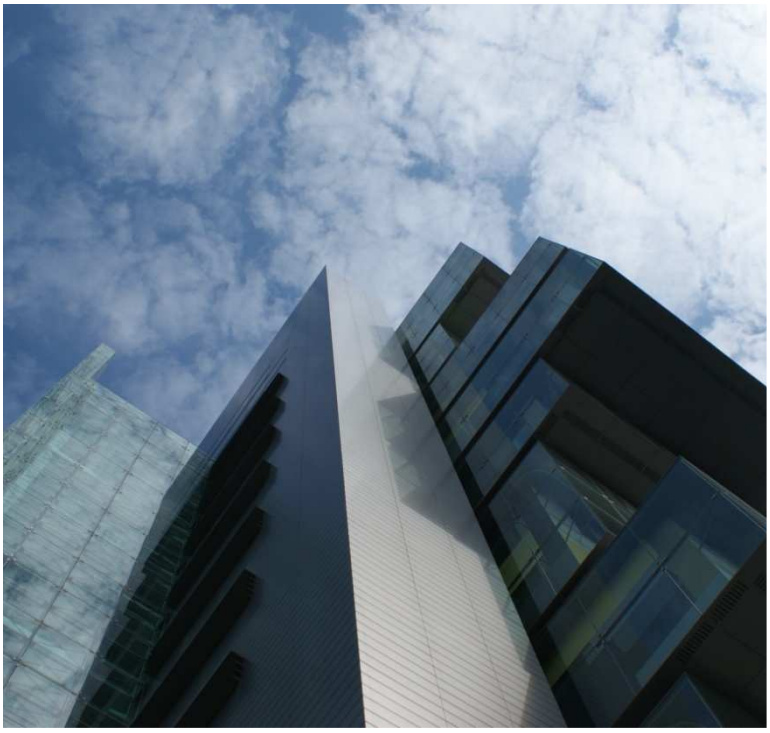
Mid Devon District Council

CIL Viability Supplementary Evidence



Final Report | May 2012

This report provides guidance for policy development and is not an independent scheme valuation for sites. It has been prepared using the data from quoted published data sources and from workshops and discussions with the development industry. The report provides a review of the development economics for different notional schemes rather than specific sites, and the results depend on the data inputs provided. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

This report has been produced by Peter Brett Associates (PBA). PBA now includes the former Roger Tym & Partners and Baker Associates, and earlier viability assessments for Mid Devon District Council were undertaken under these brands.

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APPENDICES

1 INTRODUCTION

1.1 This supplementary note has been prepared in response to queries raised as part of the consultation process for Mid Devon District Council's Community Infrastructure Levy (CIL) Charging Schedule. This work was undertaken during February and April-May 2012.

1.2 During this time Mid Devon District Council requested that various affordable housing and residential CIL scenarios were tested and discussed. This report covers the final iteration of this process, which tests CIL at £90 and 22.5% affordable housing.

1.3 Also during this time further evidence on retail viability was prepared and considered by the Council. The outcome for this part of the process was that it was decided not to pursue a CIL for retail (or any other non-residential use).

2 VIABILITY OF RESIDENTIAL DEVELOPMENT AND CIL

Introduction

2.1 The importance of testing viability and hence delivery of development cannot be underestimated. To ensure robust and sound development plan documents, local authorities must ensure that spatial strategies are deliverable.

2.2 The main driver of development viability is the change in residual land value created by a planning permission allowing a change of land use. If the residual land value created by the proposed development is not substantially in excess of the existing use value, then the development will not be considered viable by the market.

2.3 The basis of this viability testing is through a series of generic site appraisals, using the residual valuation (RV) approach. This needs to take account of a wide variety of inter-related factors which are briefly explored below.

2.4 The key question is whether a suggested level of CIL, combined with other planning obligations, including affordable housing, will be a viable proposition for developers and landowners, or whether the imposition of these costs will inhibit development.

Issues

2.5 A number of questions have been raised by the Inspector relating to details of viability in relation to both CIL and other elements of planning obligations, and whether the combined impacts on viability have been addressed by the Council, and in the Viability Update produced by Fordham Research in May 2011. As far as residential development is concerned, these issues include:

- Is the viability of strategic sites threatened by CIL?
- What will the impact of CIL be on affordable housing provision?
- Did the viability study assume all payments up front or phased through an interim payment policy?
- Does the viability study take into account the implications for viability of all policies in the development plan? Relevant policies could include those on carbon mitigation, renewable energy, code for sustainable homes or dwelling mix for example.
- What level of contingency is included in construction costs and is it realistic?

2.6 Other issues about viability testing have been raised developers, which include:

- Concern that the measurement of viability by a ‘cushion’ or ‘uplift’ measured against the existing use value of a site is not realistic
- Abnormal costs have not been properly allowed for
- The testing is contradictory in terms of high and low value markets
- Examples tested do not reflect real sites
- No account is taken of viability issues in large urban extensions, e.g., Tiverton, Cullompton
- The concept of ‘additional profit’ is flawed

- ‘Hope value’ is ignored

What is economic viability?

2.7 Viability, or a lack of viability, is a concept frequently referred to by developers and landowners in negotiating contributions towards the provision of community facilities. The argument put forward is that the overall burden of community gain items can reduce the actual value to the owner below that of its existing or alternative value, or to such a level as to render it ‘unviable’, or simply not profitable enough to make a sale worthwhile to the owner, taking account of taxation liability and relocation costs.

2.8 Viability has a central role in policy evolution and negotiations but there is little government guidance as to how viability negotiations are to be conducted or how local authorities are to make decisions based upon the outcome of a viability appraisal. PPS3 contains general references to delivery of planning gain ‘where viable and practical’ but provides no guidance as to the assessment of viability.

2.9 The government’s established aim through planning is to ensure that enough land is identified and brought forward for development, but it recognises that in order to do so, residual land values must be high enough to encourage landowners to sell land. It therefore requires local authorities not to impose a burden of planning gain and affordable housing that is so great as to depress the land value below that which is sufficient to bring land forward.

RICS draft Guidance on Financial Viability in Planning

2.10 The RICS has published (may 2012) an exposure draft practice note on Financial Viability in Planning, with the HCA involvement via membership of the project steering group. The draft Guidance is out for public consultation during July 2011. The rationale of the suggested development appraisal process is to assess the residual land value that is likely to be generated by the proposed development and to compare it with a benchmark that represents the value required for the land to come forward for development. The HCA refer to this benchmark as threshold land value, which is the only logical and consistent means of measuring viability.

2.11 The RICS has been aware for some time of the difficulties arising from the recession with developments whose S106 agreements are no longer supportable. Likewise there is recognition of the potential for similar difficulties arising with the upcoming CIL.

2.12 The purpose is to develop an agreed approach to conducting viability appraisals and evaluating the capacity of developments to finance CIL and other planning obligations. The planning system increasingly requires the incorporation of tests for viability across a range of areas of spatial planning proposals. However, the private sector will continue to be relied upon to deliver the majority of residential and mixed use developments together with a substantial amount of necessary infrastructure.

2.13 There is no doubt that development for which there is no plausible business case, will not take place. A shared understanding of development viability between the public and private sectors is therefore crucial to emerging from the current downturn in development, and with

the emphasis now on delivery of development, it is also an expertise for which there is increasing need.

2.14 When published formally, the proposed RICS guidance will be formal professional guidance for Chartered Surveyors who will need to comply with these requirements. Its application is however much wider, and its success will be determined by the extent to which the Guidance is adopted within the planning and development field.

2.15 The Guidance works to satisfy the following requirements:

- Clearly define viability
- Enable an objective evaluation of viability to be made
- Set down the basic parameters within which issues of viability are to be considered
- Establish the principles upon which these will be evaluated
- Take account of all stages in the economic cycle
- Be applicable to all scales of site

2.16 The expectation is that the guidance will become a valuable resource for local authority planners in preparing development policy, and in negotiations on planning applications. The recommended viability appraisal is defined as:

"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring where relevant an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project"

2.17 The HCA Good Practice Guidance *"Investment and Planning Obligations - Responding to the Downturn (July 2009)*" provides further thoughts on the approach to viability. It suggests the residual land value method of determining viability assumes that a viable development will support a residual land value at a level **sufficiently above** the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner".

Our approach

2.18 The critical question is what is a 'viable' land value? What should be reasonably expected by landowners as a residual value, once all costs have been deducted? The approach we have taken to this concept is that it is rational to assume that if a valuation is arrived at which is **in reasonable excess** of the current or alternative site value including its current or potential income, taking account of all sale and related costs, the landowner will be pursued by developers, and the site will be delivered through the operation of the market.

2.19 What is a 'reasonable excess' in practice? It must be a level sufficiently acceptable, given all the planning circumstances, to persuade the landowner to dispose to a developer. This must work both ways in a sale; for example, some landowners may be willing to sell at a given price, but cannot attract a purchaser, in which case the price is too high.

2.20 **The definition of 'viability' for the purposes of this assessment is the attainment of a site value sufficiently in excess of the current site value that all stakeholders,**

including the purchaser and landowner, all acting reasonably and rationally, would accept, thus securing delivery of the proposed development.

2.21 Clearly, not all landowners will adhere to the same concept of reasonableness and rationality in defining viability. Studies of economic viability have taken two broad approaches. One relates to the acceptability of development land prices to existing / alternative non-residential use values ('the economic approach'). The other relates acceptability to expectations based on residential land prices currently being achieved ('the psychological approach').

2.22 We use three benchmarks to assess viability. The first is the simple comparison of relative land values, comparing the value achieved on the assumption of a planning consent with the existing use value, (the 'economic' approach). If a value with consent is sufficiently in excess of the current site value, taking account of current and potential incomes, then the site can be considered to be viable in principle. The key difference in values is measured by an **uplift factor**.

2.23 As an example, a typical small infill site of 0.5 acres suitable for about 8 dwellings, currently comprising of unused incidental open space, with a nominal open market value (OMV) of £10,000 without planning permission, might be worth say £250,000 with a residential consent, having allowed for all development costs and contributions.

2.24 The significant increase in value of £240,000 represents an uplift factor of 24, and would plainly demonstrate viability. The excess will vary in different circumstances, reflecting current use and taxation levels.

2.25 At the other end of the scale, the owner of a brownfield site, with an existing use value of £400,000 that could be worth £440,000 with a residential permission, would consider that the increase of £40,000 (or uplift factor of 1.1), insufficient to persuade the owner to sell, particularly given taxation on capital gains, in addition to sale and possible relocation costs. For most sites, an uplift factor of more than 1.4, will be required to enable viability, depending on site characteristics and circumstances. An uplift of 1.4 would normally be considered to be marginally viable, so a minimum uplift of 1.5 is required to establish viability, although as stated previously, not all landowners will adhere to the same concept of reasonableness and rationality in defining and accepting viability

2.26 A second benchmark test is against 'hope value'. Greenfield urban extensions are often subject to option agreements, where the value is calculated at the time planning permission is granted, and where there is frequently a minimum value provision in the agreement. Currently, the typical minimum land value is about £100,000 per gross acre, (£200k/net acre), and sites that achieve less than this are deemed not to be viable. This market information is derived from option agreements negotiated in Devon over the last 5 years, including in 2011. In times of market instability there may be occasions where viability is overturned because the minimum value is not reached because of falling revenues and fixed levels of contributions.

2.27 The third test is whether the residual land value exceeds the option agreement values (£100,000 gross/£200,000 net developable acre, see discussion below). Developments will need to reach a residual value of at least this amount to be considered viable.

2.28 Each of the generic site typologies is tested against these benchmarks, where appropriate, and the viability conclusion is based on a combination of all the tests.

Residential Viability Assessments

2.29 On the basis of the approach set out generally above viability assessments for residential development has been undertaken. The approach is set out below and detailed viability assessments are included in Appendix 1.

Residential land values

2.30 Land values in the Mid Devon area are recovering from the bottom of the market in 2009, and the current range reported by local developers is in the range from about £700k to £900k per net developable acre, depending on the precise location and suitability to a particular market. The highest land values are found in Bampton at about £900k, whilst Tiverton and Cullompton reach about £800 - £850k, with Crediton slightly below these two locations.

2.31 Whilst short-term demand has fallen, medium and long-term demand is still considered by the market to be strong. This is underpinned by government policy to deliver a much increased level of housing to meet a national shortage, arising from a continuing high level of new household formation. In the medium term, the housing land market in Mid Devon will continue to be reasonably strong for most house types in all locations, whilst housebuilders and private vendors will adjust prices to align with demand.

2.32 It is considered that, due to the reasonably strong land values in the area, it is unlikely that many sites will become unviable because of abnormal development costs or competing land uses.

2.33 Most abnormal development costs should be able to be absorbed without falling below the value for alternative uses, such as general employment and warehousing land. Housing land is worth at least £500,000 more per developable acre than employment land, which the Fordham Research viability appraisal quantified at about £165k to £200k/acre. This enables most community gain packages and abnormal development costs to be allowed for and still produce a higher land value.

2.34 It must be borne in mind however, that the generic viability appraisals do not allow for the major strategic infrastructure costs for the large urban extensions at Tiverton and Cullompton, including the provision of schools, major access roads, and off site infrastructure provision. For the purposes of these appraisals we have assumed that these costs will be borne by external funding (which may include CIL). If these sites had to bear the costs of these strategic infrastructure costs, then the sites will be unviable irrespective of the level of CIL.

Assumptions

2.35 A number of assumptions need to be made as part of the viability appraisal process in order to illustrate site value and its ability to meet community gain, and remain viable. A site can be developed in a myriad of different ways, and the variables are so numerous that the valuation permutations are infinite. Each of the 5 generic site Viability Appraisals considers

the variables that affect the site value, to enable a site's market and physical characteristics, and costs, to be inputted into each appraisal to reach viability conclusions.

2.36 Each Viability Appraisal in Appendix 1 starts with a summary of the development assumptions. This includes the site area, the total number of dwellings, with details of mix and tenure, in order to arrive at floorspace assumptions. Sales values and build costs are also summarised. The dwelling mix for each generic site is derived from information contained in the SHMA on recommended dwelling mix for both affordable and open market housing, on a district-wide basis.

2.37 A merged mix of affordable and open market housing, based on 22.5% provision of affordable units, has been used. However, where there is good reason to reach a different conclusion about total dwelling yield, for instance, because of site characteristics, or market indications as part of the housing market research undertaken, this is made clear.

2.38 Each generic site appraisal is summarised in Appendix 1, and clearly sets out the development assumptions that underpin each viability appraisal. The principal variable factors are explored below.

Dwelling mix

2.39 This reflects location and site characteristics, and the housing market in the nominal location. Town centre sites are more likely to accommodate1 and 2 bed units, whilst greenfield urban extensions will have a wide range of family dwellings across the board to reflect the entire range of market demand.

2.40 Each one of the 5 generic site appraisals is based on sites that are emerging through the Allocations and Infrastructure Development Plan Document (AIDPD), and specify the location on which the site is based. The appraisals make reasoned assumptions about the type of dwellings and density that would be appropriate for the location and size of the site, and starts with a Summary, detailing the assumptions made about the total number of dwellings, the mix of types, and the resultant floor areas. The following dwelling mix and resultant floor areas have been used for the 5 generic examples:

Table 2.1 Site Dwelling Mix

1. Cullompton	site area 32 ha = 79 ac	coverage sq.ft/acre	density 34.4 dph 13.9/acre		total dws	mix %	dw mix	**floorspace sq.ft**	total floorspace
1	79	13270	13.9		1100	10	110	550	60500
2						30	330	660	217800
3						40	440	1000	440000
4						20	220	1500	330000
						100	1100		1048300
2. Tiverton	site area 53 ha =131 ac	coverage sq.ft/acre	density 34.4 dph 13.9/acre		total dws	mix %	dw mix	**floorspace sq.ft**	total floorspace
1	131	13095	13.7		1800	10	180	550	99000
2					1800	30	540	660	356400
3					1800	40	720	1000	720000
4					1800	20	360	1500	540000
					1800	100	1800		1715400

3. Crediton	site area 1 ha = 2.47 ac	coverage sq.ft/acre	density 40 dph 16/acre		total dws	mix %	dw mix	**floorspace sq.ft**	total floorspace
1	2.47	13344	16.0		40	20	8	550	4400
2					40	40	16	660	10560
3					40	30	12	1000	12000
4					40	10	4	1500	6000
					40	100	40		32960

4. Bampton	site area 0.3 ha = 0.74 ac	coverage sq.ft/acre	density 33.33 dph 13.5/acre		total dws	mix %	dw mix	**floorspace sq.ft**	total floorspace
1	0.74	12500	13.5		11	0	0	550	0
2					11	45	5	650	3250
3					11	55	6	1000	6000
4					11		0	1500	0
					11	100	11		9250

5. Village	site area 0.17 ha = 0.42 ac	coverage sq.ft/acre	density 25 dph 10 acre		total dws	mix %	dw mix	**floorspace sq.ft**	total floorspace
1	0.42	11905	12.0		5	0	0	550	0
2					5			650	0
3					5	100	5	1000	5000
4					5		0	1500	0
					5	100	5		5000

Coverage, or saleable floorspace

2.41 In order to establish housing land values, assumptions need to be made about the likely saleable floorspace of the dwellings, in order to generate an overall sales turnover. Until about 2008, the vast majority of housing schemes ranged from around 18,000 sq.ft/acre (sfa) for predominantly 2 - 2.5 storey development, and up to 20,000 - 24,000 sfa for 2.5 - 4 storey scheme.

2.42 Since the recession, with market resistance to 3+ storey townhouses and flats, developers are reducing coverage to an average ranging from 13-16,000 sfa. There is a diminishing return on the third storey in townhouses, since lower sale prices per sq.ft are achieved, and there comes a point where a higher land value can be generated on traditional 2-storey dwellings

2.43 Floorspace is also affected by the loss of land given over to other uses than residential. Housing needs to be serviced by roads for instance, and, for larger developments, land is required for public open space, strategic landscaping, community buildings, employment, and possibly schools.

2.44 The provision of such non-residential land uses have been taken into account in reaching net residential areas, and have been considered in the generic site viability appraisals. Evidently, the proportion of saleable floorspace per site has a major effect on sales turnover, and in turn, on land value, which is a consequence of the relationship between sales turnover and development costs, profit, and overhead. Total turnover is dramatically increased by greater coverage.

2.45 For each generic appraisal an assumption about the amount of floorspace has been made based on the dwelling mix, and informed by different dwelling sizes favoured by private developers, and Registered Providers of affordable housing. As a guide, a range of typical floorspaces, for different dwelling types, applicable to both flats and houses, is set out below:

Table 2.2 Typical Dwelling Floorspace

Dwelling type	Typical floorspace range sq.ft
1-bed 2 person	450 - 500
2-bed 3 person	650 - 700
2-bed 4 person	700 - 750
3-bed 5 person	800 - 850
3-bed 6 person	850 - 1000
4-bed 6 person	1100 - 1250
4-bed 8 person	1300 - 1900
5-bed 8+ persons	2000+

Sales value for open market housing

2.46 In order to arrive at a total sales turnover, assumptions need to be made about sales values. These have been sourced from an of the housing market based on research about current new developments in the district, with the assistance of developers' and generic websites such as the Right Move.

2.47 In terms of achievable sales prices, open market revenues vary from around £200/sq.ft in Crediton, £210/sq.ft in Cullompton, £215/sq.ft in Tiverton, and £235/sq.ft in Bampton.

2.48 The housing market analysis has considered all new developments currently on the market. This evidence has been used to establish a range of sales prices to be expected in each part of the District, that have been applied to each generic site appraisal, which consider different sales values for each site, based on the location and characteristics. Evidently, the higher the sales value, the greater the chance of achieving viability. The following new

development sites have been considered in order to arrive at supportable sales values, allowing for a reduction between asking and achievable price.

.Table 2.3 Sites and Prices

developer	location	housetype	floor area sq.ft	asking price OMV	achieved price D 5%except AH &St A	achievable £/sq.ft
Yarlington Homes	Kingfisher Reach, Cullompton	1-bed flat 50% Shared Ownership	500	100,000	100,000	200
Yarlington Homes	Kingfisher Reach, Cullompton	2-bed flat 50% Shared Ownership	650	120,000	120,000	185
Yarlington Homes	Kingfisher Reach, Cullompton	2-bed semi 50% Shared Ownership	680	150,000	150,000	221
Yarlington Homes	Kingfisher Reach, Cullompton	3-bed terrace 50% Shared Ownership	750	168,000	168,000	224
Persimmon	Merchants Walk, Court Farm Cullompton	2-bed house Asholt	650	158,000	150,100	231
		2-bed coach house Fremlington	670	160,000	152,000	227
		3-bed det	950	215,000	204,250	215
Barratt	Tiverton Road, Cullompton	2-bed flat	650	166,000	157,700	243
		4-bed 3-storey town house	1250	212,000	201,400	161
David Wilson	Knowle Lane, Tiverton Road Cullompton	3-bed end terrace	850	220,000	209,000	246
Devonshire Homes	Old School Close, Tiverton	2-bed flat	650	160,000	152,000	234
		3-bed 3-storey town house	950	240,000	228,000	240
		4-bed 3-storey townhouse	1200	245,000	232,750	194
		3-bed detached	1100	299,000	284,050	258
Devonshire Homes	Moorhayes Park Tiverton	2-bed flat	650	125,000	118,750	183
		2-bed coach house	650	150,000	142,500	219
		2-bed terrace	650	153,000	145,350	224
Millwood Homes	Archers Close, Cullompton	2-bed flat	650	125,000	118,750	183
		3-bed detached	900	195,000	185,250	206
Seddons	Townlands, Bradninch	3-bed det	900	195,000	185,250	206
Heritage Homes/Jackson Stops Staff	St Aubyn's Wood, Tiverton	3-bed 2-bath detached	1000	290,000	290,000	290
		3-bed 3-reception, 2-bath detached	1100	314,000	314,000	285
		4-bed 3-bath	1450	385,000	385,000	266
		4-bed 3-bath	1600	385,000	385,000	241
	Bampton 2nd hand market	3-bed det	900	220,000	209,000	232
		4-bed det	1250	315,000	299,250	239
Drew Pearce	Charlotte Street, Crediton	2-bed flat	640	110,000	110,000	172
Seddons	Creedy View, Crediton	2-bed end terrace	650	145,000	145,000	223
Helmores	Cockles Rise, Crediton	4-bed terraced	1150	220,000	220,000	191
RJ Salter	Buller Road, Crediton	4-bed semi	1200	230,000	230,000	192

Table 2.4 Average Achievable Prices

	Average Achievable £/Sq ft
Cullompton	215
Tiverton	220
Crediton	200
Bampton	236

Sales value for affordable housing

2.49 Registered Providers of Social Housing (RPs) - housing associations and other qualified providers - have access to funds from the Homes and Communities Agency in the form of subsidy from public funds, such as Social Housing Grant (SHG) to purchase land, and develop or purchase affordable housing, including units from developers through the operation of S.106 agreements. The most common delivery of affordable housing is that properties are built by the developer and transferred to the RP at a price below the full market value. The gap between the full cost and the price paid to a developer represents the level of private subsidy (e.g. developer or landowner subsidy).

2.50 In the current economic climate, it is increasingly important to ensure that the most effective use is made of public funds. The HCA guideline has recently changed, and now RPs should only pay the capitalised net rental stream on s106 sites. The generic viability appraisals use revenues that equate to this level of capitalised rental for all affordable housing tenures. We have estimated this to be about 40% of the open market sales values, representing a rate that RPs can purchase from developers without the use of grant subsidy. This reflects the proportion used by Fordham Research.

2.51 Each site viability appraisal assumes that affordable housing will be provided on site at 22.5% of the total dwellings in line with the guidance from the Council. Each site has been assessed as providing affordable housing through S.106 agreements.

2.52 There are an infinite number of possible ways to provide affordable accommodation, with or without grant. We have assumed, in line with the latest HCA Guidance, that no social housing grant will be available to support the transfer and acquisition of affordable housing through their delivery by S.106 agreements from the private housing developers to housing associations.

Build costs

2.53 The overall build costs, including on-site infrastructure, must be deducted from total turnover to give an interim land value. Volume and regional housebuilders usually build at an average of about £70 - £90/sq.ft all in, including normal infrastructure and externals, and the range reflects the ability of the volume housebuilders to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller developers are unable to attain these economies, so their construction costs will be higher; however, this can be compensated for by lower overheads, and this often enables smaller developers to acquire sites in competition.

2.54 Registered Providers of social housing tend to specify higher build costs than the volume housebuilders. This is because they normally employ the main site contractor for the construction of affordable dwellings, who charge RPs a build profit. In this way, the volume

builders build at cost, whereas the Housing Associations pay a profit element on top of build costs to the main contractor.

2.55 Typically, a Housing Association might have build costs of £85 - £110/sq.ft. In order to compensate for these higher build costs, an RP will not require the profit levels sought by the private developers, typically 16% - 20% of gross turnover, and in addition, part of the building costs fees may be absorbed in the contractor's build cost. The generic site appraisals have reflected the likely build costs of each individual site, taking £80/sq.ft as the normal all-in build costs, with additional allowances for contingencies, but with abnormal costs in addition. Much of the affordable housing delivered through S.106 agreements is actually built by the volume developers at their lower rates, and a build profit on affordable housing provision has been factored into the appraisals.

The Code for Sustainable Homes

2.56 The government is committed to ensuring that all new-build homes are zero carbon from 2016. However, in the Budget 'Plan for Growth' of March 2011 the government has retracted from emissions not covered by the Building Regulations, in order to ensure that it remains viable to build new homes in the context of the recession.

2.57 From 2016, the revised definition of Zero Carbon now only meets Code for Sustainable Homes (CSH) Level 5, requiring that 100% of emissions from heating, lighting, and heating hot water need to be reduced or generated on site. The consequence for construction costs has yet to be fully assessed, but the new standards will result in higher build costs, that could affect viability. The possible increased costs for implementing the Code have been estimated in a report by CLG "Code for Sustainable Homes, a Cost Review", March 2010.

2.58 The additional cost estimates for all the Code Levels vary depending on site type, location, and size. The report suggests that Level 3 can be achieved for no more than an additional £3-8,000 per home, whereas the scenarios modelled for Levels 4 and 5 show cost increases of between about £8,000 and £20,000. Accordingly, it is critical to allow additional costs for the extra CSH costs.

2.59 It is important to reflect the circumstances applying both today for sites coming up for development, and for sites that will be developed post-2016, to reflect Code 5 requirements. Accordingly, we have allowed for additional £20/sq.ft for Codes 3 and 5 post 2016, including contingencies, bringing the total build cost for developments that will continue beyond 2016 of £100/sq.ft This applies to the two urban extension examples at Tiverton and Cullompton.

Developer's profit and professional fees and financing

2.60 All developers have a slightly different approach to levels of profit and overhead. Profits are derived from turnover across a number of sites, some of which may have been held long-term in land banks, and others acquired as a result of option agreements where price is established at a discount to Open Market Value (OMV). The most appropriate profit level is that which most developers currently assume when appraising sites for purchase for immediate development. This is an accurate reflection of the operation of the market for land and new homes for a study that is reflecting conditions in 2011.

2.61 Traditionally, benchmark developer profit for residential-led schemes has been around 15% on gross turnover, but as the property market boomed in the period 2000 - 2007 many developers were content to accept lower initial profits on the back of a rising market. However, in the current risk-averse market, investors and lenders are driving developers to seek higher profits and typically developers would now look to secure profit levels of around 20% of gross turnover.

2.62 Fees also need to be taken into account, including architects, engineers, planning, survey, project manager and insurances, which we have included at a generous rate of 12% of the gross construction cost. For the larger urban extensions, an adjustment is made to allow for cumulative sales revenues, in terms of return on capital employed, to replicate the cash flow calculations that would be included in individual site valuation models, that are necessarily much more complex than the strategic viability model used in this assessment. In addition, allowances have been made for financing costs of construction, as well as land purchase, allowing for annual interest costs to be included for large schemes, reflecting phased purchase, completion rates, and sales revenues.

2.63 Allowances have also been made for Stamp Duty Land Tax, and legal costs, which have all been factored into the generic viability assessments, in addition to allowances for marketing fees.

Additional or 'abnormal' development costs

2.64 The next stage in the consideration of land valuation and variables is an examination of development costs, beyond those accounted for in the overall build costs. These will include physical items such as improvements to highway access, off-site highway improvements, additional drainage requirements, strategic landscaping, tree retention, increased costs associated with development on excessive gradients, costs of demolition, remediation of contamination, and abnormal foundations.

2.65 There will be different levels of development costs according to the type and characteristics of each site. The approach taken is to reflect in each generic appraisal an amount that would typically be expected on the type of site being assessed, taking into account location, size, and character.

2.66 We have allowed significant amounts for the provision of strategic infrastructure in the generic urban extension models, of about £100,000 per net developable acre, in addition to the CIL allowance. This allowance should be monitored carefully, as each actual urban extension will have different characteristics and requirements.

2.67 The two major urban extensions at Cullompton and Tiverton are based on a strategy that requires the delivery of major infrastructure, in the form of primary schools, access from the North Devon Link Road in the case of Tiverton, and upgrades to the M5 junction 28, and the provision of an eastern Relief Road at Cullompton.

2.68 The significant costs associated with this infrastructure cannot be borne by these individual urban extensions, and would render them unviable. The viability appraisals have been based on testing CIL at £90/sq.m as required by the Preliminary Draft Charging Schedule, together with the provision of affordable housing at 22.5% as required by the Council. The major cost of providing off-site infrastructure and major access has not been taken into

account, and is assumed will be provided by CIL, and other sources such as the County bid to the Department for Transport.

CIL and community gain package

2.69 New development has a cumulative impact on infrastructure and often creates a need for additional or improved community services and facilities without which the development could have an adverse effect upon amenity, safety, or the environment. Planning contributions are an important way of providing the physical, economic and social infrastructure required to facilitate development and support the creation of sustainable communities.

2.70 One of the most significant items of community gain sought from residential development sites is affordable housing, discussed previously. Other planning obligations, such as contributions towards education provision, and public open space, are part of the CIL contribution initially tested at £90/sq.m (£8.36/sq.ft).

2.71 All the valuation variables are addressed in the generic viability appraisals, which are set out in Appendix 1. All the assumptions and variables that have been used in the generic site viability testing have been subject to research and testing against prevailing market conditions, development costs, local and government policy. Accordingly, they are considered to be achievable, but reasonable.

Generic residential viability appraisals

2.72 Each of the 5 generic sites has been subjected to a detailed appraisal, and these appear in Appendix 1. Each generic site has an individual set of development and market assumptions, providing floorspace, sales turnover, development and abnormal costs, fees allowance, all of which lead to a land value. The floorspace assumptions are based from the dwelling mix, and assumed floorspace. The critical element is the difference between sales revenue and build cost.

2.73 A clear conclusion has been reached for each generic site about viability. In order to inform these conclusions, a comparison has been made with the estimated current land value to give a ‘value added’ figure, or uplift factor to justify to the conclusion. An uplift factor of at least 1.5 is required to achieve viability. Each viability conclusion has to be judged not only against the uplift factor, but also against the other benchmarks of ‘hope’ value.

2.74 For each generic site appraisal a conclusion is reached. In this case, each of the 5 example sites has been found to be viable, with CIL at £90/sq.m, and with affordable housing provision reduced to 22.5%. Strategic infrastructure costs, including the provision of schools, major access roads, and off site infrastructure provision, however, has not been allowed for. This issue is important because if the development on strategic sites in Tiverton and Cullompton have to bear the costs of major access roads and the Eastern Relief Road respectively then the sites will be unviable irrespective of the level of CIL. The assumption has been made that these items will be funded by CIL and/or central government sources.

2.75 The factor that makes the greatest difference to viability is the proportion of affordable dwellings, and therefore, open market dwellings. Build costs are relatively constant, all sites have an element of abnormal development costs, whilst profits and overheads are relatively similar. A lower proportion of affordable units and a correspondingly increased share of open market dwellings immediately adds turnover that translates directly to the bottom line land value and improved viability.

Summary

2.76 A summary of the market in terms of the theoretically achievable land values, sales price per sq. ft, coverage and house types is shown in the table below:

Table 2.5 Theoretical land and property achievable values

Land value / net dev acre	Sale price/sq ft	Target house types by market
£700,000 to £900k per acre	£200 - £235	Preference of developers is firmly for traditional 2-storey family housing with gardens. Poor market for flats unless in high demand town centre sites, or very low sales prices

2.77 Overall, it is considered that, due to the still reasonably high sales values compared with competing uses such as employment land, it is unlikely that CIL, other community gain obligations, or abnormal development costs, apart from the major infrastructure costs associated with the large urban extensions, would adversely affect the economic viability for housing of any of the identified generic sites, in the context that affordable housing provision is reduced to 22.5%.

2.78 Most abnormal development costs, (such as piled foundations, or remediation of contaminated land) can be absorbed without falling below the value for alternative uses, such as general employment and warehousing land, (as opposed to office and retail); employment land (B1/B8) is worth about £200,000 per acre across the district. Housing land is worth at least £500,000 more per developable acre than employment land, which enables most instances of abnormal development costs to be allowed for, including affordable housing, still producing a higher land value.

2.79 As an overall conclusion, and despite the recent downturn, research confirms a relatively strong underlying local market for both open market and affordable housing, which is temporarily depressed, but which is anticipated to be relatively strong in the foreseeable future. No-one can predict accurately how long a recovery in the market will take, but most accept that markets operate in cycles. The last housing recession started in 1990 and did not recover until about 1995, but was caused by different economic circumstances. The Council will need to monitor carefully the housing market over the coming years in order to be able to respond in whatever way it can to assist in the provision of housing across the market area.

2.80 The viability appraisals have demonstrated, using these assumptions, that CIL is deliverable at £90/sq.m for residential development on the sites tested subject to the affordable housing proportion remaining at 22.5% and the specific strategic infrastructure

items discussed above being paid for through other sources. Each of the five generic example sites is found to be economically viable in these circumstances.

APPENDIX 1

Residential Viability Appraisals

nominal location - Cullompton	net site area ha	dwelling capacity			
urban extension model	**32**	**1100**		**model variables**	
Summary - Strategic site, emerged through Core Strategy, allocated in the Allocations and Infrastructure Development Plan Document. Proposal is for 1,100 dwellings on 75 gross ha, including 28 ha Green infrastructure, 40,000 sq.m employment (7ha), 8 ha primary school/community use/PoS. Net residential c. 32 ha, 1100 units, (34 dph) Affordable 22.5% of total (248 units), new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 10% 1-bed, 30% 2-bed, 35% 3-bed, 20% 4-bed. The market appraisal indicates that this mix produces a total of 1,048,300 sq.ft of floorspace. Average sales values based on housing market analysis estimated at £215/sq.ft. New Build all-in costs estimated at £85/sq.ft all in, including contingencies, on-site infrastructure, Code 3, with additional £20/sq.ft from 2016 for Zero Carbon				**total floorspace sq.ft**	**1,048,300**
element	floorspace sq.ft	sales £/sq.ft	turnover	**sales value £/sq.ft**	**215**
TURNOVER				**build cost £/sq.ft**	**85**
open market housing	812,433	215	174,672,988	**total units**	**1,100**
sales overhead 2% of OM T/O			3,493,460	qualifying units for CIL	**853**
net OM T/O			171,179,528	**developer profit % of gross turnover**	**20**
AH - 22.5% of total, 60% social rent, 40% SO, with new AH rent product, based on ability of RP to purchase @ 41% of OMV, as Fordham Research	235,868	88	20,791,720		
gross turnover T/O			**191,971,248**	net site area acres	**79.07**
total floorspace	1,048,300			gross area acres	**185**
BUILD COSTS - ALL IN INCLUDING 5% CONTINGENCIES				affordable %	**22.5**
all housing units - housebuild	1,048,300	75	78,622,500	open market %	**77.5**
externals	1,048,300	10	10,483,000	coverage sq.ft/net acre	**13,258**
Code 3 & 5 Zero Carbon costs from 2016 @ £15/sq.ft + 5% contingency	1,048,300	20	20,966,000		
developer's profit @ 20% of open market turnover			34,235,906		
developer's profit on affordable @ 6% of AH build cost			1,415,205		
TOTAL BUILD COSTS & PROFIT			145,722,611		
finance costs @ 6% of annual build cost over 11 years x 4 years to allow for interest on			2,401,560		
professional fees @ 12% of annual build cost over 11 years x 4 years to allow for interest on sales revenues			4,803,120		
TOTAL BUILD COSTS, FEES & PROFIT			**152,927,291**		
additional development costs		£/sq.ft			
Proposed CIL charge @ £113/sq.m (£10.50/sq.ft)	6,795,439	8.36			
site-based strategic infrastructure - @ £100k/net acre, including S.106 costs - local highway improvements, PoS, etc., **not for schools, ERR, M5 etc.**	7,907,200	100,000			
demolition/remediation estimate - £5/sq.ft		5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	14,702,639		**14,702,639**	overall CIL & other infrastructure costs/net acre	185,940
TOTAL BUILD COSTS & TADCs			**167,629,930**		
INTERIM LAND VALUE, ie, T/O minus TADCs			**24,341,318**		
finance costs derived from 11 annual draw-downs - 10% of estimated purchase price, @ 6% annually for 5 years	663,854	23,677,464			
actual finance costs (to avoid circular calc), @ 6% of Annual Purchase Price x 5 years		16,650,000	363,273	23,978,045	
legal fees 0.5% LV			83,250		
SDLT 5%			832,500		
NET LAND VALUE			**23,062,295**		
existing use value (EUV), agric land @ £8k/acre (hope value 20k/gross acre)	8,000	1,480,000		**VIABILITY TEST COMPARISONS**	
value added by consent			21,582,295	Land value/net acre	291,662
uplift factor			15.58	Land value/gross acre	124,661
Viability conclusion - Land value of £23m (£291k/net acre), including CIL @ £90/sq.m Viability test against 1) uplift of £21.6m, x 15.6 from agric value and x 6 from hope value. Against Option Agreement Minimum Land Values c. £200k/net acre = £15.8m. Achieved LV = £21.6m, or £292/net acre, therefore above Viability Test 1) and Viability Test 2). **Conclusion - viable, and this is on the basis of affordable at 22.5%, and that site abnormal development costs are set at £7.9m (£100k/net acre), with all costs of schools, Eastern Relief Road, M5 junction improvements all sourced from CIL and/or other sources.**					

nominal location - Tiverton	net site area ha	dwelling capacity			
urban extension model	**53**	**1800**		**model variables**	
Summary - Strategic site, emerged through Core Strategy, allocated in the Allocations and Infrastructure Development Plan Document. Proposal is for 1,800 dwellings on 150 gross ha, including 47 ha Green infrastructure, 120,000 sq.m employment (21ha), 16 ha shops/primary school/community use/PoS. Net residential c. 53 ha, 1800 units, (34 dph) Affordable 22.5% of total (405 units), new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 10% 1-bed, 30% 2-bed, 35% 3-bed, 20% 4-bed. The market appraisal indicates that this mix produces a total of 1,715,400 sq.ft of floorspace. Average sales values based on housing market analysis estimated at £220/sq.ft. New Build all-in costs estimated at £85/sq.ft all in, including contingencies, on-site infrastructure, Code 3, with additional £20/sq.ft from 2016 for Zero Carbon				**total floorspace sq.ft**	**1,715,400**
element	floorspace sq.ft	sales £/sq.ft	turnover	**sales value £/sq.ft**	**220**
TURNOVER				**build cost £/sq.ft**	**85**
open market housing	1,329,435	220	292,475,700	**total units**	**1,800**
sales overhead 2% of OM T/O			5,849,514	qualifying units for CIL	**1,395**
net OM T/O			286,626,186	**developer profit % of gross turnover**	**20**
AH - 22.5% of total, 60% social rent, 40% SO, with new AH rent product, based on ability of RP to purchase @ 41% of OMV, as	385,965	90	34,814,043		
gross turnover T/O			**321,440,229**	net site area acres	**130.96**
total floorspace	1,715,400			gross area acres	**370**
BUILD COSTS - ALL IN				affordable %	**22.5**
all housing units - housebuild	1,715,400	75	128,655,000	open market %	**77.5**
externals	1,715,400	10	17,154,000	coverage sq.ft/net acre	**13,098**
Code 3 & 5 Zero Carbon costs from 2016	1,715,400	20	34,308,000		
developer's profit @ 20% of open market turnover			57,325,237		
developer's profit on affordable @ 6% of AH build cost			2,315,790		
TOTAL BUILD COSTS & PROFIT			239,758,027		
finance costs @ 6% of annual build cost over 12 years x 4 years to allow for interest on sales revenues			7,204,680		
professional fees @ 12% of annual build cost over 12 years x 4 years to allow for interest on sales revenues			7,204,680		
TOTAL BUILD COSTS, FEES & PROFIT			**254,167,387**		
additional development costs		£/sq.ft			
Proposed CIL charge @ £113/sq.m (£10.50/sq.ft)	11,119,809	8.36			
site-based strategic infrastructure - @ £100k/net acre, including S.106 costs - local highway improvements, PoS, etc., **not for schools, combined access roads etc.**	13,096,300	100,000			
demolition/remediation estimate - £5/sq.ft		5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	24,216,109		**24,216,109**	overall CIL & other infrastructure costs/net acre	184,908
TOTAL BUILD COSTS & TADCs			**278,383,497**		
INTERIM LAND VALUE, ie, T/O minus TADCs			**43,056,732**		
finance costs derived from 12 annual draw-downs, @ 6% annually for 5 years	1,076,418	41,980,314			
actual finance costs derived from 12 annual draw-downs, @ 6% annually for 5 years		32,760,000	982,800	42,073,932	
legal fees 0.5% LV			163,800		
SDLT 5%			1,638,000		
NET LAND VALUE			**40,272,132**		
existing use value (EUV), agric land @ £8k/acre (hope value 20k/gross acre)	8,000	2,960,000		**VIABILITY TEST COMPARISONS**	
value added by consent			37,312,132	Land value/net acre	307,508
uplift factor			13.61	Land value/gross acre	108,844
Viability conclusion - Land value of £40.3m (£307k/net acre), including CIL @ £90/sq.m Viability test against 1) uplift of £37m, x 13.6 from agric value, x 5.4 hope value of £20k/acre. 2) against Option Agreement Minimum Land Values c. £200k/net acre = £26.2m. Achieved LV = £40.3m, or £307k/net acre, therefore above Viability Test 1 and viability test 2. **Conclusion - viable on the basis of affordable at 22.5%, and that site abnormal development costs are set at £13m (£100k/net acre), with all costs of schools, plus £15 - £20m for combined access roads including from N Devon Link Road, plus other junction improvements all sourced from CIL, DfT, and/or other sources.**					

nominal location - Crediton	**net site area ha**	**dwelling capacity**			
urban infill site model	**1**	**40**		**model variables**	
Summary - Greenfield site allocated in the Allocations and Infrastructure Development Plan Document. Proposal is for 40 dwellings on 1.2 ha gross, 1 ha net (40 dph) Affordable 22.5% of total (9 units), new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 20% 1-bed, 40% 2-bed, 30% 3-bed, 10% 4-bed. The market appraisal indicates that this mix produces a total of 32,960 sq.ft of floorspace. Average sales values based on housing market analysis estimated at £200/sq.ft. New Build all-in costs estimated at £85/sq.ft all in, including contingencies, on-site infrastructure, Code 3.				**total floorspace sq.ft**	**32,960**
element	floorspace sq.ft	sales £/sq.ft	turnover	**sales value £/sq.ft**	**200**
TURNOVER				**build cost £/sq.ft**	**85**
open market housing	25,544	200	5,108,800	**total units**	**40**
sales overhead 2% of OM T/O			102,176	qualifying units for CIL	**31**
net OM T/O			5,006,624	**developer profit % of gross turnover**	**20**
AH - 22.5% of total, 60% social rent, 40% SO, with new AH rent product, based on ability of RP to purchase @ 41% of OMV, as Fordham Research	7,416	82	608,112		
gross turnover T/O			**5,614,736**	net site area acres	**2.47**
total floorspace	32,960			gross area acres	**2.96**
BUILD COSTS - ALL IN				affordable %	**22.5**
all housing units - housebuild	32,960	75	2,472,000	open market %	**77.5**
externals inc contingencies	32,960	10	329,600	coverage sq.ft/net acre	**13,339**
Code 3 & 5 Zero Carbon costs from 2016	32,960		0		
developer's profit @ 20% of open market turnover			1,001,325		
developer's profit on affordable @ 6% of AH build cost			44,496		
TOTAL BUILD COSTS & PROFIT			3,847,421		
finance costs @ 6% of build cost			168,096		
professional fees @ 12% of build cost			336,192		
TOTAL BUILD COSTS, FEES & PROFIT			**4,351,709**		
additional development costs		£/sq.ft			
Proposed CIL charge @ £113/sq.m (£10.50/sq.ft)	213,658	8.36			
site-based infrastructure costs - @ £75k/net acre, including S.106 costs - local highway improvements, PoS, etc.	185,325	75,000			
abnormal foundations @ £5k/unit	200,000	5,000			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	598,983		**598,983**	overall CIL & other infrastructure costs/net acre	242,405
TOTAL BUILD COSTS & TADCs			**4,950,692**		
INTERIM LAND VALUE, ie, T/O minus TADCs			**664,044**		
finance costs @ 6% of purchase price	19,921	644,123			
actual finance costs @ 6% of purchase price		532,000	15,960	648,084	
legal fees 0.5% LV			2,128		
SDLT 4%			21,280		
NET LAND VALUE			**624,676**		
existing use value (EUV), agric land @ £8k/acre (hope value 20k/gross acre)	8,000	23,680		**VIABILITY TEST COMPARISONS**	
value added by consent			600,996	Land value/net acre	252,803
uplift factor			26.38	Land value/gross acre	211,039
Viability conclusion - Land value of £625k (£252k/net acre), including CIL @ £90/sq.m Viability test against 1) uplift of £601k, x 26 from agric value, x 10.6 hope value of £20k/acre. 2) against Option Agreement Minimum Land Values c. £200k/net acre = £494k. Achieved LV = £625k, or £252k/net acre, therefore above viability Test 1 and viability test 2. **Conclusion - viable on the basis of affordable at 22.5%, and that site-based infrastructure costs are set at 185k (£75k/net acre), with abnormal foundation costs at an additional £200k.**					

nominal location - Bampton	net site area ha	dwelling capacity			
urban infill site model	**0.3**	**11**		**model variables**	
Summary - infill garden site allocated in the Allocations and Infrastructure Development Plan Document. Proposal is for 11 dwellings on 0.35 ha gross, 0.3 ha net (33 dph) Affordable 22.5% of total above threshold of 4 units, ie 7 x 22.5% = 1.6 rounded up to 2 units, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 0% 1-bed, 50% 2-bed, 50% 3-bed, 0% 4-bed. The market appraisal indicates that this mix produces a total of 9,250 sq.ft of floorspace. Average sales values based on housing market analysis estimated at £236/sq.ft. New Build all-in costs estimated at £85/sq.ft all in, including contingencies, on-site infrastructure, Code 3				**total floorspace sq.ft**	**9,250**
element	floorspace sq.ft	sales £/sq.ft	turnover	**sales value £/sq.ft**	**236**
TURNOVER				**build cost £/sq.ft**	**90**
open market housing	8,600	236	2,029,600	**total units**	**11**
sales overhead 2% of OM T/O			40,592	qualifying units for CIL	**9**
net OM T/O			1,989,008	**developer profit % of gross turnover**	**20**
AH - 22.5% of total above threshold of 4 units, ie 7 x 35% = 2.4 rounded down to 2 units, (2 x 2-bed @ 650sq.ft/unit = 1300 sq.ft, 60% social rent, 40% SO, with new AH rent product, based on equivalent RP bid @ 41% of OMV, as Fordham Research	650	97	62,894		
gross turnover T/O			**2,051,902**	net site area acres	**0.74**
total floorspace	9,250			gross area acres	**0.86**
BUILD COSTS - ALL IN				affordable %	**22.5**
all housing units - housebuild	9,250	80	740,000	open market %	**77.5**
externals inc contingencies	9,250	10	92,500	coverage sq.ft/net acre	**12,478**
Code 3 & 5 Zero Carbon costs from 2016	9,250		0		
developer's profit @ 20% of open market turnover			397,802		
developer's profit on affordable @ 6% of AH build cost			3,900		
TOTAL BUILD COSTS & PROFIT			1,234,202		
finance costs @ 6% of build cost			49,950		
professional fees @ 12% of build cost			99,900		
TOTAL BUILD COSTS, FEES & PROFIT			**1,384,052**		
additional development costs		£/sq.ft			
Proposed CIL charge @ £113/sq.m (£10.50/sq.ft)	71,933	8.36			
site-based infrastructure costs - @ £75k/net acre, including S.106 costs - local highway improvements, PoS, etc.	55,598	75,000			
abnormal foundations zero	0				
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	127,531		**127,531**	overall CIL & other infrastructure costs/net acre	172,036
TOTAL BUILD COSTS & TADCs			**1,511,582**		
INTERIM LAND VALUE, ie, T/O minus TADCs			**540,320**		
finance costs @ 6% of purchase price	16,210	524,110			
actual finance costs @ 6% of purchase price		516,000	15,480	524,840	
legal fees 0.5% LV			2,064		
SDLT 4%			20,640		
NET LAND VALUE			**502,136**		
existing use value (EUV), garden land @ £50,000k/acre	50,000	43,000		**VIABILITY TEST COMPARISONS**	
value added by consent			459,136	Land value/net acre	677,372
uplift factor			11.68	Land value/gross acre	583,879
viability conclusion - Land value of £502k (£677k/net acre), including CIL @ £90/sq.m Viability test against 1) uplift of £459k, x 11.7 from existing use value, 2) against Option Agreement Minimum Land Values c. £200k/net acre = £172k. Achieved LV = £502k, or £677k/net acre, therefore above Viability Tests. **Conclusion - viable, on basis of affordable at 22.5%, and that site-based infrastructure costs are set at £55k (£75k/net acre).**					

nominal location - Village	**net site area ha**	**dwelling capacity**			
urban infill site model	**0.17**	**5**		**model variables**	
Summary - infill windfall garden plot. Proposal is for 5 dwellings on 0.17 ha gross and net (29 dph) Affordable 22.5% of total above threshold of 2 units in a rural area, ie 3 x 22.5% = 0.7 rounded up to 1 unit, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 0% 1-bed, 0% 2-bed, 100% 3-bed, 0% 4-bed. The market appraisal indicates that this mix produces a total of 5,000 sq.ft of floorspace. Average sales values based on housing market analysis estimated at £230/sq.ft. New Build all-in costs estimated at £95/sq.ft all in, to reflect likely small developer's costs, including contingency costs				**total floorspace sq.ft**	**5,000**
element	floorspace sq.ft	sales £/sq.ft	turnover	**sales value £/sq.ft**	**230**
TURNOVER				**build cost £/sq.ft**	**100**
open market housing	4,000	230	920,000	**total units**	**5**
sales overhead 2% of OM T/O			18,400	qualifying units for CIL	**4**
net OM T/O			901,600	**developer profit % of gross turnover**	**20**
AH - 35% of total above threshold of 2 units, ie 3 x 35% = 1.05 rounded down to 1 units, (1 3-bed @ 1000sq.ft/unit = 60% social rent, 40% SO, with new AH rent product, based on equivalent RP bid @ 41% of OMV, as Fordham Research	500	94	47,150		
gross turnover T/O			**948,750**	net site area acres	**0.42**
total floorspace	4,500			gross area acres	**0.42**
BUILD COSTS - ALL IN		£95/sq.ft		affordable %	**22.5**
all housing units - housebuild	4,500	90	405,000	open market %	**77.5**
externals inc contingencies	4,500	10	45,000	coverage sq.ft/net acre	**11,903**
Code 3 & 5 Zero Carbon costs from 2016 @ £15/sq.ft + 5% contingency	4,500		0		
developer's profit @ 20% of open market turnover			180,320		
developer's profit on affordable @ 6% of AH build cost			2,850		
TOTAL BUILD COSTS & PROFIT			633,170		
finance costs @ 6% of build cost			27,000		
professional fees @ 12% of build cost			54,000		
TOTAL BUILD COSTS, FEES & PROFIT			**714,170**		
additional development costs		£/sq.ft			
Proposed CIL charge @ £113/sq.m (£10.50/sq.ft)	33,450	8.36			
site-based infrastructure costs - @ £20k/unit, including S.106 costs - local highway improvements, PoS, etc.	100,000	20,000			
abnormal foundations zero	0				
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	133,450		**133,450**	overall CIL & other infrastructure costs/net acre	317,686
TOTAL BUILD COSTS & TADCs			**847,620**		
INTERIM LAND VALUE, ie, T/O minus TADCs			**101,130**		
finance costs @ 6% of purchase price	3,034	98,096			
actual finance costs @ 6% of purchase price		118,000	3,540	97,590	
legal fees 2% LV			2,360		
SDLT 1%			1,180		
NET LAND VALUE			**94,050**		
existing use value (EUV), garden land @ £50,000k/acre	50,000	21,004		**VIABILITY TEST COMPARISONS**	
value added by consent			73,046	Land value/net acre	223,891
uplift factor			4.48	Land value/gross acre	223,891
viability conclusion - Land value of £94k (£224k/net acre), including CIL @ £90/sq.m Viability test against 1) uplift of £73k, x 4.48 from existing use value, 2) against Option Agreement Minimum Land Values c. £200k/net acre = £84k. Achieved LV = £94k, or £224k/net acre, therefore above Viability Tests. **Conclusion - viable, on basis of affordable at 22.5%.**					