



**COTSWOLD**  
**DISTRICT COUNCIL**

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# Whole Plan and Community Infrastructure Levy (CIL) Viability Assessment

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**April 2016**

 **Planning &  
Development**

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# Table of Contents

|  |           |
|--|-----------|
| <b>1. Introduction.....</b>  | <b>7</b>  |
| Scope.....   | 7         |
| HDH Planning and Development Ltd.....                                    | 8         |
| Metric or imperial.....  | 8         |
| Report Structure.....  | 8         |
| <b>2. Viability Testing.....</b>   | <b>11</b> |
| NPPF Viability Testing.....  | 11        |
| CIL Economic Viability Assessment.....                                   | 13        |
| Differential Rates.....  | 15        |
| Payments in kind.....  | 16        |
| Planning Practice Guidance (PPG).....                                    | 17        |
| ‘Recent’ changes to the PPG.....   | 19        |
| Summer 2015 Budget.....  | 21        |
| Affordable Housing.....  | 21        |
| Starter Homes.....   | 21        |
| Environmental Standards.....   | 24        |
| Viability Guidance.....  | 24        |
| <b>3. Viability Methodology.....</b>                                     | <b>27</b> |
| Viability Testing – Outline Methodology.....                             | 27        |
| Limitations of viability testing in the context of CIL and the NPPF..... | 28        |
| The meaning of ‘competitive return’.....                                 | 28        |
| Existing Available Evidence.....   | 30        |
| Stakeholder Engagement.....  | 31        |
| Viability Process.....   | 32        |
| Additional Profit.....   | 36        |
| Development Types.....   | 37        |
| <b>4. Residential Property Market.....</b>                               | <b>39</b> |
| The Residential Market.....  | 39        |
| Newbuild Sales Prices.....   | 46        |
| Price Assumptions for Financial Appraisals.....                          | 51        |
| Affordable Housing.....  | 52        |
| Social Rent.....   | 53        |
| Affordable Rent.....   | 55        |
| Intermediate Products for Sale.....                                      | 58        |
| Grant Funding.....   | 59        |
| Older People’s Housing.....  | 59        |
| <b>5. Non-Residential Property Market.....</b>                           | <b>63</b> |
| Cotswold Overview.....   | 63        |
| Offices.....   | 64        |
| Industrial and Distribution.....   | 64        |
| Retail.....  | 65        |
| Hotels.....  | 65        |
| Appraisal Assumptions.....   | 65        |
| <b>6. Land Prices.....</b>   | <b>67</b> |
| Current and Alternative Use Values.....                                  | 67        |
| Residential Land.....  | 68        |

|  |            |
|--|------------|
| Industrial Land.....   | 69         |
| Agricultural and Paddocks.....   | 70         |
| Use of Alternative Use Benchmarks.....                                 | 70         |
| <b>7. Appraisal Assumptions – Development Costs.....</b>               | <b>77</b>  |
| Development Costs.....   | 77         |
| Construction costs: baseline costs.....                                | 77         |
| Construction costs: site specific adjustments.....                     | 78         |
| Construction costs: affordable dwellings.....                          | 79         |
| Other normal development costs.....                                    | 79         |
| Abnormal development costs.....  | 79         |
| Fees.....  | 80         |
| Contingencies.....   | 80         |
| S106 Contributions and the costs of infrastructure.....                | 81         |
| Financial and Other Appraisal Assumptions.....                         | 82         |
| VAT.....   | 82         |
| Interest rate.....   | 83         |
| Developers' profit.....  | 83         |
| Voids.....   | 87         |
| Phasing and timetable.....   | 87         |
| Site Acquisition and Disposal Costs.....                               | 88         |
| Site holding costs and receipts.....                                   | 88         |
| Acquisition costs.....   | 88         |
| Disposal costs.....  | 88         |
| <b>8. Local Plan Requirements.....</b>                                 | <b>89</b>  |
| Housing.....   | 89         |
| Generally.....   | 89         |
| Rural housing.....   | 91         |
| Construction Standards.....  | 92         |
| Economy.....   | 93         |
| Design and Landscape.....  | 94         |
| Infrastructure.....  | 94         |
| Green Infrastructure.....  | 94         |
| Sustainable Drainage.....  | 95         |
| Transport.....   | 95         |
| Neighbourhood Plans.....   | 96         |
| <b>9. Modelled Sites.....</b>  | <b>97</b>  |
| Residential Development Sites.....                                     | 97         |
| <i>Development assumptions</i> .....                                   | 104        |
| Older People's Housing.....  | 108        |
| Non-Residential Sites.....   | 108        |
| Hotels and Leisure.....  | 109        |
| Community/Institutional.....   | 109        |
| Retail.....  | 109        |
| <b>10. Residential Appraisal Results.....</b>                          | <b>111</b> |
| Financial appraisal approach and assumptions.....                      | 112        |
| <i>Base Appraisals – full current policy requirements</i> .....        | 112        |
| Impact of affordable housing.....                                      | 116        |
| Impact of developer contributions.....                                 | 124        |
| Combined impact of developer contributions and affordable housing..... | 126        |
| Affordable Housing Threshold.....                                      | 130        |

|  |            |
|--|------------|
| Commuted Sums.....   | 132        |
| Review of plan policy formulae.....                                | 132        |
| Alternative approach.....  | 133        |
| Proposed guidance.....   | 134        |
| Impact of Price and Cost Change.....                               | 135        |
| Older People’s Housing.....  | 138        |
| Conclusions.....   | 140        |
| <b>11. Non-Residential Appraisal Results.....</b>                  | <b>141</b> |
| Conclusions.....   | 144        |
| <b>12. Deliverability of the Local Plan.....</b>                   | <b>145</b> |
| Cumulative Impact of Policies.....                                 | 145        |
| Residential Development.....                                       | 145        |
| Affordable Housing Threshold.....                                  | 147        |
| Commuted Sums.....   | 148        |
| Older People’s Housing.....  | 149        |
| Land Supply.....   | 149        |
| Non-Residential Appraisal Results.....                             | 149        |
| Conclusions.....   | 151        |
| CIL and Developer Contributions.....                               | 151        |
| Review.....  | 151        |
| <b>13. Setting CIL.....</b>  | <b>153</b> |
| Regulations and Guidance.....                                      | 154        |
| Differential Rates.....  | 155        |
| Charging Zones.....  | 155        |
| New Regulations and Guidance.....                                  | 155        |
| CIL v s106.....  | 156        |
| Infrastructure Delivery.....                                       | 156        |
| Developers’ Comments.....  | 157        |
| Uncertain Market.....  | 157        |
| Neighbouring Authorities.....                                      | 158        |
| Stratford-on-Avon.....   | 158        |
| West Oxfordshire.....  | 158        |
| Vale of White Horse.....   | 159        |
| Swindon.....   | 159        |
| Wiltshire.....   | 159        |
| South Gloucestershire.....   | 160        |
| Stroud.....  | 160        |
| Tewkesbury.....  | 160        |
| Gloucester.....  | 161        |
| S106 History.....  | 161        |
| Costs of Infrastructure and Sources of Funding.....                | 161        |
| Instalment Policy.....   | 162        |
| Viability Evidence – Rates and Zones.....                          | 164        |
| A Cautious Approach.....   | 164        |
| Evidence.....  | 165        |
| The Potential for CIL.....   | 165        |
| CIL as a proportion of Land Value and Gross Development Value..... | 168        |
| Older People’s Housing.....  | 172        |
| Non-Residential Development.....                                   | 174        |
| Recommended Rates of CIL.....                                      | 176        |
| Next Steps.....  | 177        |

|  |            |
|--|------------|
| <b>Appendix 1 – Consultees.....</b>                                      | <b>179</b> |
| <b>Appendix 2 – June 2015 Consultation Presentation.....</b>             | <b>181</b> |
| <b>Appendix 3 –Price Paid and EPC Data – Newbuild Sales.....</b>         | <b>183</b> |
| <b>Appendix 4 – Non Residential Property .....</b>                       | <b>189</b> |
| <b>Appendix 5 – Residential Allocations and Reserve Sites .....</b>      | <b>191</b> |
| <b>Appendix 6 – Employment Allocations .....</b>                         | <b>197</b> |
| <b>Appendix 7 – Residential Appraisals.....</b>                          | <b>199</b> |
| <b>Appendix 8 – Residential Appraisals, – Older Peoples Housing.....</b> | <b>201</b> |
| <b>Appendix 9 – Non-Residential Appraisals.....</b>                      | <b>205</b> |

# 1. Introduction

## Scope

- 1.1 Cotswold District Council (CDC) consulted on their Local Plan: Development Strategy and Site Allocations during January 2015 and is now well on in the process of preparing the next iteration of the Plan. This Viability Study has been commissioned to build on the Council's existing viability work, to assess the deliverability of the development sites and to develop CIL as a mechanism to fund, at least in part, the infrastructure required to support the development set out in the Plan.
- 1.2 HDH Planning and Development Ltd has been appointed to advise the Council in connection with several matters:
  - a. Firstly, to advise with regard to the affordable housing, in terms of quantum and mix that can be delivered.
  - b. Secondly, to consider the balance of contributions sought from developers, including affordable housing, other policy requirements and the costs of infrastructure and mitigation.
  - c. Thirdly, to assess the effect that CIL may have on development viability in the District.
- 1.3 This document sets out the methodology used, the key assumptions adopted, and contains an assessment of the effect of CIL, in the context of the emerging policies and in relation to the potential development sites identified in the Strategic Housing and Employment Land Availability Assessment (SH&ELAA). This will allow the Council to engage with stakeholders, to ensure that the new Plan is effective and to set CIL.
- 1.4 This Viability Study contains fresh work, but it also builds on the Council's existing evidence that has been used to develop the Plan. This has been developed through a process of consultation with the development industry. This present document takes the general advice forward and builds on those conclusions, drawing on the existing available evidence.
- 1.5 CIL is set having regard to a range of factors, one of which is viability. This report only considers viability. Outside this report the Council will consider the need for infrastructure and other sources of funding.
- 1.6 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements or CIL imposed or sought by the Council. It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is threatened.
- 1.7 This Viability Study has been prepared following a consultation process with landowners, agents, and developers. To inform this study an event was held on the 2<sup>nd</sup> June 2015, to which the representatives of the main developers, development site landowners, their agents

and housing providers were invited. The meeting was used to set out the methodology, to test the assumptions and to put the report in context.

- 1.8 This final iteration of the report has been completed in April 2016. During the interim the plan-making process has moved on and there have been a number of changes to national policy. The data in this report is based on the most up to date available information at the time of writing.

### **HDH Planning and Development Ltd**

- 1.9 HDH is a specialist planning consultancy providing evidence to support planning and housing authorities. The firm was founded in the summer of 2011 by Simon Drummond-Hay who is a Chartered Surveyor and associate of the Chartered Institute of Housing. Previously he and his team worked for Fordham Research.

- 1.10 The firm's main areas of expertise are:

- a. District wide and site specific viability analysis
- b. Community Infrastructure Levy testing
- c. Local and Strategic Housing Market Assessments and Housing Needs Assessments
- d. Future Housing Numbers Analysis (post RSS target setting)
- e. Viability and Planning Assessments and Inquiries.

- 1.11 The findings contained in this report are based upon information provided by the Council and upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice. No part of this report constitutes a valuation and the report should not be relied on in that regard.

### **Metric or imperial**

- 1.12 The property industry uses both imperial and metric data – often working out costings in metric (£/m<sup>2</sup>) and values in imperial (£/acre and £/sqft). This is confusing so we have used metric measurements throughout this report. The following conversion rates may assist readers.

|                 |   |                       |       |   |                         |
|-----------------|---|-----------------------|-------|---|-------------------------|
| 1m              | = | 3.28ft (3' and 3.37") | 1ft   | = | 0.30m                   |
| 1m <sup>2</sup> | = | 10.76 sqft            | 1sqft | = | 0.092903 m <sup>2</sup> |

- 1.13 A useful broad rule of thumb to convert m<sup>2</sup> to sqft is simply to add a final zero.

### **Report Structure**

- 1.14 This report follows the following format:



- Chapter 2** The reasons for, and approach to, viability testing, including a short review of the requirements of the CIL Regulations, NPPF and PPG.
- Chapter 3** The methodology used.
- Chapter 4** An assessment of the housing market, including market and affordable housing with the purpose of establishing the worth of different types of housing (size and tenure) in different areas.
- Chapter 5** An assessment of the non-residential markets with the purpose of establishing the worth of different types of commercial uses.
- Chapter 6** An assessment of the costs of land to be used when assessing viability.
- Chapter 7** The cost and general development assumptions to be used in the development appraisals.
- Chapter 8** A summary of the various policy requirements and constraints that influence the type of development that come forward.
- Chapter 9** A summary of the range of modelled sites used for the financial development appraisals.
- Chapter 10** The results of the appraisals and consideration of residential development.
- Chapter 11** The appraisals and consideration of non-residential development.
- Chapter 12** The consideration and conclusions in relation to the deliverability of development.
- Chapter 13** CIL setting process, including recommendations of rates.



## 2. Viability Testing

- 2.1 Viability testing is an important part of the Development Plan making process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF), is part of the Strategic Housing Land Availability Assessment (SHLAA) process, and is a requirement of the CIL Regulations. In each case the requirement is slightly different but all have much in common.
- 2.2 In March 2012 the Government published National Planning Practice Guidance (PPG), in the form of a website<sup>1</sup>. The PPG is a live document that is subject to regular updating and change. It cancels a number of pre-existing guidance documents and contains sections on plan-making, viability and CIL. The PPG does not alter the NPPF.

### NPPF Viability Testing

- 2.3 The NPPF<sup>2</sup> introduced a requirement to assess the viability of the delivery of Local Plan and the impact on development of policies contained within it. The NPPF includes the following requirements (with our emphasis):

*173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. 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.*

*174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.*

- 2.4 The duty to test in the NPPF is a 'broad brush' one saying 'plans should be deliverable'. It is not a requirement that every site should be able to bear all of the local authority's requirements – indeed there will be some sites that are unviable even with no requirements imposed on them by the local authority. The typical site in the local authority area should be able to bear whatever target or requirement is set and the Council should be able to show, with a reasonable degree of confidence, that the Development Plan is deliverable.

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<sup>1</sup> <http://planningguidance.planningportal.gov.uk/>

<sup>2</sup> The NPPF was published on 27th March 2012 and the policies within it apply with immediate effect.

2.5 The enabling and delivery of development is a priority of the NPPF. In this regard it says:

*47. To boost significantly the supply of housing, local planning authorities should:*

- *use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;*
- *identify and update annually a supply of specific deliverable<sup>11</sup> sites sufficient to provide five years' worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land;*
- *identify a supply of specific, developable<sup>12</sup> sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15;*
- *for market and affordable housing, illustrate the expected rate of housing delivery through a housing trajectory for the plan period and set out a housing implementation strategy for the full range of housing describing how they will maintain delivery of a five-year supply of housing land to meet their housing target; and*
- *set out their own approach to housing density to reflect local circumstances.*

2.6 Footnotes 11 and 12 of the NPPF are important in providing detail saying:

*<sup>11</sup> To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.*

*<sup>12</sup> To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged.*

2.7 Some sites within the area will not be viable. In these cases developers have scope to make specific submissions at the planning applications stage; similarly some sites will be able to bear considerably more than the policy requirements.

2.8 This study will consider the development viability of the site types that are most likely to come forward over the Plan period building on the Council's existing viability evidence base. This study will specifically examine the development viability of the sites identified in the SH&ELAA. It will also consider the smaller sites expected to come forward over the plan period on smaller sites that are not included within the SH&ELAA but would still be subject to CIL.

## CIL Economic Viability Assessment

- 2.9 The CIL Regulations came into effect in April 2010 and have been subject to several subsequent amendments<sup>3</sup>. CIL Regulation 14 (as amended) sets out the core principle for setting CIL:

### *Setting rates*

- (1) *In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—*
- (a) *the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
  - (b) *the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
- (2) *In setting rates ...*

- 2.10 Viability testing in the context of CIL will assess the 'effects' on development viability of the imposition of CIL. The financial impact of introducing CIL is an important factor, but the provision of infrastructure (or lack of it) will also have an impact on the ability of the Council to meet its objectives through development and deliver its Development Plan. The Plan may not be deliverable in the absence of CIL.

- 2.11 The test that will be applied to the proposed rates of CIL are set out in the updated CIL Guidance contained in the PPG, putting greater emphasis on demonstrating how CIL will be used to deliver the infrastructure required to support the Plan.

*The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.*

*This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.*

*As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.*

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<sup>3</sup> **SI 2010 No. 948.** The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987.** The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918.** The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975.** The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982.** The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385.** The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24<sup>th</sup> February 2014, Coming into force 24<sup>th</sup> February 2014.* **SI 2015 No. 836.** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015.*

2.12 The test is whether the sites and the scale of development identified in the Plan are subject to such a scale of obligations and policy burdens (when considered together) that their ability to be developed viably is threatened by CIL. This is somewhat more cautious than the approach set out in earlier guidance. In the March 2010 CIL Guidance, the test was whether the Plan was put at 'serious risk', and in the December 2012 / April 2013 CIL Guidance, the test was whether CIL 'threatened the development plan as a whole' – although it is important to note that the CIL Regulation 14 is clear that the purpose of the viability testing is to establish 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area' rather than specific sites.

2.13 On preparing the evidence base on economic viability, the Guidance says:

*A charging authority must use 'appropriate available evidence' (as defined in the Planning Act 2008 section 211(7A)) to inform their draft charging schedule. The Government recognises that the available data is unlikely to be fully comprehensive. Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.*

*In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London )] relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).*

*The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.*

PPG ID: 25-019-20140612

2.14 This study has drawn on the existing available evidence. In due course this study will form one part of the evidence that the Council will use to set CIL. The Council will also consider other 'existing available evidence', the comments of stakeholders and wider priorities. The NPPF, PPG and the Harman Guidance, as referred to below, recommend that the development and consideration of a CIL rate should be undertaken as part of the same exercise, which is what the Council is doing. This report will form the basis of the evidence as required by the CIL Regulations.

2.15 From April 2015, councils have been restricted in relation to pooling S106 contributions from more than five developments<sup>4</sup> (where the obligation in the s106 agreement / undertaking is a reason for granting consent). This restriction will encourage councils to adopt CIL – particularly where there are large items of infrastructure to be delivered that relate to multiple sites. This restriction on pooling may have the effect of bringing s106 tariff policies to an end.

2.16 Following the implementation of CIL, a Council will still be able to raise additional s106 funds for infrastructure, provided this infrastructure can be directly linked to the site-specific needs

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<sup>4</sup> CIL Regulations 123(3)

associated with the scheme in question, and that it is not for infrastructure specifically identified to be funded by CIL, through the Regulation 123 List<sup>5</sup>. Payments requested under the s106 regime must be (as set out in CIL Regulation 122):

- a. necessary to make the development acceptable in planning terms;
- b. directly related to the development; and
- c. fairly and reasonably related in scale and kind to the development.

2.17 As mentioned above, under CIL Regulation 123, from April 2015, there are restrictions on pooling contributions from five or more sites where the obligation is a reason for granting planning permission. It is important to note that the counting of the 'five or more sites' relates to the '*provision of that project, or type of infrastructure*' and is from the date of the CIL Regulations, being April 2010. The Council will need to consider whether the threshold has already been exceeded for some items of infrastructure.

#### *Differential Rates*

2.18 CIL Regulation 13 (as amended) provides scope for CIL to be set at different levels by different area (zones) and type and size of developments.

#### *Differential rates*

- (1) *A charging authority may set differential rates—*
  - (a) *for different zones in which development would be situated;*
  - (b) *by reference to different intended uses of development,*
  - (c) *by reference to the intended gross internal area of development;*
  - (d) *by reference to the intended number of dwellings or units to be constructed or provided under a planning permission.*
- (2) *In setting differential rates, a charging authority may set supplementary charges, nil rates, increased rates or reductions.*

2.19 The PPG expands on this saying:

*Charging authorities that decide to set differential rates may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.*

*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 is likely to be most significant.*

*The outcome of the sampling exercise should be to provide a robust evidence base about the potential effects of the rates proposed, balanced against the need to avoid excessive detail.*

*A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the*

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<sup>5</sup> This is the list of the items on which the Council will spend CIL.

*levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.*

*PPG ID: 25-019-20140612*

*The regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Differences in rates need to be justified by reference to the economic viability of development. Differential rates should not be used as a means to deliver policy objectives.*

*Differential rates may be appropriate in relation to*

- *geographical zones within the charging authority's boundary*
- *types of development; and/or*
- *scales of development.*

*A charging authority that plans to set differential rates should seek to avoid undue complexity. Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities should consider the views of developers at an early stage.*

*If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development.*

*In all cases, differential rates must not be set in such a way that they constitute a notifiable state aid under European Commission regulations (see 'State aid' section for further information). One element of state aid is the conferring of a selective advantage to any 'undertaking'. A charging authority which chooses to differentiate between classes of development, or by reference to different areas, should do so only where there is consistent economic viability evidence to justify this approach. It is the responsibility of each charging authority to ensure that their charging schedules are state aid compliant.*

*PPG ID: 25-021-20140612*

- 2.20 Any differential rates must only be set with regard to viability. It would be contrary to the guidance, for example, to set a high rate to deter a particular type of development, or to set a low rate to encourage it – a consistent approach must be taken across all development types.
- 2.21 CIL, once introduced, is mandatory on all developments (with a very few exceptions), that fall within the categories and areas where the levy applies, unlike other policy requirements to provide affordable housing or to build to a particular environmental standard over which there can be negotiations. This means that CIL must not prejudice the viability of most sites.
- 2.22 When setting CIL it will be necessary for the Council to clearly demonstrate how CIL will fund infrastructure that will enable development to be delivered.

#### *Payments in kind*

- 2.23 Under changes to CIL Regulation 73, a local authority (at its discretion and subject to strict rules) can accept CIL 'in kind'. The changes to this Regulation have extended this provision from the payment of CIL through the transfer of land, to the payment through the transfer of infrastructure as well as land. These changes give the increased flexibility to both the Charging Authority and the developer allowing CIL to be 'paid' through the provision of infrastructure.



## Planning Practice Guidance (PPG)

- 2.24 Viability is a recurring theme through the PPG, and it includes specific sections on viability in both the plan making and the development management processes. As set out above, the NPPF says that plans should be deliverable and that the scale of development identified in the Plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The PPG says:

*Understanding Local Plan viability is critical to the overall assessment of deliverability. Local Plans should present visions for an area in the context of an understanding of local economic conditions and market realities. This should not undermine ambition for high quality design and wider social and environmental benefit but such ambition should be tested against the realistic likelihood of delivery.*

*... viability can be important where planning obligations or other costs are being introduced. In these cases decisions must be underpinned by an understanding of viability, ensuring realistic decisions are made to support development and promote economic growth. Where the viability of a development is in question, local planning authorities should look to be flexible in applying policy requirements wherever possible.*

PPG ID: 10-001-20140306

- 2.25 These requirements are not new and are simply stating best practice and are wholly consistent with the approach taken through the preparation of the Plan. An example is the inclusion of viability testing in relation to the Council's affordable housing policy.

- 2.26 In the section on considering land availability, the PPG says:

*A site is considered achievable for development where there is a reasonable prospect that the particular type of development will be developed on the site at a particular point in time. This is essentially a judgement about the economic viability of a site, and the capacity of the developer to complete and sell the development over a certain period.*

PPG ID: 3-021-20140306

- 2.27 The PPG does not prescribe a single approach for assessing viability. The NPPF and the PPG both set out the policy principles relating to viability assessments. The PPG rightly acknowledges that a 'range of sector led guidance on viability methodologies in plan making and decision taking is widely available'.

*There is no standard answer to questions of viability, nor is there a single approach for assessing viability. The National Planning Policy Framework, informed by this Guidance, sets out the policy principles relating to viability assessment. A range of sector led guidance on viability methodologies in plan making and decision taking is widely available.*

PPG 10-002-20140306.

- 2.28 As set out later in this chapter, this study is carried out under the Harman Guidance and is broadly in accordance with the RICS Guidance, it also draws on the Planning Advisory Service resources and was informed by appeal decisions and CIL Examiner's reports.

- 2.29 The PPG does not require every site to be tested:

*Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; site typologies may be used to determine viability at policy level. Assessment*

*of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*

*PPG ID: 10-006-20140306*

2.30 This supports the approach where the analysis is based on a set of typologies that represented the expected development to come forward over the plan-period. These typologies were tested through the consultation process and the methodology is fully consistent with the PPG.

2.31 Viability Thresholds are a controversial matter and it is clear that different landowners will take different approaches depending on their personal and corporate priorities. The assessment is based on an informed assumption being made about the 'uplift' being the margin above the 'Existing Use Value' which would be sufficient to incentivise the landowner to sell. Both the RICS Guidance and the PPG make it clear that when considering land value that this must be done in the context of current and emerging policies:

**Site Value definition** *Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'*

*Box 7, Page 12, RICS Guidance*

*In all cases, estimated land or site value should: ...reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;...*

*PPG ID 10-014-20140306*

2.32 This supports the approach taken where the process is informed by past land transactions as well as considering an appropriate uplift.

2.33 The PPG stresses the importance of working from evidence and in collaboration with the development industry:

**Evidence based judgement:** *assessing viability requires judgements which are informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market.*

*Understanding past performance, such as in relation to build rates and the scale of historic planning obligations can be a useful start. Direct engagement with the development sector may be helpful in accessing evidence.*

**Collaboration:** *a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence is encouraged wherever possible. Where communities are preparing a neighbourhood plan (or Neighbourhood Development Order), local planning authorities are encouraged to share evidence to ensure that local viability assumptions are clearly understood.*

2.34 The methodology and assumptions were put to the development industry on 2<sup>nd</sup> June 2015. The analysis in this report reflects the general comments of stakeholders as well as the more specific comments of site promoters. This is set out through this report.

2.35 The meaning of competitive returns is discussed in the Chapter 6 below and is at the core of a viability assessment. The RICS Guidance (see below) includes the following definition:

**Competitive returns** - A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

*RICS Guidance, Financial viability in Planning, Page 43*

2.36 The PPG now adds to this saying:

*The National Planning Policy Framework states that viability should consider "competitive returns to a willing landowner and willing developer to enable the development to be deliverable." This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.*

*A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.*

*PPG ID: 10-015-20140306.*

#### **'Recent' changes to the PPG**

2.37 On the 28<sup>th</sup> November 2014, in a written statement to Parliament, headed, *Small-scale developers*, by Brandon Lewis MP of Department for Communities and Local Government, thresholds for affordable housing and developer contributions were introduced:

*Due to the disproportionate burden of developer contributions on small-scale developers, for sites of 10-units or less, and which have a maximum combined gross floor space of 1,000 square metres, affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions.*

*For designated rural areas under section 157 of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty, authorities may choose to implement a lower threshold of 5-units or less, beneath which affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions. Within these designated areas, if the 5-unit threshold is implemented then payment of affordable housing and tariff style contributions on developments of between 6 to 10 units should also be sought as a cash payment only and be commuted until after completion of units within the development.*

*These changes in national planning policy will not apply to rural exception sites which, subject to the local area demonstrating sufficient need, remain available to support the delivery of affordable homes for local people. However, affordable housing and tariff style contributions should not be sought in relation to residential annexes and extensions.*

*A financial credit, equivalent to the existing gross floorspace of any vacant buildings brought back into any lawful use or demolished for re-development, should be deducted from the calculation of any affordable housing contributions sought from relevant development schemes.*

*This will not however apply to vacant buildings which have been abandoned.*

2.38 Some further clarity was provided by The Rt Hon Eric Pickles of Department for Communities and Local Government on 25<sup>th</sup> March 2015 headed *Energy efficiency in buildings and Planning system* which said:

*We have previously revised national policy on Section 106 thresholds to help small builders and to encourage empty buildings to be brought back into use. Some councils have misinterpreted the written ministerial statement of 28 November 2014, official report, column 54WS as just a change in guidance – to clarify, this was a change in national policy and we will be updating the online planning guidance/policy website to make this crystal clear. We are also publishing guidance tomorrow on the vacant building credit to assist in the delivery of the new policy.*

#### Plan making

*From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code, aside from the management of legacy cases. Particular standards or requirements for energy performance are considered later in this statement.*

*Local planning authorities and qualifying bodies preparing neighbourhood plans should consider their existing plan policies on technical housing standards or requirements and update them as appropriate, for example through a partial Local Plan review, or a full neighbourhood plan replacement in due course. Local planning authorities may also need to review their local information requirements to ensure that technical detail that is no longer necessary is not requested to support planning applications.*

*The optional new national technical standards should only be required through any new Local Plan policies if they address a clearly evidenced need, and where their impact on viability has been considered, in accordance with the National Planning Policy Framework and Planning Guidance. Neighbourhood plans should not be used to apply the new national technical standards.*

*For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015.*

*This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government's intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent. This statement does not modify the National Planning Policy Framework policy allowing the connection of new housing development to low carbon infrastructure such as district heating networks.*

*Measures relating to flood resilience and resistance and external noise will remain a matter to be dealt with through the planning process, in line with the existing national policy and guidance. In cases of very specific and clearly evidenced housing accessibility needs, where individual household requirements are clearly outside the new national technical standards, local planning authorities may ask for specific requirements outside of the access standard, subject to overall viability considerations.*

- 2.39 Since then, on the 1st August 2015, the changes were reversed and the PPG was amended and a new paragraph (paragraph 30) was added as follows<sup>6</sup>:

*Please note that paragraphs 012-023 of the guidance on planning obligations will be removed following the judgment in R (on the application of West Berkshire District Council and Reading Borough Council) v Secretary of State for Communities and Local Government [2015] EWHC 2222 (Admin).*

- 2.40 Since this announcement, in response to a question at the Conservative party conference in early October 2015, Mr Lewis, speaking as Minister of Planning and Housing, said that it was

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<sup>6</sup> <http://planningguidance.planningportal.gov.uk/revisions/23b/030/>

the Government's intention to reintroduce the national threshold. It is not clear whether this change would be through bringing an appeal or through other changes to the NPPF or PPG.

- 2.41 Bearing in mind that the Council have an up to date and adopted Core Strategy we have assumed that the policy will apply as drafted.

### **Summer 2015 Budget**

- 2.42 On the 8<sup>th</sup> July 2015, the Chancellor of the Exchequer gave his post-election Summer Budget to Parliament. With the Budget a number of changes were announced that relate to planning.

#### *Affordable Housing*

- 2.43 Prior to the Budget Affordable Rents were set at up to 80% of open market rent and then generally went up by up to 1% over inflation (CPI) each year and Social Rents were set through a formula, again with an up to 1% over inflation uplift. These provisions were to prevail, under arrangements announced in 2013 until 2023 and have formed the basis of many housing associations' and other providers' business plans. The result was that housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little larger relative to inflation.
- 2.44 In the Budget it was announced that social and affordable rents would be reduced by 1% per year for 4 years – although we understand (although at the date of this update there remains some uncertainty) that the mechanism for setting new rents on new lets would not change. The objective of these changes was to reduce the cost to the Exchequer of the housing elements (such as Local Housing Allowance, Housing Benefit and the housing elements of Universal Credit) of the social security budget.
- 2.45 It is likely that this change will reduce the value of affordable housing. The impact on councils will depend largely on the amount and nature of affordable housing. Those with high affordable housing requirements will see a larger impact (as it makes up a larger proportion of a development). We have considered this further where we have reviewed residential values in Chapter 3 below.

#### *Starter Homes*

- 2.46 The Budget included the following statement<sup>7</sup>:

*Starter Homes – 58,000 people have already signed up to show their interest in owning one of these new homes – exclusively for first time buyers under 40, at a 20% discount. 200,000 of these new homes will be built over the next 5 years. And to deliver this, the government is today announcing that every*

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<sup>7</sup> <https://www.gov.uk/government/news/pm-and-chancellor-announce-one-nation-plans-to-spread-homeownership-across-the-country>

*reasonable sized housing site must include starter homes – and a new duty will be placed on councils to make sure they include starter homes in their future housing plans for their area*

- 2.47 It is not clear what ‘every reasonable sized housing site’ means, and it is expected that this will be clarified in due course.
- 2.48 The Planning and Housing Bill that is currently before Parliament does provide some further information. At the time of this update (so still subject to further iterations and changes) the Bill includes a definition:
- (1) In this Chapter “starter home” means a building or part of a building that—*
- (a) is a new dwelling,*
  - (b) is available for purchase by qualifying first-time buyers only,*
  - (c) is to be sold at a discount of at least 20% of the market value,*
  - (d) is to be sold for less than the price cap, and*
  - (e) is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.*
- (2) “New dwelling” means a building or part of a building that—*
- (a) has been constructed for use as a single dwelling and has not previously been occupied, or*
  - (b) has been adapted for use as a single dwelling and has not been occupied since its adaptation.*
- (3) “Qualifying first-time buyer” means an individual who—*
- (a) is a first-time buyer,*
  - (b) is under the age of 40, and*
  - (c) has any other characteristics specified in regulations made by the Secretary of State (for example, relating to nationality or minimum age).*
- 2.49 The initial ‘cap’ is to be £250,000 outside London.
- 2.50 The PPG has not been updated since the Budget and, at the time of this update, the Starter Homes section of the PPG<sup>8</sup> only relates to ‘exception’ sites.
- 2.51 On the 7th October 2015, in his speech to the Conservative party conference, the Prime Minister announced that new affordable housing that is provided by developers under the s106 regime would all be ‘to buy’ rather than affordable housing for rent (i.e. Affordable Rent or Social Rent). At the time it was not clear when this change may be implemented and whether or not this will apply to all affordable housing or to some affordable housing on each site – or if he was actually referring to Starter Homes.
- 2.52 In early December 2015 the Government launched a consultation on changes to the NPPF. This included the following sections and provides a degree of clarification:

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<sup>8</sup> From PPG Paragraph: 001 Reference ID: 55-001-20150318

7. *It is important that the definition of affordable housing for planning purposes supports present and future innovation by housing providers in meeting the needs of a wide range of households who are unable to access market housing. The provision of affordable housing is about supporting households to access home ownership, where that is their aspiration, as well as delivering homes for rent.*

8. *The current affordable housing definition includes some low cost home ownership models, such as shared ownership and shared equity, provided that they are subject to 'in perpetuity' restrictions or the subsidy is recycled for alternative affordable housing provision. This limits the current availability of home ownership options for households whose needs are not met by the market.*

9. *We propose to amend the national planning policy definition of affordable housing so that it encompasses a fuller range of products that can support people to access home ownership. We propose that the definition will continue to include a range of affordable products for rent and for ownership for households whose needs are not met by the market, but without being unnecessarily constrained by the parameters of products that have been used in the past which risk stifling innovation. This would include products that are analogous to low cost market housing or intermediate rent, such as discount market sales or innovative rent to buy housing. Some of these products may not be subject to 'in perpetuity' restrictions or have recycled subsidy. We also propose to make clearer in policy the requirement to plan for the housing needs of those who aspire to home ownership alongside those whose needs are best met through rented homes, subject as now to the overall viability of individual sites.*

10. *By adopting the approach proposed, we are broadening the range of housing types that are taken into account by local authorities in addressing local housing needs to increase affordable home ownership opportunities. This includes allowing local planning authorities to secure starter homes as part of their negotiations on sites.*

11. *In parallel, the Housing and Planning Bill is introducing a statutory duty on local authorities to promote the delivery of starter homes, and a requirement for a proportion of starter homes to be delivered on all suitable reasonably-sized housing developments. We will consult separately on the level at which this requirement should be set. The Bill defines starter homes as new dwellings for first time buyers under 40, sold at a discount of at least 20% of market value and at less than the price cap of £250,000 (or £450,000 in London). Support is available through the Help to buy ISA to help purchasers save for a deposit.*

2.53 This does provide further clarity, however the key question as to how much should be provided is not addressed. As this report was being finalised the Government started a Technical Consultation on the Starter Homes Regulations<sup>9</sup>. These give an indication of the Government's preferences and the options under consideration, but do not provide a site size threshold for sites that will be required to provide Starter Homes, or the amount that will be required.

2.54 These changes are certainly going to impact on viability; however, the impact is going to be positive rather than negative. Housing provided as Starter Homes would have a value of 80% of Market Value, compared to 65% of market value if provided as intermediate housing or £1,000/m<sup>2</sup> for Affordable Rent. In Cotswold, CIL will be set against the new Local Plan.

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<sup>9</sup> <https://www.gov.uk/government/consultations/starter-homes-regulations-technical-consultation>

### *Environmental Standards*

- 2.55 The Government also confirmed within the *Fixing the foundations productivity report*<sup>10</sup> its intention not to proceed with the zero carbon buildings policy, which was initially announced in 2007.

*... repeat its successful target from the previous Parliament to reduce net regulation on housebuilders. The government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards, but will keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new buildings should be allowed time to become established*

- 2.56 As a result, there will be no uplift to Part L of the Building Regulations during 2016 and both the 2016 zero carbon homes target and the 2019 target for non-domestic zero carbon buildings will be dropped, including the Allowable Solutions programme. This is considered in Chapter 7 below.

### **Viability Guidance**

- 2.57 There is no specific technical guidance on how to test the viability in the CIL Regulations or Guidance. Paragraph 173 of the NPPF says: ‘..... *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.....*’ This seems quite straightforward – although ‘competitive returns’ is not defined.

- 2.58 There are several sources of guidance and appeal decisions<sup>11</sup> that support the methodology we have developed. In this study we have followed the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012<sup>12</sup> (known as the **Harman Guidance**). This contains the following definition:

*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. If these conditions are not met, a scheme will not be delivered.*

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<sup>10</sup> <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

<sup>11</sup> Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve: APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338 Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437

<sup>12</sup> Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).



- 2.59 The planning appeal decisions, and the HCA good practice publication suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with a competitive return and the inducement to sell. The Harman Guidance and *Financial viability in planning, RICS guidance note, 1st edition* (GN 94/2012) which was published during August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS)<sup>13</sup> provides viability guidance and manuals for local authorities.



- 2.60 There is considerable common ground between the RICS and the Harman Guidance but they are not consistent. The RICS Guidance recommends against the 'current/alternative use value plus a margin' – which is the methodology recommended in the Harman Guidance.

*One approach has been to exclusively adopt current use value (CUV) plus a margin or a variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus).....*

*Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)*

- 2.61 The Harman Guidance advocates an approach based on Threshold Land Value. Viability Testing in Local Plans says:

*Consideration of an appropriate **Threshold Land Value** needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making*

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<sup>13</sup> PAS is funded directly by DCLG to provide consultancy and peer support, learning events and online resources to help local authorities understand and respond to planning reform. (Note: Much of the most recent advice has been co-authored by HDH.)

*use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.*

*We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below).*

*Viability Testing in Local Plans – Advice for planning practitioners. (June 2012)*

2.62 The RICS dismisses a Threshold Land Value approach as follows:

*Threshold land value. A term developed by the Homes and Communities Agency (HCA) being essentially a land value at or above that which it is assumed a landowner would be prepared to sell. It is not a recognised valuation definition or approach.*

2.63 On face value these statements are contradictory. In order to avoid later disputes and delays, the approach taken in this study brings these two sources of guidance together. The methodology adopted is to compare the Residual Value generated by the viability appraisals, with the Existing Use Value (EUV) or an Alternative Use Value (AUV) plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the existing use value is central to the assessment of viability. It must be set at a level to provide ‘competitive returns’<sup>14</sup> to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level we make reference to the market value of the land both with and without the benefit of planning.

2.64 This approach is in line with that recommended in the Harman Guidance (as endorsed by LGA, PAS) – and also broadly in line with the main thrust of the RICS Guidance of having reference to market value. It is relevant to note that the Harman methodology was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012<sup>15</sup>. In his report, the Inspector dismissed the theory that using historical market value (i.e. as proposed by the RICS) to assess the value of land was a more appropriate methodology than using EUV plus a margin.

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<sup>14</sup> As required by 173 of the NPPF

<sup>15</sup> Paragraphs 7 to 9 of REPORT ON THE EXAMINATION OF THE DRAFT MAYORAL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE by Keith Holland BA (Hons) DipTP MRTPI ARICS an Examiner appointed by the Mayor Date: 27<sup>th</sup> January 2012

### 3. Viability Methodology

#### Viability Testing – Outline Methodology

3.1 There is no statutory technical guidance on how to go about viability testing. We have therefore followed the Harman Guidance. There was a universal consensus at the consultation event on 2<sup>nd</sup> June 2015 that this was the appropriate approach. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

**Gross Development Value**  
 (The combined value of the complete development)

LESS

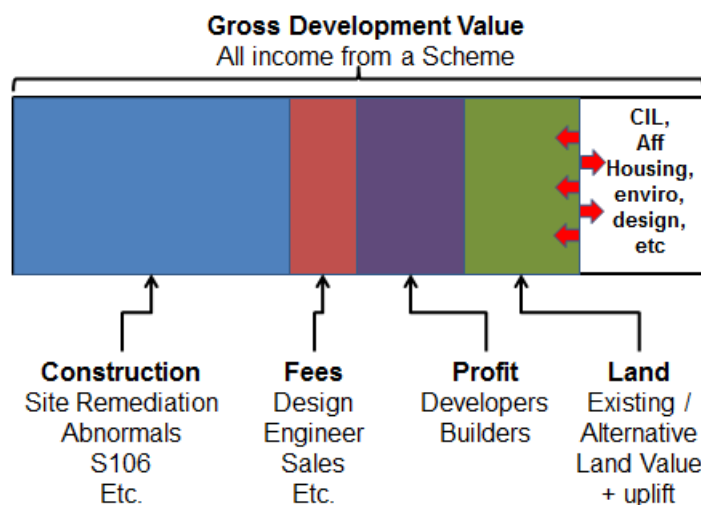
**Cost of creating the asset, including a profit margin**  
(Construction + fees + finance charges)

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**RESIDUAL VALUE**

3.2 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory profit margin.

3.3 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority) so is, to a large extent, fixed. The developer has relatively little control over the costs of development (construction and fees) and whilst there is scope to build to different standards and with different levels of efficiency the costs are largely out of the developer’s direct control – they are what they are depending on the development.



- 3.4 It is well recognised in viability testing that the developer should be rewarded for taking the risks of development. The NPPF terms this the ‘competitive return’. The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions the planning authority asks for the less the developer can afford to pay for the land. The purpose of this study is to quantify the costs of the Council’s various policies on development and to assess the effect these and of CIL and then make a judgement as to whether or not land prices are squeezed to such an extent that, in the NPPF context that the Development Plan is put at ‘serious risk’ or in the context of the CIL Guidance, whether development ‘threatened’ to such an extent that the Plan is not delivered.
- 3.5 As evidenced through the consultation the ‘likely land value’ is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the ‘uplift’: the margin above the ‘existing use value’ which would make the landowner sell. Both the RICS Guidance and the NPPG make it clear that when considering land value that this must be done in the context of current and emerging policies:
- 3.6 It is important to note that this study is not trying to exactly mirror any particular developer’s business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the NPPF and CIL Regulations.

#### **Limitations of viability testing in the context of CIL and the NPPF**

- 3.7 The high level and broad brush viability testing that is appropriate to be used to assess the effect of CIL does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer’s mind and they will proceed even if a ‘loss’ is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is actually worth, a community may extend a village hall even though the value of the facility in financial terms is not significantly enhanced or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.
- 3.8 This sets the Council a challenge when considering its proposals. It needs to determine whether or not the impact of introducing CIL on a development type that may appear only to be marginally viable will have any material impact on the rates of development or will the developments proceed anyway. It is clear that some development comes forward for operational reasons, rather than property development purposes.

#### **The meaning of ‘competitive return’**

- 3.9 The meaning of ‘competitive return’ is at the core of a viability assessment. The RICS Guidance includes the following definition:

**Competitive returns** - A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

- 3.10 Whilst this is useful it does not provide guidance as to the size of that return. To date there has been much discussion within the industry as to what may and may not be a competitive return, as yet the term has not been given a firm definition through the appeal, planning examination or legal processes.
- 3.11 Competitive return was considered at the Shinfield Appeal (January 2013)<sup>16</sup>. We have discussed this further in Chapter 6 below. More recently, further clarification has been added in the Oxenholme Road Appeal (October 2013)<sup>17</sup> where the inspector confirmed that the principle set out in Shinfield is very site specific and should only be given limited weight.
- 3.12 It should be noted that this study is about the economics of development. Viability brings in a wider range than just financial factors. The PPG says:

*Understanding Local Plan viability is critical to the overall assessment of deliverability. Local Plans should present visions for an area in the context of an understanding of local economic conditions and market realities. This should not undermine ambition for high quality design and wider social and environmental benefit but such ambition should be tested against the realistic likelihood of delivery.*

- 3.13 The following graphic is taken from the Harman Guidance and illustrates the some of the non-financial as well as financial factors that contribute the assessment process. Viability is an important factor in the plan making process but it is one of many factors.

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<sup>16</sup> APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

<sup>17</sup> APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)



3.14 The above methodology and in particular the differences between the Harman Guidance and the RICS Guidance were presented and discussed through the consultation process. There was a consensus that it was an appropriate approach.

### Existing Available Evidence

3.15 The NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of the potential impact of CIL should, wherever possible be based on existing available evidence rather than new evidence. We have reviewed the evidence that is available from the Council. This falls into three broad types:

3.16 The first is that which has been prepared by the Council to inform the emerging plan and previous plans:

- a) Gloucestershire and District Affordable Housing Site Viability Study, Fordham Research, April 2009.
- b) Strategic Employment Land Viability Assessment Viability Considerations. Hewdon Consulting, May 2014.
- c) Cotswold District Council SHLAA Viability Assessment, POS March 2014.

3.17 Secondly is that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

3.18 Our approach has been to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for setting the affordable housing target and the levels of CIL.

- 3.19 Thirdly, the Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected outside this study but will be drawn on when considering the rates of CIL. We have considered the Council's policies for developer contributions (including affordable housing) and the amounts that have actually been collected from developers.

### **Stakeholder Engagement**

- 3.20 The PPG and the CIL Guidance require stakeholder engagement – particularly with members of the development industry. The preparation of this viability assessment that covers CIL, Affordable Housing and Whole Plan and the SH&ELAA, includes specific consultation and engagement with the industry. On the 2<sup>nd</sup> June 2015 an informal consultation event was held. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited with 28 attending. In addition, representatives from neighbouring authorities attended. **Appendix 1** includes the details of those invited and the attendees and **Appendix 2** includes the presentation given.
- 3.21 The event was divided into three parts
- a) An introduction to viability testing in the context of Paragraph 173 of the NPPF and CIL Regulation 14.
  - b) Viability Assumptions. The main assumptions for the viability assessments were set out including development values, development costs, land prices, developers' and landowners' returns.
  - c) Workshop. The consultants and consultees talked through the main points. The feedback was carefully recorded.
- 3.22 A wide ranging discussion took place. The comments of the consultees are reflected through this report and the assumptions have been adjusted where appropriate. There was not agreement on all points although there was a broad consensus on most matters. Where there was disagreement we have made a judgement and set out why we have used the assumptions we have. The main points from the consultation event were:
- a) The viability methodology was appropriate.
  - b) Generally, the residential value assumptions were appropriate.
  - c) The costs of the use of stone in construction needs to be properly reflected in the build costs.
  - d) The non-residential values were appropriate.
  - e) The residential land values need revisiting as they are too low.
- 3.23 Following the event, copies of the presentation and an early draft of this report was circulated to all those invited and the attendees were asked to make any further representations by email.

- 3.24 We take this opportunity to thank those developers, landowners and agents who attended the event and provided written responses. We believe that the consultation process has been carried out fully in accordance with the requirements of the Harman Guidance.

### **Viability Process**

- 3.25 The assessment of viability as required under the NPPF and the CIL Regulations is not done using a set formula or calculation. It is a quantitative and qualitative process. The NPPF requires that *'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'<sup>18</sup>* and whether *'the cumulative impact of these standards and policies should not put implementation of the plan at serious risk'<sup>19</sup>*. The CIL Regulations require that *'councils must strike an appropriate balance between (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability'<sup>20</sup>*.
- 3.26 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for the larger sites in the Plan and a representative range of sites, and using these to assess whether development, generally, is viable. The sites were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the site modelling are set out in Chapter 9. This process ensures that the appraisals are representative of typical development in the CDC area over the plan-period.

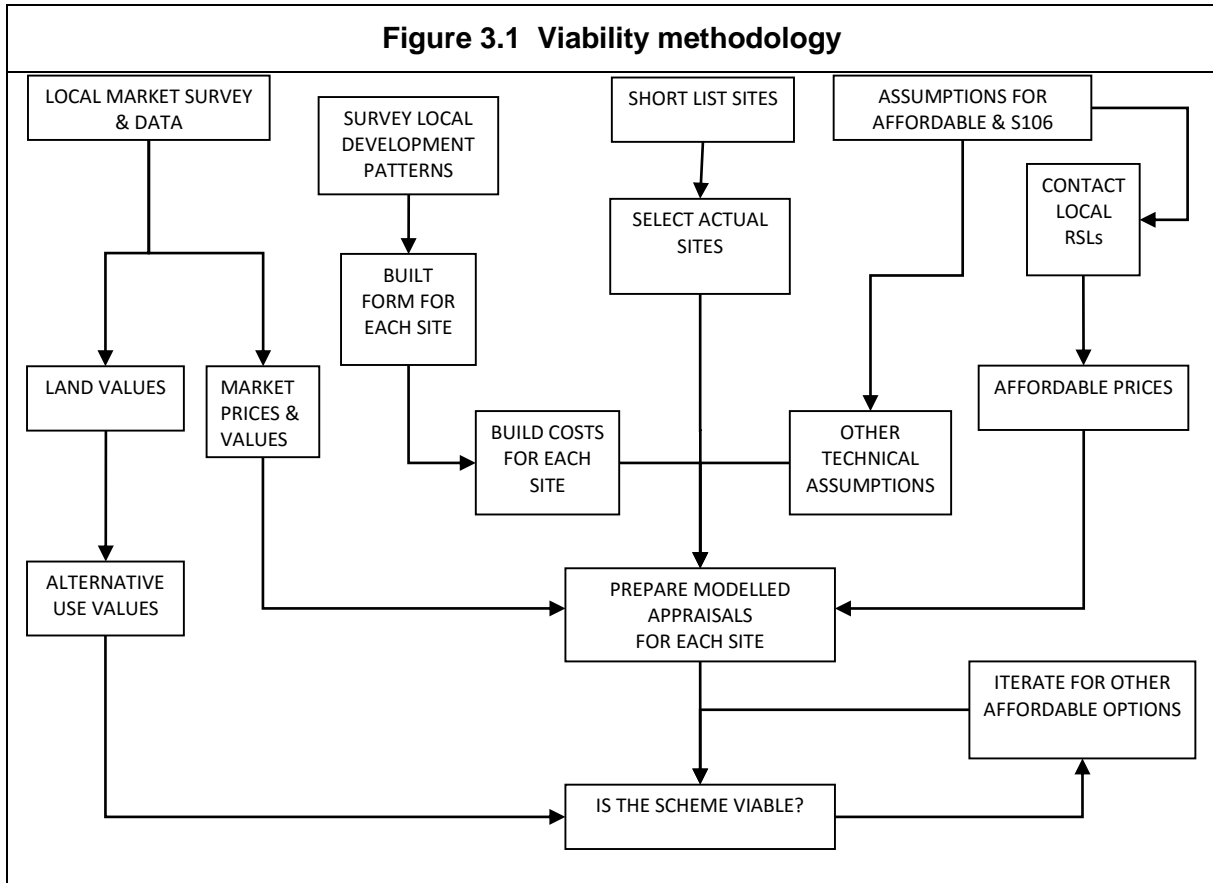
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<sup>18</sup> NPPF Paragraph 173

<sup>19</sup> NPPF Paragraph 174

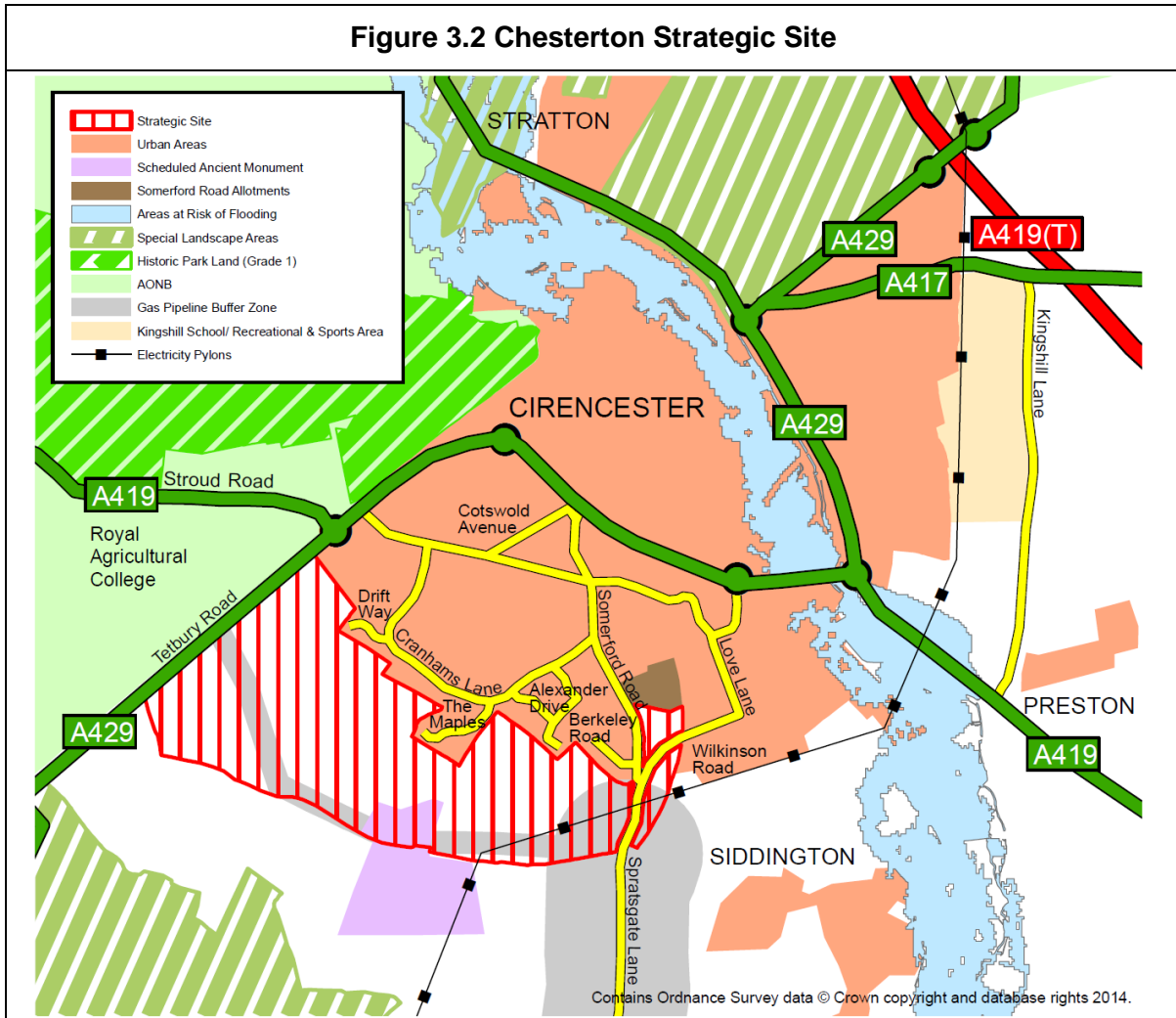
<sup>20</sup> CIL Regulation 14 (with deletions as per the February 2014 amendments).





Source: HDH 2015

3.27 In addition to modelling a range of representative sites we have also modelled the Council's strategic site at Chesterton, on the edge of Cirencester. This is of such a scale that it needs to be addressed separately.



3.28 The site has capacity for over 2,000 units and has the following vision (taken from the IDP):

*Vision for Chesterton Strategic Location*

*Development of the land south-west of Chesterton and adjacent to the Royal Agricultural College presents an opportunity to create a new and attractive south-western edge to Cirencester. This vision statement describes the ultimate ambition for the place. The development will sit comfortably within the gently undulating landform, successfully incorporating significant trees and hedgerows within green corridors. A range of public open spaces will also help to green the place. In its town planning the development will reflect the built environment of Cirencester. All buildings will exhibit high architectural quality, making optimum use of modern systems internally. The external appearance will avoid pastiche whilst preserving contact with the best local building traditions, not least in the use of high quality materials. The built environment will strike a successful balance between variety and harmony. As in the best historic townscapes the scale, massing and detailing of particular buildings will respond to the character and role of the street they address. Within the layout focal points and landmarks will be highlighted with distinctive buildings and spaces. A carefully planned network of green infrastructure will serve as a foil to the built environment, helping to create and define smaller, recognizable neighbourhoods within the development. As a consequence the layout will be easy to understand and navigate. Integration with existing streets and paths in the vicinity, which will be enhanced where necessary, will ensure this new part of Cirencester is well connected to Chesterton, the rest of the town, and the countryside beyond.*

*The mix of homes and tenure types will reflect the needs and ambition of the local community. Residents will have convenient access to community facilities such as schools, shops, health care and play areas. Sufficient employment land and buildings will be provided to ensure a wide range of job opportunities, and these will be closely integrated with residential uses where practicable. All properties will have convenient access to public transport and to a finely branched network of safe and direct walking and cycling routes, linking people to schools, work places and services, both within the development and beyond. Ready access to high speed broadband will enable home working and help reduce the number of journeys by private car. Public spaces will be well designed, with suitable management and maintenance arrangements in place to ensure their continued upkeep. All public spaces and routes will be overlooked to ensure they feel safe.*

*This new part of Cirencester will have a range of site wide features to reduce its environmental impact including low carbon energy generation, SuDS and convenient access to recycling facilities. Homes will provide ample space for living and storage. Allotments and gardens will provide opportunities for residents to grow their own food. The development will promote innovation in residential, commercial and infrastructure design with a view to achieving more sustainable ways of living and a place that is future-proof. Essential infrastructure and services will be fully integrated in the design of the place from the outset and delivered in phase with the building work.*

- 3.29 The appraisals are based on emerging policy requirements and include appropriate sensitivity testing of a range of scenarios including different levels of affordable housing provision and different development requirements, including different levels of developer contributions and different levels of developer contributions towards infrastructure and mitigation costs.
- 3.30 We surveyed the local housing and commercial markets, in order to obtain a picture of sales values. We also assessed land values to calibrate the appraisals and to assess existing and alternative use values. Alongside this we considered local development patterns, in order to arrive at appropriate built form assumptions for those sites where information from a current planning permission or application was not available. These in turn informed the appropriate build cost figures. A number of other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still return a target profit level.
- 3.31 The appraisals are based on the policies set out in the emerging Plan (a full 'policy on' scenario). For appropriate sensitivity testing we have assessed of a range of scenarios including different levels of affordable housing provision and different levels of developer contributions.
- 3.32 It is important to note that should the Council develop further policies over and above those tested in this study, that it may be necessary to revisit viability and consider the impact of those further requirements.
- 3.33 We surveyed the local housing and commercial markets, in order to obtain a picture of sales values. We also assessed land values to calibrate the appraisals and to assess Alternative Use Values. Alongside this we considered local development patterns, in order to arrive at appropriate built form assumptions for those sites where information from a current planning permission or application was not available. These in turn informed the appropriate build cost figures. A number of other technical assumptions were required before appraisals could be

produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still return a target profit level.

- 3.34 The Residual Value was compared to the Existing Use Value (EUV) for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin, could the scheme be judged to be viable.
- 3.35 We have used a bespoke viability testing model designed and developed by us specifically for area wide viability testing as required by the NPPF and CIL Regulations<sup>21</sup>. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality and to provide high level advice to assist the Council in assessing the deliverability of the Detailed Policies and Sites Plan and to set CIL.

### **Additional Profit**

- 3.36 In order to assess whether or not a contribution to CIL can be made, a calculation needs to be undertaken to establish the '*additional profit*'.
- 3.37 *Additional Profit* is a concept that we have developed and it is the amount of profit over and above the normal profit (or competitive return) made by the developers having purchased the land (alternative land value plus uplift), developed the site and sold the units (including providing any affordable housing that is required). In this study '*normal profit*' is the 20% of the development value that we used in the appraisals (see Chapter 7). Our approach to calculating additional profit is to complete the appraisal using the same base cost and price figures and other financial assumptions as used to establish the Residual Value, except for S106 obligations which are to be replaced, in part, by CIL, but instead of calculating the Residual Value we incorporate the cost of the land (Alternative Use Value plus uplift) into the cost side of the appraisal to show the resulting profit (or loss).
- 3.38 The amount by which the resulting profit exceeds the target level of profit, represents the additional profit, and provides a measure of the scope for contributing to CIL without impairing development viability. CIL contributions can viably be paid out of this additional profit.
- 3.39 The starting point of these calculations is to base them on the Council's current affordable housing target and development requirements. The following formula was used:

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<sup>21</sup> This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England (and, to a lesser extent, Wales).

**Gross Development Value**

(The combined value of the complete development  
including x% affordable housing)

LESS

**Cost of creating the asset, including a profit margin**

(land\* + construction + fees + finance charges + developers' profit)  
including mitigation measures, and affordable housing commuted sums

=

**Additional Profit**

\* Where 'land' is the Alternative Use Value and uplift'

**Development Types**

- 3.40 The modelling in this study was based on the types of development most likely to come forward on the sites within the Plan. The modelling is set out in Chapter 9. The work in this study is proportionate to allowing a judgement be made as to whether the cumulative impact of the policies put the Plan at serious risk and whether CIL will threaten the development and delivery of the Plan.

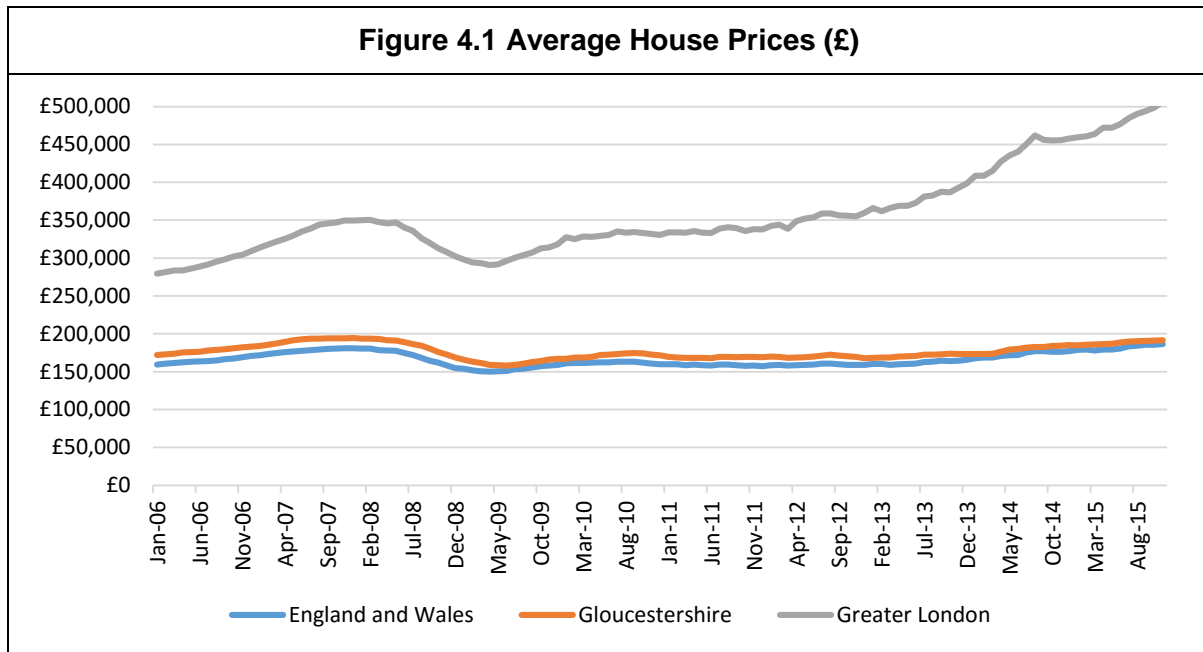


## 4. Residential Property Market

- 4.1 This chapter sets out an assessment of the housing market (including sheltered and extracare housing), providing the basis for the assumptions on house prices to be used in the financial appraisals for the sites tested in the study. We are concerned not just with the prices but the differences across different areas.
- 4.2 Although development schemes do have similarities, every scheme is unique, even schemes on neighbouring sites. Market conditions will broadly reflect a combination of national economic circumstances, and local supply and demand factors, however, even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs.
- 4.3 For the practical purposes we have based the research on the settlements referred to in the Cotswold District Strategic Housing Land Availability Assessment review (October 2012) where the main focus for growth will be the ten key market towns and villages of:
- Bourton-on-the-Water
  - Chipping Campden
  - Cirencester
  - Fairford
  - Lechlade
  - Moreton-in-Marsh
  - Northleach
  - South Cerney
  - Stow-on-the-Wold
  - Tetbury
- 4.4 Under the emerging Local Plan paragraph 3.6, limited development to meet local needs will also be supported in the additional key Sustainable Settlements of:
- Andoversford
  - Blockley
  - Down Ampney
  - Kemble
  - Mickleton
  - Upper Rissington
  - Willersley

### **The Residential Market**

- 4.5 The current direction and state of the housing market has markedly improved recently. The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'.
- 4.6 Average house prices across England and Wales have recovered to their pre-recession peak, however this is strongly influenced by London. Prices in London are now well in excess of the 2007/2008 peak but as can be seen in the Regions, away from the South East, in areas such as Gloucestershire (the Land Registry does not disaggregate this data to district level in Gloucestershire), there has been a general recovery, however prices are marginally below the previous peak.



- 4.7 Up to the pre-recession peak of the market, the long term rise in house prices had, as least in part, been enabled by the ready availability of credit to home buyers. Prior to the increase in prices, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s, but took off in the early part of the 21<sup>st</sup> Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, they entered into complex financial engineering through which, amongst other things, they borrowed money in the international markets, to then lend on at a margin or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage backed securities and derivatives etc.).
- 4.8 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow (and then lend on) was not certain. As a result, several failed and had to be rescued. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK the high profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had the least risk of default and those with large deposits.
- 4.9 It is important to note that at the time of this report (April 2016) the housing market is actively supported by the current Government with about one third of mortgages being provided through a state backed entity or scheme (a publically controlled financial institution or assisted purchase scheme such as shared ownership).



- 4.10 There are various commentators talking about a recovery in house prices. As shown in the figure above, average prices in Gloucestershire have more or less recovered to the late 2007 peak. There has been considerable coverage in the national press:

*The June RICS Residential Market Survey shows a further acceleration in price growth with the headline price balance hitting an eleven month high 40. Prices are reported to be rising in the majority of areas, with Northern Ireland and East Anglia seeing particularly firm momentum during the month. Driving this pick up in growth was a further modest rise in demand across most parts of the UK alongside yet another decrease in the level on new instructions.*

*... With mortgage rates still near record lows and the labour market continuing to strengthen, this modest increase in demand is no real surprise. Although the most recent mortgage approvals data (from the Bank of England) for May show a 4.7% fall versus the April figure, this probably just reflects some recoil from the sharp rise the previous month, and the underlying trend does appear to be gently upwards. Reflecting this, respondents expect activity levels to pick up across all areas over the coming three months....*

*The outlook for prices strengthened once again in June with respondents in all areas now expecting an increase at both the three and twelve month horizons. A net balance of 41% of respondents envisage prices rising in the coming three months while twelve month expectations reached a 15 month high of 75. Contributors, on average, foresee prices rising by a little over 3% in the year with price growth accelerating thereafter to an average of 4.8% per annum over the coming 5 years.*

*The RICS reported in the RICS UK Residential Market Survey (June 2015)*

- 4.11 The BBC News reported on 6<sup>th</sup> August 2015:

*Growth in UK house prices slowed in the year to July, the country's largest mortgage lender has said, although they are still rising "robustly".*

*The Halifax said that prices rose at an annual pace of 7.9% last month - down from 9.6% in June.*

*During July itself, prices actually fell, by 0.6%, the largest monthly drop since April 2014.*

*It brings the average price of a flat or house across the country back down to £198,883.*

*The sharp fall in July was described as "a correction" by Howard Archer, chief UK economist with IHS Global Insight, following a 1.6% rise in prices in June.*

*The Halifax figures are in contrast to those from rival lender Nationwide, which said earlier this week that the rate of house price growth picked up to 3.5% in July, from 3.3% a month earlier.*

'Continuing recovery'

*However, the Halifax said it expected strong growth in prices for the rest of the year.*

*"The underlying pace of house price growth remains robust notwithstanding the easing in July," said Stephen Noakes, Halifax's managing director of retail customer products.*

*"Continuing economic recovery, earnings growth in excess of consumer price inflation, and very low mortgage rates all underpin housing demand."*

*Mr Archer said the contrasting figures from the Halifax and Nationwide served as a warning against reading too much into any one survey.*

<http://www.bbc.co.uk/news/business-33800016>

- 4.12 This improved sentiment can also be seen in the non-residential sectors:

*The Q2 2015 RICS UK Commercial Property Market Survey results continue to paint a robust picture of the commercial real estate sector's health, with strong demand from investors and occupiers alike showing no sign of waning. These firm trends are helping to push capital value and rental expectations higher both in the near term and further out.*

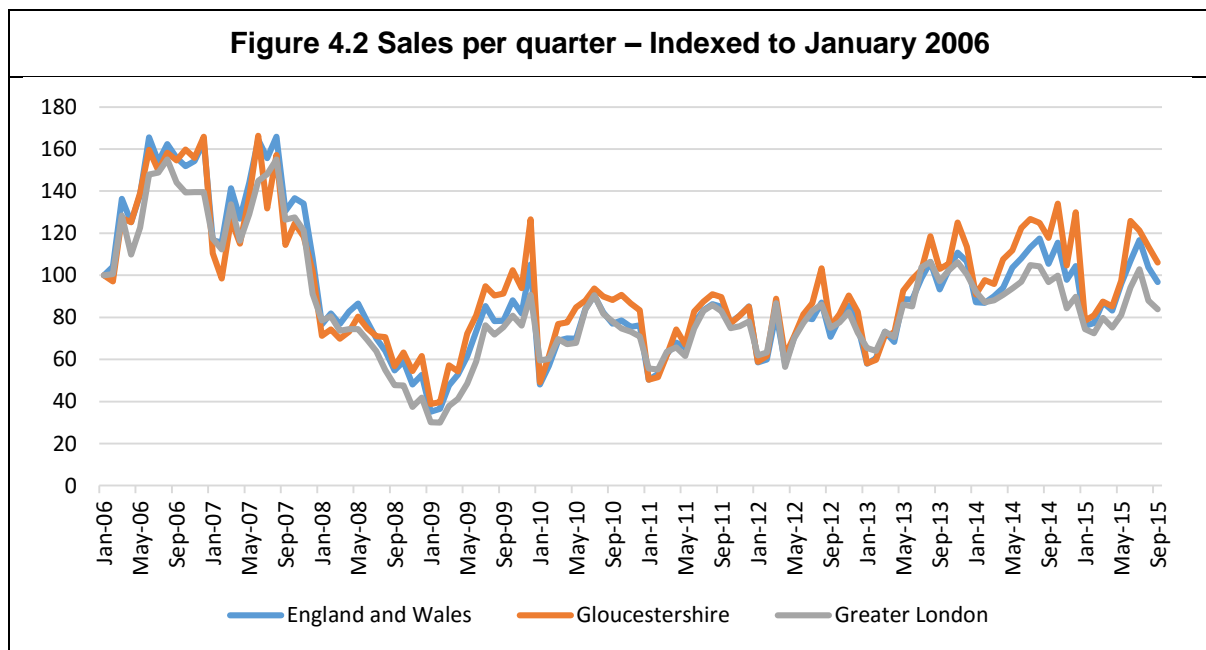
To start with feedback on the occupier market, survey data shows demand for leasable space has now been rising for eleven quarters in succession (extending the longest run of uninterrupted occupier demand growth since the surveys inception in 1998). The retail sector continues to see more modest gains relative to office and industrial space, although the gap has narrowed somewhat recently.

At the same time, available space fell once more, a trend which has now persisted for nine consecutive quarters. Again, the steepest declines were reported in the office and industrial sectors (severely restricted supply is frequently mentioned as an issue by contributors). In a sign of the improving health of the market, the value of landlord incentive packages decreased further in each sector.

RICS Commercial Market Survey UK Q2 2015

4.13 Cotswold District has a mixed residential market which is strongly influenced by London, Oxford, Bristol and Swindon. When ranked across England, the average house price for the District is 66<sup>th</sup> at £250,000<sup>22</sup>. To set this in context, the Council at the middle of the rank (174), Lichfield has an average price of just under £202,00<sup>23</sup>. It is relevant to note that the median price in Cotswold is significantly lower than the mean which is £328,542.

4.14 The above figure shows that prices in Gloucestershire have seen a recovery since the bottom of the market in mid-2009 and are on an upward trajectory. The rate of sales (i.e. sales per month) in the County has fallen substantially and is still running below that seen at the previous peak of the market – although it is a little better than the wider market and is seeing a firm recovery.



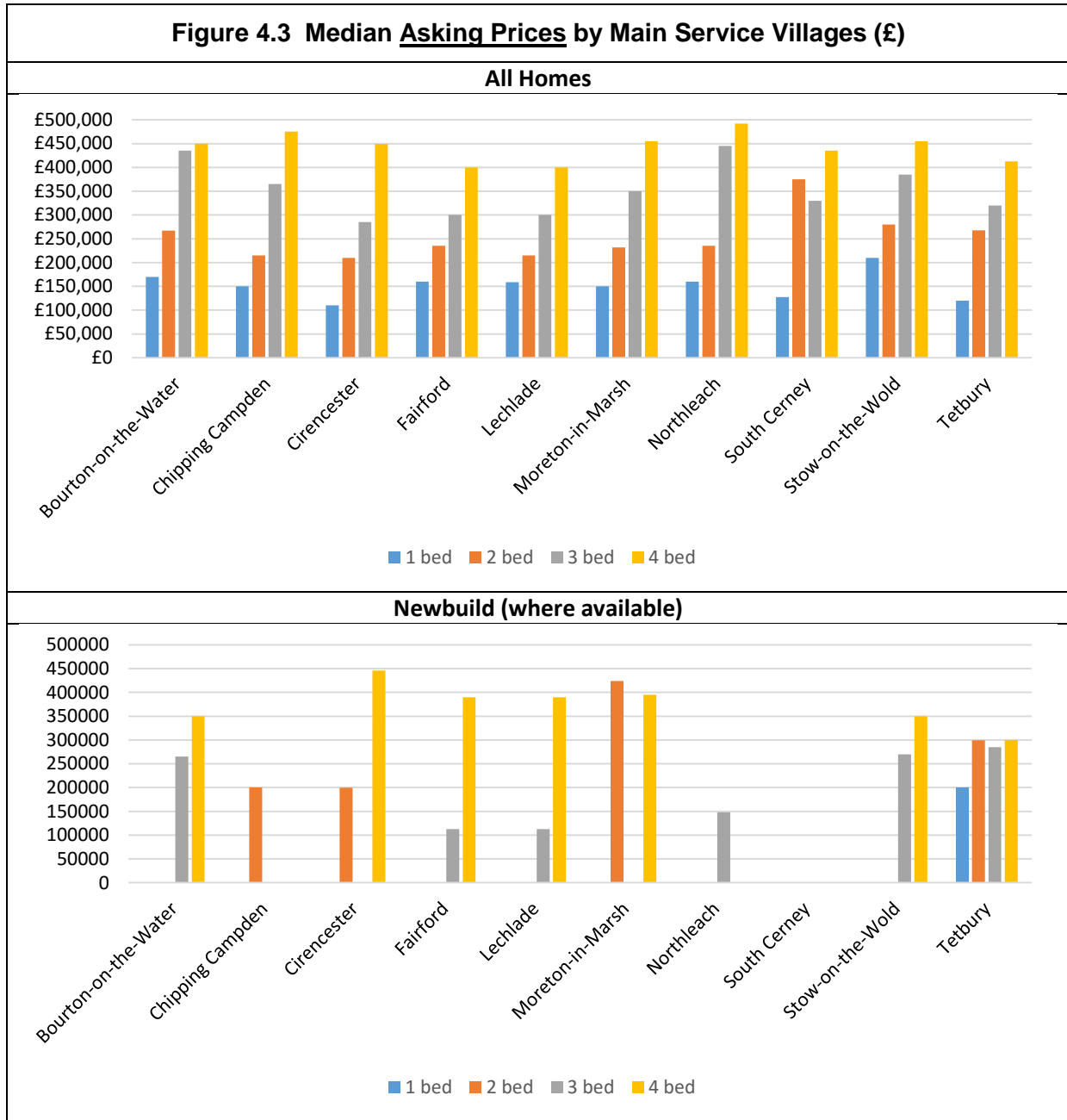
<sup>22</sup> CLG Live Table 581 (Last Update April 2014)

<sup>23</sup> CLG Live Table 582 (Last updated April 2014)

- 4.15 It is not for this study to try to predict how the market may change in the coming years, and whether or not there will be a further increase in house prices. Having said this, it notable that property agents Savills are predicting a 2.0% increase in 2016, a 3.0% increase in 2017 and a 19.9% increase over the next 5 years in the prime 'Wider South of England' residential markets<sup>24</sup>, and a 6.0% increase in 2016, a 3.5% increase in 2017, and a 19.9% increase over the next 5 years in the mainstream South West residential markets.
- 4.16 To assist the Council to 'strike the balance' in an informed way, we have run further sets of appraisals to show the effect of a 5% and 10% increase, and a 5% and 10% decrease in house prices.
- 4.17 We carried out a survey of asking prices by house size by settlement. Through using online tools such as rightmove.com, zoopla.co.uk and other resources we estimated the median asking prices for the main settlements.

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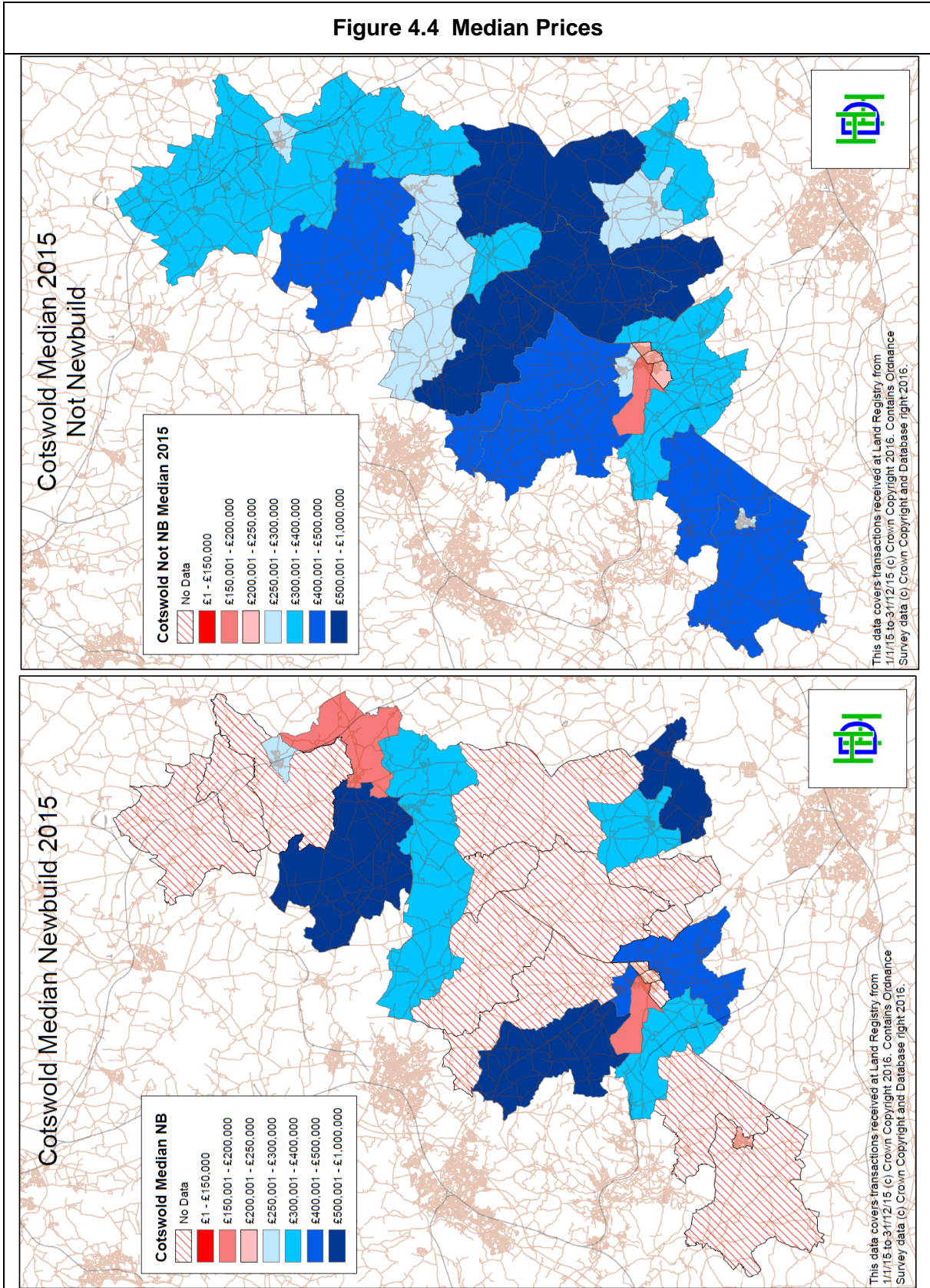
<sup>24</sup> Residential Property Focus. Savills. Issue 3 2015 - <http://pdf.euro.savills.co.uk/uk/residential-property-focus-uk/residential-property-focus-issue-3.pdf>



Source: Rightmove.com (May 2015)

4.18 The geographical difference in prices are illustrated in the following map showing the average sold price for new homes and not new homes.

Figure 4.4 Median Prices



Source: HDH based on Land Registry Data

## Newbuild Sales Prices

- 4.19 This study is concerned with the viability of newbuild residential property so the key input for the appraisals are the prices of units on new developments. We conducted a survey of new homes for sale during May 2015. A summary of new developments in the District is provided below. We identified 29 new homes for sale on 9 different sites. The prices range from £199,900 to £589,995 with an average price of £408,723. For the purpose of this study the information is needed in a £/m<sup>2</sup> basis. This is also shown below, however the information collected was not comprehensive as different developers and agents make different levels of information available.
- 4.20 The analysis of these shows that asking prices for newbuild homes vary across the area ranging between £2,561/m<sup>2</sup> to £4,062/m<sup>2</sup>. These are summarised in the table below – note this table only shows values where £/m<sup>2</sup> were available.

| <b>Table 4.1 Newbuild Asking Prices – May 2015 (£/m<sup>2</sup>)</b> |                  |         |         |         |
|--|------------------|---------|---------|---------|
|  |                  | Minimum | Average | Maximum |
| <b>Houses</b>  |                  |         |         |         |
| Victory Fields   | Upper Rissington | £3,090  | £3,230  | £3,517  |
| Stoneleigh   | Fairford         |         |         |         |
| Victory Fields   | Upper Rissington | £3,238  | £3,564  | £4,062  |
| Quercus Grange   | Tetbury          | £3,333  |         | £3,357  |
| Peglers Ct   | Tetbury          |         | £3,377  |         |
| Woolrich House   | Cirencester      |         | £3,088  |         |
| Fairford Gate  | Fairford         | £2,561  | £3,120  | £3,878  |
| Cerney on the Water  | South Cerney     | £3,180  | £3,462  | £3,765  |
| <b>Flats</b>   |                  |         |         |         |
| Spitalgate House   | Cirencester      |         | £3,382  |         |

Source: HDH Market Survey (May 2015)

- 4.21 This data was refreshed in January 2016 when 75 new homes for sale on 20 different sites were identified. The prices range from £214,000 to £3,000,000 with an average price of £605,000 – all very much higher than when the survey was undertaken in May 2015. As above, for the purpose of this study the information is needed in a £/m<sup>2</sup> basis. This is also shown below, however the information collected was not comprehensive as different developers and agents make different levels of information available.
- 4.22 The analysis of these shows that asking prices for newbuild homes vary, very considerably, across the area ranging between £2,223/m<sup>2</sup> to £9,291/m<sup>2</sup> with an average of £3,696/m<sup>2</sup>. These are summarised in the table below – note, as above, this table only shows values where £/m<sup>2</sup> were available.

| <b>Table 4.2 Newbuild Asking Prices – January 2015 (£/m<sup>2</sup>)</b> |                      |        |         |        |
|--|----------------------|--------|---------|--------|
| <b>Houses</b>  |                      | Min    | Average | Max    |
| Ferrers Park   | Lechlade             | £3,219 | £3,538  | £3,725 |
| Fairford Gate  | Fairford             | £3,385 | £3,677  | £4,241 |
| Victory Fields   | Upper Rissington     | £2,223 | £3,330  | £4,148 |
| Bourton Chase  | Bourton-on-the-Water | £3,167 | £3,427  | £3,600 |
| The Old Coach Yard   | Tetbury              | £2,609 |         | £4,670 |
| The Willows  | Kempsford            | £2,875 | £3,329  | £3,580 |
| Quercus Grange   | Tetbury              | £3,297 |         | £3,611 |
| The Gateway  | Cirencester          |        | £3,227  |        |
| Honeystones  | Bourton-on-the-Water | £3,333 | £3,584  | £4,210 |
| Victory Fields   | Upper Rissington     | £2,809 | £3,310  | £4,487 |
| Lower Mill   | Somerfield Keynes    |        | £2,950  |        |
| The Mallards   | South Cerney         | £3,066 | £5,010  | £9,291 |
| Phillips Lea   | Kemble               | £3,902 | £4,197  | £4,524 |
| Birdlip  | Gloucester           |        | £3,992  |        |
| Bagendon   | Cirencester          | £4,159 | £4,241  | £4,282 |
| Ready Token  | Cirencester          |        | £4,115  |        |
| <b>Flats</b>   |                      |        |         |        |
| Beecham Lodge  | Cirencester          | £4,142 |         | £4,279 |
| The Old Coach Yard   | Tetbury              | £2,952 |         | £3,313 |

Source: HDH Market Survey (January 2016)

- 4.23 During the course of the research, we contacted many of the sales offices and agents to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that the units were ‘realistically priced’ or ‘priced to sell’ and we were told that as the market was strong the large discounts that were available are no longer offered. When pressed, it appeared that the discounts and incentives offered equated to about 2.5% of the asking prices. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 2.5% less than the above asking prices.
- 4.24 One of the consultees suggested that a 5% discount on asking prices was more appropriate. We have revisited our research and consider the 2.5% assumption an appropriate reflection of the market, although it was clear that there is a difference between those seeking to purchase under Help to Buy where very limited discounts from the asking price are available.
- 4.25 We have reviewed recent newbuild sales prices from the Land Registry. The Land Registry publishes data of all homes sold. In the CDC area there were 308 new homes sold in 2015. These transactions are summarised as follows and detailed in **Appendix 3**.
- 4.26 These values are significantly higher than the median price for all houses in the District.

- 4.27 Each house sold requires an Energy Performance Certificate. This is a public document that can be viewed on the EPC Register. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of information about the construction and energy performance of the building. This GIA information is also included in **Appendix 3**.
- 4.28 We have married the price paid data from the Land Registry with the homes' floor area from the EPC Register:

| <b>Table 4.3 Newbuild Sales and Area Analysis 2014</b> |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
|  | Detached      | Semi-detached | Terrace       | Flat          | All           |
| Count  | 152           | 63            | 36            | 11            | 262           |
| <b>Values</b>  |               |               |               |               |               |
| Max  | £840,000      | £465,000      | £499,950      | £440,000      | £840,000      |
| Min  | £125,000      | £165,000      | £65,000       | £104,200      | £65,000       |
| Mean   | £408,869      | £263,996      | £285,166      | £224,682      | £349,303      |
| Median   | £399,950      | £249,000      | £280,000      | £230,000      | £341,498      |
| <b>Size (m<sup>2</sup>)</b>                            |               |               |               |               |               |
| Max  | 237           | 172           | 182           | 133           | 237           |
| Min  | 64            | 64            | 42            | 37            | 37            |
| Mean   | 135           | 96            | 105           | 74            | 120           |
| Median   | 131           | 94            | 95            | 73            | 120           |
| <b>£/m<sup>2</sup></b>                                 |               |               |               |               |               |
| <b>Mean</b>  | <b>£3,060</b> | <b>£2,787</b> | <b>£2,728</b> | <b>£3,116</b> | <b>£2,950</b> |
| <b>Median</b>  | <b>£3,098</b> | <b>£2,857</b> | <b>£2,826</b> | <b>£3,014</b> | <b>£2,996</b> |

Source: Land Registry and EPC Register (August 2015)



| <b>Table 4.4 Newbuild Sales and Area Analysis 2015</b> |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
|  | Detached      | Semi-detached | Terrace       | Flat          | All           |
| Count  | 77            | 61            | 40            | 8             | 186           |
| <b>Values</b>  |               |               |               |               |               |
| Minimum  | £170,000      | £145,000      | £149,400      | £85,000       | £85,000       |
| Average  | £328,045      | £209,606      | £222,634      | £164,000      | £259,477      |
| Medium   | £317,995      | £210,000      | £189,998      | £173,000      | £240,000      |
| Maximum  | £784,000      | £340,000      | £465,000      | £285,000      | £784,000      |
| <b>Size (m<sup>2</sup>)</b>                            |               |               |               |               |               |
| Minimum  | 61.0          | 58.0          | 62.0          | 36.0          | 36.0          |
| Average  | 131.3         | 85.6          | 88.5          | 59.1          | 103.2         |
| Medium   | 126.0         | 80.0          | 80.5          | 61.0          | 98.0          |
| Maximum  | 410.0         | 153.0         | 192.0         | 75.0          | 410.0         |
| <b>£/m<sup>2</sup></b>                                 |               |               |               |               |               |
| <b>Mean</b>  | <b>£2,538</b> | <b>£2,467</b> | <b>£2,532</b> | <b>£2,485</b> | <b>£2,511</b> |
| <b>Median</b>  | <b>£2,422</b> | <b>£2,500</b> | <b>£2,506</b> | <b>£2,820</b> | <b>£2,471</b> |

Source: Land Registry and EPC Register (January 2016)

- 4.29 The distribution of newbuild sale prices is shown in the map above.
- 4.30 We have compared these values to those found by the Council's most recent viability work, being the SHLAA Viability Assessment (March 214) which said:

*5.2 The values of the affordable housing assume a figure of £1,300m<sup>2</sup> for affordable rent together with a figure of 70% of market value for shared ownership properties and 50% of market value for social rent as shown below.*

|  | Market Housing (£/m <sup>2</sup> ) | Shared Ownership (£/m <sup>2</sup> ) | Affordable Rent (£/m <sup>2</sup> ) | Social Rent (£/m <sup>2</sup> ) |
|--|------------------------------------|--------------------------------------|-------------------------------------|---------------------------------|
| Cirencester, Tetbury, Moreton-in-Marsh and Bourton-on-the- Water | 3,000                              | 2,100                                | 1,300                               | 1,500                           |
| Elsewhere in the District  | 3,200                              | 2,240                                | 1,300                               | 1,600                           |

- 4.31 The table below shows average prices in the study area for the latest available month from the Land Registry and, for context the prices for the last two years. Although the Land Registry data covers both second-hand and newbuild prices, the former will predominate.

| <b>Table 4.5 Average house prices</b> |          |          |               |          |          |
|---------------------------------------|----------|----------|---------------|----------|----------|
|                                       | All      | Detached | Semi-detached | Terraced | Flats    |
| <b>Gloucestershire</b>                |          |          |               |          |          |
| November 2015                         | £191,286 | £321,800 | £177,278      | £148,455 | £127,672 |
| November 2014                         | £184,400 | £310,214 | £170,896      | £143,111 | £123,076 |
|                                       | 3.73%    | 3.73%    | 3.73%         | 3.73%    | 3.73%    |
| <b>England and Wales</b>              |          |          |               |          |          |
| November 2015                         | £186,325 | £292,778 | £177,022      | £140,253 | £177,601 |
| November 2014                         | £176,464 | £276,600 | £167,764      | £133,293 | £168,055 |
|                                       | 5.59%    | 5.85%    | 5.52%         | 5.22%    | 5.68%    |

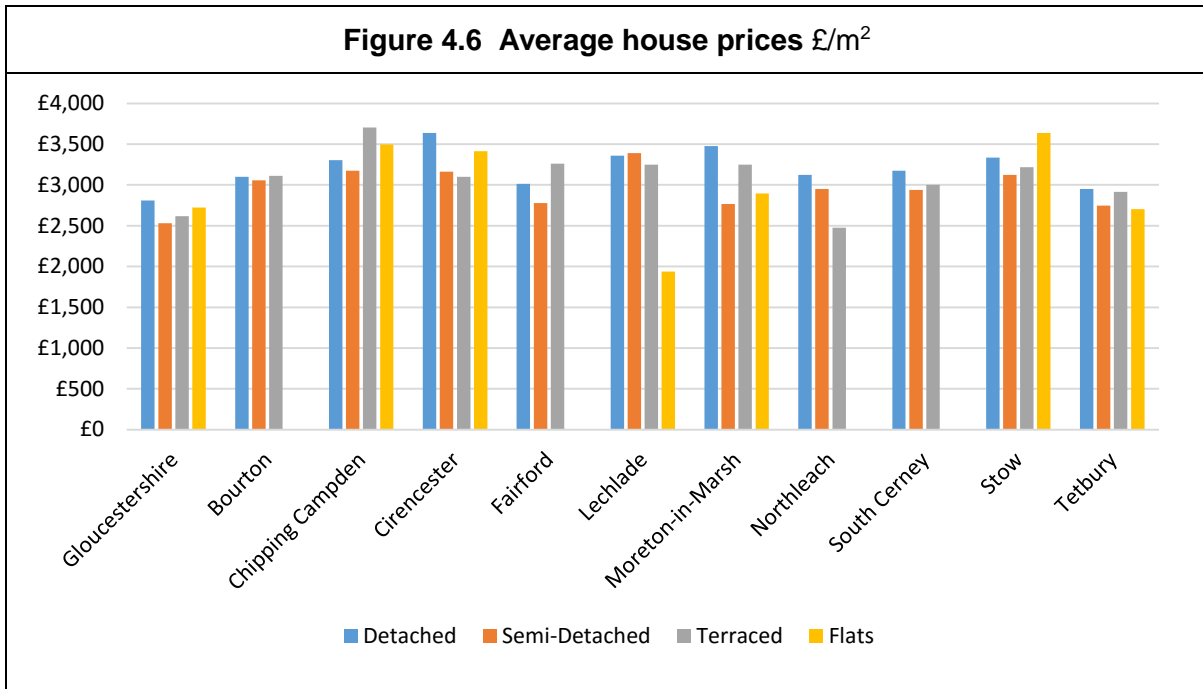
| Property Type | Gloucestershire (Nov 2014) | Gloucestershire (Nov 2015) | England and Wales (Nov 2014) | England and Wales (Nov 2015) |
|---------------|----------------------------|----------------------------|------------------------------|------------------------------|
| All           | £184,400                   | £191,286                   | £184,400                     | £186,325                     |
| Detached      | £310,214                   | £321,800                   | £276,600                     | £292,778                     |
| Semi-detached | £170,896                   | £177,278                   | £167,764                     | £177,022                     |
| Terraced      | £143,111                   | £148,455                   | £133,293                     | £140,253                     |
| Flats         | £123,076                   | £127,672                   | £168,055                     | £177,601                     |

Source: Land Registry data (January 2016)

- 4.32 Prices in Cotswold are above the England and Wales average (except flats) and prices have increased less rapidly than in England and Wales as a whole. This point was highlighted through the consultation process where attention was drawn to research by Lloyds TSB<sup>25</sup> that indicated that house prices within AONBs are typically 9% more, on average, than sites outside an AONB.

<sup>25</sup> The Lloyds TSB Areas of Outstanding Natural Beauty (AONB) House Price Review (2012)

4.33 There are various other sources of price information. Zoopla.com produces price reports, including £/m<sup>2</sup> information that is not generally available elsewhere. It is important to note that these prices relate to all sales and not just newbuild sales.



### Price Assumptions for Financial Appraisals

- 4.34 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries.
- 4.35 Based on the asking prices from active developments, and informed by the general pattern of all house prices across the study area, we set the prices in the appraisals at the following levels. It is important to note at this stage that this is a broad brush, high level study to test the Council's policy as required by the NPPF and to inform the setting of CIL as required by CIL Regulation 14. The values between new developments and within new developments will vary considerably.
- 4.36 Overall there is relatively little difference in house prices across the area, on the whole prices vary by situation rather than by location. In this study we have used the following values, dividing the assumptions by the principle settlements and by the nature of development sites.

|   | Small Schemes | Estate Housing |
|---|---------------|----------------|
| Cirencester, Tetbury, Moreton-in-Marsh and Bourton-on-the-Water | 3,250         | 3,100          |
| All other areas   | 3,500         | 3,250          |

Source: January 2016

- 4.37 When the above prices were discussed at the consultation on 2<sup>nd</sup> June 2015, there was a consensus that for a broad study they were representative – although it was also noted that values will vary from scheme to scheme and even within schemes. In spite of a general improvement in the housing market since this project started we have not increased the values in this iteration of the report.
- 4.38 It is necessary to consider whether the presence of affordable housing would have a discernible impact on sales prices. Affordable housing will be present on many of the sites whose selling prices have informed our analysis. Our view is that, any impact can and should be minimised through an appropriate quality design solution.

### **Affordable Housing**

- 4.39 The Council has a policy for the provision of affordable housing (the requirements are summarised in Chapter 8). In this study we have assumed that such housing is constructed by the site developer and then sold to a Registered Provider (RP). This is a simplification of reality as there are many ways in which affordable housing is delivered, including the transfer of free land to RPs for them to build on or the retention of the units by the schemes overall developer. There are three main types of affordable housing: Social Rent, Affordable Rent and Intermediate Housing Products for Sale.
- 4.40 Prior to the 2015 Summer Budget, rents of affordable housing (both Affordable Rents and Social Rents) were generally increased by inflation (CPI) plus up to 1% each year. These provisions were to prevail until 2023. The result was that Housing Associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them a particularly attractive and secure form of investment or security for a loan.
- 4.41 In the Budget it was announced that social and affordable rents would be reduced by 1% per year for 4 years<sup>26</sup>.
- 4.42 It is too early to be certain of the impact and effect on the delivery of new housing, but the knock on effect of reducing rents is inevitably going to have an effect on values. There are a number of views as to what impact this change may have. Savills said in their paper *Impact On The Housing Sector of the July Budget*:

### **VALUATIONS**

#### **Valuations for Accounts – Existing Use Value Social Housing**

*The effect of the proposed rent reductions on valuations for accounts is significant.*

*The scale of the effect is broadly similar across different Provider types and we estimate will result in a reduction in current values of around 25%-30%. The impact will increase in future years. Relative to what they would have been, we estimate valuations will be some 30%-40% lower in ten years time.*

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<sup>26</sup> We understand that the objective is to reduce the overall costs of Housing Benefit / Local Housing Allowance / Universal Credit to the Exchequer.

The RPs at the higher end of the reduction scale tend to be those with smaller surpluses.

**Valuations for Loan Security – Existing Use Value for Social Housing**

Valuations for loan security on an EUV-SH basis are undertaken against the background of the rent freedoms granted to mortgagees in possession (and the landlord they sell the stock to) under the insolvency provisions originally in the Rent Influencing Guidance and now in the Rent Standard. Similar exemptions for mortgagees are contained in the Welfare Reform and Work Bill now before Parliament.

Our interpretation of these provisions is that Mortgagees and their successors would be able to charge a rent that they consider ‘affordable’ to those in low paid employment, and would be able to increase that rent in line with earnings in order to maintain a level affordability ratio (rent over household income). In our view valuations for loan security can therefore be based on rents and rent growth that sit outside the new rent regime.

As a result – on the assumption that the insolvency provisions in the Bill remain as they are - it is our view that the proposal to reduced rents by 1% per annum for the next four years **should not significantly affect current loan security valuations**. Our valuations would assume the current rent could quickly converge to our opinion of an appropriate ‘affordable’ rent and continue to grow in line with earnings – which we generally assume over the longer term is broadly equivalent to CPI+1% - and keep in step with growth in the sector over the long term.

However valuations in future years valuations will not grow as previously expected (eg circa 5% relative reduction by year 10) as the starting rent for future valuations will be lower than it otherwise would have been.

Of course the Budget provisions may impact on bad debts, voids and discount rates which may adversely feed through into EUV-SH valuations.

- 4.43 It is clearly necessary to reconsider the value of affordable housing. Whilst this is a rapidly changing area it is possible to make some assumptions. From a valuation perspective, we reconsidered the value of affordable housing from first principles and adjusted the yield by up to 50 basis points (BPS) (i.e. 0.5%)<sup>27</sup>. We have also specifically consulted with housing associations operating in the area as well as agents acting for developers.

*Social Rent*

- 4.44 The value of a rented property is strongly influenced by the passing rent – although factors such as the condition and demand for the units also have a strong impact. Social Rents are set at a local level through a national formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent:

| <b>Table 4.7 Social Rent (£) Fiscal Calendar 2015</b> |           |            |            |            |
|---|-----------|------------|------------|------------|
|   | 1 Bedroom | 2 Bedrooms | 3 Bedrooms | 4 Bedrooms |
| Per week  | £83       | £101       | £115       | £131       |
| Per Month   | £361      | £437       | £499       | £567       |
| Per Year  | £4,331    | £5,243     | £5,983     | £6,808     |

Source: HCA Statistical Return (September 2015)

<sup>27</sup> An increase in yields leads to a reduction in prices.

- 4.45 This study concerns only the value of newly built homes. In spite of the differences in rents there seems to be relatively little difference in the amounts paid by RPs for such units across the study area – and there is very little such housing being developed.
- 4.46 Generally, we have not found clear evidence of significant differentiation of social rents across the area. Initially in this study we have assessed the value of social rents assuming 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 5%<sup>28</sup>. In this iteration of the report we have capitalised the income at 5.5%, reflecting the changes due to the Summer Budget.

| <b>Table 4.8 Capitalisation of Social Rents</b> |            |            |             |
|---|------------|------------|-------------|
|   | 1 Bedroom  | 2 Bedrooms | 3+ Bedrooms |
| Gross Rent                                      | £4,331     | £5,243     | £5,983      |
| Net rent  | £3,464.76  | £4,194.05  | £4,786.45   |
| Value   | £62,995.57 | £76,255.44 | £87,026.28  |
| m <sup>2</sup>                                  | 50         | 75         | 80          |
| £/m <sup>2</sup>                                | £1,259.91  | £1,016.74  | £1,087.83   |

Source: HDH January 2016

- 4.47 We have assumed social rent has a value of £1,120/m<sup>2</sup> across the study area. This is approximately broadly similar to the assumption used prior to the consultation and the Summer Budget, however this is due to the use of the updated rent information taken from the HCA data release. This is also somewhat lower than the assumption used in the SHLAA viability assessment where it was assumed that social rent had a value of 50% of market value.
- 4.48 We have discussed this aspect of the study with housing associations. They have indicated the fall in values of social rent is likely to be in the range of 3% to 15%, with the smallest falls being seen on the largest sites and the largest falls being on sites with just a few units that are relatively unattractive due to the difficulties around management.

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<sup>28</sup> One Consultee made reference to *RICS Practice Standards, UK. 1st edition, guidance note, Valuation of land for affordable housing* and made reference to a further deduction for 'on costs'. The relevant sections say:

8.9 Gross passing rents are the sum of the weekly target rents prior to deducting any costs incurred.

8.10 The net passing rent is calculated by deducting the following costs from the gross rent receivable by the registered provider:

- + management costs;
- + repairs & maintenance costs;
- + allowance for voids & bad debts;
- + annual sinking fund (including allowance for major repairs); and
- + unrecoverable service charge.

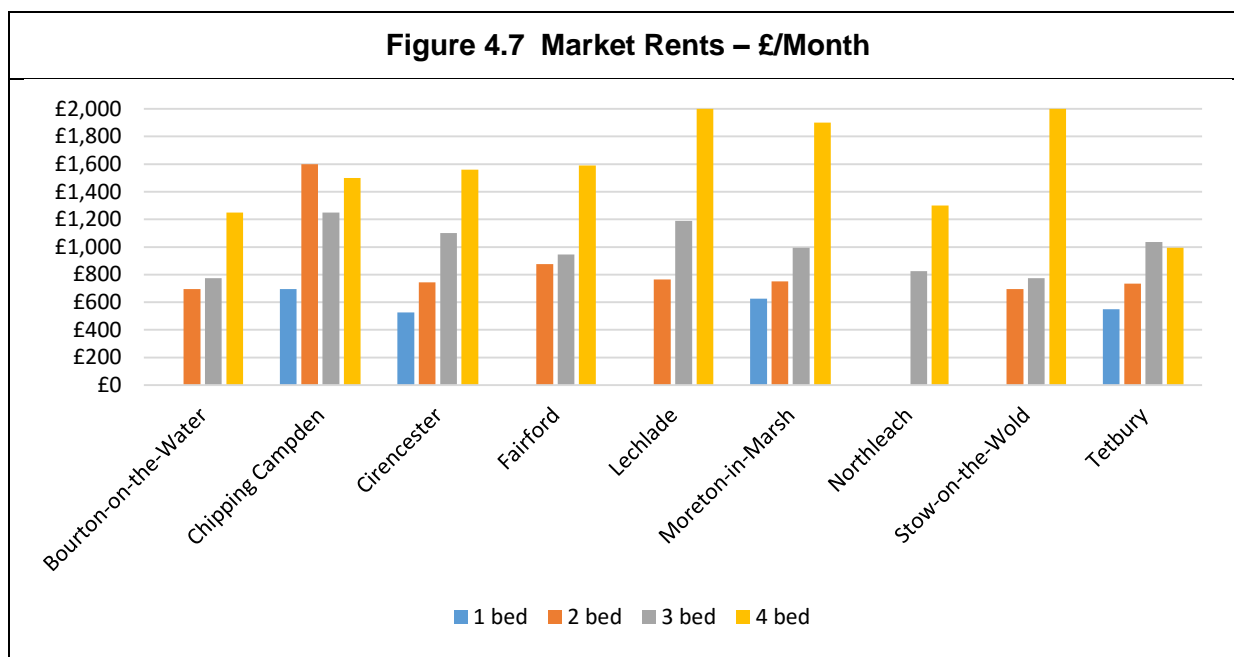
We have not made a further adjustment in this regard.

*Affordable Rent*

- 4.49 The Government introduced affordable rent as a 'new' type of affordable housing. It is important to note that the modelling in this study is based on social rent rather than affordable rent.
- 4.50 Under affordable rent a rent of no more than 80% of the open market rent for that unit can be charged. One of the aims of the Government's policy on affordable housing is to make the HCA budget go further. The affordable rent that is over and above the social rent is used by Registered Providers (RPs) to raise capital through borrowing or securitisation<sup>29</sup>. This supports the building of the affordable units – the extra borrowing replacing grant.
- 4.51 The objective of affordable rent is that by charging higher rents for the affordable housing, less grant and subsidy is required and thus the development of affordable housing would be self-funded as, on market housing led schemes, grant is only now available in exceptional circumstances, for example on high priority sites where there is still a funding gap after the higher affordable rent has been allowed for. As the amount is uncertain we have assumed no grant will be available in the future.
- 4.52 In the development of affordable housing for rent, the value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit. This will depend on the amount of the rent and the cost of managing the property (letting, voids, rent collection, repairs etc.).
- 4.53 Following discussion with the Council's housing officers, we have assumed the rent is to be set at 80% of the full open market rent. We have assumed that, because a typical affordable rent unit will be new, it will command a premium rent that is a little higher than equivalent older private sector accommodation. In estimating the likely level of affordable rent, we have undertaken a survey of market rents across the District. We found relatively little variation in rents, except for the larger units.

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<sup>29</sup> The creation and issuance of tradable securities, such as bonds, that are backed by the income generated by an asset, a loan, a public works project or other revenue source. (Source FT Lexicon)



4.54 As part of the reforms to the social security system, housing benefit /local housing allowance is capped at the 3<sup>rd</sup> decile of open market rents for that property type, so in practice affordable rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency by Broad Housing Market Area (BHMA) however these BHMA's do not follow local authority boundaries. The relevant BHMA LHA caps are shown below. Where this is below the level of Affordable Rent at 80% of the median rent, we have assumed that the Affordable Rent is set at the LHA Cap.

|                            | Cheltenham | Gloucester | Warwickshire South | West Wiltshire |
|----------------------------|------------|------------|--------------------|----------------|
| <b>Per Week</b>            |            |            |                    |                |
| Shared Accommodation Rate: | £68.35     | £68.18     | £69.77             | £67.37         |
| One Bedroom Rate:          | £111.83    | £92.05     | £119.09            | £100.05        |
| Two Bedrooms Rate:         | £143.34    | £122.36    | £150.36            | £125.94        |
| Three Bedrooms Rate:       | £174.43    | £147.13    | £181.80            | £156.00        |
| Four Bedrooms Rate:        | £240.59    | £187.14    | £246.50            | £204.37        |
| <b>Per Month</b>           |            |            |                    |                |
| Shared Accommodation Rate: | £301.26    | £296.26    | £303.17            | £292.74        |
| One Bedroom Rate:          | £485.93    | £400.02    | £517.47            | £434.74        |
| Two Bedrooms Rate:         | £622.85    | £531.68    | £653.35            | £547.24        |
| Three Bedrooms Rate:       | £757.94    | £639.31    | £789.96            | £677.86        |
| Four Bedrooms Rate:        | £1,045.42  | £813.17    | £1,071.1           | £888.04        |

Source: VOA (May 2015)

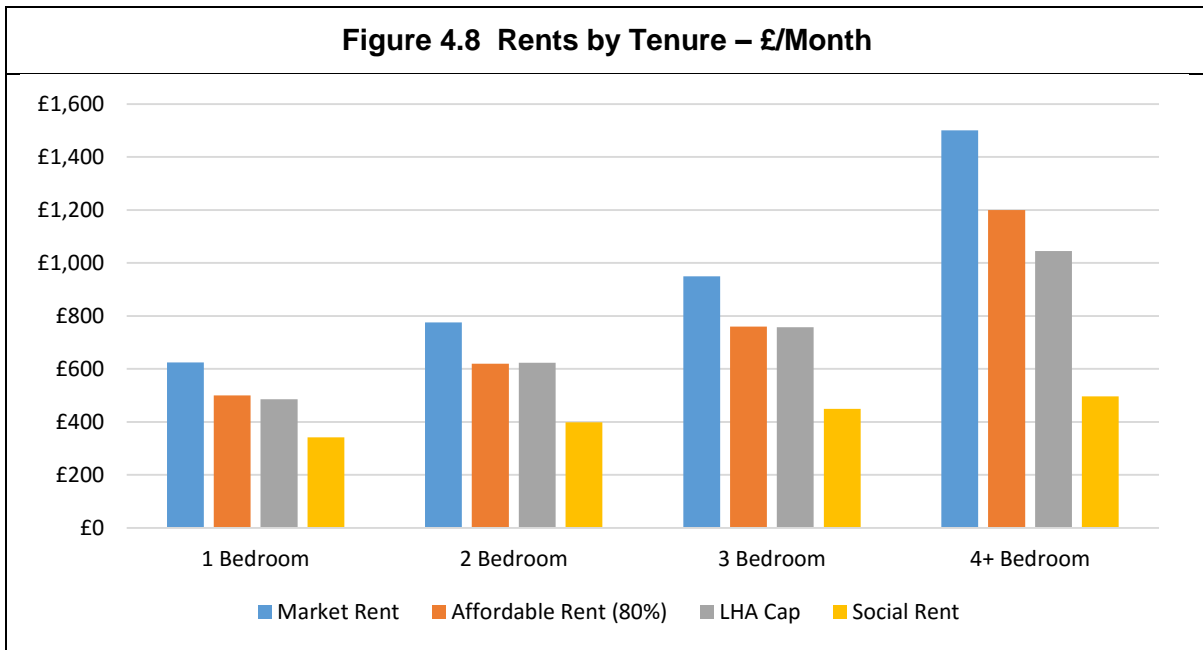


4.55 This data is consistent with the affordable rents being charged as reported in the most recent HCA data release.

|           | 1 Bedroom | 2 Bedrooms | 3 Bedrooms | 4 Bedrooms |
|-----------|-----------|------------|------------|------------|
| Per week  | £101      | £123       | £147       | £183       |
| Per Month | £438      | £535       | £638       | £794       |
| Per Year  | £5,257    | £6,418     | £7,655     | £9,532     |

Source: HCA Statistical Return (September 2015)

4.56 The prevailing rents in the main settlements (i.e. where the development will take place) can be summarised as follows and forms the basis of the appraisals.



Source: Market Survey and VOA May 2015

4.57 We have assumed that affordable rent will be set at the LHA Cap in all areas. In line with a consultee’s observation we have discounted the rent by £5/week to recognise that the LHA cap includes rent and service charges.

4.58 In calculating the value of affordable rents we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 5.5%. On this basis affordable rented property has the following worth in the main settlements. It is important to note that prior to the changes in the rent regime, we would have used a yield of 5.5% rather than 6%.

| <b>Table 4.11 Capitalisation of Affordable Rents</b> |              |              |
|--|--------------|--------------|
|  | <b>2 bed</b> | <b>3 bed</b> |
| Affordable Rent                                      | £7,474       | £9,095       |
| Net Rent   | £5,719       | £7,016       |
| Value  | £103,988     | £127,568     |
| m <sup>2</sup>                                       | 75           | 80           |
| £/m <sup>2</sup>                                     | £1,387       | £1,595       |

Source: HDH 2015

4.59 For affordable housing, under the affordable rent tenure, we have assumed a value of £1,350/m<sup>2</sup> across all areas which is about 10% less than previously assumed before the changes in the rent regime.

4.60 Housing associations have indicated that whilst this valuation approach is sound, when it comes to bidding for affordable housing, the relationship with market value is also important. Prior to the changes, the normal range of bids for affordable rent accommodation was around 55% of open market value with, in exceptional circumstances, bids of up to 60%. Bids are anticipated to fall to be around 50%, being a fall of around 8%. This is broadly in line with the values above.

#### *Intermediate Products for Sale*

4.61 Intermediate products for sale include shared ownership and shared equity products. The market for these is very difficult at present and we have found little evidence of the availability of such products in the study area. We have assumed a value of 65% of open market value for these units.

4.62 These values were based on purchasers buying an initial 50% share of a property and a 2.75% per annum rent payable on the equity retained. The rental income is capitalised at 5.5% having made a 10% management allowance.

4.63 It was suggested by a consultee that a 50% share may be unaffordable. The following table shows 'typical' values for shared ownership housing at a range of proportions sold:

**Table 4.12 Value of Shared Ownership Housing at 30% to 80% of Proportion Sold**

| Market Value |       |         | % Sold |         | Rent  |        |        | Value   |       |               |
|--------------|-------|---------|--------|---------|-------|--------|--------|---------|-------|---------------|
| m2           | £/m2  | £       | %      | £       | %     | £/year | £      | £       | £/m2  | % OMV         |
| 95           | 3,100 | 294,500 | 30%    | 88,350  | 2.75% | 5,669  | 92,768 | 181,118 | 1,907 | <b>61.50%</b> |
| 95           | 3,100 | 294,500 | 40%    | 117,800 | 2.75% | 4,859  | 79,515 | 197,315 | 2,077 | <b>67.00%</b> |
| 95           | 3,100 | 294,500 | 50%    | 147,250 | 2.75% | 4,049  | 66,263 | 213,513 | 2,248 | <b>72.50%</b> |
| 95           | 3,100 | 294,500 | 60%    | 176,700 | 2.75% | 3,240  | 53,010 | 229,710 | 2,418 | <b>78.00%</b> |
| 95           | 3,100 | 294,500 | 70%    | 206,150 | 2.75% | 2,430  | 39,758 | 245,908 | 2,589 | <b>83.50%</b> |
| 95           | 3,100 | 294,500 | 80%    | 235,600 | 2.75% | 1,620  | 26,505 | 262,105 | 2,759 | <b>89.00%</b> |
| 95           | 3,250 | 308,750 | 30%    | 92,625  | 2.75% | 5,943  | 97,256 | 189,881 | 1,999 | <b>61.50%</b> |
| 95           | 3,250 | 308,750 | 40%    | 123,500 | 2.75% | 5,094  | 83,363 | 206,863 | 2,178 | <b>67.00%</b> |
| 95           | 3,250 | 308,750 | 50%    | 154,375 | 2.75% | 4,245  | 69,469 | 223,844 | 2,356 | <b>72.50%</b> |
| 95           | 3,250 | 308,750 | 60%    | 185,250 | 2.75% | 3,396  | 55,575 | 240,825 | 2,535 | <b>78.00%</b> |
| 95           | 3,250 | 308,750 | 70%    | 216,125 | 2.75% | 2,547  | 41,681 | 257,806 | 2,714 | <b>83.50%</b> |
| 95           | 3,250 | 308,750 | 80%    | 247,000 | 2.75% | 1,698  | 27,788 | 274,788 | 2,893 | <b>89.00%</b> |

Source: HDH 2015

- 4.64 The table shows that the assumption is cautious and takes into account the portions sold may be less than 50%.
- 4.65 As set out in Chapter 2 above, the Government is consulting in relation to Starter Homes. If introduced, these changes are certainly going to impact on viability; however, the impact is going to be positive rather than negative. Housing provided as Starter Homes would have a value of 80% of Market Value, compared to 65% of market value if provided as intermediate housing or £1,350/m<sup>2</sup> for Affordable Rent. In Cotswold, CIL will be set against the policies in the new Local Plan.
- 4.66 A range of 'shares' have been tested under the Shared Equity model where no rent is payable.

#### *Grant Funding*

- 4.67 For many years, the HCA and Local Planning Authorities (LPAs) have aspired to ensure that affordable housing is delivered without grant. When LPAs have negotiated with developers during the planning process, about the number and type of affordable housing to be provided through s106 agreements and planning conditions, the initial basis of those discussions has usually been that the affordable units would be made available without any grant.
- 4.68 In this study we have assumed that grant is not available. It is important to note that this is a distinct difference to the approach taken in the AHVS where an assumption about grant was made in some scenarios.

#### **Older People's Housing**

- 4.69 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The sector brings forward two main types of product.
- 4.70 Sheltered or retirement housing is self-contained housing, normally developed as flats and other relatively small units. Where these schemes are brought forward by the private sector

there are normally warden services and occasionally non-care support services (laundry, cleaning etc) but not care services.

- 4.71 Extracare housing is sometimes referred to as very sheltered housing or housing with care. It is self-contained housing that has been specifically designed to suit people with long-term conditions or disabilities that make living in their own home difficult, but who do not want to move into a residential care home. Schemes can be brought forward in the open market or in the social sector (normally with the help of subsidy).
- 4.72 Most residents are older people, but this type of housing is becoming popular with people with disabilities regardless of their age. Usually, it is seen as a long-term housing solution. Extracare housing residents still have access to means-tested local authority services.
- 4.73 The Council's SHMA has identified the need for both market and affordable older people's housing. The Council therefore asked that this study should test the viability of providing affordable housing within this sector.
- 4.74 We have received representations from the Retirement Housing Group (RHG) being a trade group representing private sector developers and operators of retirement, care and extracare homes. They have set out a case that sheltered housing and extracare housing should be tested separately. In line with the RHG representations we have assumed the price of a 1 bed sheltered property is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it is assumed extracare housing is 25% more expensive than sheltered.
- 4.75 We have assumed a typical price of a 3 bed semi-detached home of £310,000. On this basis it is assumed retirement and extracare housing has the following worth:

| <b>Table 4.13 Worth of Retirement and Extracare</b> |                        |                |                  |
|---|------------------------|----------------|------------------|
|   | Area (m <sup>2</sup> ) | £              | £/m <sup>2</sup> |
| 3 bed semi-detached                                 |                        | <b>335,000</b> |                  |
| 1 bed Sheltered                                     | 50                     | 251,250        | 5,025            |
| 2 bed Sheltered                                     | 75                     | 335,000        | 4,467            |
| 1 bed Extracare                                     | 65                     | 314,063        | 4,832            |
| 2 bed Extracare                                     | 80                     | 418,750        | 5,234            |

Source: HDH September 2015

- 4.76 We have considered the value of the units where provided as affordable housing. We have not been able to find any direct comparables where housing associations have purchased social units in a market led extracare scheme. We have consulted private sector developers of extracare housing. They have indicated that whilst they have never disposed of any units in this way they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

- 4.77 In practice we believe that it is unlikely that a private sector developer would develop extracare housing where some of it is affordable housing. It is more likely that a scheme will be developed by or for a Registered Provider. We have assumed that in such a case the affordable extracare housing is valued, as for affordable rent, at 55% of the market value.
- 4.78 One consultee suggested that this approach was too simplistic, but did not offer an alternative approach. In line with the review of the value of affordable housing set out above, this assumption has been altered to 50%.



## 5. Non-Residential Property Market

- 5.1 This chapter sets out an assessment of the markets for non-residential property, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study.
- 5.2 The CIL Regulations and CIL Guidance require the use of existing available evidence and for the viability testing to be appropriate to the likelihood of raising CIL. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward – or which, for that matter, are unlikely to be viable.
- 5.3 Although development schemes do have similarities, every scheme is unique, even schemes on neighbouring sites. Market conditions will broadly reflect a combination of national economic circumstances and local supply and demand factors, however even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs.

### **Cotswold Overview**

- 5.4 The various non-residential markets in the District area reflect national trends, but there are local factors that underpin the market. The area is made up of small market towns and smaller villages rather than larger settlements. As a result, the non-residential uses tend to be of a smaller scale than would be found in larger settlements. The area is bisected by the A40 with the A419 linking with Swindon. Although there are no motorways in the District, it is close to the M4 linking to London and Wales, and the M5 which links to Birmingham and Bristol. The non-residential development tends to be focussed around the key settlement towns of Tetbury and Cirencester in the south, Moreton-in-Marsh and Bourton-on-the-Water in the north and Fairford to the east.
- 5.5 Most of the key settlements have a commercial core of shops and services. Commercial activity does of course take place more widely than this – indeed the majority of the area (by land use) is actively and commercially farmed. There is, however, little evidence of significant non-residential development happening much beyond the key settlement centres and the current employment sites listed in the employment sections of the Site Allocations Document.
- 5.6 This study is concerned with new property that is likely to be purpose built, we found little variance in price for newer premises more suited to modern business.
- 5.7 We analysed various sources of market information, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.com). In addition, we have used information from CoStar (a subscription service). Clearly much of this commercial space is 'second-hand' and not of the configuration, type and condition of new space that may come forward in the future and be subject to CIL, so is likely to command a lower rent than new

property in a convenient well accessed location with car parking and that is well suited to the modern business environment.

- 5.8 **Appendix 4** includes a selection of non-residential properties currently available (May 2015) in and around the District.

### **Offices**

- 5.9 There is little activity in the office market at the moment. The property intelligence and researchers CoStar estimates that there are about 70,000m<sup>2</sup> of office space in the District. Rents over the last 5 years have averaged £123/m<sup>2</sup>/year.
- 5.10 Of the currently available space, rents range from about £250/m<sup>2</sup> for a town centre site in Cirencester, but are generally about half of this for existing offices, with reasonable parking and access being in the region of £120/m<sup>2</sup> to £130/m<sup>2</sup>. Whilst there are very few purpose built new units, the consensus from agents was rents would be rather higher than this being around £150/m<sup>2</sup>.
- 5.11 The capital value of offices is dependent on a range of factors including the quality of the tenant, the terms of the letting, the flexibility of the accommodation as well as the passing rent, location of the building. Typically yields are in the range of 5.25%<sup>30</sup> for the best units to 9% or 10% for units that are less attractive to investors.

### **Industrial and Distribution**

- 5.12 The market for industrial space varies in a similar way to office space. The property intelligence and researchers CoStar estimates that there are about 200,000m<sup>2</sup> of industrial space in the District. Rents over the last 5 years have averaged £34/m<sup>2</sup>/year.
- 5.13 The rents for good quality modern industrial buildings are generally in the range of £60/m<sup>2</sup> to £75/m<sup>2</sup>. For less good space rents are as low as £25/m<sup>2</sup> – although these should be considered exceptional. Generally, and very dependent on the quality and situation of the building, rents are about £55/m<sup>2</sup>.
- 5.14 Rents for distribution uses are generally in line with those for industrial uses, although one agent suggested that they actually be fractionally higher.
- 5.15 As with the office sector, the capital value of industrial space is dependent on a range of factors including the quality of the tenant, the terms of the letting, the flexibility of the accommodation as well as the passing rent, location of the building. Typically yields are in the range of 5.25%

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<sup>30</sup> The capitalisation of rents using the yields and Year's Purchase is widely used by Chartered Surveyors and others. The Year's Purchase is the factor by which the rent is multiplied to calculate the capital value (calculated at 1/yield).



for large units to 9% or 10% for older units that are less attractive to investors. The yields of distribution uses tend to be a little lower than for industrial uses.

### **Retail**

- 5.16 Activity in the retail property market is concentrated in the high streets of the key settlement areas of Moreton-in-Marsh, Stow-on-the-Wold and Bourton-on-the-Water. Tourism forms a proportion of the trade which is reflected in the rents. The property intelligence and researchers CoStar estimates that there are about 88,000m<sup>2</sup> of retail space in the District. Rents over the last 5 years have averaged £256/m<sup>2</sup>/year.
- 5.17 Rents for the very best units in prime locations in the market towns tends to be in the region of £400/m<sup>2</sup>/year with rents for smaller units currently being from around £200/m<sup>2</sup> although there are also rents at less than this for the less well placed units.
- 5.18 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the District, however drawing on our wider experience we have assumed supermarket rents of £180/m<sup>2</sup> with a yield of 5.5%. This yield is somewhat higher than we would have used a year or so ago. These reflects the current challenges facing the traditional supermarket operators.
- 5.19 As well as mainstream supermarkets we have considered the smaller units developed by operators such as Lidl and Aldi, in this case we have assumed a rent of £140/m<sup>2</sup> and a 6.0% yield.
- 5.20 In the case of retail warehouses we have assumed a rent of £140/m<sup>2</sup> and a yield of 6.5%.

### **Hotels**

- 5.21 As well as the above development types we have assumed a rental of £3,750/room/year for newbuild hotels to apply across the area. Assuming a yield of 6.5%, this equates to a value of about £2,150/m<sup>2</sup>. It is important to note that this study is only concerned with newbuild hotels. We do acknowledge that there are older units available at substantially lower values than these.

### **Appraisal Assumptions**

- 5.22 There is a very great variance in the levels of rents and values. We have used the following rents and yields in reaching our views about commercial capital values:

| <b>Table 5.1 Non- Residential Values £/m<sup>2</sup></b> |                      |      |       |       |
|--|----------------------|------|-------|-------|
|  |                      | Rent | Yield | Value |
| Employment   | Offices              | 150  | 7.0%  | 2,143 |
|  | Industrial           | 65   | 7.0%  | 929   |
| Retail   | Shops                | 300  | 7.0%  | 4,286 |
|  | Supermarkets         | 180  | 5.5%  | 3,273 |
|  | Smaller supermarkets | 140  | 6.0%  | 2,667 |
|  | Retail warehouse     | 140  | 6.5%  | 2,154 |
| Hotels   |                      |      |       | 2,150 |

Source: HDH May 2015

5.23 The above assumptions were presented to stakeholders on 2<sup>nd</sup> June 2015, no comments were subsequently received. These values were reviewed in this iteration of the report however no changes have been made.

## 6. Land Prices

6.1 In Chapters 2 and 3 we set out the methodology used in this study to assess viability. An important element of the assessment, under both sets of guidance, is the value of the land. Under the method recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted though a planning consent, is the Existing Land Value (ELV) or Alternative Land Value (ALV). We use this as the starting point for the assessment as this is one of the key variables in the financial development appraisals.

6.2 In this chapter we have considered the values of different types of land. The value of land relates closely to the use to which it can be put and will range considerably from site to site; however, as this is a high level study, we have looked at the three main uses, being agricultural, residential and industrial. We have then considered the amount of uplift that may be required to ensure that land will come forward and be released for development.

### Current and Alternative Use Values

6.3 In order to assess development viability, it is necessary to analyse Existing and Alternative Use Values. Existing Use Value (EUUV) refer to the value of the land in its current use before planning consent is granted, for example, as agricultural land. Alternative Use Values (AUV) refer to any other potential use for the site. For example, a brownfield site may have an alternative use as industrial land.

6.4 The PPG includes a definition of land value as follows:

#### **Land Value**

*Central to the consideration of viability is the assessment of land or site value. The most appropriate way to assess land or site value will vary but there are common principles which should be reflected.*

*In all cases, estimated land or site value should:*

- *reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
- *provide a competitive return to willing developers and land owners (including equity resulting from those building their own homes); and*
- *be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.*

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6.5 It is important to fully appreciate that land value should reflect emerging policy requirements and planning obligations. When considering comparable sites, the value will need to be adjusted to reflect this requirement.

6.6 To assess viability, the value of the land for the particular scheme needs to be compared with the AUV, to determine if there is another use which would derive more revenue for the landowner. If the Residual Value does not exceed the AUV, then the development is not

viable; if there is a surplus (i.e. profit) over and above the 'normal' developer's profit having paid for the land, then there is scope to pay CIL.

6.7 For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the AUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious.

6.8 Our 'model' approach is outlined below:

- i. For sites previously in agricultural use, then agricultural land represents the existing use value. We have assumed that the sites of 0.5ha or more fall into this category.
- ii. For paddock and garden land on the edge of or in a smaller settlement we have adopted a 'paddock' value. We have assumed the sites of less than 0.5ha fall in this category.
- iii. Where the development is on brownfield land we have assumed an industrial value.

### Residential Land

6.9 We have considered general figures from the Valuation Office Agency (VOA) relating to residential land values. Land values vary dramatically depending upon the development characteristics (size and nature of the site, density permitted etc.) and any affordable or other development contribution.

6.10 The VOA published figures for residential land in the Property Market Report. These cover areas which generate sufficient activity to discern a market pattern. That means locally we have figures for Birmingham to the north, Oxford to the east and Bristol to the southwest. These values can only provide broad guidance, they can therefore be only indicative, and it is likely that values for 'oven ready' land (i.e. land with planning consent and ready for immediate building) with no affordable provision or other contribution, or servicing requirement, are in fact higher.

| <b>Table 6.1 Residential Land Values at January 2011 Bulk Land</b> |                          |
|--|--------------------------|
| <b>£/ha (£/acre)</b>   |                          |
| Birmingham   | 1,235,000<br>(500,000)   |
| Oxford   | 4,000,000<br>(1,620,000) |
| Bristol  | 2,100,000<br>(850,000)   |

Source: VOA Property Market Report 2011

6.11 The values in the Property Market Report are based on the assumption that land is situated in a typically average greenfield edge of centre/suburban location for the area and it has been assumed that services are available to the edge of the site and that it is ripe for development

with planning permission being available. The values provided assume a maximum of a two storey construction with density, S106 provision and affordable housing ratios to be based on market expectations for the locality. The report cautions that the values should be regarded as illustrative rather than definitive and represent typical levels of value for sites with no abnormal site constraints and a residential planning permission of a type generally found in the area. It is important to note that these values are net – that is to say they relate to the net developable area and do not take into account open space that may form part of the scheme.

- 6.12 It should be noted that the above values will assume that grant was available to assist the delivery of affordable housing. This grant is now very restricted so these figures should be given limited weight. Further due to the date of the report, these values are before the introduction of CIL, so do not reflect this new charge on development. As acknowledged by the RICS Guidance a new charge such as CIL will inevitably have an impact (a negative one) on land values.
- 6.13 More recently (February 2014) DCLG published *Land value estimates for policy appraisal*<sup>31</sup>. This sets out land values as at January 2014 and was prepared by the VOA. The Cotswold figure is £2,745,000/ha. It is important to note this figure assumes nil affordable housing. As stressed in the paper this is hypothetical situation and 'the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market'<sup>32</sup>.
- 6.14 The Valuation Office Agency assumed that each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available; the site will have a net developable area equal to 80% of the gross area. For those local authorities outside London, the hypothetical scheme is for a development of 35 two storey, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.
- 6.15 It is necessary to make an assumption about the value of residential land. We have assumed a value of £750,000/ha (net) for residential land. This amount is on a net basis so does not include the areas of open space. It is inevitable that CIL will depress land prices somewhat (as recognised by the Greater Norwich CIL Inspector).

### **Industrial Land**

- 6.16 The VOA's typical industrial land values for the nearby locations are set out in the table below.

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<sup>31</sup> Land value estimates for policy appraisal. Department for Communities and Local Government, February 2015

<sup>32</sup> Point 2, Page 14, Land value estimates for policy appraisal. DCLG, February 2015

| <b>Table 6.2 Industrial land values £/ha (/acre)</b> |                        |
|--|------------------------|
| Birmingham   | 650,000<br>(260,000)   |
| Oxford   | 1,100,000<br>(445,000) |
| Bristol  | 800,000<br>(324,000)   |

Source: VOA Property Market Report 2011

- 6.17 The figures in the above table reflect the downturn in values from 2008.
- 6.18 Cotswold is a predominantly rural area with little industrial land. The nearby settlements of Cheltenham, Witney, Stroud and Evesham tend to attract businesses requiring industrial space. To the south east there is a range of land available around Swindon where values of around £500,000/ha are the norm, and, to the north west, there is a limited supply in the Cheltenham and Gloucester areas, where values are somewhat lower at around £400,000/ha or so. We have taken a mid-point assuming industrial has a value of around £450,000/ha.

### **Agricultural and Paddocks**

- 6.19 Agricultural values rose for a time several years ago after a long historic period of stability. Values are around £15,000-£25,000/ha depending upon the specific use. A benchmark of £25,000/ha is assumed to apply here.
- 6.20 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. We have assumed a higher value of £50,000/ha for village and town edge paddocks.

### **Use of Alternative Use Benchmarks**

- 6.21 The results from the appraisals are compared with the Existing Use Values set out above in order to form a view about each of the sites' viability. This is a controversial part of the viability process and the area of conflicting guidance (the Harman Guidance verses the RICS Guidance). In the context of this report, it is important to note that it does not automatically follow that, if the Residual Value produces a surplus over the Existing Use Value (EUV) or Alternative Use Value (AUV) benchmark, the site is viable. The land market is more complex than this and as recognised by paragraph 173 of the NPPF, the landowner and developer must receive a 'competitive return'. The phrase *competitive return* is not defined in the NPPF, nor in the Guidance.

- 6.22 Competitive return has not been fully defined through planning appeals and the court system<sup>33</sup>. The RICS Guidance includes the following definition:

**Competitive returns** - A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

- 6.23 The PPG includes the following section:

**Competitive return to developers and land owners**

The National Planning Policy Framework states that viability should consider "competitive returns to a willing landowner and willing developer to enable the development to be deliverable." This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

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- 6.24 Whilst this is useful it does not provide any guidance as to the size of that return. To date there has been much discussion within the industry and amongst planners as to what may and may not be a competitive return, as yet the term has not been given a firm definition through the appeal, planning examination or legal processes. The Shinfield Appeal (January 2013) does shed some light in this. We have copied a number of key paragraphs below as, whilst these do not provide a strict definition of competitive return, the inspector (Clive Hughes BA (Hons) MA DMS MRTPI) does set out his analysis clearly. The following paragraphs are necessarily rather long however as they are the only current steer in this regard we have included all that are relevant.

38. Paragraph 173 of the Framework advises that 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. The Framework provides no advice as to what constitutes a competitive return; the interpretation of that term lies at the heart of a fundamental difference between the parties in this case. The glossary of terms appended to the very recent RICS guidance note Financial viability in planning (RICS GN) says that a competitive return in the context of land and/ or premises equates to the Site Value (SV), that is to say the Market Value subject to the assumption that the value has regard to development plan policies and all other material considerations and disregards that which is contrary to the development plan. It is also the case that despite much negotiated

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<sup>33</sup> In this context the following CIL Examinations are relevant. Mid Devon District Council by David Hogger BA MSc MRTPI MCIHT, Date: 20 February 2013 and Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

agreement, in respect of calculating the viability of the development, other significant areas of disagreement remain.

### **Competitive return**

64. Determining what constitutes a competitive return inevitably involves making a subjective judgement based upon the evidence. Two very different viewpoints were put forward at the Inquiry with the appellants seeking a land value of £4,750,000 which is roughly the mid-point between the EUV/CUV and the RLV with planning permission for housing and no obligations. This ties in with the 50:50 split between the community and the landowner sought by the appellants. The Council considered that a sum of £1.865m would ensure a competitive return; that is to say the Council's calculation of the EUV/CUV.

65. Paragraph 173 of the Framework says that the costs of any requirements should provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable. The paragraph heading is "Ensuring viability and deliverability"; it is clear that its objective is to ensure that land comes forward for development. I am not convinced that a land value that equates to the EUV/CUV would provide any incentive to the landowner to sell the site. Due to the particular circumstances of this site, including the need to remediate the highly significant level of contamination, such a conclusion would not provide any incentive to the landowner to carry out any remediation work. There would be no incentive to sell the land and so such a low return would fail to achieve the delivery of this site for housing development. In these circumstances, and given the fact that in this case only two very different viewpoints on what constitutes a competitive return have been put forward, the appellants' conclusions are to be preferred. In the scenario preferred by the Council, I do not consider that the appellants would be a willing vendor.

### **Viable amount of Affordable Housing**

66. The RICS GN says that any planning obligations imposed on a development will need to be paid out of the uplift in the value of the land but it cannot use up the whole of the difference, other than in exceptional circumstances, as that would remove the likelihood of land being released for development. That is exactly what is at issue here in that the Council's valuation witness, in cross examination, stated that a landowner should be content to receive what the land is worth, that is to say the SV. In his opinion this stands at £1.865m. I accept that, if this figure was agreed (and it is not), it would mean that the development would be viable. However, it would not result in the land being released for development. Not only is this SV well below that calculated by the appellants, there is no incentive to sell. In short, the appellants would not be willing landowners. If a site is not willingly delivered, development will not take place. The appellants, rightly in my opinion, say that this would not represent a competitive return. They argue that the uplift in value should be split 50:50 between the landowner and the Council. This would, in this instance, represent the identified s106 requirements being paid as well as a contribution of 2% of the dwellings as affordable housing.

70. I conclude on this issue that, allowing the landowner a competitive return of 50% of the uplift in value, the calculations in the development appraisal allowing for 2% affordable housing are reasonable and demonstrate that at this level of affordable housing the development would be viable (Document 26). The only alterations to these calculations are the relatively minor change to the s106 contribution to allow for a contribution to country parks and additions to the contributions to support sustainable modes of travel. These changes would have only a limited impact on the return to the landowner. The development would remain viable and I am satisfied that the return would remain sufficiently competitive to enable the land to come forward for development. Overall, therefore I conclude that the proposed amount of affordable housing (2%) would be appropriate in the context of the viability of the development, the Framework, development plan policy and all other material planning considerations.

- 6.25 Clarification has been added in the Oxenholme Road Appeal (October 2013). The inspector confirmed that the principle set out in Shinfield is very site specific and should only be given limited weight. At Oxenholme Road the inspector said:

47. The parties refer to an appeal decision for land at Shinfield, Berkshire, which is quoted in the LADPD Viability Study. However, little weight can be given to that decision in the present case, as the nature of the site was quite different, being partly previously developed, and the positions taken by the parties on the proportion of uplift in site value that should be directed to the provision of affordable



*housing were at odds with those now proposed. There is no reason in the present case to assume that either 100% or 50% of the uplift in site value is the correct proportion to fund community benefits.*

*48. Both the RICS Guidance Note and the Harman report comment on the danger of reliance on historic market land values, which do not take adequate account of future policy demands.....*

- 6.26 It is clear that for land to be released for development, the uplift over the Existing Use Value needs to be sufficiently large to provide an incentive to the landowner to release the site and cover any other appropriate costs required to bring the site forward for development. It is therefore appropriate and an important part of this assessment to have regard to the market value of land as it stands. However, the Shinfield appeal was determined on the specific circumstances that were put forward to the inspector. Whilst it sets out an approach it does not form a binding precedent, appeals will continue to be determined on the facts that relate to the particular site in question. At Shinfield the inspector only considered the two approaches put to him and did not consider the landowners' competitive return in any other ways. The appellant's method and approach was preferred to the Council's – but it should not be considered to be the only acceptable approach.
- 6.27 The RICS Guidance recognises that the value of land will be influenced by the requirements imposed by planning authorities. It recognises that the cost to the developer of providing affordable housing, building to increased environmental standards, and paying CIL, all have a cumulative effect on viability and are reflected in the ultimate price of the land. A central question for this study is at what point do the requirements imposed by the planning authorities make the price payable for land so unattractive that it does not provide competitive returns to the landowner, and so does not induce the owner to make the land available for development?
- 6.28 The reality of the market is that each and every landowner has different requirements and different needs and will judge whether or not to sell by their own criteria. We therefore have to consider how large such an 'uplift' or 'cushion' should be for each type of site to broadly provide a competitive return. The assumptions must be a generalisation as, in practice, the size of the uplift will vary from case to case depending on how many landowners are involved, each landowner's attitude and their degree of involvement in the current property market, the location of the site and so on. An 'uplift' of, say, 5% or £25,000/ha might be sufficient in some cases, whilst in a particular case it might need to be five times that figure, or even more.
- 6.29 Initially we have assumed that the Viability Threshold (being the amount that the Residual Value must exceed for a site to be viable) of the EUV / AUV plus a 20% uplift on all sites would be sufficient. This is supported both by work we have done elsewhere and by appeal decisions (see Chapter 2). Based on our knowledge of rural development, and from working with farmers, landowners and their agents, we made a further adjustment for those sites coming forward on greenfield land. We added a further £300,000/ha (£120,000/acre) to reflect this premium. We also added this amount to sites that were modelled on land that was previously paddock. We fully accept that this is a simplification of the market, however in a high level study of this type that is based on modelled sites, simplifications and general assumptions need to be made.

- 6.30 This methodology does reflect a very considerable uplift for a landowner selling a greenfield site with consent for development<sup>34</sup>. In the event of the grant of planning consent they would receive over ten times the value compared with before consent was granted. This approach is the one suggested in the Harman Guidance (see Chapter 2 above) and by the Planning Advisory Service (PAS). The approach was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012<sup>35</sup>.
- 6.31 We have considered how these amounts relate to prices for land in the market (see above) and with a view to providing competitive returns to the landowner. Whilst there are certainly land transactions at higher values than these we do believe that these are appropriate for a study of this type.
- 6.32 It is useful to consider the assumptions used in other studies in other parts of England. We have reviewed viability thresholds used by other councils in England in development plans approved during the first half of 2014. These are set out in the table below.

| <b>Table 6.3 Viability thresholds used elsewhere</b> |                             |
|--|-----------------------------|
| <b>Local Authority</b>                               | <b>Threshold Land Value</b> |
| Babergh  | £370,000/ha                 |
| Cannock Chase  | £100,000-£400,000/ha        |
| Christchurch & East Dorset                           | £308,000/ha (un-serviced)   |
|  | £1,235,000/ha (serviced)    |
| East Hampshire                                       | £450,000/ha                 |
| Erewash  | £300,000/ha                 |
| Fenland  | £1-2m/ha (serviced)         |
| GNDP   | £370,000-£430,000/ha        |
| Reigate & Banstead                                   | £500,000/ha                 |
| Stafford   | £250,000/ha                 |
| Staffordshire Moorlands                              | £1.26-£1.41m/ha (serviced)  |
| Warrington   | £100,000-£300,000/ha        |

Source: Planning Advisory Service (collated by URS) July 2014

- 6.33 Care has to be taken drawing on such general figures without understanding the wider context and other assumptions in the studies, but generally the assumption used in this work are within the range.

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<sup>34</sup> See Chapter 2 for further details and debate around EUV plus v Market Value methodologies.

<sup>35</sup> Paragraphs 7 to 9 of REPORT ON THE EXAMINATION OF THE DRAFT MAYORAL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE by Keith Holland BA (Hons) DipTP MRTPI ARICS an Examiner appointed by the Mayor Date: 27<sup>th</sup> January 2012.

- 6.34 There is no doubt that CIL will be an additional cost on some development sites, and that some sites may not be able to bear the costs of all the requirements a planning authority makes – such as delivering affordable homes and higher environmental standards. This is noted in the RICS Guidance which recognises that there may well be a period of adjustment in the price of land following the introduction of CIL.
- 6.35 The following alternative land prices were put to the consultation event:
- |      |                   |                    |
|------|-------------------|--------------------|
| i.   | Agricultural Land | £25,000/ha         |
| ii.  | Paddock Land      | £50,000/ha         |
| iii. | Industrial Land   | £450,000/ha        |
| iv.  | Residential Land  | £750,000/ha (net). |
- 6.36 During the consultation process it was agreed that the EUV plus approach was the appropriate approach for a study of this type. There was a consensus that the land values for agricultural, paddock and industrial uses were reflective of the current market in the Cotswolds – although the price achieved for a particular piece of land would vary depending on local and site specific matters.
- 6.37 There was a consensus that the Residential Land Value was low and it was discussed at some length. One consultee provided a number of examples on the minimum price included in a number of local option agreements being in the range of £630,000 to £784,000 per gross ha, although it was commented that these would normally be in the £500,000 to £620,000/ha range.
- 6.38 It was suggested that £620,000/ha be adopted as a value for residential land in the study, with a viability buffer of 20% (i.e. a viability threshold of £744,000/ha). On agricultural land this would represent an uplift over the EUV of about 30 times, being a very significant uplift.
- 6.39 Based on the comments made at the consultation, and the written responses that supported the EUV plus approach, we have assumed a viability threshold of EUV plus 20% on all residential sites, with a further £475,000/ha on greenfield sites. On non-residential sites we have assumed an uplift of 20% and left the further uplift on greenfield sites unchanged at £300,000/ha.
- 6.40 In this regard we have one caveat and that is in relation to very large sites. Large sites have their own characteristics and are often subject to very significant infrastructure costs and amount of open space which results in a lower value. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes we have assumed a viability threshold of the value of industrial land.



## 7. Appraisal Assumptions – Development Costs

- 7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development sites and typologies. These assumptions were presented to stakeholders at the 2<sup>nd</sup> June 2015 consultation event.

### Development Costs

#### *Construction costs: baseline costs*

- 7.2 In the pre-consultation work we based the cost assumptions on the Building Cost Information Service (BCIS) data – using the figures re-based for Gloucestershire. The cost figure for ‘Estate Housing – Generally’ was £991/m<sup>2</sup> at the time (May 2015), this is notably higher than the costs used in the March 2014 SHLAA Viability Study. The BCIS provide costs for a wide range of development types and forms. The costs are specific to different built forms (flats, houses, offices, supermarkets, hotels etc.), the appropriate cost for each development type has been used.
- 7.3 A consultee suggested that it was more appropriate to use the Housing – mixed development costs for residential development, as it is more appropriate to the specific development type costs. In this iteration of the report we have used the January 2016 costs (‘Estate Housing – Generally’ being £1,021/m<sup>2</sup>, an increase of 3.5%).
- 7.4 In August 2015 a BCIS published *Housing development: the economics of small sites – the effect of project size on the cost of housing construction* (August 2015) that considered the construction costs on smaller sites. This study concluded that the construction price for schemes of 1 to 5 units was about 13% higher than for schemes of over 10 units, and that the construction price for schemes of 1 to 10 units was about 6% higher than for schemes of over 10 units. These adjustments have been made to the smallest schemes modelled in this report.
- 7.5 The Government confirmed within the *Fixing the foundations productivity report*<sup>36</sup> its intention not to proceed with the zero carbon buildings policy, which was initially announced in 2007.

*... repeat its successful target from the previous Parliament to reduce net regulation on housebuilders. The government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards, but will keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new buildings should be allowed time to become established*

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<sup>36</sup> <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

- 7.6 As a result, there will be no uplift to Part L of the Building Regulations during 2016, and both the 2016 zero carbon homes target and the 2019 target for non-domestic zero carbon buildings will be dropped, including the Allowable Solutions programme.
- 7.7 In the work presented for consultation it was assumed that there would be a continued increase in environmental standards and we have uplifted the construction costs by 1.5%. We have continued this assumption into this iteration of the work therefore taking a cautious approach.
- 7.8 In line with one consultee's representations, we have presented the results of a scenario where build costs have been increased by 6% to reflect increased environmental standards. We do not accept this is necessary due to the changes to national standards set out above (and in Chapter 2).
- 7.9 Concerns were raised over the cost of building in Cotswold stone at the consultation event. One consultee suggested that this could increase the cost of development by 50%. On this basis the extra cost of a typical semi-detached house would be in excess of £40,000. Whilst this may be an appropriate adjustment for 'fair faced' dressed stone construction (ashlar), this is neither the Council's requirement nor the norm. We have consulted locally and the suggestion is that natural stone will typically add 10% to 20% to the construction costs. We have tested a scenario with stone construction where we have increased the construction costs by 15% (about £150/m<sup>2</sup>) to reflect stone construction. It should be noted in this regard that on larger schemes a range of materials are normally used, including natural stone, reconstituted stone, rendered panels, timber and brick – rather than being all the same.
- 7.10 We take this opportunity to confirm (in response to a consultee's concerns) that the costs applied to older people's housing are the appropriate BCIS costs for the specialist sector.

*Construction costs: site specific adjustments*

- 7.11 It is necessary to consider whether any site specific factors would suggest adjustments to these baseline cost figures. During the mid-1990s, planning guidance on affordable housing was based on the view that construction costs were appreciably higher for smaller sites with the consequence that, as site size declined, an unchanging affordable percentage requirement would eventually render the development uneconomic. Hence the need for a 'site size threshold', below which the requirement would not be sought.
- 7.12 It is not clear to us that this view is completely justified. Whilst, other things being held equal, build costs would increase for smaller sites, other things are not normally equal and there are other factors which may offset the increase. The nature of the development will change. The nature of the developer will also change as small local firms with lower central overheads replace the regional and national house builders. Furthermore, very small sites may be able to secure a 'non-estate' price premium.

*Construction costs: affordable dwellings*

- 7.13 The procurement route for affordable housing is assumed to be through construction by the developer and then disposal to a housing association on completion. In the past, when considering the build cost of affordable housing provided through this route, we took the view that it should be possible to make a saving on the market housing cost figure, on the basis that one might expect the affordable housing to be built to a slightly different specification than market housing. However, the pressures of increasingly demanding standards for housing association properties have meant that, for conventional schemes of houses at least, it is no longer appropriate to use a reduced build cost; the assumption is of parity.

*Other normal development costs*

- 7.14 In addition to the BCIS £/m<sup>2</sup> build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad brush study and the approach taken is in line with the PPG and the Harman Guidance.
- 7.15 Nevertheless, it is possible to generalise. Drawing on experience and the comments of stakeholders it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.
- 7.16 In the light of these considerations we have developed a scale of allowances for the residential sites, ranging from 10% of build costs for the smallest sites, to 20% for the larger greenfield schemes.

*Abnormal development costs*

- 7.17 We have set out the abnormal costs in Chapter 9 where we set out the modelled sites. In some cases where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on.
- 7.18 With regard to abnormal costs it is important to note what the NPPF says (with our emphasis) at Paragraph 174:

*... 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...*

7.19 The treatment of abnormals was considered at Gedling Council's Examination in Public. There is an argument, as set out in Gedling<sup>37</sup>, that it may not be appropriate for abnormals to be built into appraisals in a high level study of this type. A council should not plan for the worst case scenario – rather for the norm. For example if two similar sites were offered to the market and one was previous in industrial use with significant contamination and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

*... demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.*

7.20 In the case of brownfield sites we have made an additional allowance of 5% of the BCIS costs is made.

7.21 For the non-residential property, we have run a scenario where the site is on previously developed land. With this variable we have increased the costs by an additional 5% cost.

7.22 Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of a study of this type to standardise land prices across an area.

#### *Fees*

7.23 For residential development we have assumed professional fees amount to 10% of build costs in each case. This is made up as follows and includes the various assessments and appraisals that the Council requires under its various adopted Core Strategy policies:

|                      |    |                    |      |
|----------------------|----|--------------------|------|
| Architects           | 6% | Quantity Surveyors | 0.5% |
| Planning Consultants | 1% | Others             | 2.5% |

7.24 For non-residential development we have assumed 8%.

#### *Contingencies*

7.25 For previously undeveloped and otherwise straightforward sites, we would normally allow a contingency of 2.5%, with a higher figure of 5% on more-risky types of development on previously developed land. So the 5% figure was used on the brownfield sites and the 2.5% figure on the remainder.

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<sup>37</sup> REPORT TO GEDLING BOROUGH COUNCIL, THE PLANNING INSPECTORATE REF PINS/N3020/429/4, MAY 2015



*S106 Contributions and the costs of infrastructure*

- 7.26 For many years the Council has sought payments from developers to mitigate the impact of the development through improvements to the local infrastructure. The Council has a number of 'calculators' to work out the contributions per development. The Council is likely to introduce CIL and it is inevitable that this will alter the current practice – although not necessarily the total quantum of contribution sought by the Council.
- 7.27 In this study it is important that the costs of mitigation are reflected in the analysis. We have assumed all the modelled sites will contribute £2,000 per unit towards infrastructure – either site specific or more general.
- 7.28 To set this in context, the average amount collected per unit through s106 over the last three years is just under £3,000/unit (median £2,000/unit). The Council have collated this information outside this report.
- 7.29 The £2,000/dwelling allowance is not based on historic payments. It would be inappropriate to base the figure on historic payments due to the changes in the s106 regime (on pooling) that came into effect in April 2015. The allowance is the costs that would meet the post April 2015 restrictions on pooling s106 contributions. On the smaller sites represented by the typologies it has been assumed that contributions for open space, education, and transport and flood defences would be subsumed within a general CIL charge. Having said this, site specific and on site provision may still be dealt with under s106. We do however recognise that some site related s106 contributions may be due so, for all sites, we have assumed a payment of £2,000 per dwelling over and above CIL payable on both market and affordable units.
- 7.30 Whilst some sites may not be subject to a £2,000 payment, it is necessary to incorporate an allowance in the appraisals. Whether it is £1,000/unit or £2,000/unit is a matter of judgement. Based on discussions with the Council we believe that this is a cautious assumption and have not made an adjustment in this regard.
- 7.31 The introduction of CIL will result in changes to this area of policy. Historically much of the contributions from smaller sites either relate to very local matters (such as improvements to the highway close to or adjacent to the site) or more usually to more general contributions to off-site education and highways that will in future be limited though the restrictions on pooling s106 payments from five or more sites that come into effect from April 2015 (see Chapter 2 above).
- 7.32 In this study we have considered a range of typologies that are representative of development anticipated to come forward over the plan period. The strategic allocation at Chesterton has been modelled separately. At this stage we do not have an indication of the s106 costs of infrastructure and mitigation, we have assumed a total s106 cost of £32,600,000 based on work undertaken by Arup for the Council in early 2016:

| <b>Table 7.1 Chesterton Site – Abnormal Costs</b> |                        |                        |
|---|------------------------|------------------------|
|   | Estimated Demand       | Estimated Capital Cost |
| Community Centres                                 | 814.72 sqm             | £1,222,073             |
| Libraries   | 158.6 sqm              | £555,000               |
| Youth Support                                     | 28.4 sqm               | £159,000               |
| Education Early Years                             | 263 places             | £3,246,499             |
| Education Primary                                 | 571 places             | £7,057,607             |
| Education Secondary (11-16)                       | 314 places             | £5,919,733             |
| Education Post-16                                 | 105 places             | £1,973,244             |
| Healthcare GPs                                    | 2.81 GPs               | £842,083               |
| Healthcare Dentists                               | 2.53 Dentists          | £459,778               |
| Healthcare Acute                                  | 8.99 Beds              | £764,443               |
| Swimming  | 0.24 Pools             | £861,442               |
| Sports Halls                                      | 0.37 Halls             | £1,111,143             |
| Playing Pitches                                   | 6.06 Ha                | £591,143               |
| Outdoor Sport                                     | 2.02 Ha                | £2,012,916             |
| Play Space  | 1.26 Ha                | £625,247               |
| Open Space Informal                               | 2.78 Ha                | £47,241                |
| Open Space Natural                                | 5.05 Ha                | £1,212,600             |
| Site Enabling Highways works                      | No abnormal site costs |                        |
| Strategic Transport Improvements                  |                        | £3,950,412             |
| Water Management / Flood Risk                     | No abnormal site costs |                        |
| Energy / Utilities                                | No abnormal site costs |                        |
| <b>Total</b>                                      |                        | <b>£32,611,604</b>     |

Source: Arup January 2016

- 7.33 It is acknowledged that the site’s promoters are working with the Council to get a better understanding of the actual costs. It is inevitable that this will change as the project develops. The costs set out above are those that would meet the post April 2015 restrictions on pooling s106 contributions. These items will be funded through a range of other sources that may include CIL.

### **Financial and Other Appraisal Assumptions**

#### *VAT*

- 7.34 For simplicity it has been assumed throughout, that either VAT does not arise, or that it can be recovered in full.

### *Interest rate*

- 7.35 Our appraisals assume 7% pa for total debit balances, we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.
- 7.36 The 7% assumption may seem high given the very low base rate figure (0.5% September 2015). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals we have prepared a simple cashflow to calculate interest.
- 7.37 For the non-residential appraisals, and in line with the 'high level' nature of this study, we have used the developer's rule of thumb to calculate the interest – being the amount due over one year on half the total cost. We accept that is a simplification, however, due to the high level and broad brush nature of this analysis, we believe that it is proportionate bearing in mind the requirements of the NPPF and CIL Regulations.
- 7.38 The relatively high assumption of the 7% interest rate, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest as most developers are required to put some equity into most projects. In this study a cautious approach is being taken, so we believe this is a sound assumption.

### *Developers' profit*

- 7.39 An allowance needs to be made for developer's profit / return and to reflect the risk of development. Neither the NPPF, nor the CIL Regulations, nor the CIL Guidance provide useful guidance in this regard so, in reaching this decision, we have considered the RICS's *'Financial Viability in Planning'* (August 2012), the Harman Guidance *Viability Testing Local Plans, Advice for planning practitioners* (June 2012), and referred to the HCA's Economic Appraisal Tool. None of these documents are prescriptive, but they do set out some different approaches.
- 7.40 RICS's *'Financial Viability in Planning'* (August 2012) says:

*3.3.2 The benchmark return, which is reflected in a developer's profit allowance, should be at a level reflective of the market at the time of the assessment being undertaken. It will include the risks attached to the specific scheme. This will include both property-specific risk, i.e. the direct development risks within the scheme being considered, and also broader market risk issues, such as the strength of the economy and occupational demand, the level of rents and capital values, the level of interest rates and availability of finance. The level of profit required will vary from scheme to scheme, given different risk profiles as well as the stage in the economic cycle. For example, a small scheme constructed over a shorter timeframe may be considered relatively less risky and therefore attract a lower profit margin, given the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain. ....*

- 7.41 The Harman Guidance says:

### **Return on development and overhead**

*The viability assessment will require assumptions to be made about the average level of developer overhead and profit (before interest and tax).*

*The level of overhead will differ according to the size of developer and the nature and scale of the development. A 'normal' level of developer's profit margin, adjusted for development risk, can be determined from market evidence and having regard to the profit requirements of the providers of development finance. The return on capital employed (ROCE) is a measure of the level of profit relative to level of capital required to deliver a project, including build costs, land purchase, infrastructure, etc.*

*As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed.*

*Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions.*

*Appraisal methodologies frequently apply a standard assumed developer margin based upon either a percentage of Gross Development Value (GDV) or a percentage of development cost. The great majority of housing developers base their business models on a return expressed as a percentage of anticipated gross development value, together with an assessment of anticipated return on capital employed. Schemes with high upfront capital costs generally require a higher gross margin in order to improve the return on capital employed. Conversely, small scale schemes with low infrastructure and servicing costs provide a better return on capital employed and are generally lower risk investments. Accordingly, lower gross margins may be acceptable.*

*This sort of modelling – with residential developer margin expressed as a percentage of GDV – should be the default methodology, with alternative modelling techniques used as the exception. Such an exception might be, for example, a complex mixed use development with only small scale specialist housing such as affordable rent, sheltered housing or student accommodation.*

- 7.42 The HCA's Economic Appraisal Tool – the accompanying guidance for the tool kit says:

#### **Developer's Return for Risk and Profit (including developer's overheads)**

##### **Open Market Housing**

*The developer 'profit' (before taxation) on the open market housing as a percentage of the value of the open market housing. A typical figure currently may be in the region of 17.5-20% and overheads being deducted, but this is only a guide as it will depend on the state of the market and the size and complexity of the scheme. Flatted schemes may carry a higher risk due to the high capital employed before income is received.*

##### **Affordable Housing**

*The developer 'profit' (before taxation) on the affordable housing as a percentage of the value of the affordable housing (excluding SHG). A typical figure may be in the region of 6% (the profit is less than that for the open market element of the scheme, as risks are reduced), but this is only a guide.*

- 7.43 It is unfortunate that the above are not consistent, but it is clear that the purpose of including a developers' profit figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' profit in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

7.44 At the Shinfield appeal<sup>38</sup> (January 2013) the inspector considered this specifically saying:

***Developer's profit***

*43. The parties were agreed that costs<sup>39</sup> should be assessed at 25% of costs or 20% of gross development value (GDV). The parties disagreed in respect of the profit required in respect of the affordable housing element of the development with the Council suggesting that the figure for this should be reduced to 6%. This does not greatly affect the appellants' costs, as the affordable housing element is 2%, but it does impact rather more upon the Council's calculations.*

*44. The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give great weight [to] it. I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.*

7.45 Generally we do not agree that linking the developer's profit to GDV is reflective of risk, as the risk relates to the cost of a scheme – the cost being the money put at risk as the scheme is developed. As an example (albeit an extreme one to illustrate the point) we can take two schemes, A and B, each with a GDV £1,000,000, but scheme A has a development cost of £750,000 and scheme B a lesser cost of £500,000. All other things being equal, in A the developer stands to lose £750,000 (and make a profit of £250,000), but in B 'only' £500,000 (and make a profit of £500,000). Scheme A is therefore more risky, and it therefore follows that the developer will wish (and need) a higher return. By calculating profit on costs, the developer's return in scheme A would be £150,000 and in scheme B would be £100,000 and so reflect the risk – whereas if calculated on GDV the profits would be £200,000 in both.

7.46 Broadly there are four different approaches that could be taken:

- a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.
- b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for affordable housing, as suggested by the HCA.
- c. To set the rate relative to costs – and thus reflect risks of development.
- d. To set the rate relative to the gross development value as suggested by several of the stakeholders following the consultation event.

7.47 In deciding which option to adopt, it is important to note that we are not trying to re-create any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

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<sup>38</sup> APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

<sup>39</sup> i.e. the developer's profit / competitive return.

- 7.48 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require the developer to demonstrate a sufficient margin, to protect them in the case of changes in prices or development costs, but they will also consider a wide range of other factors, including the amount of equity the developer is contributing – both on a loan to value and loan to cost basis, the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.
- 7.49 This is a high level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (either site by site or split between market and affordable housing) it is appropriate to make some broad assumptions.
- 7.50 Initially we have calculated the profit to reflect risk from development as 20% of Gross Development Cost. This was amended to 20% of GDV following the consultation event so as to reflect the comments of consultees. This assumption should be considered with the assumption about interest rates in the previous section, where a cautious approach was taken with a relatively high interest rate, and the assumption that interest is charged on the whole of the development cost. Further consideration should also be given to the contingency sum in the appraisals which is also reflective of the risks.
- 7.51 It is useful to consider the assumptions used in other studies in other parts of England. We have reviewed viability thresholds used by other councils in England in development plans approved during the first half of 2014. These are set out in the table below.

| <b>Table 7.2 Viability thresholds used elsewhere</b> |   |
|--|---|
| <b>Local Authority</b>                               | <b>Developer's Profit</b>                   |
| Babergh  | 17%   |
| Cannock Chase  | 20% on GDV                                  |
| Christchurch & East Dorset                           | 20% on GDC                                  |
| East Hampshire                                       | 20% market/6% Affordable                    |
| Erewash  | 17%   |
| Fenland  | 15-20%                                      |
| GNDP   | 20% market/17.5% large sites/6% Affordable  |
| Reigate & Banstead                                   | 17.5% market/6% Affordable                  |
| Stafford   | 20% (comprising 5% for internal overheads). |
| Staffordshire Moorlands                              | 17.5% market/6% Affordable                  |
| Warrington   | 17%   |

Source: Planning Advisory Service (collated by URS) July 2014

- 7.52 The assumptions with regard to developers' return / profit are at the upper end of the range. Together these assumptions illustrate the generally cautious approach taken through the viability work and the comments made by the development industry through the consultation process.

*Voids*

- 7.53 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.
- 7.54 For the purpose of the present study, a three month void period is assumed for all residential and non-residential developments. We have given careful consideration to this assumption in connection to the commercial developments. There is very little speculative commercial development taking place so we believe that this is the appropriate assumption to make.

*Phasing and timetable*

- 7.55 A pre-construction period of six months is assumed for all of the sites. Each dwelling is assumed to be built over a nine month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. We have developed a suite of modelled assumptions to reflect site size and development type.
- 7.56 The rate of delivery will be an important factor when the Council is considering the release of sites so as to manage the delivery of housing and infrastructure. We have considered two aspects, firstly the number of outlets that a development site may have, and secondly the number of units that an outlet can deliver.
- 7.57 We have assumed a maximum, per outlet, delivery rate of 35 market units per year. On the smaller sites we have assumed much slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward.
- 7.58 In the case of the Chesterton Strategic Site a developer suggested that an output of 195 units in the first year was unrealistically high. We have not used this figure and have assumed 150 units/year and have modelled a steady build up. It was also suggested that 195 units per year would require 5-6 active builders. On this basis each would only be delivering between 19 and 24 market units per year. This is not reflective of the expected delivery of the site. An outlet delivering 35 market units would also deliver 23 or so affordable units (at a 40% requirement) so the total output would be between 55 and 60 units per year. Bearing in mind the scale and layout of the site there is scope to have 3 or 4 concurrent outlets.
- 7.59 We believe that these are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and Harman Guidance.

## **Site Acquisition and Disposal Costs**

### *Site holding costs and receipts*

- 7.60 Each site is assumed to proceed immediately (following a 6 month mobilisation period) and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

### *Acquisition costs*

- 7.61 We have taken a simplistic approach and assumed an allowance 1% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates.

### *Disposal costs*

- 7.62 For the market and the affordable housing, sales, promotion and legal fees were initially assumed to amount to some 3.5% of receipts. In line with consultee responses this has been increased to 4%. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.



## 8. Local Plan Requirements

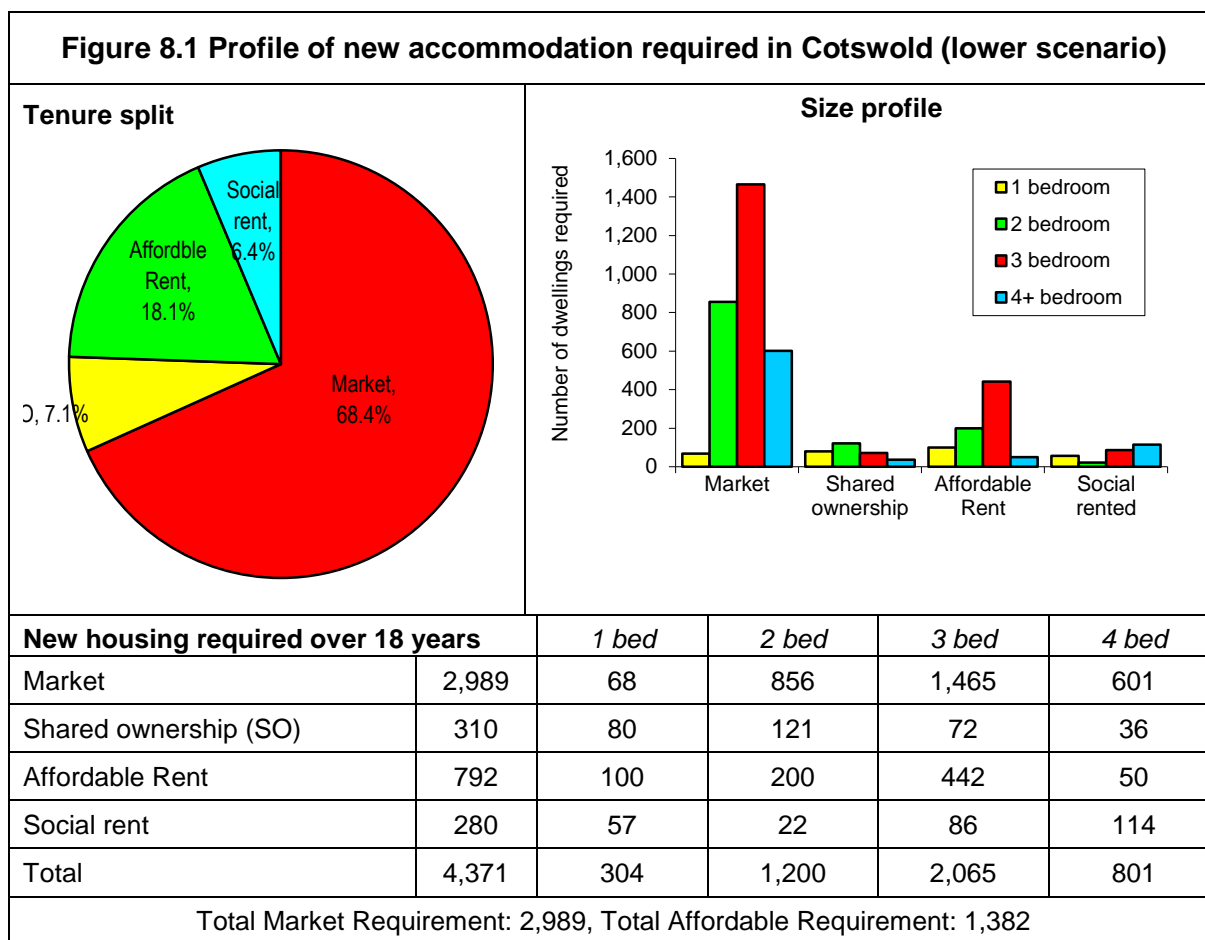
- 8.1 As set out at the start of this paper, Cotswold District Council (CDC) consulted on their Local Plan: Development Strategy and Site Allocations during January and February 2015 and their Local Plan Reg 18 Consultation: Planning Policies during November and December 2015 and is now well into the process of preparing the next iteration of the Plan. The purpose of this study is to assess the deliverability development set out in the new Plan and the effect that CIL will have on development viability. In this chapter we have reviewed the development management policies in the emerging Local Plan and considered those policies that may have an impact on development viability. We have tested CIL in the context of the cumulative impact of these policies.
- 8.2 In this chapter we have considered the emerging policy areas. In each case we have considered whether or not they add to the costs of development over and above the base costs (derived from the BCIS costs etc. as set out in Chapter 7 above). In due course, when the policy wording is finalised, it will be necessary to revisit this part of this report.

### Housing

- 8.3 The Council have developed a range of requirements in relation to affordable housing. This can be subdivided:

#### *Generally*

- 8.4 The policy currently requires 50% affordable housing, which in the first instance is to be provided on site and to be subject to the following assumptions:
- *Assume nil grant*
  - *No rent level (including service charge) should exceed the local housing allowance as per the Strategic Tenancy Policy.*
- 8.5 The mix of affordable housing is to be informed by the SHMA. This is set out as follows:



Source: Figure 3.3 Gloucestershire Strategic Housing Market Assessment Update (December 2014)

- 8.6 The Council is seeking to balance the market of the plan-period and over the housing market area and does not seek these proportions on a site by site basis. It is also important to note that the above proportions are based on the space standards used in the SHMA process. This is derived from the Housing, Health and Safety Rating System (HHSRS) that was introduced by the Housing Act 2004 and is based on absolute minimum standards about same sex and different sex people and sharing bedrooms depending on their age. It does not make allowance for households to have any spare bedrooms and assumes households will always reside in the smallest house that meets their requirements – making no allowance for changes in family circumstances.
- 8.7 In this study the base analysis and modelling is based on a 40% affordable housing requirement and informed by the SHMA. It is acknowledged that the SHMA is to be updated so, at this stage, this should be seen as the starting point of the analysis. To inform the Council’s policy development and refinement analysis has been carried out across the range from 25% through to 50% affordable housing.
- 8.8 As highlighted by a consultee the mix of housing will vary from site to site. In a study of this type it is however necessary to make some broad brush assumptions and we believe that this is a pragmatic approach to the modelling.

8.9 The affordable housing will apply to older people's housing, and this report will consider the impact of this policy on both sheltered/retirement housing and extracare housing.

8.10 For the purpose of developing policy the Council has asked that the following scenarios are tested:

- *The following affordable housing target percentages to be assessed are: 25%, 30%, 35%, 40% 45% and 50%.*
- *The affordable housing assessment should be based on:*
  - *the current policy tenure split of 1/3 Low Cost Home Ownership (LCHO) v 2/3 affordable housing to rent.*
  - *40:60 and 50:50 LCHO v affordable housing to rent*  
*The above is to include an assessment of different rent scenarios including all social rent, and all affordable rent (capped at local housing allowance cap)*
- *Identify viable thresholds for seeking affordable housing on different sizes and categories of sites.*

8.11 The Council has set out that new affordable housing should meet the following criteria:

- *tenure blind construction*
- *affordable homes should be distributed in clusters across the site*
- *2 beds should largely be houses not flats. If 2 bed flats included they should be ground floor*

8.12 The Council recognises that it will not be possible for all sites to bear the full policy requirements of affordable housing and anticipates including provision for viability testing in the policy.

8.13 This report will also consider the option with regard to commuted sums for affordable housing. This is in the context of bullet point three of paragraph 50 of the NPPF:

*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....*

#### *Rural housing*

8.14 As set out in Chapter 2 above, there have been a number of changes to the PPG concerning Affordable Housing thresholds with contributions not being sought from developments of 10-units or less (and which have a maximum combined gross floorspace of no more than 1,000m<sup>2</sup>) and in designated rural areas, local planning authorities being able choose to apply a lower threshold of 5-units or less. In this case, no affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development.

8.15 In parallel to these announcements, changes were also made in relation to Vacant Buildings Credit whereby affordable housing contributions and CIL would not be sought on the elements

(or proportion) of schemes that were existing vacant buildings. It is not necessary to consider these changes in the context of this study as, whilst they would have a direct impact on the amount of affordable housing delivered, there is no adverse impact on viability.

8.16 In light of this the Council asked that this report should:

- *Test the viability of the 5-unit threshold triggering a cash payment to be commuted until after completion of units within the development of between 6 to 10 units based on market provision in SHMA 2014.*

8.17 Since then the introduction of the thresholds was reversed in the judgment in R (on the application of West Berkshire District Council and Reading Borough Council) v Secretary of State for Communities and Local Government [2015] EWHC 2222 (Admin). However, Ministers have indicated their wish to reintroduce it. In this study we have modelled the full range of affordable housing requirements.

#### *Construction Standards*

8.18 In March 2015, the Government published *Nationally Described Space Standard – technical requirements*. If introduced, this would allow councils to include a policy within their plan with regard to the minimum size of dwelling. This says

*This standard deals with internal space within new dwellings and is suitable for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.*

8.19 The following unit sizes are set out:

| <b>Table 8.1 National Space Standards. Minimum gross internal floor areas and storage (m<sup>2</sup>)</b> |                      |                    |                    |                    |                  |
|---|----------------------|--------------------|--------------------|--------------------|------------------|
| number of bedrooms  | number of bed spaces | 1 storey dwellings | 2 storey dwellings | 3 storey dwellings | built-in storage |
| studio  | 1p                   | 39(37)*            |                    |                    | 1                |
| 1b  | 2p                   | 50                 | 58                 |                    | 1.5              |
| 2b  | 3p                   | 61                 | 70                 |                    | 2                |
|   | 4p                   | 70                 | 79                 |                    |                  |
| 3b  | 4p                   | 74                 | 84                 | 90                 | 2.5              |
|   | 5p                   | 86                 | 93                 | 99                 |                  |
|   | 6p                   | 95                 | 102                | 108                |                  |
| 4b  | 5p                   | 90                 | 97                 | 103                | 3                |
|   | 6p                   | 99                 | 106                | 112                |                  |
|   | 7p                   | 108                | 115                | 121                |                  |
|   | 8p                   | 117                | 124                | 130                |                  |
| 5b  | 6p                   | 103                | 110                | 116                | 3.5              |
|   | 7p                   | 112                | 119                | 125                |                  |
|   | 8p                   | 121                | 128                | 134                |                  |
| 6b  | 7p                   | 116                | 123                | 129                | 4                |
|   | 8p                   | 125                | 132                | 138                |                  |

Source: Table 1, Nationally Described Space Standard – technical requirements - Consultation draft (September 2014)

- 8.20 The Council has no current plans to introduce these standards, however has asked for an assessment of their introduction. On the whole the modelling is in line with these requirements.
- 8.21 We tested the impact of Lifetime Homes Standard. The additional costs of developing to the Lifetime Homes Standards<sup>40</sup> is about an additional £11/m<sup>2</sup>. We have tested this additional cost.
- 8.22 We understand the Council has no plans to introduce increased environmental standards for non-residential buildings (such as BREEAM).

### Economy

- 8.23 The main thrust of policy in this regard is as follows:

<sup>40</sup> Based on *Assessing the cost of Lifetime Homes Standards*. Building Cost Information Service (BICS), July 2012 published by Department for Communities and Local Government.

- a. Proposals for change of use and/or redevelopment of extant employment sites is required to demonstrate evidence of active marketing as an employment site; that the site is inappropriate for its existing or other employment use; community benefit outweighs loss of employment land; proposed loss of all employment uses demonstrates why a mixed-use scheme (retaining some employment use) is unviable.
- b. Proposals at established rural employment sites to demonstrate viability of converting existing buildings, assess cumulative impact of development on the site and surroundings and assess compatibility of uses with other activities on the site.
- c. Conversion of buildings in rural areas that will generate significant numbers of employees to be located close to larger settlements or accessible by walking, cycling or public transport.
- d. Proposals for agricultural diversification to be supported by a business plan to show how development supports continued operation of the agricultural (or similar) business

8.24 Having considered these points we believe that these requirements lie in the 'normal' costs of development and will not add to development costs set out elsewhere in this report.

### **Design and Landscape**

8.25 The Cotswolds have a distinct design and the Council is developing policies to ensure that this is reflected in new development. The emerging policy says:

*New development (including alterations to existing buildings) will enhance the distinctive environment of the District by meeting the highest standards of architectural, sustainable, ecological and landscape design. Innovative contemporary design, construction methods and materials appropriate to the context will be welcomed, particularly where sustainability is enhanced.*

8.26 These requirements are not new and are not unusual. We have assumed that the costs are reflected in normal development costs. The impact of stone construction is set out as in the early parts of this chapter, although the use of natural stone is not a policy requirement of the Council.

### **Infrastructure**

#### *Green Infrastructure*

8.27 Under the emerging Plan all new development will be expected to:

*Contribute to the provision, enhancement and maintenance of the District's Green Infrastructure network through incorporation of Green Infrastructure within proposals (particularly within masterplans) and contributing in cash or in kind to the enhancement and maintenance of on- and off-site Green Infrastructure where appropriate.*

8.28 As set out in Chapter 9 of this report, open space has been incorporated into the site modelling as appropriate.

8.29 This requirement needs to be read in the context of CIL Regulation 122 which restricts use of developer contributions to those that are necessary to make the development acceptable in planning terms; are directly related to the development; and fairly and reasonably related in

scale and kind to the development. In addition, the pooling restrictions in CIL Regulation 123 which came into effect in April 2015 will apply. Site specific matters may be dealt with under s106 but the more general matters will be dealt with under CIL. We have tested a range of developer contributions.

- 8.30 In this report we have a general assumption within the appraisals of a s106 contribution of £2,000 per unit and tested a range of levels of CIL in addition.

#### *Sustainable Drainage*

- 8.31 The Council is considering the following policy:

*As appropriate, incorporate Sustainable Drainage Systems including initiatives such as grey water recycling systems where feasible. New development will:*

- *enhance natural forms of drainage through the design and layout of schemes;*
- *assess as appropriate to the scale of the proposal the cumulative impact of the development in relation to existing settlements, communities or allocated sites, incorporating mitigation measures as necessary;*
- *incorporate suitable Sustainable Drainage Systems (SuDS) where in the view of the local authority it is an appropriate solution to manage surface water drainage;*
- *avoid any increase in discharge into the public sewer system unless capacity exists to accommodate it;*
- *ensure that flood risk is not increased on-site or elsewhere; and*
- *protect the quality of the receiving watercourse(s) and groundwater.*

- 8.32 The requirements for Sustainable Urban Drainage Systems (SUDS) and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. We have assumed that the costs of SUDS add 5% to the costs of construction on brownfield sites, however we have assumed that on the larger greenfield sites that SUDS will be incorporated into the green spaces and be delivered through soft landscaping within the wider site costs.

#### *Transport*

- 8.33 The emerging policy requires development to contribute towards transport infrastructure.
- 8.34 As for Green Infrastructure above, this requirement needs to be read in the context of CIL Regulation 122 which restricts use of developer contributions to those that are necessary to make the development acceptable in planning terms; are directly related to the development; and fairly and reasonably related in scale and kind to the development. In addition, the pooling restrictions in CIL Regulation 123 which came into effect in April 2015 will apply. Site specific matters may be dealt with under s106, but the more general matters will be dealt with under CIL.
- 8.35 Through the consultation process the County Council highlighted the Gloucestershire Local Developer Guide which was adopted by County Council Cabinet in February 2014. This guide identifies items of County Council infrastructure and services that may be impacted by new development and therefore could require financial or other types of support in order for them

to continue to meet the needs of local communities. The guide also sets out the GCC developer contributions protocol that states how negotiations on contributions with developers will be pursued including issues such as phasing; the application of indexation; and monitoring. The guide seeks contributions under the following headings, but does not include indications of the costs that may be applied nor calculators for requirements:

- Transport – incorporating safe accessibility and support for public transport;
- Emergency services;
- Medical and health services;
- Crèches and day nurseries;
- Education facilities;
- Cultural facilities including art galleries, museums, public libraries, public halls and exhibition halls, and;
- Places of worship.

8.36 On the sites represented by the typologies it has been assumed that contributions for open space, education, and transport and flood defences would be subsumed within a general CIL charge. Having said this, site specific and on site provision may still be dealt with under s106. We do however recognise that some site related s106 contributions may be due.

8.37 In this report we have a general assumption within the appraisals of a s106 contribution of £2,000 per unit over and above CIL payable on both market and affordable units and tested a range of levels of CIL in addition. It will be necessary for the Council to continue to engage with the County Council in this regard.

### **Neighbourhood Plans**

8.38 The Council is encouraging local communities to pursue and adopt Neighbourhood Plans. These community-led frameworks will help to guide development of an area. These new plans will sit under the adopted Local Plan. They should not constrain development or impose extra policy burdens of development that may prejudice the delivery of the Local Plan.

8.39 Currently there are no adopted neighbourhood plans. In due course, it may be necessary to assess whether or not the Neighbourhood Plans add to the cumulative policy burden on development, and, if they do, to ensure that the development is not put at serious risk.



## 9. Modelled Sites

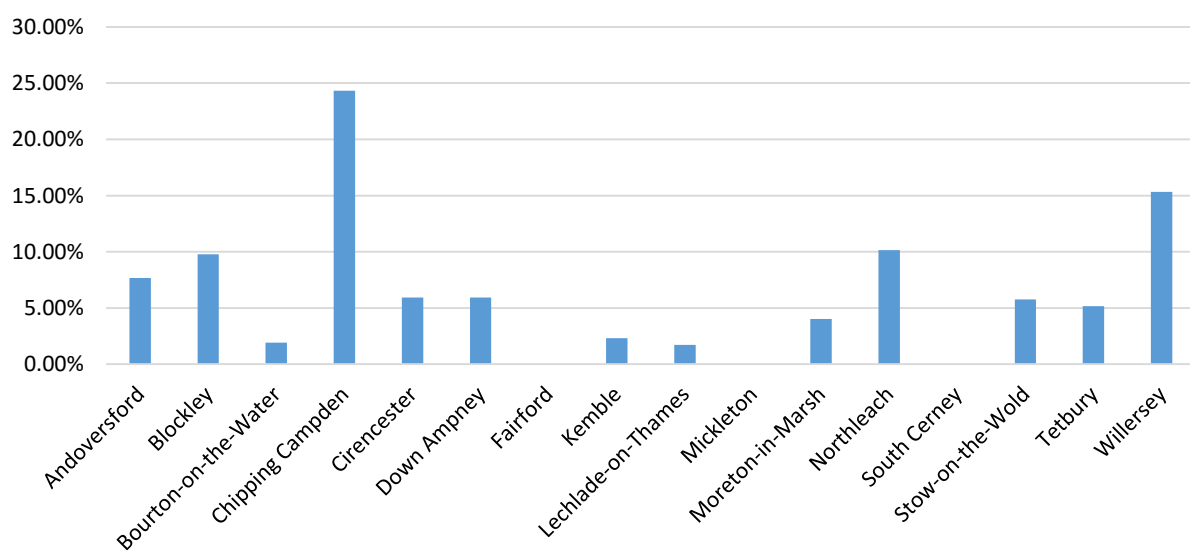
- 9.1 In the previous chapters we have set out the general assumptions to be inputted into the development appraisals. In this chapter we have set out the modelling. We stress that this is a high level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the Council's policies on development viability and to inform the CIL setting process. This information will be used with the other information gathered by the Council to assess whether or not the sites are actually deliverable.
- 9.2 Our approach is to model a set of residential development sites that are broadly representative of the type of development that is likely to come forward in Cotswold.
- 9.3 The emerging Plan includes a Site Allocations Document which includes 39 Allocation sites, on about 25ha of land and with a capacity of just under 2,881 new homes. Over 80% (2,350 units) of these units are on the Chesterton Strategic Site. The remainder is distributed across the District. The Council has also identified 19 Reserve sites on about 48ha of land with a capacity 732 units. The Allocations and Reserve sites are set out in **Appendix 5** of this report.
- 9.4 It was suggested through the consultation process that the phrase 'Reserve sites' could cause confusion. This study is only concerned with viability matters and not the other topics that may influence the Council's decision to include or not include a site in the Plan. We have used the phrase 'Reserve sites' so as to be consistent with the other evidence documents.
- 9.5 The emerging Plan also includes allocations of about 25ha of employment land and a further 4.5ha of Reserve employment land. This sites are listed in **Appendix 6**.
- 9.6 To inform the modelling we have considered the nature of and distributions of the sites, although it is accepted that as the Plan progresses some sites are likely to be approved and some further sites may be included.

### **Residential Development Sites**

- 9.7 In this study the strategic site at Chesterton has been modelled separately. It includes over 80% of the proposed development so is crucial to the delivery of the Plan. The remaining Allocations and Reserve sites are distributed as follows:

**Table 9.1 Land Use and Distribution of Cotswold Allocations (excluding Chesterton Strategic Site)**

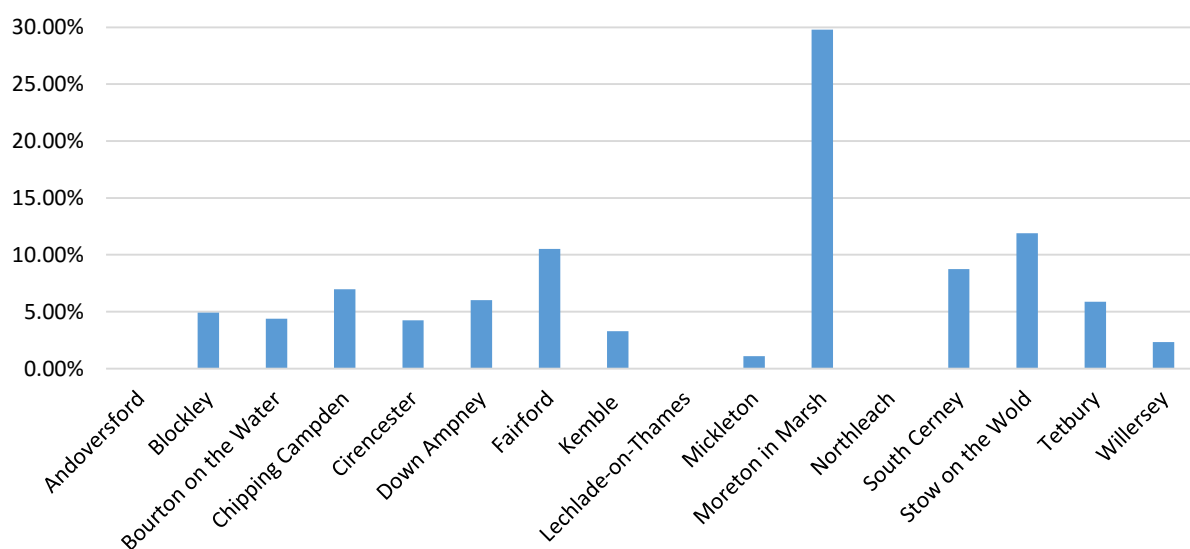
|                      | Greenfield |              | Brownfield |             | Green / Brownfield |             | Total      |              |
|----------------------|------------|--------------|------------|-------------|--------------------|-------------|------------|--------------|
|                      | Units      | Ha           | Units      | Ha          | Units              | Ha          | Units      | Ha           |
| Andoversford         | 40         | 3.84         |            |             |                    |             | 40         | 3.84         |
| Blockley             | 51         | 3.94         |            |             |                    |             | 51         | 3.94         |
| Bourton-on-the-Water |            |              | 10         | 0.29        |                    |             | 10         | 0.29         |
| Chipping Campden     | 127        | 6.08         |            |             |                    |             | 127        | 6.08         |
| Cirencester          |            |              | 31         | 0.94        |                    |             | 31         | 0.94         |
| Down Ampney          | 31         | 1.72         |            |             |                    |             | 31         | 1.72         |
| Fairford             |            |              |            |             |                    |             |            |              |
| Kemble               | 12         | 0.97         |            |             |                    |             | 12         | 0.97         |
| Lechlade-on-Thames   | 9          | 0.95         |            |             |                    |             | 9          | 0.95         |
| Mickleton            |            |              |            |             |                    |             |            |              |
| Moreton-in-Marsh     |            |              | 21         |             |                    |             | 21         | 0            |
| Northleach           | 48         | 4.52         | 5          | 0.16        |                    |             | 53         | 4.68         |
| South Cerney         |            |              |            |             |                    |             |            |              |
| Stow-on-the-Wold     |            |              | 10         | 0.17        | 20                 | 0.48        | 30         | 0.65         |
| Tetbury              |            |              | 27         | 0.52        |                    |             | 27         | 0.52         |
| Willersey            | 75         | 3.95         | 5          | 0.16        |                    |             | 80         | 4.11         |
| <b>ALL</b>           | <b>393</b> | <b>25.97</b> | <b>109</b> | <b>2.24</b> | <b>20</b>          | <b>0.48</b> | <b>522</b> | <b>28.69</b> |



Source: CDC Data

**Table 9.2 Land Use and Distribution of Cotswold Reserve Sites**

|                      | Greenfield |              | Brownfield |             | Green / Brownfield |             | Total      |              |
|----------------------|------------|--------------|------------|-------------|--------------------|-------------|------------|--------------|
|                      | Units      | Ha           | Units      | Ha          | Units              | Ha          | Units      | Ha           |
| Andoversford         |            |              |            |             |                    |             |            |              |
| Blockley             | 36         | 1.46         |            |             |                    |             | 36         | 1.46         |
| Bourton-on-the-Water |            |              | 32         | 1.29        |                    |             | 32         | 1.29         |
| Chipping Campden     | 43         | 1.74         |            |             | 8                  | 1.08        | 51         | 2.82         |
| Cirencester          | 8          | 2.64         |            |             | 23                 | 0.94        | 31         | 3.58         |
| Down Ampney          | 44         | 2.35         |            |             |                    |             | 44         | 2.35         |
| Fairford             | 77         | 3.1          |            |             |                    |             | 77         | 3.1          |
| Kemble               | 24         | 0.9          |            |             |                    |             | 24         | 0.9          |
| Lechlade-on-Thames   |            |              |            |             |                    |             |            |              |
| Mickleton            |            |              |            |             | 8                  | 0.59        | 8          | 0.59         |
| Moreton-in-Marsh     | 218        | 22.25        |            |             |                    |             | 218        | 22.25        |
| Northleach           |            |              |            |             |                    |             |            |              |
| South Cerney         | 64         | 3.4          |            |             |                    |             | 64         | 3.4          |
| Stow-on-the-Wold     | 87         | 2.84         |            |             |                    |             | 87         | 2.84         |
| Tetbury              | 43         | 2.27         |            |             |                    |             | 43         | 2.27         |
| Willesley            | 17         | 1.4          |            |             |                    |             | 17         | 1.4          |
| <b>All</b>           | <b>661</b> | <b>44.35</b> | <b>32</b>  | <b>1.29</b> | <b>39</b>          | <b>2.61</b> | <b>732</b> | <b>48.25</b> |

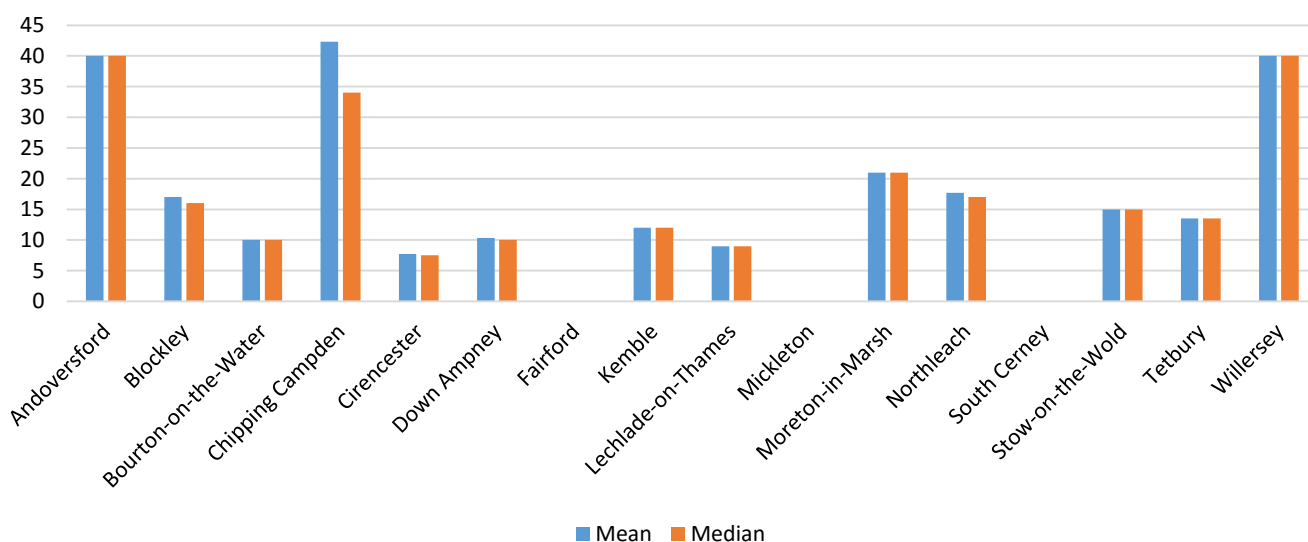


Source: CDC Data

9.8 It is also important to consider the size of the sites:

**Table 9.3 Size of Cotswold Allocations (excluding Chesterton Strategic Site)**

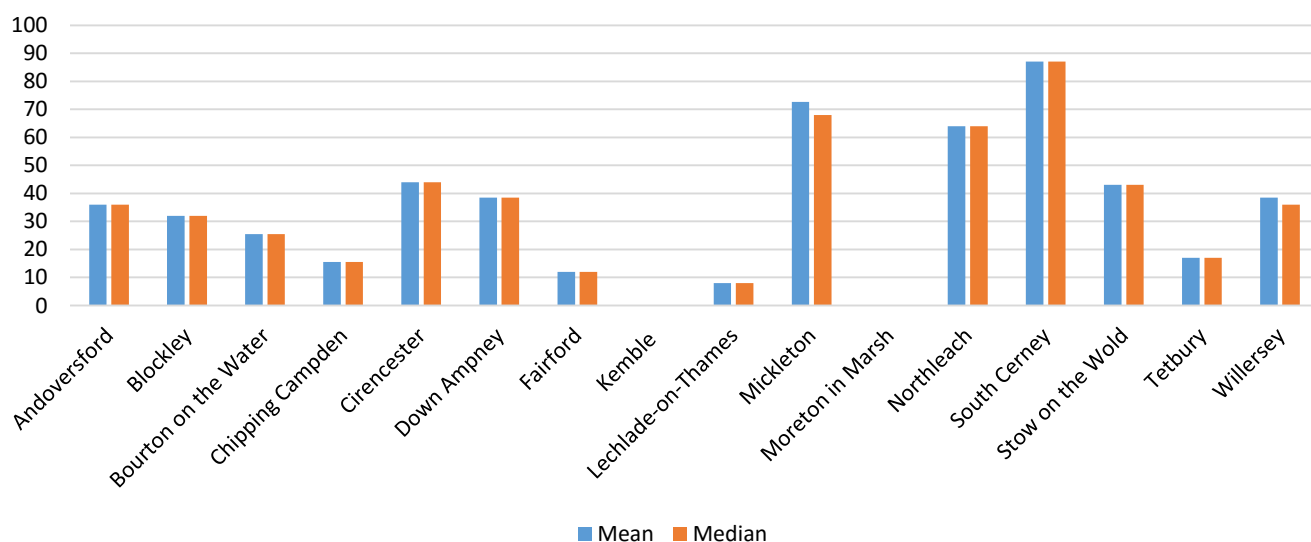
|                      | Sites     | Mean         |             | Median       |             | Min         |             | Max          |             |
|----------------------|-----------|--------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|
|                      | Count     | Units        | Ha          | Units        | Ha          | Units       | Ha          | Units        | Ha          |
| Andoversford         | 1         | 40.00        | 3.84        | 40.00        | 3.84        | 40.00       | 3.84        | 40.00        | 3.84        |
| Blockley             | 3         | 17.00        | 1.31        | 16.00        | 1.46        | 13.00       | 0.54        | 22.00        | 1.94        |
| Bourton-on-the-Water | 1         | 10.00        | 0.29        | 10.00        | 0.29        | 10.00       | 0.29        | 10.00        | 0.29        |
| Chipping Campden     | 3         | 42.33        | 2.03        | 34.00        | 1.37        | 13.00       | 0.49        | 80.00        | 4.22        |
| Cirencester          | 4         | 7.75         | 0.24        | 7.50         | 0.24        | 5.00        | 0.09        | 11.00        | 0.38        |
| Down Ampney          | 3         | 10.33        | 0.57        | 10.00        | 0.51        | 8.00        | 0.42        | 13.00        | 0.79        |
| Fairford             |           |              |             |              |             |             |             |              |             |
| Kemble               | 1         | 12.00        | 0.97        | 12.00        | 0.97        | 12.00       | 0.97        | 12.00        | 0.97        |
| Lechlade-on-Thames   | 2         | 9.00         | 0.75        | 9.00         | 0.75        | 9.00        | 0.54        | 9.00         | 0.95        |
| Mickleton            |           |              |             |              |             |             |             |              |             |
| Moreton-in-Marsh     | 1         | 21.00        | #DIV/0!     | 21.00        | #NUM!       | 21.00       | 0.00        | 21.00        | 0.00        |
| Northleach           | 3         | 17.67        | 1.56        | 17.00        | 1.79        | 5.00        | 0.16        | 31.00        | 2.73        |
| South Cerney         |           |              |             |              |             |             |             |              |             |
| Stow-on-the-Wold     | 2         | 15.00        | 0.33        | 15.00        | 0.33        | 10.00       | 0.17        | 20.00        | 0.48        |
| Tetbury              | 2         | 13.50        | 0.52        | 13.50        | 0.52        | 9.00        | 0.52        | 18.00        | 0.52        |
| Willersey            | 2         | 40.00        | 2.06        | 40.00        | 2.06        | 5.00        | 0.16        | 75.00        | 3.95        |
| <b>All</b>           | <b>28</b> | <b>18.96</b> | <b>1.12</b> | <b>12.50</b> | <b>0.53</b> | <b>5.00</b> | <b>0.09</b> | <b>80.00</b> | <b>4.22</b> |



Source: CDC Data

**Table 9.4 Size of Cotswold Reserve Sites**

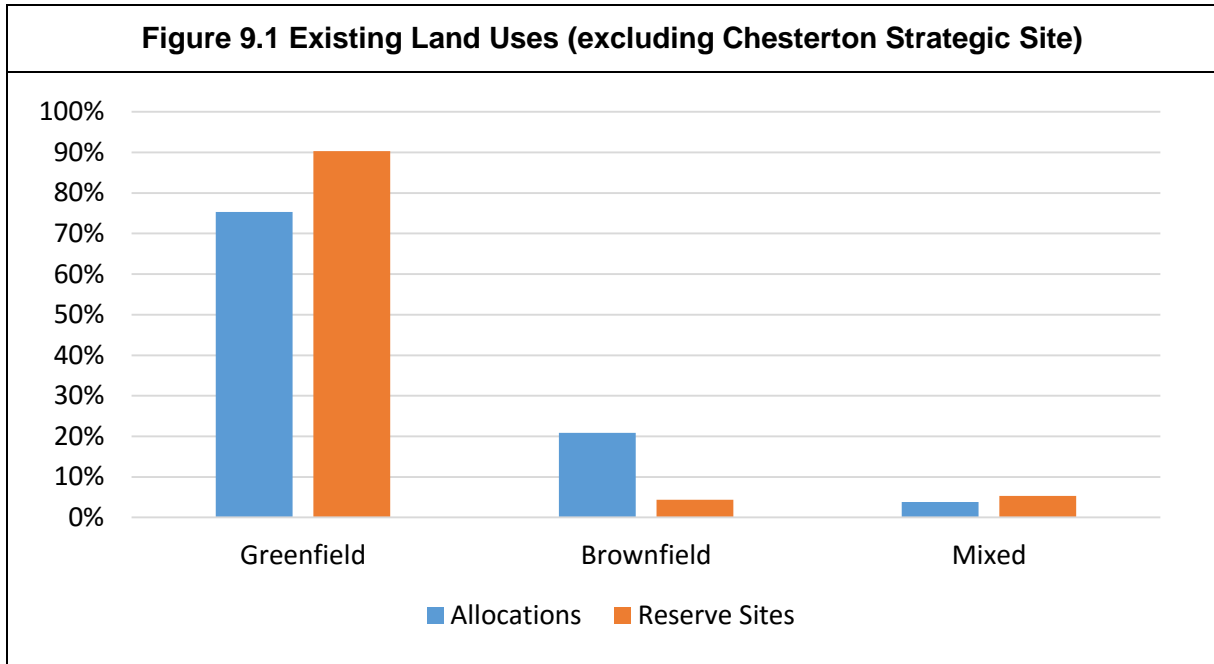
|                      | Sites     |              | Mean        |              | Median      |             | Min         |               | Max          |  |
|----------------------|-----------|--------------|-------------|--------------|-------------|-------------|-------------|---------------|--------------|--|
|                      | Count     | Units        | Ha          | Units        | Ha          | Units       | Ha          | Units         | Ha           |  |
| Andoversford         |           |              |             |              |             |             |             |               |              |  |
| Blockley             | 1         | 36.00        | 1.46        | 36.00        | 1.46        | 36.00       | 1.46        | 36.00         | 1.46         |  |
| Bourton-on-the-Water | 1         | 32.00        | 1.29        | 32.00        | 1.29        | 32.00       | 1.29        | 32.00         | 1.29         |  |
| Chipping Campden     | 2         | 25.50        | 1.41        | 25.50        | 1.41        | 8.00        | 1.08        | 43.00         | 1.74         |  |
| Cirencester          | 2         | 15.50        | 1.79        | 15.50        | 1.79        | 8.00        | 0.94        | 23.00         | 2.64         |  |
| Down Ampney          | 1         | 44.00        | 2.35        | 44.00        | 2.35        | 44.00       | 2.35        | 44.00         | 2.35         |  |
| Fairford             | 2         | 38.50        | 1.55        | 38.50        | 1.55        | 28.00       | 1.13        | 49.00         | 1.97         |  |
| Kemble               | 2         | 12.00        | 0.45        | 12.00        | 0.45        | 11.00       | 0.36        | 13.00         | 0.54         |  |
| Lechlade-on-Thames   |           |              |             |              |             |             |             |               |              |  |
| Mickleton            | 1         | 8.00         | 0.59        | 8.00         | 0.59        | 8.00        | 0.59        | 8.00          | 0.59         |  |
| Moreton-in-Marsh     | 3         | 72.67        | 7.42        | 68.00        | 4.64        | 37.00       | 3.59        | 113.00        | 14.02        |  |
| Northleach           |           |              |             |              |             |             |             |               |              |  |
| South Cerney         | 1         | 64.00        | 3.40        | 64.00        | 3.40        | 64.00       | 3.40        | 64.00         | 3.40         |  |
| Stow-on-the-Wold     | 1         | 87.00        | 2.84        | 87.00        | 2.84        | 87.00       | 2.84        | 87.00         | 2.84         |  |
| Tetbury              | 1         | 43.00        | 2.27        | 43.00        | 2.27        | 43.00       | 2.27        | 43.00         | 2.27         |  |
| Willersey            | 1         | 17.00        | 1.40        | 17.00        | 1.40        | 17.00       | 1.40        | 17.00         | 1.40         |  |
|                      | <b>19</b> | <b>38.53</b> | <b>2.54</b> | <b>36.00</b> | <b>1.74</b> | <b>8.00</b> | <b>0.36</b> | <b>113.00</b> | <b>14.02</b> |  |



Source: CDC Data

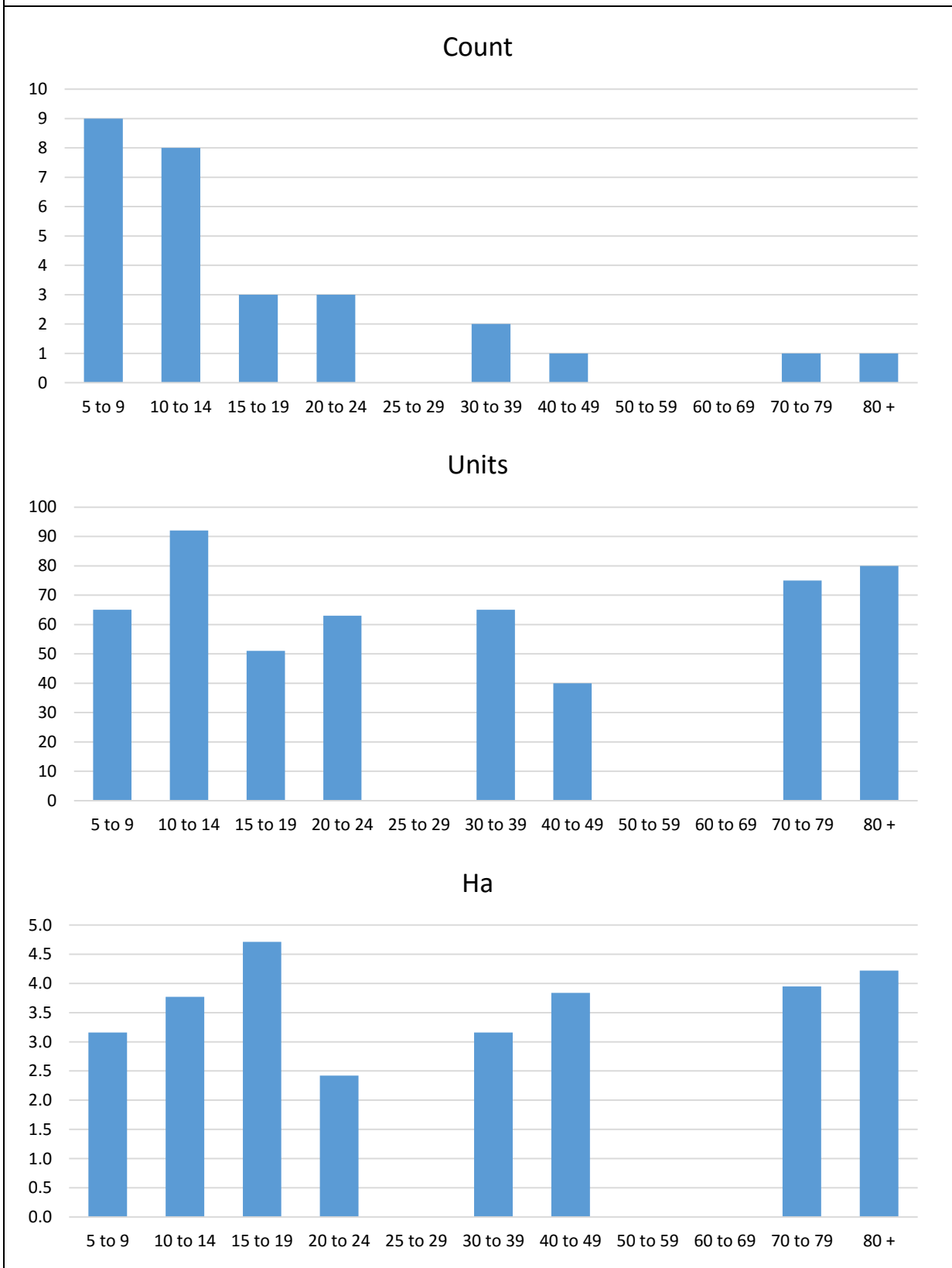
9.9 The majority of sites are greenfield sites:





9.10 The average site size of the allocations is less than 20 units, with the largest being for 80 units. The following figure sets of the majority of sites are the smallest sites, although in terms of unit numbers of units and site areas as many units are anticipated to be delivered from the larger sites:

**Figure 9.2 Size distribution of Cotswold Allocations (excluding Chesterton Strategic Site)**



Source: CDC Data

- 9.11 In discussion with the Council it was decided that a total of 12 representative sites would be modelled and further large strategic site should also be included. These include several sites of less than 5 units (being the threshold for inclusion in the Allocations document (or the SHLAA).
- 9.12 We acknowledge that modelling cannot be totally representative, however the aim of this work is to test the deliverability of the sites in the emerging Plan and to consider the effect of CIL on viability on sites likely to come forward over the plan-period. The work is high level, so there are likely to be sites that will not be able to deliver the affordable housing target and CIL, indeed as set out at the start of this report, there are some sites that will be unviable even without any policy requirements (for example brownfield sites with high remediation costs), but there will also be sites that can afford more. Once CIL has been adopted, there is little scope for exemptions to be granted, however, where the affordable housing target and other policy requirements cannot be met, the developer will continue to be able to negotiate with the planning authority. The planning authority will have to weigh up the factors for and against a scheme, and the ability to deliver affordable housing will be an important factor. The modelled sites are reflective of development sites in the study area that are likely to come forward during the plan-period.

*Development assumptions*

- 9.13 In arriving at appropriate assumptions for residential development on each typology, we have ensured that the built form used in our appraisals is appropriate to the current development practices. We have developed a typology which responds to the variety of development situations and densities typical in Cotswold, and this is used to inform development assumptions for sites. The typology enables us to form a view about floorspace density, based on the amount of development, measured in net floorspace per hectare, to be accommodated upon the site. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).
- 9.14 The typology uses as a base or benchmark typical of post-PPG3/PPS3 built form which would provide development at between 3,000m<sup>2</sup>/ha to 3,550 m<sup>2</sup>/ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be around 30/net ha. This has become a common development format. It provides for a majority of houses but with a small element of flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.
- 9.15 There could be some schemes of appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 7,000 m<sup>2</sup>/ha and dwelling densities of 100 units/ha upwards; and schemes of lower density, in the rural edge situations.
- 9.16 The density, in terms of units and floorspace, has been used to ensure appropriate development assumptions for a majority of the sites.



9.17 We have based the densities used in the site modelling on the expected density that is likely to come forward in current market conditions. These follow the densities used in the SHLAA of 30 units net per ha. In addition, we have made the following assumptions about the net / gross areas of the site, again following the assumptions used in the SHLAA.

| <b>Table 9.5 Net / Gross assumptions</b> |  |
|--|--|
| Site Size (ha)                           | Development Ratio (Net Developable Area) |
| < 0.4 ha                                 | 100%                                     |
| 0.4 –2 ha                                | 83%                                      |
| >2 ha                                    | 63%                                      |

Source: CDC SHLAA (May 2014) Page 13

9.18 The above typology was used to develop model development assumptions. We have set out the main characteristics of the modelled sites in the tables below.

9.19 It is important to note that these are modelled sites and not actual sites. These modelled typologies have been informed by the sites included in the SHLAA, both in terms of scale and location. A proportion of the housing to come forward over the plan-period will be on smaller sites, therefore several smaller sites have been included. Single plots have not been included as these will, predominantly, be brought forward by 'self-builders' so be exempt of CIL.

| <b>Table 9.6 Summary of modelled sites</b> |                 |       |  |
|--|-----------------|-------|--|
| Strategic Site<br>Greenfield<br>1          | Units           | 2350  | Larger urban edge, greenfield site. Mix of family housing. 70 ha net developable.                  |
|  | Area (Gross ha) | 110.1 |  |
|  | Density /ha     | 21    |  |
| Large Greenfield<br>Greenfield<br>2        | Units           | 75    | Larger urban edge, greenfield site. 37% open space. 2.5 net developable ha. Mix of family housing. |
|  | Area (Gross ha) | 3.97  |  |
|  | Density /ha     | 20    |  |
| Medium Greenfield 1<br>Greenfield<br>3     | Units           | 35    | Settlement edge greenfield site. 17% open space. 1.17 net developable ha. Mix of family housing.   |
|  | Area (Gross ha) | 1.4   |  |
|  | Density /ha     | 25    |  |
| Medium Greenfield 2<br>Greenfield<br>4     | Units           | 20    | Settlement edge greenfield site. 17% open space. 0.6 net developable ha. Mix of family housing.    |
|  | Area (Gross ha) | 0.72  |  |
|  | Density /ha     | 28    |  |
| Medium Brownfield<br>Brownfield<br>5       | Units           | 20    | Medium brownfield site. 17% open space. 0.5 net developable ha. Mix of higher density housing.     |
|  | Area (Gross ha) | 0.6   |  |
|  | Density /ha     | 33    |  |
| Smaller Greenfield<br>Greenfield<br>6      | Units           | 12    | Green infill site, higher density, no open space. Mix of semi-detached and terrace.                |
|  | Area (Gross ha) | 0.40  |  |
|  | Density /ha     | 30    |  |
| Smaller Brownfield<br>Brownfield<br>7      | Units           | 12    | Higher density brownfield site, no open space. Mix of semi-detached and terrace.                   |
|  | Area (Gross ha) | 0.40  |  |
|  | Density /ha     | 30    |  |
| Small Green 1<br>Greenfield<br>8           | Units           | 9     | Greenfield site with several detached and mix of smaller units.                                    |
|  | Area (Gross ha) | 0.3   |  |
|  | Density /ha     | 30    |  |
| Small Brown 1<br>Brownfield<br>9           | Units           | 9     | Brownfield site with terraced and semi-detached  |
|  | Area (Gross ha) | 0.26  |  |
|  | Density /ha     | 35    |  |
| Small Green 2<br>Greenfield<br>10          | Units           | 6     | Small greenfield site with 3 pair of semi-detached.  |
|  | Area (Gross ha) | 0.2   |  |
|  | Density /ha     | 30    |  |
| Small Brown 2<br>Brownfield<br>11          | Units           | 6     | Small brownfield site with 1 pair of semi-detached and 4 terraced homes                            |
|  | Area (Gross ha) | 0.17  |  |
|  | Density /ha     | 35    |  |
| Sub Threshold<br>Greenfield<br>12          | Units           | 3     | Small greenfield site with 1 detached and pair of semi-detached.                                   |
|  | Area (Gross ha) | 0.2   |  |
|  | Density /ha     | 15    |  |
| Sub Threshold<br>Brownfield<br>13          | Units           | 3     | Small infill site with 3 terraced.   |
|  | Area (Gross ha) | 0.1   |  |
|  | Density /ha     | 30    |  |

Source: HDH 2015. Note density calculated on gross area

9.20 The set of typologies has been modelled and then assessed for the various scenarios to be tested in this study. The gross and net areas and the site densities are summarised below.

**Table 9.7 Modelled Sites development assumptions**

|    |                       |                 |       |              |       | Area (ha) |       | Units     | Residual Value (£) |            |      |
|----|-----------------------|-----------------|-------|--------------|-------|-----------|-------|-----------|--------------------|------------|------|
|    |                       |                 |       |              |       | Gross     | Net   |           | Gross ha           | Net ha     | Site |
| 1  | Strategic Site        | Chesterton      | Brown | Agricultural | 110.1 | 59.14     | 2,350 | 419,366   | 659,603            | 46,172,191 |      |
| 2  | Large Greenfield      | Urban Edge      | Green | Agricultural | 3.97  | 2.5       | 75    | 736,615   | 1,169,744          | 2,924,361  |      |
| 3  | Medium Greenfield 1   | Settlement Edge | Green | Agricultural | 1.4   | 1.17      | 35    | 1,077,009 | 1,288,728          | 1,507,812  |      |
| 4  | Medium Greenfield 2   | Settlement Edge | Green | Paddock      | 0.72  | 0.6       | 20    | 1,446,907 | 1,736,289          | 1,041,773  |      |
| 5  | Medium Brownfield     | Urban           | Brown | Industrial   | 0.6   | 0.5       | 20    | 1,335,699 | 1,602,839          | 801,420    |      |
| 6  | Smaller Greenfield    | Rural           | Green | Paddock      | 0.4   | 0.4       | 12    | 1,936,186 | 1,936,186          | 774,474    |      |
| 7  | Smaller Brownfield    | Infill          | Brown | Industrial   | 0.4   | 0.4       | 12    | 1,189,799 | 1,189,799          | 475,920    |      |
| 8  | Small Green 1         | Infill          | Green | Paddock      | 0.3   | 0.3       | 9     | 1,884,379 | 1,884,379          | 565,314    |      |
| 9  | Small Brown 1         | Infill          | Brown | Carparking   | 0.26  | 0.26      | 9     | 1,377,696 | 1,377,696          | 358,201    |      |
| 10 | Small Green 2         | Infill          | Green | Paddock      | 0.2   | 0.2       | 6     | 2,011,205 | 2,011,205          | 402,241    |      |
| 11 | Small Brown 2         | Infill          | Brown | Industrial   | 0.17  | 0.17      | 6     | 1,312,900 | 1,312,900          | 223,193    |      |
| 12 | Sub Threshold - Green | Infill          | Green | Paddock      | 0.2   | 0.2       | 3     | 1,789,122 | 1,789,122          | 357,824    |      |
| 13 | Sub Threshold - Brown | Infill          | Brown | Industrial   | 0.1   | 0.1       | 3     | 2,084,230 | 2,084,230          | 208,423    |      |

Source: CDC Whole Plan and CIL Viability Assessment, May 2015

- 9.21 In order to tailor the appraisals to the local circumstances we have applied the geographical appropriate affordable housing targets and prices.
- 9.22 The price of units is one of the most significant inputs into the appraisals. This applies not just to the market homes but also the affordable uses (intermediate, social rented and affordable rented). Informed by the findings set out in Chapter 4, we have used the prices set out towards the end of that chapter.

### **Older People's Housing**

- 9.23 We have modelled a private sheltered/retirement and an extracare scheme, each on a 0.5ha site as follows.
- 9.24 A private sheltered/retirement scheme of 20 x 1 bed units of 50m<sup>2</sup> and 25 2 bed units of 75m<sup>2</sup> to give a net saleable area (GIA) of 2,875m<sup>2</sup>. We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 3,450m<sup>2</sup>.
- 9.25 An extracare scheme of 24 x 1 bed units of 65m<sup>2</sup> and 16 x 2 bed units of 80m<sup>2</sup> to give a net saleable area (GIA) of 2,840m<sup>2</sup>. We have assumed a further 35% non-saleable service and common areas to give a scheme GIA of 3,834m<sup>2</sup>.

### **Non-Residential Sites**

- 9.26 The emerging Plan also includes allocations of about 25ha of employment land and a further 4.5ha of reserve employment land. This sites are listed in **Appendix 7** and range from a site of just less than 7 ha at Tetbury, to a number of smaller sites that are generally in the range of 1ha to 3ha. In addition, the Chesterton Strategic site includes 9ha or so of employment land.
- 9.27 We have modelled a range of non-residential development types that are likely to come forward over the plan-period – and have a reasonable prospect of yielding some CIL.
- 9.28 For the purpose of this study we have assessed a number of development types. We have based our modelling on the following typical development types:
- a. **Large offices.** These are more than 250m<sup>2</sup>, will be of steel frame construction, be over several floors and will be located on larger business parks. Typical units in the District are around 300m<sup>2</sup> – we have modelled units both larger and smaller than this. We have assumed two storey construction.
  - b. **Large industrial.** Modern industrial units of over 500m<sup>2</sup>. There is little new space being constructed. Typical units in the local area are around 600m<sup>2</sup> – we have modelled units both larger and smaller than this.
  - c. **Distribution.** The rural area, the lack of large suitable sites and the lack of good motorway access within the District deter distribution sites in the area, so we have not modelled this type of development.

- 9.29 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed 66% coverage on the industrial sites, 60% coverage on the offices.
- 9.30 We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this study.

### **Hotels and Leisure**

- 9.31 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is very little activity in this sector at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is at the margins of viability at the moment.
- 9.32 Having considered this further we have assessed a modern hotel on a town edge site (both Travelodge and Premier Inn are seeking sites in the area). We have assumed that this is a 60 bedroom product with ample carparking on a 0.4 ha (1 acre) site. There is a recent planning permission for a 62 bed hotel Kingsmeadow, Cirencester.

### **Community/Institutional**

- 9.33 This includes development used for the provision of any medical or health services and 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. The majority of development in this sector is mainly brought forward by the public sector or by not-for-profit organisations – many of which have charitable status (thus making them potentially exempt from CIL).

### **Retail**

- 9.34 For the purpose of this study, we have assessed the following types of space. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future. We have modelled the following distinct types of retail development for the sake of completeness – although it should be noted that no such development is scheduled to take place on the specific sites.

- a. **Supermarkets.** Two typologies have been modelled.

First is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m<sup>2</sup>. It is assumed to require 400 car parking spaces, and to occupy a total site area of 1.6 ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites. There are currently no plans for such development in the area.

Second, and based on a smaller supermarket, typical of the units that may be developed by operators such as Aldi and Lidl, we have assumed a 1,200m<sup>2</sup> unit on a 0.4ha site (30% coverage) to allow for car parking.

- b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m<sup>2</sup>. It is assumed to require 150 car parking spaces, and to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.
- c. **Shop** is a brick built development on two storeys, of 150m<sup>2</sup>. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.019 ha.

9.35 In line with the Regulations, we have only assessed developments of over 100m<sup>2</sup>. There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. We have not included these in this high level study due to the great diversity of project that may arise.

9.36 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed simple, single storey construction and have assumed there are no mezzanine floors.

## 10. Residential Appraisal Results

- 10.1 At the start of this chapter it is important to stress that the results of the appraisals do not, in themselves, determine policy or set CIL. In due course, the evidence will also be used to inform the CIL setting process. The results of this study are one of a number of factors that the Council will consider, including the need for infrastructure, other available evidence, such as the Council's track record in delivering affordable housing and collecting payments under s106, and, importantly, the results of the consultation process with developers. The purpose of the appraisals is to provide an indication of the viability in different areas under different scenarios. In due course, the Council will have to take a view as to whether or not to proceed with CIL.
- 10.2 The appraisals use the residual valuation approach – that is, they are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The Residual Value would represent the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the Existing Use Value by a satisfactory margin. We have discussed this in Chapter 6.
- 10.3 In order to assist the Council, we have run several sets of appraisals. The appraisals' main output is the Residual Value. The Residual Value is calculated using the formula set out in Chapter 2 above. Additionally, the appraisals also derive the Additional Profit to assist with setting CIL, as set out in Chapter 3.
- 10.4 The initial appraisals are based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement.
- 10.5 Development appraisals are sensitive to changes in price so appraisals have been run with various changes in the cost of construction and an increase and decrease in prices. We have then considered a number of different price levels informed by our discussion with the Council.
- 10.6 As set out above, for each development type we have calculated the Residual Value. In the tables in this chapter we have colour coded the results using a simple traffic light system:
- a. **Green Viable** – where the Residual Value per hectare exceeds the indicative Viability Threshold Value per hectare (being the Existing Use Value plus the appropriate uplift to provide a competitive return for the landowner).
  - b. **Amber Marginal** – where the Residual Value per hectare exceeds the Existing Use Value or Alternative Use Value, but not Viability Threshold Value per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
  - c. **Red Non-viable** – where the Residual Value does not exceed the Existing Use Value or Alternative Use Value.

- 10.7 The results are set out and presented for each site and per gross hectare to allow comparison between sites.
- 10.8 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined – and on what basis.

### **Financial appraisal approach and assumptions**

- 10.9 On the basis of the assumptions set out in the earlier chapters, we prepared financial appraisals for each of the modelled residential sites using a bespoke spreadsheet-based financial analysis package. We produced financial appraisals based on the build costs, abnormal costs, and infrastructure costs and financial assumptions for the different options. The detailed appraisal base results are included in **Appendix 7**.

#### *Base Appraisals – full current policy requirements*

- 10.10 We prepared financial appraisals for each of the modelled and strategic residential sites using a bespoke spreadsheet-based financial analysis package. These appraisals are based on the following assumptions:
- |                            |  |
|----------------------------|--|
| a) Affordable Housing      | On sites of 6 units and larger - 40% (1/3 as Intermediate to buy and 2/3 Affordable Rent). |
| b) Housing Mix             | As per SHMA.   |
| c) Environmental Standards | Enhanced Building Regulations (Part L) (BCIS +1.5%). Lifetime £11/m <sup>2</sup> .         |
| d) CIL and s106            | £2,000 per unit (market and affordable) on modelled sites and £32,600,000 on Chesterton.   |



**Table 10.1 Residential Development – Residual Values**  
40% Affordable, s106 £2,000/unit (Chesterton £32,600,000)

|    |                       |                 |       |              |  |  | Area (ha) |       | Units | Residual Value (£) |           |            |
|----|-----------------------|-----------------|-------|--------------|--|--|-----------|-------|-------|--------------------|-----------|------------|
|    |                       |                 |       |              |  |  | Gross     | Net   |       | Gross ha           | Net ha    | Site       |
| 1  | Strategic Site        | Chesterton      | Brown | Agricultural |  |  | 110.1     | 59.14 | 2,350 | 163,920            | 257,824   | 18,047,647 |
| 2  | Large Greenfield      | Urban Edge      | Green | Agricultural |  |  | 3.97      | 2.5   | 75    | 458,986            | 728,870   | 1,822,174  |
| 3  | Medium Greenfield 1   | Settlement Edge | Green | Agricultural |  |  | 1.4       | 1.17  | 35    | 685,843            | 820,667   | 960,180    |
| 4  | Medium Greenfield 2   | Settlement Edge | Green | Paddock      |  |  | 0.72      | 0.6   | 20    | 1,043,642          | 1,252,370 | 751,422    |
| 5  | Medium Brownfield     | Urban           | Brown | Industrial   |  |  | 0.6       | 0.5   | 20    | 832,532            | 999,038   | 499,519    |
| 6  | Smaller Greenfield    | Rural           | Green | Paddock      |  |  | 0.4       | 0.4   | 12    | 1,397,685          | 1,397,685 | 559,074    |
| 7  | Smaller Brownfield    | Infill          | Brown | Industrial   |  |  | 0.4       | 0.4   | 12    | 655,665            | 655,665   | 262,266    |
| 8  | Small Green 1         | Infill          | Green | Paddock      |  |  | 0.3       | 0.3   | 9     | 1,224,330          | 1,224,330 | 367,299    |
| 9  | Small Brown 1         | Infill          | Brown | Carparking   |  |  | 0.26      | 0.26  | 9     | 603,398            | 603,398   | 156,883    |
| 10 | Small Green 2         | Infill          | Green | Paddock      |  |  | 0.2       | 0.2   | 6     | 1,329,329          | 1,329,329 | 265,866    |
| 11 | Small Brown 2         | Infill          | Brown | Industrial   |  |  | 0.17      | 0.17  | 6     | 634,231            | 634,231   | 107,819    |
| 12 | Sub Threshold - Green | Infill          | Green | Paddock      |  |  | 0.2       | 0.2   | 3     | 1,250,874          | 1,250,874 | 250,175    |
| 13 | Sub Threshold - Brown | Infill          | Brown | Industrial   |  |  | 0.1       | 0.1   | 3     | 1,313,340          | 1,313,340 | 131,334    |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

10.11 The results vary across the modelled sites, although this is largely due to the different assumptions around the nature of the site. The additional costs associated with brownfield sites also result in significantly lower values. The Residual Value is not a good indication of viability by itself, being the maximum price a developer may bid for a parcel of land and still make an adequate return (competitive return).

10.12 In the following tables we have compared the Residual Value with the Viability Threshold. The Viability Threshold being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a competitive return and induce them to sell the land for development as set out in Chapter 6 above.

| <b>Table 10.2 Residual Value compared to Viability Threshold (£/ha)</b> |                       |                 |                       |                     |                |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|
| 40% Affordable, s106 £2,000/unit (Chesterton £32,600,000)               |                       |                 |                       |                     |                |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 163,920        |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 458,986        |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 685,843        |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,043,642      |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 832,532        |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,397,685      |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 655,665        |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,224,330      |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 603,398        |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,329,329      |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 634,231        |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

10.13 Overall the results are less good than those presented to the June consultation. This is largely due to the decrease in the value of affordable housing in the light of the Summer Budget and the calculation of the developer's profit (competitive return) as 20% of GDV rather than 20% of the development costs.

10.14 It is important to note that the Council is developing policy and that the above results are based on 40% affordable housing and not the current policy requirement of 50%. In the following section of this report we have investigated the delivery of affordable housing relative to the delivery of infrastructure being the Council's two principle policy requirements that impact on viability. To inform the policy refinement process, and in line with the requirements of the NPPF, we have also considered the impact of stone construction before considering the cumulative impact.

10.15 First we have considered development viability with no contributions at all, including not making the site specific payment on the strategic site (Chesterton £32,600,000), and not including affordable housing, but we have assumed the lifetime homes and other policy requirements continue.

| <b>Table 10.3 Residual Value compared to Viability Threshold (£/ha)</b> |                       |                 |                       |                     |                |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|
| No Policy Requirements  |                       |                 |                       |                     |                |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 690,702        |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 1,141,811      |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 1,638,886      |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 2,141,779      |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 2,111,357      |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 2,825,069      |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,931,898      |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 2,589,685      |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,961,288      |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 2,673,145      |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,862,145      |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,280,627      |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,374,013      |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

10.16 Without the policy requirements, all sites are shown as viable, which to a large extent is to be expected.

10.17 The Council does not have a policy (existing or emerging) requiring the use of Cotswold stone. It is however the case that the majority of newbuild housing is either built of Cotswold stone or of reconstituted stone. A further set of appraisals have been run with the extra cost of stone construction.

| <b>Table 10.4 Residual Value compared to Viability Threshold (£/ha)</b>        |                       |                 |                       |                     |                |
|--|-----------------------|-----------------|-----------------------|---------------------|----------------|
| 40% Affordable, s106 £2,000/unit (Chesterton £32,600,000) – Stone Construction |                       |                 |                       |                     |                |
|  |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |
| 1  | Strategic Site        | Chesterton      | 25,000                | 505,000             | -35,950        |
| 2  | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 217,516        |
| 3  | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 342,273        |
| 4  | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 687,812        |
| 5  | Medium Brownfield     | Urban           | 450,000               | 540,000             | 368,456        |
| 6  | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 973,341        |
| 7  | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 191,369        |
| 8  | Small Green 1         | Infill          | 50,000                | 535,000             | 833,333        |
| 9  | Small Brown 1         | Infill          | 450,000               | 540,000             | 90,643         |
| 10   | Small Green 2         | Infill          | 50,000                | 535,000             | 947,740        |
| 11   | Small Brown 2         | Infill          | 450,000               | 540,000             | 176,895        |
| 12   | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,033,638      |
| 13   | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 925,307        |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

10.18 The results are noticeably worse with the brownfield sites being unable to bear 40% affordable housing and the costs of stone. Similarly, the large scale greenfield sites are not able to bear the costs of full stone construction – although it is important to note that the Council does not require stone construction. Typically, larger scale housing will be of reconstituted stone, interspersed with panels of render (as is well illustrated at the new housing site to the North of Bourton-on-the-Water. These techniques are less expensive than stone construction as a whole.

#### *Impact of affordable housing*

10.19 In the following table we have compared the Residual Values without any developer contributions, but with affordable housing from 25% to 50%. We have undertaken this analysis firstly assuming the affordable housing is delivered as shown, and based on the following assumptions:

- a) Affordable Housing                      On sites of 3 units and larger:
- i. 2/3 Affordable Rent / 1/3 Intermediate Housing to buy as Shared Ownership.
  - ii. 60% Affordable Rent / 40% Intermediate Housing to buy as Shared Ownership.
  - iii. 50% Affordable Rent / 50% Intermediate Housing to buy as Shared Ownership.

- iv. 2/3 Social Rent / 1/3 Intermediate Housing to buy as Shared Ownership.
  - v. 60% Social Rent / 40% Intermediate Housing to buy as Shared Ownership.
  - vi. 50% Social Rent / 50% Intermediate Housing to buy as Shared Ownership.
  - vii. 2/3 Affordable Rent / 1/3 Intermediate Housing to buy as Shared Equity at 30%. 40%, 50%, 60%, 70% and 80%.
  - viii. 60% Affordable Rent / 40% Intermediate Housing to buy as Shared Equity at 30%. 40%, 50%, 60%, 70% and 80%.
  - ix. 50% Affordable Rent / 50% Intermediate Housing to buy as Shared Equity at 30%. 40%, 50%, 60%, 70% and 80%.
- b) Environmental Standards Enhanced Building Regulations (Part L) (BCIS +1.5%). Lifetime £11/m<sup>2</sup>.
- c) s106 £2,000 per unit (market and affordable) and £32,600,000 on the strategic site.

10.20 It is important to note that Affordable Rent and Social Rent are both affordable housing within the definitions contained within the NPPF, as are Shared Ownership and Shared Equity.

**Table 10.5 Residual Values – Affordable Housing Mix as Shown (£/ha)**

| <b>Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Affordable %  |                       |                 |                       |                     | 25%            | 30%       | 35%       | 40%       | 45%       | 50%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 354,189        | 291,225   | 227,795   | 163,764   | 98,612    | 32,872    |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 701,536        | 620,832   | 540,129   | 458,798   | 378,094   | 297,390   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 1,020,873      | 907,245   | 793,617   | 685,577   | 570,867   | 456,156   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,428,855      | 1,309,764 | 1,177,064 | 1,043,332 | 910,632   | 777,933   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 1,289,920      | 1,135,104 | 980,288   | 832,156   | 675,851   | 519,546   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,920,439      | 1,746,563 | 1,572,687 | 1,397,202 | 1,235,089 | 1,059,541 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,118,485      | 964,524   | 810,563   | 655,264   | 511,132   | 354,152   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,706,511      | 1,557,053 | 1,391,186 | 1,223,906 | 1,058,039 | 892,172   |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,086,258      | 939,824   | 772,091   | 602,987   | 439,563   | 270,169   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,820,138      | 1,656,868 | 1,493,597 | 1,328,901 | 1,188,486 | 1,022,014 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,077,347      | 927,860   | 778,374   | 633,852   | 482,886   | 331,919   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>Affordable Housing as 60% Affordable Rent and 40% Shared Ownership</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Affordable %  |                       |                 |                       |                     | 25%            | 30%       | 35%       | 40%       | 45%       | 50%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 362,649        | 301,395   | 239,490   | 177,585   | 114,286   | 50,695    |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 712,199        | 633,377   | 554,555   | 475,733   | 396,912   | 318,090   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 1,035,826      | 924,837   | 813,848   | 709,552   | 597,506   | 485,460   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,446,259      | 1,330,434 | 1,200,835 | 1,071,237 | 941,638   | 812,040   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 1,311,004      | 1,159,909 | 1,008,813 | 857,717   | 713,416   | 560,867   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,947,782      | 1,778,731 | 1,609,681 | 1,440,630 | 1,271,580 | 1,113,130 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,141,242      | 991,297   | 841,352   | 691,407   | 552,078   | 399,193   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,730,310      | 1,585,321 | 1,423,694 | 1,262,068 | 1,100,441 | 938,815   |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,109,112      | 961,538   | 803,617   | 639,996   | 480,769   | 315,850   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,844,371      | 1,685,376 | 1,526,382 | 1,367,388 | 1,232,087 | 1,069,976 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,098,578      | 952,838   | 807,098   | 667,907   | 520,724   | 373,541   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>Affordable Housing as 50% Affordable Rent and 50% Shared Ownership</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Affordable %  |                       |                 |                       |                     | 25%            | 30%       | 35%       | 40%       | 45%       | 50%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 375,090        | 316,649   | 257,286   | 197,924   | 137,798   | 76,826    |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 727,880        | 652,195   | 576,509   | 500,823   | 425,138   | 349,452   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 1,057,816      | 951,225   | 844,634   | 738,043   | 637,465   | 529,859   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,471,853      | 1,361,440 | 1,237,009 | 1,112,578 | 988,147   | 863,716   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 1,342,010      | 1,197,116 | 1,052,221 | 907,326   | 769,763   | 623,475   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,987,993      | 1,826,985 | 1,665,976 | 1,504,968 | 1,343,959 | 1,194,325 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,174,708      | 1,031,456 | 888,204   | 744,952   | 613,498   | 467,437   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,765,308      | 1,627,723 | 1,473,163 | 1,318,604 | 1,164,044 | 1,009,485 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,142,721      | 988,968   | 851,592   | 694,824   | 538,056   | 385,064   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,880,006      | 1,728,139 | 1,576,272 | 1,424,405 | 1,272,538 | 1,142,645 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,129,801      | 990,305   | 850,810   | 718,357   | 577,481   | 436,604   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

**Table 10.6 Residual Values – Affordable Housing Mix as Shown (£/ha)**

| <b>Affordable Housing as 2/3 Social Rent and 1/3 Shared Ownership</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Affordable %  |                       |                 |                       |                     | 25%            | 30%       | 35%       | 40%       | 45%       | 50%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 325,287        | 256,053   | 196,149   | 115,515   | 44,169    | -30,783   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 665,306        | 577,444   | 501,582   | 400,874   | 313,011   | 227,293   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 970,067        | 846,400   | 739,653   | 603,575   | 478,730   | 357,143   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,388,889      | 1,247,413 | 1,124,145 | 960,094   | 817,107   | 680,602   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 1,227,445      | 1,060,283 | 915,899   | 731,310   | 562,541   | 401,493   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,853,649      | 1,666,575 | 1,503,661 | 1,290,419 | 1,113,954 | 925,082   |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,051,054      | 883,768   | 738,439   | 558,188   | 387,622   | 219,206   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,664,229      | 1,486,765 | 1,333,145 | 1,130,071 | 952,607   | 790,342   |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,018,538      | 857,132   | 700,255   | 492,593   | 314,297   | 131,124   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,760,948      | 1,585,982 | 1,434,261 | 1,250,000 | 1,080,072 | 901,674   |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,014,435      | 852,517   | 719,305   | 532,273   | 368,751   | 205,230   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>Affordable Housing as 60% Social Rent and 40% Shared Ownership</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Affordable %  |                       |                 |                       |                     | 25%            | 30%       | 35%       | 40%       | 45%       | 50%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 336,830        | 269,739   | 202,559   | 134,501   | 65,495    | -5,608    |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 679,658        | 594,327   | 508,997   | 423,667   | 338,337   | 253,007   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 990,193        | 870,077   | 749,961   | 635,843   | 514,583   | 393,323   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,399,937      | 1,274,319 | 1,135,367 | 996,416   | 857,465   | 718,514   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 1,254,889      | 1,092,570 | 930,251   | 775,316   | 611,437   | 447,557   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,887,792      | 1,706,743 | 1,525,694 | 1,344,645 | 1,174,785 | 991,996   |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,080,675      | 918,616   | 756,557   | 606,156   | 440,920   | 278,413   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,678,096      | 1,522,062 | 1,349,892 | 1,177,722 | 1,005,552 | 833,383   |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,048,286      | 892,815   | 716,791   | 540,766   | 368,352   | 190,584   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,791,206      | 1,621,579 | 1,451,952 | 1,282,324 | 1,134,515 | 961,562   |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,042,071      | 885,029   | 735,195   | 576,599   | 418,003   | 259,406   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>Affordable Housing 50% Social Rent and 50% Shared Ownership</b>    |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Affordable %  |                       |                 |                       |                     | 25%            | 30%       | 35%       | 40%       | 45%       | 50%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 353,575        | 290,269   | 226,510   | 162,628   | 97,139    | 31,000    |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 700,762        | 619,653   | 538,544   | 457,435   | 376,326   | 295,216   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 1,019,788      | 905,591   | 791,395   | 683,647   | 568,363   | 453,078   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,433,252      | 1,314,677 | 1,182,452 | 1,050,227 | 918,003   | 785,778   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 1,295,247      | 1,141,000 | 986,753   | 833,333   | 684,780   | 529,050   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,938,001      | 1,766,994 | 1,595,987 | 1,424,980 | 1,253,974 | 1,093,380 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 1,124,235      | 970,888   | 817,542   | 664,195   | 520,865   | 364,512   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,721,797      | 1,575,007 | 1,411,661 | 1,248,316 | 1,084,970 | 921,625   |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 1,092,032      | 946,340   | 779,236   | 612,132   | 449,434   | 280,676   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,835,703      | 1,674,975 | 1,514,247 | 1,353,519 | 1,216,179 | 1,052,299 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 1,082,711      | 933,798   | 784,884   | 642,268   | 491,880   | 341,492   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

**Table 10.7 Residual Values – Affordable Housing Mix as Shown (£/ha)**

| <b>30% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 208,264        | 231,967   | 255,670   | 279,374   | 303,077   | 326,780   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 518,492        | 547,732   | 576,972   | 606,212   | 635,452   | 664,692   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 763,730        | 804,734   | 845,739   | 886,743   | 927,747   | 968,751   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,155,582      | 1,199,634 | 1,243,686 | 1,287,738 | 1,331,790 | 1,375,841 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 950,086        | 1,002,948 | 1,055,810 | 1,108,673 | 1,161,535 | 1,214,398 |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,533,553      | 1,594,413 | 1,655,273 | 1,716,133 | 1,776,993 | 1,837,852 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 764,828        | 821,884   | 878,940   | 935,996   | 993,052   | 1,050,109 |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,369,873      | 1,423,353 | 1,476,833 | 1,530,313 | 1,583,793 | 1,637,273 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 735,342        | 793,765   | 852,189   | 910,612   | 961,538   | 1,007,700 |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,468,095      | 1,522,030 | 1,575,965 | 1,629,900 | 1,683,835 | 1,737,771 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 741,549        | 794,780   | 848,012   | 901,244   | 954,476   | 1,007,708 |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>40% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 50,346         | 82,779    | 115,173   | 147,567   | 179,619   | 211,144   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 322,685        | 361,574   | 400,464   | 439,353   | 478,242   | 517,132   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 492,885        | 547,940   | 602,994   | 658,049   | 713,104   | 760,912   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 838,270        | 896,859   | 955,448   | 1,014,037 | 1,072,626 | 1,131,215 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 583,716        | 654,699   | 725,682   | 796,665   | 859,384   | 929,691   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,124,610      | 1,206,332 | 1,275,787 | 1,356,730 | 1,437,674 | 1,518,618 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 397,308        | 474,680   | 552,053   | 625,000   | 693,206   | 769,091   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 974,957        | 1,046,085 | 1,117,213 | 1,188,342 | 1,259,470 | 1,330,598 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 334,303        | 412,775   | 486,432   | 564,135   | 641,838   | 719,541   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,098,967      | 1,172,107 | 1,245,248 | 1,293,034 | 1,364,768 | 1,436,502 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 383,604        | 455,104   | 526,603   | 598,103   | 669,602   | 735,294   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>50% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | -123,703       | -77,308   | -31,691   | 11,850    | 53,797    | 94,472    |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 127,687        | 176,983   | 226,279   | 272,975   | 321,806   | 370,637   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 216,264        | 286,058   | 355,852   | 421,592   | 490,721   | 559,850   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 525,454        | 599,728   | 674,002   | 741,150   | 814,717   | 888,283   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 211,665        | 302,542   | 393,418   | 474,982   | 564,111   | 653,240   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 700,395        | 803,008   | 905,621   | 1,008,235 | 1,110,848 | 1,213,461 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 14,260         | 112,374   | 210,488   | 308,602   | 402,728   | 499,880   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 590,946        | 682,009   | 773,072   | 847,517   | 936,828   | 1,026,140 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | -74,698        | 23,836    | 122,369   | 220,902   | 319,435   | 417,969   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 700,582        | 792,420   | 884,258   | 976,095   | 1,067,933 | 1,159,771 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 17,698         | 107,475   | 197,253   | 287,030   | 376,808   | 466,585   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016





**Table 10.8 Residual Values – Affordable Housing Mix as Shown (£/ha)**

| <b>30% Affordable Housing as 60% Affordable Rent and 40% Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 201,841        | 230,285   | 258,729   | 287,173   | 315,617   | 343,780   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 510,569        | 545,657   | 580,745   | 615,833   | 650,921   | 686,009   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 752,619        | 801,824   | 851,029   | 900,234   | 949,439   | 998,644   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,145,416      | 1,198,278 | 1,251,141 | 1,304,003 | 1,356,865 | 1,396,428 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 937,887        | 1,001,322 | 1,064,756 | 1,128,191 | 1,191,626 | 1,255,061 |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,523,120      | 1,596,152 | 1,669,184 | 1,742,215 | 1,815,247 | 1,888,279 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 751,661        | 820,128   | 888,596   | 957,063   | 1,025,531 | 1,093,998 |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,360,705      | 1,424,881 | 1,489,057 | 1,553,233 | 1,617,409 | 1,666,667 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 721,859        | 791,967   | 862,076   | 932,184   | 983,017   | 1,051,777 |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,458,849      | 1,523,571 | 1,588,293 | 1,653,015 | 1,717,737 | 1,782,460 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 735,294        | 793,143   | 857,021   | 920,899   | 984,778   | 1,048,656 |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>40% Affordable Housing as 60% Affordable Rent and 40% Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 41,136         | 80,445    | 119,416   | 158,386   | 196,547   | 234,472   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 311,989        | 358,773   | 405,557   | 452,341   | 499,125   | 545,910   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 477,742        | 543,974   | 610,205   | 676,437   | 735,662   | 801,268   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 824,546        | 895,029   | 965,512   | 1,035,995 | 1,106,478 | 1,176,961 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 567,089        | 652,482   | 737,875   | 823,268   | 900,007   | 984,587   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,110,390      | 1,208,702 | 1,294,566 | 1,391,942 | 1,489,318 | 1,586,694 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 379,184        | 472,264   | 565,344   | 645,762   | 737,052   | 828,341   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 962,580        | 1,048,148 | 1,133,716 | 1,219,284 | 1,304,852 | 1,390,420 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 315,921        | 410,324   | 499,779   | 593,257   | 686,734   | 780,212   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,086,240      | 1,174,229 | 1,250,000 | 1,324,240 | 1,410,536 | 1,496,832 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 366,856        | 452,871   | 538,885   | 624,899   | 710,914   | 789,115   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>50% Affordable Housing as 60% Affordable Rent and 40% Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | -136,562       | -80,526   | -26,065   | 25,518    | 75,058    | 123,771   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 115,590        | 173,526   | 232,563   | 288,850   | 347,330   | 405,810   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 197,579        | 281,164   | 361,276   | 444,065   | 526,854   | 609,644   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 508,519        | 597,470   | 686,421   | 767,988   | 856,091   | 944,195   |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 192,835        | 299,779   | 408,613   | 507,497   | 614,238   | 720,979   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 683,015        | 805,905   | 928,795   | 1,051,685 | 1,174,575 | 1,285,109 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | -8,111         | 109,391   | 226,893   | 341,018   | 457,368   | 573,718   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 575,523        | 684,580   | 793,637   | 885,335   | 992,295   | 1,099,255 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | -97,164        | 20,840    | 138,844   | 256,848   | 374,852   | 488,024   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 685,027        | 795,012   | 904,998   | 1,014,983 | 1,124,968 | 1,234,954 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | -2,772         | 104,746   | 212,264   | 319,782   | 427,300   | 534,818   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

**Table 10.9 Residual Values – Affordable Housing Mix as Shown (£/ha)**

| <b>30% Affordable Housing as 50% Affordable Rent and 50% Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|---|-----------------------|-----------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 192,207        | 227,762   | 263,317   | 298,871   | 334,351   | 369,150   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 498,684        | 542,544   | 586,404   | 630,264   | 674,125   | 717,985   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 735,953        | 797,460   | 858,966   | 920,472   | 981,978   | 1,043,484 |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 1,130,167      | 1,196,245 | 1,262,323 | 1,328,401 | 1,388,889 | 1,446,778 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 919,588        | 998,882   | 1,078,175 | 1,157,469 | 1,236,762 | 1,316,056 |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,507,470      | 1,598,760 | 1,690,050 | 1,781,340 | 1,872,630 | 1,963,919 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 731,911        | 817,495   | 903,079   | 988,663   | 1,074,248 | 1,159,832 |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 1,346,953      | 1,427,173 | 1,507,393 | 1,587,613 | 1,666,667 | 1,731,405 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 701,636        | 789,271   | 876,906   | 961,538   | 1,031,943 | 1,117,893 |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,444,980      | 1,525,883 | 1,606,785 | 1,687,688 | 1,768,591 | 1,849,493 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 717,876        | 790,686   | 870,534   | 950,381   | 1,030,229 | 1,110,077 |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>40% Affordable Housing as 50% Affordable Rent and 50% Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | 27,491         | 76,988    | 125,701   | 174,220   | 221,627   | 269,033   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 296,143        | 354,623   | 413,103   | 471,583   | 530,063   | 588,544   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 455,309        | 538,098   | 620,888   | 703,677   | 779,047   | 861,055   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 804,214        | 892,318   | 980,422   | 1,068,526 | 1,156,630 | 1,244,734 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 542,456        | 649,198   | 755,939   | 854,464   | 960,189   | 1,065,913 |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 1,089,323      | 1,212,213 | 1,322,388 | 1,444,108 | 1,565,828 | 1,687,547 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | 352,334        | 468,684   | 585,034   | 687,895   | 802,008   | 916,120   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 944,244        | 1,051,204 | 1,158,164 | 1,265,124 | 1,372,084 | 1,479,044 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | 288,690        | 406,694   | 519,553   | 636,400   | 753,247   | 870,094   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 1,067,386      | 1,177,371 | 1,262,600 | 1,370,470 | 1,478,340 | 1,586,210 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | 342,045        | 449,563   | 557,080   | 664,598   | 764,547   | 871,010   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |
| <b>50% Affordable Housing as 50% Affordable Rent and 50% Shared Equity at 30% to 80% shares</b> |                       |                 |                       |                     |                |           |           |           |           |           |
|   |                       |                 | Alternative Use Value | Viability Threshold | Residual Value |           |           |           |           |           |
| Shared Equity %   |                       |                 |                       |                     | 30%            | 40%       | 50%       | 60%       | 70%       | 80%       |
| 1   | Strategic Site        | Chesterton      | 25,000                | 505,000             | -156,045       | -85,402   | -17,542   | 46,228    | 107,271   | 168,085   |
| 2   | Large Greenfield      | Urban Edge      | 25,000                | 505,000             | 95,401         | 168,289   | 242,085   | 312,902   | 386,002   | 459,102   |
| 3   | Medium Greenfield 1   | Settlement Edge | 25,000                | 505,000             | 172,587        | 273,749   | 374,629   | 478,115   | 581,602   | 685,089   |
| 4   | Medium Greenfield 2   | Settlement Edge | 50,000                | 535,000             | 482,860        | 594,049   | 698,521   | 808,651   | 918,781   | 1,028,911 |
| 5   | Medium Brownfield     | Urban           | 450,000               | 540,000             | 161,130        | 295,593   | 423,335   | 556,762   | 690,188   | 823,615   |
| 6   | Smaller Greenfield    | Rural           | 50,000                | 535,000             | 656,681        | 810,294   | 963,906   | 1,117,519 | 1,259,026 | 1,411,175 |
| 7   | Smaller Brownfield    | Infill          | 450,000               | 540,000             | -42,005        | 104,872   | 251,749   | 394,718   | 540,155   | 672,408   |
| 8   | Small Green 1         | Infill          | 50,000                | 535,000             | 552,153        | 688,475   | 824,796   | 942,635   | 1,076,335 | 1,210,035 |
| 9   | Small Brown 1         | Infill          | 450,000               | 540,000             | -131,203       | 16,301    | 163,806   | 311,311   | 458,816   | 600,377   |
| 10  | Small Green 2         | Infill          | 50,000                | 535,000             | 661,459        | 798,940   | 936,422   | 1,073,904 | 1,211,385 | 1,322,927 |
| 11  | Small Brown 2         | Infill          | 450,000               | 540,000             | -33,787        | 100,611   | 235,008   | 369,406   | 503,803   | 638,201   |
| 12  | Sub Threshold - Green | Infill          | 50,000                | 535,000             | 1,250,874      | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 | 1,250,874 |
| 13  | Sub Threshold - Brown | Infill          | 450,000               | 540,000             | 1,313,340      | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 | 1,313,340 |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

10.21 It is clear that, as the amount of affordable housing increases, the level of viability decreases. We can summarise the findings as follows:

- a. The large strategic site at Chesterton has been modelled based on an infrastructure cost of £32,600,000. This is the most up to date estimate (ARUP January 2016) based on the expected strategic infrastructure and mitigation costs that may be sought under s106. The Council is well progressed with discussions with the landowners of the site and a planning performance agreement is in place. Like any large site the delivery will be challenging, however it is clear that when considered on a gross area basis the site has potential to deliver a substantial amount of affordable housing – although the actual amount will vary based on the specific tenure requested.

We recommend that the Council continues to work with the site's promoters<sup>41</sup> (this work is underway at the time of this report), however if the site cannot be demonstrated to be deliverable the Council should be cautious about relying on it for delivery early in the plan period.

- b. The results are better where the affordable housing is provided as the Affordable Rent rather than as Social Rent. Very approximately, if the Council were to seek affordable housing for rent to be delivered as Social Rent we would expect the affordable housing target to be between 5% and 10% lower.

We understand that the housing associations operating in the area, being the Registered Providers (RPs) who will purchase the completed units from developers, have a preference for affordable rent and, leaving aside viability issues, would not be seeking social rented units.

It is clear that affordable rent is less viable than social rent (as the rent is higher), but understand the majority of households in the sector are in receipt of assistance with their rent. Bearing in mind the better viability and the RPs' preference for Affordable Rent we recommend that the Council does not seek to prioritise the provision of affordable housing as Social Rent.

- c. Generally, viability is for development on greenfield sites when compared to brownfield sites. The Council may consider setting a lower affordable housing target on brownfield sites. If the Council was to pursue this option, we would suggest that the affordable housing target would be 10% or so lower on brownfield sites.
- d. The base modelling is based on the intermediate housing for sale being provided as Shared Ownership where the proportion sold is about 50% and a rent of 2.75% of the unsold share is charged.

If the Council were to prefer Shared Equity over Shared Ownership, there is an impact on viability as under Shared Equity there is no rent to pay and take account of. Very approximately, a unit sold under Shared Ownership at 50% is worth about 15% more than one sold under Shared Equity at 50%.

If the Council were to restrict intermediate housing to buy to Shared Equity the impact on viability would be significant.

10.22 Due the national changes to the affordable housing policies it will be necessary to keep these policies under review as they may impact on viability (as the changes to the rent regime have had). Of particular importance in this regard may be in relation to Starter Homes which are still emerging, as set out in Chapter 2 above.

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<sup>41</sup> Page 23 of the Harman Guidance says:

*Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

10.23 At this stage it is not possible to model the impact of these changes, principally as it is not known how much of the affordable housing is to be Starter Homes. As set out in earlier, if introduced, these changes are going to impact on viability; however, the impact is going to be positive rather than negative. Housing provided as Starter Homes would have a value of 80% of Market Value, compared to 65% of market value if provided as intermediate housing or £1,350/m<sup>2</sup> for Affordable Rent. We recommend that this is visited when national policy becomes clearer.

*Impact of developer contributions*

10.24 In the following table we have compared the Residual Values without any affordable housing but with developer contributions from zero to £40,000 per unit.

**Table 10.10 Residual Values with Developer Contributions to £20,000 and No Affordable Housing (£/ha)**

|    |                       | Alternative Use Value | Viability Threshold | Residual Value | £2,000    | £4,000    | £6,000    | £8,000    | £10,000   | £12,000   | £14,000   | £16,000   | £18,000   | £20,000   |
|----|-----------------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1  | Strategic Site        | 25,000                | 505,000             | 690,702        | 664,611   | 638,520   | 612,429   | 585,834   | 559,184   | 532,533   | 505,883   | 479,233   | 452,583   | 425,933   |
| 2  | Large Greenfield      | 25,000                | 505,000             | 1,141,811      | 1,106,308 | 1,070,806 | 1,035,304 | 999,801   | 964,299   | 928,797   | 893,294   | 857,792   | 822,290   | 786,787   |
| 3  | Medium Greenfield 1   | 25,000                | 505,000             | 1,638,886      | 1,590,772 | 1,542,659 | 1,494,546 | 1,446,432 | 1,398,319 | 1,350,206 | 1,302,092 | 1,253,979 | 1,205,865 | 1,157,752 |
| 4  | Medium Greenfield 2   | 50,000                | 535,000             | 2,141,779      | 2,088,139 | 2,034,498 | 1,980,858 | 1,927,217 | 1,873,577 | 1,819,936 | 1,766,295 | 1,712,655 | 1,659,014 | 1,605,374 |
| 5  | Medium Brownfield     | 450,000               | 540,000             | 2,111,357      | 2,046,988 | 1,982,619 | 1,918,250 | 1,853,882 | 1,789,513 | 1,725,144 | 1,666,667 | 1,611,611 | 1,546,629 | 1,481,647 |
| 6  | Smaller Greenfield    | 50,000                | 535,000             | 2,825,069      | 2,766,686 | 2,708,302 | 2,649,919 | 2,591,535 | 2,533,152 | 2,498,338 | 2,439,398 | 2,380,459 | 2,321,519 | 2,262,580 |
| 7  | Smaller Brownfield    | 450,000               | 540,000             | 1,931,898      | 1,872,958 | 1,814,019 | 1,755,079 | 1,696,140 | 1,637,200 | 1,578,261 | 1,519,322 | 1,460,382 | 1,401,443 | 1,342,503 |
| 8  | Small Green 1         | 50,000                | 535,000             | 2,589,685      | 2,530,746 | 2,471,806 | 2,412,867 | 2,353,928 | 2,294,988 | 2,236,049 | 2,177,109 | 2,118,170 | 2,059,230 | 2,000,291 |
| 9  | Small Brown 1         | 450,000               | 540,000             | 1,961,288      | 1,911,485 | 1,842,824 | 1,774,163 | 1,705,502 | 1,636,841 | 1,568,180 | 1,499,519 | 1,430,858 | 1,362,197 | 1,293,536 |
| 10 | Small Green 2         | 50,000                | 535,000             | 2,673,145      | 2,614,206 | 2,555,266 | 2,496,326 | 2,437,387 | 2,401,317 | 2,341,811 | 2,282,305 | 2,222,799 | 2,163,293 | 2,103,787 |
| 11 | Small Brown 2         | 450,000               | 540,000             | 1,862,145      | 1,792,138 | 1,722,130 | 1,652,123 | 1,582,116 | 1,512,109 | 1,470,378 | 1,398,998 | 1,327,618 | 1,256,238 | 1,184,858 |
| 12 | Sub Threshold - Green | 50,000                | 535,000             | 1,280,627      | 1,250,874 | 1,245,064 | 1,214,728 | 1,184,391 | 1,154,055 | 1,123,718 | 1,093,382 | 1,063,045 | 1,032,709 | 1,002,372 |
| 13 | Sub Threshold - Brown | 450,000               | 540,000             | 1,374,073      | 1,313,340 | 1,252,667 | 1,203,796 | 1,142,522 | 1,081,249 | 1,019,975 | 958,701   | 897,427   | 836,154   | 774,880   |

|    |                       | Alternative Use Value | Viability Threshold | Residual Value | £22,000   | £24,000   | £26,000   | £28,000   | £30,000   | £32,000   | £34,000   | £36,000   | £38,000   | £40,000   |
|----|-----------------------|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1  | Strategic Site        | 25,000                | 505,000             | 399,283        | 372,150   | 344,816   | 317,482   | 290,148   | 262,814   | 235,480   | 207,874   | 179,716   | 151,559   | 123,401   |
| 2  | Large Greenfield      | 25,000                | 505,000             | 751,285        | 715,783   | 680,280   | 644,778   | 609,276   | 573,773   | 538,271   | 502,769   | 467,266   | 431,764   | 396,262   |
| 3  | Medium Greenfield 1   | 25,000                | 505,000             | 1,109,639      | 1,061,525 | 1,013,412 | 965,299   | 917,185   | 869,072   | 820,959   | 772,845   | 724,732   | 683,062   | 641,392   |
| 4  | Medium Greenfield 2   | 50,000                | 535,000             | 1,551,733      | 1,498,092 | 1,444,452 | 1,390,811 | 1,349,906 | 1,295,754 | 1,241,603 | 1,187,452 | 1,133,300 | 1,079,148 | 1,025,000 |
| 5  | Medium Brownfield     | 450,000               | 540,000             | 1,416,666      | 1,351,684 | 1,286,702 | 1,221,720 | 1,156,739 | 1,091,757 | 1,026,775 | 961,793   | 896,812   | 833,333   | 774,880   |
| 6  | Smaller Greenfield    | 50,000                | 535,000             | 2,203,641      | 2,144,701 | 2,085,762 | 2,026,822 | 1,967,883 | 1,908,943 | 1,850,004 | 1,791,064 | 1,732,125 | 1,673,185 | 1,614,246 |
| 7  | Smaller Brownfield    | 450,000               | 540,000             | 1,283,564      | 1,236,399 | 1,176,893 | 1,117,387 | 1,057,881 | 998,375   | 938,868   | 879,362   | 819,856   | 760,350   | 700,844   |
| 8  | Small Green 1         | 50,000                | 535,000             | 1,941,351      | 1,882,412 | 1,823,472 | 1,764,533 | 1,705,593 | 1,646,653 | 1,587,714 | 1,528,774 | 1,469,834 | 1,410,894 | 1,351,954 |
| 9  | Small Brown 1         | 450,000               | 540,000             | 1,224,875      | 1,156,214 | 1,087,553 | 1,018,892 | 961,538   | 898,856   | 828,849   | 758,841   | 688,834   | 618,827   | 548,820   |
| 10 | Small Green 2         | 50,000                | 535,000             | 2,044,280      | 1,984,774 | 1,925,268 | 1,865,762 | 1,806,256 | 1,746,749 | 1,687,243 | 1,627,737 | 1,568,231 | 1,508,725 | 1,449,219 |
| 11 | Small Brown 2         | 450,000               | 540,000             | 1,113,478      | 1,042,098 | 970,718   | 899,338   | 827,958   | 756,578   | 691,882   | 619,896   | 547,809   | 475,722   | 403,635   |
| 12 | Sub Threshold - Green | 50,000                | 535,000             | 972,036        | 941,699   | 911,363   | 881,026   | 850,690   | 820,353   | 790,017   | 759,680   | 729,344   | 699,007   | 668,670   |
| 13 | Sub Threshold - Brown | 450,000               | 540,000             | 713,606        | 652,333   | 591,059   | 529,785   | 468,512   | 407,238   | 345,964   | 284,690   | 223,417   | 162,143   | 100,869   |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



10.25 When read together, the tables above show that developments in Cotswold are able to bear significant levels of affordable housing or significant levels of developer contributions. The Council can therefore have confidence that the Plan will be deliverable. Generally, both affordable housing and developer contributions will be required. In the following sections we have considered how these relate.

*Combined impact of developer contributions and affordable housing.*

10.26 In the following tables we have set out the results of appraisals with affordable housing from 25% to 50% (where the affordable housing is the 2/3 Affordable Rent / 1/3 Shared Ownership mix) and developer contributions from £0 per unit to £25,000 per unit. All other policy requirements are assumed to apply including the site specific payments on the strategic site (Chesterton £32,600,000).

**Table 10.11a Residual Values, varied Developer Contributions and Affordable Housing (£/ha)**

| <b>25% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                     |                |           |           |           |           |           |           |           |           |           |           |         |
|---|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
|   | Alternative Use Value | Viability Threshold | Residual Value | £0        | £2,500    | £5,000    | £7,500    | £10,000   | £12,500   | £15,000   | £17,500   | £20,000   | £22,500   | £25,000 |
| 1   | Strategic Site        | 25,000              | 380,839        | 347,526   | 313,655   | 279,487   | 245,320   | 211,152   | 176,720   | 141,523   | 106,327   | 71,130    | 35,029    |         |
| 2   | Large Greenfield      | 25,000              | 737,038        | 692,660   | 648,282   | 603,904   | 559,526   | 515,149   | 470,771   | 426,393   | 382,015   | 337,637   | 293,259   |         |
| 3   | Medium Greenfield 1   | 25,000              | 1,068,986      | 1,008,845 | 948,703   | 888,561   | 828,419   | 768,278   | 714,286   | 654,166   | 593,451   | 532,737   | 472,022   |         |
| 4   | Medium Greenfield 2   | 50,000              | 1,482,495      | 1,415,444 | 1,361,236 | 1,293,546 | 1,225,857 | 1,158,168 | 1,090,478 | 1,022,789 | 955,100   | 887,410   | 819,721   |         |
| 5   | Medium Brownfield     | 450,000             | 1,354,902      | 1,273,675 | 1,192,448 | 1,111,221 | 1,029,993 | 948,766   | 867,539   | 793,873   | 711,864   | 629,856   | 547,848   |         |
| 6   | Smaller Greenfield    | 50,000              | 1,979,378      | 1,905,704 | 1,832,029 | 1,758,355 | 1,684,681 | 1,611,006 | 1,537,332 | 1,463,658 | 1,389,983 | 1,316,309 | 1,250,000 |         |
| 7   | Smaller Brownfield    | 450,000             | 1,177,992      | 1,103,609 | 1,029,226 | 954,843   | 880,461   | 806,078   | 731,695   | 657,312   | 582,929   | 508,546   | 434,163   |         |
| 8   | Small Green 1         | 50,000              | 1,765,450      | 1,691,776 | 1,633,660 | 1,559,278 | 1,484,895 | 1,410,512 | 1,336,129 | 1,261,747 | 1,187,364 | 1,112,981 | 1,038,598 |         |
| 9   | Small Brown 1         | 450,000             | 1,154,919      | 1,069,093 | 983,267   | 915,037   | 827,528   | 740,019   | 652,510   | 565,001   | 480,769   | 393,844   | 305,468   |         |
| 10  | Small Green 2         | 50,000              | 1,879,645      | 1,805,282 | 1,730,879 | 1,656,496 | 1,582,114 | 1,507,731 | 1,433,348 | 1,358,965 | 1,284,583 | 1,233,929 | 1,158,088 |         |
| 11  | Small Brown 2         | 450,000             | 1,148,727      | 1,059,502 | 970,277   | 881,052   | 791,827   | 709,558   | 619,450   | 529,342   | 439,233   | 349,125   | 259,017   |         |
| 12  | Sub Threshold - Green | 50,000              | 1,280,627      | 1,250,000 | 1,229,896 | 1,191,975 | 1,154,055 | 1,116,134 | 1,078,213 | 1,040,293 | 1,002,372 | 964,452   | 926,531   |         |
| 13  | Sub Threshold - Brown | 450,000             | 1,374,013      | 1,298,172 | 1,234,433 | 1,157,841 | 1,081,249 | 1,004,656 | 928,064   | 851,472   | 774,880   | 698,288   | 621,696   |         |
| <b>30% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                     |                |           |           |           |           |           |           |           |           |           |           |         |
|   | Alternative Use Value | Viability Threshold | Residual Value | £0        | £2,500    | £5,000    | £7,500    | £10,000   | £12,500   | £15,000   | £17,500   | £20,000   | £22,500   | £25,000 |
| 1   | Strategic Site        | 25,000              | 318,559        | 284,392   | 250,224   | 216,057   | 181,889   | 146,765   | 111,568   | 76,371    | 40,533    | 4,192     | -33,907   |         |
| 2   | Large Greenfield      | 25,000              | 656,335        | 611,957   | 567,579   | 523,201   | 478,823   | 434,445   | 390,067   | 345,689   | 301,311   | 256,933   | 214,580   |         |
| 3   | Medium Greenfield 1   | 25,000              | 955,358        | 895,216   | 835,075   | 774,933   | 714,791   | 660,884   | 600,170   | 539,455   | 478,741   | 418,026   | 357,312   |         |
| 4   | Medium Greenfield 2   | 50,000              | 1,363,915      | 1,296,226 | 1,228,536 | 1,160,847 | 1,093,158 | 1,025,468 | 957,779   | 890,090   | 822,400   | 754,711   | 693,628   |         |
| 5   | Medium Brownfield     | 450,000             | 1,200,086      | 1,118,859 | 1,037,631 | 956,404   | 875,177   | 801,584   | 719,576   | 637,568   | 555,559   | 473,551   | 399,220   |         |
| 6   | Smaller Greenfield    | 50,000              | 1,805,502      | 1,731,828 | 1,658,153 | 1,584,479 | 1,510,805 | 1,437,130 | 1,363,456 | 1,289,782 | 1,227,801 | 1,153,418 | 1,079,035 |         |
| 7   | Smaller Brownfield    | 450,000             | 1,024,031      | 949,648   | 875,265   | 800,882   | 726,500   | 652,117   | 589,062   | 513,221   | 437,380   | 361,539   | 288,526   |         |
| 8   | Small Green 1         | 50,000              | 1,616,559      | 1,542,176 | 1,467,794 | 1,393,411 | 1,319,028 | 1,244,645 | 1,170,263 | 1,095,880 | 1,021,497 | 947,114   | 872,732   |         |
| 9   | Small Brown 1         | 450,000             | 990,411        | 922,322   | 854,813   | 787,304   | 719,795   | 659,795   | 572,286   | 484,777   | 401,201   | 312,825   | 224,450   | 136,074 |
| 10  | Small Green 2         | 50,000              | 1,716,374      | 1,641,991 | 1,567,609 | 1,493,226 | 1,418,843 | 1,344,460 | 1,270,078 | 1,219,140 | 1,149,299 | 1,067,457 | 991,616   |         |
| 11  | Small Brown 2         | 450,000             | 999,240        | 910,015   | 820,790   | 735,294   | 648,700   | 558,592   | 468,483   | 378,375   | 288,267   | 198,158   | 108,050   |         |
| 12  | Sub Threshold - Green | 50,000              | 1,280,627      | 1,250,000 | 1,229,896 | 1,191,975 | 1,154,055 | 1,116,134 | 1,078,213 | 1,040,293 | 1,002,372 | 964,452   | 926,531   |         |
| 13  | Sub Threshold - Brown | 450,000             | 1,374,013      | 1,298,172 | 1,234,433 | 1,157,841 | 1,081,249 | 1,004,656 | 928,064   | 851,472   | 774,880   | 698,288   | 621,696   |         |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



**Table 10.11b Residual Values, varied Developer Contributions and Affordable Housing (£/ha)**

| <b>35% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                     |                |           |           |           |           |           |           |           |           |           |
|---|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Alternative Use Value | Viability Threshold | Residual Value | £5,000    | £7,500    | £10,000   | £12,500   | £15,000   | £17,500   | £20,000   | £22,500   | £25,000   |
| 1   | Strategic Site        | 25,000              | 255,129        | 220,961   | 186,794   | 152,006   | 116,809   | 81,613    | 46,037    | 9,617     | -28,130   | -107,018  |
| 2   | Large Greenfield      | 25,000              | 505,000        | 591,253   | 486,875   | 442,487   | 398,119   | 353,741   | 309,363   | 264,985   | 177,908   | 133,107   |
| 3   | Medium Greenfield 1   | 25,000              | 505,000        | 781,588   | 721,447   | 667,603   | 606,889   | 546,174   | 485,460   | 424,745   | 364,031   | 244,934   |
| 4   | Medium Greenfield 2   | 50,000              | 535,000        | 1,231,216 | 1,095,837 | 1,028,148 | 960,459   | 892,769   | 825,080   | 757,391   | 694,444   | 559,653   |
| 5   | Medium Brownfield     | 450,000             | 540,000        | 1,045,269 | 964,042   | 882,815   | 727,287   | 645,279   | 563,271   | 481,263   | 407,083   | 239,850   |
| 6   | Smaller Greenfield    | 50,000              | 535,000        | 1,631,626 | 1,557,952 | 1,484,277 | 1,410,603 | 1,336,929 | 1,263,254 | 1,201,018 | 1,052,253 | 977,870   |
| 7   | Smaller Brownfield    | 450,000             | 540,000        | 870,070   | 795,687   | 721,304   | 646,921   | 583,765   | 507,924   | 432,082   | 356,241   | 206,584   |
| 8   | Small Green 1         | 50,000              | 535,000        | 1,450,692 | 1,376,310 | 1,301,927 | 1,227,544 | 1,153,161 | 1,078,779 | 1,004,396 | 930,013   | 855,630   |
| 9   | Small Brown 1         | 450,000             | 540,000        | 842,098   | 754,589   | 667,080   | 579,571   | 492,061   | 408,558   | 320,182   | 231,807   | 143,431   |
| 10  | Small Green 2         | 50,000              | 535,000        | 1,553,103 | 1,478,721 | 1,404,338 | 1,329,955 | 1,255,572 | 1,181,189 | 1,106,806 | 1,032,423 | 958,040   |
| 11  | Small Brown 2         | 450,000             | 540,000        | 849,754   | 760,529   | 677,950   | 587,842   | 497,734   | 407,625   | 317,517   | 227,408   | 137,300   |
| 12  | Sub-Threshold - Green | 50,000              | 535,000        | 1,280,627 | 1,250,000 | 1,229,896 | 1,191,975 | 1,154,055 | 1,116,134 | 1,078,213 | 1,040,293 | 1,002,372 |
| 13  | Sub-Threshold - Brown | 450,000             | 540,000        | 1,374,013 | 1,298,172 | 1,234,433 | 1,157,841 | 1,081,249 | 1,004,656 | 928,064   | 851,472   | 774,880   |
| <b>40% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                     |                |           |           |           |           |           |           |           |           |           |
|   | Alternative Use Value | Viability Threshold | Residual Value | £5,000    | £7,500    | £10,000   | £12,500   | £15,000   | £17,500   | £20,000   | £22,500   | £25,000   |
| 1   | Strategic Site        | 25,000              | 191,190        | 156,724   | 121,528   | 86,331    | 51,001    | 14,581    | -22,921   | -61,911   | -101,645  | -183,476  |
| 2   | Large Greenfield      | 25,000              | 505,000        | 494,300   | 449,922   | 405,544   | 361,186   | 316,788   | 272,410   | 185,404   | 140,603   | 96,724    |
| 3   | Medium Greenfield 1   | 25,000              | 505,000        | 727,222   | 673,434   | 612,719   | 552,005   | 491,290   | 430,576   | 369,861   | 312,119   | 250,821   |
| 4   | Medium Greenfield 2   | 50,000              | 535,000        | 1,097,483 | 1,029,794 | 962,104   | 894,415   | 826,726   | 759,036   | 694,444   | 629,655   | 561,314   |
| 5   | Medium Brownfield     | 450,000             | 540,000        | 889,213   | 815,755   | 733,746   | 651,738   | 569,730   | 487,722   | 413,689   | 330,052   | 246,436   |
| 6   | Smaller Greenfield    | 50,000              | 535,000        | 1,456,142 | 1,382,467 | 1,308,793 | 1,246,985 | 1,172,612 | 1,098,229 | 1,023,847 | 949,464   | 875,081   |
| 7   | Smaller Brownfield    | 450,000             | 540,000        | 714,770   | 640,387   | 577,103   | 501,261   | 425,420   | 349,579   | 276,448   | 199,856   | 123,264   |
| 8   | Small Green 1         | 50,000              | 535,000        | 1,283,412 | 1,209,029 | 1,134,647 | 1,060,264 | 985,881   | 911,498   | 837,116   | 777,689   | 701,847   |
| 9   | Small Brown 1         | 450,000             | 540,000        | 672,994   | 585,485   | 497,976   | 414,531   | 326,155   | 237,780   | 149,404   | 61,028    | -27,347   |
| 10  | Small Green 2         | 50,000              | 535,000        | 1,388,407 | 1,314,025 | 1,250,000 | 1,188,107 | 1,126,266 | 1,060,584 | 1,000,901 | 943,060   | 887,219   |
| 11  | Small Brown 2         | 450,000             | 540,000        | 705,939   | 615,831   | 525,722   | 435,614   | 345,506   | 255,397   | 165,289   | 75,180    | -14,928   |
| 12  | Sub-Threshold - Green | 50,000              | 535,000        | 1,280,627 | 1,250,000 | 1,229,896 | 1,191,975 | 1,154,055 | 1,116,134 | 1,078,213 | 1,040,293 | 1,002,372 |
| 13  | Sub-Threshold - Brown | 450,000             | 540,000        | 1,374,013 | 1,298,172 | 1,234,433 | 1,157,841 | 1,081,249 | 1,004,656 | 928,064   | 851,472   | 774,880   |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016





**Table 10.11c Residual Values, varied Developer Contributions and Affordable Housing (£/ha)**

| <b>45% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                     |                |           |           |           |           |           |           |           |           |           |          |          |
|---|-----------------------|---------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|
|   | Alternative Use Value | Viability Threshold | Residual Value | £0        | £2,500    | £5,000    | £7,500    | £10,000   | £12,500   | £15,000   | £17,500   | £20,000   | £22,500  | £25,000  |
| 1   | Strategic Site        | 25,000              | 505,000        | 126,769   | 91,572    | 56,376    | 20,084    | -17,144   | -55,949   | -95,683   | -135,934  | -177,432  | -220,000 | -263,557 |
| 2   | Large Greenfield      | 25,000              | 505,000        | 413,596   | 369,219   | 324,841   | 280,463   | 238,333   | 193,533   | 148,732   | 104,931   | 60,870    | 14,898   | -31,677  |
| 3   | Medium Greenfield 1   | 25,000              | 505,000        | 619,438   | 588,724   | 498,009   | 437,295   | 376,580   | 318,903   | 257,605   | 195,306   | 137,655   | 75,899   | 12,780   |
| 4   | Medium Greenfield 2   | 50,000              | 535,000        | 964,784   | 897,094   | 829,405   | 761,716   | 694,444   | 632,360   | 564,020   | 495,679   | 427,339   | 358,999  | 296,353  |
| 5   | Medium Brownfield     | 450,000             | 540,000        | 741,458   | 689,449   | 577,441   | 495,433   | 416,667   | 337,915   | 254,299   | 172,373   | 87,928    | 3,484    | -80,960  |
| 6   | Smaller Greenfield    | 50,000              | 535,000        | 1,282,266 | 1,220,213 | 1,145,830 | 1,071,447 | 997,064   | 922,682   | 848,299   | 773,916   | 699,533   | 625,151  | 561,567  |
| 7   | Smaller Brownfield    | 450,000             | 540,000        | 571,805   | 495,964   | 420,123   | 344,282   | 271,098   | 194,506   | 117,914   | 41,322    | -35,270   | -111,863 | -188,455 |
| 8   | Small Green 1         | 50,000              | 535,000        | 1,117,545 | 1,043,163 | 968,780   | 894,397   | 833,333   | 760,252   | 684,411   | 608,569   | 532,728   | 456,987  | 384,819  |
| 9   | Small Brown 1         | 450,000             | 540,000        | 505,261   | 421,888   | 333,512   | 245,137   | 156,761   | 68,366    | -19,990   | -108,366  | -196,741  | -285,117 | -373,492 |
| 10  | Small Green 2         | 50,000              | 535,000        | 1,249,159 | 1,173,318 | 1,097,477 | 1,021,635 | 945,794   | 869,953   | 794,112   | 718,271   | 642,429   | 572,198  | 495,606  |
| 11  | Small Brown 2         | 450,000             | 540,000        | 554,972   | 464,864   | 374,756   | 284,647   | 194,539   | 104,431   | 14,322    | -75,786   | -165,895  | -256,003 | -346,111 |
| 12  | Sub-Threshold - Green | 50,000              | 535,000        | 1,280,627 | 1,250,000 | 1,229,896 | 1,191,975 | 1,154,055 | 1,116,134 | 1,078,213 | 1,040,293 | 1,002,372 | 964,452  | 926,531  |
| 13  | Sub-Threshold - Brown | 450,000             | 540,000        | 1,374,013 | 1,298,172 | 1,234,433 | 1,157,841 | 1,081,249 | 1,004,656 | 928,064   | 851,472   | 774,880   | 698,288  | 621,696  |
| <b>50% Affordable Housing as 2/3 Affordable Rent and 1/3 Shared Ownership</b> |                       |                     |                |           |           |           |           |           |           |           |           |           |          |          |
|   | Alternative Use Value | Viability Threshold | Residual Value | £0        | £2,500    | £5,000    | £7,500    | £10,000   | £12,500   | £15,000   | £17,500   | £20,000   | £22,500  | £25,000  |
| 1   | Strategic Site        | 25,000              | 505,000        | 61,617    | 25,588    | -11,368   | -49,986   | -89,721   | -129,890  | -171,388  | -213,993  | -257,724  | -304,193 | -355,510 |
| 2   | Large Greenfield      | 25,000              | 505,000        | 332,893   | 288,515   | 246,462   | 201,662   | 156,861   | 113,138   | 67,907    | 23,349    | -23,226   | -69,801  | -116,376 |
| 3   | Medium Greenfield 1   | 25,000              | 505,000        | 504,728   | 444,013   | 383,299   | 325,686   | 264,388   | 203,090   | 144,572   | 82,884    | 19,765    | -43,354  | -106,473 |
| 4   | Medium Greenfield 2   | 50,000              | 535,000        | 832,085   | 764,395   | 696,706   | 635,065   | 566,725   | 498,385   | 430,044   | 361,704   | 299,116   | 229,436  | 161,338  |
| 5   | Medium Brownfield     | 450,000             | 540,000        | 585,153   | 503,144   | 421,136   | 345,778   | 262,161   | 180,313   | 95,869    | 11,425    | -73,019   | -157,463 | -241,908 |
| 6   | Smaller Greenfield    | 50,000              | 535,000        | 1,119,047 | 1,044,665 | 970,282   | 895,899   | 821,516   | 747,134   | 672,751   | 610,101   | 534,260   | 458,419  | 382,577  |
| 7   | Smaller Brownfield    | 450,000             | 540,000        | 414,825   | 338,984   | 265,748   | 189,156   | 112,564   | 35,972    | -40,620   | -117,212  | -193,804  | -270,397 | -346,989 |
| 8   | Small Green 1         | 50,000              | 535,000        | 951,679   | 877,296   | 818,657   | 742,815   | 666,974   | 591,133   | 515,292   | 439,450   | 367,209   | 290,617  | 214,025  |
| 9   | Small Brown 1         | 450,000             | 540,000        | 340,869   | 252,494   | 164,118   | 75,743    | -12,633   | -101,009  | -189,384  | -277,760  | -366,135  | -454,899 | -546,243 |
| 10  | Small Green 2         | 50,000              | 535,000        | 1,082,687 | 1,006,846 | 931,005   | 855,163   | 779,322   | 703,481   | 627,640   | 557,262   | 480,670   | 404,078  | 327,486  |
| 11  | Small Brown 2         | 450,000             | 540,000        | 404,006   | 313,897   | 223,789   | 133,681   | 43,572    | -46,536   | -136,644  | -226,753  | -316,861  | -406,970 | -497,871 |
| 12  | Sub-Threshold - Green | 50,000              | 535,000        | 1,280,627 | 1,250,000 | 1,229,896 | 1,191,975 | 1,154,055 | 1,116,134 | 1,078,213 | 1,040,293 | 1,002,372 | 964,452  | 926,531  |
| 13  | Sub-Threshold - Brown | 450,000             | 540,000        | 1,374,013 | 1,298,172 | 1,234,433 | 1,157,841 | 1,081,249 | 1,004,656 | 928,064   | 851,472   | 774,880   | 698,288  | 621,696  |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



10.27 It is clear that, as the amount of affordable housing increases, the ability to bear developer contributions decreases. Assuming that the affordable housing is provided as 2/3 affordable housing for rent as Affordable Rent, and 1/3 affordable housing for sale as Shared Ownership (50% share):

- a. The current best estimate of the strategic infrastructure and mitigation costs for the Chesterton site is £32,600,000. This is between £13,000/unit and £14,000/unit. It is clear from this high level analysis that the site has potential to generate residual values very much higher than the EUV with this level of contribution and significant levels of affordable housing.

As stated above, the Council is well progressed with discussions with the landowners of the site and a planning performance agreement is in place. Like any large site the delivery will be challenging, however it is clear that when considered on a gross area basis the site has potential to deliver a substantial amount of affordable housing – although the actual amount will vary based on the specific tenure requested.

We recommend that the Council continues to work with the sites' promoters (this work is underway at the time of this report).

- b. At 50% affordable housing, brownfield sites and larger greenfield sites are generally not viable and certainly cannot bear developer's contributions.
- c. At 40% affordable housing there is limited scope to seek developer contributions from brownfield sites, but there is scope to introduce contributions from greenfield sites at this level.
- d. At 30% affordable housing there is scope to introduce affordable housing across all sites.

10.28 On balance we would suggest that a dual rate of affordable housing is adopted of 30% on brownfield sites and 40% on greenfield sites. At these levels of affordable housing there is scope to introduce CIL. It is important to note that the Council regularly achieves 50% affordable housing at the moment. This is an indication that the assumptions in this report are cautious (and appropriate).

10.29 Whilst CIL has not been considered at this stage, it may be necessary to develop site specific rates of CIL for the Chesterton site and ensure that a clear delivery strategy can be demonstrated for the Examination.

### **Affordable Housing Threshold**

10.30 The Council's current policy seeks affordable housing (at 50%) on sites of 0.3ha or 10 units and over in Cirencester, Tetbury, Moreton-in-Marsh, Bourton-on-the-Water and on any site elsewhere. As set out in Chapter 8 above, the Government introduced an 11 unit or more threshold in November 2014. This was reversed in August 2015, although we understand that the Government is considering its re-introduction. The Council has requested advice as to whether or not it is appropriate to introduce an affordable housing target of less than 10 units.

10.31 We have modelled green and brownfield sites in the Cirencester, Tetbury, Moreton-in-Marsh, Bourton-on-the-Water price area (£3,250/m<sup>2</sup>) and elsewhere (£3,500/m<sup>2</sup>). We have undertaken this analysis for 30%, 40% and 50% affordable housing. In the analysis it has been assumed that the average market unit is 100m<sup>2</sup> and the average affordable unit is 84m<sup>2</sup> with a base construction cost of £1,026/m<sup>2</sup> adjusted as per the BCIS's recent guidance<sup>42</sup> set out at the start of Chapter 7 above.

| <b>Table 10.12 Residual Value compared to Viability Threshold – Small Sites (£/ha)</b> |          |       |                       |                     |                |            |            |
|--|----------|-------|-----------------------|---------------------|----------------|------------|------------|
|  |          |       | Alternative Use Value | Viability Threshold | Residual Value |            |            |
| <b>Affordable %</b>  |          |       |                       |                     | <b>30%</b>     | <b>40%</b> | <b>50%</b> |
| 1  | 1 Unit   | Brown | 450,000               | 540,000             | 476,105        | 265,789    | 56,352     |
| 2  | 2 Units  | Brown | 450,000               | 540,000             | 680,116        | 383,251    | 87,626     |
| 3  | 3 Units  | Brown | 450,000               | 540,000             | 763,035        | 455,045    | 148,341    |
| 4  | 4 Units  | Brown | 450,000               | 540,000             | 785,780        | 490,721    | 196,893    |
| 5  | 5 Units  | Brown | 450,000               | 540,000             | 835,675        | 542,103    | 241,517    |
| 6  | 6 Units  | Brown | 450,000               | 540,000             | 1,078,753      | 770,247    | 467,597    |
| 7  | 7 Units  | Brown | 450,000               | 540,000             | 1,000,000      | 729,585    | 446,943    |
| 8  | 8 Units  | Brown | 450,000               | 540,000             | 1,082,379      | 797,095    | 491,853    |
| 9  | 9 Units  | Brown | 450,000               | 540,000             | 1,094,527      | 809,108    | 503,495    |
| 10   | 10 Units | Brown | 450,000               | 540,000             | 1,061,427      | 773,361    | 496,022    |
| <b>Affordable %</b>  |          |       |                       |                     | <b>30%</b>     | <b>40%</b> | <b>50%</b> |
| 1  | 1 Unit   | Green | 50,000                | 535,000             | 1,035,119      | 792,322    | 550,592    |
| 2  | 2 Units  | Green | 50,000                | 535,000             | 1,467,425      | 1,124,760  | 783,600    |
| 3  | 3 Units  | Green | 50,000                | 535,000             | 1,562,621      | 1,222,636  | 868,739    |
| 4  | 4 Units  | Green | 50,000                | 535,000             | 1,552,100      | 1,214,882  | 887,848    |
| 5  | 5 Units  | Green | 50,000                | 535,000             | 1,595,484      | 1,281,814  | 938,374    |
| 6  | 6 Units  | Green | 50,000                | 535,000             | 1,834,497      | 1,486,062  | 1,161,478  |
| 7  | 7 Units  | Green | 50,000                | 535,000             | 1,725,107      | 1,399,551  | 1,075,411  |
| 8  | 8 Units  | Green | 50,000                | 535,000             | 1,851,852      | 1,508,450  | 1,163,756  |
| 9  | 9 Units  | Green | 50,000                | 535,000             | 1,849,925      | 1,521,094  | 1,175,982  |
| 10   | 10 Units | Green | 50,000                | 535,000             | 1,783,650      | 1,455,078  | 1,138,779  |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

<sup>42</sup> *Housing development: the economics of small sites – the effect of project size on the cost of housing construction* (August 2015) This study concluded that the construction price for schemes of 1 to 5 units was about 13% higher than the for schemes of over 10 units and that the construction price for schemes of 1 to 10 units was about 6% higher than the for schemes of over 10 units.

- 10.32 The above analysis is carried out on a m<sup>2</sup>/ha basis. That is to say it is based on part units. Clearly it is not possible to deliver part of a market unit, with a 50% target a two-unit site could deliver an affordable unit and a market unit, but it would not be practical to do so on a 3 unit scheme. The practical solution is to require the delivery of whole units on site and part units through financial contributions. This is explored in the Commuted Sum section below.
- 10.33 The analysis shows that the greenfield sites are able to bear affordable housing – even on very small sites.
- 10.34 On brownfield sites the analysis follows, to a large degree, the analysis earlier in this report that identified that the viability was less good on brownfield sites, however the analysis does not indicate that it is necessary to include an affordable housing threshold.
- 10.35 Whilst the viability evidence above does indicate that small sites can bear affordable housing we have concerns about the practical impact of having a very low target. Small sites are often brought forward by self-builders and ‘one man bands’ who do not have the same level of detailed understanding of planning and affordable housing as larger developers. The very presence of affordable housing could deter developers due to a lack of understanding and/or the perceived ‘hassle factor’.
- 10.36 In addition, very small groups of affordable homes may not be attractive to RPs who are likely to want larger groups for ease of management. Whilst a single unit may be shown to be viable in a study we do have worries around whether or not a RP would be willing to take it (say in a village) at all.

### **Commuted Sums**

- 10.37 The Council’s preference is for affordable housing to be delivered on site. This approach is in line with Paragraph 50 of the NPPF that says:

*To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, 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. ...*

- 10.38 It is sensible for councils to set out guidance as to how a commuted sum would be calculated – so as to provide transparency, and to avoid the undue delays that might arise during s106 negotiations if details of a payment had to be developed from first principles on each occasion. The analysis provides a basis on which it would be possible to formulate appropriate arrangements for calculating the commuted sum. Across the country different councils have taken different approaches, sometimes calculating contributions on a site by site basis, other times setting out a predetermined ‘commuted sum’.

#### *Review of plan policy formulae*

- 10.39 Some time ago we researched the nature of commuted sum formulations in then approved or emerging local planning policies. Whilst some relied on generalities, the vast majority - almost

all of those we looked at – which had developed a specific formula, had used one which derived from the Housing Corporation’s Total Cost Indicator (TCI) system. This system was designed to provide cost discipline, so as to ensure that affordable housing was procured by Registered Social Landlords on terms which produced value for money for the public subsidy, Social Housing Grant (SHG), which had been the normal funding basis through which it was provided.

- 10.40 Given that this was its purpose, the TCI was useful in providing a basis for calculating commuted sums. It was designed to provide cost guidance specifically related to each local council area; contained such guidance for each of a large number of different dwelling size bands; and was updated through indexing and readjustment each year, so remained current.
- 10.41 Unfortunately, the Housing Corporation replaced the TCI system with an approach which does not provide these benefits. This reflected, to some extent, the move towards a more targeted use of SHG and a greater reliance on developer subsidy. However, from the viewpoint of commuted sum formulation, the change is, in some respects, to be regretted.

*Alternative approach*

- 10.42 We have adopted an approach to the calculation of the developer contribution, utilising the site viability analysis. It is based upon the contribution that the developer would have made if an on-site affordable contribution were delivered.
- 10.43 The calculation works as follows:
- a. Estimate the value of the site with 100% market housing.
  - b. Estimate the Residual Value of the site with the target level of affordable housing contribution previously recommended.
- 10.44 The difference between (a) and (b) is the loss in site value due to the affordable housing policy contribution. This is set out in the following table:

**Table 10.13 Affordable Housing Contribution: calculations**

|              |                       |                 | Residual Value      |            |            |            |            |            |            |           |
|--------------|-----------------------|-----------------|---------------------|------------|------------|------------|------------|------------|------------|-----------|
| Affordable % |                       | Units           | 0%                  | 25%        | 30%        | 35%        | 40%        | 45%        | 50%        |           |
| 1            | Strategic Site        | Chesterton      | 2,350               | 73,173,646 | 38,996,174 | 32,063,901 | 25,080,216 | 18,030,389 | 10,857,149 | 3,619,251 |
| 2            | Large Greenfield      | Urban Edge      | 75                  | 4,392,044  | 2,785,097  | 2,464,704  | 2,144,310  | 1,821,427  | 1,501,034  | 1,180,640 |
| 3            | Medium Greenfield 1   | Settlement Edge | 35                  | 2,227,081  | 1,429,222  | 1,270,143  | 1,111,063  | 959,807    | 799,213    | 638,619   |
| 4            | Medium Greenfield 2   | Settlement Edge | 20                  | 1,503,460  | 1,028,775  | 943,030    | 847,486    | 751,199    | 655,655    | 560,112   |
| 5            | Medium Brownfield     | Urban           | 20                  | 1,228,193  | 773,952    | 681,062    | 588,173    | 499,294    | 405,511    | 311,728   |
| 6            | Smaller Greenfield    | Rural           | 12                  | 1,106,674  | 768,175    | 698,625    | 629,075    | 558,881    | 494,036    | 423,817   |
| 7            | Smaller Brownfield    | Infill          | 12                  | 749,183    | 447,394    | 385,810    | 324,225    | 262,105    | 204,453    | 141,661   |
| 8            | Small Green 1         | Infill          | 9                   | 759,224    | 511,953    | 467,116    | 417,356    | 367,172    | 317,412    | 267,652   |
| 9            | Small Brown 1         | Infill          | 9                   | 496,986    | 282,427    | 244,354    | 200,744    | 156,777    | 114,286    | 70,244    |
| 10           | Small Green 2         | Infill          | 6                   | 522,841    | 364,028    | 331,374    | 298,719    | 265,780    | 237,697    | 204,403   |
| 11           | Small Brown 2         | Infill          | 6                   | 304,663    | 183,149    | 157,736    | 132,324    | 107,755    | 82,091     | 56,426    |
| 12           | Sub Threshold - Green | Infill          | 3                   | 250,175    | 250,175    | 250,175    | 250,175    | 250,175    | 250,175    | 250,175   |
| 13           | Sub Threshold - Brown | Infill          | 3                   | 131,334    | 131,334    | 131,334    | 131,334    | 131,334    | 131,334    | 131,334   |
|              |                       |                 | Difference          |            |            |            |            |            |            |           |
| Affordable % |                       | Units           | 0%                  | 25%        | 30%        | 35%        | 40%        | 45%        | 50%        |           |
| 1            | Strategic Site        | Chesterton      | 2,350               | 34,177,472 | 41,109,745 | 48,093,430 | 55,143,257 | 62,316,497 | 69,554,395 |           |
| 2            | Large Greenfield      | Urban Edge      | 75                  | 1,606,947  | 1,927,340  | 2,247,734  | 2,570,617  | 2,891,010  | 3,211,404  |           |
| 3            | Medium Greenfield 1   | Settlement Edge | 35                  | 797,859    | 956,939    | 1,116,018  | 1,267,274  | 1,427,868  | 1,588,463  |           |
| 4            | Medium Greenfield 2   | Settlement Edge | 20                  | 474,685    | 560,430    | 655,974    | 752,261    | 847,805    | 943,348    |           |
| 5            | Medium Brownfield     | Urban           | 20                  | 454,240    | 547,130    | 640,020    | 728,899    | 822,682    | 916,465    |           |
| 6            | Smaller Greenfield    | Rural           | 12                  | 338,499    | 408,049    | 477,600    | 547,793    | 612,639    | 682,858    |           |
| 7            | Smaller Brownfield    | Infill          | 12                  | 301,789    | 363,374    | 424,958    | 487,078    | 544,730    | 607,522    |           |
| 8            | Small Green 1         | Infill          | 9                   | 247,271    | 292,108    | 341,868    | 392,052    | 441,812    | 491,572    |           |
| 9            | Small Brown 1         | Infill          | 9                   | 214,559    | 252,632    | 296,243    | 340,210    | 382,700    | 426,742    |           |
| 10           | Small Green 2         | Infill          | 6                   | 158,813    | 191,468    | 224,122    | 257,061    | 285,144    | 318,438    |           |
| 11           | Small Brown 2         | Infill          | 6                   | 121,514    | 146,927    | 172,340    | 196,909    | 222,573    | 248,237    |           |
| 12           | Sub Threshold - Green | Infill          | 3                   | 0          | 0          | 0          | 0          | 0          | 0          |           |
| 13           | Sub Threshold - Brown | Infill          | 3                   | 0          | 0          | 0          | 0          | 0          | 0          |           |
|              |                       |                 | Difference per unit |            |            |            |            |            |            |           |
| Affordable % |                       | Units           | 0%                  | 25%        | 30%        | 35%        | 40%        | 45%        | 50%        |           |
| 1            | Strategic Site        | Chesterton      | 2,350               | 58,174     | 58,312     | 58,472     | 58,663     | 58,928     | 59,195     |           |
| 2            | Large Greenfield      | Urban Edge      | 75                  | 85,704     | 85,660     | 85,628     | 85,687     | 85,660     | 85,637     |           |
| 3            | Medium Greenfield 1   | Settlement Edge | 35                  | 91,184     | 91,137     | 91,104     | 90,520     | 90,658     | 90,769     |           |
| 4            | Medium Greenfield 2   | Settlement Edge | 20                  | 94,937     | 93,405     | 93,711     | 94,033     | 94,201     | 94,335     |           |
| 5            | Medium Brownfield     | Urban           | 20                  | 90,848     | 91,188     | 91,431     | 91,112     | 91,409     | 91,647     |           |
| 6            | Smaller Greenfield    | Rural           | 12                  | 112,833    | 113,347    | 113,714    | 114,124    | 113,452    | 113,810    |           |
| 7            | Smaller Brownfield    | Infill          | 12                  | 100,596    | 100,937    | 101,180    | 101,475    | 100,876    | 101,254    |           |
| 8            | Small Green 1         | Infill          | 9                   | 109,898    | 108,188    | 108,530    | 108,903    | 109,089    | 109,238    |           |
| 9            | Small Brown 1         | Infill          | 9                   | 95,360     | 93,567     | 94,045     | 94,503     | 94,494     | 94,832     |           |
| 10           | Small Green 2         | Infill          | 6                   | 105,876    | 106,371    | 106,725    | 107,109    | 105,609    | 106,146    |           |
| 11           | Small Brown 2         | Infill          | 6                   | 81,010     | 81,626     | 82,067     | 82,045     | 82,434     | 82,746     |           |
| 12           | Sub Threshold - Green | Infill          | 3                   | 0          | 0          | 0          | 0          | 0          | 0          |           |
| 13           | Sub Threshold - Brown | Infill          | 3                   | 0          | 0          | 0          | 0          | 0          | 0          |           |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

10.45 Taking the appraisal for Site 4 as an example, the Residual Value with no affordable housing, i.e. 20 market dwellings, is £1,503,460. With the option of 40% affordable housing (as 2/3 Affordable Rent and 1/3 Shared ownership), the residual value falls to £741,199. The developer's contribution is £752,261; divided by 8 affordable dwellings (40% of 20), this gives a cost of £94,032 per affordable dwelling.

10.46 The results of this calculation for the full range of sites are set out in the table below. For the sake of clarity these findings assume the base assumption for developer contributions, i.e. a standard figure of £2,000 per dwelling.

10.47 The calculated contributions in the table above vary, with a minimum of £58,000 (Site 1) and a maximum of £114,000 (Site 6).

*Proposed guidance*

10.48 These calculations provide a sound basis for determining a commuted sum figure. However, the Council has indicated it will seek to introduce CIL, and any final commuted sum figure will

depend on the level of CIL charge. Whilst advice on CIL and viability is provided below, further work may be needed before a final charge figure for residential development can be determined.

- 10.49 There are two alternatives open to the Council. The first is to work to a published 'standard commuted sum payment'. If the Council were to take this option, we would recommend a £90,000 payment per affordable unit not delivered on site. The Council is currently preparing a new Local Plan. This document will be long lived and is likely to be in place across several economic cycles. We would therefore recommend that the Council prepares a separate Affordable Housing Supplementary Planning Guidance setting out the amount of the payment and to allow a simple review should viability change.
- 10.50 Alternatively, the Council may prefer to continue calculate the commuted sum scheme by scheme as they do now. This has the advantage of being an up to date figure, but the disadvantage of a lack of clarity for developers. The methodology used is to assess the Open Market Value of the units that would be affordable units, and then deduct from that the amount that a housing association would pay for those units as affordable units – the difference being the commuted sum.
- 10.51 In any event, we would recommend that the Council maintains a flexible approach and should the developer wish to make special case for a lower contribution, then the following formula is used:

|  |
|--|
| <p><b>Residual Value without affordable housing</b></p> <p>LESS</p> <p><b>Residual Value with affordable housing</b></p> <p>=</p> <p><b>Commuted Sum</b></p> |
|--|

- 10.52 We acknowledge that the Council has some concerns about the practicality of implementing this formula. An alternative would be to continue to use the following simpler formula that is based just on the market value of the units.

|  |
|--|
| <p><b>Site GDV with all units as market housing</b></p> <p>LESS</p> <p><b>Site GDV with appropriate proportion of affordable housing</b></p> <p>=</p> <p><b>Commuted Sum</b></p> |
|--|

### **Impact of Price and Cost Change**

- 10.53 It is important that, whatever policies are adopted, that the Plan is not unduly sensitive to future changes in prices and costs. We have therefore tested various variables in this regard. We

have followed the time horizons set out in the NPPF and in the methodology in the Harman Guidance.

- 10.54 In this report we have used the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase of just over 15% in prices over the next 5 years<sup>43</sup>. We have tested a scenario with this increase in build costs. As requested by a consultee we have also tested the impact of a 6% increase (this was in the context of building to higher environmental standards).
- 10.55 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have therefore tested four price change scenarios, minus 10% and 5%, and plus 15%, 10% and 5%. In this analysis we have assumed all other matters in the base appraisals remain unchanged
- 10.56 It is important to note that, in the following table, only the costs of construction and the value of the market housing are altered.
- 10.57 In this analysis we have followed the assumptions used in the base appraisals as set out below:
- |    |                         |  |
|----|-------------------------|--|
| a. | Affordable Housing      | On sites of 3 units and larger, 40% 2/3 Affordable Rent / 1/3 Intermediate Housing to buy as Shared Ownership. |
| b. | Environmental Standards | Enhanced Building Regulations (Part L) (BCIS +1.5%). Lifetime £11/m <sup>2</sup> .                             |
| c. | s106                    | £2,000 per unit (market and affordable) and £32,600,000 on the strategic site.                                 |

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<sup>43</sup> See Table 1.1 (Page 6) of in *Quarterly Review of Building Prices* (Issue No 138 – August 2015)



**Table 10.14 Sensitivity to Price Change (£/ha)**

|    | Alternative Use Value | Viability Threshold | Residual Value |          |           |         |           |              |           |           |           |  |
|----|-----------------------|---------------------|----------------|----------|-----------|---------|-----------|--------------|-----------|-----------|-----------|--|
|    |                       |                     | BCIS           |          |           |         |           | House Prices |           |           |           |  |
|    |                       |                     | +15%           | +6%      | -10%      | -5%     | No Change | +5%          | +10%      | +15%      |           |  |
| 1  | Strategic Site        | 25,000              | 505,000        | -528,844 | -62,808   | -30,860 | 66,339    | 159,439      | 250,262   | 340,593   | 429,270   |  |
| 2  | Large Greenfield      | 25,000              | 505,000        | -245,168 | 192,633   | 223,422 | 337,291   | 453,268      | 569,244   | 685,221   | 801,198   |  |
| 3  | Medium Greenfield 1   | 25,000              | 505,000        | -284,969 | 319,144   | 356,870 | 517,873   | 682,274      | 838,687   | 1,001,538 | 1,164,388 |  |
| 4  | Medium Greenfield 2   | 50,000              | 535,000        | 85,395   | 672,744   | 670,881 | 846,929   | 1,029,367    | 1,211,805 | 1,388,889 | 1,561,806 |  |
| 5  | Medium Brownfield     | 450,000             | 540,000        | -491,453 | 326,241   | 378,355 | 592,109   | 813,140      | 1,024,321 | 1,243,246 | 1,462,171 |  |
| 6  | Smaller Greenfield    | 50,000              | 535,000        | 264,905  | 971,370   | 954,303 | 1,184,716 | 1,401,651    | 1,629,869 | 1,858,087 | 2,086,305 |  |
| 7  | Smaller Brownfield    | 450,000             | 540,000        | -665,986 | 167,400   | 239,145 | 454,950   | 660,155      | 874,109   | 1,088,064 | 1,289,618 |  |
| 8  | Small Green 1         | 50,000              | 535,000        | 102,106  | 804,372   | 793,189 | 997,729   | 1,217,522    | 1,437,315 | 1,657,108 | 1,859,026 |  |
| 9  | Small Brown 1         | 450,000             | 540,000        | -900,486 | 30,554    | 115,347 | 357,834   | 594,436      | 834,546   | 1,053,990 | 1,289,483 |  |
| 10 | Small Green 2         | 50,000              | 535,000        | 298,515  | 947,248   | 916,123 | 1,134,162 | 1,326,197    | 1,540,043 | 1,753,889 | 1,967,734 |  |
| 11 | Small Brown 2         | 450,000             | 540,000        | -625,230 | 143,973   | 197,151 | 408,213   | 619,275      | 822,197   | 1,031,190 | 1,240,183 |  |
| 12 | Sub Threshold - Green | 50,000              | 535,000        | 590,092  | 1,016,261 | 923,868 | 1,104,277 | 1,259,980    | 1,436,919 | 1,613,858 | 1,790,797 |  |
| 13 | Sub Threshold - Brown | 450,000             | 540,000        | 153,253  | 863,938   | 787,691 | 1,046,631 | 1,292,770    | 1,549,170 | 1,805,571 | 2,061,971 |  |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

- 10.58 The analysis demonstrates that a relatively small fall in prices will adversely impact on the deliverability of the smaller brownfield sites.
- 10.59 It is clear, across all sites, that relatively small changes in price and costs can have a significant impact on the Residual Value and that there is sensitivity to changes in prices and costs. This is particularly important when it comes to considering larger sites that will be delivered over many years through multiple phases. On larger sites, where developers make a case for a lower affordable housing requirement on the grounds of viability, we would recommend that a review mechanism is incorporated to allow the affordable housing requirements be adjusted over the life of the project.

### **Older People's Housing**

- 10.60 As well as mainstream housing, we have considered the sheltered and extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. In each case allowance has been made for a s106 developer contribution of £100,000. The full appraisals are set out in **Appendix 8** below:

**Table 10.15 Older People's Housing, Appraisal Results (£/ha)**

| Greenfield          | Sheltered    |                  |           |           |           |           |           |           |           |           |           |            |
|---------------------|--------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|                     | AFFORDABLE % | 0%               | 5%        | 10%       | 15%       | 20%       | 25%       | 30%       | 35%       | 40%       | 45%       | 50%        |
| CIL                 | £/m2         | 0                | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0          |
| Residual Land Worth | Site         | 4,883,079        | 4,581,187 | 4,279,294 | 3,977,402 | 3,675,510 | 3,373,617 | 3,071,725 | 2,769,832 | 2,467,940 | 2,166,047 | 1,864,155  |
| Existing Use Value  | £/ha         | 25,000           | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000     |
| Viability Threshold | £/ha         | 505,000          | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000    |
| Residual Value      | £/ha         | 9,766,158        | 9,162,374 | 8,558,589 | 7,954,804 | 7,351,019 | 6,747,234 | 6,143,449 | 5,539,665 | 4,935,880 | 4,332,095 | 3,728,310  |
| <b>Brownfield</b>   |              |                  |           |           |           |           |           |           |           |           |           |            |
|                     | AFFORDABLE % | <b>Sheltered</b> |           |           |           |           |           |           |           |           |           |            |
| CIL                 | £/m2         | 0                | 5%        | 10%       | 15%       | 20%       | 25%       | 30%       | 35%       | 40%       | 45%       | 50%        |
| Residual Land Worth | Site         | 4,139,693        | 3,837,800 | 3,535,908 | 3,234,016 | 2,932,123 | 2,630,231 | 2,328,338 | 2,026,446 | 1,724,554 | 1,422,661 | 1,120,769  |
| Existing Use Value  | £/ha         | 450,000          | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000    |
| Viability Threshold | £/ha         | 540,000          | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000    |
| Residual Value      | £/ha         | 8,279,386        | 7,675,601 | 7,071,816 | 6,468,031 | 5,864,246 | 5,260,462 | 4,656,677 | 4,052,892 | 3,449,107 | 2,845,322 | 2,241,538  |
| <b>Greenfield</b>   |              |                  |           |           |           |           |           |           |           |           |           |            |
|                     | AFFORDABLE % | <b>Extracare</b> |           |           |           |           |           |           |           |           |           |            |
| CIL                 | £/m2         | 0                | 5%        | 10%       | 15%       | 20%       | 25%       | 30%       | 35%       | 40%       | 45%       | 50%        |
| Residual Land Worth | Site         | 3,205,627        | 2,889,068 | 2,572,510 | 2,255,951 | 1,939,393 | 1,622,834 | 1,306,276 | 989,717   | 673,158   | 356,600   | 40,041     |
| Existing Use Value  | £/ha         | 25,000           | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000     |
| Viability Threshold | £/ha         | 505,000          | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000    |
| Residual Value      | £/ha         | 6,411,254        | 5,778,137 | 5,145,020 | 4,511,903 | 3,878,785 | 3,245,668 | 2,612,551 | 1,979,434 | 1,346,317 | 713,200   | 80,083     |
| <b>Brownfield</b>   |              |                  |           |           |           |           |           |           |           |           |           |            |
|                     | AFFORDABLE % | <b>Extracare</b> |           |           |           |           |           |           |           |           |           |            |
| CIL                 | £/m2         | 0                | 5%        | 10%       | 15%       | 20%       | 25%       | 30%       | 35%       | 40%       | 45%       | 50%        |
| Residual Land Worth | Site         | 2,581,586        | 2,265,028 | 1,948,469 | 1,631,910 | 1,315,352 | 998,793   | 682,235   | 365,676   | 49,118    | -267,441  | -584,000   |
| Existing Use Value  | £/ha         | 450,000          | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000    |
| Viability Threshold | £/ha         | 540,000          | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000    |
| Residual Value      | £/ha         | 5,163,172        | 4,530,055 | 3,896,938 | 3,263,821 | 2,630,704 | 1,997,587 | 1,364,469 | 731,352   | 98,235    | -534,882  | -1,167,999 |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

- 10.61 In practice, extracare housing often falls under the definition of residential institutions rather than dwelling houses so is not normally considered to be subject to the Council's affordable housing policies. We have not pursued this further.
- 10.62 The sheltered housing is shown as viable on greenfield and brownfield sites and is able to bear affordable housing at significant levels.

**Conclusions**

- 10.63 We take this opportunity to stress again that the results in themselves do not determine policy. We have discussed the consequences of these results in Chapter 12.

## 11. Non-Residential Appraisal Results

- 11.1 In the preceding chapters we set out the assumptions for the non-residential development appraisals and concluded – at least initially – that the main cost and income assumptions apply across the District. Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 9** and summarised in the table below.
- 11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability we have used the same methodology with regard to the Viability Thresholds (Existing / Alternative Land Use 'plus').
- 11.3 When testing the non-residential development types we have not run multiple sets of appraisals for different levels of policy requirement as the Council does not seek to impose layers of policy requirements on these types of development.

**Table 11.1 Appraisal Results showing Approximate Residual Value - Greenfield**

| <b>Greenfield</b>     |             | Offices           | Industrial        | Distribution      | Shops - Central   | Shops - Other      | Supermarket       | Smaller Supermarket | Retail Warehouse | Hotel             |
|-----------------------|-------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|---------------------|------------------|-------------------|
| CIL                   | £/m2        | 0                 | 0                 | 0                 | 0                 | 0                  | 0                 | 0                   | 0                | 0                 |
| <b>RESIDUAL VALUE</b> | <b>Site</b> | <b>-236,472</b>   | <b>-478,301</b>   | <b>-3,293,371</b> |                   |                    | <b>-572,524</b>   | <b>542,237</b>      | <b>3,629,453</b> | <b>-857,412</b>   |
| Existing Use Value    | £/ha        | 25,000            | 25,000            | 25,000            |                   |                    | 25,000            | 25,000              | 25,000           | 25,000            |
| Viability Threshold   | £/ha        | 330,000           | 330,000           | 330,000           |                   |                    | 330,000           | 330,000             | 330,000          | 330,000           |
| Residual Value        | £/ha        | <b>-1,891,780</b> | <b>-3,156,788</b> | <b>-3,293,371</b> |                   |                    | <b>-357,827</b>   | <b>1,355,592</b>    | <b>2,722,090</b> | <b>-2,117,067</b> |
| <b>Brownfield</b>     |             | Offices           | Industrial        | Distribution      | Shops - Central   | Shops - Other      | Supermarket       | Smaller Supermarket | Retail Warehouse | Hotel             |
| CIL                   | £/m2        | 0                 | 0                 | 0                 | 0                 | 0                  | 0                 | 0                   | 0                | 0                 |
| <b>RESIDUAL VALUE</b> | <b>Site</b> | <b>-350,816</b>   | <b>-566,683</b>   | <b>-3,517,247</b> | <b>259,055</b>    | <b>-263,943</b>    | <b>-1,161,725</b> | <b>385,937</b>      | <b>3,325,296</b> | <b>-1,134,233</b> |
| Existing Use Value    | £/ha        | 450,000           | 450,000           | 450,000           | 4,000,000         | 450,000            | 450,000           | 450,000             | 450,000          | 450,000           |
| Viability Threshold   | £/ha        | 450,000           | 450,000           | 450,000           | 4,800,000         | 540,000            | 540,000           | 540,000             | 540,000          | 540,000           |
| Residual Value        | £/ha        | <b>-2,806,526</b> | <b>-3,740,107</b> | <b>-3,517,247</b> | <b>13,816,264</b> | <b>-14,076,985</b> | <b>-726,078</b>   | <b>964,842</b>      | <b>2,493,972</b> | <b>-2,800,576</b> |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

- 11.4 To a large extent the above results are reflective of the current market in the District and more widely. Office and industrial/distribution development are shown as being unviable, however this is not just a Cotswold issue – a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward, it tends to be from existing businesses for operational reasons – rather than to make a return through property development.
- 11.5 It is notable that agents operating in the local market have reported that over the last 18 or so months, that there has been a change in sentiment and an improvement in the market, and that this is expected to continue.
- 11.6 Further, the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in Cotswold is ‘user led’ being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.
- 11.7 It is clear that non-residential development is challenging in the current market, but it is improving. We would urge caution in relation to setting policy requirements for employment uses that would unduly impact on viability.
- 11.8 Smaller supermarkets and retail warehouses are both shown as viable, on greenfield sites and brownfield sites, with the Residual Value exceeding the Viability Threshold by a substantial margin (indicating the ability to make developer contributions). The Plan supports the development of retail uses in the town centres and there are limited remaining opportunities within the town centre beyond those being currently pursued. Whilst the Council wishes to see a broad range of retailing in the towns, the Plan directs this towards the town centres.
- 11.9 Larger supermarkets are shown as unviable, this is not in line with our findings elsewhere in England but is due to the rents being slightly lower and construction costs being slightly higher than elsewhere.
- 11.10 Other town centre retailing is shown as viable (by the shop typology that represents typical high street shops). This finding should be treated with caution as town centre development is most likely to be on land that is currently in a retail use and will have higher costs. In the current market, such development is unlikely to be viable and it is important to note that there are multiple empty premises in prime locations, and more in the locations around the periphery of the town centres.

11.11 The analysis included hotel use. This is shown to be unviable on greenfield and on brownfield land. We would suggest caution when considering CIL in relation to this use.

**Conclusions**

11.12 The delivery of non-residential space is an important part of the Plan. The Council will need to consider how this can be facilitated.

11.13 We take this opportunity to stress again that the results in themselves do not determine policy. We have discussed the consequences of these results in Chapter 12 and the ability for development types to bear CIL in Chapter 13.



## 12. Deliverability of the Local Plan

- 12.1 This document sets out the methodology used, the key assumptions adopted, and the results, and has been prepared to assist the Council with the assessment of the viability of the emerging Local Plan. The NPPF, the PPG, the CIL Guidance and the Harman Viability Guidance all require stakeholder engagement – particularly with members of the development industry. Consultation has taken place and, whilst there was not universal agreement, a broad consensus on most matters was achieved.

### Cumulative Impact of Policies

- 12.2 In Chapter 10 we set out the results of a range of appraisals considering the impact on viability of individual policies and the different levels of developer contributions that residential development can bear. The purpose of this analysis is to inform the plan-making process. As set out in Chapter 2 above, the NPPF introduced a requirement to assess the viability of the delivery of Local Plan and the impact on development of policies contained within it saying:

*173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. 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.*

- 12.3 This needs to be considered with the fourth bullet point of paragraph 182 of the NPPF that requires that the Plan is effective.
- 12.4 The other purpose is in the context of CIL to assess the ‘effects’ on development viability of the imposition of CIL – Regulation 14 of the CIL Regulations says:

*‘councils must strike an appropriate balance between (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability’.*

### Residential Development

- 12.5 In the appraisals set out in Chapter 10 above, the strategic site and the typologies were modelled and appraised relative to their ability to bear the Council's affordable housing and other requirements and to pay developer contributions.
- 12.6 It is clear that, as the amount of affordable housing increases, the ability to bear developer contributions decreases. We can summarise the findings as follows:
- a. The large strategic site at Chesterton has been modelled based on an infrastructure cost of £32,600,000. This is the most up to date estimate (ARUP January 2016) based on the expected strategic infrastructure and mitigation costs that may be sought under

s106. Like any large site the delivery will be challenging, however it is clear that when considered on a gross area basis the site has potential to deliver a substantial amount of affordable housing – although the actual amount will vary based on the specific tenure requested.

We recommend that the Council continues to work with the site's promoters<sup>44</sup> (this work is underway at the time of this report), however if the site cannot be demonstrated to be deliverable the Council should be cautious about relying on it for delivery early in the plan period.

- b. The results are better where the affordable housing is provided as the Affordable Rent rather than as Social Rent. Very approximately, if the Council were to seek affordable housing for rent to be delivered as Social Rent we would expect the affordable housing target to be between 5% and 10% lower.

We understand that the housing associations operating in the area, being the Registered Providers (RPs) who will purchase the completed units from developers, have a preference for affordable rent and, leaving aside viability issues, would not be seeking social rented units.

It is clear that affordable rent is less viable than social rent (as the rent is higher), but understand the majority of households in the sector are in receipt of assistance with their rent. Bearing in mind the better viability and the RPs' preference for Affordable Rent we recommend that the Council does not seek to prioritise the provision of affordable housing as Social Rent.

- c. Generally, viability is better for development on greenfield sites when compared to brownfield sites. The Council may consider setting a lower affordable housing target on brownfield sites. If the Council was to pursue this option, we would suggest that the affordable housing target would be 10% or so lower on brownfield sites.
- d. The base modelling is based on the intermediate housing for sale being provided as Shared Ownership where the proportion sold is about 50% and a rent of 2.75% of the unsold share is charged.

If the Council were to prefer Shared Equity over Shared Ownership, there is an impact on viability as under Shared Equity there is no rent to pay and take account of. Very approximately, a unit sold under Shared Ownership at 50% is worth about 15% more than one sold under Shared Equity at 50%.

If the Council were to restrict intermediate housing to buy to Shared Equity the impact on viability would be significant.

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<sup>44</sup> Page 23 of the Harman Guidance says:

*Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

- 12.7 The analysis shows that developments in Cotswold are able to bear significant levels of affordable housing or significant levels of developer contributions. The Council can therefore have confidence that the Plan is deliverable. Generally, both affordable housing and developer contributions will be required. In the following sections we have considered how these relate.
- 12.8 When Affordable Housing and the ability to contribute to infrastructure and mitigation are combined, it is clear that, as the amount of affordable housing increases, the ability to bear developer contributions decreases. Assuming that the affordable housing provides 2/3 affordable housing for rent as Affordable Rent, and 1/3 affordable housing for sale as Shared Ownership (50% share):
- a. The current best estimate of the strategic infrastructure and mitigation costs for the Chesterton site is £32,600,000. This is between £13,000/unit and £14,000/unit. It is clear from this high level analysis that the site has potential to generate residual values very much higher than the EUV with this level of contribution and significant levels of affordable housing.  
  
As stated above the Council is well progressed with discussions with the landowners of the site and a planning application is expected in the next few months. Like any large site the delivery will be challenging however it is clear that when considered on a gross area basis the site has potential to deliver a substantial amount of affordable housing – although the actual amount will vary based on the specific tenure requested.  
  
We recommend that the Council continues to work with the site’s promoters (this work is underway at the time of this report).
  - b. At 50% affordable housing, brownfield sites and larger greenfield sites are generally not viable and certainly cannot bear developer contributions.
  - c. At 40% affordable housing there is limited scope to seek developer contributions from brownfield sites but there is scope to introduce contributions from greenfield sites at this level.
  - d. At 30% affordable housing there is scope to introduce affordable housing across all sites.
- 12.9 On balance we would suggest that a dual rate of affordable housing is adopted of 30% on brownfield sites and 40% on greenfield sites. At these levels of affordable housing there is scope to introduce CIL.
- 12.10 Whilst CIL has not been considered at this stage, it may be necessary to develop a site specific rate of CIL for the Chesterton site and ensure that a clear delivery strategy can be demonstrated for the Examination.

*Affordable Housing Threshold*

- 12.11 As set out in Chapter 8 above, the Government introduced an 11 unit or more threshold in November 2014. This was reversed in August 2015, although we understand that the

Government is considering its re-introduction. The Council has requested advice as to whether or not it is appropriate to introduce an affordable housing target of fewer than 10 units.

- 12.12 The analysis shows that the greenfield sites are able to bear affordable housing – even on very small sites, but the analysis shows that the viability was less good on brownfield sites, however the analysis does not indicate that it is necessary to include an affordable housing threshold.
- 12.13 Whilst the viability evidence above does indicate that small sites can bear affordable housing, we have concerns about the practical impact of having a very low target. Small sites are often brought forward by self-builders and ‘one man bands’ who do not have the detailed level of understanding of planning and affordable housing as larger developers. The very presence of affordable housing could deter developers due to a lack of understanding and/or the perceived ‘hassle factor’.
- 12.14 In addition, very small groups of affordable housing units may not be attractive to RPs who are likely to want larger groups for ease of management. Whilst a single unit may be shown to be viable in a study we do have worries around whether or not a RP would be willing to take it (say in a village) at all.

#### *Commuted Sums*

- 12.15 The Council's preference is for affordable housing to be delivered on site. Across the country different councils have taken different approaches, sometimes calculating contributions on a site by site basis, other times setting out a predetermined ‘commuted sum’.
- 12.16 There are two alternatives open to the Council. The first is to work to a published ‘standard commuted sum’. If the Council were to take this option, we would recommend a £90,000 payment per affordable unit not delivered on site. The Council is currently preparing a new Local Plan. This document will be long lived so we would recommend that the Council prepares a separate Affordable Housing Supplementary Planning Guidance setting out the amount of the payment and to allow a simple review should viability change.
- 12.17 Alternatively, the Council may prefer to calculate the commuted sum scheme by scheme. This has the advantage of being an up to date figure, but the disadvantage of a lack of clarity for developers.
- 12.18 In any event, we would recommend that the Council maintains a flexible approach and should the developer wish to make special case for a lower contribution then the following formula is used:

|  |
|--|
| <p><b>Residual Value without affordable housing</b></p> <p>LESS</p> <p><b>Residual Value with affordable housing</b></p> <p>=</p> <p><b>Commuted Sum</b></p> |
|--|

*Older People's Housing*

- 12.19 As well as mainstream housing, we have considered the sheltered and extracare sectors separately. Appraisals were run for a range of affordable housing requirements. In practice, extracare housing falls under the definition of residential institutions rather than dwelling houses so is not normally considered to be subject to the Council's affordable housing policies. We have not pursued this further.
- 12.20 The sheltered housing is shown as viable on greenfield and brownfield sites and is able to bear affordable housing at significant levels and it is not necessary to develop a specific policy with different (to mainstream housing) levels of affordable housing for sheltered housing.

*Land Supply*

- 12.21 As well as considering the cumulative impact of the Council's policies an aim of this study is to consider the deliverability of the potential development sites included in the Plan.
- 12.22 As set out in Chapter 9 above, the typologies used as the basis for the analysis in this study are informed by the range of sites in the emerging Site Allocations Document which includes 39 Allocation sites and 19 Reserve sites. If the Council follows the advice above in terms of affordable housing target, they can be confident that the Plan will be deliverable.

**Non-Residential Appraisal Results**

- 12.23 To a large extent the above results are reflective of the current market in the District and more widely. Office and industrial/distribution development are shown as being unviable, however this is not just a Cotswold issue – a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward, it tends to be from existing businesses for operational reasons – rather than to make a return through property development.
- 12.24 It is notable that, from speaking to agents operating in the local market, that over the last two years or so, that there has been a change in sentiment and an improvement in the market, and that this is expected to continue.
- 12.25 Further, the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models

under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties, and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in Cotswold is 'user led' being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

- 12.26 It is clear that non-residential development is challenging in the current market, but it is improving. We would urge caution in relation to setting policy requirements for employment uses that would unduly impact on viability.
- 12.27 Smaller supermarkets and retail warehouses are both shown as viable, on greenfield sites and brownfield sites, with the Residual Value exceeding the Viability Threshold by a substantial margin (indicating the ability to make developer contributions). The Plan supports the development of retail uses in the town centres and there are limited remaining opportunities within the town centres beyond those being currently pursued. Whilst the Council wishes to see a broad range of retailing in the towns, the Plan directs this towards the town centres.
- 12.28 Larger supermarkets are shown as unviable, this is not in line with our findings elsewhere but is due to the rents being slightly lower and construction costs being slightly higher than elsewhere.
- 12.29 Other town centre retailing is shown as viable (by the shop typology that represents typical high street shops). This finding should be treated with caution as town centre development is most likely to be on land that is currently in a retail use and will have higher costs. In the current market such development is unlikely to be viable and it is important to note that there are multiple empty premises in prime locations, and more in the locations around the periphery of the town centres.
- 12.30 The lack of viability is not as a result of the cumulative impact of the Council's policies rendering development unviable through imposing layers of additional costs. The Council has few policies adding to the costs of development in this area. **We conclude that the cumulative impact of the Council's policies does not put employment uses at serious risk, however we also note that employment development has little capacity to bear developer contributions.**
- 12.31 The test of soundness of the Plan goes beyond simply demonstrating that the cumulative impact of the Council's policies does not put employment uses at serious risk. As set out in paragraph 174 of the NPPF, it should also 'facilitate development throughout the economic cycle'. The Council is doing much in this regard already, including:
- a. Working closely with the LEP to secure infrastructure funding to support employment uses (amongst other things).

- b. Recognising the Council's limited supply of employment land and continuing to work with neighbouring authorities to bring forward employment land in appropriate locations.
- c. Working with Gloucestershire County Council to ensure that the infrastructure to support employment uses is given appropriate priority – for example through co-operation through the CIL Regulation 123 infrastructure list.

12.32 Town centre retailing is unlikely to be viable. This is also reflective of the current market and again not as a result of the cumulative impact of the Council's policies. The Council has several policies and initiatives seeking to further enhance the town centres.

12.33 Supermarkets and retail warehouses are both shown as viable, on greenfield sites and brownfield sites with the Residual Value exceeding the Viability Threshold by a significant margin indicating the ability to make developer contributions.

### **Conclusions**

12.34 Cotswold District is situated in a high value and vibrant area with strong house prices that are able to support an active housing market.

12.35 We recommend that the Council moves to a **two tiered affordable housing policy with a 30% requirement on brownfield sites and 40% on the remaining areas**. Set at these levels, residential development is not put at serious risk by the cumulative impact of the Council's policies and would be able to bear developer contributions in the range as set out in the following chapter without threatening development. The ability to bear developer contributions is limited at higher rates of affordable housing.

12.36 Whilst some non-residential uses are not viable, they are not rendered unviable by the cumulative impact of the Council's policies, rather by the general market conditions. The employment uses (office and industrial), town centre retail and hotel uses are unlikely to be able to bear additional developer contributions, however supermarket and retail warehouse development are able to make significant contributions.

### **CIL and Developer Contributions**

12.37 In the following chapter we have set out the ability to bear CIL and discussed the issues around setting CIL.

### **Review**

12.38 It is clear from the direction of the market as set out in Chapter 4 above, and from improved sentiment, that the economy and property markets are improving. There is however some level of uncertainty. Bearing in mind the Council's wish to develop housing, and the requirements to fund infrastructure, it is our firm recommendation that the Council keeps viability under review; should the economics of development change significantly it should not hesitate to undertake a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

12.39 We recommend a review is undertaken three yearly or in the event of a 10% change in house prices.



## 13. Setting CIL

- 13.1 This document sets out the methodology used, the key assumptions adopted, and the findings, and has been prepared as a first step towards assisting the Council with the development of CIL and to engage with stakeholders. The CIL Guidance requires stakeholder engagement – particularly with members of the development industry.
- 13.2 If, following the consideration of this report, the Council decides to pursue CIL, it will be necessary to prepare a Preliminary Draft Charging Schedule (PDCS) and consult on this with the development industry and other interested parties. This process will include publishing the proposed rates, as well as the supporting evidence and rationale for the charges.
- 13.3 Following the consultation on the PDCS, the evidence will be updated as required and Council will prepare a Draft Charging Schedule (DCS) and consult on this, again with the development industry and other interested parties. Finally, the Council will consider the consultation responses and then submit a Draft Charging Schedule for independent examination by the Planning Inspectorate (or other appropriate examiner).
- 13.4 The findings of this report do not determine the rates of CIL, but are one of a number of factors that the Council may consider when setting CIL. In setting CIL there are three main elements that need to be brought together:
- a. Evidence of the Infrastructure Requirements
  - b. Viability Evidence
  - c. The Input of Stakeholders.
- 13.5 It is important to note that the recommendations made in this chapter are based on the recommended reduced rates of affordable housing set out in Chapter 12 above. These are:
- a. Brownfield Sites 30%
  - b. Remaining Areas 40%
- 13.6 These revised rates of affordable housing have not been formally accepted by the Council so if different requirements are incorporated into the Local Plan, it would be necessary to revisit these recommendations. Higher levels of affordable housing would result in lower rates of CIL.
- 13.7 Outside this report the Council has carried out a substantial amount of work looking at the infrastructure requirements of the area. The latest information (Arup, January 2016) indicates that the total costs of providing the infrastructure to support the future residential development equates to somewhere in the region of £12,000 per dwelling. The Council has drawn on three principle sources of information to inform the decision making process:
- a. The viability evidence set out in this report (and the earlier viability studies).

- b. Information about the requirements for infrastructure and, in relation to the larger sites, what of that infrastructure can be funded under s106 bearing in mind CIL Regulations 122 and 123.
- c. Projections of expected CIL receipts through consideration of the amount and types of development planned for and anticipated in different parts of the District.

13.8 In striking a balance between the different rates of CIL, the Council needs to consider a range of factors including those set out below.

13.9 Before considering these it is timely to note that an important principle of CIL is that the Levy is set on the assumption that all other policy requirements (such as affordable housing, environmental standards and the requirements of any Neighbourhood Plans) are paid first. That is to say CIL should be set on the assumption that the full affordable housing requirement is achieved.

### **Regulations and Guidance**

13.10 CIL Regulation 14 (as amended) sets out the core principle for setting CIL:

*In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between— (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.....*

13.11 Viability testing in the context of CIL concerns the 'effects' on development viability of the imposition of CIL. The Council has taken into account the importance of the provision of infrastructure on the ability of the Council to meet its objectives through development and deliver its Development Plan.

13.12 The test that will be applied to the proposed rates of CIL are set out in the updated CIL Guidance, putting greater emphasis on demonstrating how CIL will be used to deliver the infrastructure required to support the Plan.

*The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.*

*This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.*

*As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.*

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13.13 The test is whether the sites and the scale of development identified in the Plan are subject to such a scale of obligations and policy burdens (when considered together) that their ability to

be developed viably is threatened by CIL. The viability evidence has considered the full range of the Council's policy requirements, including the need for infrastructure funding. The test is whether CIL threatens the Development Plan as a whole – it is important to note that the CIL Regulation 14 is clear that the purpose of the viability testing is to establish '*the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area*' rather than on specific sites.

#### *Differential Rates*

- 13.14 CIL Regulation 13 gives the flexibility to charge variable rates by zone and development type, however there has been some uncertainty around the charging of differential rates. We recommend that the Council adopt the following definitions<sup>45</sup>:

**Supermarkets** are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix. The majority of custom at supermarkets arrives by car, using the large adjacent car parks provided.

**Retail warehouses** – are large stores specialising in the sale of comparison goods (such as carpets, furniture, and electrical goods) DIY items and other ranges of goods catering mainly for car borne customers.

#### *Charging Zones*

- 13.15 During the early consultation phases of this project, we discussed the setting of site specific rates for the Chesterton Strategic Site. The advice in this report is based on the latest available estimate of the strategic infrastructure and mitigation costs of £32,600,000. Should the final costs be significantly different to this amount it will be necessary to revisit this advice. (if they are lower viability would be improved, but it is important to note if they are higher the site may not be deliverable so may not be taken forward – possibly making a separate CIL zone unnecessary).
- 13.16 We recommend that the Council continues to work with the site's promoters (this work is underway at the time of this report).

#### *New Regulations and Guidance*

- 13.17 This Viability Study has been prepared in line with the current CIL Guidance and the CIL Regulations, best practice, and the various other sources of relevant Guidance. At the time of this report the CIL Review is underway, with the period of consultation having ended on 15<sup>th</sup> January 2016. It is likely that this will result in changes to the CIL Regulations and/or CIL Guidance (within the PPG). It may be necessary to revisit the CIL setting process in the light of any changes.
- 13.18 In addition, (as set out in Chapter 2 above) the Government consulted on changes to the NPPF, with the consultation period ending on 22<sup>nd</sup> February 2016. It may be necessary to

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<sup>45</sup> As approved by Sarah Housden sitting as an Independent CIL Examiner, in her report following her examination of the South Lakeland District Council CIL Charging Schedule (20<sup>th</sup> March 2015).

revisit the CIL setting process in the light of any changes – particularly around Starter Homes which may result in an improvement in viability.

### **CIL v s106**

- 13.19 In Chapter 2 above, we have set out the restrictions on future use of s106 agreements.
- 13.20 In the modelling in this report we have assumed a s106 payment of £2,000 /unit across all sites. The Council expects to receive a planning application for the large greenfield Chesterton site shortly (and well before the adoption of the new Local Plan). The Chesterton site may put significant pressure on the infrastructure, and improvements may be required that will not be sufficiently site specific to pass the tests for payments to be required through s106. These items may be funded through a range of other sources including CIL.

### **Infrastructure Delivery**

- 13.21 Under the pre-April 2015 s106 regime, the delivery of site specific infrastructure largely fell to the developer of a site. If improvements to the infrastructure were required, then normally it was for the developer to procure and construct those items – albeit under the supervision of the relevant authority. The exception to this was in relation to education and public open space, where some councils had developed tariff systems for contributions to be made into a central ‘pot’ which was then spent across a general area. The use of s106 agreements to deliver infrastructure and mitigation measures is now limited through CIL Regulations 122 and 123.
- 13.22 The advantage of the earlier system was that, to a large extent, the developer had control of the process and could carry out (directly or indirectly) the works required to enable a scheme to come forward. By way of an example, these may be to provide a new roundabout and upgrade a stretch of road, and on a very big scheme provide community buildings such as a school. Under s106, the developer carries much of the financial and development risk associated with the process<sup>46</sup>.
- 13.23 If the Council moves to a system whereby CIL is set at the upper limit of viability, it is likely that the delivery of these infrastructure items will fall to the Council. The Council will need to consider the practicalities of this. Does it want to take responsibility for delivering infrastructure that is currently delivered by developers under the s106 regime, and if so, how it will manage and fund it? If the Council does not have a mechanism in place (that may involve borrowing monies), the Development Plan could be put at risk as consented schemes may not be able to proceed.
- 13.24 As part of the process of working towards getting CIL in place, Cotswold District Council has made an assessment of the infrastructure required to support new development. An important

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<sup>46</sup> It should be noted that there is some uncertainty around how the provision of infrastructure sits within the EU Procurement Rules and whether the provision of such items should be subject to competitive tendering. We recommend that the Council takes independent legal advice in this regard.

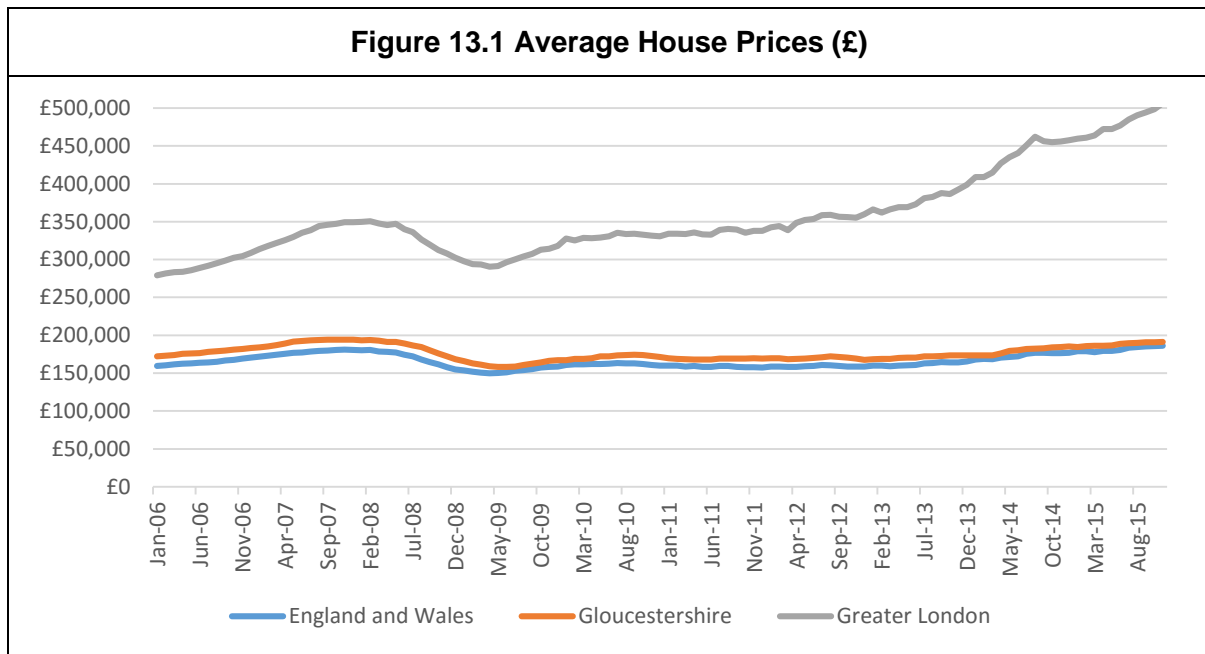
part of striking the balance as to what level of CIL to charge, may be around the nature of infrastructure and how it is to be delivered.

**Developers' Comments**

13.25 An important part of the process of preparing this report has been engagement with the development industry. In due course the Council will consult further at both the PDCS and DCS stages. It will be necessary to take the views of the industry into account.

**Uncertain Market**

13.26 Chapter 4 above includes a commentary on the property markets. It was noted that the current direction and state of the housing market has improved markedly over the last few years. The figure below shows that prices in Gloucestershire have seen a recovery since the bottom of the market in mid-2008, but the direction of the market is uncertain.



Source: Land Registry (January 2016)

13.27 Whilst the housing market has seen a recovery and there is considerable optimism in the non-residential sectors, there remain a number of uncertainties around the UK's relationship with Europe and the wider world economies. It is therefore appropriate to take a cautious approach when setting CIL and ensure that the cumulative impact of policies does not result in a total policy burden that is close to the limits of viability.

13.28 Sensitivity testing has been carried out and is set out in the latter parts of Chapter 10 above. A reduction in house prices of 10% or an increase in build costs of 15% would result in a tightening of viability, however the Council can have confidence that CIL would not prejudice the Plan.



## Neighbouring Authorities

13.29 The rates of CIL introduced by neighbouring local authorities are going to be a material factor when the Council comes to set its rates of CIL. A very high rate may be viable, however if a neighbouring authority has set a low rate, then the Development Plan could be put at risk as developers may prefer to develop in an area with a lower rate of CIL. Limited weight should be given to those not adopted.

### *Stratford-on-Avon*

13.30 DCS consultation finished October 2014.

| Type of development   | Zone  | Charge<br>£/m <sup>2</sup> |
|-----------------------|---|----------------------------|
| Residential dwellings | At Gaydon/Lighthorne Heath new settlement     | £145                       |
|                       | Canal Quarter Regeneration Zone               | £85                        |
|                       | Rest of District                              | £150                       |
| Retail                | Within all identified centres                 | £0                         |
|                       | Within Gaydon/Lighthorne Heath new settlement | £10                        |
|                       | Out of centre retail                          | £120                       |

Source: <https://www.stratford.gov.uk/planning/cil-draft-charging-schedule.cfm>

### *West Oxfordshire*

13.31 Submitted for examination in September 2015.

| Type of development   | Zone  | Charge<br>£/m <sup>2</sup> |
|-----------------------|---|----------------------------|
| Residential dwellings | Schemes of 5 units or less  | £200                       |
|                       | Outside of the Cotswolds AONB 6-10 units                                | £200                       |
|                       | Inside of the Cotswolds AONB 6-10 units                                 | £100                       |
|                       | District wide   | £100                       |
|                       | Sheltered housing   | £100/£0                    |
|                       | Extra care housing  | £100/£0                    |
| Retail                | A1 - A5 Uses (greenfield sites)   | £175                       |
|                       | A1-A5 Uses (previously developed sites outside designated Town Centres) | £50                        |
|                       | A1 – A5 Uses (previously developed sites in designated Town Centres)    | £30                        |

Source: <http://www.westoxon.gov.uk/cil>

*Vale of White Horse*

13.32 Submitted for examination in April 2015.

| Type of development   | Zone  | Charge £/m <sup>2</sup> |
|-----------------------|---|-------------------------|
| Residential dwellings | Residential development on sites of 11 + net new dwellings (including self-contained, independent living accommodation, acting outside the registered Care Standards – use class C3 or sui generis) | £120/£85/£0             |
|                       | Residential development on sites of 1-10 net new dwellings(except as excluded below)  | £260/£200               |
|                       | Housing for the frail or disabled where ongoing and regular care is provided (by registered provider and Care Standards) on site (use class C2)   | £0                      |
|                       | Residential development which is required to enable a rural exception site under Core Policy 25   | £0                      |
| Retail                | Supermarkets and retail warehousing exceeding 280m <sup>2</sup> (gross internal area)   | £100                    |

Source: <http://www.whitehorsedc.gov.uk/services-and-advice/planning-and-building/planning-policy/delivering-infrastructure/community-infras>

*Swindon*

13.33 Adopted from April 2015.

| Type of development   | Zone                                      | Charge £/m <sup>2</sup> |
|-----------------------|---|-------------------------|
| Residential dwellings | Swindon's New Communities                 | £0                      |
|                       | Rest of Borough                           | £55                     |
| Retail                | Town Centre and Swindon's New Communities | £0                      |
|                       | Rest of Borough                           | £100                    |

Source: <http://www.swindon.gov.uk/ep/ep-planning/planningpolicy/communityinfrastructurelevyadopted/Pages/Community%20Infrastructure%20Levy%20-%20Adopted.aspx>

*Wiltshire*

13.34 Adopted from May 2015.

| Type of development   | Zone                              | Charge £/m <sup>2</sup> |
|-----------------------|-----------------------------------|-------------------------|
| Residential dwellings | Strategic Sites                   | £85/£55                 |
|                       | Rest of Borough                   | £40/£30                 |
| Student Accommodation |                                   | £70                     |
| Hotels                |                                   | £70                     |
| Retail                | Town Centres                      | £70/£0                  |
|                       | Retail Warehouses and Superstores | £170                    |

Source: <http://www.wiltshire.gov.uk/planninganddevelopment/planningpolicy/communityinfrastructurelevy.htm>

*South Gloucestershire*

13.35 Adopted from March 2015.

| Type of development   | Zone   | Charge £/m <sup>2</sup> |
|-----------------------|--|-------------------------|
| Residential dwellings | Communities of North & East Fringe of Bristol, Yate/Sodbury and Severn Beach<br>(Small sites that fall below affordable housing threshold) | £55                     |
|                       | Rest of South Gloucestershire<br>(Small sites that fall below affordable housing threshold)  | £100                    |
|                       | Cribbs Patchway New Neighbourhood1 (CPNN) & East of Harry Stoke New Neighbourhood (EoHSNN) (all types of development within these areas)   | £80                     |
|                       | Residential Care Homes (class C2) & Extra Care facilities (Class C2/C3) and sheltered retirement (class C3)                                | £130                    |
|                       | Agricultural Tied Houses   | £0                      |
|                       |  | £0                      |
| Student Accommodation |  | £60/£0                  |
| Hotels                |  | £70                     |
| Retail                | Town Centres   | £70/£0                  |
|                       | Retail Warehouses and Superstores  | £170                    |

Source: <http://www.southglos.gov.uk/documents/CIL-charging-schedule.pdf>

*Stroud*

13.36 PDCS Consultation in February 2014.

| Type of development   | Zone                              | Charge £/m <sup>2</sup> |
|-----------------------|-----------------------------------|-------------------------|
| Residential dwellings | Stroud Valley                     | £0                      |
|                       | Strategic Sites                   | £0                      |
|                       | All other areas                   | £80                     |
| Retail                | Supermarkets and Retail Warehouse | £150                    |
| All other development |                                   | £10                     |

Source: [https://consultation.stroud.gov.uk/planning-strategy/community-infrastructure-levy-preliminary-draft-ch/supporting\\_documents/Preliminary%20Draft%20Charging%20Schedule.pdf](https://consultation.stroud.gov.uk/planning-strategy/community-infrastructure-levy-preliminary-draft-ch/supporting_documents/Preliminary%20Draft%20Charging%20Schedule.pdf)

*Tewkesbury*

13.37 PDCS Consultation in May 2015.

| Type of development   | Zone               | Charge £/m <sup>2</sup> |
|-----------------------|--------------------|-------------------------|
| Residential dwellings | 10 Units and Under | £110                    |
|                       | 11 Units and over  | £70                     |
|                       | Strategic Sites    | £500/£40                |
| Retail                |                    | £150                    |

Source: <http://www.gct-jcs.org/Documents/CIL/Tewkesbury-Borough-PDCS-Final.pdf>



*Gloucester*

13.38 PDCS Consultation in May 2015.

| Type of development   | Zone               | Charge £/m <sup>2</sup> |
|-----------------------|--------------------|-------------------------|
| Residential dwellings | 10 Units and Under | £0                      |
|                       | 11 Units and over  | £0                      |
| Retail                |                    | £150                    |

Source: <http://www.gct-jcs.org/Documents/CIL/PDCS-Gloucester-Final-19052015.pdf>

13.39 We would urge caution about getting out of line in introducing CIL rates. In particular, this applies to commercial uses.

**S106 History**

13.40 The Council has a mechanism for collecting contributions under the s106 system. This evidence is presented outside of this report.

**Costs of Infrastructure and Sources of Funding**

13.41 ARUP have assisted the Council in establishing the requirement for infrastructure to support new development and the costs of providing this. The Council will consider the amounts of funding that may or may not be available from other sources. The Council has a funding gap, that is to say the cost of providing the infrastructure is more than the identified funding.

13.42 When the Council strikes the balance and sets the levels of CIL, the amount of funding required will be a material consideration as it may be that the delivery of the Plan is threatened in the absence of CIL to pay for infrastructure. However, it should be stressed that CIL should be set with regard to the effect of CIL on development viability. There is no expectation that CIL should pay for all of the infrastructure requirements in an area. There are a range of other sources, that are taken into account. The Council will need to consider the total amount of money that may be received through the consequence of development; from CIL, from s106 payments, and from the New Homes Bonus, when striking the balance as to its level of CIL.

13.43 Bearing in mind the requirements of Paragraph 8 of the CIL Guidance, and as set out above, it is best practice that the 123 List is prepared and set out at the time of the Consultation on the PDCS. We recommend that the Council sets out those items of infrastructure that are vital to the delivery of the Development Plan in a draft 123 List, and consults stakeholders on its content. In this regard the Council should set out the other available sources of funding, the role CIL will play, and how these items of infrastructure will enable the Plan to be delivered.

13.44 When setting out the costs and other sources of funding, the Council will need to consider the amount that can be retained to cover the cost of administering CIL (5%) and the amount to be passed to the local neighbourhood (see below) under the localism provisions as these will substantially reduce the monies available.

|   |   |
|---|---|
| <b>Parish Council and a Neighbourhood Plan</b><br>= 25% uncapped paid to Parish                               | <b>Parish Council but no Neighbourhood Plan</b><br>= 15% capped at £100/dwelling paid to Parish                               |
| <b>No Parish Council but a Neighbourhood Plan</b><br>= 25% uncapped - Local Authority consults with community | <b>No Parish Council and no Neighbourhood Plan</b><br>= 15% capped at £100/dwelling - Local Authority consults with community |

### Instalment Policy

13.45 At the start of this process the Council organised a consultation event (Jun 2015) with members of the development industry. The importance of allowing CIL to be paid through the life of a project was raised.

13.46 The CIL Guidance sets out:

*Regulation 70 (as amended by the 2012 and 2013 Regulations) provides for payment by instalment where an instalment policy is in place. Where no instalment policy is in place, payment is due in full at the end of 60 days after development commenced (see Regulation 7, and section 56(4) of the Town and Country Planning Act 1990, for the definition of 'commencement of development').*

*PPG Reference ID: 25-055-20140612*

13.47 If an Instalment Policy is not adopted, then payment is due on full at the end of 60 days after commencement. To require payment, particularly on large schemes in line with the above, could have a dramatic and serious impact on the delivery of projects. It is our firm recommendation that the Council introduces an Instalment Policy. Not to do so could put the Development Plan at serious risk.

13.48 The modelling in this study is on the basis that the Council does introduce an Instalment Policy that enables CIL to be paid, through the life of a project, in equal instalments. There are a range of alternative instalment policy structures that could be adopted such as the one set out below as an example. In any event any instalment policy should have a provision whereby, in all cases, the full balance is payable on occupation/opening of the development if this is earlier than the instalment dates set out in the table.

**Table 13.1 Potential Instalment Policy**

| CIL in £                 | Number of Instalments | Total Timescale for Instalments | Payment Amounts | Payment Periods             |
|--------------------------|-----------------------|---------------------------------|-----------------|-----------------------------|
| up to £6,000             | 2                     | 270 days (9 months)             | 10%             | 60 days from commencement   |
|                          |                       |                                 | 90%             | 270 days from commencement  |
| £6,001 to £30,000        | 3                     | 365 days (1 year)               | 10%             | 60 days from commencement   |
|                          |                       |                                 | 45%             | 270 days from commencement  |
|                          |                       |                                 | 45%             | 365 days from commencement  |
| £30,001 to £150,000      | 3                     | 548 days (18 months)            | 10%             | 60 days from commencement   |
|                          |                       |                                 | 45%             | 365 days from commencement  |
|                          |                       |                                 | 45%             | 548 days from commencement  |
| £150,001 to £300,000     | 4                     | 730 days (2 years)              | 10%             | 60 days from commencement   |
|                          |                       |                                 | 30%             | 365 days from commencement  |
|                          |                       |                                 | 30%             | 548 days from commencement  |
|                          |                       |                                 | 30%             | 730 days from commencement  |
| £300,001 to £600,000     | 5                     | 1095 days (3 years)             | 10%             | 60 days from commencement   |
|                          |                       |                                 | 23%             | 365 days from commencement  |
|                          |                       |                                 | 23%             | 548 days from commencement  |
|                          |                       |                                 | 23%             | 730 days from commencement  |
|                          |                       |                                 | 21%             | 1095 days from commencement |
| £600,001 to £1,200,000   | 6                     | 1460 days (4 years)             | 10%             | 60 days from commencement   |
|                          |                       |                                 | 18%             | 365 days from commencement  |
|                          |                       |                                 | 18%             | 548 days from commencement  |
|                          |                       |                                 | 18%             | 730 days from commencement  |
|                          |                       |                                 | 18%             | 1095 days from commencement |
|                          |                       |                                 | 18%             | 1460 days from commencement |
| £1,200,001 to £1,800,000 | 7                     | 1825 days (5 years)             | 10%             | 60 days from commencement   |
|                          |                       |                                 | 15%             | 365 days from commencement  |
|                          |                       |                                 | 15%             | 548 days from commencement  |
|                          |                       |                                 | 15%             | 730 days from commencement  |
|                          |                       |                                 | 15%             | 1095 days from commencement |
|                          |                       |                                 | 15%             | 1460 days from commencement |
|                          |                       |                                 | 15%             | 1825 days from commencement |
| £1,800,001 and over      | 8                     | 2190 days (6 years)             | 10%             | 60 days from commencement   |
|                          |                       |                                 | 13%             | 365 days from commencement  |
|                          |                       |                                 | 13%             | 548 days from commencement  |
|                          |                       |                                 | 13%             | 730 days from commencement  |
|                          |                       |                                 | 13%             | 1095 days from commencement |
|                          |                       |                                 | 13%             | 1460 days from commencement |
|                          |                       |                                 | 13%             | 1825 days from commencement |
|                          |                       |                                 | 12%             | 2190 days from commencement |

Source: HDH 2016

## Viability Evidence – Rates and Zones

- 13.49 In considering CIL in this report we have based the assessment on the Council's planning policies as set out in the emerging Local Plan. This is an evolving document and a number of policy areas are yet to be finalised. As the Council continues through the plan-making process it will be necessary to ensure that the advice in relation to CIL remains appropriate, relative to the Council's wider policy requirements.
- 13.50 The viability analysis has been carried out in line with the requirements of the NPPF, CIL Regulations and PPG (which includes the CIL Guidance). This is a prescriptive process that is aiming to understand development viability in the plan-making / CIL-setting context in a high level way. It is a high level process that does not look at the deliverability of individual sites or any particular developers' business model or methodology.
- 13.51 A number of development sites (residential and non-residential) have been modelled and from this the impact of CIL is inferred. These modelled sites are based on the sites that are anticipated to come forward under the new Local Plan.
- 13.52 This study uses the Residual Value methodology as set out in the Harman Guidance. This assesses the impact of introducing CIL in the context of meeting all the Council's other policy requirements. Using evidence of local house prices and non-residential values, local development costs and assumptions about the availability of development finance, developer's profits and the general characteristics of development in the Cotswold area an assessment is made of the amount by which land values may be depressed by the Levy and whether that is sufficient to deter landowners from making their land available for development.
- 13.53 CIL may be set for different development types and by different areas – although it is necessary to keep any charging schedule simple.

### *A Cautious Approach*

- 13.54 It is important to note that the analysis is based on the potential development sites that are listed at the start of Chapter 9 above.
- 13.55 The analysis is based on the recommendations made in this chapter and are based on the recommended reduced rates of affordable housing set out in Chapter 12 above.
- |   |     |
|---|-----|
| a. Brownfield sites                               | 30% |
| b. Remaining areas (including the strategic site) | 40% |

- 13.56 These revised rates of affordable housing have not been accepted by the Council, so if different requirements are incorporated into the Local Plan, it would be necessary to revisit these recommendations. Higher levels of affordable housing would result in lower rates of CIL.

*Evidence*

- 13.57 We have drawn on the viability evidence set out in Chapters 10 and 11 above. This evidence has been prepared in line with the viability sections of the PPG, with the Harman Guidance and the RICS Guidance and having taken the comments of consultees into account. It is therefore an appropriate evidence base for the setting of CIL.
- 13.58 In this chapter we have taken the recommended rates of affordable housing and run further appraisals with a range of levels of CIL. It is important to note that in the analysis earlier in this report, it was assumed that the developer contributions were charged on all units (market and affordable). In the following analysis the rates of CIL are only applied to the market housing and are calculated on a £/m<sup>2</sup> basis.
- 13.59 The analysis is based on the following core assumptions:
- a) Affordable Housing 30% on brownfield sites and 40% on greenfield sites, delivered as 2/3 Affordable Rent and 1/3 Intermediate Housing to buy as Shared Ownership.
  - b) Environmental Standards Enhanced Building Regulations (Part L) (BCIS +1.5%). Lifetime £11/m<sup>2</sup>.
  - c) s106 £2,000 per unit (market and affordable) and £32,600,000 on the strategic site.

*The Potential for CIL*

- 13.60 In Chapter 3 above we set out the principle of Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by the developers having purchased the land, developed the site and sold the units (including provision of any affordable housing that is required).
- 13.61 The following tables show the additional profit. This is the amount over and above the viability threshold, having provided the full policy requirements set out in the Core Strategy. The appraisals for the Chesterton site includes the strategic infrastructure and mitigation costs of £32,600,000, and for the other modelled sites a £2,000/unit s106 contribution:

| Table 13.2 Additional Profit |                       |                 |                   |                  |
|------------------------------|-----------------------|-----------------|-------------------|------------------|
|                              |                       |                 | Additional Profit |                  |
|                              |                       |                 | £ site            | £/m <sup>2</sup> |
| 1                            | Strategic Site        | Chesterton      | -63,295,038       | -475             |
| 2                            | Large Greenfield      | Urban Edge      | -206,750          | -48              |
| 3                            | Medium Greenfield 1   | Settlement Edge | 278,778           | 134              |
| 4                            | Medium Greenfield 2   | Settlement Edge | 402,231           | 356              |
| 5                            | Medium Brownfield     | Urban           | 191,292           | 169              |
| 6                            | Smaller Greenfield    | Rural           | 375,521           | 524              |
| 7                            | Smaller Brownfield    | Infill          | 50,217            | 70               |
| 8                            | Small Green 1         | Infill          | 224,899           | 434              |
| 9                            | Small Brown 1         | Infill          | 17,708            | 34               |
| 10                           | Small Green 2         | Infill          | 171,254           | 512              |
| 11                           | Small Brown 2         | Infill          | 16,951            | 58               |
| 12                           | Sub Threshold - Green | Infill          | 154,259           | 496              |
| 13                           | Sub Threshold - Brown | Infill          | 81,766            | 344              |

Source: CDC Whole Plan and CIL Viability Assessment, September 2015

13.62 The additional profit varies considerably on these sites. When the additional profit is considered across the modelled sites, it can be seen that there is considerable capacity to introduce CIL, however on the brownfield sites the capacity is limited as these sites are generally not viable in the context of the full policy requirements of the Plan.

13.63 The following appraisals incorporate CIL at a range of levels:

**Table 13.3 Residual Value compared with Viability Thresholds**

Affordable – Brownfield sites 30%, Remaining areas 40% - range of CIL Contributions

|             |                       | Residual Value |           |           |           |           |           |           |           |           |           |           |         |         | Viability Threshold | Alternative Use Value |
|-------------|-----------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|---------------------|-----------------------|
| Rate of CIL |                       | £0             | £10       | £20       | £30       | £40       | £50       | £60       | £70       | £80       | £90       | £100      |         |         |                     |                       |
| 1           | Strategic Site        | 163,920        | 155,937   | 147,954   | 139,970   | 131,987   | 124,004   | 116,020   | 108,037   | 100,054   | 92,070    | 84,087    | 505,000 | 25,000  |                     |                       |
| 2           | Large Greenfield      | 458,986        | 448,872   | 438,758   | 428,645   | 418,531   | 408,417   | 398,304   | 388,190   | 378,076   | 367,962   | 357,849   | 505,000 | 25,000  |                     |                       |
| 3           | Medium Greenfield 1   | 685,843        | 671,431   | 657,019   | 642,607   | 628,196   | 613,784   | 599,372   | 584,960   | 570,548   | 556,136   | 541,724   | 505,000 | 25,000  |                     |                       |
| 4           | Medium Greenfield 2   | 1,043,642      | 1,028,330 | 1,013,019 | 997,708   | 982,396   | 967,085   | 951,774   | 936,462   | 921,151   | 905,840   | 890,528   | 505,000 | 50,000  |                     |                       |
| 5           | Medium Brownfield     | 1,135,104      | 1,113,668 | 1,092,232 | 1,070,796 | 1,049,361 | 1,027,925 | 1,006,489 | 985,053   | 963,617   | 942,181   | 920,745   | 540,000 | 450,000 |                     |                       |
| 6           | Smaller Greenfield    | 1,397,685      | 1,380,091 | 1,362,498 | 1,344,905 | 1,327,311 | 1,309,718 | 1,292,124 | 1,274,531 | 1,256,937 | 1,250,000 | 1,233,498 | 505,000 | 50,000  |                     |                       |
| 7           | Smaller Brownfield    | 964,524        | 943,801   | 923,078   | 902,355   | 881,632   | 860,909   | 840,186   | 819,463   | 798,740   | 778,017   | 757,294   | 540,000 | 450,000 |                     |                       |
| 8           | Small Green 1         | 1,224,330      | 1,207,192 | 1,190,054 | 1,172,917 | 1,155,779 | 1,138,641 | 1,121,503 | 1,104,365 | 1,087,228 | 1,070,090 | 1,052,952 | 505,000 | 50,000  |                     |                       |
| 9           | Small Brown 1         | 939,824        | 916,301   | 892,779   | 869,257   | 845,734   | 822,212   | 798,689   | 775,167   | 751,644   | 728,122   | 704,599   | 540,000 | 50,000  |                     |                       |
| 10          | Small Green 2         | 1,329,329      | 1,312,727 | 1,296,124 | 1,279,522 | 1,262,920 | 1,250,000 | 1,250,000 | 1,236,900 | 1,219,972 | 1,203,044 | 1,186,117 | 505,000 | 50,000  |                     |                       |
| 11          | Small Brown 2         | 927,860        | 907,499   | 887,138   | 866,777   | 846,416   | 826,055   | 805,693   | 785,332   | 764,971   | 744,610   | 731,420   | 540,000 | 450,000 |                     |                       |
| 12          | Sub Threshold - Green | 1,250,874      | 1,250,000 | 1,243,952 | 1,228,227 | 1,212,503 | 1,196,778 | 1,181,054 | 1,165,330 | 1,149,605 | 1,133,881 | 1,118,156 | 505,000 | 50,000  |                     |                       |
| 13          | Sub Threshold - Brown | 1,313,340      | 1,289,273 | 1,265,206 | 1,250,000 | 1,229,122 | 1,204,817 | 1,180,512 | 1,156,207 | 1,131,901 | 1,107,596 | 1,083,291 | 540,000 | 450,000 |                     |                       |

|             |                       | Residual Value |           |           |           |           |           |           |           |           |           |         |         |  | Viability Threshold | Alternative Use Value |
|-------------|-----------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|--|---------------------|-----------------------|
| Rate of CIL |                       | £110           | £120      | £130      | £140      | £150      | £160      | £170      | £180      | £190      | £200      |         |         |  |                     |                       |
| 1           | Strategic Site        | 76,104         | 68,120    | 60,137    | 52,055    | 43,794    | 35,533    | 27,272    | 19,012    | 10,751    | 2,538     | 505,000 | 25,000  |  |                     |                       |
| 2           | Large Greenfield      | 347,735        | 337,621   | 327,507   | 317,394   | 307,280   | 297,166   | 287,053   | 276,939   | 266,825   | 256,711   | 505,000 | 25,000  |  |                     |                       |
| 3           | Medium Greenfield 1   | 527,312        | 512,901   | 498,489   | 484,077   | 469,665   | 455,253   | 440,841   | 426,429   | 412,017   | 397,605   | 505,000 | 25,000  |  |                     |                       |
| 4           | Medium Greenfield 2   | 875,217        | 859,906   | 844,594   | 829,283   | 813,972   | 798,660   | 783,349   | 768,038   | 752,726   | 737,415   | 505,000 | 50,000  |  |                     |                       |
| 5           | Medium Brownfield     | 899,310        | 877,874   | 856,438   | 835,002   | 821,389   | 799,747   | 778,105   | 756,463   | 734,821   | 713,179   | 540,000 | 450,000 |  |                     |                       |
| 6           | Smaller Greenfield    | 1,215,736      | 1,197,973 | 1,180,210 | 1,162,448 | 1,144,685 | 1,126,923 | 1,109,160 | 1,091,397 | 1,073,635 | 1,055,872 | 505,000 | 50,000  |  |                     |                       |
| 7           | Smaller Brownfield    | 736,571        | 715,848   | 695,125   | 674,402   | 653,679   | 632,956   | 624,237   | 603,108   | 581,979   | 560,849   | 540,000 | 450,000 |  |                     |                       |
| 8           | Small Green 1         | 1,035,814      | 1,018,677 | 1,001,539 | 984,401   | 967,263   | 950,125   | 932,988   | 915,850   | 898,712   | 881,574   | 505,000 | 50,000  |  |                     |                       |
| 9           | Small Brown 1         | 681,077        | 657,555   | 634,032   | 610,510   | 586,987   | 563,465   | 539,942   | 516,420   | 492,897   | 474,022   | 540,000 | 450,000 |  |                     |                       |
| 10          | Small Green 2         | 1,169,199      | 1,152,261 | 1,135,333 | 1,118,405 | 1,101,478 | 1,084,550 | 1,067,622 | 1,050,694 | 1,033,767 | 1,016,839 | 505,000 | 50,000  |  |                     |                       |
| 11          | Small Brown 2         | 710,857        | 690,294   | 669,732   | 649,169   | 628,606   | 608,043   | 587,481   | 566,918   | 546,355   | 525,792   | 540,000 | 450,000 |  |                     |                       |
| 12          | Sub Threshold - Green | 1,102,432      | 1,086,708 | 1,070,983 | 1,055,259 | 1,039,534 | 1,023,810 | 1,008,086 | 992,361   | 976,637   | 960,912   | 505,000 | 50,000  |  |                     |                       |
| 13          | Sub Threshold - Brown | 1,058,986      | 1,034,681 | 1,010,375 | 986,070   | 961,765   | 937,460   | 913,154   | 888,849   | 864,544   | 840,239   | 540,000 | 450,000 |  |                     |                       |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



- 13.64 Most sites have capacity to bear over £100/m<sup>2</sup> or so. At this level the Residual Values for the modelled sites are well in excess of the viability threshold, creating a significant cushion and demonstrating that CIL would not be set at the limits of viability.
- 13.65 The CIL Regulations are clear that CIL rates can be defined by development type (based on the eventual use of the scheme) or area, and that the areas must be plotted on an Ordnance Survey map.

### **CIL as a proportion of Land Value and Gross Development Value**

- 13.66 To further inform the CIL rate setting process, we have calculated CIL as a proportion of the Residual Value and the Gross Development Value.
- 13.67 CIL as the proportion of the Residual Value, in approximate terms, represents the percentage fall in land value that a landowner may receive. As set out in the Local Plan Viability Study, it is inevitable that CIL will depress land prices. This is recognised in the RICS Guidance and was considered at the Greater Norwich CIL examination<sup>47</sup>. In Greater Norwich it was suggested that landowners may accept a 25% fall in land prices following the introduction of CIL saying:

*22. Thirdly the work done by the Councils to demonstrate what funds are likely to be available for CIL (Appendix 1 of the Note following Day 1) relies on the full 25% of the benchmark land value being available for the CIL "pot". While this may sometimes be the case it is unlikely that it will always apply. Even if some landowners may be prepared to accept less than 75% of the benchmark value, the 25% figure should be treated as a maximum and not an average. Using 25% to try to establish what the theoretical maximum amount in a CIL "pot" may be is reasonable, but when thinking about setting a CIL charge in the real world it would be prudent to treat it as a maximum that will only apply on some occasions in some circumstances.*

- 13.68 It is important to note that a wide ranging debate took place at that CIL Examination and on the specific local circumstances. It would however be prudent to set CIL at a rate that does not result in a fall in land prices of greater than 25% or so. The following tables show CIL, at a range of rates, as a percentage of the Residual Value.

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<sup>47</sup> Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012



**Table 13.4 CIL as Percentage of Residual Value**

| Rate of CIL |                       | £0     | £10    | £20    | £30    | £40    | £50    | £60    | £70     | £80     | £90     | £100   |
|-------------|-----------------------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|--------|
| 1           | Strategic Site        | 0.0%   | 7.8%   | 16.4%  | 25.9%  | 36.7%  | 48.8%  | 62.6%  | 78.4%   | 96.8%   | 118.3%  | 143.9% |
| 2           | Large Greenfield      | 0.0%   | 2.4%   | 4.9%   | 7.5%   | 10.3%  | 13.2%  | 16.2%  | 19.4%   | 22.8%   | 26.3%   | 30.1%  |
| 3           | Medium Greenfield 1   | 0.0%   | 2.2%   | 4.5%   | 6.9%   | 9.4%   | 12.1%  | 14.9%  | 17.8%   | 20.8%   | 24.0%   | 27.4%  |
| 4           | Medium Greenfield 2   | 0.0%   | 1.5%   | 3.1%   | 4.7%   | 6.4%   | 8.1%   | 9.9%   | 11.7%   | 13.6%   | 15.6%   | 17.6%  |
| 5           | Medium Brownfield     | 0.0%   | 2.0%   | 4.0%   | 6.2%   | 8.4%   | 10.7%  | 13.1%  | 15.6%   | 18.3%   | 21.0%   | 23.9%  |
| 6           | Smaller Greenfield    | 0.0%   | 1.3%   | 2.6%   | 4.0%   | 5.4%   | 6.8%   | 8.3%   | 9.8%    | 11.4%   | 12.9%   | 14.5%  |
| 7           | Smaller Brownfield    | 0.0%   | 2.2%   | 4.5%   | 6.9%   | 9.5%   | 12.1%  | 14.9%  | 17.8%   | 20.9%   | 24.2%   | 27.6%  |
| 8           | Small Green 1         | 0.0%   | 1.4%   | 2.9%   | 4.4%   | 6.0%   | 7.6%   | 9.2%   | 11.0%   | 12.7%   | 14.5%   | 16.4%  |
| 9           | Small Brown 1         | 0.0%   | 2.5%   | 5.2%   | 8.0%   | 11.0%  | 14.1%  | 17.5%  | 21.0%   | 24.8%   | 28.8%   | 33.0%  |
| 10          | Small Green 2         | 0.0%   | 1.3%   | 2.6%   | 3.9%   | 5.3%   | 6.7%   | 8.0%   | 9.5%    | 11.0%   | 12.5%   | 14.1%  |
| 11          | Small Brown 2         | 0.0%   | 2.2%   | 4.5%   | 7.0%   | 9.5%   | 12.2%  | 15.0%  | 17.9%   | 21.1%   | 24.3%   | 27.5%  |
| 12          | Sub Threshold - Green | 0.0%   | 1.2%   | 2.5%   | 3.8%   | 5.1%   | 6.5%   | 7.9%   | 9.3%    | 10.8%   | 12.3%   | 13.9%  |
| 13          | Sub Threshold - Brown | 0.0%   | 1.8%   | 3.8%   | 5.7%   | 7.7%   | 9.9%   | 12.1%  | 14.4%   | 16.8%   | 19.3%   | 22.0%  |
| Rate of CIL |                       | £110   | £120   | £130   | £140   | £150   | £160   | £170   | £180    | £190    | £200    |        |
| 1           | Strategic Site        | 174.9% | 213.2% | 261.6% | 325.5% | 414.6% | 545.0% | 754.4% | 1145.9% | 2139.0% | 9538.3% |        |
| 2           | Large Greenfield      | 34.0%  | 38.3%  | 42.7%  | 47.5%  | 52.5%  | 58.0%  | 63.7%  | 70.0%   | 76.6%   | 83.9%   |        |
| 3           | Medium Greenfield 1   | 30.9%  | 34.7%  | 38.7%  | 42.9%  | 47.4%  | 52.1%  | 57.2%  | 62.6%   | 68.4%   | 74.6%   |        |
| 4           | Medium Greenfield 2   | 19.7%  | 21.9%  | 24.2%  | 26.5%  | 28.9%  | 31.5%  | 34.1%  | 36.8%   | 39.7%   | 42.6%   |        |
| 5           | Medium Brownfield     | 26.9%  | 30.1%  | 33.4%  | 36.9%  | 40.2%  | 44.0%  | 48.0%  | 52.3%   | 56.9%   | 61.7%   |        |
| 6           | Smaller Greenfield    | 16.2%  | 17.9%  | 19.7%  | 21.6%  | 23.5%  | 25.4%  | 27.5%  | 29.5%   | 31.7%   | 33.9%   |        |
| 7           | Smaller Brownfield    | 31.2%  | 35.0%  | 39.1%  | 43.4%  | 47.9%  | 52.8%  | 56.9%  | 62.4%   | 68.2%   | 74.5%   |        |
| 8           | Small Green 1         | 18.4%  | 20.4%  | 22.4%  | 24.6%  | 26.8%  | 29.1%  | 31.5%  | 34.0%   | 36.5%   | 39.2%   |        |
| 9           | Small Brown 1         | 37.6%  | 42.5%  | 47.7%  | 53.3%  | 59.4%  | 66.1%  | 73.2%  | 81.1%   | 89.7%   | 98.1%   |        |
| 10          | Small Green 2         | 15.7%  | 17.4%  | 19.2%  | 21.0%  | 22.8%  | 24.7%  | 26.7%  | 28.7%   | 30.8%   | 32.9%   |        |
| 11          | Small Brown 2         | 31.2%  | 35.0%  | 39.1%  | 43.4%  | 48.0%  | 53.0%  | 58.3%  | 63.9%   | 70.0%   | 76.6%   |        |
| 12          | Sub Threshold - Green | 15.5%  | 17.2%  | 18.9%  | 20.6%  | 22.4%  | 24.3%  | 26.2%  | 28.2%   | 30.3%   | 32.4%   |        |
| 13          | Sub Threshold - Brown | 24.7%  | 27.6%  | 30.6%  | 33.8%  | 37.1%  | 40.6%  | 44.3%  | 48.2%   | 52.3%   | 56.7%   |        |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

13.69 This analysis suggests a maximum rate of £70/m<sup>2</sup> to £90/m<sup>2</sup> or so.



13.70 Plan-wide viability testing is not an exact science. The process is based on high level modelling and assumptions and development costs and assumptions. The process adopted by many developers is similar, hence the use of contingency sums, the competitive return assumptions and the generally cautious approach. In the following tables we have set out CIL, at a range of rates, as a proportion of the Gross Development Value. Generally we would advise that CIL should be less than 5% or so of GDV.

**Table 13.5 CIL as Percentage of GDV**

| Rate of CIL |                       | £0   | £10  | £20  | £30  | £40  | £50  | £60  | £70  | £80  | £90  | £100 |
|-------------|-----------------------|------|------|------|------|------|------|------|------|------|------|------|
| 1           | Strategic Site        | 0.0% | 0.2% | 0.5% | 0.7% | 1.0% | 1.2% | 1.5% | 1.7% | 2.0% | 2.2% | 2.5% |
| 2           | Large Greenfield      | 0.0% | 0.3% | 0.5% | 0.8% | 1.0% | 1.3% | 1.5% | 1.8% | 2.0% | 2.3% | 2.5% |
| 3           | Medium Greenfield 1   | 0.0% | 0.3% | 0.5% | 0.8% | 1.0% | 1.3% | 1.5% | 1.8% | 2.0% | 2.3% | 2.5% |
| 4           | Medium Greenfield 2   | 0.0% | 0.2% | 0.5% | 0.7% | 1.0% | 1.2% | 1.5% | 1.7% | 1.9% | 2.2% | 2.4% |
| 5           | Medium Brownfield     | 0.0% | 0.3% | 0.5% | 0.8% | 1.1% | 1.3% | 1.6% | 1.8% | 2.1% | 2.4% | 2.6% |
| 6           | Smaller Greenfield    | 0.0% | 0.2% | 0.4% | 0.7% | 0.9% | 1.1% | 1.3% | 1.6% | 1.8% | 2.0% | 2.2% |
| 7           | Smaller Brownfield    | 0.0% | 0.3% | 0.5% | 0.8% | 1.0% | 1.3% | 1.5% | 1.8% | 2.1% | 2.3% | 2.6% |
| 8           | Small Green 1         | 0.0% | 0.2% | 0.5% | 0.7% | 0.9% | 1.1% | 1.4% | 1.6% | 1.8% | 2.0% | 2.3% |
| 9           | Small Brown 1         | 0.0% | 0.3% | 0.5% | 0.8% | 1.0% | 1.3% | 1.6% | 1.8% | 2.1% | 2.4% | 2.6% |
| 10          | Small Green 2         | 0.0% | 0.2% | 0.5% | 0.7% | 0.9% | 1.1% | 1.4% | 1.6% | 1.8% | 2.0% | 2.3% |
| 11          | Small Brown 2         | 0.0% | 0.3% | 0.5% | 0.8% | 1.0% | 1.3% | 1.6% | 1.8% | 2.1% | 2.3% | 2.6% |
| 12          | Sub Threshold - Green | 0.0% | 0.3% | 0.6% | 0.9% | 1.1% | 1.4% | 1.7% | 2.0% | 2.3% | 2.6% | 2.9% |
| 13          | Sub Threshold - Brown | 0.0% | 0.3% | 0.6% | 0.9% | 1.2% | 1.5% | 1.8% | 2.2% | 2.5% | 2.8% | 3.1% |
| Rate of CIL |                       | £0   | £110 | £120 | £130 | £140 | £150 | £160 | £170 | £180 | £190 | £200 |
| 1           | Strategic Site        |      | 2.7% | 3.0% | 3.2% | 3.5% | 3.7% | 4.0% | 4.2% | 4.5% | 4.7% | 5.0% |
| 2           | Large Greenfield      |      | 2.8% | 3.0% | 3.3% | 3.5% | 3.8% | 4.0% | 4.3% | 4.5% | 4.8% | 5.0% |
| 3           | Medium Greenfield 1   |      | 2.8% | 3.0% | 3.3% | 3.5% | 3.8% | 4.0% | 4.3% | 4.5% | 4.8% | 5.0% |
| 4           | Medium Greenfield 2   |      | 2.7% | 2.9% | 3.2% | 3.4% | 3.6% | 3.9% | 4.1% | 4.4% | 4.6% | 4.9% |
| 5           | Medium Brownfield     |      | 2.9% | 3.2% | 3.4% | 3.7% | 3.9% | 4.2% | 4.5% | 4.7% | 5.0% | 5.3% |
| 6           | Smaller Greenfield    |      | 2.4% | 2.7% | 2.9% | 3.1% | 3.3% | 3.6% | 3.8% | 4.0% | 4.2% | 4.4% |
| 7           | Smaller Brownfield    |      | 2.8% | 3.1% | 3.4% | 3.6% | 3.9% | 4.1% | 4.4% | 4.6% | 4.9% | 5.2% |
| 8           | Small Green 1         |      | 2.5% | 2.7% | 3.0% | 3.2% | 3.4% | 3.6% | 3.9% | 4.1% | 4.3% | 4.5% |
| 9           | Small Brown 1         |      | 2.9% | 3.1% | 3.4% | 3.7% | 3.9% | 4.2% | 4.5% | 4.7% | 5.0% | 5.2% |
| 10          | Small Green 2         |      | 2.5% | 2.7% | 2.9% | 3.2% | 3.4% | 3.6% | 3.8% | 4.1% | 4.3% | 4.5% |
| 11          | Small Brown 2         |      | 2.9% | 3.1% | 3.4% | 3.6% | 3.9% | 4.2% | 4.4% | 4.7% | 4.9% | 5.2% |
| 12          | Sub Threshold - Green |      | 3.1% | 3.4% | 3.7% | 4.0% | 4.3% | 4.6% | 4.9% | 5.1% | 5.4% | 5.7% |
| 13          | Sub Threshold - Brown |      | 3.4% | 3.7% | 4.0% | 4.3% | 4.6% | 4.9% | 5.2% | 5.5% | 5.8% | 6.2% |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016

13.71 This analysis shows that CIL would be less than 2.5% or so of the Gross Development Value. On this basis the Council can have further confidence that development would not be put at risk.

### **Older People's Housing**

13.72 As well as mainstream housing, we have considered the retirement sectors separately. We have run simple appraisals based on the assumptions set out in the earlier sections of this report. In the following analysis we have shown the impact of CIL where the affordable housing requirement is 40% on greenfield sites and 30% on brownfield sites and a £100,000 developer contribution for site specific matters under s106:

**Table 13.8 Older People's Housing , Appraisal Results - 30% Affordable**

| Greenfield          |      | SHELTERED |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
|---------------------|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| AFFORDABLE %        | CIL  | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       |           |           |           |           |           |           |  |
| E/m <sup>2</sup>    | Site | 0         | 10        | 20        | 30        | 40        | 50        | 60        | 70        | 80        | 90        | 100       | 110       | 120       | 130       | 140       | 150       | 160       | 170       | 180       | 190       | 200       |  |
| Residual Land Worth |      | 2,467,940 | 2,446,636 | 2,425,332 | 2,404,029 | 2,382,725 | 2,361,421 | 2,340,117 | 2,318,814 | 2,297,510 | 2,276,206 | 2,254,902 | 2,233,599 | 2,212,295 | 2,190,991 | 2,169,687 | 2,148,384 | 2,127,080 | 2,105,776 | 2,084,472 | 2,063,169 | 2,041,865 |  |
| Existing Use Value  |      | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    |  |
| Viability Threshold |      | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   |  |
| Residual Value      |      | 4,935,880 | 4,893,272 | 4,850,665 | 4,808,057 | 4,765,450 | 4,722,842 | 4,680,235 | 4,637,627 | 4,595,020 | 4,552,412 | 4,509,805 | 4,467,197 | 4,424,590 | 4,381,982 | 4,339,375 | 4,296,767 | 4,254,160 | 4,211,552 | 4,168,945 | 4,126,337 | 4,083,730 |  |
| Additional Profit   |      | 2,215,440 | 2,194,136 | 2,172,832 | 2,151,528 | 2,130,225 | 2,108,921 | 2,087,617 | 2,066,314 | 2,045,010 | 2,023,706 | 2,002,402 | 1,981,099 | 1,959,795 | 1,938,491 | 1,917,187 | 1,895,884 | 1,874,580 | 1,853,276 | 1,831,972 | 1,810,669 | 1,789,365 |  |
| E/m <sup>2</sup>    |      | 1,284     | 1,272     | 1,260     | 1,247     | 1,235     | 1,223     | 1,210     | 1,198     | 1,186     | 1,173     | 1,161     | 1,148     | 1,136     | 1,124     | 1,111     | 1,099     | 1,087     | 1,074     | 1,062     | 1,050     | 1,037     |  |
| CIL as %            |      | 0.0%      | 0.7%      | 1.4%      | 2.2%      | 2.9%      | 3.7%      | 4.4%      | 5.2%      | 6.0%      | 6.8%      | 7.6%      | 8.5%      | 9.4%      | 10.2%     | 11.1%     | 12.0%     | 13.0%     | 13.9%     | 14.8%     | 15.9%     | 16.9%     |  |
| Residual Value      |      | 0.0%      | 0.2%      | 0.3%      | 0.5%      | 0.7%      | 0.8%      | 1.0%      | 1.2%      | 1.3%      | 1.5%      | 1.7%      | 1.8%      | 2.0%      | 2.2%      | 2.4%      | 2.5%      | 2.7%      | 2.9%      | 3.0%      | 3.2%      | 3.4%      |  |
| GDV                 |      |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
| Brownfield          |      | SHELTERED |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
| AFFORDABLE %        | CIL  | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       |  |
| E/m <sup>2</sup>    | Site | 0         | 10        | 20        | 30        | 40        | 50        | 60        | 70        | 80        | 90        | 100       | 110       | 120       | 130       | 140       | 150       | 160       | 170       | 180       | 190       | 200       |  |
| Residual Land Worth |      | 2,328,338 | 2,303,484 | 2,278,630 | 2,253,775 | 2,228,921 | 2,204,067 | 2,179,212 | 2,154,358 | 2,129,503 | 2,104,649 | 2,079,795 | 2,054,940 | 2,030,086 | 2,005,232 | 1,980,377 | 1,955,523 | 1,930,668 | 1,905,814 | 1,880,960 | 1,856,105 | 1,831,251 |  |
| Existing Use Value  |      | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   |  |
| Viability Threshold |      | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   |  |
| Residual Value      |      | 4,856,677 | 4,806,968 | 4,757,259 | 4,707,551 | 4,657,842 | 4,608,133 | 4,558,424 | 4,508,715 | 4,459,007 | 4,409,298 | 4,359,589 | 4,309,881 | 4,260,172 | 4,210,463 | 4,160,754 | 4,111,046 | 4,061,337 | 4,011,628 | 3,961,919 | 3,912,211 | 3,862,502 |  |
| Additional Profit   |      | 2,958,338 | 2,933,484 | 2,908,630 | 2,883,775 | 2,858,921 | 2,834,067 | 2,809,212 | 2,784,358 | 2,759,503 | 2,734,649 | 2,709,795 | 2,684,940 | 2,660,086 | 2,635,232 | 2,610,377 | 2,585,523 | 2,560,668 | 2,535,814 | 2,510,960 | 2,486,105 | 2,461,251 |  |
| E/m <sup>2</sup>    |      | 1,023     | 1,010     | 998       | 986       | 973       | 961       | 949       | 936       | 924       | 912       | 899       | 887       | 875       | 862       | 850       | 838       | 825       | 813       | 800       | 788       | 776       |  |
| CIL as %            |      | 0.0%      | 0.9%      | 1.8%      | 2.7%      | 3.6%      | 4.4%      | 5.3%      | 6.2%      | 7.0%      | 7.8%      | 8.6%      | 9.7%      | 10.8%     | 11.9%     | 13.0%     | 14.2%     | 15.4%     | 16.7%     | 18.0%     | 19.3%     | 20.6%     |  |
| Residual Value      |      | 0.0%      | 0.2%      | 0.4%      | 0.6%      | 0.7%      | 0.9%      | 1.1%      | 1.3%      | 1.5%      | 1.7%      | 1.8%      | 2.0%      | 2.2%      | 2.4%      | 2.6%      | 2.8%      | 3.0%      | 3.1%      | 3.3%      | 3.5%      | 3.7%      |  |
| GDV                 |      |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
| Greenfield          |      | EXTRACRE  |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
| AFFORDABLE %        | CIL  | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       |  |
| E/m <sup>2</sup>    | Site | 0         | 10        | 20        | 30        | 40        | 50        | 60        | 70        | 80        | 90        | 100       | 110       | 120       | 130       | 140       | 150       | 160       | 170       | 180       | 190       | 200       |  |
| Residual Land Worth |      | 673,158   | 652,114   | 631,070   | 610,025   | 588,981   | 567,936   | 546,892   | 525,848   | 504,803   | 483,759   | 462,714   | 441,670   | 420,626   | 399,581   | 378,537   | 357,492   | 336,448   | 315,404   | 294,359   | 273,315   | 252,270   |  |
| Existing Use Value  |      | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    |  |
| Viability Threshold |      | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   | 505,000   |  |
| Residual Value      |      | 1,364,317 | 1,304,228 | 1,282,139 | 1,220,050 | 1,177,962 | 1,135,873 | 1,093,784 | 1,051,695 | 1,009,606 | 967,518   | 925,429   | 883,340   | 841,251   | 799,162   | 757,074   | 714,985   | 672,896   | 630,807   | 588,718   | 546,630   | 504,541   |  |
| Additional Profit   |      | 420,658   | 399,614   | 378,570   | 357,525   | 336,481   | 315,436   | 294,392   | 273,348   | 252,303   | 231,259   | 210,214   | 189,170   | 168,126   | 147,081   | 126,037   | 104,992   | 83,948    | 62,904    | 41,859    | 20,815    | -20       |  |
| E/m <sup>2</sup>    |      | 247       | 235       | 222       | 210       | 197       | 185       | 173       | 160       | 148       | 136       | 123       | 111       | 99        | 86        | 74        | 62        | 49        | 37        | 25        | 12        | 0         |  |
| CIL as %            |      | 0.0%      | 2.6%      | 5.4%      | 8.4%      | 11.6%     | 15.0%     | 18.7%     | 22.7%     | 27.0%     | 31.7%     | 36.8%     | 42.4%     | 48.6%     | 55.4%     | 63.0%     | 71.5%     | 81.0%     | 91.8%     | 104.2%    | 118.5%    | 135.1%    |  |
| Residual Value      |      | 0.0%      | 0.2%      | 0.3%      | 0.5%      | 0.6%      | 0.8%      | 1.0%      | 1.1%      | 1.3%      | 1.4%      | 1.6%      | 1.7%      | 1.9%      | 2.1%      | 2.2%      | 2.4%      | 2.5%      | 2.7%      | 2.9%      | 3.0%      | 3.2%      |  |
| GDV                 |      |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
| Brownfield          |      | EXTRACRE  |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |
| AFFORDABLE %        | CIL  | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       | 30%       |  |
| E/m <sup>2</sup>    | Site | 0         | 10        | 20        | 30        | 40        | 50        | 60        | 70        | 80        | 90        | 100       | 110       | 120       | 130       | 140       | 150       | 160       | 170       | 180       | 190       | 200       |  |
| Residual Land Worth |      | 682,235   | 657,683   | 633,131   | 608,579   | 584,027   | 559,475   | 534,924   | 510,372   | 485,820   | 461,268   | 436,717   | 412,165   | 387,613   | 363,061   | 338,509   | 313,958   | 289,406   | 264,854   | 240,302   | 215,750   | 191,198   |  |
| Existing Use Value  |      | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   | 460,000   |  |
| Viability Threshold |      | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   |  |
| Residual Value      |      | 1,364,469 | 1,315,366 | 1,266,262 | 1,217,159 | 1,168,055 | 1,118,951 | 1,069,848 | 1,020,744 | 971,641   | 922,537   | 873,433   | 824,330   | 775,226   | 726,123   | 677,019   | 627,915   | 578,812   | 529,708   | 480,605   | 431,501   | 382,397   |  |
| Additional Profit   |      | 412,235   | 387,683   | 363,131   | 338,579   | 314,027   | 289,475   | 264,924   | 240,372   | 215,820   | 191,268   | 166,717   | 142,165   | 117,613   | 93,061    | 68,509    | 43,958    | 19,406    | -5,146    | -29,698   | -54,250   | -78,801   |  |
| E/m <sup>2</sup>    |      | 207       | 195       | 183       | 170       | 158       | 146       | 133       | 121       | 109       | 96        | 84        | 72        | 59        | 47        | 34        | 22        | 10        | -3        | -15       | -27       | -40       |  |
| CIL as %            |      | 0.0%      | 3.0%      | 6.3%      | 9.8%      | 13.6%     | 17.8%     | 22.3%     | 27.3%     | 32.7%     | 38.9%     | 45.5%     | 53.1%     | 61.5%     | 71.2%     | 82.2%     | 95.0%     | 109.9%    | 127.6%    | 148.9%    | 175.1%    | 208.0%    |  |
| Residual Value      |      | 0.0%      | 0.2%      | 0.3%      | 0.5%      | 0.7%      | 0.9%      | 1.0%      | 1.2%      | 1.4%      | 1.6%      | 1.7%      | 1.9%      | 2.1%      | 2.3%      | 2.4%      | 2.6%      | 2.8%      | 3.0%      | 3.1%      | 3.3%      | 3.5%      |  |
| GDV                 |      |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |           |  |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



13.73 Sheltered housing and extracare housing is viable in the study area, and has a capacity to bear CIL. We would suggest that this is set at the same rate as for mainstream housing.

**Non-Residential Development**

13.74 In considering non-residential rates, we have assumed that development will generally be on brownfield land rather than greenfield land – as the majority of the supply of land is of previously developed land.

Table 13.7 Employment Uses - Appraisal Results

Shops Central

|                     | Greenfield | 0          | 20         | 40         | 60         | 80         | 100        | 120        | Brownfield | 0          | 20         | 40         | 60         | 80         | 100        | 120 |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----|
| CIL                 | £/m2       |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| RESIDUAL VALUE      | Site       | 278,598    | 274,872    | 271,146    | 267,420    | 263,694    | 259,968    | 256,242    | 259,055    | 255,329    | 251,603    | 247,877    | 244,151    | 240,425    | 236,699    |     |
| Existing Use Value  | £/ha       | 25,000     | 25,000     | 25,000     | 25,000     | 25,000     | 25,000     | 25,000     | 4,000,000  | 4,000,000  | 4,000,000  | 4,000,000  | 4,000,000  | 4,000,000  | 4,000,000  |     |
| Viability Threshold | £/ha       | 330,000    | 330,000    | 330,000    | 330,000    | 330,000    | 330,000    | 330,000    | 4,800,000  | 4,800,000  | 4,800,000  | 4,800,000  | 4,800,000  | 4,800,000  | 4,800,000  |     |
| Residual Value      | £/ha       | 14,859,538 | 14,659,818 | 14,461,098 | 14,262,378 | 14,063,658 | 13,864,938 | 13,666,218 | 13,816,264 | 13,617,544 | 13,418,824 | 13,220,104 | 13,021,384 | 12,822,664 | 12,623,944 |     |
| Additional Profit   |            | 272,410    | 268,684    | 264,958    | 261,232    | 257,506    | 253,780    | 250,054    | 169,055    | 165,329    | 161,603    | 157,877    | 154,151    | 150,425    | 146,699    |     |
|                     |            | 1,816      | 1,791      | 1,766      | 1,742      | 1,717      | 1,692      | 1,667      | 1,127      | 1,102      | 1,077      | 1,053      | 1,028      | 1,003      | 978        |     |
| CIL as %            |            | 1.1%       | 1.1%       | 1.2%       | 1.4%       | 1.6%       | 1.8%       | 2.0%       | 0.0%       | 0.2%       | 0.4%       | 0.6%       | 0.8%       | 1.0%       | 1.2%       |     |
| Residual Val        |            | 0.0%       | 0.5%       | 0.9%       | 1.3%       | 1.7%       | 2.1%       | 2.5%       | 0.0%       | 0.1%       | 0.2%       | 0.3%       | 0.4%       | 0.5%       | 0.6%       |     |
| GDV                 |            | 0.0%       | 0.5%       | 0.9%       | 1.3%       | 1.7%       | 2.1%       | 2.5%       | 0.0%       | 0.1%       | 0.2%       | 0.3%       | 0.4%       | 0.5%       | 0.6%       |     |

Supermarkets

|                     | Greenfield | 0          | 20         | 40         | 60         | 80         | 100        | 120        | Brownfield | 0          | 20         | 40         | 60         | 80         | 100        | 120 |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----|
| CIL                 | £/m2       |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| RESIDUAL VALUE      | Site       | -572,524   | -671,884   | -771,244   | -870,604   | -969,964   | -1,069,324 | -1,168,684 | -1,161,725 | -1,261,085 | -1,360,445 | -1,459,805 | -1,559,165 | -1,658,525 | -1,757,885 |     |
| Existing Use Value  | £/ha       | 25,000     | 25,000     | 25,000     | 25,000     | 25,000     | 25,000     | 25,000     | 450,000    | 450,000    | 450,000    | 450,000    | 450,000    | 450,000    | 450,000    |     |
| Viability Threshold | £/ha       | 330,000    | 330,000    | 330,000    | 330,000    | 330,000    | 330,000    | 330,000    | 540,000    | 540,000    | 540,000    | 540,000    | 540,000    | 540,000    | 540,000    |     |
| Residual Value      | £/ha       | -357,827   | -419,927   | -482,027   | -544,127   | -606,227   | -668,327   | -730,427   | -726,078   | -788,178   | -850,278   | -912,378   | -974,478   | -1,036,578 | -1,098,678 |     |
| Additional Profit   |            | -1,100,524 | -1,199,884 | -1,299,244 | -1,398,604 | -1,497,964 | -1,597,324 | -1,696,684 | -2,025,725 | -2,125,085 | -2,224,445 | -2,323,805 | -2,423,165 | -2,522,525 | -2,621,885 |     |
|                     |            | -275       | -300       | -325       | -350       | -374       | -399       | -424       | -506       | -531       | -556       | -581       | -606       | -631       | -655       |     |
| CIL as %            |            | 0.0%       | -11.9%     | -20.7%     | -27.6%     | -33.0%     | -37.4%     | -41.1%     | 0.0%       | -6.3%      | -11.8%     | -16.4%     | -20.5%     | -24.1%     | -27.3%     |     |
| Residual Val        |            | 0.0%       | 0.9%       | 1.8%       | 2.8%       | 3.7%       | 4.7%       | 5.6%       | 0.0%       | 0.9%       | 1.9%       | 2.8%       | 3.7%       | 4.7%       | 5.6%       |     |
| GDV                 |            | 0.0%       | 0.9%       | 1.8%       | 2.8%       | 3.7%       | 4.7%       | 5.6%       | 0.0%       | 0.9%       | 1.9%       | 2.8%       | 3.7%       | 4.7%       | 5.6%       |     |

Smaller Supermarkets

|                     | Greenfield | 0         | 20        | 40        | 60        | 80        | 100     | 120     | Brownfield | 0       | 20      | 40      | 60      | 80      | 100     | 120 |
|---------------------|------------|-----------|-----------|-----------|-----------|-----------|---------|---------|------------|---------|---------|---------|---------|---------|---------|-----|
| CIL                 | £/m2       |           |           |           |           |           |         |         |            |         |         |         |         |         |         |     |
| RESIDUAL VALUE      | Site       | 542,237   | 512,429   | 482,621   | 452,813   | 423,005   | 393,197 | 363,389 | 385,937    | 356,129 | 326,321 | 296,513 | 266,705 | 236,897 | 207,089 |     |
| Existing Use Value  | £/ha       | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000  | 25,000  | 450,000    | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 |     |
| Viability Threshold | £/ha       | 330,000   | 330,000   | 330,000   | 330,000   | 330,000   | 330,000 | 330,000 | 540,000    | 540,000 | 540,000 | 540,000 | 540,000 | 540,000 | 540,000 |     |
| Residual Value      | £/ha       | 1,355,592 | 1,281,072 | 1,206,552 | 1,132,032 | 1,057,512 | 982,992 | 908,472 | 964,842    | 890,322 | 815,802 | 741,282 | 666,762 | 592,242 | 517,722 |     |
| Additional Profit   |            | 410,237   | 380,429   | 350,621   | 320,813   | 291,005   | 261,197 | 231,389 | 169,937    | 140,129 | 110,321 | 80,513  | 50,705  | 20,897  | -8,911  |     |
|                     |            | 342       | 317       | 292       | 267       | 243       | 218     | 193     | 142        | 117     | 92      | 67      | 42      | 17      | -7      |     |
| CIL as %            |            | 0.0%      | 4.7%      | 9.8%      | 15.9%     | 22.7%     | 30.5%   | 38.9%   | 0.0%       | 6.7%    | 14.7%   | 24.3%   | 36.0%   | 50.7%   | 69.5%   |     |
| Residual Val        |            | 0.0%      | 0.7%      | 1.5%      | 2.2%      | 3.0%      | 3.7%    | 4.5%    | 0.0%       | 0.7%    | 1.5%    | 2.2%    | 3.0%    | 3.7%    | 4.5%    |     |
| GDV                 |            | 0.0%      | 0.7%      | 1.5%      | 2.2%      | 3.0%      | 3.7%    | 4.5%    | 0.0%       | 0.7%    | 1.5%    | 2.2%    | 3.0%    | 3.7%    | 4.5%    |     |

Retail Warehouse

|                     | Greenfield | 0         | 20        | 40        | 60        | 80        | 100       | 120       | Brownfield | 0         | 20        | 40        | 60        | 80        | 100       | 120 |
|---------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----|
| CIL                 | £/m2       |           |           |           |           |           |           |           |            |           |           |           |           |           |           |     |
| RESIDUAL VALUE      | Site       | 3,629,453 | 3,530,093 | 3,430,733 | 3,331,373 | 3,232,013 | 3,132,653 | 3,033,293 | 3,325,296  | 3,225,936 | 3,126,576 | 3,027,216 | 2,927,856 | 2,828,496 | 2,729,136 |     |
| Existing Use Value  | £/ha       | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 25,000    | 450,000    | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   | 450,000   |     |
| Viability Threshold | £/ha       | 330,000   | 330,000   | 330,000   | 330,000   | 330,000   | 330,000   | 330,000   | 540,000    | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   | 540,000   |     |
| Residual Value      | £/ha       | 2,722,090 | 2,647,570 | 2,573,050 | 2,498,530 | 2,424,010 | 2,349,490 | 2,274,970 | 2,493,972  | 2,419,452 | 2,344,932 | 2,270,412 | 2,195,892 | 2,121,372 | 2,046,852 |     |
| Additional Profit   |            | 3,189,453 | 3,090,093 | 2,990,733 | 2,891,373 | 2,792,013 | 2,692,653 | 2,593,293 | 2,605,296  | 2,505,936 | 2,406,576 | 2,307,216 | 2,207,856 | 2,108,496 | 2,009,136 |     |
|                     |            | 797       | 773       | 748       | 723       | 698       | 673       | 648       | 651        | 626       | 602       | 577       | 552       | 527       | 502       |     |
| CIL as %            |            | 0.0%      | 0.7%      | 1.5%      | 2.2%      | 3.0%      | 3.7%      | 4.5%      | 0.0%       | 0.8%      | 1.6%      | 2.4%      | 3.2%      | 4.0%      | 4.8%      |     |
| Residual Val        |            | 0.0%      | 0.9%      | 1.8%      | 2.8%      | 3.7%      | 4.6%      | 5.6%      | 0.0%       | 0.8%      | 1.6%      | 2.4%      | 3.2%      | 4.0%      | 4.8%      |     |
| GDV                 |            | 0.0%      | 0.9%      | 1.8%      | 2.8%      | 3.7%      | 4.6%      | 5.6%      | 0.0%       | 0.8%      | 1.6%      | 2.4%      | 3.2%      | 4.0%      | 4.8%      |     |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



- 13.75 In the case of industrial, distribution and office development, the analysis shows that larger sites are not viable. We therefore recommend CIL is not applied to this development type.
- 13.76 For retail development, we recommend a rate of £60/m<sup>2</sup>. This would ensure a substantial cushion above the Viability Threshold and ensure CIL only represents a modest proportion of the Residual Value. It is notable that the Council is not anticipating any larger supermarkets to come forward in the foreseeable future – all the market towns being well served.
- 13.77 A zero rate is recommended for hotel development.

### Recommended Rates of CIL

- 13.78 In this chapter we have set out the range of factors to be considered when setting CIL. Through the process of engagement with the Council and taking into account all the matters set out above, it was decided that:
- a. CIL is required to fund infrastructure. Having taken into account the other sources of finance there is a ‘funding gap’ and CIL could make a useful contribution to fund the infrastructure required to support the development most likely to come forward prior to the adoption of the new Local Plan.
  - b. Affordable housing remains a Council priority but the Council also puts weight on the delivery of infrastructure.
  - c. The Council and its partners have been successful in securing capital funding for infrastructure but there remains a significant ‘funding gap’.
  - d. That it would be preferable, if supported by evidence, to ‘keep things simple’ and not have multiple rates of CIL – although it was recognised that it was appropriate to have differential rates. It was agreed that a fine grained approach was not desirable.
  - e. CIL setting is a qualitative and a quantitative process. CIL is not calculated through a predetermined formula. The Council is required to *‘strike the balance between (a) the desirability of funding from CIL ... the ... cost of infrastructure required to support the development of its area, ... and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
- 13.79 Based on the above, the following rates of CIL are recommended.

| <b>Table 13.8 Recommended rates of CIL</b>  |   |
|---|---|
| Development Type  | Maximum Rate of CIL                         |
| Residential<br>All development sites, including Sheltered Housing and Extracare Housing but excluding Chesterton<br>Chesterton Strategic Site | £80/m <sup>2</sup><br><br>£0/m <sup>2</sup> |
| Retail Development  | £60/m <sup>2</sup>                          |
| All Other Development   | £0/m <sup>2</sup>                           |

Source: CDC Whole Plan and CIL Viability Assessment, January 2016



### **Next Steps**

- 13.80 The recommendations in this study are ‘a consultant’s view’ and do not reflect the particular priorities and emphasis that Cotswold District Council may put on different parts of its Development Plan. The above suggested rates are supported by the evidence – however there is considerable scope for the Council to strike a different balance.
- 13.81 We stress that the information in this report is an important element of the evidence for setting CIL, but is only one part of the evidence; the wider context needs to be considered.

**HDH Planning and Development Ltd** is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers.

The firm is led by Simon Drummond-Hay who is a Chartered Surveyor, Associate of Chartered Institute of Housing and senior development professional with a wide experience of both development and professional practice. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments
- Future Housing Numbers Analysis (post RSS target setting)

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