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District Council

Plan viability

Final Report | November 2013

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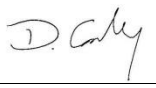
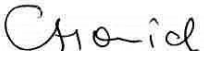
Reviewed by:	David Codling	Director		4 Nov 13
Approved by:	Cristina Howick	Partner		4 Nov 13

For and on behalf of Peter Brett Associates LLP

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1 INTRODUCTION

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

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

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

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

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

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

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

2 PLANS AND POLICIES: POLICY CONTEXT

Introduction

2.1 The importance of maintaining plan viability is a central theme of national planning policy and guidance in recent years.

Defining viability: the Harman Report

2.2 The Harman Report usefully defines viability. 'Viability Testing Local Plans' (Local housing Delivery Group, June 2012), states that:

> *'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.'*

National Planning Policy Framework

2.3 The NPPF resembles the Harman report, both in its approach to the concept of viability, and its concern to ensure that cumulative effects of policy do not combine to render plans unviable (para. 173):

> *'The costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'.*

Community Infrastructure Levy legal requirements

2.4 The Community Infrastructure Levy (CIL) is a planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from developers to help pay for infrastructure that is needed as a result of development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be approved by an independent examiner.

2.5 Below, we summarise the key points from the main points from both legislation concerning CIL and statutory guidance documents.

Finding the balance

2.6 Regulation 14 requires that a charging authority 'aim to strike what appears to the charging authority to be an appropriate balance' between

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

2.7 By itself, this statement is not easy to interpret. The statutory guidance explains its meaning. This explanation is important and worth quoting at length:

> *'By providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area. In deciding the rate(s) of the levy for inclusion in its draft charging schedule, a key consideration is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing the levy upon development across their area. The Community Infrastructure Levy regulations place this balance of considerations at the centre of the charge-setting process. In meeting the requirements of regulation 14(1), charging authorities should show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area. As set out in the National Planning Policy Framework in England, the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened'.*

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

2.9 The above quote from the statutory Guidance sets the development of the area firmly in the context of delivering the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the Guidance. For example, in guiding examiners, the Guidance makes it clear that the independent examiner should establish that:

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

2.10 Common sense suggests that an appropriate balance is not easy to find, and must be a matter of judgment as much as rigorous calculation. It is not surprising, therefore, that charging authorities are allowed discretion in this matter. This is set out in the legislation and guidance. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must aim to strike what appears to the charging authority to be an appropriate balance…'

and the statutory guidance says

'The legislation… requires a charging authority to use appropriate available evidence to 'inform the draft charging schedule'. A charging authority's proposed levy rate (or rates)

should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… there is room for some pragmatism.[2]

2.11 Regulation 14 effectively recognises that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Local Plan can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should '*use an area based approach, which involves a broad test of viability across their area*', supplemented by sampling *'…an appropriate range of sites across its area…*' with the focus *'...in particular on strategic sites on which the relevant Plan relies…*' [3]

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

Keeping clear of the ceiling

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

'Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, using appropriate available evidence, including existing published data, that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle..'[4]

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

i Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.

ii A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the charge

2.15 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, or both. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use')[5]. As part of this, some rates may be set at zero. But variations must reflect differences in viability; they

[2] DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 28)

[3] DCLG (April 2013) *Community Infrastructure Levy Guidance* (Paras 23 and 27)

[4] DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 30)

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

cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.16 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid 'undue complexity'.[6]

2.17 Moreover, generally speaking, 'it would not be appropriate to seek to differentiate in ways that 'impact disproportionately on particular sectors, or specialist forms of development'[7], otherwise the CIL may fall foul of State Aid rules.

2.18 It is worth noting, however, that the guidance is clear that 'In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability.'[8]

Supporting evidence

2.19 The legislation requires a charging authority to use 'appropriate available evidence'[9] to inform their charging schedules. The statutory guidance expands on this, explaining that the available data 'is unlikely to be fully comprehensive or exhaustive'.[10]

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

Chargeable floorspace

2.21 CIL will be payable on 'most buildings that people normally use'.[11] It will be levied on the net additional floorspace created by any given development scheme.[12]Any new build that replaces existing floorspace that has been in recent use on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

What the examiner will be looking for

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

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

[6] DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 37)
[7] DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 37)
[8] DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 34)
[9] Section 211 (7A) of the Planning Act 2008
[10] Section (April 2013) *Community Infrastructure Levy Guidance* (Para25)
[11] DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 37)
[12] DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 38)

- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area; and
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.'[13]

Policy requirements

2.23 Above, we have dealt with legal and statutory guidance requirements which are specific to CIL. More broadly, the CIL Guidance says that charging authorities 'should consider relevant national planning policy (including the NPPF in England) when drawing up their charging schedules'. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

2.24 The only policy requirements which relate directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place). Whilst important policy considerations, these two points are outside our immediate remit in this study.

[13] DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 9)

3 PLANS AND POLICIES: PLANNED DEVELOPMENT

The Local Plan's main themes

3.1 The Council is currently preparing a draft Local Plan. The Plan will cover Chichester District (excluding the South Downs National Park) for the period to 2029.

3.2 The Council's housing targets have not yet been finalised but are likely to be broadly consistent with the South East Plan requirements. Housing development is likely to be focussed on key strategic locations on the edge of Chichester City and at Tangmere.

3.3 More limited housing is likely to be planned at the other main settlements of Southbourne, East Wittering and Selsey with the remaining housing requirement distributed amongst smaller settlements.

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

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

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

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

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

The implications of plan policy for viability

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

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

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

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

3.11 Table 3.1 sets out the results of the scoping exercise. We focus on the second element above.

Table 3.1 Cost implications of anticipated plan policy areas

Anticipated plan policy area	Does the policy have a cost implication?	Application to all development, specific forms of development or specific sites?	How have these costs been dealt with in this study?
Borough Wide Strategy	No		
Town Centre	No		
Urban Areas	No		
Rural Service Centres	No		
Countryside	No		
Design standards	Yes	All development	Build costs used are considered sufficient to deliver local design standards.
Sustainable Design and Development	Yes	All development	Build costs used to accommodate Code level 4. Future years sensitivity testing includes Code 5 costs and an allowance for cost inflation.
Sustainable Transport	Possible	All development	Will be paid for through a combination of CIL and site-specific S106 costs. Site-specific S106 costs have been built into the viability testing.
Economic Development	No		
Housing Mix	No		
Affordable Housing	Yes	All housing and mixed use development	These costs have been built into viability testing.
Local Needs Housing	No		
Public Art	No		We have assumed that public art will be funded from the CIL pot, given that no more than five S106 agreements will be able to be pooled in future.
Gypsy and Traveller Accommodation	No		
Natural Assets	No		We have assumed that SANGS and other habitat offset costs (such as harbour mitigation) are to be dealt with through CIL
Infrastructure and open space delivery	Yes	All development	These costs will be predominantly met through CIL. CIL is set on the basis of viability after other policy costs have been met. Some site-specific S106 will be used to fund this infrastructure. There is no general policy for S106 contributions. An allowance for site-specific S106 has been made in the case of residential and retail development.

4 VIABILITY TESTING METHOD

Determining the threshold land value

What is the 'threshold land value'?

4.1 In order to test viability in planning an appropriate threshold land value (also referred to as threshold land value) is needed.

4.2 As stated in the Harman report a threshold land value is 'the value at which a typically willing landowner is likely to release land for development.'

4.3 The threshold land value is important in our calculations of developer contribution. The difference between the threshold land value and the residual land value represents the amount of money available for CIL or S106 contributions (including affordable housing).

Ways of estimating a threshold land value

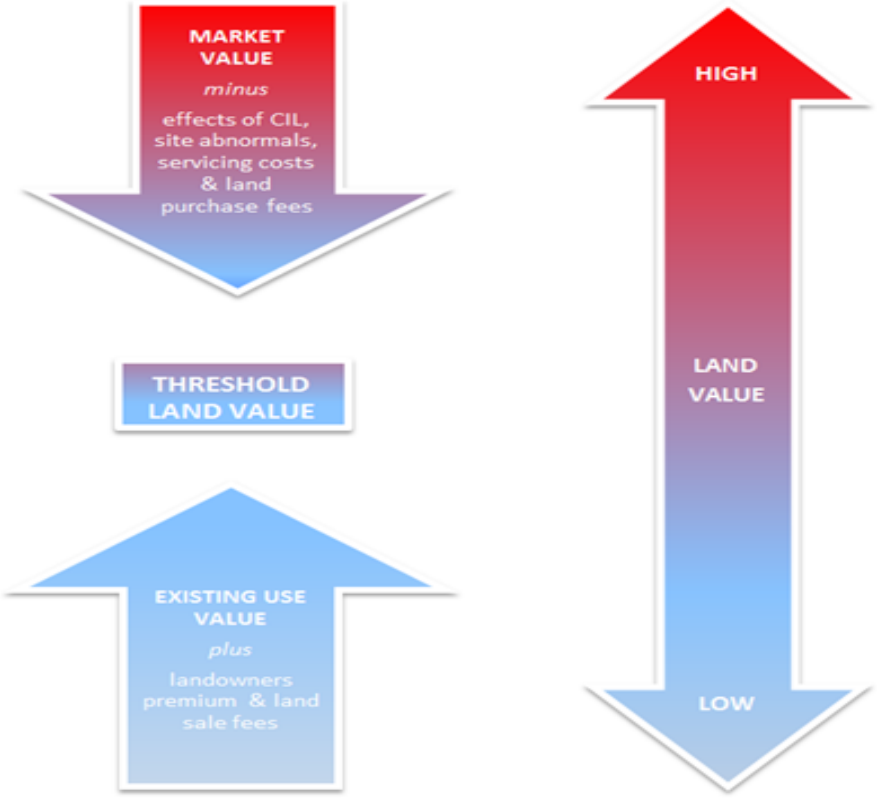
How is threshold land value calculated?

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

1. Assessing the uplift from an existing or known alternative use value.
2. Assessing the discount from the market value of a site, adjusted to allow for the costs of planning policy.

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

Figure 4.1 The two methods of estimating a threshold land value



Method 1: Existing and alternative use value uplift

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

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

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

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

Method 2: Market value discount

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

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

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

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

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

- It is important to stress that there is no single threshold land value at which land will come forward for development. Much depends on the land owner and their need to sell or wait in the hope that land values might improve and on the condition and location of the site.
- All sites vary in terms of the degree to which they are serviced or free of abnormal development conditions. Such associated costs vary considerably from site to site and it is difficult to adopt a generic figure with any degree of accuracy. Our starting point is to assume that the value of sites (when calculating the threshold level) relates to a full serviced development plot. In real terms, abnormal development costs or site servicing costs will be met by developers when the land is purchased. Careful analysis of transactions is required to assess the split between abnormal development and servicing costs (as a discount from the market value) from the premium sought by the land owner above the existing use value.
- The land transaction market is not transparent. Very little data is in the public domain and the subjective influences behind the deal are usually not available. We therefore

place a strong emphasis on consultation with both landowners and developers to get an accurate picture as possible as to what the threshold value might be.

Ways of estimating the residual land value

4.14 Our viability assessments are based on development appraisals of hypothetical schemes, using the residual valuation method. This approach is in line with accepted practice and as recommended by RICS guidance[14] and the Harman report[15]. Residual valuation is applied to different land uses and where relevant to different parts of the area, aiming to show typical values for each. It is based on the following formula:

Value of completed development scheme

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

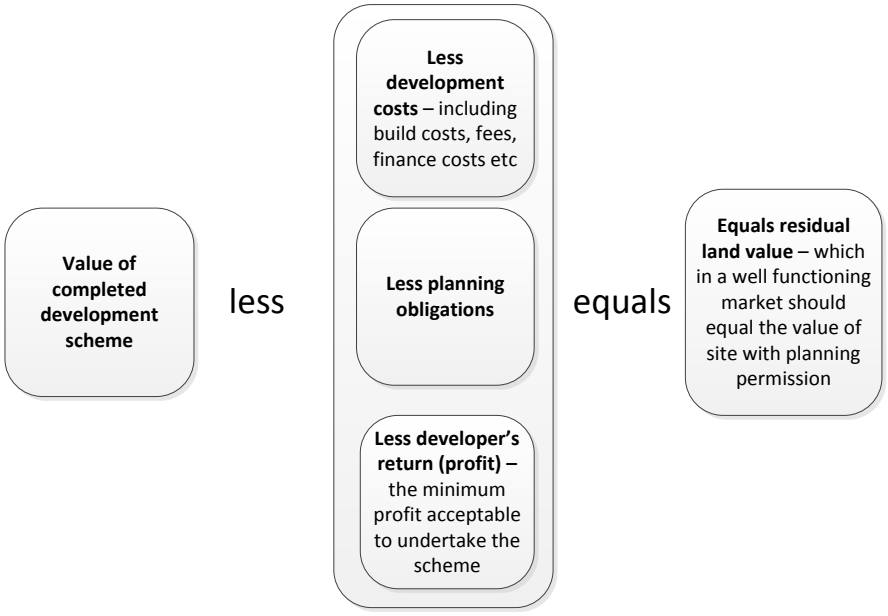
***Less* developer's return (profit)** – the minimum profit acceptable in the market to undertake the scheme

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

***Equals* residual land value**

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

Figure 4.2 Residential value calculation



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

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

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

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

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

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

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

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

4.21 Detailed individual appraisals are at Appendix 1.

The summary tables

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

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

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

- If the residual land value shown by the appraisals is *below* the threshold value, the development is not financially viable, even without CIL or affordable housing. That means that unless the circumstances change it will not happen.

- If the residual value and the threshold values are *equal*, the development is just viable, but there is no surplus value available for CIL or affordable housing.
- If the residual land value shown by the appraisals is *above* the threshold value, the development is viable. The excess of residual over threshold value measures the maximum amount that may be potentially captured in developer contributions towards CIL or affordable housing. The summary table then converts this amount available for CIL into a per square metre charge in the column at the far right.

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

Recommending a CIL charge

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

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

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

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

5 VIABILITY TESTING ASSUMPTIONS

Viability testing scenarios

5.1 Our viability testing scenarios are explained below.

Table 5.1 Viability testing scenarios

Assumption	Source	Notes
Scenarios	Client team, consultant team	This mix of schemes was selected in discussion with the client group to create a representative but focused profile of residential likely to come forward in the district for the foreseeable future. We have produced indicative development appraisals of hypothetical schemes, comprising: Houses – 4 Units Houses – 5 Units Houses – 9 Units Houses – 10 Units Houses – 50 Units Houses – 100 Units Flats - 4 Units Flats - 6 Units Flats - 12 Units Flats - 24 Units

Development revenue assumptions

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

Table 5.2 Residential development revenue assumptions

Assumption	Source	Notes
Revenue		
Sales value of completed scheme	Land Registry, CoStar and Egi	Property values are derived from different sources, depending on land use. For housing, Land Registry data forms a basis for analysis. This provides a full record of all individual transactions. This data is then supplemented following conversations with agents and house builders' sales representatives, which allows us to form a view on new build sales values. Values used are as follows. **Ref** / **Type** / **Value** South of NP — Flats — £3,500 sq m South of NP — Houses — £3,200 sq m North of NP (incl NP for affordable housing calculation) — Flats — £4,500 sq m North of NP(incl NP for affordable housing calculation) — Houses — £4,000 sq m
Affordable housing transfer values	HCA policy and consultation with RSL's	Consultation feedback has indicated that capital value transfer rates for houses are in the region of 55% market value for South of NP and 60% for National Park and High Value, (assuming no grant) for a blended average of intermediate and affordable rented accommodation in line with current policy. Based upon this feedback we have calculated transfer values as follows: **South of NP** **Tenure split** / **as % of MV** Social rent 70% 50% Intermediate 30% 70% **Blended rate** / **Type** / **Value** Flats £1,960 sq m Houses £1,792 sq m **National Park and High Value** **Tenure split** / **as % of MV** Social rent 70% 50%

		Intermediate	30%	70%	
		Blended rate	**Type**	**Value**	
			Flats	£2,520	sq m
			Houses	£2,240	sq m
Housing densities		The emerging Chichester Local Plan states that 'Densities of 35 dwellings per hectare are broadly considered appropriate by the Council on most green and brownfield developments across the District. However, higher densities may be sought in urban areas where sites are better served by public transport and have access to a range of services and facilities.' (Draft Local Plan Key Policies - Preferred Approach - March 2013 para 17.9 p173). CDC have undertaken additional analysis which shows that actual house densities achieved have been 35 dwellings/ha, and flatted densities achieved have been very high at 130 dwellings/ha. In order to make conservative assumptions regarding flatted development viability in future, we have therefore assumed average densities as follows:			
		Houses	35	dwph	
		Flats	100	dwph	

Office, employment, care homes, retail revenue assumptions

5.3 For non-residential uses, we used the CoStar[16] and EGi databases[17], supplemented by discussions with local property agents.

- Offices: £151 sq m capitalised at 7.5%
- Light industrial and warehousing: £70 sq m capitalised at 8.0%
- Care homes: in line with current research undertaken by Knight Frank[18] and CBRE[19] we have allowed for a rental income per bed of £9,000 per annum. Recent care home transactions have produced yields of between 6.5% and 7.5% for core areas with secondary covenants. Due to a number of care homes being located within the vicinity, potentially limiting demand, we have taken a cautious approach and capitalised income at a 7.5% yield.
- Convenience retail (superstore): £183 sq m capitalised at 6.5%
- Convenience retail (metro format): £183 sq m capitalised at 6.5%
- Comparison retail (town centre) £193.75 sq m capitalised at 7.5%
- Comparison (warehouse format): £215 capitalised at 8%

[16] http://www.costar.co.uk/

[17] http://www.egi.co.uk/

[18] Knight Frank (2012) *Care Homes – Trading Performance Review*

[19] CBRE (2012) *Healthcare Property Dashboard*

Development cost assumptions

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

Residential

Table 5.3 Residential development cost assumptions

Assumption	Source	Notes
Construction Costs		
	BCIS Quarterly Review of Building Prices Accessed on line July 2013	BCIS is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. The following build costs used are derived from recent data of actual prices in the marketplace. As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 to 4 for private and Level 4 for social housing . This overall rate includes an allowance for external works. **Private** Flats – £954 Houses – £838 **Affordable** Flats – £954 Houses – £838
		Costs may alter in future. In particular, there may be national policy changes regarding Code for Sustainable Homes building standards. The final effect of these changes on viability is difficult to foresee. While we have reviewed current Government research on cost impacts of CSH we note that past forecasts of price changes (such as that predicted in the original Cyril Sweete work) have never affected costs to the extent forecast. When these future requirements come into force, they will impact on both development costs and land values. We have not incorporated these possible impacts into our calculations, because CIL should deal with current market conditions, not forecasts of potential future change. Our approach to incorporating these (and other) potential but unknown costs is to set a wide margin for error that will cover variations in factors such as build costs, site conditions, and timing. All major non-domestic development which does not qualify for assessment under Code for Sustainable Homes will to be built to a minimum of BREEAM (Building Research Establishment Assessment Method) Very Good standard.
Unit sizes	Industry standards	Residential floorspace is based upon industry standards of new build schemes. Two floor areas are displayed for flatted schemes: The Gross Internal Area (GIA) is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue. Flats – 65 NIA sq m Flats – 76 GIA sq m Houses – 90 GIA sq m

Assumption	Source	Notes
Plot external		On-site preparation for internal access roads and other external works. This will vary from site to site, but we have assumed the following figure as a percentage of build costs: 15%
Professional Fees	Industry standards	Professional fees are based upon accepted industry standards and has been calculated as a percentage of build costs at: 8%
Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at: 5%
Sale costs	Industry standards	These rates are based on industry accepted scales at the following rates: Legals - £500 Sales agents fee - 1.25% private sale value Marketing cost - £1,000
Finance costs	Industry standards	Based upon the likely cost of development finance we have used current market rates of interest at: 7%
Stamp Duty on residential Land Purchase	HMRC	These are the current rates set by Treasury at the following rates: up to £125,000 0% Over £125,000 to £250,000 1% Over £250,000 to £500,000 3% Over £500,000 4%
Professional fees on Land Purchase	Industry standards	Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1% Legals 0.75%
Profit		
	Industry standards	Profit taken as a percentage of gross development value 20% of private housing sales 6% of affordable housing sales
Time-scales - build rate units/per annum		
	Market analysis of comparable schemes	These assumptions have been based upon current demand in the Chichester market. Small sites up to 10 10 units pa Medium Schemes up to 100 50 units pa Large Schemes 50 units pa
Threshold land value per ha		

Assumption	Source	Notes	
	Market analysis, VOA, consultation	We have looked at two value zones. These are as follows.	
		South of the National Park	Flats £2,750,000
		South of the National Park	Houses £2,470,000
		North of NP (incl NP for affordable housing calculation)	Flats £4,000,000
		North of NP (incl NP for affordable housing calculation)	Houses £3,500,000

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

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

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

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

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

Policy costs on residential development

5.9 These costs are shown below.

Table 5.4 Basic policy costs on residential development

Assumption	Source	Notes
Site specific S106		In this section we deal with S106 costs which are not associated with affordable housing. Section 106 will continue to exist after CIL begins to be charged. However, the use of S106 will be scaled back. Section 106 is now expected to be very tightly targeted at mitigating the impacts of individual developments. To investigate how much viability testing should allow for S106 in the area, we have looked through the typical types of activities which used S106 funding, and indicated whether we would ordinarily expect to pay for a type of impact mitigation through S106 or through CIL. In Chichester, S106 and S278 contributions will typically be used for: 1)Site-specific transport improvements, such as connections from a development to the wider transport network; 2)Some open space and playspace. Frequently these are secured as part of the condition on the planning permission, but there may be infrequent instances when these demands form part of a S106 agreement; and 3)Affordable housing, which is separately allowed for in our viability testing. Based on the above, and in agreement with the client team, our appraisals allow the following amount for S106 and S278 contributions. This excludes affordable housing costs, which we deal with separately. **Type** **Apply?** **Amount per unit** Site specific S106 **Yes** per unit £1,000

Policy costs on non-residential development

S106 contributions

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

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

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

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

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

6 STRUCTURING THE RESIDENTIAL CIL CHARGE

Introduction

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

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

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

Market overview

6.4 The Chichester District Summary Report SHMA Update November 2012 states that house prices are higher than in other parts of Coastal West Sussex – with an average house price of £343,200 in Spring 2012 compared to an average of £254,100 across the Sussex Coast Housing Market. The District posted 8.0% nominal growth in house prices between Q3 2008 – Q3 2011 – well above the 3.6% recorded across the South East. However weak market conditions over the last year have put downward pressure on prices.

6.5 The Summary Report states that housing market in Chichester District has however been out-performing other areas. Sales volumes, as an indicator of effective demand for market homes, are stronger than in other parts of the region. Sales volumes in Spring 2011 stood 31% down on pre-2007 levels relative to 39% across Coastal West Sussex and 43% across the South East region. This partly reflects the housing stock profile which is more biased towards detached homes, the demand profile for which is focused more towards households with existing equity in housing and less affected by mortgage finance constraints. 71% of properties advertised for sale in the District in April 2012 had three or four-bedrooms. The District's economy has also out-performed other parts of Coastal West Sussex.

Viability zones

6.6 As we showed in Chapter 2 above, CIL Regulations (Regulation 13) allow the charging authority to introduce charge variations by geographical zone within its area, by land use, or both. All differences in rates need to be justified by reference to the economic viability of development. Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required, and may be contested at examination. However, it will be worthwhile if the additional complexity generates significant additional revenues for the delivery of infrastructure and therefore growth.

Principles

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

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

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

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

i The zones should be separated by substantial and clear-cut price differences.

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

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

Method

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

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

6.13 We explain this process below.

House prices

6.14 In advising on charging zones, our first step was to look at residential sales prices. In Figure 6.1 below, we looked at the average sales prices of all homes over a two year period. Average prices are shown for each Census Standard Table (ST) ward.[20] Aside from the highest and lowest bands (which are tailored to actual values), average prices are broken in eight equal bands of £55,000 each.

6.15 We have presented this data on a map because it allows us to understand the broad contours of residential prices in the Chichester area. Sales prices are a reasonable, though imperfect, proxy for development viability, so the map provides us with a broad idea of

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

which areas would tend to have more viable housing developments, other things being equal.

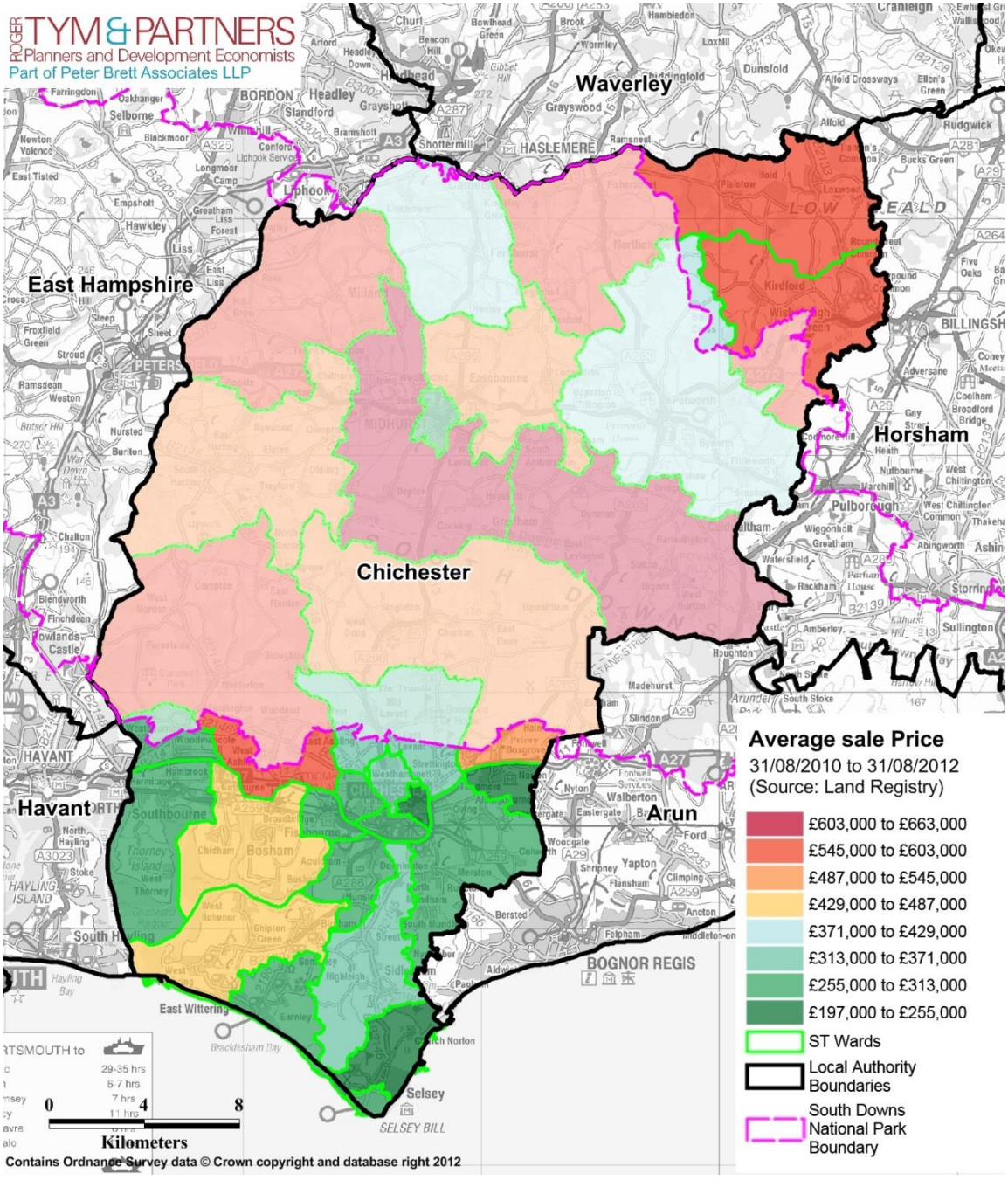
6.16 It is worth noting that new homes are typically more expensive than second hand homes, but the prices we have mapped include both second hand and new homes. We used data on both new and second hand homes because, firstly, datasets on sales values for new homes only would be very much smaller (and so more unstable), and secondly, because at this stage it is the differentials between areas that we are seeking to identify, not the absolute price levels[21]. There were therefore good reasons to look at both new and second hand data, and no compelling reasons to avoid it.

6.17 The map shows that:

- Looking at the areas of Chichester outside the National Park, areas in the north of the District tend to have higher prices compared to those areas in the south. One possible reason for this is that the north has a remarkably attractive rural environment and is within commuting distance of high-paid jobs in places such as Guildford, Gatwick and even London. There is also a very small area of Chichester District outside the national park to the south of the town of Haslemere. This again offers a superb environment and strong commuting links.
- Prices in the area to the south of the National Park boundary are generally lower than those in the north. However, prices remain strong when compared with the national average. In particular, areas to the north and south of Bosham are very considerably above the national average.

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

Figure 6.1 Average sales price of homes (Aug 2010- Aug 2012) (National Park area is greyed out)



Source: Land Registry, PBA

6.18 Table 6.1 is based on the same data as the map but shows actual averages by ward, rather than fitting the data into bands. This data is particularly helpful in allowing us to explore the breadth of the differences in price levels by area. Of the wards with no part of their area in the National Park, the very highest average prices are found in the West Wittering ST ward (£464,000), while the lowest average prices are in Selsey North (£198,000). These areas were all found to the south of the National Park.

6.19 Prices are higher in wards partially within the National Park, with the highest being £596,000 in Plaistow, and the lowest being in Westbourne at £286,000.

6.20 The average price to the north of the National Park is £510,000.

6.21 The average price to the south of the National Park is £314,000.

6.22 The price differentials by area in Chichester are wider than some areas, but narrower than in others. Setting aside the wards that are wholly or partly in the National Park, Table 6.1 shows that the average price in the highest value ward (£464,000) is around 2.3 times more expensive than the lowest price band (£198,000). This is a wider spread than in some other areas where we have looked at CIL Charges. However, Chichester's geographical price differentials are narrower than in some other areas we have tested. Most polarised was the London Borough of Merton, where average semi-detached house prices near Wimbledon Common were around seven times higher than those in the least wealthy areas of the borough.

Table 6.1 Average house prices by ST ward (Aug 2010- Aug 2012)

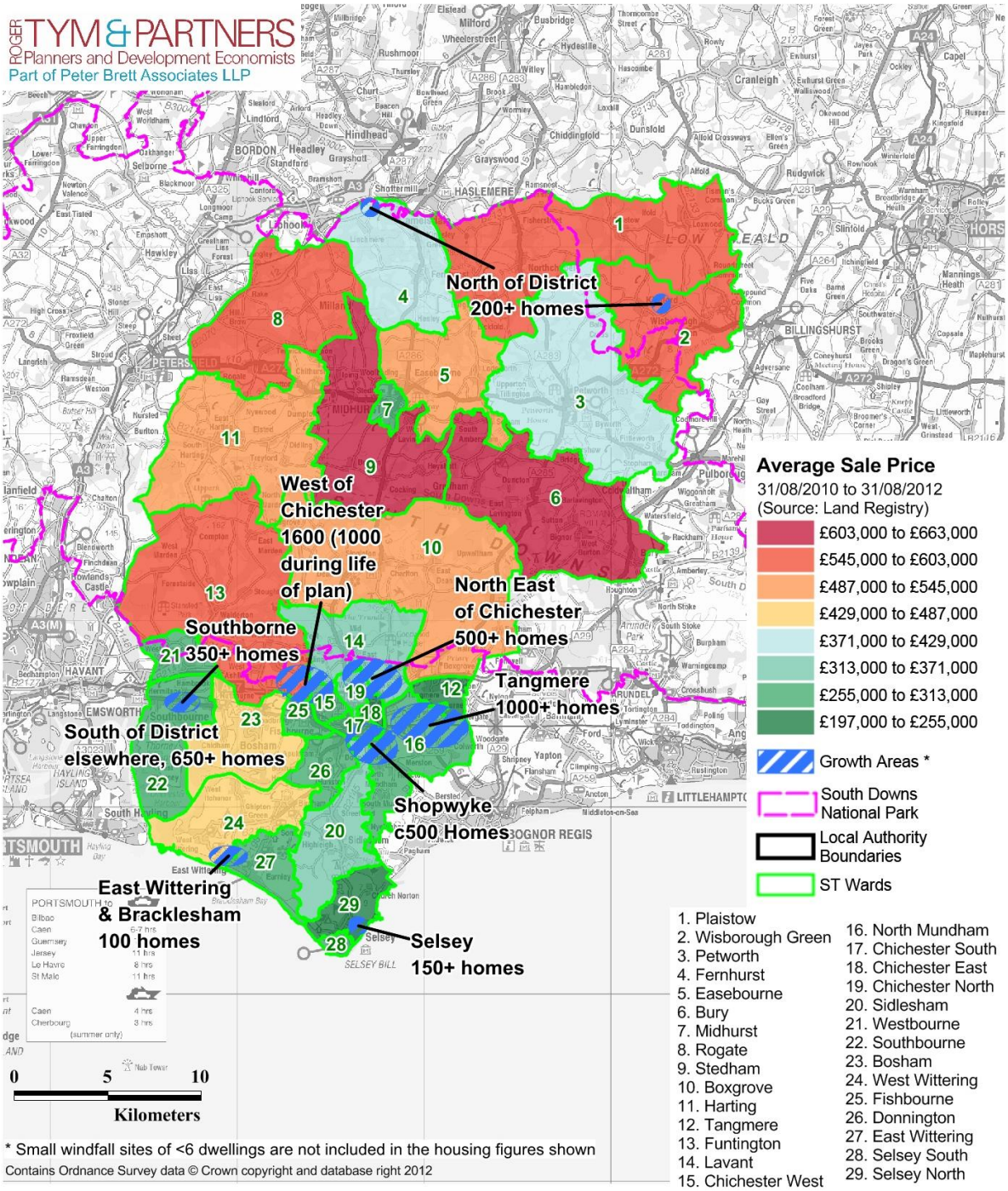
Key	Ward	Average Price (£)	No. of Sales	National Park	South or north of NP?
1	Plaistow	£595,836	145	Partially in NP	North of NP
2	Wisborough Gree	£590,979	59	Partially in NP	North of NP
3	Petworth	£395,376	100	Partially in NP	
4	Fernhurst	£399,857	155	Entirely in NP	North of NP
5	Easebourne	£538,937	66	Entirely in NP	
6	Bury	£662,611	44	Entirely in NP	
7	Midhurst	£264,182	163	Entirely in NP	
8	Rogate	£594,513	48	Entirely in NP	
9	Stedham	£662,210	58	Entirely in NP	
10	Boxgrove	£489,721	49	Partially in NP	South of NP
11	Harting	£537,000	29	Entirely in NP	
12	Tangmere	£240,710	55	Not in NP	South of NP
13	Funtington	£549,703	88	Partially in NP	South of NP
14	Lavant	£368,688	85	Partially in NP	South of NP
15	Chichester West	£290,303	136	Not in NP	South of NP
16	North Mundham	£312,739	77	Not in NP	South of NP
17	Chichester South	£280,897	257	Not in NP	South of NP
18	Chichester East	£248,205	292	Not in NP	South of NP
19	Chichester North	£325,590	267	Not in NP	South of NP
20	Sidlesham	£323,168	59	Not in NP	South of NP
21	Westbourne	£286,457	63	Partially in NP	South of NP
22	Southbourne	£288,225	174	Not in NP	South of NP
23	Bosham	£459,634	147	Not in NP	South of NP
24	West Wittering	£463,689	179	Not in NP	South of NP
25	Fishbourne	£298,325	72	Not in NP	South of NP
26	Donnington	£277,921	116	Not in NP	South of NP
27	East Wittering	£292,637	172	Not in NP	South of NP
28	Selsey South	£257,361	168	Not in NP	South of NP
29	Selsey North	£197,549	223	Not in NP	South of NP

Source: Land Registry, PBA

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

6.24 Understanding the patterns of development is therefore the next stage in our analysis. If we overlay a rough approximation of the likely housing development areas (see Figure 6.2) we can better understand whether it is worthwhile creating separate charging bands for residential development in different areas.

Figure 6.2 Core Strategy Strategic Development Areas



Source: PBA, Land Registry, CDC

6.25 The maps and tables suggest that:

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

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

CIL geographical charging zones

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

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

6.27 We took this hypothesis forward to the next stage.

7 RESIDENTIAL VIABILITY & CIL TESTING

Introduction

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

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

- First, development appraisals use sales prices which relate to the last six months only, and relate to new dwellings specifically. To arrive at these prices we consulted with developers and agents who have been selling new housing over the last six months. (By contrast, Land Registry prices presented earlier cover the last two years and second-hand as well as new houses).
- Secondly, the results of the development appraisal (which shows the price that a developer can afford to pay for land) can be compared with prevailing threshold land values (in effect, what the landowner will accept in order to sell the land). Threshold values have an important bearing on the amount of developer contributions assumed to be available.

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

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

7.4 Deciding about what share of developer contributions goes to affordable housing, and what goes to CIL is a decision which needs to be made carefully. The decision needs to be mindful of the trade-offs involved. There is no right answer here. Elected members will need to make a choice between competing priorities.

7.5 In this section, we aim to inform this choice.

Consultation, new build values and threshold land values

7.6 We talked to a range of sources on residential markets, including local agents and local housebuilders active in the Chichester area.

7.7 The consultation explored a number of issues.

- Discussions with local agents highlight that Chichester's residential market is performing well. All locations within the district are popular, although the city centre is highly sought after, particularly properties located within the city walls. Land and property in close proximity to the Parklands command a premium.
- The smaller villages throughout the district attract developer and purchaser interest.

- The area north of Summersdale was cited as being a high value area as a consequence of its rural location. To the north of the District in areas towards Wisborough Green, values are high. This location is extremely sought after and located within the commuter belt, therefore attracting commuters seeking access into Guildford and London. Fast train links to London Victoria are provided from Billingshurst train station, just 2 miles to the east.
- With respect to Tangmere, values were considered to be comparatively lower. The industrial park was cited as a reason for this.
- The A27 Chichester Bypass which runs east –west along the South Coast linking areas such as Brighton, Worthing, Portsmouth, Southampton and beyond can become congested and this physical barrier to the city centre was cited as being a deterrent to some prospective purchasers with respect to properties to the south of the city.

7.8 There are a number of recent and current residential developments.

- The Grange development on Stane Street will comprise of a mix of 2,3,4 & 5 bed homes and is located on the Goodwood Estate in Westhampnett on the outskirts of Chichester. The agents confirm that they have been marketing the plots since the end of October which have generated interest and are available on a-250 year leasehold due to their location on the Goodwood Estate. In terms of asking prices a 2-bed terraced property extending to approximately 69.95 sq.m is currently being marketed at a quoted asking price of £235,995. A 3-bed terraced property is being marketed at an asking price of £275,000 (approximately 83.98 sq.m) and a 4- bed end terraced property for an asking price of £365,000 (approximately 137.9 sq.m.).
- Reflections is a joint venture development between Linden and Wates located on Stockbridge Road, a short distance to the south of Chichester city centre. The canalside development comprises 86 units (of which 17 are town houses) in total, a mix of 1 and 2 bed apartments and 3 bed town houses. All of the units benefit from car parking. Apartments range from £150,000 - £300,000 with the cheapest 1 bed apartments selling for £150,000. The 3 bed town houses range from £470,000 up to £490,000. A 3 bed terraced property extending to 120 sq.m. is currently being marketed at a quoted price of £480,000. The development has sold extremely well with just two apartments and four houses remaining.
- Linden is also marketing the development at Graylingwell Park, Connolly Way just a short distance out of Chichester city centre. The development, which includes the conversion of a former hospital in conjunction with new build apartments and houses, will deliver 750-800 units comprises a mix of 1, 2, 3, and 4 bed apartments and houses when completed. The first phase commenced over 18 months ago. The current 2nd phase includes 23 houses and c. 40 apartments. The prices quoted with respect to purpose built flats are c. £285,000 whilst converted properties are £300,000 plus and slightly larger. A 2 bed apartment of approximately 98.20 sq.m. is being marketed at £390,000 whilst smaller two bed apartments . of 82.77 sq.m are £285,000. The agents advise that fewer new apartments are being built due to market conditions, although they are selling reasonably well with 5 of the 8 apartments sold off plan following a 3-4

month marketing period. The 4-bed detached properties currently being marketed range from £410,000 to £420,000 and range in size from 110 sq.m to 141 sq.m.

- Within the village of Birdham, approximately 4 miles south west of Chichester city centre. Bellways is currently marketing a new development of 28, 2, 3 and 4 bed family homes at Longmeadows, Main Road. A 2-bed end terrace is currently being marketed at a quoting price of £225,950. The 3 bed terraced homes range from £229,950 to £315,000 whilst, with respect to the 4 bed terraced property, £346,950 is quoted.
- Within the semi-rural village of Hambrook a development at Lion Park, Broad Road, comprises a new collection of 2, 3, 4 and 5 bed homes. Hambrook has good city connections located five miles west of Chichester. Nutbourne train station provides direct access to Chichester, Brighton, Portsmouth and Havant. The development has been marketed since the end of January and is now 60% sold. 3 & 4 bed units range on average from £275,000 - £380,000. A 4-bed detached property is currently being marketed for £385,000 extending to approximately 127 sq.m.

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

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

The summary table

7.11 Our objective in these summary tables is to show, for each notional development scenario, how much money might be theoretically available for a CIL charge. Reading Table 7.1 onwards from left to right, successive columns are as follows:

a. Number and type of dwellings: self-explanatory

b. Net site area: self-explanatory

c. Density: density in dwellings per ha

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

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

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

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

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

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

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

Table 7.1 Viability summary tables assuming affordable housing at 30% on all units, showing surplus available for CIL

	No of dwellings	Net site area ha	Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
				GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm GIA	Per Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
South of NP											
Houses –	4	0.114	35	360	252	£3,187,746	£1,012	£2,470,000	£784	£717,746	£326
Houses –	5	0.143	35	450	315	£3,169,739	£1,006	£2,470,000	£784	£699,739	£317
Houses –	9	0.257	35	810	567	£3,092,495	£982	£2,470,000	£784	£622,495	£282
Houses –	10	0.286	35	900	630	£3,083,800	£979	£2,470,000	£784	£613,800	£278
Houses –	50	1.429	35	4,500	3,150	£3,083,800	£979	£2,470,000	£784	£613,800	£278
Houses –	100	2.857	35	9,000	6,300	£3,082,789	£979	£2,470,000	£784	£612,789	£278
Flats -	4	0.040	100	304	213	£5,613,406	£739	£2,750,000	£362	£2,863,406	£538
Flats -	6	0.060	100	456	319	£5,451,150	£717	£2,750,000	£362	£2,701,150	£508
Flats -	12	0.120	100	912	638	£5,471,414	£720	£2,750,000	£362	£2,721,414	£512
Flats -	24	0.240	100	1,824	1,277	£5,424,744	£714	£2,750,000	£362	£2,674,744	£503
North of NP											
Houses –	4	0.114	35	360	252	£4,750,600	£1,508	£3,500,000	£1,111	£1,250,600	£567
Houses –	5	0.143	35	450	315	£4,723,857	£1,500	£3,500,000	£1,111	£1,223,857	£555
Houses –	9	0.257	35	810	567	£4,657,870	£1,479	£3,500,000	£1,111	£1,157,870	£525
Houses –	10	0.286	35	900	630	£4,644,820	£1,475	£3,500,000	£1,111	£1,144,820	£519
Houses –	50	1.429	35	4,500	3,150	£4,644,820	£1,475	£3,500,000	£1,111	£1,144,820	£519
Houses –	100	2.857	35	9,000	6,300	£4,643,859	£1,474	£3,500,000	£1,111	£1,143,859	£519
Flats -	4	0.040	100	304	213	£9,633,538	£1,268	£4,000,000	£526	£5,633,538	£1,059
Flats -	6	0.060	100	456	319	£9,451,824	£1,244	£4,000,000	£526	£5,451,824	£1,025
Flats -	12	0.120	100	912	638	£9,586,621	£1,261	£4,000,000	£526	£5,586,621	£1,050
Flats -	24	0.240	100	1,824	1,277	£9,505,440	£1,251	£4,000,000	£526	£5,505,440	£1,035

Translating theoretical overages into viable CIL Charges and affordable housing requirements

7.14 In the tables below, we explore the impacts of different levels of affordable housing requirements on the available CIL rates.

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

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

Possible CIL charges assuming different levels of affordable housing

Table 7.2 CIL assuming 30% affordable housing policy on all development scenarios

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

Source: PBA

Getting the right balance between affordable housing and CIL

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

A note on affordable housing assumptions

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

7.19 Our approach therefore assumes that if a site was too small to physically accommodate the affordable housing units, then a financial contribution would be made to affordable housing provision offsite.

Implications for affordable housing policy

7.20 Affordable housing policy is still being shaped as part of the emerging Local Plan.

7.21 Our approach has significant implications for the design of that policy.

7.22 We suggest that the policy adopted should work at a flat rate across developments of all sizes. Where onsite provision is made, the *offsite* financial contribution would be levied at a rate which would place an equivalent burden on development as that made by an *onsite* contribution.

7.23 We believe that an offsite financial contribution approach has a number of advantages. It will:

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

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

Striking the balance between CIL and S106 affordable housing

7.25 Factors that should be borne in mind are that

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

8 VIABILITY TESTING THE STRATEGIC RESIDENTIAL SITES

Introduction

8.1 In this chapter, we deal directly with

- the Harman Report's suggestion that we provide an additional level of detailed testing on specific sites.
- the April 2013 CIL guidance, which emphasises the importance of ensuring that strategic sites remain viable after all policy costs (which includes CIL and affordable housing) are taken into account.

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

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

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

Defining strategic sites

8.5 Although PPS12 is no longer current, it has a useful definition of strategic sites. It states that 'strategic sites…[are] those sites considered central to achievement of the strategy.'[22]

Selecting sites to review

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

8.2 The emerging Local Plan sites are shown in Table 8.1 below.

[22] DCLG *Planning Policy Statement 12* (para 4.6)

Table 8.1 Housing allocations (Local Plan March 2013)

Location	Number of homes (approximate)	Projected phasing
Strategic Allocations		
Shopwyke	500	Pre-2019
West of Chichester city	1,000	Pre or Post-2019, depending on sewerage treatment
Westhampnett	500	Post-2019
Tangmere	1,000	Post-2019
Southbourne village	300	Pre-2019
Selsey	150	
East Wittering/ Bracklesham	100	
Strategic allocations total	**3,550**	

Source: Chichester District Council Draft Local Plan Key Policies - Preferred Approach - March 2013

8.3 We decided that undertaking individual site viability testing would not create helpful or 'proportionate' new evidence.[23] We explain more below.

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

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

- Shopwyke. Development could potentially utilise existing headroom at Tangmere WwTW, so could commence before 2019. This development has planning permission and a negotiated S106 agreement, so we are assuming that the development is viable.
- Southbourne village and East Wittering/Bracklesham. This site (300 units and 100 units respectively) are not constrained by wastewater treatment capacity, so proposed for delivery early in the Plan period, subject to identification of sites.
- Selsey. This relatively small (150 unit) site is expected in Y0-5. Three sites in Selsey have been identified in the SHLAA. We have no way of knowing which site will come forward, and no further information. However, the difference as regards viability will not be significant, and well within the percentage margin of error for a site of this type.

8.5 In the absence of a) good quality information in the public domain about development costs and b) the precise site layouts and housing products expected, the most reliable guide to viability of these sites is the generic site testing already carried out in the chapter above.

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

This work shows that we do not anticipate any problems with delivery of these sites, based on the evidence in the public domain about each site, a site visit, and the analysis carried out in earlier chapters. Further viability testing in addition to the work carried out on the generic sites would create an impression of spurious accuracy. Sites larger than 100 units tend to be financed in packages of around 100 homes, so this 100-unit scenario provides a good guide to the viability of even very large sites.

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

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

8.7 Using conservative assumptions, the following sites are most likely to take place in the latter part of the plan period.

- West Chichester. This large (1000 unit) site is constrained by sewage capacity. Solutions to this problem – which may involve onsite storage and pumping at off-peak times - are being currently explored and costed. A solution to this problem would allow the site to come forward in Years 0-5 of the plan. We would assume the cost would be absorbed by a reduction in the land price. If no solution is found then delivery will have to wait for the Tangmere WwTW upgrade, scheduled for 2019.
- Westhampnett. This site sees around 500 units developed. We assume that delivery will take place in Year 6+ of the plan because of sewage treatment constraints.
- Tangmere. This is a large site of around 1000 units. Development requires an expansion/upgrade of Tangmere WwTW scheduled for 2019. We therefore assume that delivery will take place in Year 6+ of the plan.

8.8 Again, plans remain relatively unformed, and so there is no strong basis on which to make cost estimates. Viability work is therefore difficult, and the generic work already carried out provides the most sensible guide to viability. Our approach is specifically designed to allow enough headroom to take account of the great majority of 'abnormal' site specific infrastructure work and still allow the landowner a sufficient return above existing use values. The combination of CIL and affordable housing policy suggested by this report retains a wide 'safety margin' by not imposing policy costs which are at the limit of viability. This is demonstrated in our appraisals which show that on 100 unit scenarios, the proposed CIL in the area south of the National Park is at 43% of the overage.

Site deliverability and developability

8.9 Given our analysis of a) the site information available at the moment and b) the policy costs emerging through the plan process, the strategic sites coming forward in Years 0-5 of the plan appear deliverable, and those in Year 6 onwards appear developable.

9 VIABILITY TESTING FOR FUTURE PLAN DELIVERY

Introduction

9.1 The Harman report suggests that longer term plans should be subject to viability testing in order to be assured of plan viability over the plan period. For sites expected in Year 6 and onwards of the later period, there should be a "reasonable prospect that the site is available and could be viably developed at the point envisaged."[24] However, future economic circumstances are opaque, and Harman points out that 'it should be recognised that the forecasts for the latter part of the plan period are unlikely to be proved accurate and will need review'.[25]

Method

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

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

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

Future house price scenario

9.5 Research has been undertaken on house price trends, which has then been projected forward to 2018.

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

9.7 Due to the recent uncertainties in the housing market and the wider economy, a more conservative approach has been undertaken to projecting future prices. We have therefore generated trend data from a starting point in quarter 4 1998. This period takes into account a full economic cycle. The average annual change in new build prices since Q4 1998 is 5.75%. Compounding these values at this rate to 2020 produces the following results.

[24] NPPF, para 47, footnote 12

[25] Local Housing Delivery Group Chaired by Sir John Harman (2012), *Viability Testing Local Plans* (27)

Table 9.1 Possible 2020 sales prices using trend house price increases

Type	Sales values per sq m
South of the National Park flats	£4,895
South of the National Park houses	£4,475
North of the National Park flats	£6,294
North of the National Park houses	£5,594

Source: PBA/Nationwide

Future build cost scenario

9.8 We have assumed that, by 2020, Code Level 5 standards or similar will be in place.

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

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

Table 9.2 Possible 2018 build costs using Code 5 costs and BCIS General Build Cost Index

Type	Cost per sq m
Flats (across Chichester District)	£1,470
Houses (across Chichester District)	£1,318

9.11 Other costs including land value threshold land values have not been altered.

Findings

9.12 The results of this exercise are shown in the table overpage. We have presented the findings in the same format as shown Table 7.1. The analysis suggests that, under this future scenario, the proposed policy costs (including CIL and affordable housing) remain viable. The far right hand column indicates that there is considerable development surplus available. Indeed, on this scenario, viability has improved quite significantly over the current position, because development receipts have risen more quickly than build costs. (In reality, the overage produced will not be as great appears here, as some of the uplift in value might be captured by the landowner).

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

Table 9.3 **Viability summary tables using 2020 scenario, assuming affordable housing at 30% on all units, showing surplus available for CIL**

	No of dwellings	Net site area ha	Density	Floor Space per sq.m		Residual land value		Benchmark		Policy Overage for CIL	
				GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm GIA	Per Ha	Per £psm GIA	Per Ha	Per £psm CIL Chargeable
South of NP											
Houses –	4	0.114	35	360	252	£3,931,648	£1,248	£2,470,000	£784	£1,461,648	£663
Houses –	5	0.143	35	450	315	£3,868,437	£1,228	£2,470,000	£784	£1,398,437	£634
Houses –	9	0.257	35	810	567	£3,814,317	£1,211	£2,470,000	£784	£1,344,317	£610
Houses –	10	0.286	35	900	630	£3,803,614	£1,207	£2,470,000	£784	£1,333,614	£605
Houses –	50	1.429	35	4,500	3,150	£3,803,614	£1,207	£2,470,000	£784	£1,333,614	£605
Houses –	100	2.857	35	9,000	6,300	£3,802,626	£1,207	£2,470,000	£784	£1,332,626	£604
Flats -	4	0.040	100	304	213	£6,518,724	£858	£2,750,000	£362	£3,768,724	£708
Flats -	6	0.060	100	456	319	£6,463,366	£850	£2,750,000	£362	£3,713,366	£698
Flats -	12	0.120	100	912	638	£6,487,147	£854	£2,750,000	£362	£3,737,147	£702
Flats -	24	0.240	100	1,824	1,277	£6,431,959	£846	£2,750,000	£362	£3,681,959	£692
National Park and High Value											
Houses –	4	0.114	35	360	252	£6,122,927	£1,944	£3,500,000	£1,111	£2,622,927	£1,190
Houses –	5	0.143	35	450	315	£6,088,512	£1,933	£3,500,000	£1,111	£2,588,512	£1,174
Houses –	9	0.257	35	810	567	£6,003,594	£1,906	£3,500,000	£1,111	£2,503,594	£1,135
Houses –	10	0.286	35	900	630	£5,986,800	£1,901	£3,500,000	£1,111	£2,486,800	£1,128
Houses –	50	1.429	35	4,500	3,150	£5,986,800	£1,901	£3,500,000	£1,111	£2,486,800	£1,128
Houses –	100	2.857	35	9,000	6,300	£5,985,882	£1,900	£3,500,000	£1,111	£2,485,882	£1,127
Flats -	4	0.040	100	304	213	£12,173,428	£1,602	£4,000,000	£526	£8,173,428	£1,536
Flats -	6	0.060	100	456	319	£12,070,746	£1,588	£4,000,000	£526	£8,070,746	£1,517
Flats -	12	0.120	100	912	638	£12,242,527	£1,611	£4,000,000	£526	£8,242,527	£1,549
Flats -	24	0.240	100	1,824	1,277	£12,139,072	£1,597	£4,000,000	£526	£8,139,072	£1,530

Source: PBA

10 OFFICE VIABILITY & CIL CHARGES

Market overview

Sources

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

10.2 We have focused on the area outside the National Park. The area outside the National Park has seen 93% of the office floorspace take-up recorded by Focus and EGI over the 2006-2012 period.[26]

Current market conditions

10.3 Overall the office market in Chichester is relatively subdued, with low levels of take-up of office space in recent years and a significant amount of availability[27]. Local agents confirm that the office market in Chichester remains flat with few enquiries for office accommodation currently being generated. There is a general lack of Grade A office accommodation although the supply of second hand and refurbished accommodation is good.

10.4 The market in Chichester is focused on demand from small businesses reflecting the wider structure of the local economy[28]. Given the high existing vacant rate, current muted levels of demand and difficulties in securing bank finance, there is little market appetite for speculative development. There are however a number of schemes in the development pipeline which are being advertised on a pre-let or design and build basis.

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

Current activity

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

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

10.8 There are also a number of further schemes in the Terminus Road area with planning consent, including development of 1858 sq m at Cedar Park, 2,500 sq m at Chichester House and a further 1,395 sq m at Southern Gate. All are being marketed on a pre-let

[26] GL Hearn, 2012, Chichester Employment Land Review Update (43)
[27] GL Hearn, 2012, Chichester Employment Land Review Update (45)
[28] GL Hearn, 2012, Chichester Employment Land Review Update (42)

basis. Discussions with the marketing agents at Cedar Park indicate that rents are likely to be in the order of £16.50 per sq.ft.

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

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

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

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

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

10.14 In terms of vacant office space, there was an estimated 7,018 sq m of vacant floorspace in August 2012 equating to a supply of 2.7 years based on past take-up. This vacant floorspace equates to around 8% of all office floorspace. This is around 70% higher than the 4.5% office vacant rate estimated in 2009, and this growth in availability is common with trends seen more widely[29].

10.15 There are also a number of schemes where there remains significant vacancy of good quality space and take up in these schemes has been relatively low. This may by partly influenced by the speed of broadband access. The city centre market appears stronger and there has been some recent good quality development with further schemes with planning consent which can be delivered over time subject to market demand[30].

10.16 With respect to land values, local agents were reticent in providing a view due to lack of transactional evidence. One local agent currently marketing a 1 acre site at Cedar Park considered land values with respect to serviced offices sites might achieve c. £650,000 -

[29] GL Hearn, 2012, Chichester Employment Land Review Update (44)
[30] GL Hearn, 2012, Chichester Employment Land Review Update (45)

£750,000 /acre (equivalent to £1,610,000 - £1,853,250 / ha) however considered it very difficult to determine in the current market.

Viability analysis

Scenarios tested

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

Findings

10.18 We have included a detailed appraisal as an appendix.

Table 10.1 Summary viability assessment, office development

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

Source: PBA

The charging schedule

10.19 Table 7.1 summarises the development appraisal based on current values, yields and development costs and concluded that the speculative office development produces a negative land value. The development therefore does not generate an overage that could be captured by CIL. We therefore recommend that a CIL Charge should not be set for office floorspace.

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

10.21 We have included a detailed appraisal as an appendix.

11 INDUSTRIAL AND WAREHOUSING VIABILITY & CIL CHARGES

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

Market overview

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

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

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

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

Viability analysis

Scenarios tested

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

Findings

11.6 The appraisal presented at Table 8.1 concludes that industrial/warehouse development in Chichester is generally not viable. There is therefore no potential for sustaining a CIL charge. (For an explanation of the table format, paragraph 6.41).

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

Table 11.1 Summary viability assessment, industrial and warehousing development

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

Source: PBA

The charging schedule

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

12 CARE HOME VIABILITY & CIL CHARGES

Defining the sector

12.1 We have defined this sector as follows.[31]

- Residential care homes (now generally referred to simply as care homes) are residential settings where a number of older people live, usually in single rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only - help with washing, dressing and giving medication. Some care homes are registered to meet a specific care need, for example dementia or terminal illness.
- What used to be called nursing homes are now called care homes with nursing. These settings will provide the same personal care but also have a qualified nurse on duty twenty-four hours a day to carry out nursing tasks. These homes are for people who are physically or mentally frail or people who need regular attention from a nurse.[32] Homes registered for nursing care may accept people who just have personal care needs but who may need nursing care in the future.

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

12.3 We are carefully distinguishing this type of provision from retirement flats and quasi-retirement accommodation sometimes known as assisted living apartments. The term assisted living or 'extra care housing' is used to describe developments that comprise self-contained homes with design features and support services available to enable self- care and independent living. These types of development are included in the C3 category and are chargeable under the standard residential rate.

Market overview

National marketplace

12.4 Research by Colliers in Autumn 2011 found that 'The last half year has seen very few large investment deals, with the impact and publicity surrounding the demise of Southern Cross, certainly having an adverse effect on the market'. The report shows the difficulties being experienced by operators 'in terms of lower occupancy rates, lower average fees and lower referrals from local authorities putting pressure on profit margins and an increasing cost base.' The same research found that 'development finance is generally absent from the market.'[33]

12.5 However, the report found 'positive notes within the general gloom… where quality propositions come to market they attract healthy interest…we also see an appetite for new

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

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

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

development, with operators adopting innovative methods to process schemes, often involving partnerships with developers'.

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

Viability appraisal

Scenarios modelled

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

12.8 In line with current research undertaken by Knight Frank[34] and CBRE[35] we have allowed for a rental income per bed of £9,000 per annum. Recent care home transactions have produced yields of between 6.5% and 7.5% for core areas with secondary covenants. Due to a number of care homes being located within the vicinity, potentially limiting demand, we have taken a cautious approach and capitalised income at a 7.5% yield.

Findings of viability testing

12.9 Table 12.1 shows the results of our viability appraisal. Please refer to paragraph 7.11 for an explanation of how to interpret the summary table below.

Table 12.1 Summary viability assessment, care homes

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

The recommended CIL charge

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

[34] Knight Frank (2012) *Care Homes – Trading Performance Review*

[35] CBRE (2012) *Healthcare Property Dashboard*

13 RETAIL VIABILITY & CIL CHARGES

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

Planning context

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

Defining retail categories

13.3 As shown above at paragraph 2.15 onwards, the Regulations allow charge distinctions to be made by use of buildings.

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

13.5 These distinctions between convenience and comparison uses are based on the definitions provided at Annex B of PPS4[36], which we have slightly reworded to fit the present context (the Annex B definition discussion applies to goods, but we wish to define the sales units in which those goods are sold).

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

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

13.7 Some stores sell a mixture of convenience and comparison goods. In those instances, a store should be categorised as having convenience or comparison status according to its main use (our definition above defines convenience and comparison units as shops or stores selling *mainly* these types of items). We have used this phrasing carefully, and in this have taken the lead from the way that PPS4 defines superstores.[37]

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

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

13.8 Additional precision on the types of goods sold in convenience and comparison stores can be taken from Appendix A of the PPS4 companion document *Practice guidance on need, impact and the sequential approach*.[38] It is worth noting that this document remains in use following the March 2012 introduction of the NPPF.

Market overview

Comparison retailing

13.9 Work by Deloitte on the future for retailing is pessimistic, suggesting that 'reductions in store numbers of 30-40% are foreseeable over the next 3-5 years.'[39] The effects are seen to be increased vacancy rates, decreasing prime rents, and increasingly flexible rental terms, including shorter rental terms, lease free periods, shorter break clauses and monthly, as opposed to quarterly, rents. [40] Other reports describe a similar picture. [41]

Town centre high-street type retailing

13.10 With the exception of Central London, town centre (high street) comparison retailing in the UK is in a period of transition. The majority of comparison retail-led regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. There have been a number of insolvencies, and the traditional high-street operators are frequently struggling, particularly in secondary retail locations. Colliers retail market report (Autumn 2011) states that 'Secondary retail locations will continue to suffer as a result of the growing consumer trend of fewer shopping trips and the focus on the large retail destinations and online. Furthermore, daily/weekly shopping that would once have taken place in the local town centre is increasingly shifting to supermarkets, which now provide a wide range of comparison goods and services alongside the traditional convenience offer.

13.11 Developers in the sector have therefore being going through a process of redesigning existing schemes in order to make them deliverable in the current economic climate and more appropriate to future consumer demand. This has often involved reducing the scale of potential developments and targeting better quality, financially stable retail operators.

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

[39] Deloitte (2012) *The changing face of retail: The store of the future* (2) see *https://www.deloitte.com/view/en_GB/uk/industries/consumer-business/28098047f3685310VgnVCM3000001c56f00aRCRD.htm*

[40] Ibid (9)

[41] Financial Times December 29 2011 *UK retail insolvencies expected to soar*

Edge-of-town warehouse operations and retail parks

13.12 While the long term trend suggests that out-of-town (and online) shopping is doing a little better than in-town retail. The sector has had difficulties, with the failure of retailers such as Dreams Beds, Focus DIY and Allied Carpets, but the market is gradually reabsorbing vacant space. Colliers research reports that across the retail warehouse sector as a whole, vacancy rates improved slowly from 5.8% to 3.5% from 2010 to 2011.[42]

Convenience retail

13.13 Convenience retailing operates in a very different market segment to comparison retailing.

13.14 The convenience retail sector continues to perform well, with operators seeking to continually expand market share by the development of new store formats and the securing of prime locations both in town and out of town. IGD (international food and grocery analysts) state that the UK convenience sector is projected to increase sales by 5.8% per year to £42.6bn in 2015.[43] Local Data Company analysis shows that Tesco, Morrisons and Waitrose are all opening, or planning to open, new stores. Morrisons in particular has announced plans to open 300 'M Local' convenience stores across the UK by 2015.[44] These levels of activity nationally suggest that there may be applications for permission for this type of retail in future.

13.15 Within convenience retail, viability is remarkably insensitive to precise location. Data from CBRE shows that grocery viability is similar in locations throughout the UK with a premium being paid for schemes in London. There is very little investment adjustment (around 1% on yield) between major supermarket developments based on the transactional evidence for leases of similar length and terms.

13.16 Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions.

Charging zones

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

Viability analysis

Scenarios tested

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

- Convenience retailing:
  - a larger out of town centre grocery store of 4,000 sq m GIA;
  - an in-town Metro-style grocery store of 465 sq m GIA scheme.

[42] Colliers (2011) *Midsummer Retail Report* (30)

[43] http://www.globalcstorefocus.com/cgi-bin/newsletter.pl?edition=201101&this_page=5

[44] Local Data Company newsletter 'A Week On The High Street' Monday 6th February - Friday 10th February 2012

- Comparison retailing:
  - A 465 sq m GIA in-town high street scheme,
  - A 929 sq m GIA out of town centre retail park type scheme.

Findings - comparison retailing

Modelling the in-town high street comparison retail scheme

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

13.20 We gained particular market feedback on viability in Chichester itself, which local interviewees felt was the strongest high street retail area in the district. It follows, therefore, that if a scheme is not viable in Chichester itself, it will not be viable at any other town centre site in the district.

13.21 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table. For an explanation of a similar table format, see paragraph **7.11**.

13.22 The summary table (Table 13.1) shows a modest surplus available for CIL.

Table 13.1 Summary viability assessment, in-town comparison retail development, 465 sq m (GIA)

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.08	465	£2,679,656	£461	£2,500,000	£430	£179,656	£31

Source: PBA

Modelling the edge-of-centre retail park scheme

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

13.24 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table. For an explanation of a similar table format, see paragraph 7.11.

Table 13.2 Summary viability assessment, edge-of-town retail park comparison development, 929 sq m (GIA)

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.20	929	£2,252,134	£485	£2,000,000	£431	£252,134	£54

Source: PBA

13.25 Table 13.2 shows a small surplus theoretically available for CIL for this type of development.

Convenience retailing

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

13.27 The tables below summarise our appraisals. The theoretical maximum CIL charge is shown on the far right column of the tables below. For an explanation of a similar table format, see paragraph 7.11.

Table 13.3 Summary viability assessment, convenience retail development (edge of town, large store scheme) 4,000 sq m (GIA)

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.80	4,000	£3,520,864	£704	£2,500,000	£500	£1,020,864	£204

Source: PBA

Table 13.4 Summary viability assessment, convenience retail development (in-town Metro type scheme) 465 sq m (GIA)

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.10	465	£3,239,224	£697	£2,500,000	£538	£739,224	£159

Source: PBA

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

The charging schedule

13.29 The viability testing indicates that the following CIL charges are capable of being sustained in the District.

- Convenience retailing: the edge of town scheme can afford £204 per sq m, and the in town scheme can afford £159 per sq m.
- Comparison retailing: both the in-town scheme and edge of town schemes are showing a modest surplus available for CIL.

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

Table 13.5 Recommended retail charging rates

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

Source: PBA

14 STUDENT ACCOMMODATION & CIL CHARGES

Planning context

14.1 Student accommodation is mentioned in the emerging Local Plan.

Market overview

14.2 Despite the effects of higher tuition fees and the recent administration of one student housing developer, Opal, the purpose built student accommodation market appears resilient. Research indicates that the market for student accommodation remains undersupplied, with strong demand and high occupancy rates, resulting in strengthening yields.[45]

14.3 CBRE indicate that the new development of halls has not kept pace with the growth in students.[46] Whilst there have been a number of developments in the major university towns, a shortage of viable sites, with increased competition from commercial and residential use, together with planning difficulties, has contributed to reduced levels of supply.

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

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

Viability analysis

Scenarios tested

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

Findings

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

14.8 We have included detailed appraisals within Appendix 1b.

[45] GVA (2012), *Student housing market overview*

[46] CBRE (2012), *Student housing viewpoint*

Table 13.1 Viability summary student accommodation

Zone	Site area	Floorspace	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
	Ha	Sq m	Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
Chichester	0.20	1,028	£3,445,803	£670	£2,470,000	£480	£975,803	£190

The recommended CIL charge

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

Table 13.2 Recommended student accommodation charging rate

Development type	CIL charge per sq m
Student accommodation	£60

Source: PBA

15 PUBLIC SERVICE AND COMMUNITY FACILITIES

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

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

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

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

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

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

16 THE STANDARD CIL CHARGE

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

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

Our approach to peripheral uses

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

1. These uses are not critical to the delivery of the Core Strategy, and historical evidence suggests that they have not been particularly important in the past.
2. Because limited amounts of net new floorspace will be delivered in these categories, it is likely that only small amounts of CIL would be raised.
3. Frequently (in the case of, say, taxi offices and laundrettes) these uses will be in units smaller than 100 sq m, or in units which have been subject to a change of use. In these cases, they would not be liable for CIL.
4. Any robust viability assessment of these (often quite specialist) uses would be required to look at the interaction between a) the category of development and b) the type of business taking place in the building. It is not possible to anticipate the combinations of development category and business types accurately. Even if these combinations of development category and business activities could be accurately forecast, a robust viability assessment would need industry specific valuation expertise, which even then would be relatively speculative.

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

Recommendations

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

16.6 Of the sui generis uses, for example,

- Laundrettes, nightclubs, taxi businesses and amusement centres are likely to be in the same type of premises as small comparison uses and covering similar purchase or rental costs. (We note that these types of development are not particularly prevalent in Chichester now, nor are likely to be in future, but we mention them here in order to

cover unforeseen future scenarios). Mindful that the lowest of the recommended charges for comparison retail is zero, a precautionary approach here would suggest that a zero charging rate is appropriate.

- Scrapyards and the selling and/or displaying of motor vehicles are likely to occupy the same sorts of premises and locations as many B2 uses. Our work on light industrial therefore provides a guide to a sensible level of CIL charge which would suggest no charge is appropriate.

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

17 THE CIL CHARGING SCHEDULE

Introduction

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

Summary

17.2 Table 17. below summarises the recommended CIL charges.

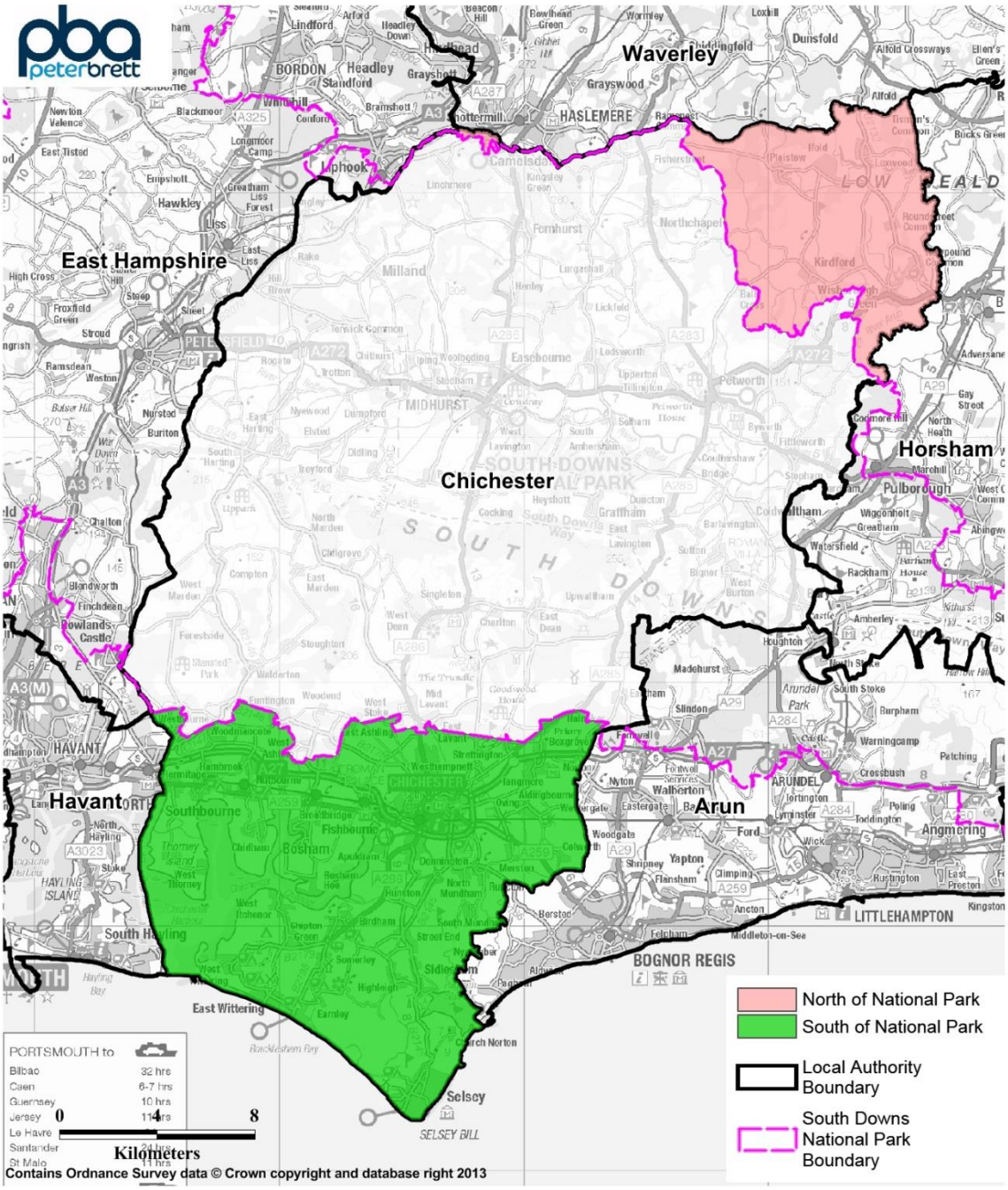
Table 17.1 Recommended charging rates for Chichester District Council CIL (£ per sq m) (assuming 30% affordable housing policy)

Development		CIL Charge (£ per sq m)
Residential (North of National Park)		
	At 30% affordable housing	£200
Residential (South of National Park)		
	At 30% affordable housing	£120
Retail – wholly or mainly convenience		£125
Retail – wholly or mainly comparison		£20
Student Housing		£60
Standard Charge (applies to all development not separately defined)		£0

Source: PBA

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

Figure 17.3 Residential charging zone boundaries



Source: PBA/OS

18 PLAN DELIVERABILITY AND DEVELOPABILITY

Introduction

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

> *'Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.'*[47]
>
> *[…]'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up. For this reason, infrastructure and development policies should be planned at the same time, in the Local Plan.'*[48]

18.2 It is not necessary to prove that all funding for infrastructure has been identified. The NPPF states that standards and policies in Local Plans should 'facilitate development across the economic cycle,'[49] suggesting that there will be reasonable for a Local Authority to argue that viability is likely to improve over time; that CIL may be revised upwards; that some infrastructure requirements are not required immediately; and that mainstream funding levels may recover.

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

Development deliverability and developability

18.4 Our analysis suggests that sites which the current housing trajectory sees as starting in Years 0-5 of the plan are generally viably deliverable using current costs, values and policy charges as tested (see Section 7). Similarly, our analysis of scenarios for future years suggests that sites which the current housing trajectory sees as starting in Year 6+ of the plan are viably deliverable (see Section 9)

18.5 We sought to test specific strategic sites in order to look in more detail at plan viability. However, for the reasons explained in Chapter 8, we concluded that further testing would

[47] DCLG (2012) National Planning Policy Framework (41, para 173)
[48] DCLG (2012) National Planning Policy Framework (42, para 177)
[49] DCLG (2012) National Planning Policy Framework (42, para 174)

not provide us with useful additional information. Instead, the findings of the generic testing may be used here. The generic site testing shows that strategic sites are broadly viable in each value area when the suggested policy costs are applied. This is the case both in the first five years of the plan, and the following years thereafter.

18.6 In making this judgement we are assuming that CIL is the main method of paying for infrastructure, and that S106 costs on new permission will be kept modest.

Total infrastructure costs

18.7 Infrastructure planning current at time of writing suggests a total known cost of £66m for infrastructure over the plan period.[50] This figure currently excludes social infrastructure, green infrastructure, public services and utility services.

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

Known strategic infrastructure costs of	-£66.1m
Less existing S106 funding available[51]	+£2.5m
Less anticipated S106 funding (estimate)[52]	+£11.2m
Less other known funding[53]	Unknown
Less anticipated CIL receipts[54]	+£30.1m
Funding gap of	**-£22.3m**

18.9 Some of this funding gap might be plugged through a combination of mainstream funding and New Homes Bonus. However, New Homes Bonus is simply a reallocation of

[50] Chichester District Council Amended Draft Infrastructure Delivery Plan 15-10-13 (11)

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

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

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

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

previously existing mainstream funding, and so cannot be relied on as a funding stream for strategic infrastructure requirements.

Dealing with the funding gap

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

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

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

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

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

Pulling together the overarching narrative of the plan

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

APPENDIX 1a

Residential viability appraisals

ITEM							
Net Site Area	0.11						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	4	3	1		£4,750,600	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£4,500	£0	
	Houses –	3	90	252	£4,000	£1,008,000	
		3		252			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£2,520	£0	
	Houses	1	90	108	£2,240	£241,920	
		1		108			
		4		360		£1,249,920	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£576,048	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£542,926	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	3	252	£838		£211,176.00	
		3	252				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	1	108	£838		£90,504.00	
		1	108				
		4	360			£301,680	
2.4	Externals						
2.4.1	Plot external	15%				£45,252	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£45,252	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£27,755	
						£27,755	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£15,084	
						£15,084	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£4,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£4,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£2,000	
2.8.2	Sales agents fee -	1.25%				£15,624	
2.8.3	Marketing cost -	£1,000	per unit			£2,800	
						£20,424	
	TOTAL DEVELOPMENT COSTS					£990,243	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£201,600	
	Affordable -	6%				£14,515	
						£216,115	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,206,358	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£43,562	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£43,562	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.14						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	5	4	2		£4,723,857	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£4,500	£0	
	Houses –	4	90	315	£4,000	£1,260,000	
		4		315			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£2,520	£0	
	Houses	2	90	135	£2,240	£302,400	
		2		135			
		5		450		£1,562,400	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£716,007	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£674,837	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	4	315	£838		£263,970.00	
		4	315				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	2	135	£838		£113,130.00	
		2	135				
		5	450			£377,100	
2.4	Externals						
2.4.1	Plot external	15%				£56,565	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£56,565	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£34,693	
						£34,693	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£18,855	
						£18,855	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£5,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£5,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£2,500	
2.8.2	Sales agents fee -	1.25%				£19,530	
2.8.3	Marketing cost -	£1,000	per unit			£3,500	
						£25,530	
	TOTAL DEVELOPMENT COSTS					£1,233,750	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£252,000	
	Affordable -	6%				£18,144	
						£270,144	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,503,894	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£58,506	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£58,506	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	0.26					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	9	6	3	£4,657,870	per ha	

1.0	**Development Value**					
Value Zone	**3**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats –	0	65	0	£4,500	£0
	Houses –	6	90	567	£4,000	£2,268,000
		6		567		
1.2	**Affordable unit**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats	0	65	0	£2,520	£0
	Houses	3	90	243	£2,240	£544,320
		3		243		
		9		**810**		**£2,812,320**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£1,270,810
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%
	Net residual land value					**£1,197,738**
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Total sq.m**	**Cost per sq.m**		**Total Costs**
	Flats –	0	0	£954		£0.00
	Houses –	6	567	£838		£475,146.00
		6	567			
2.3.2	**Affordable unit**	**No. of units**	**Total sq.m**	**Cost per sq.m**		**Total Costs**
	Flats	0	0	£954		£0.00
	Houses	3	243	£838		£203,634.00
		3	243			
		9	810			**£678,780**
2.4	**Externals**					
2.4.1	Plot external	15%				£101,817
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£101,817
2.5	**Professional Fees**					
2.5.1	as percentage of build costs	8%				£62,448
						£62,448
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs	5%				£33,939
						£33,939
2.7	**Developer contributions**					
2.7.1	Site specific S106	£1,000	per unit			£9,000
2.7.2	CIL low	£0	per sq.m			£0
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					**£9,000**
2.8	**Sale cost**					
2.8.1	Legals -	£500				£4,500
2.8.2	Sales agents fee -	1.25%				£35,154
2.8.3	Marketing cost -	£1,000	per unit			£6,300
						£45,954
	TOTAL DEVELOPMENT COSTS					**£2,202,747**
3.0	**Developers' Profit**					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£453,600
	Affordable -	6%				£32,659
						£486,259
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£2,689,006**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£123,314
4.00	**Finance Costs**		APR		PCM	
			7.00%		0.565%	-£123,314
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM							
Net Site Area	0.29						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	10	7	3		£4,644,820	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£4,500	£0	
	Houses –	7	90	630	£4,000	£2,520,000	
		7		630			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£2,520	£0	
	Houses	3	90	270	£2,240	£604,800	
		3		270			
		10		900		£3,124,800	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£1,408,055	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£1,327,091	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	7	630	£838		£527,940.00	
		7	630				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	3	270	£838		£226,260.00	
		3	270				
		10	900			£754,200	
2.4	Externals						
2.4.1	Plot external	15%				£113,130	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£113,130	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£69,386	
						£69,386	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£37,710	
						£37,710	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£10,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£10,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£5,000	
2.8.2	Sales agents fee -	1.25%				£39,060	
2.8.3	Marketing cost -	£1,000	per unit			£7,000	
						£51,060	
	TOTAL DEVELOPMENT COSTS					£2,443,541	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£504,000	
	Affordable -	6%				£36,288	
						£540,288	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£2,983,829	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£140,971	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£140,971	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	1.43						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	50	35	15		£4,644,820	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£4,500	£0	
	Houses –	35	90	3,150	£4,000	£12,600,000	
		35		3150			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£2,520	£0	
	Houses	15	90	1,350	£2,240	£3,024,000	
		15		1350			
		50		4500		£15,624,000	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£7,040,273	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£6,635,457	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	35	3150	£838		£2,639,700.00	
		35	3150				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	15	1350	£838		£1,131,300.00	
		15	1350				
		50	4500			£3,771,000	
2.4	Externals						
2.4.1	Plot external	15%				£565,650	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£565,650	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£346,932	
						£346,932	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£188,550	
						£188,550	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£50,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£50,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£25,000	
2.8.2	Sales agents fee -	1.25%				£195,300	
2.8.3	Marketing cost -	£1,000	per unit			£35,000	
						£255,300	
	TOTAL DEVELOPMENT COSTS					£12,217,705	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£2,520,000	
	Affordable -	6%				£181,440	
						£2,701,440	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£14,919,145	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£704,855	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£704,855	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	2.86						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	100	70	30		£4,643,859	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£4,500	£0	
	Houses –	70	90	6,300	£4,000	£25,200,000	
		70		6300			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£2,520	£0	
	Houses	30	90	2,700	£2,240	£6,048,000	
		30		2700			
		100		9000		£31,248,000	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£14,077,633	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£13,268,169	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	70	6300	£838		£5,279,400.00	
		70	6300				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	30	2700	£838		£2,262,600.00	
		30	2700				
		100	9000			£7,542,000	
2.4	Externals						
2.4.1	Plot external	15%				£1,131,300	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£1,131,300	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£693,864	
						£693,864	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£377,100	
						£377,100	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£100,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£100,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£50,000	
2.8.2	Sales agents fee -	1.25%				£390,600	
2.8.3	Marketing cost -	£1,000	per unit			£70,000	
						£510,600	
	TOTAL DEVELOPMENT COSTS					£24,432,497	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£5,040,000	
	Affordable -	6%				£362,880	
						£5,402,880	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£29,835,377	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£1,412,623	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£1,412,623	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.04						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	4	3	1		£9,633,538	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	3	65	181	£4,500	£813,960	
	Houses –	0	90	0	£4,000	£0	
		3		181			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	1	65	78	£2,520	£195,350	
	Houses	0	90	0	£2,240	£0	
		1		78			
		4		258		£1,009,310	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£404,558	
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%	
	Net residual land value					£385,342	
2.3	Build Costs						
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs	
	Flats –	3	76	212.8	£954	£203,011.20	
	Houses –	0	0	0	£838	£0.00	
		3		212.8			
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs	
	Flats	1	76	91.2	£954	£87,004.80	
	Houses	0	0	0	£838	£0.00	
		1		91.2			
		4		304		£290,016	
2.4	Externals						
2.4.1	Plot external	15%				£43,502	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£43,502	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£26,681	
						£26,681	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£14,501	
						£14,501	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£4,000	
2.7.2	CIL low	£0	per sq.m				
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£4,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£2,000	
2.8.2	Sales agents fee -	1.25%				£12,616	
2.8.3	Marketing cost -	£1,000	per unit			£2,800	
						£17,416	
	TOTAL DEVELOPMENT COSTS					£800,675	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£162,792	
	Affordable -	6%				£11,721	
						£174,513	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£975,188	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£34,122	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£34,122	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.06						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	6	4	2		£9,451,824	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	4	65	271	£4,500	£1,220,940	
	Houses –	0	90	0	£4,000	£0	
		4		271			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	2	65	116	£2,520	£293,026	
	Houses	0	90	0	£2,240	£0	
		2		116			
		6		388		£1,513,966	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£601,708	
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%	
	Net residual land value					£567,109	
2.3	Build Costs						
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs	
	Flats –	4	76	319.2	£954	£304,516.80	
	Houses –	0	0	0	£838	£0.00	
		4		319.2			
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs	
	Flats	2	76	136.8	£954	£130,507.20	
	Houses	0	0	0	£838	£0.00	
		2		136.8			
		6		456		£435,024	
2.4	Externals						
2.4.1	Plot external	15%				£65,254	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£65,254	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£40,022	
						£40,022	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£21,751	
						£21,751	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£6,000	
2.7.2	CIL low	£0	per sq.m				
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£6,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£3,000	
2.8.2	Sales agents fee -	1.25%				£18,925	
2.8.3	Marketing cost -	£1,000	per unit			£4,200	
						£26,125	
	TOTAL DEVELOPMENT COSTS					£1,195,883	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£244,188	
	Affordable -	6%				£17,582	
						£261,770	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,457,653	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£56,313	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£56,313	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.12						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	12	8	4		£9,586,621	per ha	
1.0	Development Value						
Value Zone	3						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	8	65	543	£4,500	£2,441,880	
	Houses –	0	90	0	£4,000	£0	
		8		543			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	4	65	233	£2,520	£586,051	
	Houses	0	90	0	£2,240	£0	
		4		233			
		12		775		£3,027,931	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£1,220,578	
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%	
	Net residual land value					£1,150,395	
2.3	Build Costs						
2.3.1	Private units	No. of units	Sq.m per unit	Total sq.m	Cost per sq.m	Total Costs	
	Flats –	8	76	638.4	£954	£609,033.60	
	Houses –	0	0	0	£838	£0.00	
		8		638.4			
2.3.2	Affordable unit	No. of units	Total sq.m	Total sq.m	Cost per sq.m	Total Costs	
	Flats	4	76	273.6	£954	£261,014.40	
	Houses	0	0	0	£838	£0.00	
		4		273.6			
		12		912		£870,048	
2.4	Externals						
2.4.1	Plot external	15%				£130,507	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£130,507	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£80,044	
						£80,044	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£43,502	
						£43,502	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£12,000	
2.7.2	CIL low	£0	per sq.m				
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£12,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£6,000	
2.8.2	Sales agents fee -	1.25%				£37,849	
2.8.3	Marketing cost -	£1,000	per unit			£8,400	
						£52,249	
	TOTAL DEVELOPMENT COSTS					£2,408,929	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£488,376	
	Affordable -	6%				£35,163	
						£523,539	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£2,932,468	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£95,463	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£95,463	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	0.24					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	24	17	7	£9,505,440	per ha	

1.0	**Development Value**					
Value Zone	**3**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats –	17	65	1,085	£4,500	£4,883,760
	Houses –	0	90	0	£4,000	£0
		17		1085		
1.2	**Affordable unit**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats	7	65	465	£2,520	£1,172,102
	Houses	0	90	0	£2,240	£0
		7		465		
		24		**1550**		**£6,055,862**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£2,420,483
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					**£2,281,306**
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Sq.m per unit**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats –	17	76	1276.8	£954	£1,218,067.20
	Houses –	0	0	0	£838	£0.00
		17		1276.8		
2.3.2	**Affordable unit**	**No. of units**	**Total sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats	7	76	547.2	£954	£522,028.80
	Houses	0	0	0	£838	£0.00
		7		547.2		
		24		1824		**£1,740,096**
2.4	**Externals**					
2.4.1	Plot external	15%				£261,014
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£261,014
2.5	**Professional Fees**					
2.5.1	as percentage of build costs	8%				£160,089
						£160,089
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs	5%				£87,005
						£87,005
2.7	**Developer contributions**					
2.7.1	Site specific S106	£1,000	per unit			£24,000
2.7.2	CIL low	£0	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					**£24,000**
2.8	**Sale cost**					
2.8.1	Legals -	£500				£12,000
2.8.2	Sales agents fee -	1.25%				£75,698
2.8.3	Marketing cost -	£1,000	per unit			£16,800
						£104,498
	TOTAL DEVELOPMENT COSTS					**£4,797,186**
3.0	**Developers' Profit**					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£976,752
	Affordable -	6%				£70,326
						£1,047,078
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£5,844,264**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£211,599
4.00	**Finance Costs**		APR		PCM	
			7.00%		0.565%	-£211,599
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM							
Net Site Area	0.11						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	4	3	1		£3,187,746	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£3,500	£0	
	Houses –	3	90	252	£3,200	£806,400	
		3		252			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£1,960	£0	
	Houses	1	90	108	£1,792	£193,536	
		1		108			
		4		360		£999,936	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£382,482	
				Less Purchaser Costs (SDLT, legals and agents fees)		4.75%	
	Net residual land value					£364,314	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	3	252	£838		£211,176.00	
		3	252				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	1	108	£838		£90,504.00	
		1	108				
		4	360			£301,680	
2.4	Externals						
2.4.1	Plot external	15%				£45,252	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£45,252	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£27,755	
						£27,755	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£15,084	
						£15,084	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£4,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£4,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£2,000	
2.8.2	Sales agents fee -	1.25%				£12,499	
2.8.3	Marketing cost -	£1,000	per unit			£2,800	
						£17,299	
	TOTAL DEVELOPMENT COSTS					£793,551	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£161,280	
	Affordable -	6%				£11,612	
						£172,892	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£966,444	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£33,492	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£33,492	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.14						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	5	4	2		£3,169,739	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£3,500	£0	
	Houses –	4	90	315	£3,200	£1,008,000	
		4		315			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£1,960	£0	
	Houses	2	90	135	£1,792	£241,920	
		2		135			
		5		450		£1,249,920	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£475,401	
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%	
	Net residual land value					£452,820	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	4	315	£838		£263,970.00	
		4	315				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	2	135	£838		£113,130.00	
		2	135				
		5	450			£377,100	
2.4	Externals						
2.4.1	Plot external	15%				£56,565	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£56,565	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£34,693	
						£34,693	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£18,855	
						£18,855	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£5,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£5,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£2,500	
2.8.2	Sales agents fee -	1.25%				£15,624	
2.8.3	Marketing cost -	£1,000	per unit			£3,500	
						£21,624	
	TOTAL DEVELOPMENT COSTS					£989,239	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£201,600	
	Affordable -	6%				£14,515	
						£216,115	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£1,205,354	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£44,566	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£44,566	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.26						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	9	9	0		£3,092,495	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£3,500	£0	
	Houses –	6	90	567	£3,200	£1,814,400	
		6		567			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£1,960	£0	
	Houses	3	90	243	£1,792	£435,456	
		3		243			
		9		810		£2,249,856	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£843,727	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£795,213	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	6	567	£838		£475,146.00	
		6	567				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	3	243	£838		£203,634.00	
		3	243				
		9	810			£678,780	
2.4	Externals						
2.4.1	Plot external	15%				£101,817	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£101,817	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£62,448	
						£62,448	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£33,939	
						£33,939	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£9,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£9,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£4,500	
2.8.2	Sales agents fee -	1.25%				£28,123	
2.8.3	Marketing cost -	£1,000	per unit			£6,300	
						£38,923	
	TOTAL DEVELOPMENT COSTS					£1,768,634	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£362,880	
	Affordable -	6%				£26,127	
						£389,007	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£2,157,642	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£92,214	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£92,214	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	0.29						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	10	7	3		£3,083,800	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£3,500	£0	
	Houses –	7	90	630	£3,200	£2,016,000	
		7		630			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£1,960	£0	
	Houses	3	90	270	£1,792	£483,840	
		3		270			
		10		900		£2,499,840	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£934,839	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£881,086	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	7	630	£838		£527,940.00	
		7	630				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	3	270	£838		£226,260.00	
		3	270				
		10	900			£754,200	
2.4	Externals						
2.4.1	Plot external	15%				£113,130	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£113,130	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£69,386	
						£69,386	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£37,710	
						£37,710	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£10,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£10,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£5,000	
2.8.2	Sales agents fee -	1.25%				£31,248	
2.8.3	Marketing cost -	£1,000	per unit			£7,000	
						£43,248	
	TOTAL DEVELOPMENT COSTS					£1,962,513	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£403,200	
	Affordable -	6%				£29,030	
						£432,230	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£2,394,744	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£105,096	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£105,096	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	1.43						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	50	35	15		£3,083,800	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£3,500	£0	
	Houses –	35	90	3,150	£3,200	£10,080,000	
		35		3150			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£1,960	£0	
	Houses	15	90	1,350	£1,792	£2,419,200	
		15		1350			
		50		4500		£12,499,200	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£4,674,194	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£4,405,428	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	35	3150	£838		£2,639,700.00	
		35	3150				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	15	1350	£838		£1,131,300.00	
		15	1350				
		50	4500			£3,771,000	
2.4	Externals						
2.4.1	Plot external	15%				£565,650	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£565,650	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£346,932	
						£346,932	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£188,550	
						£188,550	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£50,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£50,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£25,000	
2.8.2	Sales agents fee -	1.25%				£156,240	
2.8.3	Marketing cost -	£1,000	per unit			£35,000	
						£216,240	
	TOTAL DEVELOPMENT COSTS					£9,812,566	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£2,016,000	
	Affordable -	6%				£145,152	
						£2,161,152	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£11,973,718	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£525,482	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£525,482	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM							
Net Site Area	2.86						
		No. of Private	No. of affordable		Net residual land value per ha		
Yield	100	70	30		£3,082,789	per ha	
1.0	Development Value						
Value Zone	2						
1.1	Private Units	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats –	0	65	0	£3,500	£0	
	Houses –	70	90	6,300	£3,200	£20,160,000	
		70		6300			
1.2	Affordable unit	No. of units	Size sq.m	Total sq.m	£psm	Total Value	
	Flats	0	65	0	£1,960	£0	
	Houses	30	90	2,700	£1,792	£4,838,400	
		30		2700			
		100		9000		£24,998,400	
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site Value					£9,345,326	
				Less Purchaser Costs (SDLT, legals and agents fees)		5.75%	
	Net residual land value					£8,807,970	
2.3	Build Costs						
2.3.1	Private units	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats –	0	0	£954		£0.00	
	Houses –	70	6300	£838		£5,279,400.00	
		70	6300				
2.3.2	Affordable unit	No. of units	Total sq.m	Cost per sq.m		Total Costs	
	Flats	0	0	£954		£0.00	
	Houses	30	2700	£838		£2,262,600.00	
		30	2700				
		100	9000			£7,542,000	
2.4	Externals						
2.4.1	Plot external	15%				£1,131,300	
2.4.2	CO2 reduction	£0	per unit			£0	
2.4.3	Lifetime homes	£0	per unit			£0	
						£1,131,300	
2.5	Professional Fees						
2.5.1	as percentage of build costs	8%				£693,864	
						£693,864	
2.6	Contingency						
2.6.1	Based upon percentage of construction costs	5%				£377,100	
						£377,100	
2.7	Developer contributions						
2.7.1	Site specific S106	£1,000	per unit			£100,000	
2.7.2	CIL low	£0	per sq.m			£0	
2.7.3	Landscape management	£0	per unit			£0	
	Total developer contributions					£100,000	
2.8	Sale cost						
2.8.1	Legals -	£500				£50,000	
2.8.2	Sales agents fee -	1.25%				£312,480	
2.8.3	Marketing cost -	£1,000	per unit			£70,000	
						£432,480	
	TOTAL DEVELOPMENT COSTS					£19,622,070	
3.0	Developers' Profit						
3.1	Based upon percentage of gross development value	Rate					
	Private -	20%				£4,032,000	
	Affordable -	6%				£290,304	
						£4,322,304	
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					£23,944,374	
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£1,054,026	
4.00	Finance Costs		APR		PCM		
			7.00%		0.565%	-£1,054,026	
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						

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ITEM						
Net Site Area	0.04					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	4	3	1	£5,613,406	per ha	

1.0	**Development Value**					
Value Zone	**2**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats –	3	65	181	£3,500	£633,080
	Houses –	0	90	0	£3,200	£0
		3		181		
1.2	**Affordable unit**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats	1	65	78	£1,960	£151,939
	Houses	0	90	0	£1,792	£0
		1		78		
		4		**258**		**£785,019**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£230,886
			Less Purchaser Costs (SDLT, legals and agents fees)			2.75%
	Net residual land value					**£224,536**
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Sq.m per unit**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats –	3	76	212.8	£954	£203,011.20
	Houses –	0	0	0	£838	£0.00
		3		212.8		
2.3.2	**Affordable unit**	**No. of units**	**Total sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats	1	76	91.2	£954	£87,004.80
	Houses	0	0	0	£838	£0.00
		1		91.2		
		4		304		**£290,016**
2.4	**Externals**					
2.4.1	Plot external	15%				£43,502
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£43,502
2.5	**Professional Fees**					
2.5.1	as percentage of build costs	8%				£26,681
						£26,681
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs	5%				£14,501
						£14,501
2.7	**Developer contributions**					
2.7.1	Site specific S106	£1,000	per unit			£4,000
2.7.2	CIL low	£0	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					**£4,000**
2.8	**Sale cost**					
2.8.1	Legals -	£500				£2,000
2.8.2	Sales agents fee -	1.25%				£9,813
2.8.3	Marketing cost -	£1,000	per unit			£2,800
						£14,613
	TOTAL DEVELOPMENT COSTS					**£624,199**
3.0	**Developers' Profit**					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£126,616
	Affordable -	6%				£9,116
						£135,732
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£759,931**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£25,088
4.00	**Finance Costs**		APR		PCM	
			7.00%		0.565%	-£25,088
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.06					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	6	4.20	1.80	£5,451,150	per ha	

1.0	**Development Value**					
Value Zone	**2**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats –	4	65	271	£3,500	£949,620
	Houses –	0	90	0	£3,200	£0
		4		271		
1.2	**Affordable unit**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats	2	65	116	£1,960	£227,909
	Houses	0	90	0	£1,792	£0
		2		116		
		6		**388**		**£1,177,529**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£343,380
			Less Purchaser Costs (SDLT, legals and agents fees)			4.75%
	Net residual land value					**£327,069**
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Sq.m per unit**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats –	4	76	319.2	£954	£304,516.80
	Houses –	0	0	0	£838	£0.00
		4		319.2		
2.3.2	**Affordable unit**	**No. of units**	**Total sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats	2	76	136.8	£954	£130,507.20
	Houses	0	0	0	£838	£0.00
		2		136.8		
		6		456		**£435,024**
2.4	**Externals**					
2.4.1	Plot external	15%				£65,254
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£65,254
2.5	**Professional Fees**					
2.5.1	as percentage of build costs	8%				£40,022
						£40,022
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs	5%				£21,751
						£21,751
2.7	**Developer contributions**					
2.7.1	Site specific S106	£1,000	per unit			£6,000
2.7.2	CIL low	£0	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					**£6,000**
2.8	**Sale cost**					
2.8.1	Legals -	£500				£3,000
2.8.2	Sales agents fee -	1.25%				£14,719
2.8.3	Marketing cost -	£1,000	per unit			£4,200
						£21,919
	TOTAL DEVELOPMENT COSTS					**£933,350**
3.0	**Developers' Profit**					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£189,924
	Affordable -	6%				£13,675
						£203,599
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£1,136,948**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£40,581
4.00	**Finance Costs**		APR		PCM	
			7.00%		0.565%	-£40,581
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.12					
		No. of Private	No. of affordable		Net residual land value per ha	
Yield	12	8	4		£5,471,414	per ha

1.0	**Development Value**					
Value Zone	**2**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats –	8	65	543	£3,500	£1,899,240
	Houses –	0	90	0	£3,200	£0
		8		543		
1.2	**Affordable unit**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats	4	65	233	£1,960	£455,818
	Houses	0	90	0	£1,792	£0
		4		233		
		12		**775**		**£2,355,058**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£696,626
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					**£656,570**
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Sq.m per unit**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats –	8	76	638.4	£954	£609,033.60
	Houses –	0	0	0	£838	£0.00
		8		638.4		
2.3.2	**Affordable unit**	**No. of units**	**Total sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats	4	76	273.6	£954	£261,014.40
	Houses	0	0	0	£838	£0.00
		4		273.6		
		12		912		**£870,048**
2.4	**Externals**					
2.4.1	Plot external	15%				£130,507
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£130,507
2.5	**Professional Fees**					
2.5.1	as percentage of build costs	8%				£80,044
						£80,044
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs	5%				£43,502
						£43,502
2.7	**Developer contributions**					
2.7.1	Site specific S106	£1,000	per unit			£12,000
2.7.2	CIL low	£0	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					**£12,000**
2.8	**Sale cost**					
2.8.1	Legals -	£500				£6,000
2.8.2	Sales agents fee -	1.25%				£29,438
2.8.3	Marketing cost -	£1,000	per unit			£8,400
						£43,838
	TOTAL DEVELOPMENT COSTS					**£1,876,566**
3.0	**Developers' Profit**					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£379,848
	Affordable -	6%				£27,349
						£407,197
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£2,283,763**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£71,295
4.00	**Finance Costs**		APR		PCM	
			7.00%		0.565%	-£71,295
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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ITEM						
Net Site Area	0.24					
		No. of Private	No. of affordable	Net residual land value per ha		
Yield	24	17	7	£5,424,744	per ha	

1.0	**Development Value**					
Value Zone	**2**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats –	17	65	1,085	£3,500	£3,798,480
	Houses –	0	90	0	£3,200	£0
		17		1085		
1.2	**Affordable unit**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	Flats	7	65	465	£1,960	£911,635
	Houses	0	90	0	£1,792	£0
		7		465		
		24		**1550**		**£4,710,115**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£1,381,367
			Less Purchaser Costs (SDLT, legals and agents fees)			5.75%
	Net residual land value					**£1,301,938**
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Sq.m per unit**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats –	17	76	1276.8	£954	£1,218,067.20
	Houses –	0	0	0	£838	£0.00
		17		1276.8		
2.3.2	**Affordable unit**	**No. of units**	**Total sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	Flats	7	76	547.2	£954	£522,028.80
	Houses	0	0	0	£838	£0.00
		7		547.2		
		24		1824		**£1,740,096**
2.4	**Externals**					
2.4.1	Plot external	15%				£261,014
2.4.2	CO2 reduction	£0	per unit			£0
2.4.3	Lifetime homes	£0	per unit			£0
						£261,014
2.5	**Professional Fees**					
2.5.1	as percentage of build costs	8%				£160,089
						£160,089
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs	5%				£87,005
						£87,005
2.7	**Developer contributions**					
2.7.1	Site specific S106	£1,000	per unit			£24,000
2.7.2	CIL low	£0	per sq.m			
2.7.3	Landscape management	£0	per unit			£0
	Total developer contributions					**£24,000**
2.8	**Sale cost**					
2.8.1	Legals -	£500				£12,000
2.8.2	Sales agents fee -	1.25%				£58,876
2.8.3	Marketing cost -	£1,000	per unit			£16,800
						£87,676
	TOTAL DEVELOPMENT COSTS					**£3,741,248**
3.0	**Developers' Profit**					
3.1	Based upon percentage of gross development value	Rate				
	Private -	20%				£759,696
	Affordable -	6%				£54,698
						£814,394
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**£4,555,642**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					£154,474
4.00	**Finance Costs**		APR		PCM	
			7.00%		0.565%	-£154,474
	TOTAL PROJECT COSTS [INCLUDING INTEREST]					

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APPENDIX 1b

Commercial viability appraisals

Peter Brett Associates

Development Appraisal

Chichester - Care Home

Report Date: 22 March 2013

Chichester - Care Home

Detailed Cash flow Phase 1 **Page A 1**

	001:Jan 2013	002:Feb 2013	003:Mar 2013	004:Apr 2013	005:May 2013	006:Jun 2013	007:Jul 2013	008:Aug 2013	009:Sep 2013
MonthlyB/F	0	(1,263,331)	(1,448,306)	(1,735,998)	(2,074,931)	(2,461,084)	(2,911,202)	(3,332,273)	(3,741,043)
Revenue									
Cap -	0	0	0	0	0	0	0	0	0
Disposal Costs									
Sales Agent Fee	0	0	0	0	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0	0	0	0	0
Stamp Duty	0	0	0	0	0	0	0	0	0
Unit Information									
Acquisition Costs									
Agent Fee	(11,207)	0	0	0	0	0	0	0	0
Legal Fee	(8,405)	0	0	0	0	0	0	0	0
Residualised Price	(1,120,657)	0	0	0	0	0	0	0	0
Stamp Duty	(44,826)	0	0	0	0	0	0	0	0
Construction Costs									
Con. -	(61,122)	(144,512)	(212,402)	(264,792)	(301,682)	(323,072)	(328,962)	(319,352)	(294,242)
Contingency	(3,056)	(7,226)	(10,620)	(13,240)	(15,084)	(16,154)	(16,448)	(15,968)	(14,712)
Externals	(9,168)	(21,677)	(31,860)	(39,719)	(45,252)	(48,461)	(49,344)	(47,903)	(44,136)
Professional Fees									
Professional Fees	(4,890)	(11,561)	(16,992)	(21,183)	(24,135)	(25,846)	(26,317)	(25,548)	(23,539)
Period Total Before Finance	**(1,263,331)**	**(184,975)**	**(271,874)**	**(338,933)**	**(386,153)**	**(413,532)**	**(421,071)**	**(408,770)**	**(376,629)**
Debit Rate 7.000%	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000
Credit Rate 0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Finance Costs (All Sets)	0	(7,369)	(8,448)	(10,127)	(12,104)	(14,356)	(16,982)	(19,438)	(21,823)
Period Total After Finance	**(1,263,331)**	**(192,344)**	**(280,323)**	**(349,060)**	**(398,256)**	**(427,888)**	**(438,053)**	**(428,208)**	**(398,452)**
Cumulative Total C/f Monthly	(1,263,331)	(1,455,675)	(1,735,998)	(2,085,058)	(2,483,314)	(2,911,202)	(3,349,255)	(3,777,463)	(4,175,916)

Chichester - Care Home

Detailed Cash flow Phase 1 **Page A 2**

010:Oct 2013	011:Nov 2013	012:Dec 2013	013:Jan 2014	014:Feb 2014	015:Mar 2014	016:Apr 2014	017:May 2014	018:Jun 2014	019:Jul 2014	020:Aug 2014
(4,175,916)	(4,500,564)	(4,753,392)	(4,992,900)	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
0	0	0	6,375,000	0	0	0	0	0	0	0
0	0	0	(61,200)	0	0	0	0	0	0	0
0	0	0	(45,900)	0	0	0	0	0	0	0
0	0	0	(255,000)	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
(253,632)	(197,522)	(125,912)	0	0	0	0	0	0	0	0
(12,682)	(9,876)	(6,296)	0	0	0	0	0	0	0	0
(38,045)	(29,628)	(18,887)	0	0	0	0	0	0	0	0
(20,291)	(15,802)	(10,073)	0	0	0	0	0	0	0	0
(324,649)	**(252,828)**	**(161,167)**	**6,012,900**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(24,360)	(26,253)	(27,728)	0	0	0	0	0	0	0	0
(349,008)	**(279,081)**	**(188,895)**	**6,012,900**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(4,524,924)	(4,804,005)	(4,992,900)	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000

Chichester - Care Home

Detailed Cash flow Phase 1 **Page A 3**

021:Sep 2014
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Peter Brett Associates

Development Appraisal

Chichester - Convenience Retail - 4,000 sq m

Report Date: 08 March 2013

APPRAISAL SUMMARY — PETER BRETT ASSOCIATES

Chichester - Convenience Retail - 4,000 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Convenience Retail	1	4,000.00	£183.00	£732,000	732,000	732,000
Investment Valuation						
Convenience Retail						
Market Rent	732,000	YP @	6.5000%	15.3846		
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.5000%	0.9690	10,912,466	
GROSS DEVELOPMENT VALUE				10,912,466		
Purchaser's Costs		5.75%	(627,467)			
NET DEVELOPMENT VALUE				10,285,000		
NET REALISATION				**10,285,000**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price (0.80 Ha £3,520,863.69 pHect)			2,816,691			
Stamp Duty		4.00%	112,668			
Agent Fee		1.00%	28,167			
Legal Fee		0.50%	14,083			
				2,971,609		
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Convenience Retail	4,000.00	£1,005.00	4,020,000	**4,020,000**		
Contingency		5.00%	201,000			
				201,000		
Other Construction						
Other Construction		10.00%	402,000			
section 106			10,000			
				412,000		
PROFESSIONAL FEES						
Professional Fees		8.00%	353,760			
				353,760		

Chichester - Convenience Retail - 4,000 sq m

MARKETING & LETTING			
Letting Agent Fee	10.00%	73,200	
Letting Legal Fee	5.00%	36,600	
			109,800
DISPOSAL FEES			
Sales Agent Fee	1.00%	102,850	
Sales Legal Fee	0.50%	51,425	
			154,275
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		195,276	
Construction		153,112	
Total Finance Cost			348,389
TOTAL COSTS			**8,570,833**
PROFIT			
			1,714,167
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	15.71%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	8.54%		
Equivalent Yield% (Nominal)	6.50%		
Equivalent Yield% (True)	6.77%		
IRR	38.24%		
Rent Cover	2 yrs 4 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Convenience Retail - 465 sq m

Report Date: 22 March 2013

Chichester - Convenience Retail - 465 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Convenience Retail	1	465.00	£183.00	£85,095	85,095	85,095
Investment Valuation						
Convenience Retail						
Market Rent	85,095	YP @	6.5000%	15.3846		
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.5000%	0.9690	1,268,574	
GROSS DEVELOPMENT VALUE				1,268,574		
Purchaser's Costs		5.75%	(72,943)			
NET DEVELOPMENT VALUE				1,195,631		
NET REALISATION				**1,195,631**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price (0.10 Ha £3,239,223.82 pHect)			323,922			
Stamp Duty		4.00%	12,957			
Agent Fee		1.00%	3,239			
Legal Fee		0.50%	1,620			
				341,738		
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Convenience Retail	465.00	£1,005.00	467,325	**467,325**		
Contingency		5.00%	23,366			
				23,366		
Other Construction						
Other Construction		10.00%	46,733			
section 106			5,000			
				51,733		
PROFESSIONAL FEES						
Professional Fees		8.00%	41,125			
				41,125		

Chichester - Convenience Retail - 465 sq m

MARKETING & LETTING			
Letting Agent Fee	10.00%	8,510	
Letting Legal Fee	5.00%	4,255	
			12,764
DISPOSAL FEES			
Sales Agent Fee	1.00%	11,956	
Sales Legal Fee	0.50%	5,978	
			17,934
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		22,457	
Construction		17,917	
Total Finance Cost			40,374
TOTAL COSTS			**996,359**
PROFIT			
			199,272

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.54%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR	38.34%
Rent Cover	2 yrs 4 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Peter Brett Associates

Development Appraisal

Chichester - Industrial - 3,500 sq m

Report Date: 07 March 2013

Chichester - Industrial - 3,500 sq m

Summary Appraisal for Phase 1

REVENUE

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

Investment Valuation					
Industrial					
Market Rent	245,000	YP @	8.0000%	12.5000	
(0yrs 8mths Unexpired Rent Free)		PV 0yrs 8mths @	8.0000%	0.9500	2,909,334
GROSS DEVELOPMENT VALUE				2,909,334	
Purchaser's Costs		5.75%	(167,287)		
NET DEVELOPMENT VALUE				2,742,047	
NET REALISATION				**2,742,047**	

OUTLAY

ACQUISITION COSTS				
Residualised Price			201,982	
Stamp Duty		4.00%	8,079	
Agent Fee		1.00%	2,020	
Legal Fee		0.50%	1,010	
				213,091

CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Industrial	3,500.00	£429.00	1,501,500	**1,501,500**
Contingency		5.00%	75,075	
				75,075
Other Construction				
Other Construction		5.00%	75,075	
				75,075

PROFESSIONAL FEES			
Architect		8.00%	126,126
			126,126

MARKETING & LETTING

Chichester - Industrial - 3,500 sq m

Marketing		15,000	
Letting Agent Fee	10.00%	24,500	
Letting Legal Fee	5.00%	12,250	
			51,750
DISPOSAL FEES			
Sales Agent Fee	1.00%	27,420	
Sales Legal Fee		5,000	
			32,420
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		10,097	
Construction		39,446	
Letting Void		147,608	
Other		12,851	
Total Finance Cost			210,002
TOTAL COSTS			**2,285,039**
PROFIT			
			457,008

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	10.72%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%
IRR	20.79%
Rent Cover	1 yr 10 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Peter Brett Associates

Development Appraisal

Student Accommodation - 60 beds

Report Date: 22 October 2013

APPRAISAL SUMMARY — PETER BRETT ASSOCIATES

Student Accommodation - 60 beds

Summary Appraisal for Phase 1

REVENUE

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

Investment Valuation					
Current Rent	212,940	YP @	6.5000%	15.3846	3,276,000
GROSS DEVELOPMENT VALUE				3,276,000	
Purchaser's Costs		5.75%	(188,370)		
NET DEVELOPMENT VALUE				3,087,630	
NET REALISATION				**3,087,630**	

OUTLAY

ACQUISITION COSTS				
Residualised Price (0.20 Ha £3,445,802.93 pHect)			689,161	
Agent Fee		1.00%	6,892	
Legal Fee		0.75%	5,169	
				701,221
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
	1,028.40	£1,367.00	1,405,823	**1,405,823**
Contingency		5.00%	70,291	
				70,291
Other Construction				
Externals		10.00%	140,582	
				140,582

Student Accommodation - 60 beds

PROFESSIONAL FEES			
Professional Fees	10.00%	154,641	
			154,641
FINANCE			
Debit Rate 7.000% Credit Rate 7.000% (Nominal)			
Land		46,080	
Construction		54,387	
Total Finance Cost			100,467
TOTAL COSTS			**2,573,024**
PROFIT			
			514,606

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.28%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR	39.43%
Rent Cover	2 yrs 5 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Peter Brett Associates

Development Appraisal

Chichester - Offices - 929 sq m

Report Date: 07 March 2013

APPRAISAL SUMMARY — PETER BRETT ASSOCIATES

Chichester - Offices - 929 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Office space	1	789.65	£151.00	£119,237	119,237	119,237
Investment Valuation						
Office space						
Market Rent	119,237	YP @	7.5000%	13.3333		
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	7.5000%	0.9645	1,533,367	
GROSS DEVELOPMENT VALUE				1,533,367		
Purchaser's Costs		5.75%	(88,169)			
NET DEVELOPMENT VALUE				1,445,198		
NEGATIVE LAND ALLOWANCE						
Residualised Price			417,994			
				417,994		
NET REALISATION				**1,863,193**		
OUTLAY						
ACQUISITION COSTS						
Negative Land Allowance			(417,994)			
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Office space	929.00	£1,280.00	1,189,120	**1,189,120**		
Contingency		5.00%	59,456			
				59,456		
Other Construction						
Other Construction		5.00%	59,456			
				59,456		
PROFESSIONAL FEES						
Professional Fees		8.00%	99,886			
				99,886		

Chichester - Offices - 929 sq m

MARKETING & LETTING			
Marketing		10,000	
Letting Agent Fee	10.00%	11,924	
Letting Legal Fee	5.00%	5,962	
			27,886
DISPOSAL FEES			
Sales Agent Fee	1.00%	14,452	
Sales Legal Fee	0.50%	7,226	
			21,678
Additional Costs			
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		(21,409)	
Construction		43,228	
Letting Void		73,360	
Total Finance Cost			95,179
TOTAL COSTS			**1,552,661**
PROFIT			
			310,532
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	20.25%		
Profit on NDV%	21.49%		
Development Yield% (on Rent)	7.68%		
Equivalent Yield% (Nominal)	7.50%		
Equivalent Yield% (True)	7.87%		
IRR	29.92%		
Rent Cover	2 yrs 7 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Peter Brett Associates

Development Appraisal

Chichester - Comparison Retail - 929 sq m

Report Date: 22 March 2013

Chichester - Comparison Retail - 929 sq m

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	929.00	£215.00	£199,735	199,735	199,735

Investment Valuation					
Retail					
Market Rent	199,735	YP @	8.0000%	12.5000	
(1yr Rent Free)		PV 1yr @	8.0000%	0.9259	2,311,748
GROSS DEVELOPMENT VALUE				2,311,748	
Purchaser's Costs		5.75%	(132,925)		
NET DEVELOPMENT VALUE				2,178,822	

NET REALISATION **2,178,822**

OUTLAY

ACQUISITION COSTS				
Residualised Price (0.40 Ha £2,252,133.69 pHect)			900,853	
Agent Fee		1.00%	9,009	
Legal Fee		0.50%	4,504	
				914,366

CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Retail	929.00	£528.00	490,512	**490,512**
Contingency		5.00%	24,526	
				24,526

Other Construction			
Other Construction	10.00%	49,051	
Section 106		10,000	
			59,051

PROFESSIONAL FEES			
Professional Fees	8.00%	43,165	
			43,165

MARKETING & LETTING

Chichester - Comparison Retail - 929 sq m

Marketing		25,000	
Letting Agent Fee	10.00%	19,974	
Letting Legal Fee	5.00%	9,987	
			54,960
DISPOSAL FEES			
Sales Agent Fee	1.00%	21,788	
Sales Legal Fee	0.50%	10,894	
			32,682
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		60,087	
Construction		18,952	
Letting Void		117,383	
Total Finance Cost			196,422
TOTAL COSTS			**1,815,685**
PROFIT			
			363,138

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	11.00%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%
IRR	18.61%
Rent Cover	1 yr 10 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Peter Brett Associates

Development Appraisal

Chichester - Comparison Retail - 465 sqm

Report Date: 22 March 2013

APPRAISAL SUMMARY — PETER BRETT ASSOCIATES

Chichester - Comparison Retail - 465 sqm

Summary Appraisal for Phase 1

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	371.98	£193.75	£72,072	72,072	72,072
Investment Valuation						
Retail						
Market Rent	72,072	YP @	7.5000%	13.3333		
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	7.5000%	0.9645	926,831	
GROSS DEVELOPMENT VALUE				926,831		
Purchaser's Costs		5.75%	(53,293)			
NET DEVELOPMENT VALUE				873,538		
NET REALISATION				**873,538**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price (0.08 Ha £2,679,656.01 pHect)			214,372			
Agent Fee		1.00%	2,144			
Legal Fee		0.50%	1,072			
				217,588		
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Retail	464.98	£696.00	323,626	**323,626**		
Contingency		5.00%	16,181			
				16,181		
Other Construction						
Other Construction		5.00%	16,181			
Section 106			5,000			
				21,181		
PROFESSIONAL FEES						
Professional Fees		8.00%	27,185			
				27,185		
MARKETING & LETTING						

Chichester - Comparison Retail - 465 sqm

Marketing		25,000	
Letting Agent Fee	10.00%	7,207	
Letting Legal Fee	5.00%	3,604	
			35,811
DISPOSAL FEES			
Sales Agent Fee	1.00%	8,735	
Sales Legal Fee	0.50%	4,368	
			13,103
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		14,299	
Construction		11,918	
Letting Void		47,056	
Total Finance Cost			73,273
TOTAL COSTS			**727,948**
PROFIT			
			145,590

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	9.90%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%
IRR	19.50%
Rent Cover	2 yrs
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

APPENDIX 2

Offsite affordable housing

1 INTRODUCTION

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

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

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

2 POLICY CONTEXT

Introduction

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

The changing national policy context

National Planning Policy Framework

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

The effects of policy changes on viability

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

- Before policy changes, social rents were fixed by central Government. When affordable housing was provided through S106 agreements, the developer would transfer the ownership of units to a Registered Provider at a discount to the market value of the unit. Typically, this discount would reflect the availability of grant and capitalised rental values.
- Historically, much of the affordable housing programme benefited from grant assistance from the Housing Corporation and subsequently the Homes and Communities Agency.
- From April 2010, S106 schemes are no longer eligible for grant. To compensate in part for the removal of grant, the newly introduced Affordable Rent model does not use rents that are set centrally by Government. Instead, the Affordable Rent model sets rents at a percentage of local market rents. These rents are higher than those prevailing under the social rent policy. Because rents are higher, the units produced as part of new housing schemes are more valuable. When units are transferred from the developer to the Registered Provider, transfer rates are raised, compared to a no-grant scenario.
- However in the absence of grant funding the financial burden of affordable housing subsidy on S106 schemes now falls almost entirely on the private sector (landowners and developers). Despite the benefits offered by the Affordable Rent product, the wider financial burden on the Registered Provider and the private sector has resulted in a general fall in financial transfer rates from the private to the public sector for such products and introduced significantly increased risks for RPs.

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

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

The effects of HCA design standards

2.5 The Homes and Communities Agency sets minimum design standards for schemes to qualify for grant funding and for approval as Affordable Rent units. These standards include a minimum gross internal floor area requirement depending on the number of persons (measured by reference to Housing Quality Indicators) and Code for Sustainable Homes standards.

2.6 The Council will need to consider whether it wishes to include a planning policy specifying that all S106 rented dwellings must comply with the HCA minimum standards thereby enabling the Registered Provider to charge affordable rents (despite there being no grant going into the dwellings). The Council may need to be mindful of the need to require HCA standards (particularly on any future large scale development) if a Registered Provider is to be able to offer affordable rented dwellings.

The changing local policy context

Historic offsite affordable housing policy

2.7 Offsite affordable housing is permissible under the existing Local Plan (this document is in the process of being replaced)[1]. In the 2004 document, offsite affordable housing is to be provided either as an alternative site provided by the developer or in the form of a commuted sum. In the 2004 document, the method of calculation is set out in Appendix 7 together with the District Valuer's guidance notes. Five different housing value bands were to be used in calculating the right amount of affordable housing.

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

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

A possible alternative mechanism

Criteria for contributions for off-site provision

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

A suggested streamlined approach

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

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

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

2.13 Our objectives are to:

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

3 VIABILITY ANALYSIS METHOD

Method

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

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

Residential scenarios tested

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

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

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

Affordable housing proportion assumed

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

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

3.7 Market conditions constantly change. This report has been based on costs and values during the third quarter of 2012.

Size and quality of affordable housing provision

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

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

CIL rate assumed

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

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

Calculating the cost of off-site affordable housing provision

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

3.13 The details are as follows:

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

4 VIABILITY ANALYSIS FINDINGS

Presentation of findings

4.1 Table 4.1 summarises the residential development appraisals. Individual detailed appraisals are at Appendix 4 below.

4.2 Our objective in these summary tables is to investigate each notional development scenario. We are seeking to ensure that the cumulative policy costs of CIL, S106 and an offsite affordable housing contribution at a given rate retain development viability.

4.3 Given the uncertainties surrounding viability appraisal, it is of course an approximate number, surrounded by a wide margin of uncertainty. We take account of this uncertainty in our recommendations.

4.4 Reading the tables from left to right, successive columns are as follows:

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

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

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

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

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

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

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

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

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

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

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

Interpreting the summary table

4.5 Our calculations shown in Table 4.1 below show the cost of off-site provision of affordable housing at 30%, assuming CIL at £120 sq m in the area south of the national park and £200 sq m in the area north of the national park. We have also allowed for S106 payments for small-scale local infrastructure.

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

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

Table 4.1 Chichester financial summary volume housebuilding scenarios (assuming off-site contributions equivalent to 30% affordable housing and CIL at £120 sq m in the area south of the national park and £200 sq m in area north of the national park.)

	No of dwellings	Net site area ha	Density	Floor Space per sq.m		Residual land value policy off		Benchmark		Cost of S.106		Cost of affordable		Cost of CIL		Policy Overage	
				GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm CIL Chargeable
South of NP																	
Houses –	4	0.11	35	360	252	£3,945,429	£1,253	£2,470,000	£784	£35,000	£11	£1,330,560	£422	£264,600	£120	£348,463	£158
Houses –	5	0.14	35	450	315	£3,882,181	£1,232	£2,470,000	£784	£35,000	£11	£1,330,560	£422	£264,600	£120	£285,214	£129
Houses –	9	0.26	35	810	567	£3,828,325	£1,215	£2,470,000	£784	£35,000	£11	£1,330,560	£422	£264,600	£120	£231,358	£105
Houses –	10	0.29	35	900	630	£3,817,674	£1,212	£2,470,000	£784	£35,000	£11	£1,330,560	£422	£264,600	£120	£220,708	£100
Houses –	50	1.43	35	4,500	3,150	£3,817,674	£1,212	£2,470,000	£784	£35,000	£11	£1,330,560	£422	£264,600	£120	£220,708	£100
Houses –	100	2.86	35	9,000	6,300	£3,817,795	£1,212	£2,470,000	£784	£35,000	£11	£1,330,560	£422	£264,600	£120	£220,829	£100
Flats -	4	0.04	100	304	213	£7,212,008	£949	£2,750,000	£362	£100,000	£13	£2,984,520	£393	£638,400	£120	£1,867,779	£351
Flats -	6	0.06	100	456	319	£7,151,640	£941	£2,750,000	£362	£100,000	£13	£2,984,520	£393	£638,400	£120	£1,807,411	£340
Flats -	12	0.12	100	912	638	£7,176,489	£944	£2,750,000	£362	£100,000	£13	£2,984,520	£393	£638,400	£120	£1,832,260	£344
Flats -	24	0.24	100	1,824	1,277	£7,116,305	£936	£2,750,000	£362	£100,000	£13	£2,984,520	£393	£638,400	£120	£1,772,077	£333
National Park and High Value																	
Houses –	4	0.11	35	360	252	£5,681,912	£1,804	£3,500,000	£1,111	£35,000	£11	£1,663,200	£528	£441,000	£200	£671,704	£305
Houses –	5	0.14	35	450	315	£5,650,145	£1,794	£3,500,000	£1,111	£35,000	£11	£1,663,200	£528	£441,000	£200	£639,937	£290
Houses –	9	0.26	35	810	567	£5,571,763	£1,769	£3,500,000	£1,111	£35,000	£11	£1,663,200	£528	£441,000	£200	£561,555	£255
Houses –	10	0.29	35	900	630	£5,556,262	£1,764	£3,500,000	£1,111	£35,000	£11	£1,663,200	£528	£441,000	£200	£546,054	£248
Houses –	50	1.43	35	4,500	3,150	£5,556,262	£1,764	£3,500,000	£1,111	£35,000	£11	£1,663,200	£528	£441,000	£200	£546,054	£248
Houses –	100	2.86	35	9,000	6,300	£5,556,438	£1,764	£3,500,000	£1,111	£35,000	£11	£1,663,200	£528	£441,000	£200	£546,230	£248
Flats -	4	0.04	100	304	213	£11,818,009	£1,555	£4,000,000	£526	£100,000	£13	£3,837,240	£505	£1,064,000	£200	£4,267,943	£802
Flats -	6	0.06	100	456	319	£11,596,052	£1,526	£4,000,000	£526	£100,000	£13	£3,837,240	£505	£1,064,000	£200	£4,045,986	£761
Flats -	12	0.12	100	912	638	£11,759,805	£1,547	£4,000,000	£526	£100,000	£13	£3,837,240	£505	£1,064,000	£200	£4,209,740	£791
Flats -	24	0.24	100	1,824	1,277	£11,661,185	£1,534	£4,000,000	£526	£100,000	£13	£3,837,240	£505	£1,064,000	£200	£4,111,120	£773

Source: PBA

5 RECOMMENDING A COMMUTED SUM CHARGE

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

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

5.3 Our calculations suggest that a charge at the recommended rate will

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

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

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

6 RECOMMENDING A COMMUTED SUM UPDATE MECHANISM

NPPF

6.1 The NPPF states that 'any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review'.[2]

6.2 The current policy states that it will be plot values will be revised on an annual basis. The full set of values should be fully re-examined and re-valued at least every five years.[3]

Need for flexibility in policy in affordable housing policy

6.3 Given uncertainty in the economy, any Local Plan policies based on the findings of this study will need to be able to reflect fluctuations in the housing market. This is intended to:

- allow developers to negotiate current delivery based on site specific circumstances at present whilst there is uncertainty.
- allow the local authority to adjust requirements to reflect changes (particularly improvements) in the market in the future.

6.4 The target percentage of affordable housing in the Local Plan will form part of the Local Plan proper, and therefore be difficult to change without a series of complex procedures. It should therefore be made subject to viability in order to cope with economic changes.

Need for flexibility in the off-site contributions policy

6.5 If house prices go up, these price shifts will (gradually) filter through to market rental prices, and thus to transfer rates for intermediate housing, and ultimately to social rents. Rental prices may change relatively independently of house prices.

6.6 These changes will alter the transfer rates of affordable housing, and thus their capital value to developers. That means that over time, the Council will want to regularly review (perhaps annually) the target offsite affordable housing figure, in order that the Council maintains the ability to fund off-site affordable housing at a rate equivalent to on-site provision. The £/sq m sum required of developers would change as a consequence.

Offsite developer contributions policy should be presented as an SPD

6.7 In order to facilitate this review process, the offsite affordable housing contribution mechanism should be presented as a Supplementary Planning Document (SPD). SPDs are much more straightforward to alter than Local Plan policies.

6.8 Consultation about the draft revised SPD is a legal requirement of the Local Planning Regulations 2012. The requirement to carry out a Sustainability Appraisal was removed by

[2] DCLG (2012) NPPF (para 177)

[3] Chichester DC (2004) *Service Infrastructure SPG Update December 2004 Appendix7* (A21)

the Planning Act 2008, but there remains a requirement to issue a screening opinion as to whether a Strategic Environmental Assessment (SEA) should be undertaken.

6.9 The SPD becomes a material consideration that the Council must take into account when making planning decisions. The SPD will guide the content of Planning Obligations (Section 106 Agreements) entered into by the Council.

7 NEXT STEPS

7.1 As set out in section 2, our objective here is to streamline the application of affordable housing charges, and iron out distortions in the land market that arise from the existing affordable housing policy cut-off point.

7.2 The Council should consider the idea carefully, taking both costs and benefits into account.

APPENDIX 3

Rural exception

1 INTRODUCTION

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

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

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

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

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

- Land values. In the era of grant funding being available, land values were typically set at between £10,000 to £12,000 per plot. This reflects that these sites can only come forward for affordable housing. Although the value per plot is significantly below market value for a site with residential consent (representing the impact affordable housing has on capital value), it is higher than agricultural values. For the purposes of our testing we have used a price of £12,000 per plot which equates to £420,000 per hectare on a housing site at 35 dwph and £6,000 per plot on a flatted scheme at 100 dwph which equates to £600,000 per hectare.
- Build costs have been adjusted to reflect the units being a 'one off' type dwelling rather than volume house builder type product. To reflect this, we have used BCIS costs for 'One-off' housing semi-detached (3 units or less) at £1,062 sq m. This represents a 26%, or £20,000 per unit, uplift on our previous build costs. We have also applied the same percentage uplift to the flats.

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

2 RESULTS OF RURAL EXCEPTION TESTING

2.1 The results of the viability testing shows that the grant funding requirement (subsidy) in the area South of the National Park is in the region of £33,000 per house and £50,000 per flat. In National Park and High Value area where affordable housing commands a greater value, the grant required is lower, circa £1,300 per house and £20,000 per flat.

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

	No of dwellings	Net site area ha	Density	Floor Space per sq.m		Residual land value		Benchmark		Grant funding requirement	
				GIA Floor space	CIL Chargeable Floor Space	Per Ha	Per £psm GIA	Per Ha	Per £psm GIA	Per Ha	Per unit
South of NP											
Houses –	4	0.114	35	360	0	-£751,064	-£238	£420,000	£133	-£1,171,064	-£33,458.97
Houses –	5	0.143	35	450	0	-£747,057	-£237	£420,000	£133	-£1,167,057	-£33,344.49
Houses –	9	0.257	35	810	0	-£738,645	-£234	£420,000	£133	-£1,158,645	-£33,104.15
Houses –	10	0.286	35	900	0	-£736,871	-£234	£420,000	£133	-£1,156,871	-£33,053.46
Flats -	4	0.040	100	304	0	-£4,332,447	-£570	£600,000	£79	-£4,932,447	-£49,324.47
Flats -	6	0.060	100	456	0	-£4,306,260	-£567	£600,000	£79	-£4,906,260	-£49,062.60
Flats -	12	0.120	100	912	0	-£4,348,792	-£572	£600,000	£79	-£4,948,792	-£49,487.92
National Park and High Value											
Houses –	4	0.114	35	360	0	£382,723	£121	£420,000	£133	-£37,277	-£1,065.05
Houses –	5	0.143	35	450	0	£380,392	£121	£420,000	£133	-£39,608	-£1,131.65
Houses –	9	0.257	35	810	0	£374,641	£119	£420,000	£133	-£45,359	-£1,295.97
Houses –	10	0.286	35	900	0	£373,504	£119	£420,000	£133	-£46,496	-£1,328.47
Flats -	4	0.040	100	304	0	-£1,412,982	-£186	£600,000	£79	-£2,012,982	-£20,129.82
Flats -	6	0.060	100	456	0	-£1,401,978	-£184	£600,000	£79	-£2,001,978	-£20,019.78
Flats -	12	0.120	100	912	0	-£1,420,388	-£187	£600,000	£79	-£2,020,388	-£20,203.88

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

APPENDIX 4

Consultees

List of Contributors

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

Landowners / Developers

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

Agents

12. Flude Commercial
13. Henry Adams
14. Savills

Registered Providers

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