Central Bedfordshire Council Local Plan (2015-2035)

Viability Report

(January 2018)

Quality Assurance

Date	9th January 2018
Version	V3
Filename and path	S:_Client Projects\1709 Plan Viability_Central Beds_Reports\1712 Viability Assessment report\180103 CBC LPlan Viability Report_v3.docx
Checked by	
Authorised by	

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Executive Summary

ES 1 AspinallVerdi has been appointed by Central Bedfordshire Council (CBC) to provide economic viability advice in respect of the cumulative impact on development of the emerging Local Plan policies.

ES 2 Our specific instructions are:

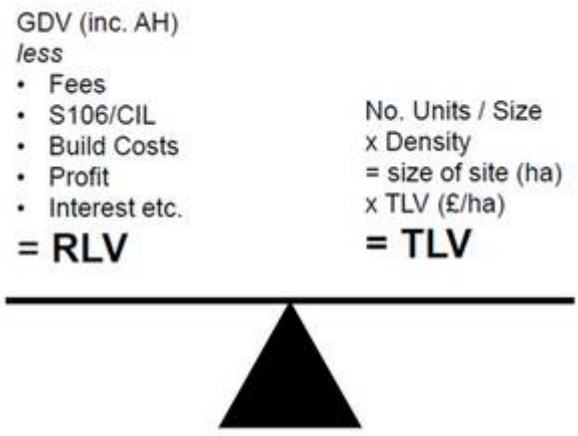
- to review the Pre-submission Draft Local Plan policies and advise on those that have an impact on viability;
- to prepare a District wide viability appraisal to support the Local Plan through examination;
- to prepare appraisals of the Strategic Sites in the District.

ES 3 Our economic viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, Statutory Regulations and guidance – including the Housing White Paper (February 2017) and the CIL Review (October 2016) (see section 2).

ES 4 We have carried out a comprehensive review of the market for new build residential sales values and land values (see Appendices 3 and 4 respectively).

ES 5 Our general approach is illustrated on the diagram below (ES.1). This is explained in more detail in section 4 – Viability Assessment Method.

Figure ES.1 – Balance between RLV and TLV



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ES 6 We have carried out residual appraisals to establish the Residual Land Value (RLV). This is a traditional model having regard to: the gross development value (GDV) of the scheme; including Affordable Housing; and deducting all costs; including CIL; to arrive at the RLV. A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

ES 7 We have had regard to the cumulative impact of the Local Plan policies. The impact of each of the policies (either direct or indirect) is set out on the policies matrix (at Appendix 1).

ES 8 This is then compared to the Threshold Land Value (TLV). The TLV is the price at which a landowner will be willing to sell their land for development and is derived from benchmark Market Values and Existing Use Values (EUV), the size of the hypothetical scheme and the development density assumption.

ES 9 The RLV less TLV results in an appraisal 'balance' which should be interpreted as follows:

- If the 'balance' is positive, then the proposal / policy is viable. We describe this as being 'viable for plan making purposes' herein.
- If the 'balance' is negative, then the proposal / policy is 'not viable for plan making purposes' and the CIL and/or Affordable Housing policy should be reviewed.

ES 10 In addition to the RLV appraisals and TLV analysis, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of viability and to appreciate the sensitivity of the appraisals to key variables such as: Affordable Housing %; TLV and profit; and, to consider the impact of rising construction costs. This is to de-emphasise the TLV in each typology and help consider viability 'in-the-round' i.e. in the context of sales values, development costs, contingency, developer's profit which make up the appraisals inputs.

ES 11 Where the RLV is positive but the 'balance' is negative due to the TLV assumption, we refer to this as being 'marginal' in terms of viability.

ES 12 We have analysed the Council's allocations for housing in order to group them into typologies by size and location. This has resulted in c 50 residential development typologies to reflect the type of sites coming forward in the emerging Local Plan and specifically the preferred housing allocations. These typologies are reflected in our typologies matrix which is appended (Appendix 2).

ES 13 **It is important to note that the TLVs contained herein are for 'high-level' plan viability purposes and the appraisals should be read in the context of the TLV sensitivity table (contained within the appraisals). It is important to emphasise that the adoption of a particular TLV (£) in the base-case appraisal typologies in no way implies that this figure**

can be used by applicants to negotiate site specific planning applications. Where sites have obvious abnormal costs (e.g. retaining walls for sloping sites) these costs should be deducted from the value of the land. The land value for site specific viability appraisals should be thoroughly evidenced having regard to the existing use value of the site. I.e. this report is for plan-making purposes and is 'without prejudice' to future site specific planning applications.

ES 14 Our detailed assumptions and results are set out in sections 5 and 6 of this report together with our detailed appraisals which are appended. In summary we make the following recommendations:

Residential Uses

ES 15 Based on the residential viability results, we recommend that:

ii The affordable housing policy of 30% is viable across the District having regard to the cumulative impact of the Plan policies.

iii Rural Exceptions Sites (RES) are maintained as just that, exceptions. Any policy to enable affordable housing on RES schemes by the introduction of market housing has the potential to raise land values and landowners apply 'hope value' for future open market residential development. This outcome would not facilitate the delivery of affordable housing in rural areas.

ES 16 Consequently, based on the assumptions, appraisals and sensitivity analyses' contained herein, the proposed Local Plan Policies do not undermine the viability of residential development on the whole within the District. We acknowledge that there will always be schemes at the margins (depending on site specific characteristics), but the Local Plan (policy H4) states that, 'where policy compliant affordable housing cannot be achieved, viability will determine affordable housing provision on a case by case basis.'

Supported Living

ES 17 In addition to the above we make the following recommendations in respect of supported living typologies:

iv The equivalent commuted sums for Age Restricted / Sheltered Housing and Assisted Living / Extra Care Homes on brownfield sites are £108 psm and £103 psm respectively. This can be rounded to say £100 psm.

v The equivalent commuted sums for Age Restricted / Sheltered Housing and Assisted Living / Extra Care Homes on greenfield sites are £198 psm and £211 psm respectively. This can be rounded to say £200 psm.

ES 18 In addition, we recommend that, in accordance with best practice, the plan wide viability is reviewed on a regular basis to ensure that the plan remains relevant as the property market cycle(s) change.

ES 19 Furthermore, to facilitate the process of review, we recommend that the Council monitors the development appraisal parameters herein, but particularly data on land values across the District.

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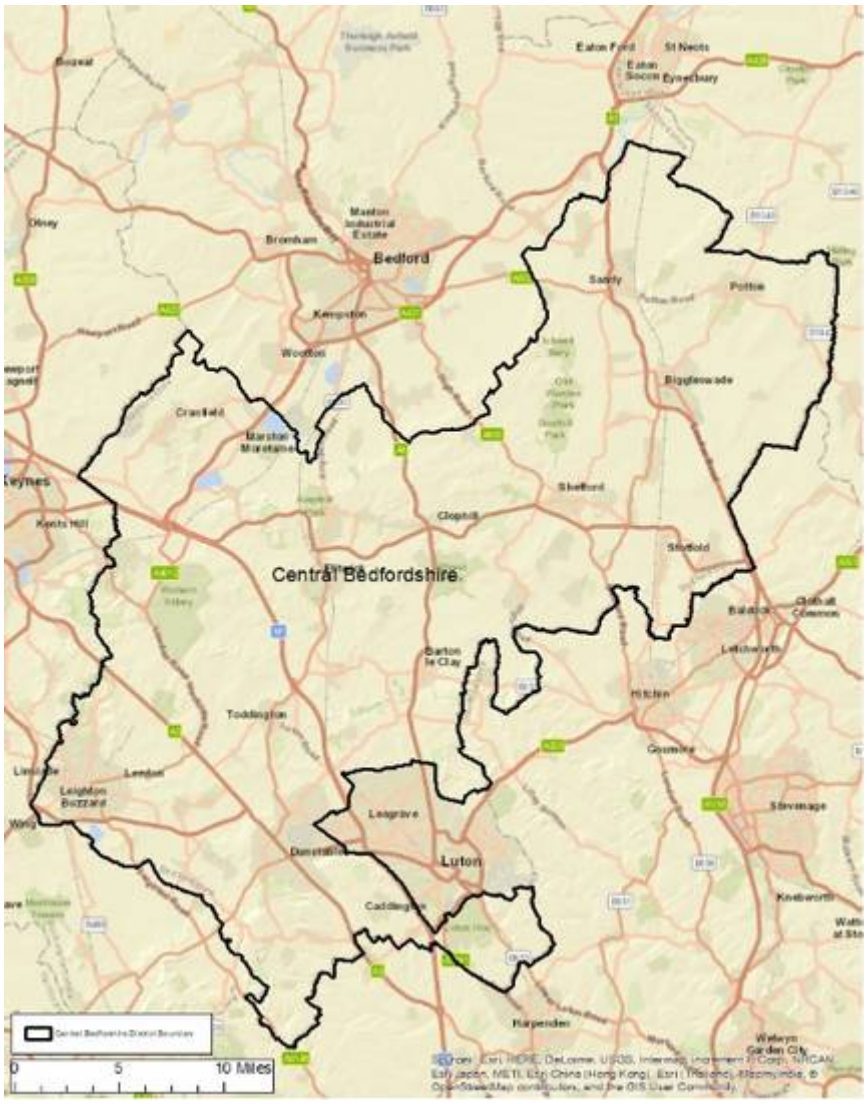
1 Introduction

1.2 AspinallVerdi has been appointed by Central Bedfordshire Council (CBC) to provide economic viability advice in respect of the cumulative impact on development of the emerging Local Plan policies.

Figure 1.1 - Map of Study Area



Source: AspinallVerdi

1.3 The Council launched the new Local Plan 2035 in February 2016. The Consultation Draft Plan was published in July 2017 (Regulation 18 Consultation). The Council has considered the representations to this plan and produced the Pre-Submission Draft Local Plan. It is the policies within this plan which we have been asked to review and appraise.

1.4 The new Local Plan 2035 will form the key strategic planning document for Central Bedfordshire and will guide and support the delivery of new infrastructure, homes and jobs. It sets out the long-term vision and objectives for the area, what is going to happen, where, and how this will be achieved and delivered over the next 20 years.

1.5 Our specific instructions are:

- to review the Pre-submission Draft Local Plan policies and advise on those that have an impact on viability;
- to prepare a District wide viability appraisal to support the Local Plan through examination;
- to prepare appraisals of the Strategic Sites in the District.

1.6 The new Local Plan is set to be adopted in 2018.

1.7 An up to date and robust assessment of viability across the District will underpin the work on the new Local Plan and will inform strategy, policy development and site assessment work.

1.8 The remainder of this report is structured as follows:

Section:	Contents:
Section 2 – National Planning Policy Context **National Planning Policy Context**	This section sets out the statutory requirements for the Local Plan and CIL viability including the NPPF, CIL Regulations and PPG website.
Section 3 – Local Planning Context	This section sets out the details of the current adopted Local Plan, the existing evidence base, and the emerging Local Plan policies which will have a direct impact on viability.
Section 4 – Viability Assessment Method	This section describes our generic methodology for appraising the viability of development which is based on the residual approach as required by guidance and best practice.
Sections 5 - Residential	This section summarises the evidence base, property market context, development monitoring and viability for residential (including the Strategic Sites).
Sections 6 – Older Persons Housing	This section summarises the evidence base, property market context, development monitoring and viability for older persons housing.
Section 7 – Conclusions and Recommendations	Finally, we make our recommendations in respect of the Plan viability and Affordable Housing.

2 National Planning Policy Context

2.1 Our economic viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

National Planning Policy Framework

2.2 The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England and how these are expected to be applied[1]. It was first published on 27 March 2012 and is now online (see below).

Paragraph 173

2.3 The NPPF places viability and deliverability at the fore. Paragraph 173 deals explicitly with ensuring viability and deliverability Paragraph 173 states that –

> *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****.*[2] (our emphasis).

Affordable Housing

2.4 In terms of affordable housing, the NPPF specifically requires that 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.*[3]

[1] http://planningguidance.communities.gov.uk/blog/policy/introduction/ (accessed 11/1/16)
[2] Department of Communities and Local Government (March 2012) The National Planning Policy Framework ISBN: 978-1-4098-3413-7 paragraph 173
[3] Department of Communities and Local Government (March 2012) The National Planning Policy Framework ISBN: 978-1-4098-3413-7 paragraph 47

Planning Obligations

2.5 Finally, the NPPF sets the context for planning obligations (S106 Agreements) following the introduction of CIL. The NPPF sets out the following –

> *Planning obligations should only be sought where they meet all of the following tests*[4] -
>
> - *necessary to make the development acceptable in planning terms;*
> - *directly related to the development; and*
> - *fairly and reasonably related in scale and kind to the development.*

2.6 It is important to note that the CIL Regulations limit the use of planning obligations to a maximum of five S106 agreements in order to limit the use of pooled S106's to fund infrastructure and (therefore) encourage the uptake of CIL[5].

2.7 Note however that in the Autumn 2017 Budget the Chancellor announced that DCLG will launch a consultation into 'removing restriction of Section 106 pooling towards a single piece of infrastructure where the local authority has adopted CIL, in certain circumstances such as where the authority is in a low viability area or where significant development is planned on several large strategic sites'. This is to avoid the unnecessary complexity that pooling restrictions can generate[6].

Planning Policy Guidance

2.8 On 6 March 2014 the Department for Communities and Local Government (DCLG) launched this planning practice guidance web-based resource[7]. This enables all planning practice guidance to be available entirely on-line. This contains particularly important sections for this report, which we summarise in the following sections –

- Viability
- Starter Homes (noting the Housing White Paper)
- Local Plans
- Planning Obligations
- Community Infrastructure Levy (CIL) (again noting the recent CIL Review (LIT/SIT)).

2.9 In addition, the PPG sets out national guidance on the 10-unit threshold for affordable housing.

[4] Department of Communities and Local Government (March 2012) The National Planning Policy Framework ISBN: 978-1-4098-3413-7 paragraph 204
[5] The Community Infrastructure Levy Regulations 2010 in force from 6 April 2010 under section 222(2)(b) of the Planning Act 2008, Regulation 123
[6] HM Treasury, Autumn Budget, November 2017 5.14 Land value uplift - Developer Contributions
[7] http://planningguidance.communities.gov.uk/about/ (accessed 11/1/16)

2.10 We do not propose to rehearse every paragraph of this guidance here, but we set out below the key guidance relevant to Central Bedfordshire Council making reference where appropriate to the Housing White Paper and the recent CIL review.

Viability

2.11 The NPPF says that plans should be deliverable and that the sites and scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.[8]

2.12 Development of plan policies should be iterative – with draft policies tested against evidence of the likely ability of the market to deliver the plan's policies, and revised as part of a dynamic process.[9] This is what Central Bedfordshire Council has done by engaging with key stakeholders and consultees during this process.

2.13 Evidence should be ***proportionate*** to ensure plans are underpinned by a broad understanding of viability. Greater detail may be necessary in areas of known marginal viability or where the evidence suggests that viability might be an issue – for example in relation to policies for strategic sites which require high infrastructure investment.[10] (our emphasis)

2.14 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.[11] (our emphasis) – In this respect we have set out our rationale for the site typologies for each use within the relevant section below.

2.15 Plan makers should ***not plan to the margin of viability but should allow for a buffer*** to respond to changing markets and to avoid the need for frequent plan updating. ***Current costs and values*** should be considered when assessing the viability of plan policy. Policies should be deliverable and should not be based on an expectation of future rises in values at least for the first five years of the plan period. This will help to ensure realism and avoid complicating the assessment with uncertain judgements about the future. Where any relevant future change to regulation or policy (either national or local) is known, any likely impact on current costs should be considered.[12] (our emphasis) Our sensitivity appraisals within this report clear show where the margins of viability fall.

[8] Paragraph: 001 Reference ID: 10-001-20140306 (accessed 12/1/16)
[9] Paragraph: 005 Reference ID: 10-005-20140306 (accessed 12/1/16)
[10] Paragraph: 005 Reference ID: 10-005-20140306 (accessed 12/1/16)
[11] Paragraph: 006 Reference ID: 10-006-20140306 (accessed 12/1/16)
[12] Paragraph: 008 Reference ID: 10-008-20140306 (accessed 12/1/16)

2.16 Local Plan policies should reflect ***the desirability of re-using brownfield land***, and the fact that brownfield land is often more expensive to develop. Where the cost of land is a major barrier, landowners should be engaged in considering options to secure the successful development of sites. Particular consideration should also be given to Local Plan policies on planning obligations, design, density and infrastructure investment, as well as in setting the Community Infrastructure Levy, ***to promote the viability of brownfield sites*** across the local area. [13] (our emphasis)

2.17 ***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.[14] (our emphasis)

2.18 The NPPF 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.[15] (our emphasis)

2.19 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.[16] (our emphasis)

[13] Paragraph: 025 Reference ID: 10-025-20140306 (accessed 12/1/16)
[14] Paragraph: 014 Reference ID: 10-014-20140306 (accessed 12/1/16)
[15] Paragraph: 015 Reference ID: 10-015-20140306 (accessed 12/1/16)
[16] Paragraph: 015 Reference ID: 10-015-20140306 (accessed 12/1/16)

Starter Homes

2.20 The PPG contains a complete section on Starter Homes (dated 10 03 2015). At the time of writing this guidance is still 'live' however, the Housing White Paper amends the definition of affordable housing to include Starter Homes within other forms of Low Cost Home Ownership. We have therefore sought to reflect the Housing White Paper proposals to ensure our report as up to date as possible (see Housing White Paper below).

2.21 The *current* Starter Homes policy is an exception sites policy. Paragraph: 001 Reference ID: 55-001-20150318 states –

> *'Starter Homes exception sites policy helps to meet the housing needs of young first time buyers, many of whom increasingly cannot afford to buy their own home, by allowing Starter Homes to be offered to them at below their open market value. The exception site policy enables applications for development for Starter Homes on under-used or unviable industrial and commercial land that has not been currently identified for housing. It also encourages local planning authorities not to seek section 106 affordable housing and tariff-style contributions that would otherwise apply. Local planning authorities should work in a positive and proactive way with landowners and developers to secure a supply of land suitable for Starter Homes exception sites to deliver housing for young first time buyers in their area.'*

2.22 The PPG goes on to describe the implementation of the Starter Homes exceptions sites policy by defining what land is suitable for Starter Homes (Paragraph: 007 Reference ID: 55-007-20150318) and what are underused or unviable industrial commercial sites (Paragraph: 008 Reference ID: 55-008-20150318).

2.23 The PPG also confirms that. '*Local planning authorities can use their discretion to include a small proportion of market homes on Starter Homes exception sites where it is necessary for the financial viability of the site. The market homes on the site will attract section 106 or Community Infrastructure Levy contributions in the usual way'*. (Paragraph: 012 Reference ID: 55-012-20150318).

2.24 The Planning and Housing Act (2016) provides some further information:

(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 at least 23 years old but has not yet reached the age of 40, and

(c) meets any other criteria specified in regulations made by the Secretary of State (for example, relating to nationality).

2.25 The initial 'cap' is to be **£250,000** outside London.

2.26 Notwithstanding this, DCLG issued technical consultation on the Starter Homes Regulations in March 2016. This was to widen the scope of Starter Homes to all sites and not just exceptions sites. Furthermore, the consultation was based on the introduction of a flat rate of 20% Starter Homes on all sites of 11 or more units (i.e. in effect a third tenure form of affordable housing).

2.27 This theme has been followed through in the HM Government's White Paper, 'Fixing our broken housing market' dated February 2017.

Housing White Paper

2.28 The White Paper clearly states that, '*the Government will not introduce a statutory requirement for starter homes at the present time. This is because of concerns expressed in response to our consultation last year that this would not respond to local needs. Instead we want local authorities to deliver starter homes as part of a mixed package of affordable housing of all tenures that can respond to local needs and local markets.*'[17]

2.29 Government's express intention is to publish a revised definition of affordable housing[18] – to broaden the definition of affordable housing, to include a range of low cost housing opportunities for those aspiring to own a home, including starter homes. In doing so this

[17] Paragraph A.124 DCLG, 'Fixing our broken housing market,' February 2017.
[18] Paragraph A.121 DCLG, 'Fixing our broken housing market,' February 2017.

approach would seek to retain all types of housing that are currently considered affordable housing[19]. This is to build on existing practice.[20]

2.30 The proposed definition of affordable housing includes[21]

- Affordable housing
- Social rented housing
- Affordable rented housing
- Starter homes
- Discounted market sale housing
- Affordable private rented housing
- Intermediate housing.

2.31 Accordingly, Starter homes will form part of the tenue types under 'home ownership' affordable housing products (as opposed to rented affordable housing tenure).

2.32 Furthermore, the White Paper also states that, *'following any proposed change to the definition of affordable housing, local planning authorities will have to consider the broadened definition of affordable housing in their evidence base for plan-making. However, to promote delivery of affordable homes to buy, we propose to make it clear in national planning policy that local authorities should seek to ensure that a* ***minimum of 10% of all homes on individual sites are affordable home ownership products****. We consider that this strikes an appropriate balance between providing affordable homes for rent and helping people into home ownership'*[22].

2.33 The PPG has not been updated following the technical consultation. However, for the purposes of our economic viability appraisal, we have assumed that starter homes are included within the general affordable 'Low Cost Home Ownership' (LCHO) tenure alongside existing intermediate and sub-market typologies.

2.34 As you will see from the Typologies Matrix (Appendix 2) the 30% affordable housing policy target and the 73% : 27% affordable rent : LCHO tenure mix results in a maximum potential for starter homes of 8.1% of ALL units. This is below the target of 10% set out in the Housing White Paper and this should be monitored by the Council. Notwithstanding this we have also appraisal two starter home typologies (AV and AW on the Typologies Matrix) based on the current policy of 100% on brownfield land.

[19] Paragraph A.119 DCLG, 'Fixing our broken housing market,' February 2017.
[20] Paragraph A.115 DCLG, 'Fixing our broken housing market,' February 2017.
[21] Box 4, page 100, DCLG, 'Fixing our broken housing market,' February 2017.
[22] Paragraph A.126 DCLG, 'Fixing our broken housing market,' February 2017.

Local Plans

2.35 The Local Plans section of the PPG website sets out the key issues for Local Plan preparation, examination and adoption.

2.36 In addressing how detailed a Local Plan should be the guidance makes it clear that -

2.37 *While the content of Local Plans will vary depending on the nature of the area and issues to be addressed, all Local Plans should be as focused, concise and accessible as possible. They should concentrate on the critical issues facing the area – including its development needs – and the strategy and opportunities for addressing them,* ***paying careful attention to both deliverability and viability****.*[23]

2.38 The guidance sets out how the local planning authority should show that a Local Plan is capable of being delivered including provision for infrastructure. In this respect -

A Local Plan is an opportunity for the local planning authority to set out a positive vision for the area, but the plan should also be realistic about what can be achieved and when (including in relation to infrastructure). This means paying careful attention to providing an adequate supply of land, identifying what infrastructure is required and how it can be funded and brought on stream at the appropriate time; and ***ensuring that the requirements of the plan as a whole will not prejudice the viability of development****.*[24]

2.39 Paragraph 017 requires that the evidence which accompanies an emerging Local Plan should show how the policies in the plan have been tested for their impact on the viability of development – hence this viability assessment.

Planning Obligations

2.40 Paragraph 204 of the NPPF sets out the following tests for planning obligations which must be: *necessary to make the development acceptable in planning terms; directly related to the development; and fairly and reasonably related in scale and kind to the development*.

2.41 The PPG website provides further detailed guidance on the implementation of planning obligations.

2.42 The guidance sets out how planning obligations relate to other contributions -

> *Developers may be asked to provide contributions for infrastructure in several ways. This may be by way of the Community Infrastructure Levy and planning obligations in the form of section 106 agreements and section 278 highway agreements. Developers will also have to comply with any conditions attached to their planning permission.*

[23] Paragraph: 009 Reference ID: 12-009-20140306 (accessed 22/2/17)
[24] Paragraph: 017 Reference ID: 12-017-20140306 (accessed 22/2/17)

> *Local authorities should ensure that* ***the combined total impact of such requests does not threaten the viability*** *of the sites and scale of development identified in the development plan.*[25]

2.43 In terms of plan making, the policy for seeking planning obligations should be grounded in an understanding of development viability through the plan making process[26] - hence this economic viability assessment having regard to the cumulative impact of CBC's policies on planning obligations and other requirements.

Community Infrastructure Levy

2.44 In Central Bedfordshire the Council has produced a Draft Charging Schedule dated July 2015 but this has not been adopted and is currently held in abeyance pending the outcome of the Local Plan Examination and the proposals to reform CIL and introduce the Local Infrastructure Tariff (LIT) (see below).

2.45 The guidance on the Planning Practice Guidance website replaces all previous standalone guidance in respect of CIL. Whilst not directly relevant to this Local Plan viability study, we have had regard to the CIL Regulations as they provide useful context for District-wide viability assessments and there may be scope for CBC to introduce CIL or LIT in the future.

2.46 Charging authorities should set a [CIL] rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan. They will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike ***an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development*** across their area.[27] (our emphasis)

2.47 In this respect, CIL **Regulation 14** requires that -

> a charging authority must strike what appears to the charging authority to be 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

[25] Paragraph: 001 Reference ID: 23b-001-20161116 (accessed 22/02/17)
[26] Paragraph: 006 Reference ID: 23b-006-20140306 (accessed 22/02/17)
[27] Paragraph: 008 Reference ID: 25-008-20140612 (accessed 12/1/16)

(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.[28]

2.48 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.[29] (our emphasis)

2.49 A charging authority should be able to explain how their proposed levy rate or rates will contribute towards the implementation of the relevant Plan…, and support development across their area. Charging authorities will need to summarise their economic viability evidence [i.e. this report]. As background evidence, the charging authority should also provide information about the amount of ***funding collected in recent years through section 106 agreements***. This should include information on ***the extent to which their affordable housing and other targets have been met.*** [30] (our emphasis)

2.50 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. [31] (our emphasis)

2.51 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 … relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as ***brownfield sites***). [32] (our emphasis)

2.52 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. [33] (our emphasis)

[28] The Community Infrastructure Levy Regulations 2010, 6 April 2010 under section 222(2)(b) of the Planning Act 2008 Regulation 14
[29] Paragraph: 009 Reference ID: 25-009-20140612 (accessed 12/1/16)
[30] Paragraph: 018 Reference ID: 25-018-20140612 (accessed 12/1/16)
[31] Paragraph: 019 Reference ID: 25-019-20140612 (accessed 12/1/16)
[32] Paragraph: 019 Reference ID: 25-019-20140612 (accessed 12/1/16)
[33] Paragraph: 019 Reference ID: 25-019-20140612 (accessed 12/1/16)

2.53 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. [34] (our emphasis)

2.54 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 levy rate is able to support development when economic circumstances adjust. [35] (our emphasis)

2.55 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. 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. [36] (our emphasis)

2.56 It is important to note that the CIL Regulations refer to **'use'** here rather than **'type'** of development. Regulation 13 states that –

> *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.*[37]

2.57 This is important, because development on brownfield land could be considered a 'type' of development, but it is not a 'use'. Paragraph: 022 Reference ID: 25-022-20140612 refers to 'How can rates be set by type of use?' This states that 'the definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987. Therefore, it is not entirely clear whether differential rates can or cannot be set by reference to brownfield (previously developed land) typologies, however, in our experience most Charging Authorities are interpreting 'type' to mean 'use' as in the Regulations.

[34] Paragraph: 019 Reference ID: 25-019-20140612 (accessed 12/1/16)
[35] Paragraph: 019 Reference ID: 25-019-20140612 (accessed 12/1/16)
[36] Paragraph: 021 Reference ID: 25-021-20140612 (accessed 12/1/16)
[37] The Community Infrastructure Levy Regulations 2010 and (Amendment) Regulations 2014

2.58 This is a theme that was acknowledged in the Autumn Statement where the Chancellor announced plans to 'better reflect the uplift in land values between a proposed and existing use. Rather than setting a flat rate for all development of the same type (residential, commercial, etc.), local authorities will have the option of a different rate for different changes in land use (agricultural to residential, commercial to residential, industrial to residential)'. A more considered, evidence based approach to policy obligations on brownfield v greenfield sites could impact outcomes.

2.59 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. [38] (our emphasis)

2.60 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. [39]

CIL Review – Local Infrastructure Tariff / Strategic Infrastructure Tariff

2.61 As mentioned above, the CIL Review Group submitted its report to the Communities Secretary and the Minister of Housing and Planning in October 2016 and this report was published alongside the Housing White Paper in February 2017. The review has been generally well received by the development industry.

2.62 The purpose of the review was to -

> *"Assess the extent to which CIL does or can provide an effective mechanism for funding infrastructure, and to recommend changes that would improve its operation in support of the Government's wider housing and growth objectives."*[40]

2.63 The report found that there are 130 authorities charging CIL (not including the Mayor of London and the London Legacy Development Corporation) and a further 88 working towards adopting a CIL. Once completed, this would give a coverage of just under 60% of charging authorities. However, the report notes that some of the 88 authorities have abandoned the idea of charging CIL as several local authorities consulted on preliminary draft charging schedules in 2012/13 and have taken no action since. Also that implementation is much patchier in the north, midlands and Wales[41].

[38] Paragraph: 021 Reference ID: 25-021-20140612 (accessed 12/1/16)
[39] Paragraph: 021 Reference ID: 25-021-20140612 (accessed 12/1/16)
[40] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 para 1.1.1
[41] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 para 3.2.1

2.64 The original impact assessments for the creation of CIL suggested that it might raise £4,700 million to £6,800 million over a ten-year period with the top end increasing to £1 billion in later assessments. If this were to be split evenly over a ten-year period, this would result in an average of £470 million to £680 million per annum. However, the CIL Review team estimate that CIL raised was approximately £170 million by the end of March 2015. In this context neither the developer nor the community has the certainty that the required 'school/surgery/road' will be delivered on time which in turn affects the developer's ability to sell completed houses. This effect is exacerbated by the way in which CIL has effectively transferred financial and construction risk from developers to local authorities which often lack the capacity to deliver. The Review team noted that this can result in a 'catch 22' situation where charging authorities have not accumulated sufficient CIL revenues to fund key elements of enabling infrastructure that will unlock house building; so the house building does not take place and the related CIL payments needed to deliver infrastructure are not made[42].

2.65 The Review also found the following weaknesses of CIL:

- Neighbourhood Share[43] - doubts as to whether the community or neighbourhood share is having any impact on a community's likelihood of accepting or even welcoming development. Charging Authorities were generally concerned that allocating a substantial portion of their CIL receipts to neighbourhoods reduced their ability to fund some of the larger infrastructure, such as roads and schools.
- Complexity[44] - the CIL regulations are 155 pages long and consist of 129 separate regulations. They have been amended each year since they were first introduced in 2010 to deal with policy changes and technical issues.
- Implementation and Rate Setting Process[45] - the EIP process was dominated by a small number of development typologies, generally large residential developments on greenfield strategic sites and noted that a small number of advisors were having the same arguments (e.g. about Threshold Land Value) on behalf of developers and councils at most EIPs with little public benefit.
- Exemptions and Reliefs[46] - applying for exemptions can require a considerable amount of paperwork for both the applicant and the local authority. For the local authority this is particularly burdensome as they receive no CIL revenue in compensation.

2.66 The CIL Review team recommended[47] -

[42] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 section 3.3-3.4
[43] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 section 3.7
[44] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 section 3.8
[45] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 paragraphs 3.8.5 - 3.8.10
[46] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 paragraph 3.8.11

- that the Government should replace the Community Infrastructure Levy with a hybrid system of a broad and low level **Local Infrastructure Tariff (LIT)** and Section 106 for larger developments
- that Combined Authorities should be enabled to set up an additional Mayoral type **Strategic Infrastructure Tariff (SIT)**

2.67 The CIL Review proposes a twin track system of a new low level tariff (LIT), combined with Section 106 for larger sites. The low level infrastructure tariff is meant to provide a means of ensuring that all development makes some contribution to the wider cumulative infrastructure need in an area that comes from development pressures generally. It is not for site specific impact mitigation.

2.68 The LIT should be applied to all development, almost without exception.

2.69 Larger developments which require direct mitigation to make them acceptable in planning terms or very specific major infrastructure on or close by the development including infrastructure delivered up-front, would be subject to an additional Section 106, strictly in accordance with the Regulation 122 tests.

2.70 Also, given the changing nature of the local government geography and the emergence of Combined Authorities, the CIL Review team consider there is a good case for making the necessary legislative and regulatory provision to enable CAs to collect a 'Mayoral' type CIL as a contribution to major pieces of infrastructure. This would not be obligatory and indeed would only be relevant where there was a requirement for such large infrastructure (e.g. Crossrail in London).

2.71 The intention is that LIT would be set by a standard calculation based on **1.75 - 2.5% of the sale price for a "standardised 100 square metre three bedroom family home, and divide that by 100 to reach a square metre rate, which would then be applied to all residential development**."[48] This would make LIT rate setting much simpler and the argument goes that, because it applies to nearly all development without exception has the potential to raise equally, if not more, funding for infrastructure as CIL.

2.72 Note, that should the Council introduce LIT/SIT in the future, it should do so having regard to the cumulative impact of the Local Plan policies at that time.

2.73 For the purposes of the current review we have assumed £0 CIL as the 'base case' and provided sensitivity scenarios in the financial modelling (e.g. against Affordable Housing) between £0 and £200 psm (for future reference).

[47] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 paragraph 4.3.6 – 4.3.8
[48] A New Approach to Developer Contributions, A report by the CIL Review Team, Submitted October 2016 paragraph 5.1.2

10 Unit Threshold

2.74 In November 2014, the PPG was updated to introduce the "10-unit threshold" for 'affordable housing and tariff style planning obligations'. This was the subject of a legal challenge and following an order of the Court of Appeal dated 13 May 2016, legal effect was given to the policy set out in the Written Ministerial Statement (WMS) of 28 November 2014.

2.75 The Guidance states that[49], 'affordable housing and tariff style planning obligations (section 106 planning obligations)' should not be sought from small scale and self-build development.' Specifically,

- contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1,000 sqm
- in 'designated rural areas', local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions may 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.
- affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home.

2.76 Following challenges nationally to the WMS, the Planning Inspectorate (PINS) has confirmed that it does not automatically outweigh local policies in a letter to the London Borough of Richmond upon Thames[50].

2.77 In Central Bedfordshire there is the Chilterns AONB which is a designated rural area. We understand from the Council that very little development is likely to take place in the AONB during the plan period and therefore we have not appraised these typologies. We have however appraisal various small schemes of 8, 10, 11 units to illustrate the impact of the 10 unit threshold in the wider District.

2.78 The details of this policy and its implications for viability are discussed in the Planning Policies Matrix (see Appendix 1).

[49] Paragraph: 031 Reference ID: 23b-031-20160519 (accessed 31/8/16)
[50] The Planning Magazine, PINS clarifies approach to small sites statement, March 2017

3 Local Planning Context

3.1 Central Bedfordshire Council (CBC) is the Local Planning Authority for Central Bedfordshire.

3.2 The Council's current adopted Plan (the Local Development Framework or LDF) is divided into two halves:

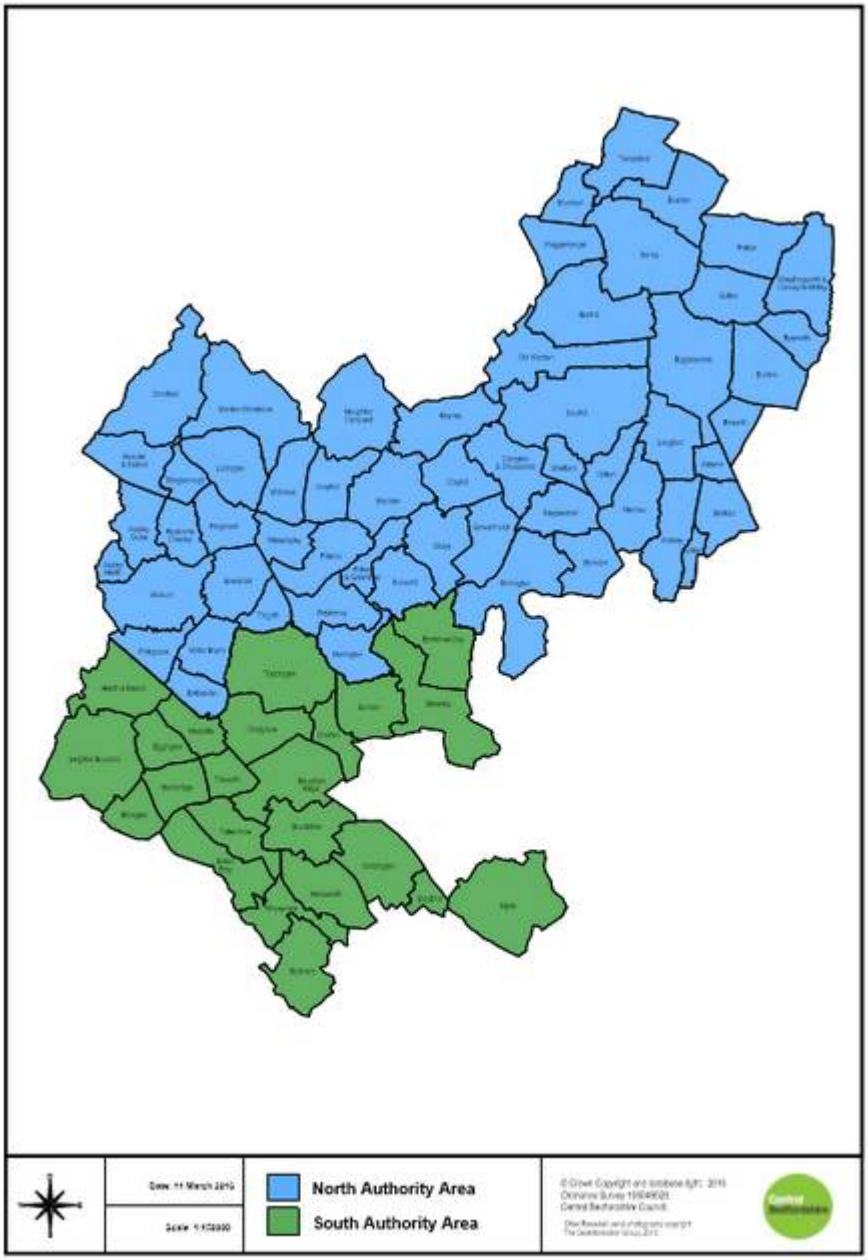
- North Local Development Framework - This Local Development Plan covers the north area of Central Bedfordshire, formerly the area covered by Mid Bedfordshire District Council. It is currently the adopted local plan for this area. The area which this plan covers is shown in the map below (Figure 3.1). The Local Development Plan for the north includes the Core Strategy and Development Management Policies Development Plan Document, the Site Allocations Document and the Proposals Maps. There are also a number of saved polices from the Mid Bedfordshire Local Plan 2005.
- South Local Development Plan - The South Bedfordshire Local Plan is currently the adopted development plan for the south area of Central Bedfordshire, formerly the area covered by South Bedfordshire District Council. The Local Plan consists of a Written Statement, which sets out policies and proposals for the development of the area and the justification for them. This is accompanied by the Proposals Maps which represents the polices spatially. The South Bedfordshire Local Plan was adopted in January 2004.[51]

3.3 The new Local Plan once adopted replaces the North Core Strategy and Development Management Policies Document (2009) and the majority of the remaining policies within the South Bedfordshire Local Plan (2004), the Mid Bedfordshire Local Plan (2005) and the remaining saved policies of the Bedfordshire and Luton Minerals and Waste Local Plan (2005) so far as they affect Central Bedfordshire. Those residual site allocations in the north Site Allocations Document (2011) that are not already built out will remain in addition to the Minerals and Waste Local Plan – Strategic Sites and Policies (2014) which will sit alongside this new Local Plan once adopted forming the Development Plan for Central Bedfordshire.

3.4 The new Local Plan will set out the spatial strategy and policies for change, development and conservation across the whole District for the period 2015 to 2035. This is illustrated on which also shows the four growth areas for the purposes of the Draft Plan Consultation July 2017.

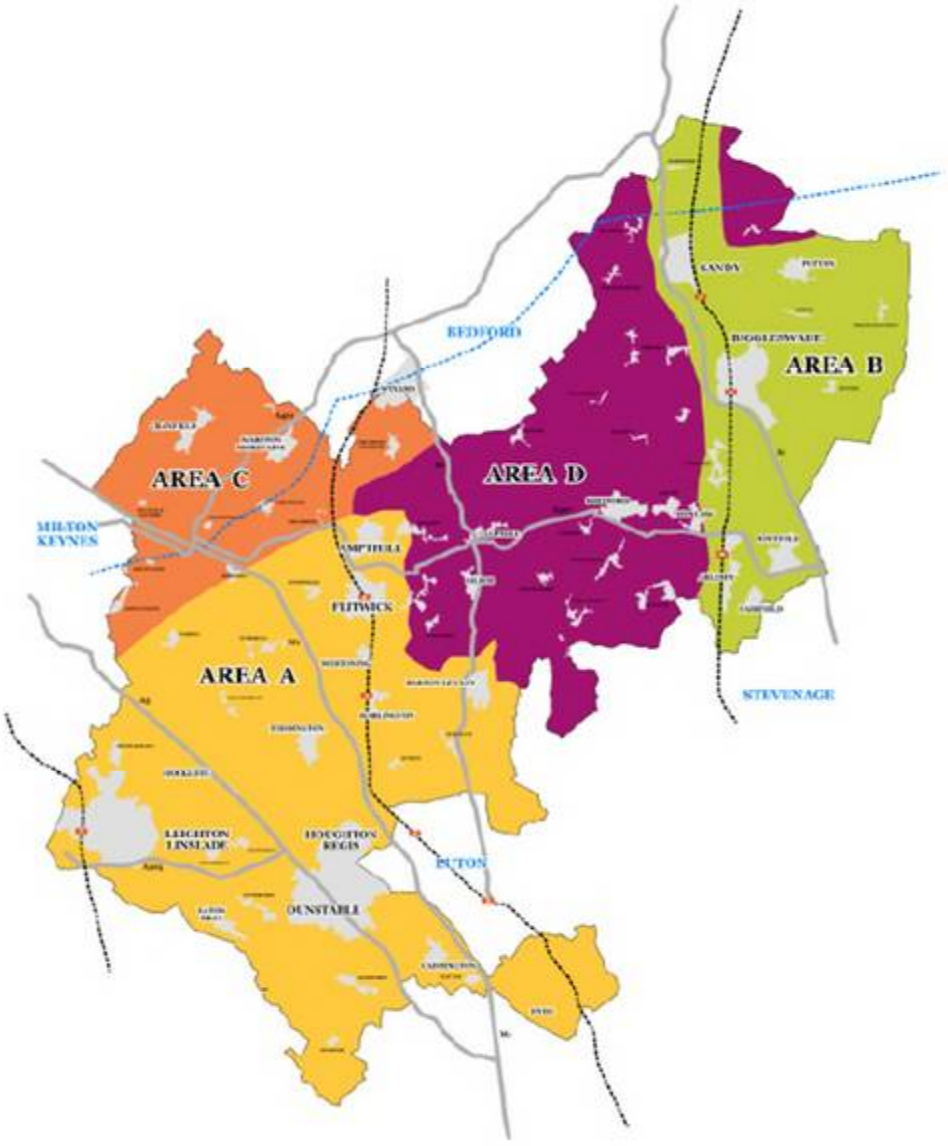
[51] http://www.centralbedfordshire.gov.uk/planning/policy/landing.aspx

Figure 3.1 - Map of North and South Local Development Plan(s)



Source: Central Bedfordshire Council

Figure 3.2 - Map of Central Bedfordshire Growth Areas for new Local Plan



Source: Central Bedfordshire Council

3.5 In order to appraise the local plan viability, we have analysed each of the new policies in order to determine which policies have a direct or indirect impact on development viability. Those policies with a direct impact on viability have been factored into our economic assessment below. Those policies with an indirect impact have been incorporated into the viability study indirectly through the property market cost and value assumptions adopted.

3.6 It is important to note that all the policies have an indirect impact on viability. The Council's Local Plan sets the 'framework' for the property market to operate within. All the policies have an indirect impact on viability through the operation of the property market and via site allocations which shape supply over time.

3.7 A detailed matrix of all the planning policies is appended (Appendix 1), and this outlines how the directly influential policies have both shaped our typologies appraised and the assumptions adopted within the appraisals. We highlight the directly influential policies below.

Pre-Submission Draft (Reg. 19) Local Plan Policies

3.8 The new Local Plan will set out the spatial strategy and policies for change, development and conservation across the whole District for the period 2015 to 2035.

3.9 The policies considered to have a direct influence on viability are:

- Policy SP3: Generic Requirements for Strategic Sites
- Policy SA1: North of Luton
- Policy SA2: Marston Vale New Villages
- Policy SA3: East of Arlesey
- Policy SA4: East of Biggleswade
- Policy HA1: Small and Medium Allocations
- Policy H1: Housing Mix
- Policy H2: Housing Standards
- Policy H4: Affordable Housing
- Policy H5: Rural Exception Sites
- Policy H6: Starter Homes
- Policy H7: Self and Custom Build Housing
- Policy T1: Mitigation of Transport Impacts on the Network
- Policy T2: Highway Safety & Design
- Policy T3: Parking
- Policy T4: Public Transport Interchanges
- Policy T5: Ultra Low Emission Vehicles
- Policy EE1 : Green Infrastructure

- Policy EE2: Enhancing biodiversity
- Policy EE3: Nature conservation
- Policy EE4: Trees, woodlands and hedgerows
- Policy EE5: Landscape Character and Value
- Policy EE6: Tranquillity
- Policy EE7: The Chilterns Area of Outstanding Natural Beauty
- Policy EE8 : Greensand Ridge Nature Improvement Area
- Policy EE10: The Bedford & Milton Keynes Waterway Park
- Policy EE11: The River and Waterway Network
- Policy EE12 : Public Rights of Way
- Policy EE13: Outdoor sport, leisure and open space
- Policy CC1 : Climate Change and Sustainability
- Policy CC5: Sustainable Drainage
- Policy CC6: Water supply and sewerage infrastructure
- Policy CC7: Water Quality
- Policy CC8: Pollution and Land Instability
- Policy HQ1: High Quality Development
- Policy HQ2: Planning Obligations and the Community Infrastructure Levy
- Policy HQ3: Provision for Social and Community Infrastructure
- Policy HQ4: Indoor Sport and Leisure Facilities
- Policy HQ5: Broadband and Telecommunications Infrastructure
- Policy HQ7: Public Art
- Policy HE3: Built Heritage

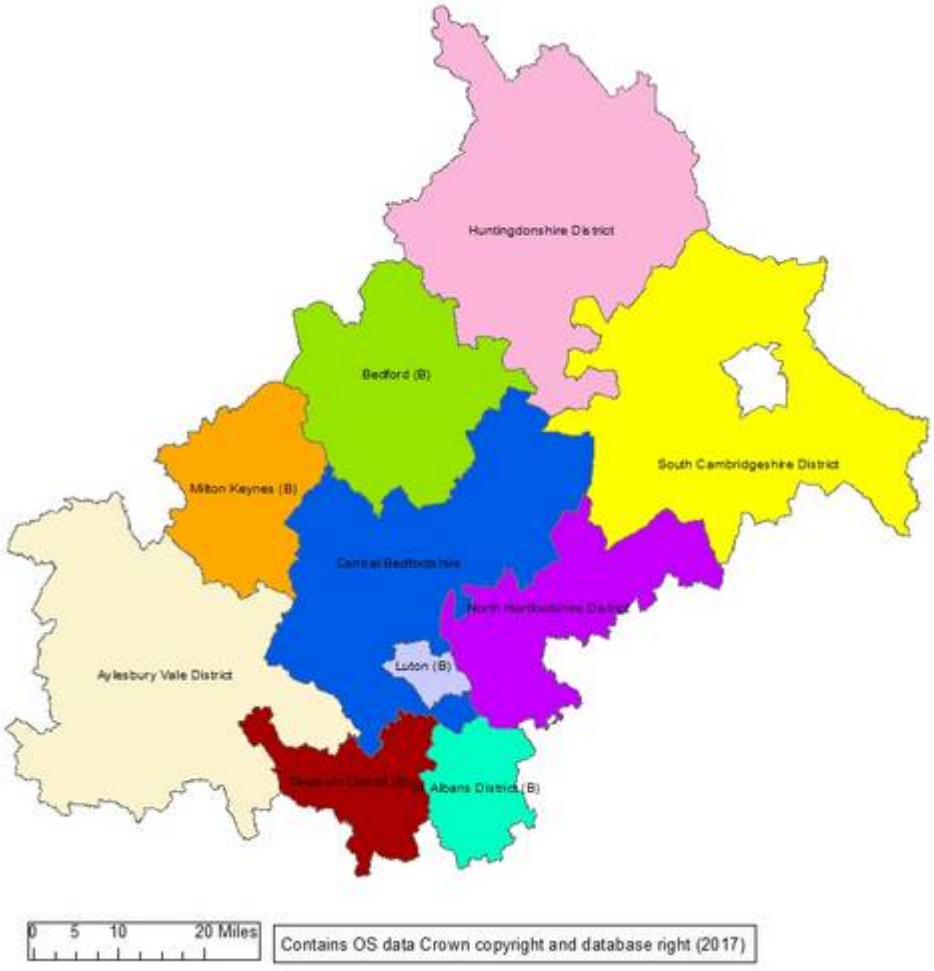
3.10 Specific details of how these policies have been factored into our viability assessment are included within the policies matrix (Appendix 1).

Adjacent Authority Policies

3.11 The property market for development is a continuum across boundaries within the Bedfordshire area. It is therefore relevant to consider the Affordable Housing targets and CIL requirements in surrounding authorities/districts. That said, every local jurisdiction has unique economic circumstances and geography which could result in different EVA evidence.

3.12 The map below shows the location of Bedfordshire vis-à-vis the surrounding districts.

Figure 3.3 - Central Bedfordshire and Neighbouring Authorities



Source: AspinallVerdi

3.13 We set out below the headline Affordable Housing targets from surrounding authorities for ease of comparison.

Table 3.1 - Neighbouring Authorities Affordable Housing Policies

Local Authority	Affordable Housing Targets (%)	Source
Huntingdonshire District	Policy LP 25: Affordable Housing Provision 40% affordable housing on a site where 11 homes or 1,001 sqm residential floorspace (GIA) or more are proposed. Approximately 70% will be social/affordable rented with the remaining % made up of other affordable tenures.	Huntingdonshire's Local Plan to 2036: Proposed Submission 2017
South Cambridgeshire District Council	Policy H/9: Affordable Housing All developments which increase the net number of homes on a site by3 or more will provide 40% affordable housing	South Cambridgeshire Proposed Submission Period 2011 – 2031 (July 2013)
North Hertfordshire District	Policy HS2: Affordable Housing 11 – 14 dwellings 25% 15 – 24 dwellings 35% 25 or more dwellings 40% 65 % will be rented and 35% will be made up of other affordable tenures.	North Hertfordshire District Council Local Plan 2011 – 2031 Proposed Submission October 2016
Luton	Policy LLP16 –Affordable Housing 20% affordable housing units on developments that deliver a net gain of at least 11 dwellings and on sites of 10 dwellings or less which have combined floorspace of more than 1000 sqm	Luton Local Plan 2011 – 2031 November 2017
St Albans District	Policy SLP9 – Affordable Housing 40% unless clearly demonstrated that this is not economically viable 60% social rented/affordable rent and 40% intermediate	Strategic Local Plan 2011 - 2031 Publication Draft 2016
Dacorum District	Policy CS19 Affordable homes will be provided on sites of a minimum size 0.3 ha or 10 dwellings or more in Hemel Hempstead and	Core Strategy Adopted 25th September 2013 - 2006 – 2031

Local Authority	Affordable Housing Targets (%)	Source
	elsewhere on sites of a minimum size of 0.16 ha or 5 dwellings or more. 35% of new dwellings should be affordable. On Rural housing sites 100% of all new homes will normally be affordable. 75% will be social/affordable rent	
Aylesbury Vale District	Residential developments of 11 or more dwellings or sites of 0.3 ha or more will be required to provide a minimum of 25% affordable homes	Vale of Aylesbury Local Plan – Proposed Submission 2013 -2033
Milton Keynes	Development proposals for 11 or more homes should provide at least 31% and generally no more than 50% of those homes as affordable housing. The tenure mix of affordable housing to be provided will consist of: 25% of units for rent at a range of rental levels up to 80% of market rents, under the Affordable Rent model, including approximately 5% of the total affordable provision at a level broadly equivalent to Social Rent (at the time an application is considered). 6% Shared Ownership (based on a range of 25%-40% equity share).	Milton Keynes Council: Local Plan Proposed Submission October 2017
Bedford	Policy CP8 – Affordable Housing in the Borough On sites of 15 units and over (or 0.5ha and over) and in villages having a population of less than 3,000 on sites of 3 dwellings or more (or 0.1ha and over) the council will expect the provision of 30% affordable housing.	Core Strategy & Rural Issues Plan April 2008

Source: AspinallVerdi

4 Viability Assessment Method

4.1 In this section of the report we set out our methodology to establish the viability of the various land uses and development typologies described in the following sections. We also set out the professional guidance that we have had regard to in undertaking the economic viability appraisals and some important principles of land economics.

The Harman Report

4.2 The Harman report 'Viability Testing Local Plans'[52] (June 2012) refers to the concept of 'Threshold Land Value' (TLV). We adopt this terminology throughout this report as it is an accurate description of the important value concept. Harman states that the *'Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development.'*[53]

4.3 The Harman report also advocates that when considering the appropriate Threshold Land Value, consideration should be given to *'the fact that **future plan policy requirements will have an impact on land values and owners' expectations'**.* In this context Harman is concerned that *'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'*[54]*.* (our emphasis)

4.4 Harman does still acknowledge that reference to market values will provide a useful 'sense check' on the Threshold Land Values that are being used in the appraisal model; however*, 'it is not recommended that these are used as the basis for input into a model'.*[55]

4.5 Harman recommends that '*the Threshold Land Value is based on a premium over current use values and 'credible' alternative use values'.* However, the report accepts that *'alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses.'*[56]

4.6 The Harman report does not state what the premium over existing use value should be, but states that this should be 'determined locally' – but then goes on to state that *'there is evidence*

[52] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report)
[53] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 28
[54] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
[55] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
[56] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29

that it represents a sufficient premium to persuade landowners to sell'[57]. This takes us back to a Market Value approach (see RICS guidance below).

4.7 The guidance further recognises that in certain circumstances, particularly in areas where landowners have '*long investment horizons'* (e.g. family trusts, The Crown, Oxbridge Colleges, Financial Institutions), '*the premium will be higher than in those areas where key landowners are more minded to sell'*[58]. An example of this is in relation to large urban extensions where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset. In this scenario the uplift on current use value will invariably be significantly higher than those in an urban context. In reconciling such issues, Harman stresses the **importance of using local market evidence** as a means of providing a sense check.

4.8 The Harman report clearly favours an approach to benchmarking which is based on current / existing use value plus a premium. However, this is not how the market works in practice as property is transacted by reference to the Market Value which for development land is derived from the Residual Land Value (RLV). Also, to determine the existing use value you need to know the use which is to be redeveloped. This is relevant for site-specific S106 negotiations but is more problematic for hypothetical typologies for a District-wide strategic context. At numerous points throughout the document, Harman advocates, that the outcome of this approach will need to be 'sense checked' against **local market evidence** (pages 29, 30, 31, 34, 36, 40).

4.9 Indeed the report does acknowledge that, *'if resulting Threshold Land Values do not take account [of local market knowledge], it should be recognised that there is an increasing risk that land will not be released and the assumptions upon which a plan is based may not be found sound.'*[59] In this respect we have carried out detailed research into land values building upon the previous work of LSH and Three Dragons (see Appendix 4 – Land Value Paper).

RICS Guidance

4.10 The RICS guidance on Financial Viability in Planning[60] was published after the Harman report in August 2012 (the Harman Report was published in June 2012) and it is much more 'market facing' in its approach.

[57] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
[58] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30
[59] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30
[60] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012

4.11 The RICS guidance is grounded in the statutory and regulatory planning regime that currently operates in England and is consistent with the Localism Act, the NPPF and CIL Regulations.

4.12 Whilst the RICS Guidance and that from the Local Housing Delivery Group can be seen as complementary the RICS guidance provides more technical guidance on determining an appropriate site / benchmark value.

4.13 The RICS Guidance defines financial viability for the purposes of town planning decisions as -

> *An objective financial viability test of the ability of development to meet its costs* ***including the cost of planning obligations****, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer*[61]*.*

4.14 In assessing the impact of planning obligations on the viability of the development process, the Guidance does not specify a prescriptive tool or financial model - albeit it does recognise that it is accepted practice to use a residual valuation model as the appraisal framework.[62]

4.15 However, it does emphasise the '***importance of using market evidence*** *as the best indicator of the behaviour of willing buyers and willing sellers in the market*'[63]. The Guidance warns that -

> *where planning obligation liabilities reduce the Site Value to the landowner and return to the developer below an appropriate level, land will not be released and/or development will not take place. This is recognised in the NPPF.*[64]

4.16 The RICS Guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a [threshold land value] benchmark, 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*[65] *(Box 7)* (our emphasis)

4.17 The guidance also advocates that any assessment of site value will need to consider prospective planning obligations and recommends that a second assumption be applied to the aforementioned definition of site value, when undertaking Local Plan or CIL (area wide) viability testing. This is set out below -

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[61] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012 paragraph 2.1.1
[62] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012 page 16
[63] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012 paragraph 3.1.4
[64] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012 paragraph 2.1.4
[65] This includes all Local Plan policies relevant to the site and development proposed

Site value (as defined above) may need to be further ***adjusted to reflect the emerging policy / CIL charging level.*** *The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted…* (Box 8) (our emphasis)

Guidance on Land Value Adjustments

4.18 A number of Planning Inspectorate reports have commented upon the critical issue of land value, as set out below.

Mayor of London CIL (Jan 2012)

4.19 The impact on land value of future planning policy requirements e.g. CIL [or revised Affordable Housing targets] was contemplated in the Examiner's report to the Mayor of London CIL (January 2012)[66].

4.20 Paragraph 32 of the Examiner's report states:

…the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but ***a reduction in development land value is an inherent part of the CIL concept****. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges.* (our emphasis)

Greater Norwich CIL (Dec 2012)

4.21 The Greater Norwich Development Partnership's CIL Examiner's report adds to this -

Bearing in mind that the cost of ***CIL needs to largely come out of the land value****, it is necessary to establish a threshold land value i.e. the value at which a typical willing landowner is likely to release land for development. Based on market experience in the Norwich area the Councils' viability work assumed that* ***a landowner would expect to receive at least 75% of the benchmark value****. Obviously what individual land owners will accept for their land is very variable and often depends on their financial circumstances. However in the absence of any contrary evidence* ***it is reasonable to***

[66] Holland, K (27 January 2012) Report on the Examination of the Draft Mayoral Community Infrastructure Levy Charging Schedule, The Planning Inspectorate, PINS/K5030/429/3

see a 25% reduction in benchmark values as the maximum *that should be used in calculating a threshold land value*[67]*.* (our emphasis)

Sandwell CIL (Dec 2014)

4.22 Furthermore, the Examiner's report for the Sandwell CIL states -

> *The TLV is calculated in the VAs [Viability Assessments] as being* ***75% of market land values*** *for each typology. According to the CA, this way of calculating TLVs is based on the conclusions of Examiners in the Mayor of London CIL Report January 2012 and the Greater Norwich Development Partnership CIL Report December 2012.* ***This methodology was uncontested.***[68]

4.23 These all support a 'policy' adjustment of a 25% reduction from 'Market Value' to allow for emerging policy. Note that all these decisions and precedents are now quite historic.

4.24 This assumes that the starting Market Value is a 'policy compliant' Market Value as opposed to a 'frothy' asking value which is not policy compliant, as one would not need to adjust for emerging policies from 'asking values'.

4.25 More recently greater emphasis is being placed on the existing use value (EUV) + premium approach to planning viability to break the circularity of ever increasing land values. This circularity is described in detail in the research report by the University of Reading, 'Viability and the Planning System: The Relationship between Economic Viability Testing, Land Values and Affordable Housing in London' (January 2017) and the policy response considered in the new Mayor of London SPD 'Homes for Londoners' (August 2017).

HCA Transparent Viability Assumptions (August 2010)

4.26 In terms of the EUV + premium approach, the HCA (in August 2010) published a consultation paper on transparent assumptions for Area Wide Viability Modelling[69].

4.27 This notes that, '*typically, this gap or premium will be expressed as a percentage over EUV for previously developed land and as a multiple of agricultural value for greenfield land*'[70].

4.28 It also notes that benchmarks and evidence from planning appeals tend to be in a range of '***10% to 30% above EUV in urban areas****. For greenfield land, benchmarks tend to be in a range of* ***10 to 20 times agricultural value***'[71].

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[67] Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, by Keith Holland BA (Hons) Dip TP, MRTPI ARICS, 4 December 2012, File Ref: PINS/G2625/429/6 – paragraph 9

[68] Report to Sandwell Metropolitan Borough Council by Diana Fitzsimons MA MSc FRICS MRTPI an Examiner appointed by the Council, 16 December 2014, File Ref: PINS/G4620/429/9 - paragraph 16

[69] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version

[70] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.3

4.29 As mentioned above emerging practice has tended to use the existing use value plus premium approach to land value. This is useful to help 'triangulate' the market value for a particular site, but there also needs to be consideration to the property market evidence if the Plan is to be grounded in reality and therefore deliverable.

4.30 Due to ever increasing land values (partly driven by developers negotiating a reduction in policy obligations on grounds of 'viability') we are finding that the range between existing use value (EUV) and 'Market Values' and especially asking prices is getting larger. Therefore 20 x EUV and 25% reduction from 'Market Value' may not 'meet in the middle' and it is therefore a matter of judgement what the TLV should be.

Brownfield / Greenfield Land Economics

4.31 CIL [and all planning gain e.g. affordable housing] has its roots in the perceived windfall profit arising from the release of greenfield land by the planning system to accommodate new residential sites and urban extensions[72]. However, lessons from previous attempts to tax betterment[73] show that this is particularly difficult to achieve effectively without stymieing development. It is even harder to apply the concept to brownfield redevelopment schemes with all attendant costs and risks. The difference between greenfield and brownfield scheme economics is important to understand for affordable housing targets, plan viability and CIL rate setting.

4.32 The timing of redevelopment and regeneration of brownfield land particularly is determined by the relationship between the value of the site in its current [low value] use ("Existing Use Value") and the value of the site in its redeveloped [higher value] use ("Alternative Use Value") – less the costs of redevelopment. Any planning gain which impacts on these costs will have an effect on the timing of redevelopment. This is relevant to consider when setting the 'appropriate balance'.

4.33 Fundamentally, CIL is a form of 'tax' on development as a contribution to infrastructure. By definition, any differential rate of tax/CIL will have a distorting effect on the pattern of land uses. The question as to how this will distort the market will depend upon how the CIL is applied.

4.34 Also, consideration must be given to the 'incidence' of the tax i.e. who ultimately is responsible for paying it i.e. the developer out of profit, or the landowner out of price (or a bit from each).

[71] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.5
[72] See Barker Review (2004) and Housing Green Paper (2007)
[73] the 2007 Planning Gain Supplement, 1947 'Development Charge', 1967 'Betterment Levy' and the 1973 'Development Gains Tax' have all ended in repeal

4.35 This is particularly relevant in the context of brownfield sites in the town centres and built up areas. Any CIL on brownfield redevelopment sites will impact on the timing and rate of redevelopment. This will have a direct effect on economic development, jobs and growth.

4.36 In the brownfield context redevelopment takes place at a point in time when buildings are economically obsolete (as opposed to physically obsolete). Over time the existing use value of buildings falls as the operating costs increase, depreciation kicks in and the rent falls by comparison with modern equivalent buildings. In contrast the value of the next best alternative use of the site increases over time due to development pressure in the urban context (assuming there is general economic growth in the economy). Physical obsolescence occurs when the decreasing existing use value crosses the rising alternative use value.

4.37 However, this is not the trigger for redevelopment. Redevelopment requires costs to be incurred on site demolition, clearance, remediation, and new build construction costs. These costs have to be deducted from the alternative use value 'curve'. The effect is to extend the time period to achieve the point where redevelopment is viable.

4.38 This is absolutely fundamental for the viability and redevelopment of brownfield sites. Any tariff, tax or obligation which increases the costs of redevelopment will depress the net alternative use value and simply extend the timescale to when the alternative use value exceeds the existing use value to precipitate redevelopment.

4.39 Contrast this with the situation for development on greenfield land. Greenfield sites are constrained by the planning designation. Once a site is 'released' for development there is significant step up in development value – which makes the development economics much more accommodating than brownfield redevelopment. There is much more scope to capture development gain, without postponing the timing of development.

4.40 That said, there are some other important considerations to take into account when assessing the viability of greenfield sites. This is discussed in the Harman Report[74].

4.41 The existing use value may be only very modest for agricultural use and on the face of it the landowner stands to make a substantial windfall to residential land values. However, there will be a lower threshold (Threshold Land Value) where the land owner will simply not sell. This is particularly the case where a landowner *'is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'*[75] Accordingly, the 'windfall' over the existing use value will have to be a sufficient incentive to release the land and forgo the future investment returns.

[74] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) pp 29-31
[75] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

4.42 Another very important consideration is the promotional cost of strategic greenfield sites. We note there are various Strategic Urban Extension sites identified within Central Bedfordshire. The threshold land value therefore needs to take into account of the often substantial planning promotion costs, option fees etc. and the return required by the promoters of such sites. *'This should be borne in mind when considering the [threshold] land value adopted for large sites and, in turn, the risks to delivery of adopting too low a [threshold] that does not adequately and reasonably reflect the economics of site promotion…'* [76]

4.43 This difference between the development 'gain' in the context of a greenfield windfall site and the slow-burn redevelopment of brownfield sites is absolutely fundamental to the success of any regime to capture development gain such as CIL. It is also key to the 'incidence' of the tax i.e. whether the developer or the land owner carries the burden of the tax.

4.44 In the case of Central Bedfordshire, the vast majority of proposed housing sites coming forward are greenfield sites and therefore we have focussed our scheme typologies on these sites.

Land Economics Summary

4.45 A very important aspect when considering plan viability is an appreciation of how the property market for development land works in practice.

4.46 Developers have to secure sites and premises in a competitive environment and therefore have to equal or exceed the landowners' aspirations as to value for the landowner to sell. From the developers' perspective, this price has to be agreed often many years before commencement of the development. The developer has to subsume all the risk of: ground conditions; obtaining planning permission; funding the development; finding a tenant/occupier; increases in constructions costs; and changes to the economy and market demand etc. This is a significant amount of work for the developer to manage; but this is the role of the developer and to do so the developer is entitled to a 'normal' developers' profit.

4.47 The developer will appraise all of the above costs and risks to arrive at their view of the residual site value of a particular site.

4.48 To mitigate some of these risks developers and landowners often agree to share some of these risks by entering into arrangements such as: Market Value options based on a planning outcome; 'subject to planning' land purchases'; and / or overage agreements whereby the developer shares any 'super-profit' over the normal benchmark.

4.49 From the landowners' perspective, they will have a preconceived concept of the value or worth of their site. This could be fairly straight-forward to value, for example, in the case of greenfield

[76] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 31

agricultural land which is subject to per hectare benchmarks. However, in the case of brownfield sites, the existing use value could be a lot more subjective depending upon the previous use of the property; the condition of the premises; contamination; and/or any income from temporary lets, car parking and advertising hoardings etc. Also, whilst (say) a former manufacturing building could have been state-of-the-art when it was first purchased by the landowner, in a redevelopment context it might now be the subject of depreciation and obsolescence which the landowner finds difficult to reconcile. Accordingly, the existing use value is much more subjective in a brownfield context.

4.50 Furthermore, where there is a possibility of development the landowner will often have regard to 'hope value'. Hope value is the element of open market value of a property in excess of the existing use value, reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which would elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented. Therefore, in a rising market landowners may often have high aspirations of value beyond that which the developer can justify in terms of risk and in a falling market the land owner my simply 'do nothing' and not sell in the prospect of a better market returning in the future. The actual amount paid in any particular transaction is the purchase price and this crystallises the value for the landowner.

4.51 Hence land 'value' and 'price' are two very different concepts which need to be understood fully when formulating planning policy and CIL. The incidence of any tax/CIL to a certain extent depends on this relationship and the individual circumstances. For example, a farmer with a long-term greenfield site might have limited 'value' aspirations for agricultural land – but huge 'price' aspirations for residential development. Whereas an existing factory owner has a much higher value in terms of sunk costs and investment into the existing use and the tipping point between this and redevelopment is much more marginal.

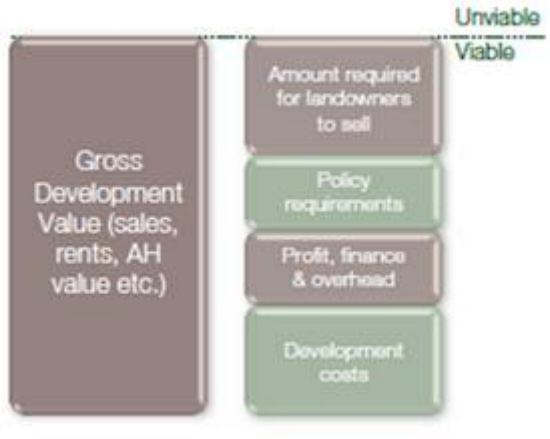
4.52 Detailed research and analysis in respect of land values (Threshold Land Values) set out within the Land Market paper appended (Appendix 4).

Viability Modelling Best Practice

4.53 The general principle is that CIL/planning obligations including affordable housing (etc.) will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between the land economics and every development scheme is different. Therefore, in order to derive the potential CIL/planning obligations and understand the 'appropriate balance' it is important to understand the micro-economic principles which underpin the viability analysis.

4.54 The uplift in value is calculated using a RLV appraisal. Figure 4.1 below, illustrates the principles of a RLV appraisal.

Figure 4.1 - Elements Required for a Viability Assessment



Source: Local Housing Delivery Group, 2012[77]

4.55 Our specific appraisals for each for the land uses and typologies are set out in the relevant section below.

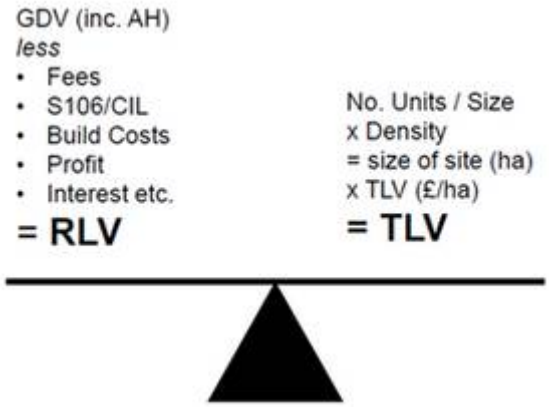
4.56 A scheme is viable if the Gross Development Value (GDV) of the scheme is greater than the total of all the costs of development including land acquisition, planning obligations and profit. Conversely, if the GDV is less than the total costs of development (including land, S106s and profit) the scheme will be unviable.

However, in order to advise on the ability of the proposed uses/scheme to support affordable housing and CIL/planning obligations we have benchmarked the residual land values (RLV) from the viability analysis against existing or alternative land use relevant to the particular typology – the Threshold Land Value (TLV). This is illustrated in

[77] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 25

4.57 Figure 4.2 below.

Figure 4.2 - Balance between RLV and TLV



Source: AspinallVerdi © Copyright

How to Interpret the Viability Appraisals

4.58 In development terms, the price of a site is determined by assessment of the residual land value (RLV). This is the gross development of the site (GDV) less ALL costs including planning policy requirements and developers' profit. If the RLV is positive the scheme is 'viable'. If the RLV is 'negative' the scheme is not viable. Part of the skill of a developer is to identify sites that are in a lower value economic uses and purchase / option these sites to (re)develop them into a higher value uses. The landowner has a choice – to sell the site or not to sell their site depending on their individual circumstances. Historically this would be left to 'the market' and there would be no role for planning in this mechanism.

4.59 A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

4.60 However, planning policy in England has become increasingly detached from the development process of real estate. Since the credit crunch planning policy has sought to intervene in the land market by requiring that at [an 'arbitrary'] 'threshold' (TLV) or 'benchmark' land value is achieved as a 'return to the landowner'. This leaves Local Authorities 'open' to negotiations to reduce affordable housing and other contributions on viability grounds which sets up a powerful force of escalating land values (which is prejudicial to delivery in the long term).

4.61 In planning viability terms, for a scheme to come forward for development the RLV for a particular scheme has to exceed the landowner's TLV.

4.62 In Development Management terms every scheme will be different (RLV) and every landowner's motivations will be different (TLV).

For Plan Making purposes it is important to benchmark the RLV's from the viability analysis against existing or alternative land use relevant to the particular typology – the Threshold Land Value – see

4.63 Figure 4.2 above.

4.64 The results of the appraisals should be interpreted as follows:

- If the 'balance' is positive, then the policy is viable. We describe this as being 'viable for plan making purposes herein'.
- If the 'balance' is negative, then the policy is not viable for plan making purposes and the CIL rates/planning obligations and/or affordable housing targets should be reviewed.

4.65 Thirdly, if the RLV is positive, but the appraisal is not viable due to the TLV assumed – we refer to this as being 'marginal'.

4.66 This is illustrated in the following boxes of our hypothetical appraisals (appended). In this case the RLV at £59.4m is some £37.2m higher than the assumed TLV of £22.2m meaning the balance is positive.

Figure 4.3 - Hypothetical Appraisal, Example of Results

RESIDUAL LAND VALUE					
Residual Land Value (gross)					70,407,546
SDLT		70,407,546	@	5.0%	(4,928,528)
Acquisition Agent fees		70,407,546	@	1.0%	(704,075)
Acquisition Legal fees		70,407,546	@	0.5%	(352,038)
Interest on Land		70,407,546	@	7.0%	(4,928,528)
Residual Land Value (net)		42,496	per plot		**59,494,376**
		1,487,359	£ per ha	601,926 £ per acre	
THRESHOLD LAND VALUE					
Residential Density		35	dph		
Site Area		40.00	ha	98.84 acres	
	density check	3,323	sqm/ha	14,476 sqft/ac	
Threshold Land Value		555,975	£ per ha	225,000 £ per acre	
		15,885	£ per plot		**22,239,000**
BALANCE					
Surplus/(Deficit)		931,384	£ per ha	376,926 £ per acre	37,255,376

Source: AspinallVerdi

4.67 In addition to the above, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of the viability (and particularly the viability buffer); the sensitivity of the appraisals to key variables such as CIL, Affordable Housing, TLV and profit; and to consider the impact of rising construction costs. An example of a sensitivity appraisal and how they are interpreted is shown below.

Community Infrastructure Levy Sensitivity

Figure 4.4 - CIL versus Affordable Housing Sensitivity

		AH - % on site						
Balance (RLV - TLV)	(5,927,970)	20%	25%	30%	35%	40%	45%	50%
	0	37,961,097	31,607,576	25,253,007	18,896,866	12,540,726	6,183,171	(176,105)
	10	37,062,713	30,762,984	24,463,255	18,163,525	11,861,688	5,559,143	(744,142)
	20	36,160,140	29,916,821	23,672,562	17,426,746	11,180,931	4,934,179	(1,314,648)
	30	35,256,516	29,067,430	22,878,344	16,689,259	10,498,400	4,306,623	(1,885,305)
	40	34,348,839	28,216,483	22,083,245	15,948,619	9,813,793	3,678,573	(2,459,036)
CIL £psm	50	33,439,887	27,362,212	21,284,537	15,206,861	9,127,705	3,047,469	(3,032,767)
	60	32,527,078	26,506,454	20,484,964	14,462,091	8,439,228	2,416,276	(3,609,339)
	70	31,612,711	25,647,221	19,681,730	13,716,240	7,749,520	1,781,603	(4,186,314)
	80	30,694,740	24,786,623	18,877,589	12,967,369	7,057,150	1,146,930	(4,765,627)
	90	29,774,868	23,922,346	18,069,824	12,217,301	6,363,757	508,947	(5,345,864)
	100	28,851,707	23,056,883	17,261,046	11,464,259	5,667,472	(129,315)	(5,927,970)
	110	27,926,240	22,187,477	16,448,713	10,709,950	4,970,330	(770,579)	(6,511,488)
	120	26,997,860	21,317,120	15,636,222	9,952,665	4,270,108	(1,412,449)	(7,096,639)
	130	26,066,707	20,442,502	14,818,296	9,194,091	3,568,951	(2,057,253)	(7,683,456)
	140	25,133,077	19,567,224	13,999,813	8,432,291	2,864,770	(2,702,752)	(8,271,706)
	150	24,195,949	18,687,109	13,178,269	7,669,428	2,159,531	(3,351,156)	(8,861,842)
	160	23,257,040	17,806,386	12,354,713	6,903,041	1,451,368	(4,000,305)	(9,453,247)
	170	22,313,842	16,921,183	11,528,524	6,135,864	741,979	(4,652,370)	(10,046,719)
	180	21,369,625	16,034,817	10,699,815	5,364,813	29,812	(5,305,190)	(10,641,334)
	190	20,420,263	15,144,608	9,868,954	4,593,299	(683,797)	(5,960,979)	(11,238,162)
	200	19,470,010	14,252,510	9,035,010	3,817,510	(1,399,990)	(6,617,490)	(11,836,044)

Source: AspinallVerdi

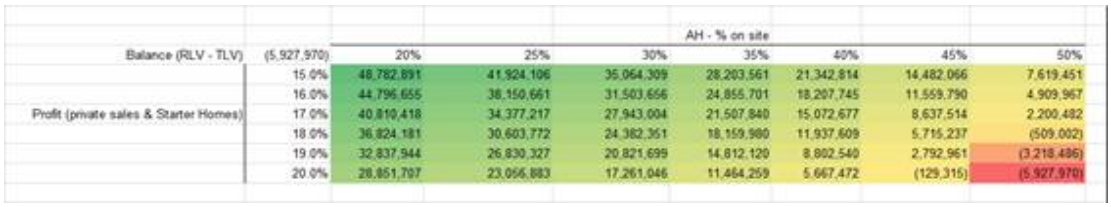
4.68 This table shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- You should be able to find the appraisal balance by looking up the base case AH% (35%, 40% or 50%) and the base case CIL (£0, £100, £200 psm)
- Higher % levels of AH will reduce the 'balance' and if the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. TLV, Profit (see below)).
- Lower % levels of AH will increase the 'balance' and if the balance is positive then the scheme is viable in Plan Making terms
- Similarly, higher levels of CIL (£ psm) will reduce the 'balance'
- And, lower levels of CIL (£ psm) will increase the 'balance'

4.69 In addition to the sensitivity of potential CIL on the affordable housing, we have also included a sensitivity of the impact of site specific S106s on affordable housing and viability. This shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of site specific S106 (ranging from £15,000 per unit to £35,000 per unit) across the rows.

Profit Sensitivity

Figure 4.5 - Profit versus Affordable Housing Sensitivity



		AH - % on site						
Balance (RLV - TLV)	(5,927,970)	20%	25%	30%	35%	40%	45%	50%
	15.0%	48,782,891	41,924,106	35,064,309	28,203,561	21,342,814	14,482,066	7,619,451
	16.0%	44,796,655	38,150,661	31,503,656	24,855,701	18,207,745	11,559,790	4,909,967
Profit (private sales & Starter Homes)	17.0%	40,810,418	34,377,217	27,943,004	21,507,840	15,072,677	8,637,514	2,200,482
	18.0%	36,824,181	30,603,772	24,382,351	18,159,980	11,937,609	5,715,237	(509,002)
	19.0%	32,837,944	26,830,327	20,821,699	14,812,120	8,802,540	2,792,961	(3,218,486)
	20.0%	28,851,707	23,056,883	17,261,046	11,464,259	5,667,472	(129,315)	(5,927,970)

Source: AspinallVerdi

4.70 This figure shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of Profit (%) down the rows. Thus:

- The Affordable Housing (%) should be interpreted as for the S106 v AH sensitivity above.
- Higher levels of Profit (%) will increase the return to the developer, but with a corresponding reduction in RLV and therefore reduce the 'balance' for a given TLV
- Conversely, lower levels of Profit (%) will reduce the return to the developer, and increase the RLV and therefore increase the 'balance' for a given TLV.

Threshold Land Value Sensitivity

Figure 4.6 - TLV versus Affordable Housing Sensitivity

		AH - % on site						
Balance (RLV - TLV)	27,504,466	20%	25%	30%	35%	40%	45%	50%
	225,000	48,353,962	42,559,137	36,763,301	30,966,514	25,169,727	19,372,940	13,574,285
	300,000	39,995,853	34,201,028	28,405,191	22,608,404	16,811,618	11,014,831	5,216,176
	375,000	31,637,744	25,842,919	20,047,082	14,250,295	8,453,508	2,656,721	(3,141,933)
TLV (per acre)	450,000	23,279,635	17,484,810	11,688,973	5,892,186	96,399	(5,701,388)	(11,500,042)
	525,000	14,921,526	9,126,701	3,330,864	(2,465,923)	(8,262,710)	(14,059,497)	(19,858,151)
	600,000	6,563,417	768,592	(5,027,245)	(10,824,032)	(16,620,819)	(22,417,606)	(28,216,260)
	675,000	(1,794,692)	(7,589,517)	(13,385,354)	(19,182,141)	(24,978,928)	(30,775,715)	(36,574,369)
	750,000	(10,152,801)	(15,947,626)	(21,743,463)	(27,540,250)	(33,337,037)	(39,133,824)	(44,932,478)
	825,000	(18,510,910)	(24,305,735)	(30,101,572)	(35,898,359)	(41,695,146)	(47,491,933)	(53,290,587)
	900,000	(26,869,020)	(32,663,844)	(38,459,681)	(44,256,468)	(50,053,255)	(55,850,042)	(61,648,696)
	975,000	(35,227,129)	(41,021,953)	(46,817,790)	(52,614,577)	(58,411,364)	(64,208,151)	(70,006,806)
	1,050,000	(43,585,238)	(49,380,062)	(55,175,899)	(60,972,686)	(66,769,473)	(72,566,260)	(78,364,915)
	1,125,000	(51,943,347)	(57,738,171)	(63,534,008)	(69,330,795)	(75,127,582)	(80,924,369)	(86,723,024)
	1,200,000	(60,301,456)	(66,096,280)	(71,892,117)	(77,688,904)	(83,485,691)	(89,282,478)	(95,081,133)
	1,275,000	(68,659,565)	(74,454,389)	(80,250,226)	(86,047,013)	(91,843,800)	(97,640,587)	(103,439,242)
	1,350,000	(77,017,674)	(82,812,498)	(88,608,335)	(94,405,122)	(100,201,909)	(105,998,696)	(111,797,351)
	1,425,000	(85,375,783)	(91,170,607)	(96,966,444)	(102,763,231)	(108,560,018)	(114,356,805)	(120,155,460)
	1,500,000	(93,733,892)	(99,528,716)	(105,324,553)	(111,121,340)	(116,918,127)	(122,714,914)	(128,513,569)

Source: AspinallVerdi

4.71 The figure above shows the sensitivity of the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of TLV (£ per acre) down the rows. Thus:

- The Affordable Housing (%) should be interpreted as for the S106 v AH sensitivity above.

- Higher TLV for Plan Making purposes will reduce the 'balance' and (if negative) show that the Policy is not viable – for that particular typology (and profit margin in the RLV etc.)
- Conversely, lower TLV's will increase the 'balance' and (if positive) show that the Policy is viable.

Density Sensitivity

Figure 4.7 - Density versus Affordable Housing Sensitivity

		AH - % on site						
Balance (RLV - TLV)	(5,927,970)	20%	25%	30%	35%	40%	45%	50%
Density (dph)	28	24,008,289	18,213,464	12,417,628	6,620,841	824,054	(4,972,733)	(10,771,388)
	30	27,302,955	21,508,131	15,712,294	9,915,507	4,118,720	(1,678,067)	(7,476,722)
	32	30,185,789	24,390,964	18,595,128	12,798,341	7,001,554	1,204,767	(4,593,888)
	34	32,729,465	26,934,641	21,138,804	15,342,017	9,545,230	3,748,443	(2,050,212)
	36	34,990,511	29,195,686	23,399,850	17,603,063	11,806,276	6,009,489	210,834
	38	37,013,552	31,218,727	25,422,891	19,626,104	13,829,317	8,032,530	2,233,875
	40	38,834,289	33,039,464	27,243,628	21,446,841	15,650,054	9,853,267	4,054,612

Source: AspinallVerdi

4.72 This sensitivity illustrates the complex nature of development and the sometimes forgotten variables that can have a significant impact on the viability of the Local Plan (and individual schemes).

4.73 The sensitivity shows the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different development densities (dwellings per ha (dph)) down the rows. Thus:

- The Affordable Housing (%) should be interpreted as for the S106 v AH sensitivity above.
- Higher densities of development have the effect of reducing the quantum of land that is required for the particular hypothetical scheme typology which when multiplied by the TLV £ per acre reduces the absolute TLV which increases the 'balance' and (if positive) shows that the Policy is viable
- Conversely, lower development densities increase the quantum of land that is required for the particular hypothetical scheme typology which when multiplied by the TLV £ per acre increases the absolute TLV which reduces the 'balance' and (if negative) shows that the Policy is not viable (in that particular appraisal typology model).

4.74 The sensitivity shows that often small increases to the development density can have significant positive impacts on viability.

Construction Costs Sensitivity

Figure 4.8 - Construction Costs versus Affordable Housing Sensitivity

		AH - % on site						
Balance (RLV - TLV)	37,255,376	20%	25%	30%	35%	40%	45%	50%
Construction Cost (£psm)	96%	56,036,000	49,945,151	43,854,302	37,763,454	31,672,605	25,581,756	19,490,907
	98%	52,547,835	46,482,832	40,417,828	34,352,824	28,287,820	22,221,875	16,155,581
	100%	49,059,671	43,020,512	36,981,228	30,940,802	24,900,376	18,859,951	12,819,525
	102%	45,570,816	39,556,258	33,541,700	27,527,142	21,512,584	15,498,026	9,483,469
	104%	42,079,553	36,090,862	30,102,172	24,113,482	18,124,792	12,134,845	6,144,396
	106%	38,588,289	32,625,467	26,662,645	20,698,863	14,734,307	8,769,751	2,805,195
	108%	35,097,026	29,159,313	23,220,649	17,281,985	11,343,321	5,404,657	(535,821)
	110%	31,603,423	25,690,651	19,777,879	13,865,107	7,951,917	2,035,885	(3,886,831)

Source: AspinallVerdi

4.75 This sensitivity shows the potential impact of increases (and decreases) of construction costs (£ psm) on the viability of the Local Plan (and individual schemes).

4.76 The sensitivity shows the balance (RLV – TLV) for different combinations of Affordable Housing (AH %) across the columns and different % changes to construction costs where 100% is the base case construction cost and 102% represents a 2% increase in costs and 98% represents a -2% decrease in costs and so on.

- The Affordable Housing (%) should be interpreted as for the S106 v AH sensitivity above.
- Higher construction costs result in a lower RLV which reduces the balance.
- Lower construction costs result in a higher RLV which increases the balance.

4.77 As you can see from the above, the typologies are very sensitive to small changes to key inputs and particularly S106, Affordable Housing, TLV and profit. We have also tested a number of typologies representing a number of different sized schemes in the various housing market areas. This has resulted in a large number of appraisal results and exponential number of sensitivity scenarios.

4.78 In making our recommendations we have had regard to the appraisal results and sensitivities 'in the round'. Therefore, if one particular scheme is not viable, whereas other similar typologies are highly viable, we have had regard to the viable schemes in forming policy and cross checked the viability of the outlying scheme against the sensitivity tables (e.g. a small reduction in profit, or a small reduction in TLV which is within the margins of the 'viability buffer').

Category M4(2) Sensitivity

4.79 Finally, we have inserted a sensitivity table which illustrates the impact on viability of different requirements for Cat M4(2) housing on schemes. The policy proposal is for 35% of all units to be designed and developed to Cat M4(2) standards (Accessible and Adaptable housing). We have included sensitivities which show the impact of increases and decreases in this baseline requirement between 25% and 65%.

4.80 As can be seen, due to the relatively small additional cost per unit the sensitivity makes very little difference to the overall viability.

4.81 Note that the appraisals assume 5% of all units to be Category M4(3) Wheelchair Adaptable dwellings.

5 Residential

5.1 The residential section of the report sets out our assumptions in relation to the costs and values assumed for the residential typologies to be appraised.

5.2 This section primarily deals with the rationale behind the costs assumed within our residential typologies (see Appendix 2 – Typologies matrix).

5.3 In terms of values, we append our residential market paper which reviews the existing evidence base and provides a detailed residential market analysis setting out how we have arrived at our assumptions. This report just provides a summary of the findings within this research paper (Appendix 3).

Housing Market Value Zones

5.4 Figure 5.1 below shows the housing market areas identified as part of the CIL preparatory work in 2015 by Three Dragons.

5.5 This was updated by Three Dragons to support the Site Assessment Technical Document in July 2017. This again shows three value zones (Figure 5.2).

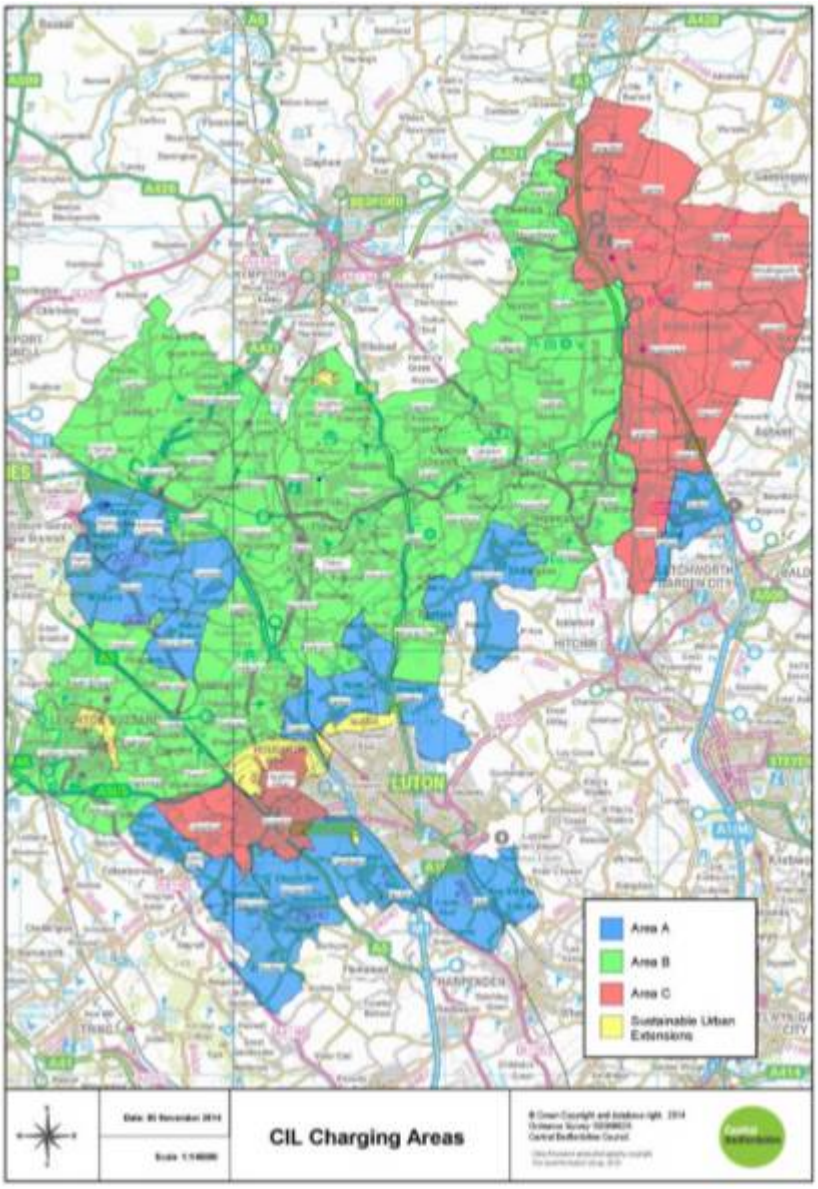
5.6 We have analysed both our datasets (New Build and Second Hand) to establish housing market areas. To achieve this, we have analysed the absolute achieved values (£) for all properties sold across the District within our review period (12 months for new build and 6 months for second hand). We have used the median values as this represents the 'the midpoint of the frequency distribution' within the dataset and provides more of a representation in terms of the values being achieved across the district.

5.7 We have produced maps similar to that of the Three Dragons analysis above and developed these further to produce our own housing zones. These are as follows:

- Higher Value Area; Woburn Sands, Ampthill and Stotfold.
- Medium Value Area: covers the rest of the District.
- Lower Value Area: This covers the area around Luton.

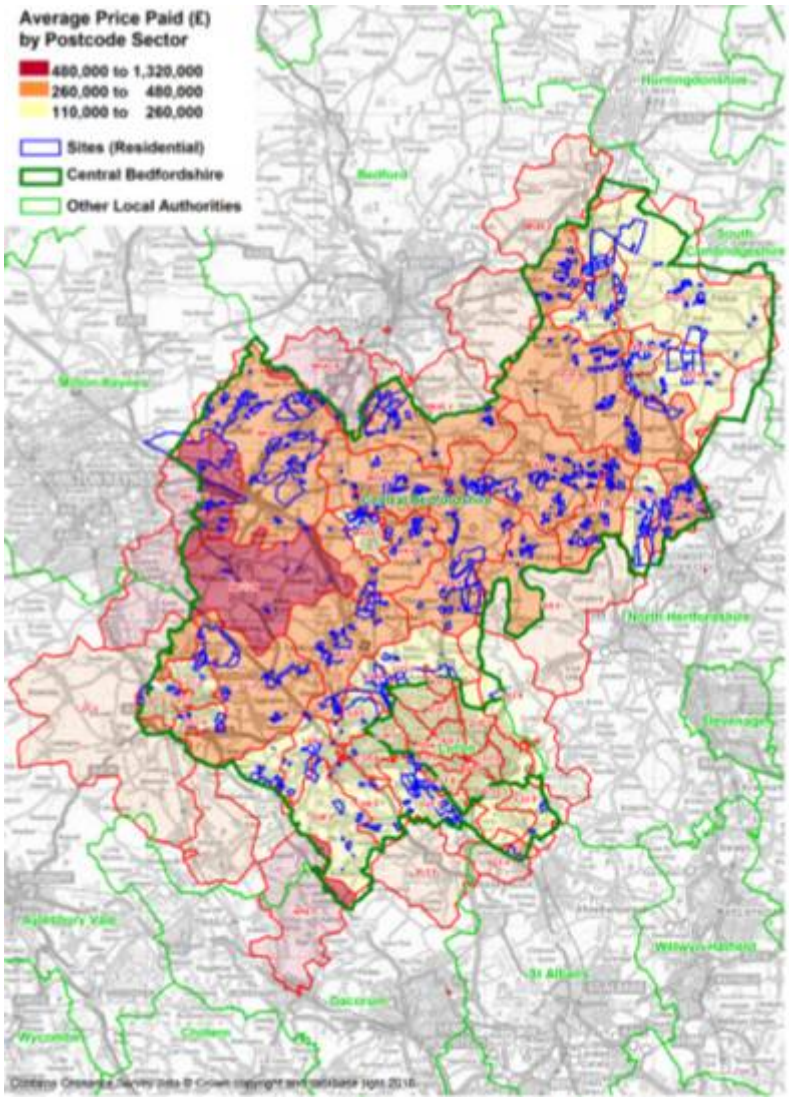
5.8 Figure 5.3 – AspinallVerdi Housing Market Zones - below is a map highlighting these zones. We have applied this geography to inform our typologies and assumptions for sales values and land values.

Figure 5.1 - Housing Market Zones for CIL (2015)



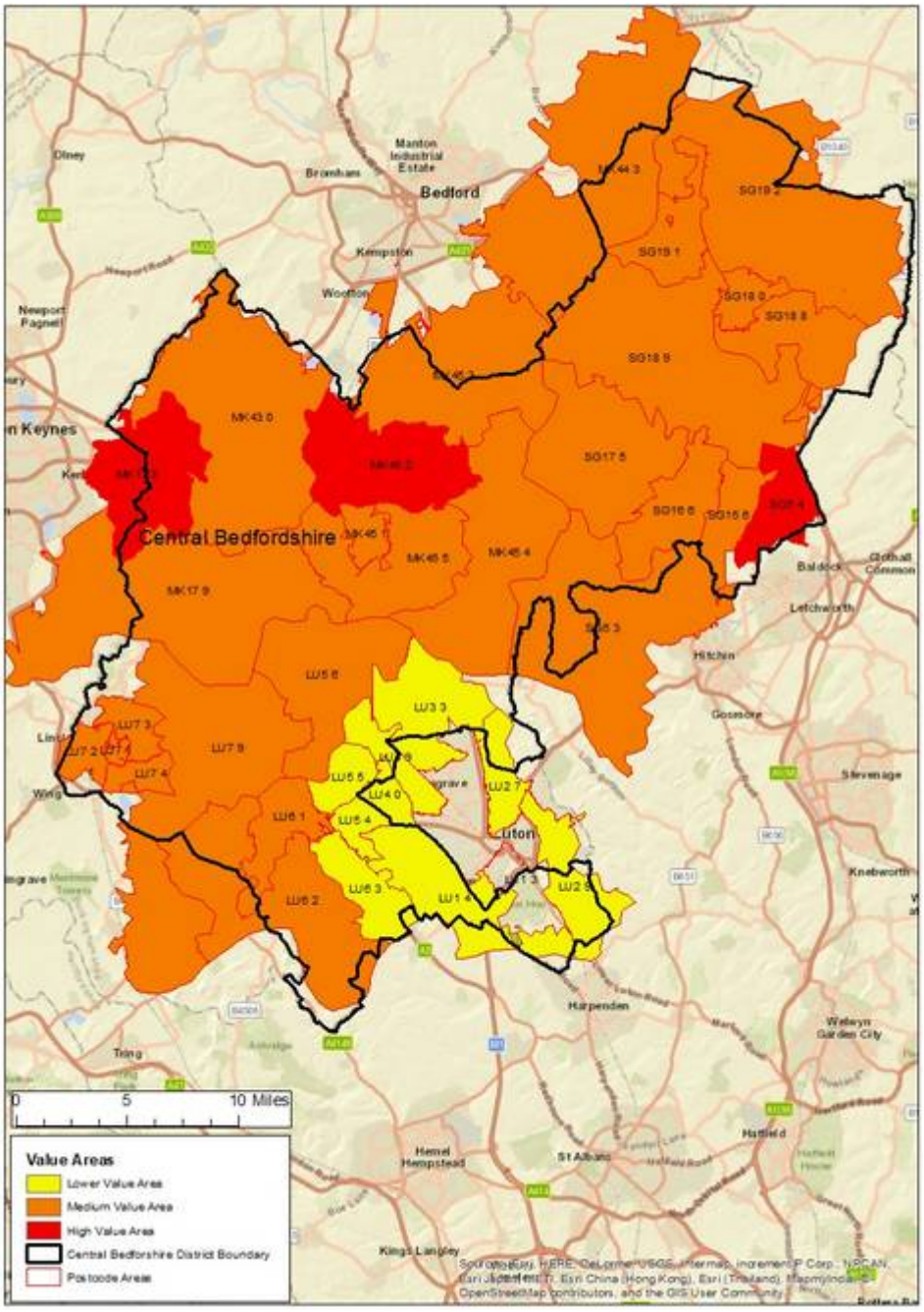
Source: Three Dragons CIL Viability – Refresh, 2015.

Figure 5.2 - Housing Market Zones for Site Assessment (2017)



Source: Residential Development Viability Report, July 2017

Figure 5.3 – AspinallVerdi Housing Market Zones



Source: AspinallVerdi, November 2017

Residential Typology Assumptions

5.9 The detailed typologies are set out in the matrix appended (see Appendix 2). There are a number of assumptions within the matrix which are evidenced below.

5.10 The topologies have been derived by CBC analysis of the site allocations, the SHMA and consideration of the policies.

Number of Units

5.11 CDC has analysed the site allocations to formulate the typologies by size, greenfield / brownfield and location, taking into consideration the housing market areas (from our research (Appendix 3)) and the SHMA.

5.12 In summary we have appraised:

- Each of the strategic sites (SUEs) – typologies A-E
- Small sites of 8 and 10 units in each of the market areas – typologies F-K
- A range of site of between 11 and 350 units in each of the market areas – typologies L-AO
- A 500 unit site in the medium market area – typology AP
- 20 unit brownfield windfall sites in each of the market areas – typologies AQ-AS
- 10 unit RES sites (100% and 80% affordable housing) – typologies AT-AU
- 50 unit Starter Homes sites (100% starter homes) – typologies AV-AW
- Age restricted / sheltered housing and Assisted Living / Extra Care schemes – typologies AX-BA – see section 6 below.

Mix

5.13 We have used the appropriate mix from the CBC SHMA as set out on the typologies matrix appended.

5.14 This varies depending on the size of the scheme and by tenure type.

5.15 The mixes have been formulated based on the SHMA requirements; however there is a degree of engineering to ensure the scheme mix is divisible and realistic based on the number of units within the respective typologies. The mix has been provided by the Council.

5.16 Please see the typologies matrix for the specific mix assumed for each typology (Appendix 2).

Unit Size Assumptions

5.17 CBC Policy H2 requires that space standards are applied in accordance with the Nationally Described Space Standards.

5.18 For the purposes of our appraisals we have ensured that our assumptions meet or exceed the nationally described housing standards by DCLG. In forming our floor area assumptions to be adopted within the appraisals, the nationally described space standards provide a useful benchmark and are our starting point.

5.19 The DCLG minimum floorspace standards are set out on the table below.

Table 5.1 - Technical Housing Standards

Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37)[2]			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	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	4.0
	8p	125	132	138	

Source: Technical housing standards – nationally described space standard (March 2015)

5.20 The DCLG standards set out a complex matrix of house types and storey heights. We have therefore had to simplify this for our analysis.

5.21 We have analysed the units sizes of the new build properties actually constructed within Central Bedfordshire as part of our analysis of the market values £ per square meter. For this purpose we have assumed the following floor areas and applied these to each new build transaction;

Flats are assumed to be one storey (i.e. not maisonettes);

- Up to 50sqm – 1 bed
- 51 – 70 sqm – 2 bed
- 71 – 95 sqm – 3 bed

- 95+sqm 4 bed

For all houses (Detached, Semi Detached and Terrace) assumed to be two storeys;

- Up to 70 sqm – 1 bed
- 71 – 79 sqm – 2 bed
- 80 – 102 sqm – 3 bed
- 103 – 124 sqm – 4 bed
- 125+ - 5 bed+

5.22 From our assumptions set out above;

- 63 of the units sold and recorded on the Land Registry comprised of one, two and three bedroom apartments. The majority (58) being 2 bed apartments which equates to 10% of the overall total of units sold. Four, one bedroom apartments and one, three bed apartment were sold and recorded on the Land Registry.
- 501 of the units sold and recorded on the Land Registry comprised of one to five bedroom houses. The majority (145) being 3 bedroom houses which equates to 26% of the overall total of units sold. Four and Five bedroom houses saw similar amounts of units sold and recorded with 141 and 135 being sold respectively. One and Two bedroom houses saw only 14% (one bed houses 24 and two bed houses 56) of the total units sold.

5.23 Further to this analysis we have produced Table 5.2 - Actual New Build Unit Sizes RangeTable 5.2 below, which provides the range of floor areas attributed to each property type across the district. These floors areas provide an indication as to the floor area assumptions we should use in our appraisals.

Table 5.2 - Actual New Build Unit Sizes Range (sqm)

Postcode	1 Bed Apartment	2 Bed Apartment	3 Bed Apartment	1 Bed House	2 Bed House	3 Bed House	4 Bed House	5 Bed House
LU1						88 - 97		127 - 186
LU5		61 - 70			73 - 79	85 - 101	104 - 113	126 - 192
LU6		54 - 65			74 - 77	89	110 - 124	149
LU7	29	51 - 67	93	39 - 69	71 - 77	82 - 102	103 - 115	134 - 168
MK17					70			128 - 190
MK43				51 - 67	71 - 79	80 - 100	105 -124	127 - 193
MK45		59			73 - 79	86 - 102	104 - 124	127 - 239
SG15							105	
SG17					79	90	103 - 123	143
SG18	49	57 - 68		67 - 69	73 - 79	82 - 102	103 - 122	125 - 166
SG19							107	
SG5							103 - 123	144

Source: 171214 Land Registry New Build Achieved Values v5

5.24 From the analysis above we have used the median floor area for each unit type. These are set out in the table below and have been used within our appraisals.

Table 5.3 – Central Bedfordshire Unit Size Assumptions

Property Type	Size (sqm)
1 bed flat	67
2 bed flat	77
1 bed house	95
2 bed house	111
3 bed house	144
4 bed house	49
5 bed house	63
1 bed bungalow*	50
2 bed bungalow*	61

Source: 171214 Land Registry New Build Achieved Values v5

*For the 1 and 2 bed bungalows we have solely referred to the DCLG standards as the Land Registry does not identify bungalows within the datasets.

Residential Value Assumptions

5.25 The residential market paper appended (Appendix 3) provides the background to the market housing value assumptions presented below.

Market Housing Areas

5.26 We have analysed both New Build and Second Hand actual sales data (based on absolute and £ psm from the EPC database) to establish housing market areas.

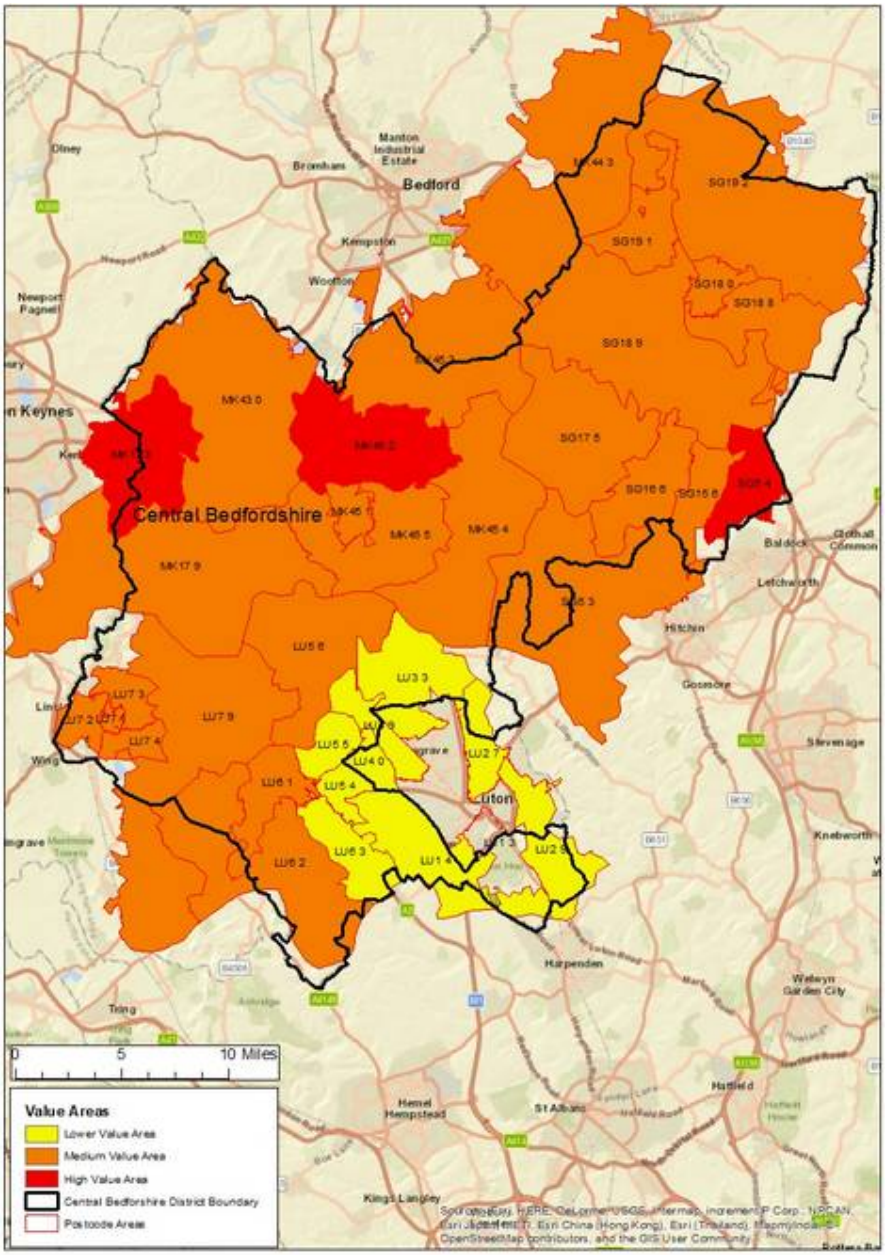
5.27 To achieve this, we have analysed the absolute achieved values (£) for all properties sold across the District within our review period (12 months for new build and 6 months for second hand). We have used the median values as this represents the 'the midpoint of the frequency distribution' within the dataset and provides more of a representation in terms of the values being achieved across the district.

5.28 Our analysis has shown that the district is separated into three value areas. These are as follows:

- Higher Value Area; Woburn Sands, Ampthill and Stotfold.
- Medium Value Area: covers the rest of the District.
- Lower Value Area: This covers the area around Luton.

5.29 Figure 5.4 below is a map highlighting these zones. We have applied this geography to inform our typologies and assumptions for sales

Figure 5.4 - Housing Market Areas / Value Zones



Source: AspinallVerdi, November 2017

5.30 Below we set out our market assumptions having regard to the following:

- our housing market zones;
- new build (achieved and asking) market evidence in sections 4 and 7; and
- floor area assumptions (see the main report).

5.31 The values below have been derived from the median values (£ and £ psm) for each property type across the housing market zones which have then been 'sensed checked' against new build asking price data.

5.32 Table 5.4 sets out our absolute value (£) assumptions for each property type across the value areas.

Table 5.4 - Residential Value Assumptions (£ psm)

Dwelling Type	Lower Value Area (e.g. Luton and Dunstable	Medium Value Area (Rest of District)	High Value Area (e.g. Woburn)
1-Bed Houses	£210,000	£250,000	£275,000
2-Bed Houses	£280,000	£300,000	£375,000
3-Bed Houses	£300,000	£320,000	£425,000
4-Bed Houses	£320,000	£340,000	£420,000
5-Bed Houses	£500,000	£550,000	£600,000
1-Bed Flat	£175,000	£185,000	£275,000
2-Bed Flat	£200,000	£250,000	£325,000
1-Bed Bungalow	£190,000	£250,000	£275,000
2-Bed Bungalow	£250,000	£290,000	£340,000

Source: 171214 Land Registry New Build Achieved Values v5

Affordable Housing Transfer Values

5.33 We have applied transfer values for Central Bedfordshire based on 61% of market value for affordable rent and 73% of market value for low cost home ownership tenure types. This is based on evidence from a registered provider.

Residential Cost Assumptions

5.34 The development costs adopted within our appraisals are evidenced (where necessary) and set out below. Many of these assumptions are consistent with the Three Dragons Viability Study – Refresh (March 2015) and have therefore been consulted upon.

Initial Payments

5.35 Table 5.5 below shows the 'up-front' costs prior-to or at start-on-site.

Table 5.5 - Residential Appraisals Initial Cost Assumptions

Item	Comment
Planning Application Professional Fees and Reports	Allowance for typology, generally 2 times statutory planning fees
Statutory Planning Fees	Based on national formula
CIL/LIT	This is the CIL rate (£ psm) and an input to the CIL sensitivity tables. Note that CBC currently does not have an adopted CIL Charging Schedule and therefore our baseline assumption is £0 psm. We have however sensitivity tested a range of CIL rates from £0 psm up to £200 psm for information should the Council consider the introduction of CIL (or LIT) in the future. Of course, this is also directly relevant to the site-specific assumption made below (there should be no "double-dipping").
Site-Specific S106/S278 and Strategic Infrastructure	Site Specific Allowance for typology – note that this is in addition to external works costs. The appraisals include an allowance of £2,500 per dwelling for typologies with less than 10 units. For typologies >10 units we have assumed a site specific S106 of £21,500. This is based on analysis by CBC and includes for (inter alia): • Primary Healthcare • Public transport contributions • Cycling and walking links • S278 highway improvement costs • S38 adoption costs • Public Art (average £65 per dwelling) • Community Infra Cost • Sports Pavilion • Pitch maintenance 10 years • Sports pitches • 3G Football pitches • GI + Countryside rec space • Cemeteries and associated facilities

Item	Comment
	• Allotments • Cost of Comb LAP/NEAP/LEAP • Cost of MUGA • Indoor leisure • Nursery • Early years • Primary and secondary education (lower, middle and upper schools as well as primary and secondary education where relevant (inclusive of sixth form)). • SEN For the SUEs we have used a generic baseline site specific S106 of £15,000 per unit (for highways) PLUS a range of site specific planning obligations. This are set out on the SUE Assumptions spreadsheets attached at Appendix 7. Note that we have appraised the sensitivity of the £15,000 baseline assumption between £5,000 - £25,000 per unit (this is still PLUS the site specific assumptions). For the generic 500 unit typology (AP) we have assumed a S106 rate of £29,700 per unit to reflect the greater infrastructure cost on a scheme of this size.

Source: AspinallVerdi

Construction Costs

5.36 Table 5.6 summarises our build cost assumptions.

Table 5.6 - Build Cost Assumptions

Item	Cost	Comments
Demolition / Site Clearance	£50,000 per acre	For brownfield typologies we have made an allowance for site clearance / demolition
Estate Housing	£1,195 psm	Median BCIS. This is the median BCIS rate rebased for Bedfordshire (and maximum age of result set to 5 years)
M4(2) Category 2 – Accessible and Adaptable housing	+£521 per unit	DCLG housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).
M4(3) Category 3 - Wheelchair Adaptable dwellings	+£10,307 per unit	Ditto
Water efficiency	£9 per dwelling	

Item	Cost	Comments
requirements		
External Works	15%	The Harman report states, '[external works] are likely to vary significantly from site to site. The planning authority should include appropriate average levels for each type of site unless more specific information is available. Local developers should provide information to assist in this area where they can, taking into account commercial sensitivity.' For the purposes of our appraisal we have used 15% for external works, which we consider is a more than sufficient enough allowance for a plan-wide study (given we have also included 3% contingency).
Contingency	3% of the above construction costs	Higher contingencies are sometimes included in site specific appraisals, but these are generally for specific abnormal costs or ground conditions which are not part of a high level plan wide viability assessment.

Source: AspinallVerdi

Other Cost Assumptions

5.37 Table 5.7 below summarises all the other costs which have factored into the appraisals.

Table 5.7 - Other Cost Assumptions

Item	Cost	Comments
Professional Fees	6.5%	Based on average of recent EVA evidence.
Disposal Costs	3% (Marketing & Disposal) 1% (Sale Agents) 0.5% (Sales Legal Fees)	Note that the marketing and promotion costs have to be considered 'in-the-round' with the sales values and gross profit (where developers have internal sales functions). These costs are consistent with the previous CIL Viability Refresh study (March 2015).
Finance Costs	6% interest rate	This is consistent with the previous CIL Viability Refresh study (March 2015).

Source: AspinallVerdi

Profit Assumptions

5.38 For the purposes of this viability appraisal we have assumed a baseline profit of 20% to the private housing (open market sales (OMS) values) and 6% profit to the on-site affordable housing (where applicable).

5.39 It is important to note that it is good practice for policy obligations not to be set right up to the margins of viability. However, in certain circumstances developers will agree lower profit margins in order to secure planning permission and generate turnover. The sensitivity analyses within the appendices show the 'balance' (i.e. RLV – TLV) for developer's profit from 25% on private housing down to 15%. This clearly shows the significant impact of profit on viability (especially for larger schemes).

5.40 It is important to note in June 2017 there was a decision in respect of the appeal by Gleeson Developments Limited against Barnsley Metropolitan Borough Council concerning a development of 97 units at Lowfield Road, Bolton upon Dearne, Barnsley[78]. Here the Inspector concluded that 'the development could reasonably operate at a profit margin of 17.5% for the market dwellings'. In this case the sites was a greenfield site and the Inspector had 'not been provided with any compelling evidence from the appellant to indicate that there are significant risks associated with developing this site…'

5.41 We therefore consider this **20% profit assumption to be a generous margin** and allows for 'buffer' in addition to the contingency allowance (3% included).

[78] Appeal Ref: APP/R4408/W/17/3170851 - Appeal Decision by Daniel Hartley BA Hons MTP MBA MRTPI an Inspector appointed by the Secretary of State for Communities and Local Government Decision date: 23 October 2017

Residential Land Value Assumptions

5.42 The Land Value Paper (Appendix 4) sets out our approach and analysis of the land market in Central Bedfordshire. Our threshold land value (TLV) assumptions are set out below.

Table 5.8 - Threshold Land Value Assumptions

Typology	Location	Greenfield / Brownfield	EUV -					Uplift Multiplier	TLV -		Policy Adjustment	Asking Values -	
			(per acre) (gross) (rounded)	(per ha) (gross) (rounded)	Net Gross (%)	(per acre) (net)	(per ha) (net)	x [X] x [Y]%	(per acre) (net developable) (rounded)	(per ha) (net developable) (rounded)	- [X] %	(per acre) (net) (rounded)	(per ha) (net) (rounded)
SUE	Lower Value Area (e.g. Luton and Dunstable)	Greenfield	£7,600	£18,800	50%	£15,200	£37,600	11.8	£180,000	£444,800	55.0%	£400,000	£988,400
SUE	Medium Value Area (Rest of District)	Greenfield	£10,800	£26,700	50%	£21,600	£53,400	12.0	£260,000	£642,500	60.0%	£650,000	£1,606,200
SUE	High Value Area (e.g. Woburn)*	Greenfield	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residential	Lower Value Area (e.g. Luton and Dunstable)	Greenfield	£7,600	£18,800	75%	£10,133	£25,067	17.8	£180,000	£444,800	55.0%	£400,000	£988,400
Residential	Medium Value Area (Rest of District)	Greenfield	£10,800	£26,700	75%	£14,400	£35,600	18.1	£260,000	£642,500	60.0%	£650,000	£1,606,200
Residential	High Value Area (e.g. Woburn)	Greenfield	£15,000	£37,100	75%	£20,000	£49,467	18.5	£370,000	£914,300	63.0%	£1,000,000	£2,471,000
Residential - Small Sites (no affordable housing)	All District	Greenfield	£20,800	£51,400	100%	£20,800	£51,400	20.7	£430,000	£1,062,500	57.0%	£1,000,000	£2,471,000
Residential	All District	Brownfield [% uplift]	£260,000	£642,500	100%	£260,000	£642,500	21%	£315,000	£778,400	n/a	n/a	n/a

* There are no strategic sites located in the high value areas

The TLVs in the above table are for 'high-level' plan viability purposes and should be read in the context of the viability report and specifically the context and caveats therein.

The adoption of a particular TLV (£) in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications.

Source: AspinallVerdi (171218 Central Beds_Land Values Research_v4)

5.43 **It is important to note that the TLVs contained herein are for 'high-level' plan viability purposes and the appraisals should be read in the context of the TLV sensitivity table (contained within the appraisals). It is important to emphasise that the adoption of a particular TLV (£) in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications. Where sites have obvious abnormal costs (e.g. retaining walls for sloping sites) these costs should be deducted from the value of the land. The land value for site specific viability appraisals should be thoroughly evidenced having regard to the existing use value of the site. I.e. this report is for plan-making purposes and is 'without prejudice' to future site specific planning applications**.

Residential Viability Results

5.44 We set out below the results of our viability appraisals. For ease of reference, the results are set out by market area and follow our typologies matrix. Where necessary, we provide comment on any nuances in the results.

5.45 The residential appraisals are appended in full at appendix 5. These include a summary table at the end of each batch of appraisals (by grouping as described below).

5.46 Note that in the discussion below we have rounded the values for ease of interpretation.

Typologies A-E: SUEs

5.47 We have appraised the following greenfield SUEs (Strategic Urban Extensions):

- A – 1,500 units East of Biggleswade
- B – 2,000 units East of Arlesey
- D – 4,000 units North Luton (including grant), and
- E – 5,000 units Marston Vale
- (Note that C is unused).

5.48 **All of the SUEs are viable including 30% affordable housing, £15,000 per unit baseline site specific S106 for highways *and* the various additional site specific S106 infrastructure assumptions**.

5.49 We have appraised each of the SUE's based on 35 dph density and the scheme mix as set out on the typologies matrix (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to c£25,730 per unit (Biggleswade) to £29,620 per unit (Marston Value) – see appendix 7. This is *in addition* to the generic £15,000 per unit for strategic highways, taking the total site specific S106 and infrastructure contributions to £40,730 per unit to £44,620 per unit.

5.50 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of 17.26% (17.29% for North Luton due to different housing market zone). The developers profit ranges from £72.8 million for the 1,500 units scheme A to £242 million for the 5,000 unit scheme E.

5.51 All of the SUE appraisals generate a healthy RLV. This ranges from £413,700 per acre / £1,022,000 per hectare in the lower value Luton housing market area (scheme D) to £516,500 per acre / £1,275,000 per hectare for scheme A (which has the highest RLV due to the lowest site specific costs).

5.52 Note that the North Luton scheme (D) includes grant of £32,750,000 (£8,188 per unit). However, even without the grant the scheme generates a RLV of over £310,000 per acre / £770,000 per hectare.

5.53 The TLV is £260,000 per acre / £642,460 per hectare for the medium value zone schemes and £180,000 per acre / £ 444,780 per hectare for the lower value zone Luton scheme (D). See the Land Value paper at appendix 4. Even at these TLV's the total land value is £27,500,000 for the 1,500 unit Biggleswade scheme up to £91,780,000 for the 5,000 unit Marston Vale scheme.

5.54 The surplus of the RLV over the TLV is also very healthy in the context of the SUEs. The surplus over TLV equates to a minimum of £209,500 per acre / £517,700 per hectare (scheme E) up to £256,500 per acre / £633,780 per hectare (scheme A). This represents a significant 'viability buffer'.

5.55 In terms of the sensitivity tables (see final page of each appraisal at appendix 5) the CIL table shows the current situation with £0 CIL (and 30% affordable housing); and also the headroom to charge CIL. Note however, that there should be no 'double dipping' and the infrastructure for the SUEs is included within the site specific S106 assumptions.

5.56 The sensitivity table of the site specific S106s and affordable housing shows that all the schemes are viable (i.e. generate substantial surpluses) when the S106 is increased to £25,000 (from the baseline of £15,000).

5.57 The profit sensitivity table shows that all the SUE schemes are viable even if profit were to be included at 20%. Due to the scale of the SUE schemes a 100 basis points change to the profit can make tens of millions of pounds difference to the profit and therefore the balance (RLV-TLV) – see scheme E.

5.58 The TLV sensitivity table shows that there is considerable scope to increase the TLV assumptions and still the SUE scheme be viable (assuming the baseline 20% developers profit and 30% affordable housing). The medium value zone schemes (A, B and E) are all viable up to the £500,000 per acre TLV where the balance (RLV – TLV) turns from surplus to deficit. Scheme D (the lower value zone scheme) becomes unviable at £450,000 per acre TLV.

5.59 We have carried out sensitivities on the balance (RLV – TLV) for both development density (25 – 35 dph) and on the percentage of Category M4(2) units (25-65%).

5.60 The baseline density assumption is at the upper end of the sensitivity table (35%). In all cases the SUEs remain viable even if the development density were to fall to the lower end of the spectrum (25%).

5.61 The baseline Category M4(2) assumption is 35%. The appraisals all remain viable should this percentage be increased to 65%.

5.62 Finally, the appraisals are quite sensitive to the build cost assumptions. The baseline build rate is based upon BCIS median rates (rebased for Bedfordshire and maximum age of result set to 5 years). These are generally considered to be generous compared to national house builders' construction rates. Note that we have also included 3% contingency and 15% external works costs.

5.63 The baseline construction cost is shown as 100% in the sensitivity tables. In all cases the SUE schemes become unviable at between a 10 and 15% cost increase (110%-115%). This should be closely monitored going forward as construction costs could rise (e.g. if the labour market tightens as a result of Brexit). Note also, however, that cost inflation could be mitigated by house price inflation.

Typologies F-K: Small Sites (8 & 10 Units)

5.64 We have appraised 8 and 10 unit small sites each in the three market zones (high, medium and lower).

5.65 It is important to note that note of these typologies includes affordable housing (as they are below the 10 unit threshold). We have included modest site specific S106s of £2,500 per unit.

5.66 **All of the small sites are viable (excluding affordable housing) including £2,500 per unit baseline site specific S106**.

5.67 We have appraised each of the SUE's based on 30 dph density and the scheme mix as set out on the typologies matrix (appendix 2).

5.68 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of 20% (as there is no affordable housing in these schemes).

5.69 All of the small site appraisals generate a healthy RLV. This ranges from £ 858,380 per acre / £2,121,000 per hectare in the lower value housing market area (scheme K) to £ 1,752,000 per acre / £ 4,329,000 per hectare for scheme I.

5.70 The TLV is £430,000 per acre / £1,062,530 per hectare for all of these small schemes regardless of the housing market zone. See the Land Value paper at appendix 4.

5.71 The surplus of the RLV over the TLV is also very healthy in the context of the small sites. The surplus over TLV equates to a minimum of £ 428,400 per acre / £ 1,058,500 per hectare (scheme K) up to £ 1,321,800 per acre / £ 3,266,100 per hectare (scheme I). This represents a significant 'viability buffer'.

5.72 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), all the sensitivities are 'green' for the 8 and 10 unit schemes in the high and medium value zone (schemes F and I and G and J respectively). This shows a high level of viability.

5.73 Only in the lower value zone do the schemes start to become unviable for plan making purposes (i.e. RLV < TLV) if construction costs increase by 30%. Again this should be monitored, but there is still significant 'buffer' in terms of density, profit and the cost assumptions herein.

5.74 Note that the sensitivity tables have been recalibrated to show affordable housing down to 0% for these small scheme typologies.

Typologies L-W: 11-50 Units

5.75 We have appraised schemes with 11 units, 20 units, 30 units and 50 units in each of the three value zones (high, medium and lower).

5.76 **All of these schemes are viable including 30% affordable housing and £21,200 per unit baseline site specific S106.**

5.77 We have appraised each of the schemes based on 30 dph density and the scheme mix as set out on the typologies matrix (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to £21,200 per unit.

5.78 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of >17% in all cases (there is a slight variation due to the different values for market and affordable housing in each of the zones).

5.79 All of the appraisals generate a healthy RLV. This ranges from £ 475,000 per acre / £1,173,900 per hectare in the lower value housing market area (scheme N – 11 units) and is higher in the larger schemes.

5.80 The TLV ranges from £370,000 per acre / £915,000 per hectare for the high value zone schemes down to £180,000 per acre / £ 444,780 per hectare for the lower value zone. See the Land Value paper at appendix 4.

5.81 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to a minimum of £ 295,000 per acre / £ 728,125 per hectare (scheme N) and again is higher for the larger typologies. This represents a significant 'viability buffer'.

5.82 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), all the sensitivities are 'green' for the schemes in the high value zone (schemes L, O, R and U respectively). This shows a high level of viability.

5.83 Similarly in the medium zones the vast majority of the sensitivity tables are all showing 'green'. Viability only comes into questions in respect of the 11 units scheme (M) once build costs increase by 25% and in the 50 unit scheme once costs increase by 30%. However, there is still significant viability buffer in respect of the other parameters.

5.84 The sensitives for the lower value appraisals show where the margins of viability are. Scheme N (the 11 unit scheme and the weakest in terms of viability of the lower value schemes (up to 50 units)) still shows that there is viability up to a 20% increase in costs. Note that the TLV would have to be £500,000 per acre before the surplus (RLV – TLV) is eroded into a deficit.

Typologies X-AI: 75-200 Units

5.85 We have appraised schemes with 75 units, 100 units, 150 units and 200 units in each of the three value zones (high, medium and lower).

5.86 **All of these schemes are viable including 30% affordable housing and £21,200 per unit baseline site specific S106.**

5.87 We have appraised each of the schemes based on 30 dph density and the scheme mix as set out on the typologies matrix (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to £21,200 per unit.

5.88 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of >17% in all cases (there is a slight variation due to the different values for market and affordable housing in each of the zones and different unit mixes).

5.89 All of the appraisals generate a healthy RLV. This ranges from £475,000 per acre / £1,173,900 per hectare in the lower value housing market area (scheme AC – 100 units) and is higher in the other schemes.

5.90 As before, the TLV ranges from £370,000 per acre / £915,000 per hectare for the high value zone schemes down to £180,000 per acre / £ 444,780 per hectare for the lower value zone. See the Land Value paper at appendix 4.

5.91 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to a minimum of £294,650 per acre / £728,000 per hectare (scheme AC) and again is higher for the other typologies. This represents a significant 'viability buffer'.

5.92 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), all the sensitivities are 'green' for the schemes in the high value zone (schemes X, AA, AD and AG respectively). This shows a high level of viability.

5.93 Similarly in the medium zones the vast majority of the sensitivity tables are all showing 'green'. Viability only comes into question once build costs increase by 30%. However, there is still significant viability buffer in respect of the other parameters.

5.94 The sensitives for the lower value appraisals show where the margins of viability are. As with schemes L-W (11-50 Units) the sensitivities are all generally 'green'. The construction cost sensitivity shows that there is viability up to a 20%-25% increase in costs. Note also that the TLV would have to be £500,000-£550,000 per acre before the surplus (RLV – TLV) is eroded into a deficit.

Typologies AJ-AP: 250-500 Units

5.95 Finally, in terms of greenfield typologies, we have appraised schemes with 250 units and 350 units in each of the three value zones (high, medium and lower). We have also appraised a 500 unit medium value zone scheme.

5.96 **All of these schemes are viable including 30% affordable housing and £21,200 per unit baseline site specific S106 (£29,700 for the 500 unit scheme).**

5.97 Again, we have appraised each of the schemes based on 30 dph density and the scheme mix as set out on the typologies matrix (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to £21,200 per unit (£29,700 for the 500 unit scheme).

5.98 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of >17% in all cases (ditto – as above).

5.99 All of the appraisals generate a healthy RLV. This ranges from £478,000 per acre / £1,181,000 per hectare in the lower value housing market area (scheme AL – 250 units) and is higher in the other schemes.

5.100 As before, the TLV ranges from £370,000 per acre / £915,000 per hectare for the high value zone schemes down to £180,000 per acre / £ 444,780 per hectare for the lower value zone. See the Land Value paper at appendix 4.

5.101 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to a minimum of £298,000 per acre / £736,250 per hectare (schemes AL and AP) and again is higher for the other typologies. This represents a significant 'viability buffer'.

5.102 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), all the sensitivities are 'green' for the schemes in the high value zone (schemes AJ and AM respectively). This shows a high level of viability.

5.103 Similarly in the medium zones the vast majority of the sensitivity tables are all showing 'green'. Viability only comes into question once construction costs increase by 30% (25% for the 500 unit scheme AP). However, there is still significant viability buffer in respect of the other parameters.

5.104 The sensitives for the lower value appraisals show where the margins of viability are. As with schemes L-W (11-50 Units) and X-AI (75-200 Units) the sensitivities are all generally 'green'. The construction cost sensitivity shows that there is viability up to a 25% increase in costs. Note also that the TLV would have to be £500,000 per acre before the surplus (RLV – TLV) is eroded into a deficit.

Typologies AQ-AS: 20 Units Brownfield

5.105 We have appraised a 20 unit brownfield scheme in each of the three value zones (high, medium and lower)

5.106 All of these schemes are viable including 30% affordable housing and £21,200 per unit baseline site specific S106.

5.107 We have appraised each of the schemes based on 30 dph density and the scheme mix as set out on the typologies matrix (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to £21,200 per unit and site clearance costs of £50,000 per acre (reflecting the brownfield typology).

5.108 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of >17% in all cases (there is a slight variation due to the different values for market and affordable housing in each of the zones).

5.109 All of the brownfield appraisals generate a healthy RLV. This ranges from £ 595,800 per acre / £1,472,000 per hectare in the lower value housing market area (scheme AS) and rises to £1,410,000 per acre / £3,484,500 per hectare in the high value housing market area.

5.110 The TLV is £315,000 per acre / £778,400 per hectare for all of these small schemes regardless of the housing market zone. This is because it is impossible to foresee every 'existing use' that might come forward for development in a brownfield context and its associated historical legacy costs. See the Land Value paper at appendix 4.

5.111 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to a minimum of £280,800 per acre / £693,800 per hectare (scheme AS) and again is higher for the other typologies. This represents a significant 'viability buffer'.

5.112 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), all the sensitivities are 'green' for the scheme in the high value zone (scheme AQ). This shows a high level of viability.

5.113 Similarly in the medium zones the vast majority of the sensitivity tables are all showing 'green'. Viability only comes into question once construction costs increase by 25-30%. However, there is still significant viability buffer in respect of the other parameters.

5.114 The sensitives for the lower value appraisal shows where the margins of viability are. Scheme AS still shows that there is viability up to a 15% increase in construction costs. Note also that the surplus (RLV – TLV) for a higher TLV of £550,000 is only eroded into a deficit if affordable housing is increased to 35-40%.

Typologies AT-AU: 10 Unit RES

5.115 We have appraised two RES (Rural Exception Sites) schemes, both in the medium value housing market area. One (AT) is based on 100% affordable housing and the second (AU) assumed 20% of the units are market housing to cross-subsidise the affordable housing.

5.116 Both of these schemes are viable including £2,500 per unit baseline site specific S106.

5.117 We have appraised each of the schemes based on 30 dph density and the scheme mix as set out on the typologies matric (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to £2,500 per unit. We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. For the 100% affordable housing scheme (AT) this results a blended profit of 6% due to the absence of market housing. For the second appraisal at 80% affordable housing (AU) this results in a blended profit of 10.8%.

5.118 Both of the RES appraisals generate a healthy RLV. This ranges from £605,500 per acre / £1,496,000 per hectare for the 100% affordable housing scheme (AT) and is higher for the 80% affordable housing scheme (AU).

5.119 The TLV is £430,000 per acre / £1,062,500 per hectare for both of the RES schemes. See the Land Value paper at appendix 4.

5.120 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to a minimum of £175,500 per acre / £433,600 per hectare for the 100% affordable housing scheme (AT) and is higher for the 80% affordable housing scheme (AU). This represents a significant 'viability buffer'.

5.121 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), the vast majority of the sensitivity tables are all showing 'green'. Viability only comes into question once construction costs increase by 10-15% for the 100% affordable housing scheme (AT) and 20-25% for the 80% affordable housing scheme (AU). This should be closely monitored going forward as construction costs could rise (e.g. if the labour market tightens as a result of Brexit). Note also, however, that cost inflation could be mitigated by house price inflation.

5.122 There is still significant viability buffer in respect of the other parameters.

5.123 Note that the sensitivity tables have been recalibrated to show affordable housing up to 100% and S106 costs between £0 and £10,000 for these RES scheme typologies.

Typologies AV-AW: 50 Units Starter Homes Brownfield

5.124 We have appraised two 50 unit starter home schemes, both on brownfield sites. One (AV) in the high value housing market zone and the second (AW) in the low value zone.

5.125 Both of these schemes are viable including £21,200 per unit baseline site specific S106.

5.126 We have appraised each of the schemes based on 30 dph density and the scheme mix as set out on the typologies matric (appendix 2). We have also included various site specific S106 requirements for infrastructure which equates to £21,200 per unit and site clearance costs of £50,000 per acre.

5.127 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of 6% (as there is no market housing in these schemes).

5.128 Both of these schemes generate a healthy RLV. This ranges from £ 457,800 per acre / £1,131,300 per hectare in the lower value housing market area (AW) to £ 1,245,800 per acre / £3,078,400 per hectare for the high value zone (AV).

5.129 The TLV is £315,000 per acre / £778,400 per hectare for both of these small schemes regardless of the housing market zone. See the Land Value paper at appendix 4.

5.130 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to a minimum of £142,800 per acre / £353,000 per hectare (scheme AW) and is higher for the high value housing market area. This represents a significant 'viability buffer'.

5.131 In terms of the sensitivity tables (see final page of each appraisal at appendix 5), all the sensitivities are 'green' for the scheme in the high value zone (AV). This shows a high level of viability.

5.132 The sensitives for the lower value appraisals show where the margins of viability are. The scheme in the lower value market area still shows that there is viability up to a 10% increase in costs. This should be closely monitored going forward as construction costs could rise (e.g. if the labour market tightens as a result of Brexit). Note also, however, that cost inflation could be mitigated by house price inflation.

5.133 Note that the TLV would have to be £500,000 per acre before the surplus (RLV – TLV) is eroded into a deficit.

5.134 Note that the sensitivity tables have been recalibrated to show affordable housing up to 100% for these starter home typologies.

5.135 We note that the NPPF specifically states that 'local planning authorities should be responsive to local circumstances, and consider whether allowing some market housing would facilitate the provision of rural exception sites to meet local needs'

5.136 This is an option for consideration, however, the danger with the above policy of allowing private housing on rural exceptions sites is that landowners will inevitably think that they can charge more for the land i.e. the threshold land value will go up. Furthermore, the analysis above shows that the market housing is not required (and just leads for further higher land values (the market housing is not a panacea)).

5.137 The Housing White Paper refers to giving, 'much stronger support for 'rural exception' sites that provide affordable homes for local people – by making clear that these should be considered positively where they can contribute to meeting identified local housing needs, even if this relies on an element of general market housing to ensure that homes are genuinely affordable for local people'.

5.138 This helps to strengthen the link between private housing on RES sites, but we still have concerns about introducing market housing onto RES sites. Landowners will not necessarily make the link between the market housing and the cross-subsidy required to the affordable housing. Landowners will see the market housing as the 'thin end of the wedge' which enables them to attribute 'hope value' to much higher land value than they might otherwise expect the receive for just 100% affordable housing - they will want their uplift in value particularly in comparison with allocated sites. There is a danger that market housing on RES sites could result a spiralling land values for this type of development which would be counter-productive.

5.139 It is between the Council and the Registered Providers to retain RES sites with 100% affordable housing, and in the first instance to make up any funding shortfall from the HCA or via internal subsidy from the Registered Providers. However national policy and policy H5 allows for a small element of market housing on RES sites expressly for the sole purpose of making the scheme financially viable (we would add, 'if required').

6 Older Persons Housing

6.1 This section sets out our specific assumptions and appraisal results in respect of older persons housing where these are different to the general needs housing in section 5.

Typology Assumptions

6.2 Table 6.1 outlines our typology assumptions for older persons housing. Note that our typologies are District-wide and on brownfield sites. The typologies appraised are generic typologies.

Table 6.1 – Older Persons Housing Typology Assumptions

	Age Restricted / Sheltered Housing	Assisted Living / Extra-Care Housing
No. of units	55	60
Development Density (dph)	125	100
1 Bed unit size (sqm)	50	60
2 Bed unit size (sqm)	75	80
Non-chargeable communal space (net-to-gross)	75%	65%

Source: AspinallVerdi

6.3 We have appraised flatted typologies and bungalow typologies for both Sheltered Housing and Extra-Care. We have used the same unit size assumptions for each typology.

Value Assumptions

6.4 We have taken into consideration the new build asking price data and the 'rules of thumb' assumptions from the Retirement Housing Group when arriving at our market value assumptions. These are set out below (Table 6.2).

Table 6.2 - Retirement Living/Sheltered Housing Value Assumptions

No. of Beds	Unit Price (£)	Price (£ psm)
1-Bed	£225,000	£4,500
2-Bed	£300,000	£4,000

Source: 171214 Land Registry New Build Achieved Values v5

6.5 Based on the above values, we have applied a 25% premium to establish a value for the extra-care housing:

Table 6.3 - Extra - Care Housing Value Assumptions

No. of Beds	Unit Price (£)	Price (£ psm)
1-Bed	£280,000	£4,667
2-Bed	£375,000	£4,688

Source: 171214 Land Registry New Build Achieved Values v5

6.6 Note that we have also appraisal two bungalow typologies for both Sheltered Housing and Extra-Care. We have used the same unit size assumptions for each typology.

6.7 We are not aware of any current bungalow age exclusive developments currently in Central Bedfordshire in order to derive value comparisons. We have therefore used the greater of our open market bungalow values or the above values for apartment sheltered housing or ECH as appropriate.

Cost Assumptions

6.8 The table below outlines the cost assumptions:

Table 6.4 - Older Persons Housing Construction Cost Assumptions

Typologies	Build Cost	Comments
Sheltered Housing	£1,520 psm (flatted schemes) £1,863 psm (single storey schemes)	Median BCIS. This is the median BCIS rate rebased for Bedfordshire (and maximum age of result set to 5 years) Note that the flatted schemes is based on a 4-storey or above scheme. The single storey scheme rate is assumed for bungalows.
Extra Care Housing	+4%	Based on Retirement Housing Group Viability Base Data evidence[79].
External Works	+10% / 15%	Typical flatted schemes generally have less external areas (e.g. less car parking). This is consistent with the higher development density assumptions. However we have used 15% external works for the bungalow schemes which is consistent with the general needs residential assumptions above.
Contingency	+3%	
Demolition / Site Clearance	£50,000 per acre	For brownfield typologies we have made an allowance of £50,000 per acre for site clearance / demolition.

Source: AspinallVerdi

6.9 The other cost assumptions are the same as for the residential appraisals above.

Land Values

6.10 For the purpose of the older persons housing appraisals, we have included the appropriate brownfield or greenfield TLV from above (see section 5). We have used the medium value zone TLV as a proxy for across the District.

6.11 **Please see the important note on the application of TLVs under the Land Value assumptions in section 5.**

[79] RHG Retirement Housing Group, Retirement Housing Viability Base Data (April 2013) / Briefing Paper for CIL Practitioners Retirement Housing and the Community Infrastructure Levy (June 2013) by Churchill Retirement Living and McCarthy and Stone

Viability Results

6.12 We have tested both Sheltered Housing and Extra-Care typologies across the District, focussing on flatted schemes on previously developed land within the Service Centre locations.

6.13 Key viability issues for these flatted typologies include:

- The high net-to-gross ratio compared to C3 apartment typologies which reduces the saleable area;
- The larger unit sizes which reduces the number of units that can be accommodated within a particular sales area;
- The higher build cost based on the gross area and BCIS data;
- The high development density which reduces the quantum of land assumed and therefore the TLV, but not by enough to off-set the above costs;

6.14 Note also that we have tested Sheltered Housing and Extra-Care typologies based on bungalows on greenfield sites. The key viability issues for these typologies are:

- Relatively high BCIS build cost for the single storey typology which is relatively inefficient;
- Low development density (25 dph) which requires proportionately more land to deliver the same number of units. More land equals a higher TLV.

Typologies AX-AY: Age Restricted / Sheltered Housing

6.15 Due to the above key viability issues, we have prepared two appraisals for the typologies AX and AY, as follows:

- AX / AY – these are policy compliant schemes based on 30% affordable housing;
- AX(2) / AY(2) – these appraisals shows the same schemes, but calculate the equivalent affordable housing contributions as a commuted sum.

6.16 Both the ZX / AY schemes are viable including 30% on-site affordable housing and £2,500 per unit baseline site specific S106.

6.17 We have appraised the brownfield scheme (AX) based on a 125 dph density as this is a flatted scheme (60% 1 bed / 40% 2 bed). We have appraised the greenfield scheme (AY) based on a 25 dph density as this is a bungalow scheme (50% 1 bed / 50% 2 bed). We have also included various site specific S106 requirements for infrastructure which equates to £2,500 per unit.

6.18 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of c17% in both cases. Note that where the affordable housing is delivered by commuted sum, such that there is 100% private housing on the site, the profit returned is the 20%.

6.19 Both of these schemes generate a healthy RLV. This ranges from £392,500 per acre / £969,800 per hectare in the greenfield scheme (AY) to £1,018,600 per acre / £2,517,000 per hectare for the brownfield scheme (AX). The higher RLV for the brownfield scheme is due to the flatted nature of the scheme as opposed to the more expensive construction costs for the bungalows on the greenfield scheme (AX).

6.20 The TLV is £315,000 per acre / £778,400 per hectare for the brownfield scheme and £260,000 per acre / £642,460 per hectare for the greenfield scheme. See the Land Value paper at appendix 4.

6.21 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to £703,600 per acre / £1,738,600 per hectare for the brownfield scheme (AX) and is £132,500 per acre / £327,300 per hectare for the greenfield scheme (AY). This represents a significant 'viability buffer'.

6.22 Through using the goal seek function in appraisals AX(2) and AY(2) we have calculated the commuted sum that produces a surplus equivalent to the surplus produced in AX and AY. This equates to £108 psm for the brownfield site (AX(2)) and c£200 (£198) psm for the greenfield site (AY(2)).

6.23 The profit in these schemes equates to 20% due to there being no affordable housing on site.

6.24 In terms of the sensitivity tables for the on-site affordable housing schemes (AX and AY) (see final page of each appraisal at appendix 6), the majority of the sensitivity tables are all showing 'green'. Viability comes into question for these schemes once costs increase by 10-15%. Note that for the greenfield scheme (AY) the TLV would have to be £400,000 per acre before the surplus (RLV – TLV) is eroded into a deficit.

6.25 The sensitivity analysis for the AX(2) and AY(2) schemes are of little relevance due to the double counting of affordable housing contribution.

Typologies AZ-BA: Assisted Living / Extra-Care Housing

6.26 Similarly, due to key viability issues, we have prepared two appraisals for the typologies AZ and BA, as follows:

- AZ / BA – these are policy compliant schemes based on 30% affordable housing;
- AX(2) / AY(2) – these appraisals shows the same schemes, but calculate the equivalent affordable housing contributions as a commuted sum.

6.27 Both the AZ / BA schemes are viable including 30% on-site affordable housing and £2,500 per unit baseline site specific S106.

6.28 We have appraised the brownfield scheme (AZ) based on a 100 dph density as this is a flatted scheme (60% 1 bed / 40% 2 bed). We have appraised the greenfield scheme (BA) based on a 25 dph density as this is a bungalow scheme (50% 1 bed / 50% 2 bed). We have also included various site specific S106 requirements for infrastructure which equates to £2,500 per unit.

6.29 We have allowed for developers profit based on 20% on the market houses and 6% margin on the affordable housing. This results in a blended profit of 17% in both cases.

6.30 Both of these schemes generate a healthy RLV. This ranges from £431,600 per acre / £1,066,500 per hectare in the brownfield scheme (AZ) to £509,000 per acre / £1,257,703 per hectare for the greenfield scheme (BA). Note that this relationship is the opposite to the Age Restricted / Sheltered Housing typologies above due to the higher construction costs and net-to-gross ratio in the context of Assisted Living / Extra Care housing.

6.31 The TLV is £315,000 per acre / £778,400 per hectare for the brownfield scheme (AZ) and £260,000 per acre / £642,460 per hectare for the greenfield scheme (BA). See the Land Value paper at appendix 4.

6.32 The surplus of the RLV over the TLV is very healthy in the context of these schemes. The surplus over TLV equates to £116,600 per acre / £288,167 per hectare for the brownfield scheme (AZ) and is £249,000 per acre / £615,200 per hectare for the greenfield scheme (BA). This represents a significant 'viability buffer'.

6.33 Through using the goal seek function in appraisals AX(2) and AY(2) we have calculated the commuted sum that produces a surplus equivalent to the surplus produced in AX and AY. This equates to £103 psm for the brownfield site (AZ(2)) and £211 psm for the greenfield site (BA(2)).

6.34 The profit in these schemes equates to 20% due to there being no affordable housing on site.

6.35 In terms of the sensitivity tables for the on-site affordable housing schemes (AX and AY) (see final page of each appraisal at appendix 6), the majority of the sensitivity tables are all showing 'green'. The surplus (RLV – TLV) is eroded into a deficit for the brownfield scheme (AZ) with just a 5% increase in costs. For the greenfield scheme (BA) there is viability up to a 15% increase in costs. Note that the TLV would have to be £450,000 per acre for the brownfield site and £500,000 per acre for the greenfield site before the surplus (RLV – TLV) is eroded into a deficit.

6.36 The sensitivity analysis for the AZ(2) and BA(2) appraisals are of little relevance due to the double counting of affordable housing contribution.

7 Conclusions and Recommendations

7.1 In this section we draw together the results summary tables from the viability modelling.

Residential Uses

7.2 Based on the residential viability results above, we recommend that:

i The affordable housing policy of 30% is viable across the District having regard to the cumulative impact of the Plan policies.

ii Rural Exceptions Sites (RES) are maintained as just that, exceptions. Any policy to enable affordable housing on RES schemes by the introduction of market housing has the potential to raise land values and landowners apply 'hope value' for future open market residential development. This outcome would not facilitate the delivery of affordable housing in rural areas.

iii Consequently, based on the assumptions, appraisals and sensitivity analyses' contained herein, the proposed policies do not undermine the viability of residential development on the whole within the District. We acknowledge that there will always be schemes at the margins (depending on site specific characteristics), but the Local Plan (policy H4) states that, 'where policy compliant affordable housing cannot be achieved, viability will determine affordable housing provision on a case by case basis.'

Supported Living

7.3 In addition to the above we make the following recommendations in respect of supported living typologies:

iv The equivalent commuted sums for Age Restricted / Sheltered Housing and Assisted Living / Extra Care Homes on brownfield sites are £108 psm and £103 psm respectively. This can be rounded to say £100 psm.

v The equivalent commuted sums for Age Restricted / Sheltered Housing and Assisted Living / Extra Care Homes on greenfield sites are £198 psm and £211 psm respectively. This can be rounded to say £200 psm.

7.4 In addition, we recommend that, in accordance with best practice, the plan wide viability is reviewed on a regular basis to ensure that the plan remains relevant as the property market cycle(s) change.

7.5 Furthermore, to facilitate the process of review, we recommend that the Council monitors the development appraisal parameters herein, but particularly data on land values across the District.