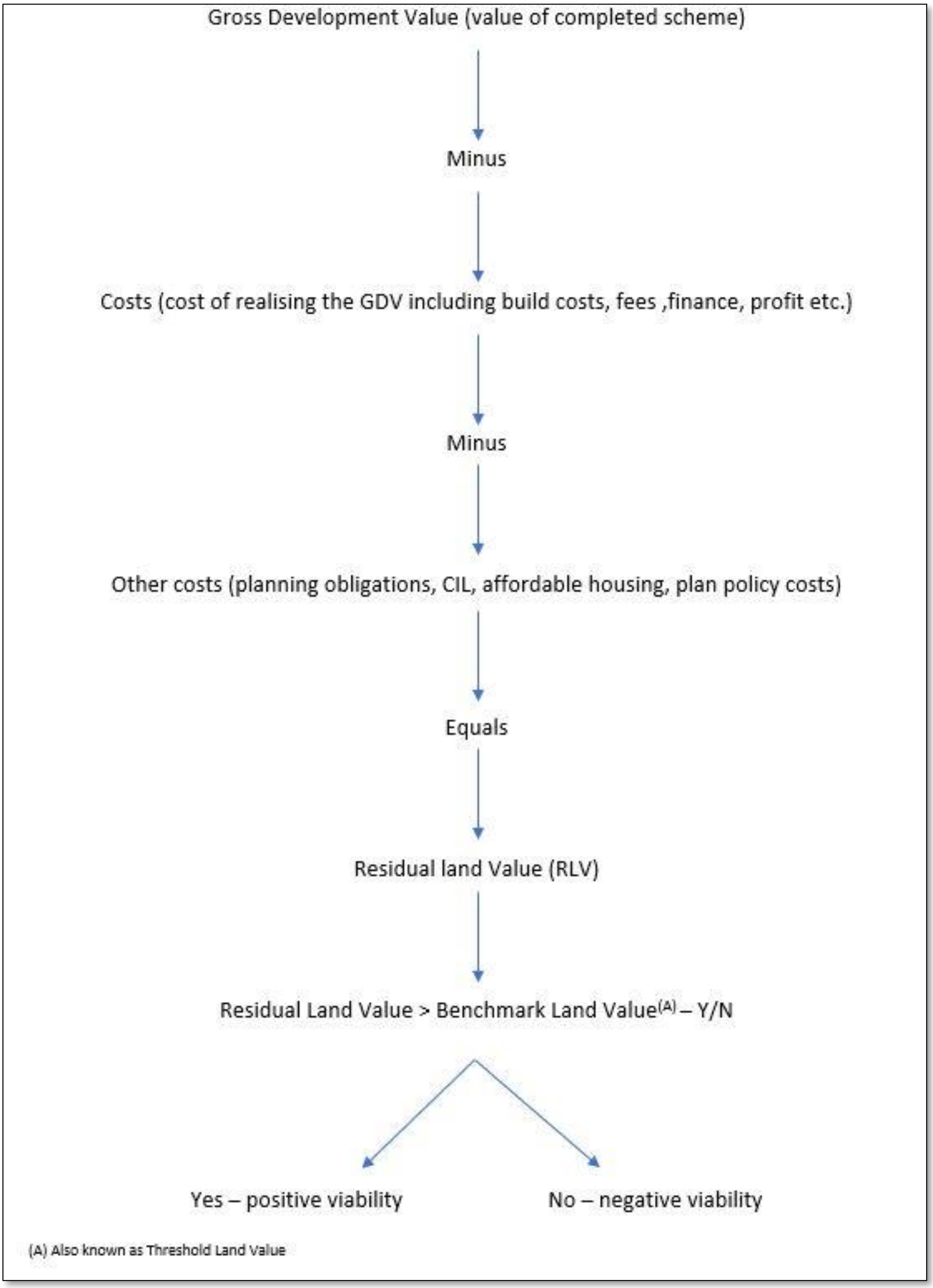
2.1.3. This provided a large set of results leading to current stage viability indications from the exploration of key variables and the effects of cumulative development costs as influenced by potential / emerging LP policy positions when viewed in combination with CIL charging. As with all studies based on the established principles used in this case; an overview of the results and trends is required – so that judgements can be made to inform the both the further development of policy positions and the potential review of the CIL – setting of charging rates.

2.1.4. As set out in detail above, this viability assessment has been produced in the context of and with regard to the NPPF, PPG (including CIL Guidance), CIL Regulations, and other guidance applicable to studies of this nature. DSP considers this approach to, and our experience of, CIL and other strategic viability assessments remains appropriate for application here.

2.1.5. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability (i.e., at plan making stage and for CIL Charging Schedule development), but also used for site-specific viability assessments (i.e., decision making stage – planning applications), is residual valuation. This is also consistent with the long running experience and the relevant guidance as noted above. Figure 3 below sets out (in simplified form only) the principles of the residual valuation – an outline of the main structure of the calculation used, which is the methodological basis of the appraisals sitting behind our results and findings.

See Figure 3 on the following page:

Figure 3: Simplified Residual Land Valuation Principles



2.1.6. Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e., the residual land value (RLV). Judgements then need to be made about whether the appraisal RLV outcomes are considered likely to be sufficient to secure the release of a variety of site types (sale by landowners) for development.

2.1.7. In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark (threshold) known as Benchmark Land Value (BLV) against which to compare the resulting residual value. The approach to setting the BLV is based on the "EUV plus" approach as guided by the PPG. Other sources, although now older and so not fully consistent with the PPG as the key guidance source also provide information on this and other matters - for example the Harman[9] report and RICS[10] - see more detail set out at 1.3.15 onwards.

2.1.8. There are a range of assumptions that feed into the RLV appraisal process (as illustrated at Figure 3 above) and our selection of these for this assessment stage will be set out in more detail in this section. Further information is also available at Appendices I and III.

2.2 Stakeholder Consultation

2.2.1. The NPPF and PPG place emphasis on stakeholder engagement, as a factor in considering the setting of suitable and robust appraisal assumptions for the assessment purpose. On this basis we have consulted with representatives of the development industry (represented by a wide range of parties including local property agents, developers, housebuilders and others) and on a more specific basis with affordable housing providers (Registered Providers – RPs) that have been or are active, working with the Council in the district, or nearby.

[9] Local Housing Delivery Group – "Viability Testing Local Plans" (June 2012)

[10] RICS – Financial viability in planning (2012). [Note April 2021 on finalising current (initial) work stage write-up): At the time of this review, the RICS (Royal Institution of Chartered Surveyors) has just issued a new guidance note '*Assessing viability in planning under the national Planning Policy Framework 2019 for England*' (1st Edition, March 2021). This replaces the RICS 2012 guidance note. The new guidance note is stated to be effective from 1st July 2021. On initial review its emphasis reflects the Planning Practice Guidance (PPG) on Viability as noted below, and the PPG will remain the primary source of guidance in this field. This should be considered further once effective, in the context of subsequent work towards a final CDC LP Viability Assessment. All other references to the RICS guidance, as an additional source to the PPG lead, are made with this in mind.]

2.2.2. This engagement process was conducted by way of three survey type pro-formas seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with key participants as appropriate. The approach set out our initial draft assumptions and testing ideas, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning. Generally, the approach involved inviting pointers or examples from local experience. These were issued as follows: -

- **Development Industry –** range of active or potentially active stakeholders in the district with organisations and contact points as informed by the Council, including local property agents, developers, housebuilders, planning agents and others.

- **Key Site Promoters/Agents** – in relation to the SSAs, site promoters or their representatives were contacted as well as the wider development industry exercise, with a bespoke site-based pro-forma document requesting more specific information as far as available at the time including relating to any initial estimates of infrastructure requirements, land use, ownership and any value indications, early development costs and values assumptions, site abnormals and any indicative potential phasing/delivery indications, etc.

- **AH Providers** – range of locally active affordable housing providers again as informed by the Council and its housing enabling work. Whilst also invited to comment more generally, these organisations were issued with a narrower pro-forma requesting information more specifically related to the consideration of the AH revenue levels that might be expected by developers on constructing and transferring affordable homes to the RPs, and related assumptions.

2.2.3. As part of this process, we keep a full record of all stakeholder interaction, including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Due to commercial sensitivities and confidentiality, the details of those responses are not included within our published work but along with the wider exercise and discussions with the Council help inform our assumptions setting basis; ensuring those are informed by a combination of our own extensive research process and experience and the relevant stakeholder sourced feedback as far as has been available. We consider this approach reflects the expectations of the guidance and, in our experience, this is realistically representing the extent to which this has typically contributed to the overall process.

2.3. Scheme Development Scenarios – General Residential Development Typologies

2.3.1. The site typologies considered and appraised as part of this assessment reflect a range of different types of sites and developments that at this stage are thought likely to be representative of schemes brought forward to support the growth in the district. Using the available information on site supply, this means testing viability with reference to the future housing supply characteristics as far as known over the emerging plan period, but also informed by experience of developments undertaken to date. Key elements to be informed by this are ongoing affordable housing policy and the CIL charge potential review/setting process, with the aim to find an appropriate balance between the provision of affordable housing together with the need to fund infrastructure and the potential impacts on development viability. This balance needs to be optimised as far as possible in the local circumstances, and increasingly this will need to be considered also in the context of a journey of continual improvement in the areas of construction/sustainability standards such as relating to the direction of travel towards zero carbon development. Consistent with the approach of many local authorities and reflecting CDC's declaration of a Climate Change Emergency, this latter theme has begun to be picked up by this initial stage of assessment using exploratory assumptions and further sensitivity testing. At this stage, given the most recent developments on Government proposals and initiatives, as well as other experience gained from work in progress elsewhere, we expect the review of these areas will need to be considered further as part of informing and on moving ahead to subsequent Plan development stages. All in all, it is most likely that this will lead to further developed consideration of this area using latest available information at the time - as becomes appropriate as the emerging Local Plan and its range of building evidence (including on viability) progresses further.

2.3.2. In order to adopt a relevant range of residential development typologies for review, we have reviewed and analysed the housing supply expected to come forward over the emerging plan period – currently up to 2035. From this, we understand the majority of sites likely to accommodate the most significant elements of the overall growth are greenfield, with the planned growth focused around Chichester and within the east-west corridor. This reflects the constrained nature of the district physically, in terms of environmental and landscape impacts. Although there is a proportion of sites expected to come forward on previously developed land (PDL i.e., brownfield) which will contribute to the overall housing supply, the Plan indicates these are expected to be focused in the existing main urban areas of Chichester (as the sub-regional centre) and the larger settlement hubs.

2.3.3. To further inform the developing picture as far as possible at this stage, we have also carried out review and some more targeted initial testing looking at the proposed 8 no. Strategic Site Allocations (SSAs) which are considered in more detail below. While such assessment work generally remains relatively high-level (and appropriately so) compared with delivery stage reviews when schemes are designed and much more formation is known, consistent with other aspects of this assessment stage and overall process, it appears likely that these will need further consideration in terms of viability indications. We note this bearing in mind not only the passing of time and changing market conditions but, as other key elements, also the evolving picture on matters such as climate change, environmental/habitat related mitigation and other Government proposals or consultations (planning reform – e.g., White Paper, affordable housing and CIL related). In this district there are also significant potential matters for the Council and others to keep under review relating to highways and transport infrastructure (especially in this case relating to the A27). Overall, a complex picture of potentially interacting influences on development and its viability.

2.3.4. Each development typology has been tested over a range of value levels (VLs) representing varying residential sales values as seen at the time of review (research leading to appraisals in 2019) across the district by scheme location and type. This is particularly important in the CDC context in relation to the South Downs National Park (SDNP) which divides the district south and north with those areas supporting differing VLs – more on this later. As well as looking at the influence of location within the district, this sensitivity testing approach allows us to consider the potential impact on development viability of changing market conditions over time (i.e., as could be seen through falling or rising values dependent on market conditions) and how this may vary by type and scale of development.

2.3.5. A summary of the general residential scheme typologies tested as part of this study is shown at Figure 4 below, with the full detail set out in Appendix I. Although we note there remains potential for some sites to come forward providing more than 100 dwellings, at this high-level the typology testing approach is unlikely to provide materially different viability indications across a range of developments beneath the genuinely strategic scale. The results on a scheme of say 100 – c. 500 dwellings on greenfield land would be broadly comparable. However, if significant levels of infrastructure or specific mitigation (s.106) are required that becomes a significant factor and we could expect the results to change. This leads to the more specific testing being appropriate for larger sites that typically carry those greater cost burdens, or other specific sites that are expected to, consistent with approach taken when initially assessing the viability of the SSAs, as agreed with the Council. As above, at this stage is appears that that this dual approach incorporating both typologies and more bespoke testing within the assessment will continue to be appropriate here, as it is commonly.

Figure 4: Residential site typologies summary

Scheme Size Appraised	Type	Site type	Applicable Area Based Testing
1	Houses	PDL	South & North
5	Houses	PDL/Greenfield	South & North
6	Houses	PDL/Greenfield	South & North
10	Houses	PDL/Greenfield	South & North
15	Flats	PDL	South & North
15	Houses	PDL/Greenfield	South & North
25	Houses	PDL/Greenfield	South & North
30	Flats (Sheltered)	PDL	South Only
50	Mixed	Greenfield	South & North
50	Flats	PDL	South Only
60	Flats (Extra Care)	PDL	South Only
100	Mixed	PDL/Greenfield	South Only

2.3.6. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc.

2.3.7. As part of these site typologies, an assumption also has to be made in relation to dwelling mix, on which we have adopted the principles set out in Figure 5 below and Appendix I. These dwelling mix principles are based on the detail set out in Policy DM2 of the emerging Plan (most recent stage) which is informed by the most recent Housing and Economic Development Needs Assessment 2018 (HEDNA). These dwelling mix assumptions are also applicable to the more individual review and initial testing of SSAs.

Figure 5: Dwelling Mix Assumptions

Type	Overall Mix	Market Housing	Affordable Rented	Intermediate AH
1-Beds	15%	5%	25-30%	20%
2-Beds	40%	30%	40-45%	40%
3-Beds	35%	45%	20-25%	30%
4-Beds	10%	20%	5-10%	10%

2.3.8. In all cases it should be noted that a "best fit" assumptions approach (including on affordable housing numbers and tenure make-up) has to be taken, given the effects of numbers rounding and also the limited flexibility particularly in schemes with small dwelling numbers. The affordable housing (AH) numbers (content) assumed within each scheme scenario are based upon the current AH policy and set out in more detail at 2.6 onwards (below).

2.3.9. The dwelling sizes (on a GIA basis – gross internal area-) assumed for the purposes of this study are as set out in Figure 6 below and based on the Nationally Described Space Standard (NDSS). As with many other assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process, a representative range of scenarios and assumptions is tested, sufficient to generate a suitable overview consistent with the guidance.

Figure 6: Residential Unit Sizes

Unit Sizes (sq. m)*	Affordable	Private
1-bed flat	50	50
2-bed flat	70	70
2-bed house	79	79
3-bed house	93	100
4-bed house	112	130

Note: Retirement/sheltered dwellings assumed at 55-75 sq. m. Large Houses (1 House scenario) assumed at 150 sq. m.

2.3.10. Since there is a relationship between dwelling size, its value and build costs, it is the relative levels of the values and costs that are most important for the purposes of this study (i.e., expressed in £/sq. m. terms or equivalent); rather than the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. The approach to focus on values and costs per sq. m (or equivalent) also fits with the way developers tend to assess, compare and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach and is also consistent with how a CIL is charged (as prescribed under the regulations).

2.3.11. The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e., 100% saleable floorspace) and for the flats themselves (living accommodation). However, the additional cost of constructing communal/shared non-saleable areas also needs to be taken account of. For the general flatted typology development tests, we have assumed a net:gross ratio of 85% (i.e., with 15% communal space that also needs to be constructed but is not directly accounted for in the dwelling sales values assumptions). The sheltered/retirement housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e., 25% communal) which is further reduced to 65% saleable (35% communal) for the extra care development typology also considered. We consider these to be reasonably representative of the dwelling types coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although we acknowledge all will vary from scheme to scheme. However, our research suggests that the absolute sales values applicable to larger property types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e., looking at the range of £ per sq. m 'Value Levels' basis. It is always necessary to consider the nature and size of new build accommodation in looking at its price per sq. m rather than its price alone.

2.3.12. At this level of strategic overview, typically we do not differentiate between the assumed value per sq. m for flats and houses although in reality there tends to be an inverse relationship between the size of the property and its value when expressed in terms of a £ sales value rate per unit area. The range of prices expressed in £s per sq. m therefore are the key measure used in considering the research analysis undertaken, working up the range of VLs for testing and subsequently in reviewing the likely relevance of the results.

2.4 Scheme Development Scenarios (Typologies) – Commercial / Non-Residential Development

2.4.1. This study also considers non-residential development. These scenarios have been developed through the information review supplied by, and through consultation with, the Council. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes / proposals. Figure 7 below sets out the various scheme types appraised for this study, covering a range of non-residential development uses. This is primarily in order to test the impact on viability of requiring CIL contributions from different types of commercial development considered potentially relevant across the district, but also informs the Local Plan.

2.4.2. As set out at Figure 1, in addition to the residential charge, the Council currently charges CIL on retail development as follows:

- Retail – wholly or mainly convenience: indexed to January 2021 @ £153.60/m^2)
- Retail – wholly or mainly comparison: to £24.58/m^2)
- Purpose-built student accommodation is currently charged at £36.86/m^2 (again as indexed). All other non-residential development uses are currently nil-rated (charged at £0/m^2 and so do not pay the CIL here).

2.4.3. The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix I provides more information than that set out in Figure 7 in outline below.

Figure 7: Commercial / Non-residential Development Typologies

Use Class / Type	Example Scheme Type
Large Retail	Large Supermarket - out of town
Large Retail	Retail Warehouse
Town Centre Retail	Comparison shops (general/non shopping centre)
Small Retail	Convenience Store - various locations
Business - Offices - Town Centre	Office Building
Business - Offices - Out of town centre /Business Park	Office Building
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate
Business - Horticultural Glasshouses	Larger unit (Tangmere & Runction HDA)
Business - Horticultural Glasshouses	Smaller unit (Sidlesham & Almadington HDA)
Hotel (budget)***	Hotel - edge of town centre / edge of town
C2 - Residential Institution	Nursing Home
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)
Other / Sui Generis	Variable - considered on strength of values / costs relationship basis for a range of other development uses including community / clinics / fitness/ leisure / nurseries etc. / holiday lets

2.4.4. Following the same principles and general process as the residential scenarios, a variety of sources were researched and considered in support of our assumption setting process. This includes information on values, land values and other development assumptions; from sources such as CoStar Commercial Real Estate Intelligence resource, the VOA Rating List and other web-based review as well as feedback from the development industry consultation. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

2.4.5. Collectively our research enabled us to apply a level of “sense-check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. The full research review is provided within Appendix III to this report – information built up at the time of feeding into assumptions, based on data and timings as stated. It is worth noting that the information within Appendix III could be expected to be revisited and refreshed generally on further building the viability assessment, given the passing of time and of course with the context now including the Covid-19 pandemic influences that have been with us since early 2020.

2.4.6. In addition to the key set of commercial uses set out above, further consideration was given to other forms of development that may potentially come forward locally. These include for example facilities that are non-commercially driven (community halls, medical facilities, schools etc.) and other commercial uses such as motor sales/garages, depots, workshops, surgeries/similar, health/fitness, leisure uses (e.g., cinemas/bowling), day nurseries and others.

2.4.7. Clearly there is potentially a very wide range of such schemes that could be developed over the life of the emerging Plan, and accompanying CIL charging schedule. Alongside viability, it is also relevant for the Council to consider the likely frequency, delivery and distribution of these over the emerging Plan period, however. In advance of full appraisal modelling, it was possible to review (in basic terms) the key relationship between their completed value per sq. m and the cost of building – see the further detail within Section 3.

2.4.8. Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale etc. are allowed for) is very likely to outweigh or is close to the completed value, it becomes clear that a scenario is not financially viable in the normal context that has been discussed above. This therefore extends the iterative process, as an addition to the main appraisals, whereby a deteriorating strength of relationship between values and costs provides an indication of further reducing viability prospects compared with the more viable or marginally viable development uses. This starts to indicate schemes that are considered more typically likely to require other financial support; rather than being clearly and consistently able to produce a surplus capable of some level of contribution to CIL, or S106 requirements. Through this process, we were able to determine whether there were any of those scenarios that warranted additional viability appraisals/testing.

2.5 Scheme Revenue (Gross Development Value (GDV)) – Market housing (sale) values

2.5.1. A key part of the appraisal assumptions are the market housing sale values. Consistent with our established and examined assessment approach, determining these assumptions in the Chichester context involved a range of information being considered. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider a cross-section of data sources to inform our independent overview - not just historic data or particular scheme comparables, but generally including:

- Land Registry;
- Property search, sale/market reporting and other web resources;
- Valuation Office Agency (VOA);
- Development marketing websites;
- Any available information from stakeholder consultations;
- Previous viability studies as appropriate;

2.5.2. A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the district – particularly noting the north/south split by the SDNP. This data was collected by both ward and settlement areas and analysed using both sold and asking prices for new-build and re-sale property, again viewed in the context of the north and south areas of the district. It must be acknowledged that the scope of the data available for review varies through time and by location. In some instances, data samples are small (e.g., relating to a particular period or geography) and this is not unusual. Consistent with the above principles and the need to overview the information for the study purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.

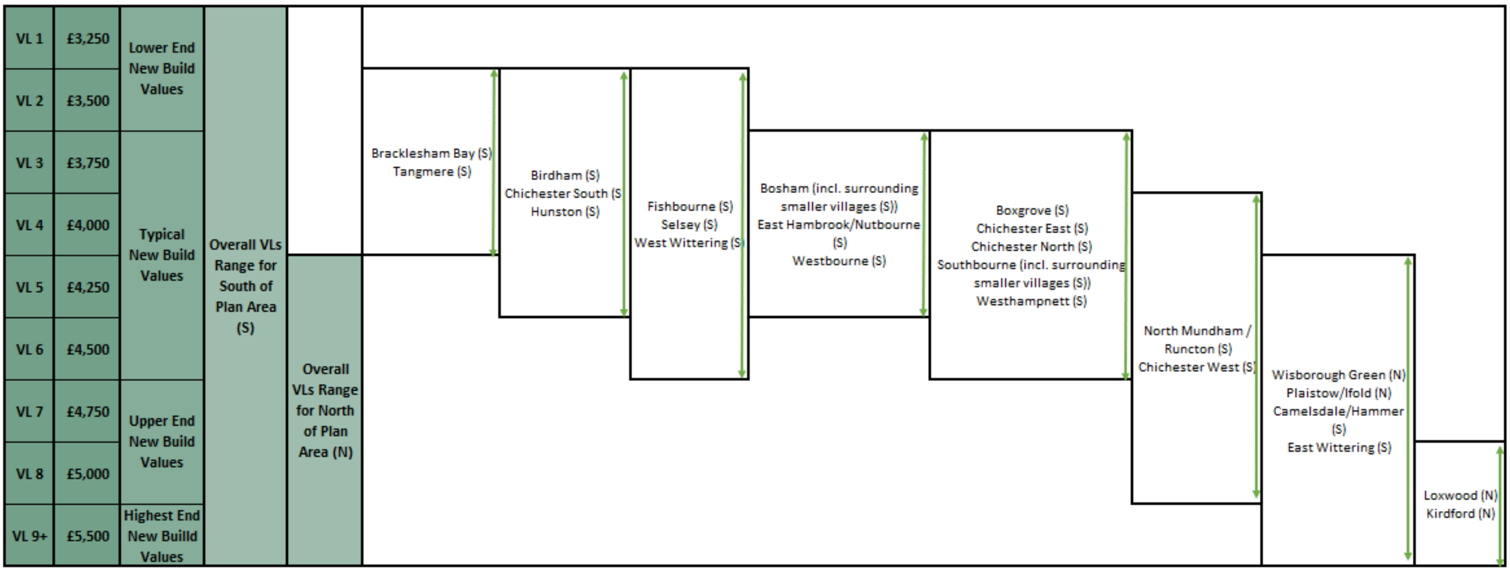
2.5.3. As above, this data collection phase was based on both ward and settlement areas within the district and having regard to the settlement hierarchy set out in Policy S2. We considered this to provide the most appropriate and reflective framework for this extensive data collection exercise, and the subsequent analysis to inform assumptions. This review method enabled us to view how the value patterns and levels observed overlay with the areas in which the most significant new housing provision is expected to come forward over the plan period.

2.5.4. Overall, this research indicated a variable values picture across the district. This is a common finding whereby different values are often seen to vary within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period and the likely lifetime of any reviewed CIL charging schedule.

2.5.5. The inference of the two CIL charging zones within current charging schedule basis (and hence the purpose of the differential that was set out), is that viability is generally lower (which at least in part most likely suggests generally lower residential values) in the south of the district compared with the north. This assessment needs to consider whether this approach continues to reflect the currently relevant circumstances; looking at the potential to review the schedule both in response to and in support of the oncoming later years of the Plan.

2.5.6. Following our extensive data collection and analysis process, using our tested assessment approach we have applied assumed property 'Value Levels' (VLs) to each typology from VL1 (lowest) to VL9 (highest). These VLs reflect an overall range £3,250/sq. m to £5,500/sq. m, representative of varying new-build sale prices likely to be seen by varying location in the district. Overall, we consider the key new build property values – i.e., the most relevant range to housing delivery overall here – to be £3,750/sq. m. to £4,500/sq. m; levels which are represented by VL3 to VL6. Figure 8 below provides an indicative guide to the relevance of the range of VLs to locations in the plan area based on settlement areas.

Figure 8: Indicative relevance of VLs range by settlement area (£/sq. m values)



Note: TBC subject to further review moving forward to next assessment and reporting stage.

2.5.7. The above illustrates the variable strength of values seen within the district, particularly between the areas south and north of the National Park. Our extensive research into property values indicates that the settlements located north of the SDNP i.e., Loxwood, Kirdford, Wisborough Green, Plaistow/Ifold and Camelsdale/Hammer command higher overall house prices compared to those south of the Park, with the northern portion of the district supporting values from approximately VL5 to VL9+ (£4,250-£5,500+/sq. m). We consider typical new build property values in this area to be approximately VL5-7 (£4,250-£4,750/sq. m.).

2.5.8. In the area to the south of the National Park, values were found to vary across a greater range than in the north seen from VL1-VL9 with typical new build values at VL3-6 (approximately £3,750-£4,500/sq. m). Broadly, our research indicates that within the area south of the National Park, typically the values are found to decrease on moving southwards, before rising again steeply in many of the immediate coastal areas and especially for much sought after waterside properties. In the south, higher values tend to be found bordering the SDNP and in, for example, Chichester, Boxgrove and Westhampnett: typically from £3,750/sq. m. up to around £4,750/sq. m. (VL3-7) with areas such as Tangmere more likely to support lower values likely within the range approximately VL2-5 (£3,500-£4,250/sq. m.).

2.5.9. Generally, to achieve the higher levels of value in waterside and other upper market locations, we could typically expect a higher-end offer likely to include more bespoke design or specification to accompany the location and views compared with the more typical new-build offer.

2.5.10. Allied to the above, another key consideration is how the planned site delivery/supply overlays this general values picture. From an analysis of site supply identified as part of the emerging LP process, we understand the majority of potential development sites (including the proposed SSAs) are located in the south of the district with only a small proportion (approximately 10%) located in the northern portion of the district that is within the Local Plan scope.

2.5.11. It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Chichester district. However, these factors do not affect the scope to get a clear overview of how values vary typically between the areas in this case, given the nature characteristics of the district.

2.6 Scheme Revenue (Gross Development Value (GDV)) – Affordable Housing (AH) Revenue

2.6.1. With the market housing driving the viability, the development appraisals also test different levels of affordable housing according to scheme size (no. of dwellings), as follows:

- 1-5 dwellings: Tested at 0% affordable housing
- 6-9 dwellings: Tested at 30% AH equivalent, by way of financial contributions in lieu of on-site AH following DSP update of the CDC calculation approach.

- 10 or more dwellings: Tested at 20%, 30%, 40% and 50% AH on-site.

2.6.2. CDC also asked us to review the approach to calculating and rates for AH financial contributions. We therefore looked at the likely effect of different levels of financial contribution against the viability of schemes providing affordable housing on site and propose an updated approach which is as considered to be as ready and simple as possible to update whilst also being suitable for application across a wide range of circumstances. In summary, our conclusions from this part of the review exercise were that the following should be considered for application by CDC (see Figure 9 below):

Figure 9 – Financial Contributions in lieu of on-site AH

> **Sites of 9 units or fewer**
>
> For off-site contributions/payments in lieu of affordable housing relating to sites of 9 units or fewer, we recommend a charge of £400 per m^2 be applied to the total floor area of schemes in the South area, and £500 per m^2 in the North area.
>
> **Sites of 10 or more units**
>
> For off-site contributions/payments in lieu of affordable housing relating to sites of 10 or more units, we recommend a rate of £140,000 per unit for each unit required by policy which is not being provided on site.

2.6.3. On sites of 10 or more dwellings, it was agreed with CDC that the £140,000 per unit would be applied pro rata to 'partial units' as well as to whole dwellings (however we note that CDC's policy is for financial contributions in lieu of whole units to be avoided on sites providing more than 10, other than in exceptional circumstances).

2.6.4. We recommend that in terms of future-proofing, the £/sq. m rates and the £140,000 could be updated by reference to house price movements e.g., as per Land Registry statistics (House Price Index) using the Chichester District data.

2.6.5. After some initial stage testing of CDC's previous AH financial contributions methodology, we re-ran our appraisals, applying the suggested updated approach.

2.6.6. We have assumed the content of the AH requirement to be based on a mix of 66.6% in favour of rented over intermediate affordable home ownership tenure (with affordable home ownership assumed in the form of shared ownership tenure, as is typical). Within the rented provision, we have assumed an equal split between social rented and affordable rented (AR) tenure. The NPPF (para. 64) also requires a minimum of 10% of homes to be provided as 'affordable home ownership' (AHO) as part of the overall AH contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible. The appraisal modelling assumes a policy compliant AH requirement on-site (except where, as set out above, we have applied equivalent financial contributions on sites of 1-9). It should however be noted that the AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

2.6.7. The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (AR) or capitalised net rental stream and capital value of retained equity (shared ownership - SO). Currently Homes England (HE) expects AH of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. This should be the starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.

2.6.8. The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

2.6.9. The transfer values for the AR AH units assumed for the study are shown in Appendix I. We have also introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) acts as an upper level above which rents will not be set – i.e., where the percentage of market rent exceeds the LHA rate.

2.6.10. In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here.

2.7 Scheme Revenue (Gross Development Value (GDV)) – Commercial / Non-residential

2.7.1. The value (GDV) generated by a commercial or other non-residential scheme varies greatly by specific type of development and, in some cases, location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered using the following methods: -

- For the main commercial scheme typologies under review, consistent with those reviewed in most of our strategic level viability assessments, residual valuation methodology - as per the principles applied to the residential typologies, or;

- A simpler method adopting a value vs cost comparison for other development use types and usually clearly indicating a poor relationship between the two - resulting in full typology appraisals being unnecessary e.g., for health uses, community centres, and a range of other development uses either typically provided by public agencies or generally non-commercially viable uses as stand-alone scenarios.

2.7.2. Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources including (also see Appendix III for more detail, again complied at the time of information gathering for assumptions setting):

- CoStar property intelligence database;
- Valuation Office Agency (VOA);
- Range of property and development industry publications, features and websites;
- Indications from development industry stakeholder consultation, as far as available.

2.7.3. Figure 10 below shows the range of annual rental values assumed for each scheme typology at this current (initial) review stage. These were then capitalised based on associated yield assumptions to provide a GDV in each case (the range of sensitivity tests considered on yield % are shown within Appendix I).

Figure 10: Assumed rental value – key commercial typologies[11]

Use Class / Type	Example Scheme Type	GIA (m^2)	Values Range - Annual Rents £ per sq m		
			Low	Mid	High
Large Retail	Large Supermarket - out of town	2500	£240	£270	£300
Large Retail	Retail Warehouse	1000	£225	£250	£275
Town Centre Retail	Comparison shops (general/non shopping centre)	200	£250	£300	£350
Small Retail	Convenience Store - various locations	300	£150	£185	£220
Business - Offices - Town Centre	Office Building	500	£175	£225	£250
Business - Offices - Out of town centre /Business Park	Office Building	1000	£175	£225	£250
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	£90	£105	£120
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	£70	£80	£90
Business - Horticultural Glasshouses	Larger unit (Tangmere & Runction HDA)	5000	£50	£60	£70
Business - Horticultural Glasshouses	Smaller unit (Sidlesham & Almadington HDA)	1500	£65	£75	£85
Hotel (budget)	Hotel - edge of town centre / edge of town	2100	£5,000	£6,250	£7,500
			Annual Room Rates		
C2 - Residential Institution	Nursing Home	1900	£180	£240	£300
Student Accommodation	100% Cluster type Accommodation with ensuite (400 rooms)	7384	£150	£180	£200
			Annual Room Rates		

[11] Non-residential typologies assumptions are set out in full detail in Appendix I including GIA, site coverage, overall site size etc.

2.7.4. As above, the rental values were tested across a range – selected at three levels representative of low (L), medium/mid (M) and high (H) test values considered potentially relevant to each typology. This enables us to assess the sensitivity of the viability findings to varying value levels, much like the residential appraisals approach and review. These are necessarily estimates and based on an assumption of new build development rather than older stock. This is consistent with the nature of the CIL regulations in that refurbishments/conversions/ straight re-use of existing property will not attract CIL contributions (unless floor-space in excess of 100sq. m is being added to an existing building; and providing that certain criteria on the recent use of the premises are met).

2.7.5. The quality and quantum of available information in this regard varies considerably by development type. Again, we do not consider this to be a specific CDC factor and it does not detract from the viability overview process that is appropriate for this type of study.

2.7.6. These varying rental levels were capitalised by applying yields of between 5% and 7% (varying dependent on scheme type). As with the level of rental value, varying the yields enabled the exploration of the sensitivity of results given that in practice a wide variety of rentals values and yields could be seen. This approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could potentially deteriorate whilst still supporting the collective costs, including any CIL as tested.

2.7.7. It is important worth noting here that small variations in assumptions can have a significant impact on the GDV available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between the desirability of infrastructure funding needs and the potential effect on viability.

2.7.8. This approach enabled us to consider the sensitivity of results to changes in the capital value (GDV) of schemes and allowed us then to consider the most relevant results in determining the parameters for setting non-residential CIL rates for the study area, including any differential rates that could or should be considered by CDC moving ahead. As with other elements of the study, the adopted assumptions will not necessarily match scheme specifics and therefore we need to keep in mind whether and how frequently local scenarios are likely to indicate viable results (including as values vary). See further detail in report Section 3.

2.7.9. CDC currently charges CIL on retail development, as noted above. However, as part of our study we will consider whether, within any new approach to CIL, there are other options or a suggested need to adjust the charging levels for commercial and other developments locally. Overall, we found that in the event of identifying scope to charge CIL on commercial or non-residential development in viability terms, there is no clearly justifiable or readily definable approach to varying that through viability findings based on location/geography. Whilst certain specific scheme types could create more value in one location compared with another in the district, typically it was felt there is no clear or useful pattern which might be described for that. It must be accepted that there will always be variations and imperfections in any level of overview approach; with or without area-based differentiation.

2.8 Development Costs – General

2.8.1. Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

2.8.2. Each cost assumption is informed by data and supporting evidence, from sources including:

- Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS);
- Locally available soundings as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience, including as informed by other assessments.

2.8.3. We have not allowed for abnormal costs that may be associated with particular sites – again this would move away from the necessarily high-level nature of this study and as supported by relevant guidance. Abnormal costs associated with particular sites are highly specific and can distort comparisons at this level of review. It is not appropriate to "pull down" the scope viewed as available to support CIL by universally assuming abnormals on some form of standard basis.

2.8.4. As will be discussed further below, the SSAs have been treated differently within the initial reviewing so far and considered through discussion with the Council alongside a review of available information including any from the consultation with parties involved with the sites. Accordingly, as far as are available, initial estimates of site-specific costs have been assumed where possible.

2.8.5. This is, however, another key factor that should be kept in mind in further developing and setting policy and CIL charging rates to ensure that cumulatively the requirements are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current/assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from currently assumed levels, this cannot be relied upon. Contingency allowances have, however, been made within all appraisals for both residential and commercial typologies. A "buffered" approach to considering CIL charging rates well within the margins of viability alongside policy has been taken to date and should be continued.

2.9 Development Costs – Build Costs

2.9.1. The base build cost level shown below is taken from the BCIS; an approach endorsed by the PPG guidance on Viability and considered to be 'appropriate data'[12]. In each case the figure has been rebased using a locally appropriate location factor (an adjustment of the base figure - indexed for the Chichester local authority area). Costs assumed for each development type (e.g., houses, flats, mixed etc.) are provided in Appendix I. At this stage we have also had regard to information provided by the BCIS within a report commission by the Federation of Small Business (FSB)[13] for those applicable schemes of less than 10 dwellings. Figure 11 below summarises the base build cost assumptions made and is extracted from Appendix I.

[12] https://www.gov.uk/guidance/viability (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018

[13] RICS BCIS Report for The Federation of Small Businesses – Housing development: the economies of small sites – the effect of project size on the cost of housing construction (August 2015)

Figure 11: Build Cost Data (BCIS Median base build costs)[14]

Chicchester District - Base Build Costs ("Median") *(Externals and site works added separately)*		BCIS Build Cost £/sq. m.
Residential C3	One-off housing detached (3 units or less) - generally (£/sq. m.)	£2,115
	Mixed Developments - generally (£/sq. m.)	£1,238
	Estate Housing - generally (£/sq. m.) *(5 and 6 Houses only. Increased by 14% based on FSB report*)*	£1,394
	Estate Housing - generally (£/sq. m.)	£1,223
	Flats - generally (£/sq. m.)	£1,385
	Supported Housing - generally (£/sq. m.)	1,527
Large Retail	Large Supermarket - out of town	£1,458
Large Retail	Retail Warehouse	£862
Town Centre Retail	Comparison shops (general/non shopping centre)	£1,147
Small Retail	Convenience Store - various locations	£1,147
Business - Offices - Town Centre	Office Building	£1,915
Business - Offices - Out of town centre /Business Park	Office Building	£1,705
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,320
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£894
Business - Horticultural Glasshouses	Larger unit (Tangmere & Runction HDA)	£424
Business - Horticultural Glasshouses	Smaller unit (Sidlesham & Almadington HDA)	£424
Hotel (budget)* **	Hotel - edge of town centre / edge of town	£2,008
C2 - Residential Institution	Nursing Home	£1,750
Student Accommodation	100% Cluster type Accommodation with ensuite (400 rooms)	£1,921

**BCIS report for the Federation of Small Businesses - Housing development: the economics of small sites - the effect of project size on the cost of housing construction (August 2015)*

2.9.2. The above build cost levels do not include external works/site costs, contingencies or professional fees (all added separately). An allowance for plot and site works has been allowed for on a variable basis depending on scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Specifically,

[14] Non-residential assumptions are set out in full detail in Appendix I including GIA, site coverage, overall site size etc.

site works, and infrastructure costs of £300,000/ha have been assumed for the range of site typologies tested with more specific, higher £/dwelling equivalent allowances assumed for the SSAs as reviewed to this initial stage, based on experience and the approach guided within the Harman report[15]- to be considered further below.

2.9.3. For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification/complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.

2.9.4. As also discussed in the context of sales values, although there is potential to see increased costs in some cases, it is just as likely that we could also see cases where base and external costs or other elements will be lower than those assumed here. Once again, in accordance with considering the importance of balance and the prospect of scheme specifics varying in practice, we consider our assumptions basis is appropriate and realistic. Ultimately, this approach helps ensure that our findings are not reliant on the margins of viability and that the cumulative development costs are not likely to unduly affect development coming forward given the local characteristics.

2.9.5. An allowance of 5% of build cost has also been added in all cases (residential and commercial typologies) to cover contingencies (i.e., unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our experience, although we do see some assumptions at lower levels. We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.

2.9.6. It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of CIL or the Local Plan as base build cost levels

[15] Local Housing Delivery Group: Viability Testing Local Plans – Advice for planning practitioners (June 2012)

typically vary over time. Appendix III includes some information on build cost trends, as viewed currently.

2.9.7. At this stage however, we cannot be sure how the UK's decision to leave the European Union will play out in either the short or longer term on the economy, potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs. We have also noted the arrival of the Covid-19 pandemic, which context will need to form part of the likely ongoing review work. Any further assessment will continue to be based on available data at the point of assumptions setting, consistent with the necessary, established approach to such studies.

2.10 Key Policy Areas for Testing – Summary

2.10.1 A number of the Council's emerging policies are likely to have an impact on development viability, both directly and indirectly, as part of considering the cumulative costs of development. The direct impacts are from those policies which place specific requirements on development – essential matters that need to be accounted for because they can be expected to result in a specific cost that needs to be reflected by assumptions within the appraisal modelling. Those key emerging policy elements not already considered (e.g., dwelling mix, AH content etc.) are noted below. Appendix I provides an overall policy summary analysis within which we note the potential relevance to the setting of specific cost assumptions. Taking this approach helps our overview as to which policies are essentially to secure typical planning objectives for permissible, sustainable development and which are likely to result in a more specific additional impact that needs allowing for directly via additional assessment assumptions. With this an initial stage of review, we could reasonably expect this element to need some further checking and /or revisiting as the subsequent LP development and related work progresses.

2.10.2. **Nationally Described Space Standard (NDSS)** *(Policy DM2)* - introduces the requirement for all housing to be designed to comply with dwelling sizes to meet the NDSS. The dwelling size assumptions used for this viability testing are set out at Figure 5 (within section 2.3 above) and Appendix I.

2.10.3. **Open Space requirements** *(Policy DM34*) - requires open space provision with new development contributing towards the provision parks, sports and recreation grounds, play areas, outdoor sports facilities, amenity spaces, allotments and informal greenspaces etc. The Council's policy sets out thresholds and standards for this provision applicable at varying levels from 20 to 100+ dwellings via s.106. For schemes of fewer than 20 dwellings, it is understood that open space will usually be provided for via off-site means potentially including the use of CIL. In addition to the physical provision of space in terms of assumed land take (in considering the BLVs), for relevant sites as viewed through the testing, the appraisals also include a cost allowance for the on-site provision as set out in the supporting Open Space, Sport and Recreation Study including Indoor Sports Facilities and Playing Pitch Strategy 2018.

2.10.4. **Access to and use of Buildings** *(Policy DM2/DM16) - f*ollowing the Housing Standards Review, optional enhanced accessibility provision is now incorporated into Part M of the Building Regulations. The Council's emerging policies requires the following which we note should be evidenced in terms of both and viability if a Council is to include these within policy:

- **97% of units to be built to M4(2) 'Accessible and adaptable dwellings'** - broadly equivalent to the Lifetime Homes standards, requiring provision is made within new dwellings to meet the needs of occupants with differing needs including some older and disabled people and also allow for the adaptation of the dwelling to meet the changing needs of occupants over time. This means that features are provided to enable common adaptations to be carried out in the future to increase the accessibility and functionality of the building. *Cost of achieving this requirement (extra-over cost) assumed on a per unit basis at £1,646 (Flats) and £2,447 (Houses) based on the EC Harris DCLG Housing Standards Review Cost Impact.*

- **3% of units to be built to M4(3) ' Wheelchair user dwellings'** - a dwelling constructed with the potential to be adapted for occupation by a wheelchair user e.g., providing space for the future installation of a lift **(a)**; or a dwelling constructed to be suitable for immediate occupation by a wheelchair user **(b)**. *Cost of achieving this requirement* *(extra-over cost) assumed on a per unit basis at £15,691 (Flats) and £26,816 (Houses) based on the EC Harris DCLG Housing Standards Review Cost Impact.*

2.10.5. It should be noted that the enhanced requirements as set out above are independent of each other so that a dwelling can be provided to meet one of these standards, not both. For specialist housing for older persons (retirement/sheltered and extra care) it is assumed that the general building specification and costs for that category include provision that would meet the necessary standards.

2.10.6. **Water Efficiency Standards (Policy DM16) -** requires all new dwellings to achieve the (again optional enhanced) more stringent water consumption standard of no more than 110 litres per person per day. This base assumption (rather than the building regulations base at 125 lpppd) has been used in all appraisals.

2.10.7. **Sustainability - Zero Carbon** *(Policy DM16)* – as has been noted, during the course of the study, the Council declared a 'climate emergency' and requested additional testing with a view to considering the impacts of and achieving the zero-carbon standard in residential development. This was carried out in two phases as more information on the costs of achieving this became available. According to some recent reports, including the Currie and Brown report for the Centre of Sustainable Energy and Committee on Climate Change, these costs could point costs at up to +7%-11% above the current base build cost view. There are many sources of information on this area, putting forward quite a range a mix of emerging and slightly more established potential scenarios as routes towards or ways of reaching zero carbon, with associated varying cost views at this stage. Through its Future Homes Standard the Government is advancing proposals which again are not fully established or costed as yet (more on this below). However, in our view, on overviewing the range of information and given that the need to make strides in this area is now here rather than a future aspiration, there needs to be some balance involved in considering what sort of initial cost allowances to make at this stage; subject to further review as the available information develops to better inform this. As part of this, it is appropriate to consider that extra-over costs as might be viewed now (depending on the base case) can reasonably be expected to reduce as knowledge and technologies improve and it gains traction within a more established marketplace. Therefore, at this stage, we consider a that reduced extra-over cost assumption of 3%-5% to be more appropriate taking into account a general decarbonisation of the energy network over time, any current sustainability measures that are already part of council policy as well as developments and economies of scale. On this basis, for the current initial testing we have applied a base assumption 4% increase over base build costs to achieve the zero-carbon standard through a combination of measures as may be appropriate (potentially including fabric, other efficiency measures, on-site renewables and off-setting) and taking the view that developments will necessarily or at least most likely progress on the basis of the most cost-efficient route to achieving standards. Assessments will also vary significantly dependent on whether a 'Regulated' or non-regulated view of emissions is taken. However, to add to the available information and bearing in mind both the uncertainties and evolving picture, we have also sensitivity tested viability on a sample basis using a higher rate of +7% build cost.

2.10.8. It appears that at this stage LPAs have the scope to set higher targets than the requirements in Building Regulations. As noted, the Government has consulted on its new 'The Future Homes Standard' (FHS) which proposes two options for enhanced sustainability standards with the more onerous option requiring a 31% reduction in CO_2 from new dwellings (at an estimated average cost of £4,847 per dwelling).

2.10.9. **Chichester, Langstone & Pagham Harbour SPA Mitigation** *(Policy DM30)* - Chichester, Langstone and Pagham Harbours are designated Special Protection Areas (SPAs) and Ramsar sites (designated wetlands of international importance). Any new development within a 5.6km 'Zone of Influence' must not adversely affect the integrity of the SPA and appropriate avoidance/mitigation measures must be taken.

2.10.10. A financial contribution representing the cost of mitigation measures is included as a base cost within our appraisal modelling ranging from £337 to £749/dwelling[16] depending on no. of bedrooms. Pagham Harbour has a 3.5km 'Zone of Influence'

[16] Since the assessment assumptions were set, the rates have increased (and as from 1 April 2020) were:
£356 for 1-bed dwelling
£514 for 2-bed
£671 for 3-bed
£789 for 4-bed
£927 for 5(+)-bed

which requires an increased mitigation contribution of £1,153/dwelling[17]. Although the likelihood of significant development coming forward within that 3.5km area is limited, we have also conducted additional sensitivity testing with this increased mitigation contribution included.

2.10.11. **Custom & Self-build** *(Policy DM2)* - We understand the Council will also encourage development proposals for Self-Build housing as described in the background context to Policy DM2. From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on viability. Broadly, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process.

2.10.12. There are a large number of different approaches to this housing type ranging from custom build with relatively minimal involvement from the purchaser, through to an individual building their own home on a single plot. If self-build comes forward as part of a large residential scheme, or as 100% custom/self-build housing, we are of the opinion it should be treated as per market housing - an AH policy target should apply. Conversely, an individual self-build dwelling would not trigger an AH contribution. Finally, if a self-build scheme were to come forward as an affordable or community-led project, it would be likely to be subject to restrictions relating to subsidy and would be regarded as an exception to policy, thus not required to provide AH in the normal way as far as we understand this, based on current experience and assumptions.

2.10.13. **Biodiversity Net Gain (BNG).** In our view it is likely that developers will seek the most cost-effective solutions to meeting the growing range of requirements, including looking at scheme design and details that could respond to multiple criteria rather than necessarily provide numerous measures that each simply meet individual development standards. Nevertheless, at the write-up point of this work to date, it appears likely that on conducting further viability review to inform and support the new Local Plan it will be appropriate to consider further assumptions relating to BNG

[17] From 1 April 2020 this was set at a flat fee of £904. Where sites overlap both zones, whichever is the higher of the two contributions at the time will be paid.

alongside the wider range of other criteria considered. Again, this is an area in which information is emerging.

2.10.14. **Nutrients Neutrality.** This is another evolving area for which the approach and related costs in the Chichester District context were not known at the time of building appraisal assumptions – not specifically accounted for at this stage. This is amongst the areas likely to require consideration on further review, therefore.

2.10.15. As a general comment, the meeting of new national and local policy areas will require an evolving approach, through which additional requirements will over time become more standardised and should quite quickly involve reducing extra-over cost, as has been seen to be the case in the past. This relates to a range of areas and particularly around sustainability (meaning including climate change and environmental/ecological matters).

2.10.16. **Development Costs – Fees, Finance & Profit.** The following costs have been assumed for the purposes of this study, alongside those noted above and vary slightly depending on the scale and type of development e.g., SSAs to be discussed further later. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 12 and 13 below). Again, Appendix I also provides details.

Figure 12: Residential Development Costs – Fees, Finance & Profit

Residential Development Costs - Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)
Marketing Costs	3% of GDV sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing – 17.5% GDV (PPG describes range of 15-20% GDV for the purposes of plan making)
	Affordable Housing - 6% GDV (affordable housing revenue)

Figure 13: Commercial Development Costs – Fees, Finance & Profit

Commercial Development Costs - Fees, Finance & Profit	Cost Allowance
Sustainability Allowance	5% of build cost
Professional & Other Fees	10% of build cost
Yields	Variable applicability, sensitivity tested across range at 5% to 8%.
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6% (including over lead-in and letting/sales period) Arrangement/other fees at 2% of cost
Marketing / Other Costs *(Cost allowances - scheme circumstances will vary)*	1% Advertising/ Other costs (% of annual income) 10% letting / management / other fees (% of assumed annual rental income) 5.75% purchasers' costs - where applicable
Developer Profit	15% of GDV

2.11 Build Period

2.11.1. The build period assumed for each development scenario has been based on BCIS data utilising the Construction Duration calculator, sense checked using our experience and informed by examples where available. The indicative build periods provided in Appendix I exclude lead-in times which have been assumed at 6 months and extended sales periods which have also been allowed for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied – see Appendix I for detail.

2.11.2. As far as appraised to this stage, bespoke assumptions on timings and related matters have been applied in connection with the SSAs - based on early indications provided by the Council and supplemented using DSP's experience.

2.12 Community Infrastructure Levy (CIL) & Other Planning Obligations

2.12.1. With CDC having a CIL charging schedule in place, the assessment has at this stage both considered viability with the current charges as part of the cumulative costs and used a wider range of trial CIL (test) rates to initially explore the potential (or need) for rates adjustments in the event the current CIL is reviewed. The range of trial charging rates tested incrementally is from £0 to £300/sq. m, including direct tests at the indexed rates applicable at the point of running appraisals. The results are displayed at £25/sq. m intervals within the tables at Appendices IIa, IIb and IId. Although the full appraisal testing has been carried out using finer-grained CIL trial intervals of £5/sq. m, the inclusion of the full results sets at this level of detail would prove too unwieldly for display (further information could be made available to the Council on this subsequently, depending on the LP development and any related proposals for a review of the CIL). From experience, this CIL testing range goes beyond the scope we expect to see as suitable in practice in CDC's case (and particularly as other policy requirements and related costs are generally increasing rather than reducing, not just in Chichester). However, this provides the full context for considering results in more depth and enables a "buffered" view to ensure that ultimately the selected rates are not going to be dependent on the margins of viability. As is the case with this assessment generally, this could be considered further and revisited as other aspects develop and further information becomes available to inform any subsequent appraisals or review.

2.12.2. As is the case here, even with a local CIL in place, there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as habitats regulations and open space, highways/transport, specific education or community provision and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between the intended use of s.106 and what is to be provided for via CIL.

2.12.3. Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements from September 2019, it will also be important for the Council to keep in mind the greater flexibility in the potential use of s.106 (as appropriate) balanced with the infrastructure that will be funded via CIL. This approach will help to ensure that the Council maximises the level of funding for essential infrastructure across the plan area.

2.12.4. As set out in Appendix I, within all typology appraisals a site-specific s.106 contingency at £3,000/dwelling (applied to all dwellings) has been included.

Following discussion with the Council and review of relevant monitoring information, we consider this level of s.106 contingency is appropriate as part of a prudent assessment approach and particularly at this stage. This is an allowance typically made within our CIL viability assessments, acknowledging the potential for there to be some level of site-specific mitigation sought via s.106 alongside the CIL. As above, the SSAs review work/testing to date has included specific costs where known for s.106 – i.e., where estimates were available based on information as set out in the IDP and as further provided by CDC. In addition, we understand there to be a requirement for additional A27 mitigation works to be provided by way of financial contribution by the SSAs – to be considered in further detail below and again amongst the aspects that may require further review moving ahead.

2.13 Indicative land value comparisons and related discussion

2.13.1. Land value in any given situation should reflect the specifics of the existing use, planning status, site conditions and constraints (including any necessary works, costs and obligations). It follows that the planning policies and obligations, including any site specific s.106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) approach. That could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always "EUV plus" (existing use value plus or EUV+) consistent with the updated PPG on Viability.

2.13.2. In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of variables including Value Levels, AH policy targets (%s) and trial CIL rates.

2.13.3. This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will in practice vary from scheme to scheme.

2.13.4. The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

2.13.5. As noted above, the PPG on viability is now very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise (as far as may be necessary in various circumstances) the release of the site for development.

2.13.6. As part of our results analysis, we have compared the wide scope of appraisal RLVs with a range of potential BLVs used as 'Viability Tests', based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide range of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs – indicated by paler to white results table areas).

2.13.7. The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.

2.13.8. As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for neighbouring/nearby authorities) both at a strategic level as well as site-specific viability assessments. In addition, we have also had regard to the published Government sources on land values for policy appraisal [18] providing industrial, office, residential and agricultural land value estimates.

2.13.9. It should be noted that the MHCLG residential land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a

[18] MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue) as used amongst the informing factors at the time of assumptions setting

different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher "serviced" i.e., "ready to develop" level of land value.

2.13.10. The MHCLG model provides a much higher level of land value for 'residential land' as it assumes the following: -

- All land and planning related costs are discharged;
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by around 50% on a 0.5ha site with 35% AH.
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 17% developer's profit.

2.13.11. The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.13.12. As set out in the Appendix II tables (residential and commercial results overview tables), we have made indicative comparisons at land value level in a range between £250,000/ha and £3,500,000/ha plus, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Typically, we would expect to apply an EUV+ based on a land value benchmark at approximately £250,000/ha (perhaps to an upper level of around £500,000/ha in respect of small areas of paddock land or similar) for greenfield land release, based on a circa ten times uplift factor (the "plus" element) from the EUV for agricultural land. The BLVs range above that, from £850,000/ha to £3,500,000/ha, is representative of previously developed land (PDL) i.e., 'brownfield' land. Although some sites in most areas could be in existing residential use, underpinning relatively high BLVs, the mid to upper end of that range is most likely to be relevant in the sub-regional centre (Chichester City) and settlement hubs (East Wittering/Bracklesham, Selsey, Southbourne, Tangmere) with higher existing use values.

2.13.13. At this point, it is also important to consider the wider context of the types of sites that are planned to come forward over the remaining plan period. Following the extensive research analysis phase, we understand the majority of the proposed development is planned to come forward on Greenfield sites. Taking into account the overall picture of delivery in terms of site type and planned locations, we consider the key BLVs for reviewing the results range from Viability Tests 1 to 2 at £250,000/ha to £500,000/ha (greenfield) and £850,000/ha to £1,500,000/ha (PDL).

Figure 14: Range of BLVs (Viability Tests)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement
£500,000	Greenfield Enhancement (Upper)
£850,000	Low-grade industrial land values.
£1,250,000	Industrial Upper / Commercial lower (includes a 20% uplift).
£1,500,000	Commercial Upper (includes 20% uplift)
£3,000,000	Residential land values - lower. An allowance has been made for a 50% reduction for planning obligations (AH) and planning risk; 20% uplift to adjusted estimate.
£3,500,000	Residential land values - upper.

2.13.14. It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping/double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.13.15. Matters such as realistic site selection for the particular proposals, allied to realistic landowner’s expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

2.13.16. The PPG[19] states the following: -

'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+) …

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the

[19] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment Paragraph: 014 Reference ID: 10-014-20190509 Revision date: 09 05 2019

cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

2.14 Strategic Site Allocations (SSAs)

2.14.1 As described earlier, the emerging LP identifies a number of strategic sites for development known as Strategic Site Allocations (SSAs) over the plan period, following a comprehensive selection process. As part of this project scope the Council have identified 8 no. SSAs to be the subject of more directed review and /or specific viability testing as set out below (See Figure 15 below and with the full detail available within Appendices I and IIc to this report).

2.14.2. On advice from CDC we note that the indicative capacities (dwelling numbers) reflected below are the subject of further review and could well be superseded by alternative estimates of development levels. These have been used for now, but again subsequent development and revisiting of the context could include such changes.

Figure 15: Strategic Site Allocations (SSA) Summary

Site	Indicative capacity (approx. no. of dwellings)
AL1 - Land West of Chichester (Greenfield)	850
AL3 - Land East of Chichester (Greenfield)	1000
AL5 - Southern Gateway (PDL)	350
AL6 - Land South West of Chichester (Greenfield)	100
AL7 - Highgrove Farm, Bosham (Greenfield)	250
AL8 - Land at Bracklesham Lane, East Wittering (Greenfield)	265
AL12- Land North of Park Farm, Selsey (Greenfield)	250
AL14 - Land West of Tangmere (Greenfield)	1300

2.14.3. With significantly differing characteristics from the general range of residential site typologies considered, these SSAs (all located in the southern portion of the district to be covered by the emerging Plan) have been reviewed with particular value and cost assumptions applied as appropriate (including for site-specific development mitigation through s.106 as far as current stage CDC estimates allow). However, there are also a number of general assumptions discussed earlier that continue to be applied as follows at this stage (or with exceptions to those as indicated here):

- **Dwelling mix assumptions** (see Figure 5) – due to the nature of AL5 as a PDL site in Chichester City and the anticipated higher-density type of development planned to come forward, a greater assumed weighting has been applied to the inclusion of flats alongside town/mews style housing at an overall percentage of approximately 75% (1-2 bed flats) and 25% (2-4 bed town/mews style housing);
- **Dwelling sizes** (see Figure 6) – NDSS adopted;
- **BCIS Build cost data** (see Figure 11) – Mixed developments 'generally' category applied to all SSAs appraised at this stage;

- **Other residential development costs** (see Figure 12) – including fees, finance, profit etc.
- **Key policy testing** (see 2.10 above) – with the exception of open space standards as these have been specifically provided by the Council;

2.14.4. Specific appraisals have been carried out to look at the viability of selected SSAs. Based on the information available (including any initial estimates of infrastructure costings) and broad assumptions reflecting this, however, the findings can only provide a high-level indication of the potential viability prospects at this stage of assessment. As well as the number of variables and the details to be settled (there are no scheme early scheme design proposals etc. in most cases), this reflects the length of time over which development is planned.

2.14.5. Appendix I provides a summary of our assumptions for each SSA based on a mixture of reviewing site promotion documents, consultation responses, discussion with key Council officers and our own experience. As noted above, the costs of infrastructure and other requirements indicated at the point of feeding into this necessarily high-level viability review and initial testing work on some SSAs are likely to be subject to revisiting. This will lead to updating/refinement of the estimates and related assumptions through later stages of the Plan development and further evidence building processes.

2.14.6. At this stage, the SSAs appraised have been reviewed on the following basis:

- **CIL** – assumed at the indexed rate for the south of the district at the time of setting assumptions for this initial stage testing.
- **A27 Junction improvement mitigation works** – sensitivity tested at £0, £5,000, £10,000 and £20,000 per dwelling subject to viability, with the exception of AL1 where we understand from the Council that A27 mitigation works formed part of the first phase of development. However, there may still be further requirements under the final phase and we understand that a further transport study is underway.
- **Site work and infrastructure** – assumed at £24,000 per dwelling (applied to all dwellings).
- **Proportion of AH** – tested at 30% and 40% affordable homes content.

- **Sales values** – tested at a range £3,750/sq. m to £4,250/sq. m with £4,000/sq. m. as a 'base' level test, aligning with the commentary in section 2.5 above.
- **Land servicing costs** – assumed where emerging policies (and CDC advice) suggest that other, non-residential uses will come forward as an integral part of proposals. This approach assumes that the relevant additional land areas will be made ready for development of the other types as noted in Appendix I – e.g., school provision/village centre/community uses/retail, employment development etc.
- **Fixed land cost** –SSA appraisals include a fixed land cost assumption reflecting the land values/BLVs commentary at 2.13 above. With the exception of AL5 (Southern Gateway), all of the SSAs are planned to come forward on greenfield sites which following review, has led us to assume the land purchase cost of £250,000/ha applied to the gross (total) assumed site area at this stage. AL5 is a relatively complex regeneration site in multiple existing uses (including bus depot, car park, offices, former school buildings) and, subject to any additional information moving forward, we have assumed a fixed land cost based on £1.5m/ha for existing commercial uses (including premium) there at this stage.
- A key factor for further consideration in the CDC context may be the relationship between CIL and the cost of the A27 improvement works likely to be required. Accordingly, our assessment so far of the SSAs also includes sensitivity testing the viability scope for the proposals (as assumed) to contribute towards these A27 works (in addition to CIL) and whether there is likely to be a shortfall in the finances which would ultimately need to be met from other funding sources. To provide some added context, we have summarised below (Figure 16) the anticipated CIL receipts from the SSAs based on applying the southern area indexed rate at the time of review. This indicates a total SSAs CIL receipt level of around £40m. We understand the cost of the A27 improvement works are anticipated as being in excess of that level.

Figure 16 – Provisional indications – Potential SSA CIL receipts

Strategic Site Allocation (SSA)	Provisional No. of dwellings (TBC)	Total Indicative CIL Receipts - Estimate	
		30% AH	40% AH
AL1 - Land West of Chichester (Greenfield)	850	£8,244,692	£7,066,879
AL3 - Land East of Chichester (Greenfield)	1000	£9,699,638	£8,313,975
AL5 - Southern Gateway (PDL)	350	£3,394,873	£2,909,891
AL6 - Land South West of Chichester (Greenfield)	100	£969,964	£831,398
AL7 - Highgrove Farm, Bosham (Greenfield)	250	£2,424,909	£2,078,494
AL8 - Land at Bracklesham Lane, East Wittering (Greenfield)	265	£2,577,332	£2,203,203
AL12- Land North of Park Farm, Selsey (Greenfield)	250	£2,424,909	£2,078,494
AL14 - Land West of Tangmere (Greenfield)	1300	£12,286,900	£10,531,628
TOTAL:	**4365**	**£42,023,217**	**£36,013,962**
TOTAL per dwelling:	**4365**	**£9,627**	**£8,251**

2.14.7. Similar to its level of influence within the general site typologies, the AH remains the single most costly policy to support. This will again tend to have the greatest single policy-based impact on the viability of residential led schemes i.e., the most significant influence outside the market itself functioning (as has to be assumed in order to consider development and assess it in this established way) or any major viability issues that are inherent in the characteristics of particular sites. It is important to note that as more becomes known about these sites and the specific mitigation and infrastructure requirements needed to support their development, perhaps together with overcoming any significant abnormals, there could be need for compromises to be considered within the overall process of finally settling the nature of developments and planning obligation packages etc.

2.14.8. The 'Findings Review' section below provides analysis and review of the early-stage viability indications for the SSAs as well as for the general range of development typologies appraised (including as represent non-residential/commercial development use types). Appendix IIc specifically refers to the SSA results summary tables for each site tested at this stage.

3. Findings Review

3.1. Introduction and overview to results tables review

3.1.1 The appraisal results generated to inform this assessment are considered in the following sections below, within four groups, each with a corresponding Appendix of tables as follows: -

- **Residential scheme typologies as set out in Appendix IIa (Tables 1a-1n)**
  – representing developments of 1 to 100 dwellings (houses, flats (including sheltered / extra care) and mixed typologies (houses and flats)) but as above also providing a wider early indication of how other sites beneath a strategic scale of development are considered likely to perform generally in viability terms. To recap, these typologies have been tested across a range of value levels (VLs) and trial CIL charging rates (including the Council's current indexed rates) alongside varying AH proportions. Set out in Appendix IIa, this has produced a matrix type approach to considering the range of results and informing an overview of these.

- **Residential scheme typologies further matrix testing (sensitivities) as set out in Appendix IIb (Tables 2a-2d)**
  – representing a sample of the residential typologies (15 houses and 50 mixed) tested at varying sustainability (+4% and +7% on base build costs) and profit levels (17.5% and 20% GDV) across the same range of variables as noted above.

- **Strategic Site Allocations (SSAs) as set out in Appendix IIc (Tables 1-6)**
  – representing the 6 no. specific site allocations as identified within the emerging Plan and appraised at this stage. Note that instead review commentary is provided in respect of 2 sites in this phase of work, given the available information (in respect of AL6) and the planning activity and progress (in respect of AL14).

- **Commercial/non-residential scheme typologies as set out in Appendix IId (Tables 4a-4e)**

– representing a range of development use types including retail, offices, industrial, hotel and residential institutions, tested across a range of rental value, investment yield assumptions and trial CIL rates.

3.1.2 The residential results tables are displayed by typology and with the tables showing the key assumptions used within that set. The upper row in each table shows the VLs range and the left side column shows the tested trial CIL rates and, at the top, the row of results relating to the tested indexed charging rate at the time – for comparison with the results from the trial rates below. The main table section shows the absolute RLV results in £s (non-shaded) whereas the lower table section includes the same RLVs but displayed in £/per hectare terms. These RLV £/ha results (including for the commercial sets) are then overlaid with colour shading linked to the BLVs (as 'viability tests' that are met (or not) by each RLV £/ha result) – see Figure 17 below. The boldness of the green colouring highlights the trends within the results and shows increasing confidence in these as viability is maintained while a wider range of BLVs are met. The RLVs are seen to increase and meet higher BLVs with increasing level of value (VL) assumed (moving left to right). These are also seen to reduce gradually as the level of the trial CIL charging rate is increased (moving top to bottom).

Figure 17: Result's 'Key' illustrating relative shading for BLVs ('Viability Tests 1-8')

Key:

	Viability Test 1 (RLV <£250,000/ha)
	Viability Test 2 (RLV £250,000 to £500,000/ha)
	Viability Test 3 (RLV £500,000 to £850,000/ha)
	Viability Test 4 (RLV £850,000 to £1,250,000/ha)
	Viability Test 5 (RLV £1,250,000 to £1,500,000/ha)
	Viability Test 6 (RLV £1,500,000 to £3,000,000/ha)
	Viability Test 7 (RLV £3,000,000 to £3,500,000/ha)
	Viability Test 8 (RLV >£3,500,000/ha)

BLV Notes:

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement
£500,000	Greenfield Enhancement (Upper)
£850,000	Low-grade industrial land values.
£1,250,000	Industrial - Upper
£1,500,000	Commercial CBD/OOT land values. Includes a 20% uplift.
£3,000,000	Residential land values. An allowance has been made for a 50% reduction for planning obligations (AH) and planning risk; 20% uplift to adjusted estimate.
£3,500,000	Residential land values - North of Plan Area only. An allowance has been made for a 50% reduction for planning obligations (AH) and planning risk; 20% uplift to adjusted estimate.

3.1.3 Although the mode of the results display remains the same for the commercial typologies as for residential (i.e., results display the absolute RLVs and RLVs £/per hectare alongside the above same 'viability tests' and formatting as illustrated in Figure 17), there are some differences in layout within the Appendix IId tables. Again, the absolute RLV results within those are seen in the upper section of each of the tables, with the green shaded RLV £/per hectare outcomes beneath and shown filtered against the BLVs or 'viability tests' again. The results deteriorate from the most positive set, Table 2a which shows the 5% yield tests, through to those in Table 2e based on a 7% yield, and therefore a significantly lower rental capitalisation rate. As per the residential results view, the results reduce gradually with increasing trial CIL rates incrementally – this time moving left to right with the test levels shown across the top. However, the results are seen to step up as increasing annual rental assumptions are used (L > M > H), and this is particularly the case with the more positive, lower yield % tests – a small adjustment in the assumed yield often has a significant influence on the result. For each typology, on reading down from the 'L' to 'M' and then 'H' rental assumption test results, the positive effect on the RLVs of the assumed rent increasing can be seen (where the results (or some of them) are positive and display this trend).

3.2 Appendix IIa Residential typologies and IIb Sensitivity Testing - context and discussion

3.2.1. As above, first we consider the residential typology results. As is typical across such projects, this is the main assessment focus here. This is due to the importance of new housing delivery in the district as a Local Plan main theme, together with the source of CIL income being typically weighted towards residential development. Also to be noted, and again typical in terms of impact, is the fact that the Council's policies are significantly more relevant in considering residential development viability. In comparison, there is a minimal influence of local policies on the viability of other development types.

3.2.2. There are two key areas of influence on viability under review as part of this assessment; the development of LP policy and review of the scope to support a CIL. These elements are interdependent and therefore making an overview of the effects of these can become circular. Given the nature of this process and the range of assumptions combinations and outcomes that are possible to consider, to aid a clearer and more concise reporting approach, we have firstly considered the results based on the indexed CIL rates (South and North). We have then looked more widely at the potential alternative scope to support CIL as far as appropriate, using the iterative approach of the trial CIL rate tests up to £300/sq. m.

3.2.3. From the base position, which indicates how viability looks with the CIL that is in place tested against varying AH levels and sales values (VLs) assumptions, we can consider whether in our view there is scope to support a continuation of the adopted approach or indeed a different approach, in combination with the emerging LP policy set. This approach enables the viewing of any potential for upward (or perhaps need for downward) review of the existing CIL charging rate(s) and particularly alongside the AH policy headlines that have been considered. As discussed earlier, the Council's emerging policies have to be considered on a fully 'switched-on' basis rather than relying on any potential revised or negotiation position that could be seen at development management (planning application) stage on a site-specific basis.

3.2.4. The following sections will suggest any themes or policy positions/adjustments that in our view the Council should consider from the findings of this initial stage review of the viability prospects for various types of development. This may be about considering options including any potential alternatives and trade-offs which will be noted where applicable. Overall, this is about considering the evidence collectively and informing the further development of policies and an accompanying CIL approach that will respond to achieving an appropriate balance between needs (e.g. for AH and the desirability of funding infrastructure) and viability. As reflected in the PPG CIL guidance, the Council need not follow these report findings exactly. There is some room for pragmatism.

3.2.5. In terms of any revised CIL approach, the charging rates will need to continue to be part of a high-level district-wide response, set strategically. It is not possible for CIL to reflect and respond to all local levels of variation in values or in other matters. How it overlays with the planned site supply is important, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries in more than a general way. We have noted that all sites are different and varying values will be seen even within sites.

3.2.6. The residential appraisal results set out in tables 1a to 1n at Appendix IIa progressively cover an increase in development size (number of dwellings within assumed scenario i.e., development typology) from 1 house up to 100 mixed dwellings (and at the upper end broadly representing a larger scale of development without strategic site characteristics). These typologies include the review sheltered housing and extra care development based on apartments using particular (adjusted) assumptions reflective of those scheme types and their typical characteristics.

3.2.7. To summarise, the assumed series of VLs covers the range of new-build housing sales values expected to be seen overall across the plan area, including in the event of those moving upwards or downwards from more typical current levels in the various localities. The key point here is to consider the VLs that are most representative of new-build property values in the district which at the time of setting assumptions for the most part we considered covered VLs 3 to 6 at £3,750/m^2 to £4,500/m^2 (approximately £348 to £418/sq. ft.)

3.2.8. Linked to the above, each appraisal has been modelled with a fully "switched-on" emerging policy approach. So, for example, CDC's emerging requirements for sustainability, access to and use of buildings (M4(2/3)), SPA mitigation etc. have all been applied as a cost to the appraisals. However, during the course of this assessment and reflecting ongoing discussions with the Council, we also conducted some additional sensitivity testing as follows (further results shown within Appendix IIb): -

- **Zero carbon development** - enhanced standards related to achieving zero-carbon have been assumed to be reflected in a cost increase of +7% over BCIS base build costs (consider likely to reflect a greater provision of on-site renewable technologies compared with our +4% base sustainability assumption). We understand that sustainability is an evolving key policy area for the Council moving forward, having declared a climate emergency in July 2019. In our view, as above, this provisional high-level exercise (as part of reviewing the related costs and benefits) is likely to need revisiting and lead to potential review as the LP development work progresses.
- **Developer return i.e., Profit** – the PPG describes a range of 15% to 20% (of GDV) for plan making purposes. Although our base appraisal tests assume the mid-point of that range at 17.5% which we consider to be suitably reflective of the consistently relatively strong property and development market in the district, we have also provided sample sensitivity testing which assumes profit at the upper end rate of 20% - for wider information. Along with other assumptions, we could expect to consider this further in any subsequent assessment phase(s).

3.2.9. Also included below, Figure 18 shows indicatively how the range of trial CIL charging rates tested appear when expressed as a percentage of sales value i.e., trial CIL rates as a percentage of GDV. DSP has used this sort of guide as background information for clients when considering CIL viability.

Figure 18: CIL rates indicated as a percentage of GDV

CIL Rate £/m²	CIL Trial Rates as % GDV								
	VL1 £3,250	VL2 £3,500	VL3 £3,750	VL4 £4,000	VL5 £4,250	VL6 £4,500	VL7 £4,750	VL8 £5,000	VL8 £5,500
	3250	3500	3750	4000	4250	4500	4750	5000	5500
0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
25	0.77%	0.71%	0.67%	0.63%	0.59%	0.56%	0.53%	0.50%	0.45%
50	1.54%	1.43%	1.33%	1.18%	1.18%	1.11%	1.05%	1.00%	0.91%
75	2.31%	2.14%	2.00%	1.88%	1.76%	1.67%	1.58%	1.50%	1.36%
95	2.92%	2.71%	2.53%	2.38%	2.24%	2.11%	2.00%	1.90%	1.73%
100	3.08%	2.86%	2.67%	2.50%	2.35%	2.22%	2.11%	2.00%	1.82%
120	3.69%	3.43%	3.20%	3.00%	2.82%	2.67%	2.53%	2.40%	2.18%
125	3.85%	3.57%	3.33%	3.13%	2.94%	2.78%	2.63%	2.50%	2.27%
141.25	4.35%	4.04%	3.77%	3.53%	3.32%	3.14%	2.97%	2.83%	2.57%
150	4.62%	4.29%	4.00%	3.75%	3.53%	3.33%	3.16%	3.00%	2.73%
158	4.86%	4.51%	4.21%	3.95%	3.72%	3.51%	3.33%	3.16%	2.87%
175	5.38%	5.00%	4.67%	4.38%	4.12%	3.89%	3.68%	3.50%	3.18%
200	6.15%	5.71%	5.33%	5.00%	4.71%	4.44%	4.21%	4.00%	3.64%
225	6.92%	6.43%	6.00%	5.63%	5.29%	5.00%	4.74%	4.50%	4.09%
235.42	7.24%	6.73%	6.28%	5.89%	5.54%	5.23%	4.96%	4.71%	4.28%
250	7.69%	7.14%	6.67%	6.25%	5.88%	5.56%	5.26%	5.00%	4.55%
275	8.46%	7.86%	7.33%	6.88%	6.47%	6.11%	5.79%	5.50%	5.00%
300	9.23%	8.57%	8.00%	7.50%	7.06%	6.67%	6.32%	6.00%	5.45%

KEY:

CDC originally adopted rate (non-indexed) - North and South of the NP

CDC Indexed CIL Rate (fixed at the point of setting assumptions) - North and South of the NP

3.2.10. This additional information does not represent additional viability testing, but in our view may be useful in purely a general health-check type way which could help to make sure that CIL charging rates are not set too high in the context of actual delivery, since the rate(s) setting exercise can be quite theoretical unless a range of judgments and experience are applied. DSP's view over many years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range of approximately 3% to 5% of GDV as a likely maximum suitable level. After considering buffering, we tend to see appropriate levels of CIL charging that will remain suitable as the development values and costs inevitably move around, will often be nearer to 2% to 3% of GDV equivalent. When viewed on this basis, and applied to VLs 3-6, this guide indicates CIL charging scope based around the range £100 to £250/sq. m i.e., provisionally not dissimilar to CDC's rates as charged following indexing. Again, as noted above, this is only a guide to provide a general feel for likely practical CIL rates scope and is of course subject to the full viability testing carried out as part of this study. In reviewing our full range of results (see the following sections) we will see how the viability tested outcomes compare with the likely realistic CIL parameters overall.

3.2.11. Sample appraisal summaries are included as a second part included to the rear of each Appendices IIa and IIb. The appraisals are too numerous to include all summaries, or even a wide range of them. The aim of including the examples is to further illustrate the structure of the residual calculations (methodology) and summary content.

3.3 Appendix IIc – Proposed SSAs – context and discussion

3.3.1. As discussed at 2.14 above, the emerging plan as the time identifies 8 no. SSAs (all located in the south of the district), the potential viability of which has been considered to date using review of available information and/or initial testing at a high-level using Argus Developer appraisal software. Specific assumptions were made for each site appraised (all except for AL6 and AL14) for example covering indicative site areas, dwelling capacities and other scheme content, sales values and site-specific mitigation through s.106; all using estimates based on information available at the time of carrying out the assessment. This information (leading to assumption setting) evolved over the assessment process and has been discussed and settled in liaison with the Council during progress.

3.3.2. Based on the evidence supporting the Council's current adopted Local Plan and CIL charging schedule, that the SSAs were shown to be viable when providing 30% AH, with the CIL in place, full s.106 planning obligations (as identified at the point of previous testing) and A27 mitigation contributions. Although both national and local policies have evolved and continue to do so, this is important context as a baseline to bear in mind. From an overview of the progression of development in the intervening period, and looking at recent planning progress including on AL14 (Tangmere) this appears consistent with that backdrop.

3.3.3. The appraisals run to this point used a fixed land cost input and the results as set out in Appendix IIc tables show the surplus/deficit outcomes (on both a £total and £per dwelling basis). To reiterate, these include the CDC CIL cost and further sensitivity then also takes an initial look at the potential impacts of additionally including A27 junction improvements mitigation costs at £0, £5,000, £10,000 and £20,000 per dwelling.

3.3.4. In addition to the CIL and initial estimates of the costs of specific s.106 infrastructure requirements, we have also made assumptions for site-wide works and infrastructure at £24,000 per dwelling – as set out in Appendix IIc and based on information provided by the Council as well as sourced from the latest IDP (Infrastructure Delivery Plan). For example, these include education related costs for the provision or land servicing for new schools, early years nurseries, SEN places together with community and green infrastructure and transport requirements (in addition to A27 mitigation costs). The specific assumptions are listed within the SSAs information at Appendix I.

3.3.5. The SSA results will be reviewed and discussed in the following section at an appropriately high-level for this stage of the emerging Local Plan development, drawing upon the results to date, as per the detail set out in Appendix IIc.

3.4 Appendix IId Commercial typologies - context and discussion

3.4.1. As noted above, we have undertaken a typical range of commercial/non-residential typology-based appraisals. The results are set out in Appendix IId at tables 4a – 4e as previously described. The range of scenario tests are shown top to bottom – by development use type. Each one of those has been appraised at 3 test value levels i.e., rent levels (L – lower, M – mid/medium and H – higher) to explore the sensitivity of the RLV outcomes to that assumption varying in combination with a yield % test ranging from most positive (at 5% - Table 4a) to least positive for the study purposes (at 7% - Table 4e RLV indications) at the time of appraisal. It can be seen that the viable scenarios range reduces very significantly by the time a 7% test yield is used to inform the capitalisation of the assumed rental values – across L, M and H levels as above.

3.4.2. This deterioration of results with increasing yield % reflects a progressively less positive view in relation to the capitalisation rate applied to the rental assumptions, indicating a less secure, higher risk income stream assumed for the commercial property investor as the yield % increases. However, it is relevant to consider which yield assumptions best reflect the development use considered by each typology in the CDC context – a narrowed range of yields will in practice be relevant to each development type.

3.4.3. After considering the residential findings and potential implications, we will go on to cover the commercial outcomes, again at high-level appropriate to the assessment purpose and the updated view of the CIL scope potential this also informs. The approach is consistent with the typical scope required for viability assessment of this nature with assumptions informed by our research and experience, so as to be representative of local circumstances based on a high-level overview approach rather than site-specific level detail. As above, relevant policy impacts on the viability of commercial/non-residential developments are likely to be limited in scope based on the emerging Plan development to date and this again is a typical scenario in our experience.

3.4.4. As noted earlier, it is important to adopt assumptions appropriate for the assessment purpose and to ensure no reliance is placed on pushing any proposals for revised CIL rates to the margins of viability. This proportional approach warrants a much smaller number of appraisals for the commercial typologies testing compared to breadth of the residential set. These were developed as sets to the point where viability in each case falls away to a negative RLV – 'indicative non-viability' positions or similar as shown in the Appendix IId tables. Once a very low, nil or negative outcome is reached, it is not necessary to explore further.

3.4.5. As with residential development, the strength of the market and therefore the strength of relationship between development values and costs is the most significant factor alongside reviewing these results against appropriate, corresponding BLVs – again, as discussed at 2.13 above.

3.5 **Residential Typologies Findings Review / Analysis** (Appendices IIa and IIb)

3.5.1. To recap, as important general context, affordable housing (AH provision) is typically one of the most significant factors affecting development viability, with a much greater impact than that of a CIL. This is because the cost of building the affordable homes is broadly the same as the market homes but overall the AH can be expected to yield broadly half the market value (MV) level of sales revenue assuming mixed tenure including rented AH (as is the case here). With the introduction of the

Government's First Homes initiative and more information becoming available on that at the point of completing the write-up for this stage, this picture could be seen to vary to some extent. Although at this stage in our view the First Homes themselves may not result in a very significantly different viability picture overall to that supported by other forms of affordable home ownership (AHO) this appears likely to need some further consideration amongst the overall effect of the policy mix on moving ahead with the LP evidence and development.

3.5.2. There are of course some schemes that may not be able to support collective emerging policy requirements in any event; they may not be viable either prior to or following any revision the application of CIL alongside the cumulative effect of other emerging policy costs and requirements. The strength of viability on such sites is unlikely to be solely due to CIL charging, however. This is more likely to be related to other factors, which may come together to have an impact – such as particular market conditions/demand, affordable housing, scheme design/construction specification requirements and wider planning objectives. Usually the collective costs impact will be relevant for consideration where issues arise, so that some level of prioritisation may be required (although noting that CIL is non-negotiable, hence the need to set its rates away from the margins of viability).

3.5.3. When viewed overall and bearing in mind the typical strength of values in the district, greenfield sites are indicated to present relatively positive results which can be seen within the key new-build values range and appears consistent with experience in the district to date. However, a mixed picture emerges as those results are quite sensitive to a combination of lower values and higher BLVs on PDL sites, resulting in some more challenging viability scenarios. This principally relates to flatted development scenarios which we will discuss in more detail below. Broadly, it appears that for flatted scenarios on PDL sites (north and south of the NP) an assumption around VL4 (£4,000/sq. m sales) represents a potential cusp of viability when assuming 30% AH and other requirements cumulatively. In comparison, greenfield sites for typical housing estate type schemes generally show a much more positive viability position whilst supporting the cumulative development costs.

3.5.4. Built into the approach, the use of prudent assumptions ensures that viability is not taken to the margins for the assessment purpose. Allied to this and taking account of the guidance, we have also given direct consideration to "buffering", which means stepping back from the maximum CIL charging rates indicated to be theoretically possible based on particular assumptions combinations.

3.5.5. A 'buffer' factor is essentially arbitrary. No required or recommended level of buffering is set out in guidance and its use is intended only as a means of aiming to keep within the margins of viability. In practice the actual level of buffering from the potential maximum charging rate will vary by scheme. A selected buffer level therefore does not need to be adhered to rigidly as it is still quite hypothetical and the viability work does not have to be followed precisely in any event. Ultimately, the Council should be able to show how the assessment has informed its overall approach, however.

3.5.6. With this in mind, our results review below will explore the scope for CIL to be supported by each typology when buffered back to approximately 50% of (roughly halved from) the indicated maximum rates that are accommodated by the reported typology tests RLVs.

Scenarios <10 dwellings (1 House, 5 and 6 Houses) *(Appendix IIa - Tables 1a-1c)*

3.5.7. The "default" national AH policy threshold as set out in the NPPF is 10 dwellings, other than in designated rural areas (applicable to CDC) where a lower threshold of 5 or fewer may be set. Typically, we find there can be a range of practical challenges involved in securing on-site provision of AH within the smallest schemes unless the local development market and AH providers become adjusted to this owing to the nature of supply and related management arrangements in the area. There can be issues with design integration, management and affordability.

3.5.8. Generally, the results as presented on scenarios below the national minimum AH threshold of 10 dwellings indicate broadly positive viability at the key range of VLs applicable to new build development coming forward in the district (with the cost of the CIL in place). As discussed earlier in the report, schemes of <6 dwellings were tested with the assumption of 0% AH. For schemes of 6, following the above, AH was also tested at 30% by way of a financial contribution broadly equivalent to on-site provision.

3.5.9. Related to this DSP was also asked to review the method of calculating off-site AH contributions. We have therefore proposed an alternative/updated methodology which is used where relevant within this assessment – as per the details at 2.6 above.

3.5.10. Generally, we would often expect a single dwelling (**1 House** scheme) to come forward as a self-build in some form and (and often not be subject to CIL charging therefore). Although this could well be on greenfield land (e.g., garden/amenity land or similar) a range of site types could be relevant, including redevelopment of existing residential. As seen in Table 1a, developments are indicated to be viable at VL6+, or at VL5+ with a low CIL or on greenfield land. This picture is not unusual in our experience, with individual dwellings often coming with higher associated costs although typically also supporting relatively high sales values.

3.5.11. Although also often involving higher costs associated with more bespoke builds, and our assumptions again reflecting this as relevant, the results for **5 Houses** (Table 1b) indicate the potential for viability across a wider range of tests going down to lower VLs at VL2-3+ with the existing CIL in place.

3.5.12. As noted above, the **6 Houses** scenario (Table 1c) has been tested with 0% AH and 30% AH by way of a financial contribution. With the latter included, the appraisal results for both south and north of the NP indicate viability when assuming both greenfield and PDL site types, combined with CIL rates of £150-£250/sq. m. (after buffering). The lower end of that CIL rate range broadly represents the south (with values at VL3+) and the upper CIL level represents north of the plan area, with values assumed at VL5/6+.

3.5.13. Although as expected a difference can be seen when comparing the 0% and 30% AH results, we consider that with the policy related assumptions included a meaningful level of CIL remains supportable alongside the affordable housing provision as above. Cumulatively this should not unduly impact the viability of this type of development coming forward over the plan period. Overall, we consider the findings point to the scope for continued CIL charging at a level similar to the Council’s existing indexed rates (perhaps with some scope to increase these marginally, subject to further review). This is also on the basis of maintaining the current north/south CIL differential. However, as a notable finding at this stage we consider that a more onerous AH financial contribution (i.e., equivalent to more than 30% AH) is not likely to be supportable on these smaller site typologies.

3.5.14. As part of this results analysis, we have also considered the possibility of scope for a differential (higher) CIL rate beneath the AH threshold of 6 dwellings (i.e., potentially affecting schemes of 1-5). However, the likely nature of these sites, likely to often involve higher £/sq. m. build costs based on available data at the time (related to the design/spec. of more individual builds) combined with the likely variety of site types reflecting in some higher EUVs and therefore BLVs means that if supportable on further review, then this would most likely not be a large differential. There may be scope to consider this further, so such a differential is not ruled-out at this stage.

3.5.15. On this basis, we consider the above findings broadly support a continuation of the Council's emerging policy approach but with a policy requirement for AH financial contributions 30% being triggered on schemes of 6-9 with likely on-site AH threshold to be on schemes of 10+ as opposed to 11+ (latter as described in the draft LP policies at the time of review, with the 11 threshold having been based on Government advice at the time, prior to the updating of the NPPF and PPG).

Recommended on-site AH threshold (policy trigger point) – 10 dwellings *(Table 1d)*

3.5.16. Noting the above, the national minimum AH threshold (other than in designated areas) is 10 dwellings. On this basis we have tested a **10 Houses** scenario at varying on-site AH proportions (20%-50%) in order to be able to consider the relative overall difference in the viability of this alongside other policies and the CIL, assuming a likely alignment to the national policy basis (and an adjustment from an earlier draft 11+ position).

3.5.17. Assuming a greenfield site type, the results for **10 Houses** produces RLVs that meet and exceed our lower BLVs, indicating that up to £150/sq. m. CIL (after buffering) is viable from VL2+ (£3,500 - £3,750/sq. m.) alongside the provision of 40% AH. However, once the level of AH is increased to 50% AH, the results indicate the viability scope to be coming under pressure, with values needing to achieve VL4 (£4,000/sq. m.) when combined with the same level of CIL.

3.5.18. Overall, our view is that alongside other policy objectives 50% AH is quite likely to be too onerous and not lead to enough scope to also support the direction of travel on climate change response, for example. It is also highly relevant to consider how the results relate to BLVs more likely to be relevant to development on PDL as opposed to greenfield sites with much lower existing use values. With 40% AH, the RLVs reach or marginally exceed the industrial and commercial land based BLVs with the current CIL included, but this could be marginal and it also means that the higher BLVs would be unlikely to be supported. This may lead to further consideration of how the likely supply of sites relates to these findings, but in our view at this stage this signals a potential need to consider a differential in AH policy for such developments, between greenfield and PDL sites (potentially lower AH proportion on PDL, alongside other policies as drafted and the CIL). This is both a theme to consider on reviewing the other results below and a potential ongoing review aspect, as the LP proposals progress. Another layer to this may be considering whether the north/south context for development further influences this. While the sales values are likely to be higher in the north, provisionally our view is that the site values are also likely to be higher, overall having a balancing effect and perhaps meaning that a north/south policy differentiation is not warranted. Generally, our expectation would be that the CIL differentiation is the factor that reflects the north/south variation. These are themes to keep under review.

15 Flats *(Table 1e)*

3.5.19. When looking at flatted typologies (and seen also through experience of planning application stage viability review) we often observe reduced viability scope unless relatively high sales values are available to support the typically higher development costs (compared with housing or mixed development types). This is a common theme in the assessment of development viability in our experience, i.e., found within a wide range of projects and is seen here in the CDC context – essentially across all tested flats-based scenarios. Again, this then is a theme to consider throughout, although the relevance of only or largely flatted development in the district is also important to consider in weighing-up policies and CIL charging rates. As far as we are aware, this is not a key form of development in any particular location in the district.

3.5.20. In line with this, we understand the Council’s housing strategy looks to encourage more family sized housing and therefore does not have any significant emphasis on flatted development per se. However, this type of development will continue to play a role in the local housing supply, perhaps particularly in Chichester City as part of larger scale mixed redevelopments.

3.5.21. As another characteristic related to the local context (as well as being another common theme in looking at flatted development viability) is that we can expect such schemes to come forward on PDL sites (although elements of flatted development will be likely to form part of larger developments including those on the SSAs). The results with 30% AH (rather than 40% AH or more) in the south of the district continue to produce a positive viability scenario from VL5/6 (within our typical new build values range), which show RLVs exceeding our assumed PDL BLV range when combined with up to £150/sq. m. CIL.

3.5.22. Increased costs in the north of the plan area have the effect of pushing down results at the lower end of the VL range e.g., VLs1-4. However, those values are considered much less likely to be relevant there (reflecting our research indicating VL5+ typically), and from VL6+ the results continue to support the above combination of AH (at 30%) and CIL across the relevant range of PDL BLVs.

3.5.23. Although a combination of 40% AH and an element of CIL may be viable in some circumstances on relevant PDL site types, we consider there would be a greater reliance on the upper end range of VLs. The sensitivity of these results to lower values at this level of AH show viability coming under pressure even when there is no CIL assumption applied. Clearly if this scheme were however to come forward on greenfield land, however, the viability prospects would improve greatly. Overall, and assuming development on PDL, the findings to this stage indicate more like 30% AH as viable rather than 40%, again with other key policy objectives and a balance with CIL in mind.

15 Houses and 25 Houses *(Tables 1f - 1h)*

3.5.24. Although again a variety of host site types may well be relevant and need to be considered within the overall context, these types of schemes appear most likely to come forward on greenfield sites in the CDC context. These typology reviews broadly indicate the same tone of results as seen at 10 Houses. On this basis, the results provide RLVs that exceed our assumed greenfield BLVs from VL2+ when combined with 40% AH and up to £150/sq. m. CIL (after buffering) in the south of the district.

3.5.25. The results for the north of the district again indicate that a higher level of CIL is viable (up to £250/sq. m) from VL5 (£4,250/sq. m.) when combined with 40% AH. Again, as considered above, the results for 50% AH appear to present a positive viability scenario on greenfield land, but overall we consider a more suitable approach to be represented by 40% AH on such sites. On PDL sites, while the viability indications are typically stronger than for flatted developments, the results also clearly show how a 30% AH policy is supportable alongside CIL across a much greater range of scenarios (including PDL sites i.e., with higher EUVs). Once again, the higher the AH level included, it will be important to consider the effect on the scope to support the wider policy costs, which are being seen to grow compared with the existing in terms of the climate change emergency response, habitats regulations mitigation and so forth.

SPA mitigation – higher Pagham Harbour rate

3.5.26. On this, we understand the emerging Plan includes requirements for enhanced mitigation levels (at higher financial contribution costs) in connection with the disturbance of birds within a 3.5km zone of influence around the Pagham Harbour SPA. Although it appears that significant development is unlikely to occur in this area other than potentially via windfall, for CDC's information we have conducted sensitivity testing (see *Tables 1h and 1k)* so as to include relative results for comparison with the base results at Tables 1g and 1j. The additional results show the effect of the enhanced financial contribution (discussed at 2.10) on this basis. This additional sensitivity testing undertaken for the **25 Houses** and **50 Mixed** typologies does not indicate a significant additional impact on development viability that alter sour results overview above.

Housing for the elderly/Extra Care – 30 apartments (Retirement/Sheltered) and 60 apartments (Extra Care) – *(Provisional results only, to be considered on further review based on latest available information - Tables 1i and 1m)*

3.5.27. The premium values usually achieved for such new build schemes, together with the densities and typically somewhat reduced scope of external works, are in our experience positive viability influences that come into play. There is some balance with the higher build costs associated with the nature of the construction e.g. enlarged communal (non-saleable) areas in comparison with general market apartment developments (usually 25%+ in comparison with the typical 15% or so communal areas allowance that we would generally expect to make for efficiently designed new build apartments). In our experience higher sales values (i.e., from VL7 to an added VL9 – at £5,000 to £6,000/sq. m) than those assumed for the general assessment purpose are likely to be more relevant for this development type. In summary, we have also assumed the following bespoke assumptions for the retirement housing typology:

- Increased upper VL to £6,000/sq. m.;
- Enlarged communal floor area – increased to 25%;
- Bespoke build costs based on BCIS for 'supported housing';
- Allowance for empty property costs at £60,000 i.e., £2,000 per apartment based on experience of retirement schemes at planning application stage reviews;
- Longer sales periods based on assuming approximately 1.5 sales per month (market units only).

3.5.28. Following our information review and through discussions with the Council, we understand there is currently demand for this type of development in Chichester (both south and north of the district). In particular we have noted a scheme currently available in Chichester City centre which indicates sales values at and above the upper VL9 test (£6,000/sq. m.). assumption. Therefore, consistent with our wide experience of viability, CIL rates setting and site-specific viability review work to date (including recently for CDC), we consider there would most likely be no clear justification for the inclusion of differential policies on affordable housing (AH%) or other matters, or differential CIL charging proposals for this type of development (assuming it to fall within the wide spectrum of market housing development falling within Use Class C3).

3.5.29. With the changing backdrop to the nature of housing needs and supply, it is now becoming increasingly relevant to consider other forms of specialist housing where an element of no-site care provision is involved – a form of development undoubtedly being seen more frequently. We have therefore also provisionally tested a **60 Flats Extra Care** development typology *(see Table 1m - initial results only, to be considered on further review based on latest available information*). Again these early appraisal runs used adjusted assumptions including: -

- Further enlarged communal space - increased to 35%;

3.5.30. The initial extra care typology tests undertaken to date indicate a lower tone of results than those from the retirement/sheltered housing appraisals considered above and this is consistent with our developing experience that this type of development has varying characteristics that can be significant for emerging LP policy and/or the CIL charging scope that is supportable. This is particularly relevant where (as often) extra care development may have characteristics towards the C2 side of the inevitably difficult C2/C3 boundary (falling between fully care-led provision and market led housing for older people).

3.5.31. Whilst based on this stage of review the findings appear to suggest no obvious need for a differential policy/CIL approach, as above these are subject to checking. In our experience of latest work on these developments and bearing in mind the conducting of appraisals earlier on in this initial phase, we suggest that this is an aspect for further review. In our experience we can now expect to consider at least some level of CIL charging rate(s) differential for this development use type. Our view is that some level of differential could prove to be appropriate, with the increasing prominence and changing nature of such schemes.

50 Mixed and 100 Mixed Dwellings *(Tables 1j and 1n)*

3.5.32. Our assumption at this stage is that these scheme typologies are most likely to come forward greenfield sites i.e., with low EUVs (leading to relatively low BLVs, all as above). We understand that the Council considers there to be potential for the **50 Mixed** scenario to come forward in both the north and south of the district, whereas the larger **100 Mixed** scheme is only likely to come forward in the south. It is fairly typical for this type of development (comprising both houses and flats) to indicate a lower overall level of viability than usually seen with the development of houses alone, generally owing to the use of some higher development cost assumptions. There is, however, an element of off-setting of this effect through higher density levels that could reasonably be expected to be achieved – in this case represented by assumptions at 55dph (mixed) compared with 35-40dph (houses only).

3.5.33. As above, the appraisal results do indicate lower overall viability than seen for the houses only based typologies. However, the relative strength of the results is such that they continue to point to viable scenarios. For example, in the south of the district, the results for both the 50 and 100 Mixed schemes using VL3 (sales at

£3,750/sq. m.) readily exceed the BLVs representative of greenfield land (including allowing for the higher level of EUV or uplift for smaller land releases) with 40% AH and a CIL of £150/sq. m. (buffered). Equally, the results north of the district (50 Mixed only) again continue to provide a positive results set with 40% AH viable at VL5 with up to £250/sq. m. CIL. As noted previously, we consider VL5 (£4,250/sq. m.) to represent the lower end of the range of VLs considered supportable by developments in the north of the district.

3.5.34. In addition, we noted above the further sensitivity tested possibility of a 50 dwellings Mixed scheme (or similar) coming forward within the 3.5km zone of influence around the Pagham Harbour SPA which has been considered while looking at the 25 Houses typology (at 3.5.26 above). There are no further comments in respect of that – the viability should have the capacity to bear the costs, based on the information available and assumptions made for this initial stage assessment.

50 Flats *(Table 1l)*

3.5.35. In addition to the smaller flatted scenario discussed above, we have also appraised a **50 Flats** typology. Overall this scenario test supports a similar range of findings to those noted above in connection with the 15 Flats typology. For this scheme type, we are assuming a PDL site type (represented by the BLVs range £850,000/ha-£3,500,000/ha), likely to only come forward in the south of the district in either Chichester City or (less likely) other larger settlement areas.

3.5.36. On this basis, CIL appears to be supportable at £125-£150/sq. m. with 30% AH at VL5/6, with viability falling away at VL1-3 (lowest end of our assumed values range) even when a nil CIL is applied. Although it appears an unlikely scenario by itself, clearly if this scheme were to come forward on greenfield land, its viability prospects would improve significantly. Overall, the results continue to indicate that on PDL and in conjunction with other policy costs and the CIL, a 30% AH headline is in our view likely to be more appropriate than a higher level, and in some cases could nevertheless still be challenging to achieve.

Appendix IIb Sensitivity Test Matrix *(Tables 2a - 2d)*

3.5.37. As noted within 2.10 above, during the course of this assessment we conducted some additional sensitivity testing relating to estimates of potential higher costs (at +7% to base build costs) that could be involved in reaching zero carbon standards depending on the scenario. The results are set out alongside those at the base assumption +4% cost, with each having been run at both 17.5% GDV developer's profit (base) and a higher 20% GDV profit test level.

3.5.38. This sensitivity testing was carried out on the 15 Houses and 50 Mixed dwellings scheme typologies at both 30% and 40% AH together with the same range of CIL tests. These were undertaken using a reduced scope of VLs from £3,750/sq. m. to £4,500/sq. m. (VL3-6) at this stage, so as to focus on the key range of new build sales values within the district in terms of most likely development delivery viewed at the point of appraisals, albeit with the area north of the NP more typically supporting values towards or at the upper end of that range i.e., VL6. Undertaken using these combinations of assumptions, these further tests were considered important to inform the looking ahead, especially given the increasing emphasis on responding to climate change through reducing carbon emissions and aiming for zero carbon development, therefore.

3.5.39. It is clear from the results that an increase in costs to this level (+7% on cost) for example representing zero carbon standard using a route involving a greater proportion of on-site renewables or other technologies does have a marked viability impact compared with the +4% cost assumption. At this stage our information review suggests that +4% is considered more likely to represent costs towards the minimum level involved in reaching zero carbon when both a base 17.5% and higher test level 20% profit is assumed.

3.5.40. The combined impact of both a 20% profit assumption and 7% sustainability allowance, places a greater reliance on the mid to upper end VLs assuming 30% or 40% AH alongside a likely reduction in CIL – i.e., with CIL perhaps at around the initially adopted (pre-indexed) rates (£120/sq. m. south and £200/sq. m. north). However, when only one of these sensitivity tests is applied, the results broadly align with the results discussion above, indicating a meaningful combination of CIL and AH provision should still be viable in the CDC context.

3.5.41. Where the requirements come together on the development of PDL, in our view this looks likely to build on the above noted theme. This means that on further review for the next LP development stage it could well be the case that an AH policy differential should be considered.

3.5.42. Overall, on relatively straightforward greenfield developments, it should be possible to support the requirements of the climate change response and affordable housing at 40% (with CIL charges similar to existing). On PDL developments, however, the additional climate change related costs sensitivity testing appears simply to reinforce the likelihood that not more than 30% AH looks suitable (and as above could be challenging in some cases, but not unrealistic given the needs).

3.5.43. Allied to this, with all appraisals to this stage including cost allowances representing the Council's emerging policy requirements (to date) that are thought to have a direct and quantifiable cost and therefore viability impact, we consider the requirements to be viable together, with AH considered as above (parameters 30-40%) and a CIL in place at similar to current levels. Viewed in this way, the emerging picture on the CIL is that for residential developments the current approach appears capable of continuing to serve reasonably well alongside the proposed LP policies (from a viability perspective).

3.5.44. In the above we have referred to the likely cumulative costs of development in relation to impact on relatively straightforward greenfield development. This has been tested up to 100 dwellings but using a typologies approach representative of a broader range of potential development i.e., on such sites that are beneath a strategic scale and usually without the related scale of infrastructure/mitigation requirements and other complexities.

3.5.45. On the other hand, strategic scale developments may need different or variable consideration and policy treatment, and this is considered in the following section – emerging findings – i.e., as far as reviewed in this initial phase of viability assessment, using available information at the point of exploring and running some preliminary appraisals.

3.6 Strategic Site Allocations Findings Review *(Appendix IIc)*

3.6.1. Appendix IIc sets out an overview of the results of the viability testing relating to the sites proposed to be included within the emerging Local Plan described as Strategic Site Allocations (SSAs). These range in size, having provisionally indicated capacities of approximately 100 to 1300 dwellings together with the provision of land for other development uses – for new education provision, community facilities and commercial/employment development. All SSA proposals are located in the southern portion of the Plan area for the district and are greenfield sites except for one (a proposed significant redevelopment of PDL at Chichester Gateway – AL5).

3.6.2. Appendix I and section 2.14 above provide further detail on the assumptions used to this stage but, to recap, each SSA appraised (relating to 6 of the 8 sites) has been tested with the current indexed CIL rate at both 30% and 40% AH and with further sensitivity tests undertaken to represent potential A27 junction improvement mitigation costs across an exploratory range from £0 to £20,000 per dwelling.

3.6.3. Appendix IIc shows the results to date as overall indicated £ surpluses (or deficits) which are then also displayed as equivalent £/dwelling outcomes. In each Table 1 to 6, the top section provides the results expressed in absolute terms (£s) and the bottom section shows that indicative level as a £ per dwelling (again, surplus or deficit depending on the assumptions – combinations as stated within the tables). Moving left to the right, the range of results indicating positive viability (surpluses – green shaded areas) are seen to reduce with increasing levels of A27 mitigation cost assumed. As can be seen the deficit outcomes are those shown as negatives, which are picked out by the pink/red shading. We note that these appraisals include no assumptions on values growth (allied with costs inflation) nor do they include any additional funding as may prove to be available from other sources (infrastructure of housing delivery funding/investment/grants), This appraisal basis enables the Council to review the varying indicative surplus levels reported at this stage and compare those with other emerging information as it becomes available from various sources, including the usual ongoing liaison with site promoters or prospective developers.

3.6.4. At this stage, it is not unusual for there to be a range of unknowns and accordingly it is not possible to say exactly what level and detailed combination of planning requirements and obligations packages will ultimately be supported at these sites. Where possible using available information to the point of running initial appraisals, we included assumptions for those items having costs estimates within the Council's IDP or where indicated from the information review and discussions with the Council. In addition, at this stage, for some of the SSAs it is not known how or by whom the infrastructure will be delivered. Where possible, supplementary assumptions have been made based on our general experience - where no detail was available. It is important to note that in all such appraisals small changes to assumptions can have a significant impact on the appraisal outcome. It follows that these initial stage viability indications are very much high-level emerging findings and are subject to review and change as the development of the new Local Plan and its supporting information progresses.

3.6.5. **Greenfield Site Allocations (AL1, AL3, AL6, AL7, AL12 and AL14)**

As noted previously, the majority of the SSAs are greenfield with the exception of one PDL site (Southern Gateway) – to be considered separately in the following section. Leading on from the earlier stages of information review and assumptions development, we have not specifically appraised AL6 and AL14, the reasons for which are outlined below.

3.6.6. **AL6 Land South West of Chichester** – At the time of this assessment, there were a number of uncertainties around the scope and balance of potential mixed land uses relating to SANGs, employment land and land for education uses (1FE primary school, expandable to 2FE). As presented for viability review so far, we consider that the quantum of the planned non-residential (mixed) land use is very significant relative to the proposed scale of residential (100 dwellings). The profitable elements appear unlikely to contribute in a significant enough way to supporting overall viability. Essentially the mix of uses proposed appears heavily weighted towards the likely significantly less viable non-residential land uses. This is likely to mean that whilst the residential element itself if likely to be viable (as for example our 100 dwellings typology shows on greenfield land), that level of market led housing is not of a sufficient scale to support what are likely to be very significant costs involved in land purchase and servicing for the other uses. Hence initial version appraisals were showing notable non-viability and we considered these not meaningful to progress further and include.

3.6.7. With the above in mind, we consider AL6 as presented so far appears likely to have challenging viability prospects, unless the balance between non-residential and residential land use proposals is altered and/or other funding assistance becomes available. For broad relativities only, the very different nature of the AL7 proposals and viability indications (see below – Appendix IIC Table 4) illustrate this.

3.6.8. **AL14 Land West of Tangmere** – As part of our review to date, we were able to consider a range of information relating to this site and the proposals for it. At April 2021, the point of rounding up the reporting for this initial assessment phase, planning has just been approved on the basis of 1,300 dwellings including 30% affordable housing and, we understand, provision of the Council's other adopted policies and CIL together with appropriate drainage solutions and the support of Biodiversity Net Gain consider this report to be appropriate available evidence pointing to the scheme (or indeed other schemes of this nature on greenfield land) being viable at 30% AH along with other substantial obligations and costs. Further information on the planning progress at AL14 will be available separately, and could be considered further as part of the ongoing information review in support of further assessment and local plan development work. It is also worth noting that the AL1 and AL3 SSAs involve proposals that are broadly comparable in size/characteristics to AL14, both of which are shown to have positive viability prospects based on specific testing conducted so far - to be discussed further below. However, as well as the climate change and other emerging/settling requirements (on BNG for example) it is also important to note again that the ability of schemes to support additional A27 mitigation contributions collectively with other policy and infrastructure requirements is likely to be variable and to need further consideration.

3.6.9. **SSAs provisionally appraised at this stage of review**. Moving from AL6 and AL14 as discussed above, all other greenfield SSAs comprising AL1, AL3, AL7, AL8 and AL12, have been specifically viability tested, as has AL5 (Chichester Southern Gateway - PDL) with the appraisal results of the exercise so far set out in Tables 1 – 6 of Appendix IIc. Each SSA appraisal assumes bespoke site-specific costs/allowances as per estimates provided by CDC[20], typically including education, non-residential uses, social, transport and green infrastructure contributions and SPA mitigation – specific details can be found in Appendix I. **AL1** and **AL3** are the largest scale SSAs appraised and come with significant specific infrastructure provision including serviced land for education, employment and community uses.

3.6.10. **AL1 Land West of Chichester (approx. 850 dwellings)** – This site forms the second phase of a larger development of around 1600 dwellings to be delivered in total.

[20] Based on information set out in the IDP alongside discussions with the Council.

Although we understand this site has already contributed towards the A27 junction improvement mitigation measures as part of phase one, at the time of writing it is not yet clear whether the site may need to contribute further under phase two - specific details are currently unknown. On this basis we have continued to include the same level of sensitivity testing for A27 mitigation contributions as used across the other SSA tests to this stage.

3.6.11. The appraisal results (see Appendix IIc Table 1) indicate the potentially available surplus/deficit amounts after allowing for a fixed level of land value (as per the BLV level) within the appraisal, alongside all other assumptions representing development costs, as set out. With allowance made for AH at 30% together with other emerging draft policies (as detailed previously), the results indicate a positive result i.e., surplus at the base VL test of around £5,400 per unit available to support other infrastructure requirements. However, as can be seen moving the right within Table 1 the addition of A27 related costs (or indeed other development cost) going beyond that surplus level pull down the viability view – with the indications moving to deficits using the assumptions made. With no growth assumption made, the potential very positive influence of higher sales values is clear to see, however (with steps up in the assumed test VL as shown).

3.6.12. **AL3 Land East of Chichester (approx. 1000 dwellings)** – We understand that there are abnormal costs associated with making this site ready to receive development, relating to filled ground (landfill restoration). Although costs information was not available at the time of conducting this assessment phase, in our experience for viability in planning purposes it is appropriate to assume these as an operator/landowner cost rather than pull down the viability and restrict the scope for supporting the usual planning policies and obligations. Accordingly, for the purposes of this exercise we have assumed that these site renewal/stabilising and other preparatory works have already taken place. As a detail to consider further in due course it may remain appropriate to allow for some additional costs, however, for example reflecting the remaining ground conditions and potential abnormal foundations treatments. This could be considered more closely on further review, with the potential to allow for an increased level of build cost contingency or similar.

3.6.13. The results are shown at Appendix IIc Table 2. At this stage, when assuming a fixed land cost/BLV of £250,000/ha (as per the greenfield development at the other SSAs), the indications are a positive range of outcomes – with surpluses ranging from approximately £7,000 to £31,000 per dwelling per unit with 30% AH, across the tested VLs and depending on the scope of A27 mitigation contributions assumed. At 40% AH, the current stage indications show the level of available surpluses significantly reducing, and the overall viability position begins to look marginal when combined with additional A27 mitigation contributions, particularly beyond £10,000/dwelling equivalent.

3.6.14. Accordingly, at this stage the emerging findings on this appear to be consistent with those generated by the other larger SSA site appraisals to date as well as with the recent planning outcome for affordable housing at Tangmere, AL14 – i.e., with 30% AH looking realistic and appropriate in viability terms, but looking to 40% probably over-stretching given the range of other objectives and costs to be supported across these developments.

3.6.15. **AL7 Highgrove Farm, Bosham (250 units)** – Although a smaller scale site, this has also been considered in a way that lifts it from the typologies approach, the emerging findings are similar in general terms (see Appendix IIc Table 4). At this stage the indicated surpluses potentially available to support additional infrastructure/cost beyond the base assumptions range from approximately £7,700 to £19,100 per unit, when assuming 30% AH in combination with £10,000/dwelling A27 mitigation contributions as sensitivity tested. The indications are seen to turn negative (minus results/pink shaded table areas with as much as £20,000/dwelling A27 cost added. Similarly, they turn negative (deficits are indicated) with 40% AH included except with nil A27 cost added, or marginally negative (deficit indicated at -£1,698/dwelling) with £5,000/dwelling A27 cost added. Again, no growth assumptions have been used. As above, in our view the results at this stage point towards 30% AH being a suitable policy headline, rather than a higher level. There are still a range of influences to be explored further using latest available information at the point of further review - unknowns at both national and local levels as regards policy/development costs.

3.6.16. **AL8 Land at Bracklesham Lane (East Wittering) and AL12 Land North of Park Farm (Selsey) -** At this level of review, these remaining two greenfield SSAs share broadly similar characteristics, scale of development and indicative viability scope as AL7 discussed above. Overall, both site appraisals provide positive results at 30% AH indicating a surplus ranging from approximately £7,000 to £30,000 per unit available to support additional infrastructure contributions. When moving to the results with 40% AH applied, again we see notably reduced viability scope particularly with increasing levels of A27 mitigation cost added to the preliminary appraisals.

3.6.17. **PDL based SSA – AL5 Southern Gateway, Chichester**

AL5 is the only Strategic Allocation Site to be allocated in the emerging Plan to date and this has therefore been provisionally appraised on the basis of a higher benchmark (BLV) used as a fixed land value at £1.5m/ha applied to the whole assumed site area as provided. From reviewing the relevant information, we understand this is a fairly complex regeneration site in multiple ownership. The proposal involves relatively high-density residential development in the Chichester District context, comprising flats and town houses together with mixed commercial space (offices, hotel and retail). With this context in mind, as with all the SSAs, the associated costs with bringing this site forward at this stage can only be estimated based on currently available information. More information and further costs estimates should become available as the emerging Plan moves forward.

3.6.18. The results to date indicate likely poor viability at each sensitivity test with 30% AH assumed. Although a few of the upper VL test and reduced cost combination sensitivity outcomes indicate the potential for positive outcomes over time, we consider that those should be viewed with some and, overall, when reviewing the indications so far, as set out in Table 3 of Appendix IIc, we can see that a challenging viability scenario is most likely. It appears the case that this is inherent in the nature of the site and mixed-use proposals and not caused as such by the emerging policy positions or the CIL that is in place. Nevertheless, it looks likely that in order to support the progression of this site there may well need to be exploration of a more bespoke approach on matters such as the levels of AH and CIL that are achievable in these instances. DSP has experience of recommending reduced requirements where appropriate.

3.6.19. Again, no growth assumptions are in use, nor are there any other funding sources assumed. On this, we understand that some of the funding gap may be met by CIL receipts already collected by the Council, although it appears likely that while such funding might help to support the prospects if made available early, they might not fundamentally change the viability picture. On this basis and in keeping with the wider regeneration strategy for this area of the City, it may be that a mix of other funding and particular policy measures will be required in order for the scheme as proposed to be progressed viably. It is worth noting that for such sites this is not an unusual finding. Generally, these indications are perhaps not unexpected. They are consistent with our wider experience of development based on more complex PDL sites. as above, and we have seen this theme of more challenging viability also coming through some of the residential typology results - particularly those representing flatted development schemes most likely to be seen in a similar type of location/scenario.

3.6.20. To reiterate, the above are all current stage indications i.e., emerging/provisional findings. The high level of sensitivity of these indications to changing development values and costs (including as influenced by both national and local (CDC LP) policies is clear to see – the results change quickly with adjusted assumptions. This means that not too much should be read into negative (deficit) outcomes at this stage, unless those are indicated to be potentially very large across the testing range (as appears the case with AL5, Southern Gateway, at this stage).

3.6.21. Viability is a dynamic matter and as well as negative influences on it from rising costs or increasing policy burdens, there can be consideration of the values side (with market reporting on house prices continuing to be very positive since the earlier assessment stages when assumptions were fixed. Indeed, the Covid-19 pandemic influences have not produced any let up in this trend to date. There is also the progression of technologies, regularity of use and economies of scale associated with what are currently regarded as extra-over costs for sustainability related matters.

3.6.22. However, with the extended range of uncertainties in mind, it will be important to take a balanced approach and as part of this not seek to use the viability scope to margins. As it is usually not appropriate to make policies and the CIL too complex, this in turn means that a suitable overview needs to be reached – a strategic approach that will be suitable across most circumstances, and particularly as relates to and supports the delivery that is most relevant to the delivery of the LP overall. Any differentiation should not be more complicated than necessary.

3.6.23. It is clear from the results analysis above, that the cost of potential additional contributions towards the A27 improvements works has a significant impact on the likely viability of all SSAs, with this particularly seen to bear additionally on the more challenging viability scenario that is indicated for the mixed PDL regeneration at AL5.

3.6.24. Overall, the greenfield SSA appraisals to this stage (for AL1, AL3, AL7, AL8 and AL12) indicate positive viability scope at 30% AH with varying levels of surplus amounts potentially available to support further infrastructure requirements.

3.6.25. It is acknowledged that there is the potential for some of the SSAs to need to overcome abnormal issues and support added costs that may come to light when further review or master planning is undertaken. This may be particularly relevant in the case of the larger scale SSAs and the PDL site (AL5). The NPPF recognises, however, that within this picture overall there could be sound reasons for site specific viability evidence to be brought forward at the delivery stage, as part of ultimately refining and settling development details and finalising the exact degree of support that can be maintained for planning obligations to secure the necessary infrastructure. This is whilst maintaining a suitable level of viability as seen through landowner and developer returns at appropriate levels (which relate to the consideration of BLVs and profit as per this assessment; and potentially for further consideration on development of the LP and this review work).

3.6.26. Taking into account the uncertainties surrounding a number of these sites (as discussed), particularly the deteriorating viability picture presented as the level of A27 contributions increase, in our view at this stage the Council could consider adopting a 30% AH policy headline across all SSAs, with the possible exception of AL5 for which bespoke consideration may be needed on further review.

3.6.27. To round off on this, we have also noted through previous sections that any typically smaller, more straightforward greenfield developments (usually without SSA type characteristics and associated requirements) should be capable of viably accommodating 40% AH in tandem with other policy costs as per the emerging direction of the new LP.

3.7 Commercial/Non-residential Findings Review (*Appendix IId – Tables 4a – 4e)*

3.7.1. The CDC CIL charging rates at the point of this assessment stage final write-up (as indexed for the year from January 2021) relating to commercial/non-residential development uses are limited to:

- Retail (wholly or mainly convenience) - £153.60/m^2
- Retail (wholly or mainly comparison) - £24.58/m^2
- Purpose build student housing - £36.86/m^2
- (So that all other development uses are nil-rated – no CIL charging cost applies)

3.7.2. As noted above, the review uses same methodology based on residual appraisal and comparison of RLVs with the above noted range of BLVs (again used for filtering the tabled RLV results) – all applied as per the residential element of this study. Appendix IId set out the results accordingly by development type, varied by increasing rental value test (low, medium and high), assumed yield percentage from 5-7% (applied in capitalising the annual rental assumptions) and potential (trial) CIL rate.

3.7.3. In much of the period since the Council adopted its current CIL in 2016, the commercial property market has been affected by uncertainty and mixed sentiment caused by the decision to leave the EU. Over the last year the economic backdrop has been further negatively impacted by the corona virus (COVID-19) pandemic that has consistently dominated the news. The market as influences commercial property decisions is undoubtedly very challenging at this time, with the main sectors that have so far withstood the downturn and remained positive being limited essentially to distribution/logistics and food/convenience retail. Investment in purpose-built student housing appears to remain a relatively active area, and is also generally continuing to be seen as having good viability prospects as a result. These are general statements of course. However, this will be important context and will be likely to influence any review of the CIL charging schedule, with the circumstances likely to remain very challenging across most scenarios, and particularly in the office and general (comparison) retail sectors - as has been and continues to be extensively reported.

3.7.4. Consistent with DSP's established practice, as examined on numerous occasions, a range of sensitivity testing has been carried out in looking at the viability prospects for various types of development uses (again typologies) considered relevant in the district. This enables both review of the outcomes considered most relevant based on market sentiment (as affects the assumption made on investment yields and rents) and consideration of the extent to which those assumptions would need to alter in order to support different viability outcomes. Unlike the impacts on residential scheme viability, there is no significant influence on the viability of such development uses as a result of local policy. This is typical and means that while the reported commercial/non-residential viability information and findings can usefully inform the Council's consideration of the Local Plan and potential effects on employment/commercial or mixed-use scheme proposals, the main purpose of this element is CIL viability. This is typical and not only a CDC related observation.

3.7.5. From the information review undertaken earlier on and discussions with the Council, the emerging plan proposals included the following strategies:

- **Employment uses** – provision of 145,835 sq. m. new floorspace for B1, B2 and B8 uses. In particular, the provision of significant new office development is encouraged Chichester City with smaller scale office development supported in other settlements;
- **Retail uses** – development is likely to be encouraged in line with the retail hierarchy focusing firstly in Chichester City, followed by local centres (e.g. Selsey and East Wittering) and village centres (e.g. Bracklesham Bay, Southbourne, Tangmere etc.). The Council considers it important for the City to continue to develop and enhance the existing retail offer with less emphasis on out of centre locations. The emerging Plan proposals identified need for 9,500sq. m. (gross) comparison floorspace up to 2026.
- **Horticultural uses** – the approach also aimed to support growth of the strong local horticultural sector with identified need for 228,000 sq. m. of additional floorspace for glasshouse development with a particular focus at the Horticultural Development Areas (HDAs) of Tangmere and Runcton.
- **Student uses** – the emerging strategies recognised the economic contribution that students make to the City and will continue to do so over the forthcoming plan period. To support further growth in the student population, it is expected that further provision of purpose-built student accommodation in suitable locations (within the City) will need to be considered.

- **Hotel uses** – the Plan identifies hotels as an important part of Chichester's employment sector, serving the strong visitor economy here. We understand that any anticipated growth in this sector would again be focused in and around Chichester City.

Results overview

3.7.6. From the above, our interpretation is that the majority if not all CIL relevant commercial/non-residential development use schemes will be likely to come forward in the southern portion of the district should they be progressed in the coming period. On this basis, the following commentary and suggested charging rates parameters are considered applicable for the Council's information in both geographical areas relevant to the Local Plan and CIL.

3.7.7. It is likely to be necessary to consider the relevance of a range of BLVs. While land values in the PDL range up to £1.5m/ha could be relevant and sufficient in some cases, and some development will also be hosted on greenfield land (i.e., with lower BLVs relevant), it is also necessary to consider that some schemes could involve redevelopment of land in higher existing use values or be competing with residential proposals for sites.

Retail development

3.7.8. **Supermarket / Foodstore development uses -** At the time of review, the Table 4a results within Appendix IId (5% yield – the most positive tested) are considered the most relevant. Yields at this level or lower (i.e., more positive still) are most reflective for this typology (as per Knight Frank's Yield Guides for example).

3.7.9. An RLV in excess of £3m/ha is indicated for this form of development when assuming the M rental level capitalised using the 5% yield, with £300/m^2 CIL as the trial rate.

3.7.10. This means that the currently applied CIL charge represents around 50% of the maximum CIL rate scope on this basis. In our view, therefore, the findings point to the current rate representing an appropriate level of charge in viability terms. If the charging schedule is to be reviewed short term, then this or a similar rate could be included again, with the indexing to date having served the purpose of maintaining a suitable level of charge for this development use.

3.7.11. The **Retail Warehousing** results present amongst the strongest viability indications observed at this review stage. Although at the review point the less positive investment prospects allied to this development use are likely to mean higher % yields than above, we can see that with 6 – 6.5% yields assumed (Tables 4c – 4d) the results show higher or similar RLVs than supported by the foodstore development typology.

3.7.12. With similar sites likely to be suitable for these development uses, in our view this form of development could support a similar CIL charging rate (at up to around £150/ $m^{2)}$ and this could be considered by CDC on review.

3.7.13. The **Town Centre and other Comparison Retail** tests carried out to date and also effectively assuming a pre-COVID-19 scenario given the assumptions review timing in our view now need further consideration given this context. Using the 'M' rental assumptions in combination with a yield of say 7%, the RLVs are seen again to reach a similar level of around £3m+/ha equivalent with a maximum CIL scope suggested at around £250/ m^2. However, the apparent strength of such an outcome also needs to be considered in the context of such a challenging retailing environment and we can see that the outcomes are very sensitive to the rental assumption falling.

3.7.14. Therefore, whilst direct reference to what may be the most relevant area of results points to CIL charging scope of perhaps £125/m^2 being suitable (halved back from i.e. at around 50% of the maximum noted £250/m^2) in our view a significantly lower rate (at around the existing charge level) could well continue to be appropriate. Indeed, in the circumstances we consider that a suitable case could be made within the overall balance to be struck that the development of typically smaller units for comparison retailing or associated uses should continue to attract no more than what is effectively a nominal (as existing) CIL charge. Alternatively, at this stage it also appears that a further differential (to a nil-rated approach could be appropriate as an option to consider within the overall balance between the desirability of infrastructure and the viability of development.

3.7.15. Although likely to be infrequent as new-builds or created via large extensions, reviewing the results representing any development of smaller (local neighbourhood type or similar) **Convenience Store** units suggests that an appropriate approach to these would be as per 3.7.14 above, with no need for further differentiation. The results (at Tables 4d - 4e) show that a significant rate differential from the larger format retailing development uses (in the form of foodstores and retail park units) is likely to be suitable for consideration by the Council if it is looking at a review of the CIL charging schedule at this time.

3.7.16. Overall, in considering the different forms of retail development above, there are options for the Council to consider a charging approach that differentiates between retail types. For example, large format retail (foodstores and retail warehousing/retail park developments) could be charged at the rates suggested above, whereas it would be appropriate to consider setting (broadly maintaining) a lower rate applicable to smaller shops (<280sq. m.) including any City centre or other comparison shopping as well as smaller convenience stores. We would envisage the latter grouping potentially being described as 'all other retail development uses' i.e., those outside the larger formats mentioned in respect of the higher rate. A continued dual rate set-up for retail developments would therefore cover this (rather than a more complex differential approach) if this were considered suitable for consideration by the Council within the overall balance.

3.7.17. In practice, the Council may consider it more likely to be adjustments made to existing shop units or conversions from other uses in order to provide the smaller shop offer (or indeed as relates to an evolving retail offer in the City centre as well as other larger settlements) and therefore consideration should be given to the extent to which CIL liability on this type of development may occur over the emerging plan period. As part of a consistent approach across the assessment, no allowance has been made for the highly variable factor of potential "netting-off" associated with existing floor space. This may provide an additional "buffer" type factor in many cases.

3.7.18. As indicated above, if a differential approach is pursued for retail development on this or another basis, it will be important for the Council to clearly set out how the differentiation is set up and described as part of any new charging schedule.

3.7.19. Charging authorities are able to set differential CIL rates by reference to varying scale of development as well as varying development use. DSP's experience is that differentiation can be based on scale where that relates to varying development use (i.e., retail offer, site and unit type associated with that) and clearly justified and appropriately described. The difference between larger and smaller format retail can be clearly defined for the study purpose with type as the key differential, and size as a secondary factor relating to scale but acting as a further way of clarifying the differentiating factors.

3.7.20. Looking at size of unit only (i.e., an approach led by or relying solely on different scales of development) can be problematic or lead to inequalities in our view. DSP's experience is such that retail use does not necessarily change characteristics in any readily determinable way at any specific floor area point other than that determined by the Sunday Trading provisions. We consider that unless a prospective charging authority has particular planning policies that influence viability (i.e., cause switch points in viability) either side of a certain floor area, the floor area based provisions relating to Sunday trading continue to provide the clear unit size linked switch in viability, bearing in mind that a particular floor area figure needs to be in place to create a viability threshold.

3.7.21. Since altering the assumed floor area to any point between say 200 and 500 sq. m. would not trigger varying values or costs at this level of review, basically the reported values/costs relationship stays constant; so that we do not see altering viability prospects as we alter the specific floor area assumption over that range but assume development for the same use type. This means that the outcomes for these scenarios are not dependent on the specific size of unit alone.

3.7.22. We find the same at other unit size assumptions. In essence, to support a CIL differential at an alternative threshold point it is necessary to show a distinct change in viability, which would come from different appraisal input applying at a particular point – whether at 500, 1,000, 2,000 or indeed any particular unit size. So the same applies on altering the high level testing for floor area variations on supermarkets or similar; the use type does not switch at particular points so that selection of thresholds for the varying scale of development could be arbitrary. This in itself could create inequity. In each case, unless viability was found to be different either side of any such point (a particular floor area), in our view and experience it would not be appropriate to differentiate.

3.7.23. The key factor differentiating the smaller types of retail scenarios that we refer to from the larger ones is that value/cost relationship related to the type of premises and the use of them; they are simply different scenarios where that relationship is not as positive as it is in respect of larger, generally out of town / edge of town stores. Specific floor area will not in itself produce a different nature of use and value / cost relationship unless applied in relation to the Sunday Trading provisions so far as we can see. Related to the opening hours available to an operator, these provisions create a clear threshold and at that a clear differentiator – based on sales area of less than 3,000 sq. ft. (approx. 280 sq. m).

3.7.24. To reiterate, in our view any differentiation is more about the distinct development use – i.e., the different retail offer that it creates and the particular site type that it requires, etc. The description of the use and its characteristics may therefore be more critical than relying simply on a floor area threshold or similar. The latter could also be set out to add clarity to the definition and therefore to the operation of a charging schedule in due course, however.

3.7.25. So, to recap, only if differentiating between these smaller and larger retail formats, we consider that creating a link with the size of sales floor space associated with the Sunday Trading provisions (3,000 sq. ft. / approx. 280 sq. m) may provide the most appropriate threshold as a secondary measure to the development use description that is the most relevant factor in both creating and describing the viability differential. However, drivers towards this approach in some locations may be the overall emerging plan relevance of different types (as new builds or larger extensions of over 100 sq. m triggering CIL liability) and any concerns over added development risk to smaller shops provision associated with adopting a single rate at too high a level. This approach to setting up a differential approach to CIL charging for retail development assumes the threshold being used for clarity and to further explain the nature of the development use that the viability and a charging rate differential is linked to if CIL is pursued.

3.7.26. There are a range of retail related uses, such as motor sales units, wholesale type clubs / businesses, which may also be seen locally, although not regularly as new builds because these uses also often occupy existing premises. Whilst it is not possible to cover all eventualities for ad hoc development, and that is not the intention of the CIL principles, we consider that it would be appropriate in viability terms to also link these to the retail approach that is selected based on the main themes of plan delivery, all as above.

3.7.27. Similarly, we assume that where relevant any new fast-food outlets, petrol station shops, etc., provided for example as part of large retail developments, would be treated as part of the retail scheme. Other uses under the umbrella of retail would be treated similarly too. Individual units or extensions would be charged according to their size applied to the selected rate as per the regulations and standard charging calculation approach.

Development for employment (B) Uses – Office / Industrial

3.7.28. We will consider the indications across Appendix IIa results Tables 4c – 4e in respect of these and other development uses – i.e., representative of yields at 6 – 7% and so well beneath (less positive than) the lower % assumption tests carried out for this stage of review.

3.7.29. A range of outcomes from beneath our viability tests (BLVs) range (results shown as 'indicative non-viability' is noted) to relatively low RLVs indicate that whilst development in some forms (e.g., out of town offices on greenfield (low EUV) land) could prove to be viable, any instances of this could be quite marginal.

3.7.30. Although there could be potential to consider a nominal charging rate approach (as part of the overall balance and looking at the need to provide infrastructure) which would in itself not be the cause of non-viability, this would rely on a low viability base.

3.7.31. Overall, our primary suggestion on CIL for these development use types is that the Council considers a nil charging rate approach should the schedule be reviewed, and this represents a continuation of the currently applicable CIL rate for development uses that are not specified with particular rates.

3.7.32. In the following sections we will develop this commentary further in reviewing whether any of other main Plan relevant development uses are considered able to viably support CIL charging and, if so, what the potentially suitable parameters are for charging rates in Chichester District.

Horticultural Glasshouses (Sui Generis)

3.7.33. As noted above, the district hosts a strong horticultural industry, and the Plan policies will reflect a need to meet the growing demand from this sector.

3.7.34. In our view, for this strategic level review purpose and related Council strategy, there are some broad parallels here with developments for other forms of employment related uses as considered above. Similar to the industrial typology discussed above, although we understand demand exists for this type of development in the CDC context, we consider yield assumptions of 6% to 7.5% to be appropriate to inform the review. On this basis, the results indicate the prospect of viable development on greenfield of other land in low value existing use, but similarly our review suggests that this is unlikely to be positive to the extent that supports clear scope for CIL charging. The results are seen to be very sensitive to the assumptions combinations used.

3.7.35. With the above context in mind and as per the industrial (and office) development use typologies, a greater reliance on a combination of the more positive assumptions in order to support a CIL appears likely to take viability to the margins. On this basis, at this stage of review we consider that a nil-rate CIL charge is likely be appropriate for CDC to consider in respect of this type of development.

C-Uses – Hotels

3.7.36. The assumed (budget) **Hotel** typology indicates a likely challenging viability scenario at the lower and medium rental value assumptions regardless of the level of yield or CIL trial rate applied. However, assuming the most positive combination of assumptions (e.g., high rental values, 5% yield) some potential positive viability prospects are seen, with some theoretical CIL scope achievable, and particularly if on a greenfield site type. Overall, in our opinion, with those viability result indications relying on the more positive value and yield assumptions and then seen to be highly sensitive to those falling away, this is unlikely to support positive CIL charging scope in the CDC context. Again, for CDC consideration this represents outcomes of a similar nature to those seen through this initial stage viability work on the employment and horticultural development uses types as noted above.

Care/Nursing Homes

3.7.37. This development use typology (C2 Residential Institution) assumes full care provision and using the assumptions made based on our experience of strategic viability assessment suitable for LP and CIL viability evidence, our results indicate no clear CIL charging potential. Although theoretically there may be some scenarios that could provide positive viability prospects, these would be reliant on higher values alongside other site-specific circumstances. For this high-level study purpose and stage of review, our view is that the Council would also need to consider a nil charging rate on review of the schedule. Again, this also represents a continuation of the current CDC CIL charging approach on this and most other non-residential development uses.

Student Accommodation

3.7.38. As the City of Chichester is home to the University of Chichester, we understand the emerging plan will recognise the economic contribution that the University and its students make to the local economy and, consistent with this, the Council considers there to be potential for further **purpose-built students' housing** to be developed. Based on our experience of reviewing the viability of this development use in various forms, this is considered very likely to support strong investment prospects. These are seen through positive (low) yields that support a high capitalisation of the adopted rental assumptions (set out in Appendix I). Recent evidence indicates yields ranging from 3.5% - 5.25% in prime regional areas, with the lower to mid part of that range often applicable[21].

3.7.39. There are different forms of student housing, which is typically developed on a 'cluster' model or provides more individual 'studio' based accommodation. The 'cluster' type provides traditional 'Halls of Residence' style accommodation with

[21] Knight Frank Yield Guide (December 2019)

individual study bedrooms arranged around a communal kitchen/lounge area. ‘Studio’ type accommodation provides typical studio flats that could be expected to include their “own” kitchenette or similar as well as bathroom facilities.

3.7.40. Following an information review of currently available student accommodation in and around Chichester, including some newer ‘out of centre’ provision, we consider the ‘cluster’ type accommodation is more typically representative of the type of student accommodation likely to come forward in the CDC context.

3.7.41. The typology results representative of ‘cluster’ based student housing as described above, indicate a range of likely clear positive viability scenarios even at the lower rental value assumptions combined with higher assumed yields (with the typical range of yields seen at 3.5% - 5.25%) as above. For example, assuming a 5.5% yield assumption as per Table 4b (and considering that Chichester is probably not at this stage regarded as a prime student housing investment location in comparison with larger, more established University cities and towns) at the medium rental value the current stage appraisal indicates an RLV well above our upper BLV across the full range of CIL trial levels.

3.7.42. Although potentially a greater level of CIL could be supportable, the wider range of results should be considered in our view. Again, we can see the sensitivity of these to less positive assumptions, for example with an increasing yield level.

3.7.43. In our view and experience, the most appropriate parallel to draw in looking at suitable parameters for CIL charging rates for student housing is that of residential development viability. All in all, we consider that a realistic and appropriate charging rate would be similar to the south area residential rate at approximately £150/sq. m, which would again enable the keeping away from the margins of viability and represent about 50% of the highest CIL trial rate that we have tested at this stage.

Other development uses

3.7.44. Only the results relating to key commercial/non-residential development tests (relevant to the emerging Plan) are discussed and contained within Appendix IId. Other minor development uses (e.g., cafes, community centres, garages, cinema/bowling etc.) have also been considered at a high-level, based on the strength of the relationship between values and build costs. On this basis, we find it is not necessary to carry out full appraisals of these development types because a simple comparison of the potential completed value against build cost assumptions from BCIS, indicates poor to marginal development viability. This is one of the key reasons why these forms of development are generally not seen in isolation but tend to be provided as part of mixed-use schemes that are financially driven by the residential and/or retail development for example.

3.7.45. Following the commercial results analysis above, for particular development types, we can see that once values fall to a certain level there is simply not enough development revenue to support the development costs, even before CIL scope is considered (i.e., where adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – makes the RLVs, and therefore viability prospects lower or moves them further into negative territory).

3.7.46. In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them. Indeed, some such developments may well be considered as infrastructure themselves.

3.7.47. As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of "lost opportunity" as regards significant CIL funding receipts overall, even with anything more than a nominal or nil CIL rate in place. We consider many of these uses would frequently occupy existing, refurbished or adapted premises.

3.7.48. A clear case in point will be community uses which generally either generate a very low or sub-market level income streams from various community groups and as a general rule require very significant level of subsidy to support their development cost; in the main they are likely to be a long way from regularly supporting anything other than a nil or nominal type CIL charge.

3.7.49. There are of course a range of other arguments in support of a distinct approach for such uses. For example, in themselves, such facilities are generally contributing to the wider availability of community infrastructure. They may even be the very types of facilities that the pooled CIL contributions will ultimately support to some degree. For all this, so far as we can see the guiding principle in considering the CIL regime as may be applied to these types of scenarios remains their viability as new build scenarios.

3.7.50. As part of this review process, in general terms only, the likely viability prospects associated with a range of other uses, considered at a high-level as developments, we compared their estimated typical values (or range of values) – with reference to values research from entries in VOA Rating Lists and with their likely build cost levels or ranges (base build costs before external works and fees) sourced from BCIS. As has been discussed above, where the relationship between these two key appraisal ingredients is not favourable (i.e., where costs exceed or are not sufficiently outweighed by values) then we can quickly see that we are not dealing with viable development scenarios in the usual sense considered by this assessment or referred to in guidance. The lack of positive relationship is often such that, even with low land costs assumed, schemes will not be viable as developments. Some of these types of new developments may in any event be promoted/owned by charitable organisations and thereby be exempt from CIL charging (as affordable housing is).

3.7.51. On this basis, Figure 19 below provides examples of this high-level review only of the general relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support anything more than a nil or nominal CIL charge. Otherwise, the added viability burden could be likely to delay or frustrate schemes, mean other compromises or add to funding requirements. The Council may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment overall.

3.7.52. These types of value / cost relationships are not unique to CDC. Very similar information is applicable and findings are seen in a wide range of locations in our experience, although across the area the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not unduly undermined. (See Figure 19 below).

Figure 19: other development uses – viability prospects (indicative cost/value relationship)
(DSP 2019)

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications –BCIS**	Viability prospects and Notes
Cafés	£80 - £400 per sq. m.	£800 - £4,000 per sq. m.	Approx. £2,190 - £2,850	Insufficient viability to clearly and reliably outweigh the costs
Community Centres	£20 - £40/ per sq. m.	£200 - £400 per sq. m.	Approx. £1,800 - £2,650	Clear lack of development viability
Day Nurseries (Nursery School /Creches)	£55 - £250 per sq. m.	£550 - £2,500 per sq. m.	Approx. £2,000 - £2,875	Insufficient viability to clearly and reliably outweigh the costs
Garages and Premises	£40 - £90 per sq.	£400 - £900 per sq. m.	Approx. £570 - £1,243	Low grade industrial (B uses) - costs generally exceed values
Halls - Community Halls	£20 - £40 per sq. m.	£200 - £400 per sq. m.	Approx. £1,870 - £2,450	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£80 - £120 per sq. m.	£800 - £1,200 per sq. m.	Approx. £1,450 - £1,900	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No information available		Approx. £1,700 - £2,500	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Museums	No information available		Approx. £1,300 - £2,500	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£10 - £80 per sq. m.	£100 - £800 per sq. m.	Approx. £500 - £1,250 (mixed	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in
Surgeries	£70 - £200 per sq. m.	£700 - £2,000 per sq. m.	Approx. £1,870 - £2,700 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).

**Approximations excluding external works, fees, contingencies, sustainability additions etc.

***BCIS Latest available data average of Chichester Location Factor

3.7.53. There are potentially a wide range of considerations here, as above, going beyond viability in the usual development sense. Our recommendation at this stage is indicatively there is insufficient viability scope to support a positive CIL charge i.e., we recommend nil (£0/sq. m.) or at most a nominal charging rate in respect of the range of other uses beyond those for which specific charging rates are likely to be appropriate (residential, retail and student accommodation). As in all other respects, this could be reviewed in the future.

3.7.54. In all cases, the viability scope for the different commercial/non-residential typologies tested and as discussed above, does not mean that all developments subject to CIL charging will be inherently viable; or that all development types subject to a potential nil CIL charge will not come forward at all. There will always be site-specific circumstances and characteristics at play which cannot be factored into this type of high-level study.

4. Findings Summary

4.1. Overview

4.1.1. With this stage of viability assessment having reviewed a wide range of scenarios using a mix of typologies supplemented with more specific initial appraisals (representing SSAs) a mix of viability outcomes has been found.

4.1.2. However, the Local Plan and CIL involve the need to take a complimentary, strategic approach. Judgements and an overview are therefore necessary in considering the further development and ultimate settling of both the emerging LP policy positions and suitable CIL charging rates moving ahead. This is unavoidable but is also appropriate, with the purpose of this and other appropriate available evidence being to both inform and support the development and progression of these.

4.1.3. This is all based on the emerging policy positions (considered cumulatively), information and data review available for use as well as the national policy positions – all as available or relevant at the time of preparing to run the appraisals for this assessment stage.

4.1.4. As with other matters involved in plan making, development viability is a dynamic rather than fixed factor. Typically, the economic backdrop and property market can be expected to move through various cycles over the length of period being considered overall, and yet in order to run appraisals and inform wider review and judgments, this needs to be carried out at appoint in time.

4.1.5. With the number of potential influences on viability that are moving around as this assessment phase has been undertaken, there is undoubtedly an extended range of uncertainties to consider at this stage. These have been noted above. In brief summary, they include the range of national policy level initiatives and consultations as well as how local policies will evolve to respond to or develop these themes (relating to planning reform, climate change response, biodiversity, first homes and other matters) and unprecedented continuing economic uncertainty as far as potentially influences the housing and wider property markets. Although the housing market has remained remarkably strong to date and current market forecasts continue the positive overview at this time, there have been significant impacts affecting a range of commercial/employment areas and the likely viability of related development uses – most forms of retail (except at this stage foodstores and retail warehousing formats) and also affecting how office space is used.

4.1.6. Alongside this, the circumstances have not so far positively affected other development uses where typically viability has been found insufficient to support CIL in recent years. These include industrial/warehousing – except on a large scale to support distribution/logistics (which we are seeing often support more positive viability), but for which Chichester District is not an established location. However, in looking at the scope for various development uses to support any reviewed CIL, there are some limited areas pointing to greater CIL charging potential than included in CDC's current schedule of rates – referring to the viability of purpose-built student housing development for example.

4.1.7. Added to the above and needing "overlaying" with the range of other themes and requirements, in the case of Chichester District there are a number of other constraints and related likely mitigation needs also to be funded; and as far as workable through development proceeds. These include specific local matters related to improvements needed to the A27 as well as habitats mitigation – contributions related to Special Protection Areas (SPAs).

4.1.8. A significant proportion of development (including 7 of the 8 SSAs considered to date) is set to come forward on greenfield land where existing use value (EUV) is low. With realistic land value expectations, therefore, development on greenfield land appears likely to continue to have the capacity to support all or most emerging policy requirements and development infrastructure/mitigation, providing the cumulative costs are not too high.

4.1.9. Whilst not unusual, this will most likely require some level of compromise bearing in mind in particularly the level of affordable housing needs and the (as yet uncertain) A27 improvement costs that are needing to be considered together with the climate change emergency response.

4.1.10. Collectively, this set of circumstances is likely to need further review moving into a subsequent phase of assessment and LP development informed by latest available positions and data on development values and costs (both market and local constraints wise), national and local policies, etc.

4.1.11. From the assessment undertaken in this first stage, our initial view is that the overall strategy and range of emerging policy requirements as reviewed so far have the potential to be supported viably. At a whole plan level, subject to further checks and potential refinements as the Council's work progresses, the approach appears to be capable of meeting the requirements of the NPPF and being consistent with the PPG.

4.1.12. Likely to need considering for the final policy iterations, and again dependent on latest available information that can be represented by assumptions within further appraisal runs, is a more settled view of the balance that should be set out between the various elements that add to development costs.

4.1.13. This is because once assumptions are made on the gross development value (GDV) of a scheme, there is essentially a fixed "pot" from which all the development costs can be supported cumulatively (i.e., together). This means that there cannot be too many cost areas that amount to fixed calls on the development finances, and especially with CIL operating as a non-adjustable top-slice from these. Allied to this, we have noted that landowners' expectations also need to be at realistic levels, reflecting the nature of sites and their EUVs rather than development related value based on market comparisons from transactions that may reflect different circumstances.

4.1.14. While this leads us to say that in practice CDC (and other planning authorities generally) are likely to need to continue to implement their LP policy approach in a practical/flexible way (only so far as proves to be necessary) rather than rigidly, the following is intended as a provisional guide to the cumulative approach that we consider should be workable. However, we also suggest that this should be reviewed further, all as noted above and with a view to further refining and settling a suitable policy set and CIL approach (should the charging schedule be reviewed in the coming period).

4.1.15. This assessment and subsequent viability information will need to continue to be considered in conjunction with the Councils' wider evidence on housing needs and evolving site supply, the developing picture on infrastructure needs and planning, employment land requirements and so on.

4.1.16. While looking at the community needs side as well, it is worth noting that pursuing any alternatives involving lower expectations for affordable housing or other policy cost areas could not come with a guarantee that those would be met consistently in any event. There can be no absolute certainty that specific full policy performance will be certain to be always achieved at any given level.

4.1.17. As we have commented above, it is not necessary for local authorities to exactly follow their viability evidence, rather they should be able to show how the information (along with other sources and drivers) has informed the selected overall approach. There is for example some room for pragmatism recognised within the CIL guidance within the PPG.

4.1.18. The following paragraphs provide an overview of the findings to date, and an initial view of how these could come together – as above, subject to review and refinement using latest available information on the Council moving to the next stage of the emerging Local Plan development and consultation.

4.1.19. A key factor in setting this out is the greater level of headroom that is usually available to support planning policy and other development costs in the case of development on greenfield land (having a low EUV) compared with the redevelopment of PDL (which usually involves a significantly higher EUV and therefore higher BLV that needs to be met. Although with a focus almost entirely on greenfield land, there is also a difference between the nature of proposals and the related development costs for sites such as the SSAs compared with smaller scale, more straightforward greenfield developments. The scale of mitigation and infrastructure requirements for the SSAs, including likely A27 improvement costs etc., is such that it may well not be possible for example to secure the level or type of affordable housing that should be achievable on smaller, simpler sites. These are all emerging indications for further review.

4.1.20. Although they need to be considered together, as has been the case, in our view it may well be necessary to further settle the Local Plan policy objectives and related infrastructure requirements before final decisions are made on any reviewed CIL charging levels. The consideration of LP policies and CIL together can be quite circular, hence our approach to date of reflecting on the current charging rates and viewing those as base assumptions/levels within the residential testing scope. From here, we anticipate that it should be possible to re-check and advise additionally around the CIL charging scope on further review.

4.1.21. All current stage overview findings summarised below are based on/subject to the context that has been discussed.

4.2. Affordable housing - Overview

4.2.1. For developments of 6 to 9 new homes, an approach involving broadly equivalent to 30% AH financial contributions has been tested and at this stage is considered likely to be viable.

4.2.2. Assuming then an on-site AH policy threshold at 10 dwellings, consistent with national policy, is also considered suitable – with this threshold essentially arbitrary but also supportable in viability terms. In our experience the considerations on smaller sites are more about successful integration of the affordable homes and sustainable management than about a viability cut-off.

4.2.3. From this point, i.e. for major developments except for the SSAs (overview noted separately below) to this stage of assessment the findings are such that the Council could consider the following alternatives as potential options for the AH proportions (%s) to be sought:

- **40% AH on greenfield sites; 30% on PDL – applied district-wide**
  This approach maintains the higher AH proportion on greenfield sites (presenting the strongest viability prospects as supported through our appraisals and review), whilst also acknowledging the often more challenging viability position presented on PDL in some circumstances, and especially for flatted based developments. It will be important for the Council to consider the overall relevance of these site types over the

emerging Plan period with a view to ultimately balance the trade-off between the incidence and nature of decision making (planning application) stage viability challenges and setting necessarily demanding policy owing to the AH needs levels. As noted above, in our experience there will always be some site-specific circumstances which present challenging viability scenarios requiring further viability review at planning application stage and this is likely to be the case regardless of the AH policy position(s).

OR;

- **40% AH target on both PDL and greenfield site types – district-wide**
  This would be on the basis that the majority of residential development is planned on greenfield sites and that is represents an ambitious and challenging target on at least some PDL sites. Although this option may trigger potential viability challenge in some circumstances, we also note the opportunity for adaptable/flexible policy application relating to AH tenure which has been tested currently with an even split of social and affordable rent as a fixed input.

4.2.4. From the two alternatives above, we consider that a differential approach between PDL (brownfield) and greenfield based development has the most potential to provide clarity to landowners and developers and could form a more realistic expectation overall. Our mixed findings to date acknowledge that in some PDL scenarios a sub-30% level of AH may be challenging alongside the range of other development and policy costs that will be relevant cumulatively.

4.2.5. As well as considering the level of affordable homes provided, their tenure will continue to be an important planning and housing factor, and the mix of this will also affect viability. In our view, the fixing of a too rigid approach on this may not be appropriate at LP policy level. In practice there may be need to or benefit from varying this, as tends to happen at a scheme-specific level depending on a range of circumstances. Affordable housing tenure has been noted as an evolving area, with the inclusion of 10% Affordable homes ownership related to the NPPF (para. 64) and the Government's 'First Homes' initiative looking set to become relevant shortly. This may warrant further consideration through supplementary sensitivity testing, depending on the CDC approach to its implementation, assuming applicable.

4.3 Other emerging key policy areas

4.3.1 Again, the following findings and points are put forward for CDC's consideration on further progressing the Local Plan, and will continue to inform the ongoing review.

I. **Nationally Described Space Standard (NDSS)** *(Emerging Policy ref. DM2)*
Appropriate dwelling sizes have been allowed and the approach considered to be viable, representing more of an early-stage planning and feasibility factor than a significant, clear negative viability impact.

II. **Open space requirements** *(Emerging Policy ref. DM34)*
While it may be appropriate to review allowances made to date as these potentially over-estimate the involved costs in some cases (TBC), we consider that a requirement for on-site provision should be viable, subject to any physical constraints that may need to be considered.

III. **Enhanced accessibility** *(Emerging Policy refs. DM2/DM16)*
Replacing the 'Building for Life' based current approach of CDC, emerging policy requires 97% of new dwellings to be built to the Building Regulations Part **M4(2)** standard with the remainder to meet **M4(3)**. With all dwellings sought to these standards this is a relatively onerous policy approach compared with some that we have seen. However, at this stage we consider this policy position to be viable based on the range of typologies tested. However, in our view the Council should consider a flexible approach to operating this as there may be practical issues encountered for some schemes. As a general point applicable to the adoption of optional housing standards enhancements, evidence of the need to provide these should also be in place.

IV. **Water efficiency (consumption) standards** *(Emerging Policy ref. DM16)*
With this a nominal and barely detectable additional cost over meeting the Building Reg's base requirement, at 110 litres per person per day this policy is suitable as part of viable developments.

V. **Sustainability – Zero Carbon** *(Emerging Policy ref. DM16)*

Representing greater emphasis than in existing policy owing to the CDC declared climate change emergency and the developing national policy thrust, the base testing assumptions to date include a 4% increase over BCIS median build costs, at which level the approach is considered likely to be viable in combination with other policies as noted here. However, this response to climate change through the agenda to build more sustainably and reduce carbon emissions (in this case targeted to zero carbon short-term) is very much an evolving area in terms of the requirements/aims, most appropriate approached and related costs (with the estimate costs varying greatly according to both route assumed and information used, at this time). For this reason, the impact of a higher level of additional cost associated with achieving zero carob development has also been appraised for CDC's information – at +7% to build costs. To date, this indicates that a need to support the higher tested level of additional cost will most likely lead to needing to consider potential compromise/balancing within the overall policy requirements and/or a potential adjustment impact on the headroom available for CIL. Accordingly, whilst an approach to including zero carbon related policy is likely to be supportable based on the review to date, this will be an element to consider further with the details to be reviewed and with the aim of more closely informing any trade-off type considerations.

VI. **Chichester, Langstone & Pagham Harbour SPA Mitigation** *(Emerging Policy Ref. DM30)*

We understand that the approach essentially continues that adopted since 2014, with indexation applied. The mitigation contribution costs for both 'zones of influence' have been tested and taking into account the location of the planned site supply, we consider that the approach will continue to support. The essential nature of such mitigation is also a factor here of course.

VII. **Custom & Self-build** *(Emerging Policy Ref. DM2)*

We consider there to be no significant implication for overall scheme viability but, as a proportion of a development, this may have better potential to be achieved from a practical point of view on larger schemes (where, together with other housing mix etc. requirements), this would still allow for a significant volume of unfettered market sale housing as the main driver. As with AH tenure, accessible homes, open space and other policy areas, any delivery issues may be more around physical and integration/management than directly related to viability. We understand that experience to date in the district has been that the majority of self-build schemes come forward as individual homes on single plots, which therefore would not trigger affordable housing requirements and are also likely to continue to qualify for CIL self-build relief.

VIII. **Nutrients Neutrality.**
This is another evolving area for which the approach and related costs in the Chichester District context were not known at the time of building appraisal assumptions – not specifically accounted for at this stage. This is amongst the areas likely to require consideration on further review, therefore.

IX. **Biodiversity Net Gain (BNG).**
We have noted our view that developers will likely seek the most cost-effective solutions to meeting the growing range of requirements, including looking at scheme design and details that could respond to multiple criteria rather than necessarily provide numerous measures that each simply meet individual development standards. Nevertheless, at the write-up point of this work to date, it appears likely that on conducting further review to inform and support the new Local Plan it may also be appropriate to consider other assumptions relating to BNG.

4.4 Strategic Site Allocations

Affordable Housing

4.4.1 At this stage, our overview of findings suggest that the SSAs are unlikely to support more than 30% AH in conjunction with the wider set of development and policy costs assumptions made to date. We envisage AH tenure targeted based on the needs and high-level strategy aim of achieving a mix including a significant proportion of rented homes.

4.4.2 With negative outcomes seen across the range of tests to date, unless it is accepted that the more generally applicable policies can either be worked with to secure delivery on a more flexible basis or other funding becomes available, the proposed Chichester Gateway site (AL5) looks most likely to require particular consideration. In our view that could relate to policies on AH, for example, and/or CIL rating (potential to consider differential treatment on review). Potentially, other (lower) AH% sensitivity tests could be explored for AL5, and nil CIL appraised, if that would be informative for the Council. However, at this stage the potential viability gap appears large, with a deficit of more than -£8m indicated as the base result at 30% AH.

Infrastructure and development mitigation - CIL and s.106

4.4.3 This is also in the context of allowing for the cost of the CIL at the current rate, although in our experience many local authorities place nil or low charging rates on strategic scale developments. This is because they typically carry a high-level of site-specific infrastructure and development mitigation which often reduces or squeezes out the viability scope for a meaningful level fixed CIL charging.

4.4.4 With the CIL in place and affecting all developments in the district, subject to only the north/south differential, our starting point for review has been its inclusion. This could however be regarded as an equivalent level of s.106 contributions or works instead. Whether to retain CIL charging on these sites or move to a s.106 infrastructure funding approach (rather than the currently envisaged combination) will be a matter for the Council to consider. The nature and timing of required infrastructure may influence this, as may the degree to which priority is accorded to other policy objectives because of the noted top-slicing effect of the CIL. S.106 may have the capacity to deliver infrastructure more responsively as part of an adaptable approach, but this may also depend on other current uncertainties including the overall scale of obligations once the costs estimates are more developed and the Government's further planning reforms which are looking at planning infrastructure and the operation of CIL amongst a range of other matters.

4.4.5 Alongside the current CIL and the A27 costs additional sensitivity testing, a range of other site-specific infrastructure costs have been allowed for so far, although these may not be complete – they were based on the information available from the

Council at the point of fixing assumptions for initial appraisals and this may require review/supplementing. The specific allowances made per site appraised are set out within the third sheet of the residential assumptions at Appendix I and are not repeated here. At this stage it is assumed that these are fixed, essential requirements and as such it may be other matters that flexed if needed, although these may all be part of the overall picture that will be reviewed further. At this stage, therefore, these are amongst the cumulatively tested viability impacts. The assumed costs (estimates as provided) relates to the following headings (costs/works areas):

- Education – new facilities/contributions/serviced land ready for provision
- Special educational needs
- Early years nurseries/contributions
- Serviced land for community uses and/or employment development/local centres
- Social infrastructure
- Transport contributions/infrastructure
- Green infrastructure
- SPA mitigation

A27 – Improvement's contributions

4.4.6 The findings from this stage of review indicate likely variable scope to support costs towards improvements to the A27 (assuming those to be in addition to the included CIL and other costs as per the assessments to date).

4.4.7 Provisionally on this, the appraisal work to date suggests that generally the SSAs are unlikely to be able to carry as much as £20,000/dwelling additional cost. As above, the tables within Appendix IIc will help to provide the Council with an initial guide on how this picture looks with the other assumptions made.

4.4.8 It is worth noting again that the early viability indications for AL5, the Chichester Gateway site, are such that with 30% AH and the other policy assumptions applied, the scenario is indicated as unviable before any level of A27 improvements costs is included. More generally, moving on to the greenfield based SSAs, these may support £5-10,000/dwelling additional cost, potentially higher in some instances, but it is not possible to pin this down further with a range of other variables not yet fully settled. This can be considered further in response to additional information and discussion with the Council. Overall, however, at least some of the SSAs appraised (AL1, AL3, AL7, AL8, AL12) are likely to be able to support A27 improvements in addition to the other policy objectives providing those are not applied too rigidly.

4.4.9 At the stage, the potential influence on viability (and therefore also on the supportable extent of other policy costs) of any other funding source(s) has not been considered or factored in in any way.

4.5 CIL Charging Rates

General residential sites (as represented by typologies)

4.5.1 Using the cumulative development and policy costs assumptions to date, our overview to this point on CIL is that the existing Charging Schedule remains broadly appropriate in respect of the main development uses. This looks to be the case when taking into account CDC's emerging policy positions.

4.5.2 Looked at another way, it might be said that after allowing for current values the increased development and policy costs under review (compared with those applicable at the CIL setting point) have taken up most or all of the scope that would otherwise have been able to increase the CIL charging. This is similar to the picture we usually have begun to see when looking at the scope to review CIL in other areas. Again, these are general points, but they are consistent with the strategic, high-level nature of a CIL – its purpose is to respond to and support the plan-wide picture rather than being specific at an individual site level (unless particular allocations require specific treatment).

4.5.3 So, for further review based on any updated information, our findings indicate for now that residential charging rates at around £150/m^2 (south of district) and £250/m^2 (north) remain appropriate – i.e., rates at very similar to the existing levels, as indexed.

4.5.4 The above does not to rule out any alternatives that may be necessary or indeed possible to consider on further review, although alongside the emerging policy set being considered, at this stage it looks unlikely that significantly higher residential charging rates would be supported. We suggest this could be considered further once more policy development work is progressed, and then using latest available information.

4.5.5 Looking around the general spectrum of market housing provision, typologies representing housing for older people in the form of sheltered/retirement apartments development and extra care have also been considered. The initial appraisals are likely to need some review. Our most recent experience is such that we might expect to find extra care needing at least a level for differential (lower) CIL treatment – for the Council to bear in mind in principle at this stage, with details to be confirmed.

Commercial/non-residential development uses

4.5.6 Again, our findings here point to the existing CIL charges continuing to be broadly appropriate, and at least in terms of some of the main development uses and relativities.

4.5.7 Charging at a very similar rate to the current rate (as indexed) – i.e., around £150/m^2 for 'wholly or mainly convenience' retail remains appropriate for application to larger format retail in the form of **foodstore/supermarket developments**. In our view, reflecting similar overall viability, the scope of this charging could also be considered for application to **retail warehousing/retail park development**. If progressed, this would place the district-wide charging rate for these development uses at a similar to or matching the southern area residential charge, which we consider would be appropriate.

4.5.8 Consistent with other assessment work that we have undertaken and reflecting the circumstances, our suggestion for CDC on **all other retail use developments** that are liable for CIL is to continue the current level of (effectively nominal rate) charging, or consider a nil rate approach at this time given the sensitivity of the viability outcomes to falling values (or rising costs).

4.5.9 Looking at other development uses as have been discussed with the Council, we have suggested that a notably higher CIL charging rate could be considered for application to the development of **purpose-built student accommodation** moving ahead (at a rate the same as or close the southern area residential level of around £150/m^2) while again staying away from the margins of viability.

4.5.10 On balance, the findings on CIL for all other development uses not specifically addressed above (including for the hotel, care home, industrial/warehousing, horticultural development and offices) are that a nil charge (rating at £0/m^2) looks very likely to remain appropriate based on the viability evidence.

4.5.11 DSP has experience of other nominal CIL charging rates being applied to other development uses. This involves departing from the viability evidence and basing the justification on the balance between the desirability of funding infrastructure and the potential effects on viability. Although it may be considered not an ideal time to risk adding to viability pressures across a range of scheme types, this could be discussed further with the Council if appropriate. At this stage our principle recommendation on other development uses will be to consider nil-rating.

4.5.12 The assessment work on the review of commercial and non-residential development has focused on our typical approach to viability testing (for Whole Plan and CIL purposes).

4.5.13 The mixed outcomes are not unusual and do not necessarily mean that development of the types discussed in a nil or nominal CIL rates context will not be delivered through flexibility in development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability for informing CIL setting.

4.5.14 DSP will be pleased to assist the Council further as may be required – for example with any queries and supplementary information or updating considered appropriate as the emerging Local Plan approach progresses.

Stage 1 Report ends – DSP v14

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