HEREFORDSHIRE COUNCIL UPDATED ECONOMIC VIABILITY ASSESSMENT

Whole plan viability and viability evidence for development of a Community Infrastructure Levy Charging Schedule

Three Dragons – February 2013

DRAFT FINAL REPORT

Three Dragons

This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and non-residential model and is based on local data supplied by Herefordshire Council, consultation and quoted published data sources. The toolkit provides a review of the development economics of a range of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

CONTENTS

EXECUTIVE SUMMARY

Overview

1. Three Dragons was commissioned by Herefordshire Council to produce the Council's Economic Viability Assessment (EVA) to assess the economic viability of residential and non residential development. The information will be used to i) to inform the Council's policies and proposals, in particular the submission stage of the Local Plan, ii) help develop the process of infrastructure delivery planning and iii) to inform the preparation of a charging schedule for the use of the Community Infrastructure Levy (CIL) and/or review of planning obligations.

2. In parallel to the EVA, the Council has prepared a Draft Infrastructure Delivery Plan (IDP) which details the infrastructure needed to support the delivery of the Local Plan. The funding gap for delivering this infrastructure will be the basis for the CIL tariff.

3. The approach taken in the EVA is consistent with the National Planning Policy Framework and DCLG guidance on preparing CIL charging schedules[1]. Critically, the EVA is consistent with the DCLG guidance that states:

   "*Charging authorities will need to be able to show why they consider that the proposed levy rate(s) sets an appropriate balance between the need to fund infrastructure, and the potential implications for the economic viability of development across their area.* (para 23).[2]

4. The research that has informed the EVA has drawn on published data sources, discussions with council officers and consultation with the development industry and has taken into account emerging Council policies for affordable housing and other standards.

5. To assess viability, the approach adopted for both residential and non residential uses has been to identify the residual value generated by a scheme which is then compared with a benchmark value, reflecting a competitive return for the developer and landowner.

Analysis of residential development

6. Differences in market values have a significant impact on residual values and 6 market value areas have been identified in Herefordshire, with different market value profiles. The Council has also identified a number of Housing Market Areas which show different levels of need for affordable housing. The EVA has analysed the viability of each Market Value Area and its constituent Housing Market Areas in two main ways:

   - Analysis of a notional 1 hectare site (at a range of densities from 20dph to 50dph);
   - A series of 13 case studies ranging in size from 1 to 1,000 dwellings. The case studies are representative of development in Herefordshire and are based on information provided by the Council.

[1] Department for Communities and Local Government , Community Infrastructure Levy, Guidance December 2012
[2] ibid

7. The analysis includes an allowance for a 20% developer return and benchmark land values which vary from £500,000 to £600,000 per hectare in the urban areas and £800,000 to £1,000,000 in the more rural and higher value areas. These benchmarks include an uplift of 30% or more on alternative use values. For large-scale greenfield development, a lower benchmark has been used which is a multiple of agricultural values (and varies between£250,000 and £300,000 per hectare, depending on location).

8. The results of the analysis are, in summary, that:

   - In Hereford, with 35% affordable housing, a potential CIL of between £100 and £135 /sq m or more is generally found to be viable but this figure reduces to around £70/sq m for the large-scale (1,000 dwelling) greenfield site tested through a case study, provided that the payment of CIL is in instalments. If all the CIL is sought at Day 1, the potential for CIL reduces to £50/sq m;
   - In Leominster, the lower market values mean that residual values are lower. Even at 25% affordable housing (with 75% of this as shared ownership) the benchmark land value is exceeded with CIL at £50 to £70/sq m for the notional sites tested. However, with the large scale greenfield development tested (allowing for additional opening up costs and a developable area of 75%), only a very low CIL would be feasible;
   - In the higher value areas of Ross and Ledbury and the surrounding rural areas and in Northern Rural and Bromyard, a CIL of £120 to £140 /sq m or more is feasible with 40% affordable housing. This includes both relatively small scale schemes (1 to 20 dwellings) and larger greenfield development (although single dwelling schemes may be much less viable - depending on the dwelling type);
   - Hereford Northern and Southern Rural Hinterland a CIL of £50/sq m would exceed the higher land value benchmark;
   - In Kington and West Herefordshire, a potential CIL of £70 to £110/sq m generates residual land values that exceed the benchmark for both the notional schemes and the case studies tested (both in the market towns and rural areas in the market value area). For certain types of small schemes, these CIL rates could be significantly increased.

9. Sensitivity testing was also undertaken for the notional 1 ha scheme which illustrated how changes to market values or build costs affect viability. However, a combination of similar increased or decreased values and costs produces broadly neutral results. Replacing social rent with affordable rent, significantly increases residual values.

Analysis of non residential development

10. The viability of a set of notional commercial developments have been assessed, across a range of uses based on the development likely to come forward in Herefordshire. Again the analysis included an allowance for a return to the developer and appropriate land value benchmarks.

11. The viability assessments show that:

   - Convenience retail is viable and is able to bear a CIL charge;

- Town centre and retail warehouse comparison retailing are viable and able to bear a CIL charge;
- Hotels are viable and able to bear a CIL charge;
- The other non-residential uses such as offices, industrial, warehouse and leisure developments are not viable and would require considerable changes in value before they are able to pay CIL.

What Level of CIL?

12. The following are put forward as options for the council to consider in its Charging Schedule for CIL. It is apparent that a single rate of CIL for all uses and across the county as a whole would not be appropriate. Consistent with the CIL Regulations and DCLG Guidance, the options put forward are for different rates for different uses and in different parts of Herefordshire.

Residential

- Up to £50/sq m in Hereford Northern and Southern Rural Hinterland and in Leominster but £15/sq m for large-scale greenfield urban extensions in Leominster;
- Up to £100/sq m in Kington and West Herefordshire and Hereford but £60/sq m for large-scale greenfield urban extensions in Hereford;
- Up to £140 /sq m in Ross and Ledbury and the surrounding rural areas and in Northern Rural and Bromyard

Non residential

- £90- £125/sq m comparison retail in and out of town centres;
- £80/sq m for small convenience retail (up to the Sunday trading threshold of 280 sqm);
- £120+/sq m for larger convenience retail (over the Sunday trading threshold of 280 sqm);
- £25/sq m for hotel development.

Draft as at 18 February

1 INTRODUCTION

Purpose of the Economic Viability Assessment

1.1 Herefordshire Council is currently at an advanced stage in preparing its Local Plan which will guide the future development of Herefordshire over a twenty year period up to 2031. As part of this stage in its preparation, the Council identified that an assessment of economic viability is needed i) to inform the Council's policies and proposals, in particular the submission stage of the Local Plan, ii) help develop the process of infrastructure delivery planning and iii) to inform the preparation of a charging schedule for the use of the Community Infrastructure Levy (CIL) and/or review of planning obligations.

1.2 Three Dragons was commissioned to produce the Council's Economic Viability Assessment (EVA). This has built on a previous assessment undertaken by Three Dragons and Roger Tym & Partners in 2010 which focused on delivery of affordable housing[3]. The current EVA considers a much wider range of uses to provide evidence to assist the Council in drawing up its CIL charging schedule. The study has also used updated information about the Council's emerging core strategy policies and about market conditions and development costs in Herefordshire.

1.3 In parallel to preparation of the EVA, the Council has prepared a *Draft Infrastructure Delivery Plan (IDP) 2012* which details of the infrastructure identified by the Council and other service providers as being needed to support the delivery of the Local Plan. The funding gap for delivering this infrastructure will be the basis for the CIL tariff. Three Dragons has been advised by the Council that the funding gap identified is significant and that the Council needs to maximise receipts it gets from CIL, consistent with the guidance on setting CIL rates.

National planning context

National Planning Policy Framework

1.4 The National Planning Policy Framework or NPPF, published last year is adopted government policy. It recognises the need for planning authorities to consider what policies they require to deliver affordable housing in their area[4].

1.5 The NPPF reiterates the importance of taking viability into account in developing policies for affordable housing and other standards in order to ensure plans are deliverable and overall development is not jeopardised[5]. The NPPF explicitly recognises the need to provide competitive returns to a willing land owner and willing developer, and local planning authorities are to assess the '*likely cumulative impact*' of their proposed development standards and policies[6].

[3] Local Development Framework Viability Study, Three Dragons and Roger Tym and Partners for Herefordshire Council, February 2010
[4] Paragraph 50
[5] Paragraph 173
[6] Paragraph 173

1.6 Furthermore, the NPPF notes that '*Where practical, Community Infrastructure Levy charges should be worked up and tested alongside the Local Plan*'[7].

The Community Infrastructure Levy (CIL)

1.7 The CIL regulations allow charging authorities to set different rates set out in £s per sq metre (or £/sq m) of net additional floorspace for different uses and for different zones – provided these can be clearly identified geographically[8]. CIL is set out as £s / sq m for developments of 1 dwelling or more, or over 100 sq m additional non-residential floorspace. Exemptions include affordable housing and charities.

1.8 The Planning Act 2008 sets out how a charging authority should approach the use of evidence in setting a charging schedule:

"(b) that the charging authority has used appropriate available evidence to inform the draft charging schedule,"[9]

1.9 DCLG has provided Guidance for the Community Infrastructure Levy[10], with a new version of this published in December 2012 and replacing the publication of March 2010.

1.10 DCLG new guidance re-iterates that evidence is needed to inform the draft charging schedule but highlights that charging authorities should apply pragmatism:

"A charging authority's proposed levy rate (or rates) should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence, for example, if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism". (para 28)

It is also worth highlighting that the guidance does not prescribe how this should be achieved (for example, by identifying a percentage 'buffer' between what the viability evidence suggests is possible and the levy set). However, the guidance warns that, "*Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, ……..that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle"* (para 30). 'Economic cycle' is not further defined.

1.11 The Guidance sets out how an authority should balance their need for CIL funding for infrastructure with viability considerations:

"Charging authorities will need to be able to show why they consider that the proposed levy rate(s) sets an appropriate balance between the need to fund infrastructure, and the potential implications for the economic viability of development across their area. (para 23).

1.12 In terms of producing evidence to inform the draft charging schedule, DCLG highlights where the focus for testing should be:

[7] Paragraph 175
[8] Regulation 13
[9] Planning Act 2008 s212 (4)
[10] Department for Communities and Local Government , Community Infrastructure Levy, Guidance December 2012

"*……a charging authority should sample directly an appropriate range of types of sites across its area in order to supplement existing data, subject to receiving the necessary support from local developers. The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy on economic viability is likely to be most significant."* (para 27).

1.13 The Guidance explains that charging authorities should avoid 'undue complexity' in setting their rates but also notes that:

"…….resulting charging schedules should not impact disproportionately on particular sectors or specialist forms of development and charging authorities should consider views of developers at an early stage." (para 37)

1.14 While not directly relevant to the viability evidence set out in this EVA, the new DCLG guidance indicates the need for evidence about previous levels of planning obligations as part of the approach to setting CIL rates:

"As background evidence, the charging authority should also prepare and provide information about the amounts raised in recent years through section 106 agreements. This should include the extent to which affordable housing and other targets have been met." (para 22)

There is also a requirement to provide information about the types of projects that will be funded through CIL:

"*The charging authority should set out at examination a draft list of the projects or types of infrastructure that are to be funded in whole or in part by the levy*." (para 15).

A new approach in the Guidance is that is that charging authorities will need to consult before revising their Regulation 123 lists in the future (see para 90)

CIL and scaled-back s106 requirements

1.15 There will still be s106 contributions in order to make the development acceptable in planning terms. These will have to meet the three tests:

- Necessary to make the development acceptable in planning terms
- Directly related to the development
- Fairly and reasonably related in scale and kind to the development

1.16 The approach to planning obligations that a charging authority intends to follow will need to be transparent and, "*The charging authorities should also set out* (at examination) *those known site-specific matters where section 106 contributions may continue to be sought*". (para 15-DCLG guidance December 2012)

1.17 For the EVA we have assumed that there will be a residual requirement for onsite S106 of £2,000 per dwelling (market and affordable). This covers local highways (site access) and maintenance of public open space.

1.18 The figure of £2,000 is a reduction on the average s106 payment which is currently being achieved. It assumes that some types of infrastructure (such as education) which are currently

delivered through s106 agreements will be paid for with CIL monies (and be included in the Council's Regulation 123 list).

Guidance on plan viability testing

1.19 Guidance has also been published to assist practitioners in undertaking viability studies for policy making purposes – "Viability Testing Local Plans - Advice for planning practitioners"[11]. The approach to viability testing in the EVA follows the principles set out in the advice. The advice re-iterates that:

"*The approach to assessing plan viability should recognise that it can only provide high level assurance*."

The Advice also comments on how viability testing should deal with potential future changes in market conditions and other costs and values and states that:

"*The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values*". (page 26)

But that:

"*The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented……"* (page 26)

1.20 In the light of this advice on national regulatory changes we have taken into account an additional cost which anticipates changes to the Building Regulations in 2013.

Local Plan Policies

1.21 The Council is currently preparing its local plan and associated Infrastructure Delivery Plan. In preparing the EVA, we have needed to take into account policies that have a particular bearing on development viability. A key policy is for affordable housing and the draft version of the Local Plan explains that there is a considerable need for affordable housing in Herefordshire.

"There is a significant need for affordable housing within Herefordshire and the planning system can assist the delivery of affordable homes. Policy H1 establishes a county wide strategic affordable housing target of dwellings over the Plan period whilst specific place based policies set out targets for individual strategic housing developments.

Within the county, the need for affordable housing has been investigated through the Strategic Housing Market Assessment 2008 (SHMA) which introduced the broad housing needs in seven housing market areas of the county. A Local Housing Market Assessment (LHMA) was completed in 2011 and updated in 2013, which draws on and develops the SHMA to provide a more local assessment of housing requirements for the seven local housing markets across Herefordshire. This study identifies that 40% of the need arises in Hereford, 25% arises in the market towns and 35% arises in the rural areas. In addition to the LHMA, parish level housing needs surveys are undertaken to identify needs at a very local level, to support the development of affordable housing. The need for affordable homes across the county does exceed this figure,

[11] The guide was published in June 2012 and is the work of the Local Housing Delivery Group, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.

*but the viability of delivering affordable homes over the Plan period has been recognised in order to provide an achievable figure." (*Text accompanying policy AH1)

1.22 The draft policy itself is set out below.

Figure 1.1: Draft local plan policy for affordable housing

Policy H1 - Affordable housing – thresholds and targets

All new open market housing proposals on sites above the thresholds set out below will be expected to contribute towards meeting affordable housing needs.

In the urban areas of Hereford and the market towns, proposals of 15 or more dwellings or 0.5 hectares will be expected to contribute to affordable housing provision. In rural areas, all new housing developments will be expected to make a contribution, whereby:

i) on sites of 3 or more dwellings, the affordable housing will be expected to be provided on-site unless developers can clearly demonstrate that a financial contribution would be more appropriate and:
ii) on sites of 1 or 2 dwellings, developers will be required to provide a financial contribution to the provision of affordable housing off-site.

The amount and mix of affordable housing will vary depending on evidence of housing need, and where appropriate, an assessment of the viability of the development. The following indicative targets have been established based on evidence of need and viability in the county's housing market and housing value areas:

1. A target of 35% affordable housing provision on sites in Hereford and Kington housing value areas;
2. A target of 40% affordable housing provision on sites in Ledbury, Ross-on-Wye and northern parishes housing value areas;
3. A target of 25% affordable housing provision on sites in Leominster housing value area.

Any affordable housing provided under the terms of this policy will be expected to be available in perpetuity for those in local housing need.

In order to ensure an appropriate balance of social rented and intermediate housing is provided the evidence for each housing market area and housing value area will provide the basis for determining the mix of tenure types on specific sites.

1.23 In terms of development standards, the Council will not require a different standard of development from that set out in the Building Regulations. There is one exception to this. This is the Council's policy approach to water quality where it will require new development to comply with the Code for Sustainable Homes Level 5 for water consumption (80 litres equivalent). The Council has researched this requirement and estimate an additional cost per dwelling of £200.

Research evidence

1.24 The research which underpins the viability assessment includes:

- An analysis of publicly available data to identify the range of values and costs needed for the viability assessment;
- Discussions with Council officers from planning, economic development and housing departments;
- Analysis of information held by the authority, including the profile of land supply identified in the Strategic Housing Land Availability Assessment and a review of historic planning permissions;
- A workshop held with developers, land owners, their agents and representatives from a selection of registered providers in the area. Annex 1 provides a note of the workshop. This approach to consultation reflects the good practice highlighted in the DCLG Guidance of December 2012 which states that:

  "*Early engagement with local developers and others in the property industry is clearly good practice and should help the charging schedule consultation and examination process run more smoothly. The extent to which charging authorities can do this will depend on the level of engagement from local developers."* (para 49)
- Subsequent discussions with agents and providers who operate in Herefordshire to verify the assumptions used in the analysis;
- A survey of local Registered Providers to seek their views on aspects of costs and revenue that affect affordable housing;
- Use of the Three Dragons Toolkit, adapted for Herefordshire to analyse scheme viability for residential development and of Three Dragons bespoke model for the analysis of non-residential schemes.

2 VIABILITY TESTING – RESIDENTIAL DEVELOPMENT

Principles

2.1 The viability testing uses a residual value approach, the principles of which are set out in the figure below.

Figure 2.1 Residual Value Approach

Total development value (market and affordable)

Minus

Development costs (incl. build costs and return to developer)

=

Gross residual value

Minus

CIL + planning obligations (including AH)

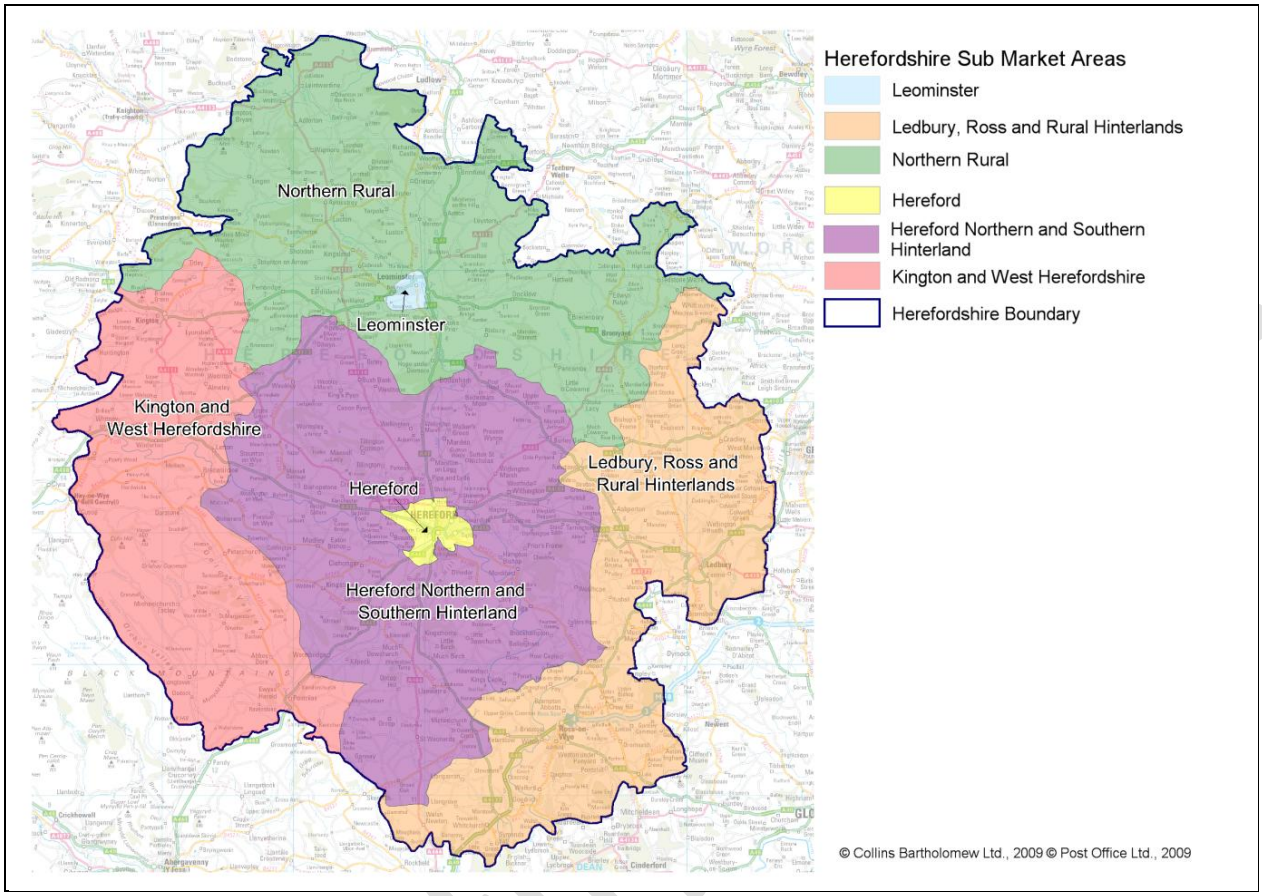
=

Net residual value (available to pay for land)

2.2 To assess viability, the residual value generated by a scheme is compared with a benchmark value, which reflects a competitive return for a landowner.

2.3 Differences in market values have a significant impact on residual values and the Local Development Framework Viability Study (February 2010) identified a number of market value areas that reflect differences in market values across the county. These have been taken forward into the current study. The areas are shown in the map below while details of the market values for different property types in each value area are set out in Annex 2. Changes in market values since the 2010 study were reviewed in detail by the Council (using Land Registry data), discussed at the development industry workshop (and with subsequent further feedback) and then followed up through a 'mini survey' of agents.

Figure 2.2: Market Value Areas



Land value benchmarks

2.4 In terms of benchmark land values, Viability Testing Local Plans sets out a preferred approach in the following extract from page 29:

> Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.
>
> We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below).

2.5 The benchmark land values for the EVA have drawn on the 2010 Study but have been updated with new information and consultation with local agents (including at the development industry workshop) about land owner expectations.

2.6 Discussion at the workshop did not identify a single benchmark that was generally accepted. Overall it seemed that there will be a section of rural landowners who do not fall into the "willing landowner" category defined in the NPPF and they are unlikely to bring forward their land until there is a significant uplift in values.

2.7 For 'urban' sites, using information from the 2010 study and our consultations, we have assumed an existing/alternative use value of £350,000 to £450,000 per hectare, depending on location. Using an uplift of 30%, a benchmark of £455,000 to £585,000 per hectare. We 'round this up' to £500,000 to £600,000 to add a further cushion and we assume that the lower benchmark applies in lower value areas (e.g. Leominster) and the higher figure in higher value area (e.g. Hereford).

2.8 There is less information on which to base a suitable benchmark for the high priced more rural areas (including Ledbury, Ross, Bromyard and the northern and eastern rural parts of Herefordshire) and an uplift on alternative use values would not fulfil the 'sense check' identified in Viability Testing Local Plans. Information is limited, but feedback from the agents' survey indicates that a benchmark of between £800,000 to £1,000,000 per hectare is a realistic range to use for this study.

2.9 For (large-scale) greenfield development we assume 10/20 times agricultural value – using £20,000 per hectare as agricultural land value in Herefordshire. Higher multiples will apply to higher value areas and comments at the development industry workshop indicated that landowners would have a requirement in excess of 10 times agricultural values. Subsequent research on large-scale developments indicate that a benchmark of about £300,000 per gross hectare for greenfield sites is realistic in higher value areas e.g. Hereford but a lower benchmark would apply in lower value areas.

Testing approach and assumptions

2.10 Two types of testing have been undertaken:

- A notional 1 hectare site (at a range of densities from 20dph to 50dph);
- A series of 13 case studies ranging in size from 1 to 1,000 dwellings. The case studies are representative of development in Herefordshire and are based on information provided by the Council.

2.11 Key assumptions used in the analysis of residual values for both the 1 hectare and case study sites include:

- Build Costs /sq m
  - Houses £910
  - Flats £950 (assumed to be 1 and 2 storey and with an allowance of 10% for circulation space)

Build costs use BCIS 5 year median values as at October 2012. They include a location factor for Herefordshire and an allowance of 15% for external works (e.g. local roads, pavements, incidental landscaping). The build costs for houses were reviewed and increased following discussion at the development industry workshop.

- Additional build costs
  - Code for Sustainable Homes Level 5 for water consumption £200 per dwelling
- Other Development Costs
  - Professional Fees 12% of build costs
  - Finance 7% of build costs
  - Marketing Fees 3% of market value
  - Developers Return (market units) 20% of GDV
  - Contractors Return (affordable units) 6% of development costs

2.12 In addition to CIL, it is assumed that there will be a residual s106 payment of £2,000 per dwelling (market and affordable) for local highways (site access) and maintenance public open space

2.13 A further £795 per dwelling is also allowed to achieve compliance with the changes to the Building Regulations[12] which will be introduced during 2013. Further changes may be introduced to Building Regulation for 2016 but their scale and scope is unclear. If substantial additional costs were to be introduced in 2016, the Council will need to consider a review of either affordable housing targets and/or CIL. If, by 2016, market values have strengthened, additional costs could be absorbed without needing to adjust policy. The Council will need to keep this situation under review.

2.14 Requirements for affordable housing modelled were aligned with the emerging policy and varied by Housing Market and Housing Value Areas (or Housing Market Area for short) identified by the Council. The Housing Market Areas are closely related to the Market Value Areas shown earlier (see Figure 2.2) but are not identical. The following table clarifies the relationship between Housing Market Area and Market Values Areas.

Table 2.1: Relationship between Housing Market Value areas and HMAs

Market Value Area	Housing Market Area
Ledbury, Ross and Rural Hinterland	Ledbury Ross
Northern Rural and Bromyard	Bromyard Leominster rural
Hereford Northern & Southern Hinterlands	Hereford
Kington and West Herefordshire	Kington Golden Valley
Hereford	Hereford
Leominster	Leominster town

2.15 The next table sets out the affordable housing targets for each HMA.

[12] http://www.communities.gov.uk/documents/planningandbuilding/pdf/2077834.pdf page 26 Table 3 – Fees plus efficient services

Table 2.2: Affordable housing % for each HMA

	Affordable housing %
Hereford	35%
Bromyard	40%
Ledbury	40%
Ross	40%
Kington	35%
Leominster rural	40%
Leominster town	25%
Golden Valley	35%

2.16 On advice from the Council, the affordable housing was modelled as 75% social rent and 25% intermediate housing for all areas except Hereford Northern and Southern Hinterland and Leominster town, where 25% social rent and 75% intermediate housing was assumed. For the intermediate housing, there were two tenure options tested, one with intermediate rent and the other with shared ownership (at a share size of 40%).

2.17 Annex 2 sets out a full set of assumptions. These include all the assumptions used to model the different types of affordable housing.

2.18 A sensitivity test was undertaken which considered the impact of replacing the social rented housing with affordable rent.

3 RESIDENTIAL VIABILITY ANALYSIS – NOTIONAL 1 HECTARE SITE

Dwelling mix of notional site

3.1 We have modelled the residual value of a notional 1 hectare site for each of the HMAs/market value area at 4 alternative densities. For each density we use a different mix of dwelling types. These are based on information discussed at the development industry workshop and analysis of information about recent permissions in Herefordshire. The mixes used are shown below.

Table 3.1: Mixes for 1 hectare scheme for market housing.

	25dph	30 dph	40 dph	50 dph
	%s	%s	%s	%s
1 bed flat				5%
2 bed flat			5%	10%
2 bed terrace		10%	15%	25%
3 bed terrace		15%	30%	30%
4 bed terrace	10%			
3 bed semi	25%	25%	20%	25%
3 bed detached	15%	15%	10%	5%
4 bed detached	40%	25%	20%	
5 bed detached	10%	10%		

The 30 dph and 40 dph schemes are tested in all market value areas
The 50 dph scheme is tested in Hereford only
The 25 dph scheme is tested in all market value areas except Hereford and Leominster

3.2 The type of affordable housing modeled varies with tenure but focuses on smaller units. The mixes were advised by the Council based on the latest Strategic Housing Market Assessment so, for example, for the social rented housing, 70% of the units are 1 bed flats or 2 bed terraces but for shared ownership, the units are split equally between 2 bed and 3 bed terrace. Annex 2 sets out the assumptions used in detail.

Approach to testing the notional 1 ha site

3.3 The residual value of the notional 1 ha site was calculated using the Three Dragons Toolkit[13]. The benchmark value was then deducted from this figure to identify the excess value available for CIL. This figure was divided by the total floor area of the market housing in the scheme to show the maximum CIL per square metre value that could be applied to the scheme, whilst allowing the scheme to still achieve the benchmark value and provide a return to the developer of 20% GDV.

3.4 Where upper and lower land value benchmarks were identified, the calculation was repeated for both the upper and lower benchmarks.

[13] A standard allowance of 10% of the residual value was then deducted to allow for Stamp Duty Land Tax, and other acquisition costs, leaving a residual value less acquisition costs.

3.5 Annex 3 shows the results in full. The results across all the market value areas highlight the fact that residual values will vary with development type and higher density development does not necessarily mean an increase in residual value.

Testing Results

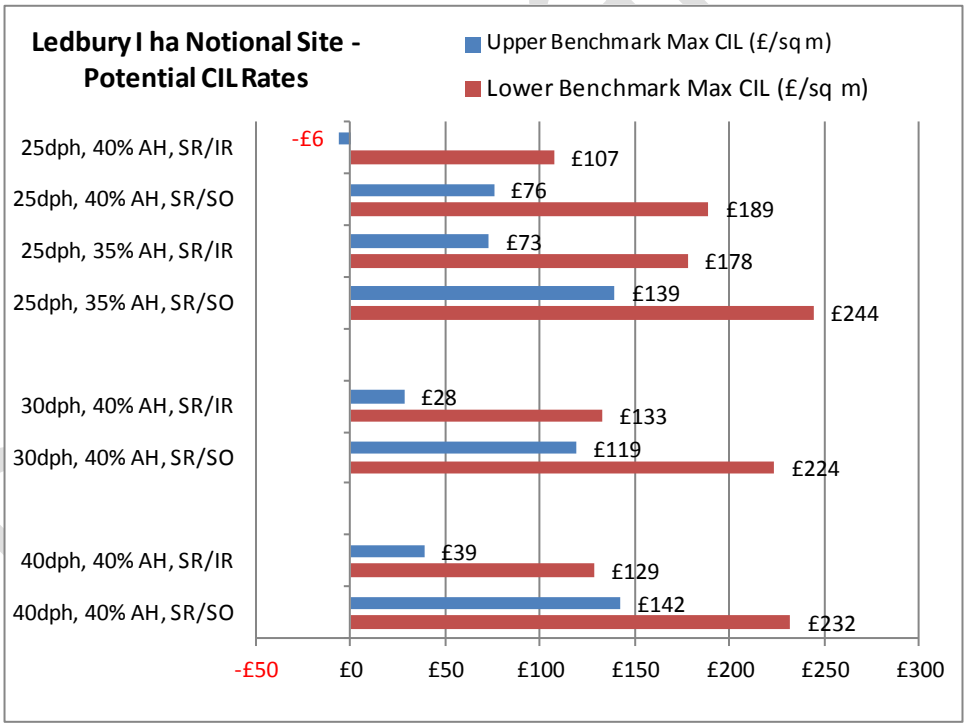
3.6 The charts below summarise the maximum CIL rate for the notional 1 hectare scheme in each HMA. These are grouped according to the market value area in which they sit. Testing was undertaken using the percentage of affordable housing in the Council's emerging policy and set out in Table 2.2. Where this approach resulted in at least one residual value below the benchmark, we reduced the affordable housing requirement by 5% until we found a residual value above the benchmark.

3.7 For the first set of tests we show the impact of the two alternative types of intermediate affordable housing i.e. intermediate rent and shared ownership.

Notional 1 hectare scheme - Ledbury, Ross and Rural Hinterland

3.8 The HMAs of Ledbury and of Ross lie within the same market value area and have the same affordable requirement (40%) and therefore have the same economic characteristics. The results for the Ledbury, Ross and Rural hinterland market value area therefore apply equally to Ledbury and to Ross.

Chart 3.1: Results for Ledbury, Ross and Rural Hinterland



Benchmark land value - £800,000 - £1,000,000 per hectare

3.9 Development at 30 dph and 40 dph produces a slightly stronger residual value than the 25 dph scheme.

3.10 With shared ownership as the intermediate affordable housing, a CIL of £120 to £140 /sq m exceeds the upper benchmark with 40% affordable housing at densities of 30 dph and 40 dph. Similar CIL levels are achieved with the 25 dph scheme but this is only the case with 35% affordable housing.

3.11 At the lower land value benchmark, CIL charges of £180 to £220 /sq m or more are achieved with 40% affordable housing.

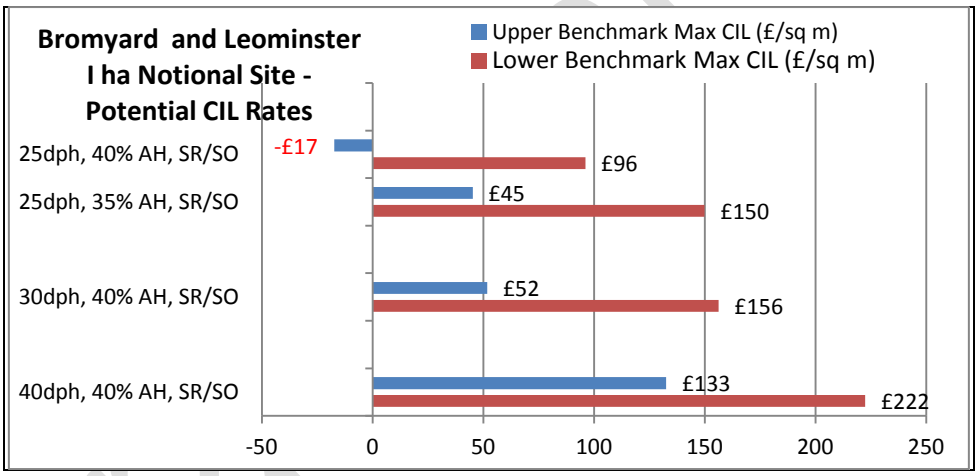
3.12 To provide intermediate rent rather than shared ownership, the Council will need to trade off a significant level of CIL. With 40% affordable housing and intermediate rent, a CIL of £20/£40 would be more realistic (with the upper benchmark land value).

3.13 Having demonstrated that shared ownership generates a higher residual value than intermediate rent, the remainder of the chapter reports results for shared ownership only. Annex 3 provides a full set of results showing both intermediate rent and shared ownership.

Notional 1 hectare scheme – Northern Rural and Bromyard

3.14 The HMAs of Bromyard and Leominster rural lie within the market value area of Northern Rural and Bromyard. Bromyard and Leominster rural have the same affordable housing requirement (40%).

Chart 3.2: Results for Northern Rural and Bromyard



Benchmark land value £800,000 - £1,000,000 per hectare

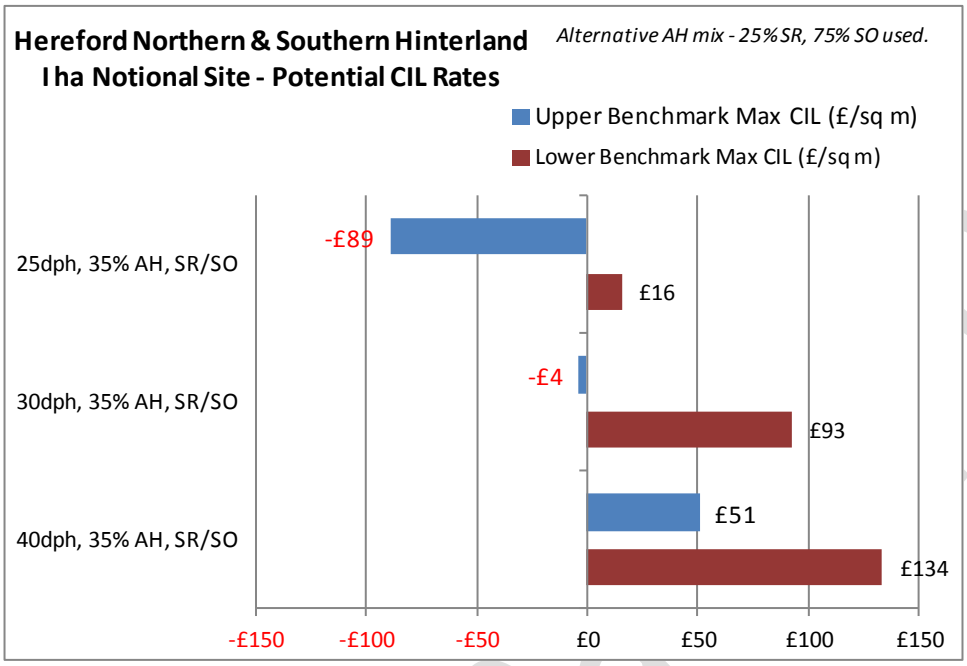
3.15 Residual values are highest with the 40 dph scheme and at the higher benchmark land value a CIL of £133/sq m can be sustained (with 40% affordable housing). But at the lower density of 25 dph, a CIL payment cannot be achieved at the higher land value benchmark but a CIL of £96 is achievable at the lower benchmark .

Notional 1 hectare scheme – Hereford Northern and Southern Hinterland

3.16 Hereford Northern and Southern Hinterland is the rural area that surrounds Hereford and the testing for the area has needed to reflect this. Hereford Northern and Southern Hinterland is within the Hereford Market Area, which determines the percentage of affordable housing required (35%) but testing has been undertaken with an affordable tenure split of 25% social

rent/ 75% intermediate housing. As a 'rural area' testing has been undertaken for 25 dph, 30 dph and 40dph and using the land value benchmark of £800,000 to £1,000,000 per hectare.

Chart 3.3: Results for Hereford Northern and Southern Hinterland



Benchmark Land value £800,000 - £1,000,000 per hectare

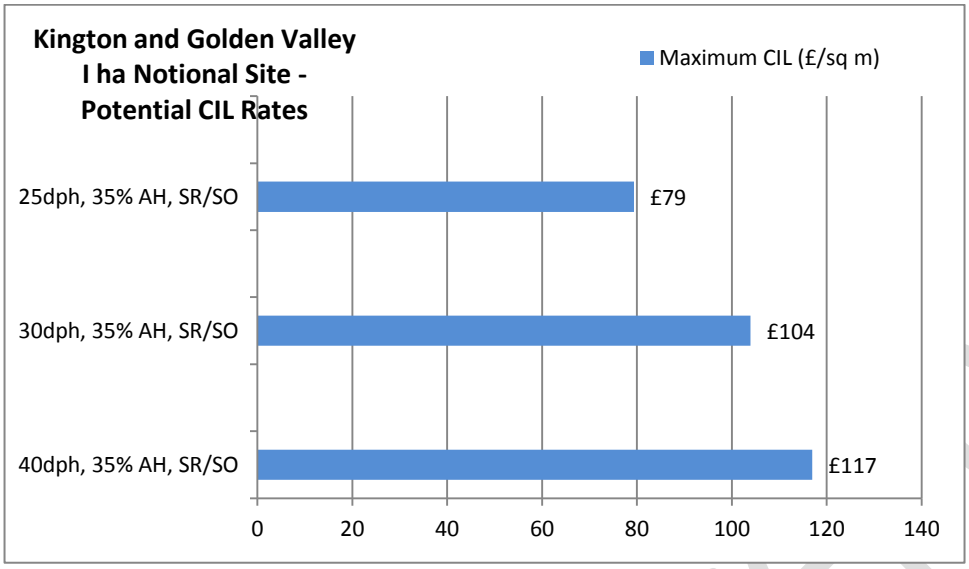
3.17 Development at 40 dph produces stronger residual value than the 30 dph or 25 dph schemes.

3.18 A CIL of up to around £90 to £130/sq m exceeds the lower benchmark land value for at least 2 of the scheme densities. However, with the higher benchmark, the maximum CIL reduces to around £50/sq m.

Notional 1 hectare scheme – Kington and West Herefordshire

3.19 The HMAs of Kington and Golden Valley fall into the Kington and West Herefordshire market value area. The HMAs have the same affordable requirement (35%) and therefore the same economic characteristics.

Chart 3.4: Results for Kington and West Herefordshire (Golden Valley)



Benchmark Land Value £600,000 per hectare

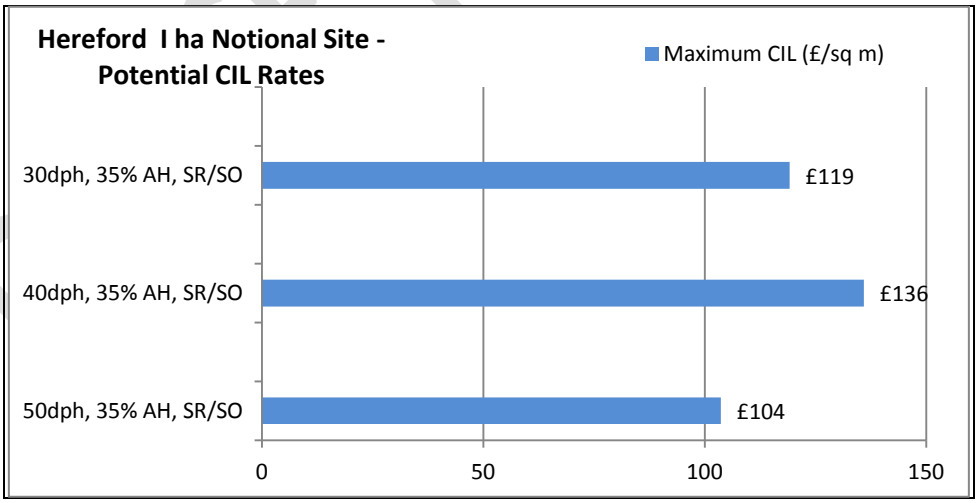
3.20 Development at 30 dph and 40 dph produces slightly stronger residual value than the 25dph scheme.

3.21 A CIL of up to around £100 to £110/sq m is realistic with a density of either 30 or 40 dph.

Notional 1 hectare scheme – Hereford

3.22 The HMA and market value area for Hereford are the same, with an affordable housing requirement of 35%.

Chart 3.5: Results for Hereford



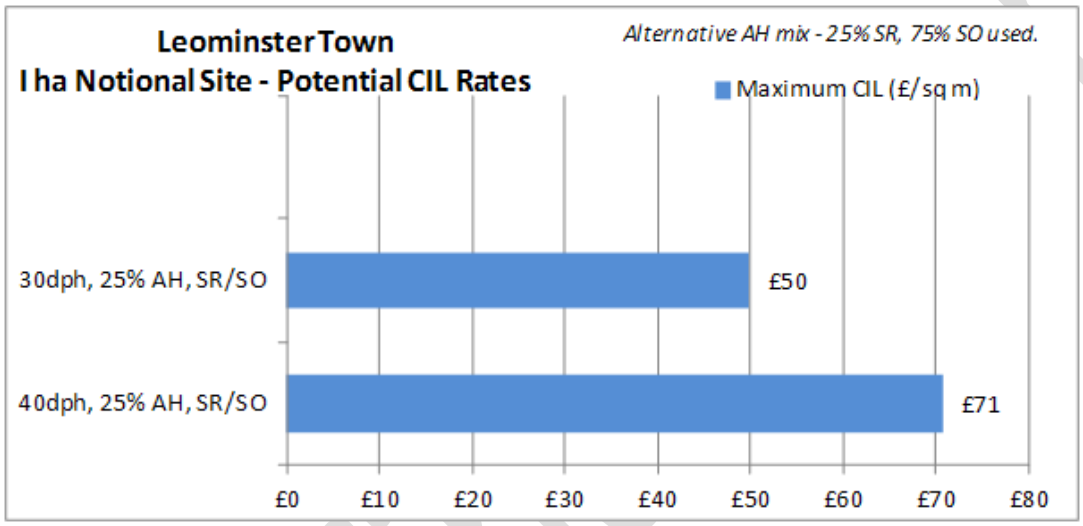
Benchmark Land Value £600,000 per hectare

3.23 Development at 30 dph and 40 dph produces slightly stronger residual values than the 50dph scheme. But across all three densities, a CIL of between £100 and £135 /sq m produces a residual value above the benchmark land value.

Notional 1 hectare scheme – Leominster

3.24 The HMA for Leominster town is the same as the Leominster market value area, with an affordable housing requirement of 25%. An alternative affordable housing mix of 25% social rent/ 75% intermediate housing has been adopted.

Chart 3.6: Results for Leominster town



Benchmark Land Value £500,000 per hectare

3.25 The lower values found in the Leominster market value area are reflected in the potential CIL rates identified. With 25% affordable housing (and the mix of 25% social rent and 75% shared ownership), a CIL of around £50 to £70 / sq m exceeds the benchmark at the densities tested.

Sensitivity Testing

3.26 Sensitivity tests have been carried out to assess the impact of changes in market values (- 5% and + 5% and +10%) and build costs (-5% and + 5% and +10%) on residual values. One test combines changes in market values with an equivalent change in build costs. This is a plausible combination of factors and reflects the pattern of changes in the recent past. A final test uses all the base assumptions but substitutes affordable rent for social rent.

3.27 The tests were undertaken for the notional 1 hectare scheme at 40 dph for four selected HMAs (with shared ownership as the intermediate affordable housing tenure).

Table 3.2: Selected Sensitivity Test Results - Residual value in £sm per hectare

Housing Market Area	Ledbury, 40dph, 40% AH		Bromyard, 40dph, 40% AH		Hereford, 40dph, 35% AH		Leominster town, 40dph, 25% AH	
	Max CIL/sqm Upper benchmark	Max CIL/sqm Lower benchmark	Max CIL/sqm Upper benchmark	Max CIL/sqm Lower benchmark	Max CIL/sqm Upper benchmark	Max CIL/sqm Lower benchmark	Max CIL/sqm Upper benchmar	Max CIL/sqm Lower benchmark
Baseline Value	*142*	*232*	*133*	*222*	*136*	*136*	*71*	*71*
-5% Market Value	*46*	*136*	*37*	*127*	*53*	*53*	*-2*	*-2*
+5% Market Value	*240*	*330*	*230*	*320*	*218*	*218*	*149*	*149*
+10% Market Value	*339*	*429*	*326*	*416*	*305*	*305*	*224*	*224*
-5% Build costs	*217*	*307*	*208*	*298*	*206*	*206*	*134*	*134*
+5% Build costs	*65*	*155*	*56*	*146*	*64*	*64*	*8*	*8*
+10% Build costs	*-10*	*80*	*-19*	*70*	*-6*	*-6*	*-55*	*-55*
-5% Market value,-5% Build Costs	*122*	*212*	*112*	*202*	*123*	*123*	*61*	*61*
+5% Market value,+5% Build Costs	*163*	*253*	*154*	*243*	*147*	*147*	*86*	*86*
+10% Market Value/+10% Build Costs	*186*	*276*	*174*	*264*	*163*	*163*	*98*	*98*
Substitute affordable rents	*340*	*429*	*330*	*420*	*295*	*295*	*104*	*104*

3.28 The table above highlights the sensitivity of residual values to changes in assumptions and how changes in just build costs or market values can have a significant impact. However the combined reduction of 5% in market values and in build costs produces values very similar to those of the baseline. An increase in build costs and values of 5% follows a similar pattern but producing higher residual values and the potential for a higher CIL.

3.29 The substitution of affordable rent for social rent produces significant increases in residual values and potential CIL rates.

Notional 1 hectare site – Overview

3.30 Residual values vary with the type of development and increasing density does not necessarily lead to higher residual values, although generally the 40 dph mix produces the highest residual values. The two other factors affecting residual values in the testing undertaken, and which vary with the HMAs, are the market values used (depending in which market value area the HMA is found) and the percentage of affordable housing sought. There are also differences in the benchmark land values used. The combination of these factors lead to very different

potential levels of CIL identified for each HMA/market value area. Further variation in potential CIL is found depending on whether intermediate rent or shared ownership is used for the intermediate part of the affordable housing. In all cases, shared ownership produces a higher residual value and this tenure has been used generally to show the potential CIL levels.

3.31 The key results are summarised as follows:

- In Hereford, with 35% affordable housing, a residual value in excess of the benchmark land value is found with CIL of between £100 and £135 /sq m (depending on the density of the development);
- Leominster, with its lower market values cannot support the same levels of affordable housing and CIL as Hereford. At 25% affordable housing (with 25% social rent and 75% shared ownership) the benchmark land value is exceeded with around £50 to £70/ sq m CIL;
- In the high value areas of Ledbury and Ross, a CIL of £120 to £140 /sq m exceeds the upper land value benchmark with 40% affordable housing at densities of 30 dph and 40 dph;
- Northern Rural and Bromyard has similar (high) values to Ledbury and Ross and the upper land value benchmark is exceeded with 40% affordable housing and CIL of up to £130/ sq m, depending on development density;
- For Hereford Northern and Southern Rural Hinterland, with 35% affordable housing (and an affordable housing mix of 25% social rent/ 75% shared ownership) a CIL of up to around £50/sq m exceeds the higher benchmark land value (i.e. £1,000,000 per hectare) for the 40 dph scheme but will achieve a CIL of £90 to £130/ sq m with the lower land value benchmark (i.e. at £800,000 per hectare);
- In the market value area of Kington and West Herefordshire, a potential CIL of £80 to £110/sq m exceeds the land value benchmark for the notional schemes tested.

3.32 The sensitivity testing illustrated how changes to market values or build costs affect viability. However, a combination of similar increased or decreased values and costs produces broadly neutral results. Replacing social rent with affordable rent, significantly increases residual values.

4 RESIDENTIAL VIABILITY ANALYSIS – CASE STUDY SITES

Case study characteristics

4.1 The Council identified a number of case study sites which reflect typical sites likely to be brought forward in Herefordshire. The table below sets out the full range of sites. The case studies were derived in consultation with the Council and drawing on information about recent planning permissions.

Table 4.1: Case studies

Case study	Location (Housing Market Area)	Market value area	Total Dwgs	Density	Site Size ha (net)	Gross to net
1a	Ledbury/ Ross	Ledbury Ross and rural Hinterland	1	25	0.04	100%
1b	Bromyard/ Leominster Rural	Northern Rural and Bromyard	1	25	0.04	100%
1c	Hereford rural	Hereford Northern and Southern Hinterlands	1	25	0.04	100%
1d	Kington/ Golden Valley	Kington and West Herefordshire	1	25	0.04	100%
1e	Hereford	Hereford	1	25	0.04	100%
1f	Leominster Town	Leominster	1	25	0.04	100%
2	Kington/Golden Valley	Kington and West Herefordshire	4	25	0.16	100%
3	Ledbury / Ross	Ledbury Ross and rural Hinterland	5	30	0.17	100%
4	Bromyard/ Leominster Rural	Northern Rural and Bromyard	5	30	0.17	100%
5	Leominster town	Leominster	8	40	0.20	100%
6	Hereford	Hereford	10	50	0.20	100%
7	Ledbury/ Ross	Ledbury Ross and rural Hinterland	20	35	0.57	100%
8	Hereford	Hereford	30	30	1.00	100%
9	Ledbury/Ross	Ledbury Ross and rural Hinterland	100	21	4.76	90%
10	Bromyard	Northern Rural	100	21	4.76	90%
11	Leominster town	Leominster	400	25	16.00	75%
12	Hereford	Hereford Northern and Southern Hinterlands	300	25	12.00	80%
13	Hereford	Hereford Northern and Southern Hinterlands	1000	30	33.00	65%

Case study 1 (a single dwelling) has been tested in all the market value areas.

4.2 The Advice for Planning Practitioners indicates that larger scale schemes have additional costs that do not apply to smaller developments. We have already included a 15% uplift on build costs (identified by BCIS) for external works (local roads, pavements etc). This approximates to around £11,000 per dwelling or in the order of £440,000 per hectare for a 40 dph scheme.

4.3 We make a further allowance for the larger case studies. We have allowed opening up costs on a 'sliding scale' and recognise that these costs are an estimate of what will be required. We have also included an additional cost for the 'urban infill' scheme 5 (in Leominster), to allow for a possible building demolition. This is a prudent allowance for possible costs associated with this type of site.

4.4 The other factor for the case studies is the relationship between the net developable and gross site areas. This allows for, for example, strategic open spaces and land for community facilities. The percentages used have been agreed with the Council as a reasonable guide and based on recent planning applications – acknowledging that sites will differ on a scheme by scheme basis.

4.5 The additional costs associated with large scale development and the lower net developable to gross area, help explain why large-scale greenfield development can be particularly expensive to develop.

4.6 Annex 4 provides more detailed information about the mix of units in each case study and the other assumptions used.

Case study analysis and testing results

4.7 For case studies 1 to 8, we assume that development occurs within one year and we follow a similar approach to that used with the analysis of the notional 1 hectare scheme. The residual value of the case study was calculated using the Toolkit. A varying percentage was deducted from the residual value to allow for Stamp Duty Land Tax and other acquisition costs. The benchmark value was then deducted from this figure to identify the excess value available for CIL. This figure was divided by the total floor area of the market housing in the scheme to show the maximum CIL per square metre value that could be applied to the scheme, whilst allowing the scheme to still achieve the benchmark value. Where upper and lower benchmarks were identified, the calculation was repeated for both the upper and lower benchmarks.

4.8 A different approach was used for case studies 9 to 13 where we assume that development takes more than one year. In these cases, residual values have been calculated using the discounted cash flow facility within the Toolkit. The appropriate CIL value which allowed the case study to achieve the benchmark was calculated through a process of iterative testing and review of the resulting value per gross hectare.

Small case studies

4.9 The smaller case studies vary in size from 1 to 30 dwellings and the results of the analysis are set out in the table below (a full set of results for all the case studies is shown in Annex 5).

4.10 Policy AH.1 states that for Hereford and the market towns, affordable housing is only required from developments of 15 dwellings or more, whilst in the rural areas, it will apply from 1 dwelling. Therefore case studies 1, 5 and 6 in Leominster and/or Hereford and with fewer than 15 dwellings, have been tested with 0% affordable housing. Case Studies 1 to 4 have been tested with 0% affordable and at the percentage of affordable housing that applies to that market value area. This is because the market value areas include both market towns and rural areas. The exception is 1c (Hereford Northern and Southern Hinterland) which has no market towns and therefore the case study assumes 35% affordable housing.

4.11 Case studies 7 and 8 exceed the affordable housing threshold.

4.12 The table below sets out the assumptions used in testing the small case studies and the level of CIL that was found to be viable from the testing.

Table 4.2: Results from case studies 1 to 8

Case Study	HMA	MVA	Total dwgs	% AH	Upper Benchmark Max CIL (£/sq m)	Lower Benchmark Max CIL (£/sq m)
1a	Ledbury/ Ross	LR & RH	1	40%	**£209**	**£298**
1a	Ledbury/ Ross	LR & RH	1	0%	**£557**	**£610**
1b	Bromyard/ Leominster rural	NR & B	1	40%	**-£161**	**-£72**
1b	Bromyard/ Leominster rural	NR & B	1	0%	**£230**	**£283**
1c	Hereford rural	HNSH	1	35%	**£35**	**£35**
1d	Kington/ Golden Valley	K & WH	1	35%	**£75**	**£75**
1d	Kington/ Golden Valley	K & WH	1	0%	**£337**	**£337**
1e	Hereford	Hereford	1	0%	**£389**	**£389**
1f	Leominster Town	Leominster	1	0%	**£89**	**£89**
2	Kington/Golden Valley	K & WH	4	35%	**£226**	**£226**
2	Kington/Golden Valley	K & WH	4	0%	**£378**	**£378**
3	Ledbury/Ross	LR & RH	5	40%	**£382**	**£485**
3	Ledbury/Ross	LR & RH	5	0%	**£494**	**£553**
4	Bromyard/ Leominster rural	NR & B	5	40%	**£215**	**£318**
4	Bromyard/ Leominster rural	NR & B	5	0%	**£410**	**£468**
5	Leominster Town	Leominster	8	0%	**£117**	**£117**
6	Hereford	Hereford	10	0%	**£418**	**£418**
7	Ledbury/Ross	LR & RH	20	40%	**£245**	**£325**
8	Hereford	Hereford	30	30%	**£199**	**£199**

4.13 Case studies 1 to 8, with affordable housing reflect the broad pattern of potential CIL rates identified for the notional 1 hectare scheme (reported in the previous chapter).

4.14 Of particular note is that the smaller sites of 4 and 5 dwellings in the higher value areas (case studies 2, 3 and 4) have potential CIL rates well in excess of those identified for the 1 ha schemes with rates of up to £500/sq m in the towns (at 0% affordable housing) and £200/400/sq m in the rural areas (with 35% or 40% affordable housing) – using the higher land value benchmark. These schemes have been identified by the Council as typical of the kind of housing scheme which come forward in the county's more rural areas.

4.15 Case studies 6 and 8 have been identified to reflect the type of smaller housing scheme being developed in Hereford; case study 6 as a higher density terrace scheme (without affordable housing) and case study 8, a lower density edge of city scheme, with the market housing mainly

as detached dwellings and the affordable housing as a mix of smaller units. Both schemes generate residual values and potential CIL payments in excess of the notional 1 hectare scheme.

4.16 Case study 1a - 1f (a single 5 bed dwelling) demonstrates that with very small schemes, residual values are very sensitive to the type of dwelling developed. In the case of the Northern Rural and Bromyard market value area, this type of development produces a negative residual value with 40% affordable housing assumed.

Larger case studies

4.17 For the larger greenfield case studies, different benchmark land values are used. These reflect a multiple of agricultural land value (rather than a % uplift) and we use as benchmarks £300,000 per hectare generally and £250,000 per hectare in Leominster (reflecting the weaker market there). These values are per gross hectare and will reflect the relationship between net and gross developable areas. The values were discussed at the development industry workshop where higher values were indicated as being sought by land owners. Further discussions were therefore undertaken to check the above values and they appear realistic for large scale schemes (but not necessarily for smaller greenfield developments).

4.18 Table 4.2 below summarises the results. For those case studies where the residual value falls below the land value benchmark or are only slightly above, we have tested the impact of deferring CIL payments, noting that when using a discount cash flow, the earlier costs are incurred, the greater is their impact on residual value.

Table 4.3: Results from the case studies 9 to 13

Case Study	HMA	MVA	Total dwgs	% AH	**CIL per sq m**	RV less acq costs/ gross ha	Benchmark value per gross ha	
9	Ledbury/Ross	LR & RH	100	40%	**220**	306,520	300,000	
10	Bromyard	NR	100	40%	**210**	306,613	300,000	
11	Leominster Town	Leominster	400	25%	-	195,961	250,000	Falls below benchmark.
11	Leominster Town	Leominster	400	25%	**15**	244,914	250,000	Falls slightly below benchmark
11	Leominster Town	Leominster	400	25%	**15**	251,337	250,000	CIL Payment deferred to year 8
12	Hereford	HNSH	300	35%	**110**	306,307	300,000	CIL Payment in Year 1
12	Hereford	HNSH	300	35%	**145**	306,331	300,000	Deferred CIL payment in Year 6
13	Hereford	HNSH	1000	35%	**50**	305,232	300,000	CIL Payment in Year 1
13	Hereford	HNSH	1000	35%	**92**	300,453	300,000	Deferred CIL Payment in Year 11
13	Hereford	HNSH	1000	35%	**68**	300,586	300,000	CIL Payment phased 25% Yr 1, 50% Yr 5, 25% yr 11

4.19 The larger schemes in the higher value market areas (case studies 9 and 10) continue to be able to support relatively high CIL rates.

4.20 The two Hereford case studies (12 and 13) assume market values of the surrounding Hereford Northern and Southern Rural Hinterland which are lower than those for Hereford. This is a prudent approach but if Hereford values were used, the potential CIL rates would be higher than identified in the above table. Nevertheless, CIL rates of £50 or more are identified where the full CIL is paid in year 1 of the development.

4.21 In case study 12, deferring the payment of the CIL to the end of the development allows the CIL to be increased from £110 to £145/sq m.

4.22 In case study 13, deferring the CIL payment 11 years until the end of the development allows the CIL to be increased from £50 to around £90. Taking a more conservative view and making a series of payments – 25% in year 1, 50% in year 5 and 25% in year 11, allows a CIL of around £68 to be achieved.

4.23 The larger scheme in Leominster, Case Study 11, with 25% affordable housing (split 25% social rent/ 75% shared ownership), shows a low residual value which falls below the benchmark value of £250,000 per hectare. By adopting an alternative mix for this case study – substituting 80 market 3 bed terrace dwellings with 80 market 3 bed detached dwellings, the scheme is almost viable at 25% affordable housing provision with a £15 CIL. Deferring the payment of the £15 CIL to year 8 makes the scheme viable.

4.24 Viability of this case study does depend on the benchmark land value assumed and a lower value of, say, £200,000 per hectare would generate a more substantial CIL payment.

Summary

4.25 The case studies generally reflect the findings from the notional 1 hectare testing and highlight the difficulties in Leominster of delivering 25% affordable housing and any level of CIL. Careful consideration of the development mix to maximise returns is particularly important in this area,

4.26 Smaller schemes in the higher market value areas are shown to be viable at levels of CIL similar or even higher than shown with the 1 hectare schemes.

4.27 In Hereford, the largest scheme tested (at 1,000 dwellings) supports a lower CIL than other development types in the city.

4.28 The large scheme in Leominster (400 dwellings) is unable to sustain a CIL payment above £15/sq m, and even then, requires the CIL to be deferred to year 8 to achieve this.

5 NON-RESIDENTIAL DEVELOPMENT

Introduction

5.1 We have assessed the viability of a set of notional commercial developments, across a range of uses based on the development likely to come forward in Herefordshire.

5.2 The non-residential viability assessments also uses the residual value methodology, in which a scheme's value is calculated using rents and yields; all of the costs of development (including developer's profit and planning obligations) are then deducted from this capital value; leaving a residual value which is the amount the scheme is able to pay for land. This residual value is then compared to the threshold land value – if the residual value is higher than the threshold land value then the scheme can be expected to proceed (i.e. viable), if the residual value is lower, then the development will not be expected to proceed.

Values and costs

5.3 The values and costs (including threshold land values) used in these viability assessments draw upon published data from recognised sources[14], workshop discussion with the development industry and subsequent individual telephone interviews to confirm some of the workshops commentary.

5.4 Our approach to setting non-residential threshold land values follows the recommendations in the Local Housing Delivery Group's 2012 report[15]. This reviews the use of market values and premiums on existing use values (EUV) and recommends that the threshold land value is based on a premium over current use values and credible alternative use values. Valuation Office Agency data has been used and discussed with the development industry and Herefordshire Council officers. The base land values used for the viability testing were:

- Between £350,000 to£450,000 for industrial and £430,000 to £560,000 for offices (including town centre offices) per net developable hectare. We have focused on those locations most likely to see this type of development come forward – i.e. near major transport routes and around Hereford;
- Around £2,200,000/net developable hectare for town centre retail and £1,000,000 for large convenience retail. However whilst this per hectare figure is expressed in a way that allows comparison with other threshold land values it is often more appropriate to work in terms of the assumed site value, and these are detailed in the viability appendices;
- Around £500,000/net developable hectare for out of centre retail;
- The threshold land value for out of centre leisure, care homes and hotels will be similar to industrial and out of centre office uses – i.e. around £430,000/net developable hectare.

[14] CoStar Focus for rents and yields, BCIS for construction costs and VOA Property Market Report for land values
[15] Viability Testing Local Plans, 2012, Local Housing Delivery Group

Summary viability assessments

5.5 The tables below summarise the detailed assessments, and represent the net value per square metre, the net costs per square metre; including an allowance for land cost and s106 to deal with site specific issues (i.e. on-site highways, travel plan etc) to make development acceptable and the balance between the two. We have also presented the threshold land value as a per sq m of development. This takes account of the different site coverage and the number of storeys for the notional developments. Full results are set out in Annex 6.

5.6 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However there will also be development that is undertaken for specific commercial operators, either as owners or pre-lets. In these circumstances the economics of the development relate to the profitability of the enterprise accommodated within the buildings rather than the market value of the buildings.

B Class Uses – Offices, industrial and warehouses

5.7 Herefordshire does not have a major office market although there remains a need for premises to accommodate office-based businesses serving the local population and other commercial organisations in the area. The viability assessments suggest that office development is not viable in Herefordshire and that there is no opportunity to charge CIL on this use.

Table 5.1: Offices

	Out of centre offices	Town centre offices
Value/sq m	£1,486	£1,635
Costs/sq m	£1,843	£1,989
Residual/sq m	-£356	-£354
Land benchmark/sq m	£54	£19
Viability 'headroom'	-£410	-£373

5.8 Both industrial and warehouse units are also not able to support a CIL. However, unlike industrial uses, warehouse development is relatively close to demonstrating viability as it has a positive residual value. However this residual value is not able to meet the threshold land value and so logically the development will not proceed.

Table 5.2: Industrial and warehouse

	Industrial units	Warehouse units
Value/sq m	£621	£621
Costs/sq m	£926	£680
Residual/sq m	-£305	-£59
Land benchmark/sq m	£93	£93
Viability 'headroom'	-£398	-£151

5.9 In line with other areas of the country our analysis suggests that commercial B-class development is not currently viable. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge. As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market.

A-class uses

5.10 The viability of retail development will depend primarily on the re-emergence of occupier demand and the type of retail being promoted. For this reason we have tested different types of retail provision.

5.11 **Superstores, supermarkets and local convenience** – large scale convenience retail continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing some reduced profits at the time of writing. Leases to the main supermarket operators (often with fixed uplifts) command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focusing primarily on the strength of the operator covenant and security of income. There is also evidence that the values increase as the size of store increases, which is due to a range of factors including an increased range of comparison goods being included within a weekly convenience shop; larger stores becoming shopping destinations rather than relying on passing trade; as well as larger stores generally operated by brands with strong covenants.

5.12 We would therefore suggest the evidence base for predominantly convenience retail provision can be approached on a wider region or even national basis when justifying CIL charging. Following our appraisal on this basis in Herefordshire we believe there is scope for a significant CIL charge without affecting viability. Appendix B of PPS 4 defines convenience retailing as the provision of everyday essential items, including food, drinks, newspapers/magazines and confectionery; and within this:

- Supermarkets: Self-service stores selling mainly food, with a trading floorspace less than 2,500 square metres, often with car parking;
- Superstores: Self-service stores selling mainly food, or food and non-food goods, usually with more than 2,500 square metres trading floorspace and with supporting car parking.

Table 5.1: Convenience Retail

	Small convenience store	Supermarket	Superstore
Value/sq m	£1,901	£2,166	£3,159
Costs/sq m	£1,621	£1,804	£2,386
Residual/sq m	£279	£361	£773
Land benchmark/sq m	£125	£125	£250
Viability 'headroom'	£154	£236	£523

5.13 **Town centre comparison retail** –We have tested town centre retail and this suggests that it is able to support a CIL charge. In terms of what constitutes a retail 'centre', the Council has undertaken separate work as part of the development plan process identifying town centre boundaries on a functional basis, and this could be used as suitable boundaries for a charging schedule.

5.14 **Retail warehouse** – Although this market has been relatively flat in recent times, especially in terms of new build, there may potentially be more activity in the future. Whilst values have dropped the relatively low build costs mean that there is still value in these types of developments when there is occupier demand, and schemes are viable and able to support a CIL charge. Appendix B of PPS4 defines retail warehouse as including large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering mainly for car-borne customers.

Table 5.2: Comparison Retail

	Town Centre	Retail Warehouse
Value/sq m	£2,070	£1,476
Costs/sq m	£1,756	£1,105
Residual/sq m	£314	£371
Land benchmark/sq m	£139	£125
Viability 'headroom'	£175	£246

Leisure development

5.15 To assess the leisure sector's potential to afford a CIL charge, we have tested a budget hotel and a cinema scheme.

5.16 **Hotels** – The rapid expansion in the sector (particularly budget hotels) at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts as well as changing market preferences. These arrangements were able to provide the profile of returns sought by investors. The economic cycle has affected this sector and some operators – e.g. Travelodge have seen difficulties. However, the out of town centre budget hotel scheme we have modelled shows that this type of development can be viable in Herefordshire and able to support a relatively small CIL.

5.17 **Leisure** - A mixed leisure scheme has been tested and our analysis shows that this sort of scheme is currently not viable and cannot support a CIL charge.

Table 5.3: Hotel and Leisure Development

	Budget hotel	Leisure development
Value/sq m	£1,588	£1,031
Costs/sq m	£1,505	£1,590
Residual/sq m	£83	-£560
Land benchmark/sq m	£29	£27
Viability 'headroom'	£54	-£587

Care homes

5.18 In addition to the uses above we have tested the viability of care homes. There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However there have been concerns about the occupancy rates and the ability to sustain prices[16]. The high level analysis suggests that care homes are unlikely to be sufficiently viable in Herefordshire to support a CIL.

Table 5.4: Care homes

	Care home
Value/sq m	£1,610
Costs/sq m	£2,436
Residual/sq m	-£826
Land benchmark/sq m	£54
Viability 'headroom'	-£880

Other Non-residential Development

5.19 In addition to the development considered above there are other non-residential uses that we have considered. PAS guidance suggests that there needs to be evidence that community uses are not able to support CIL charges. Our view is that it would not be helpful to set a CIL for the type of facilities that will be paid for by CIL (amongst other sources).

5.20 Our approach to this issue is that the commercial values for community uses are £0 but there are build costs of around £1,800 per sqm plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

Sensitivity testing

5.21 It is likely that costs and values will change in the future and a set of sensitivity tests have been run to determine at what point viability changes. This indicates that:

[16] E.g. the 2011 Public Accounts Committee findings - http://www.bbc.co.uk/news/health-16035012

- A 10% increase in values would see the same set of viable uses and non-viable uses, although the viable uses would have the capacity to support a larger CIL;
- Both a 15% and a 20% increase in values would further improve viability for the same set of viable uses and non-viable uses, although the viable uses would have the capacity to support a larger CIL. No other uses have become viable at these stages;
- A 20% increase in values would again further improve viability for the viable uses and provide the opportunity to have a larger CIL. Again no other uses have become viable at this stage although town centre offices and B8 is close to being viable in some circumstances;
- A 10% increase in costs would see town centre comparison retail and small convenience retail become marginal, and unable to support a CIL. Budget hotels would become unviable;
- A 5% decrease in costs would see the same set of viable uses and non-viable uses, although the viable uses would have the capacity to support a larger CIL.

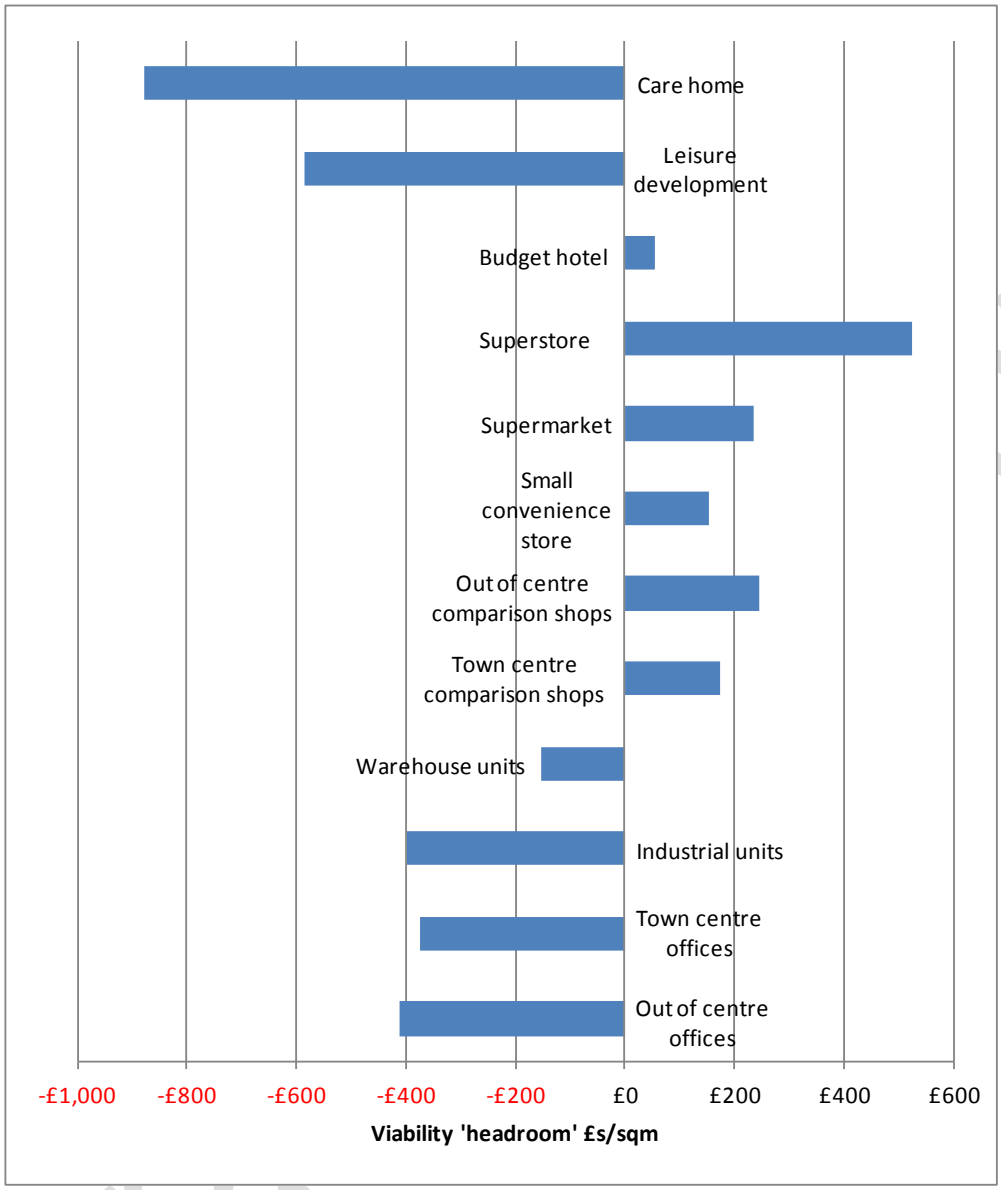
What level of CIL?

Summary of viability assessment

5.22 The graph below summarises the viability 'headroom' for each of the non-residential uses tested, and this clearly shows that:

- Both convenience and comparison retail is viable and is able to bear a CIL charge.
- Hotels are viable and able to bear a CIL charge.
- The other uses including 'B' space are not viable and would require considerable changes in value before they are able to pay CIL.

Figure 5.1: Non-residential viability summary



Potential CIL rates

5.23 The decision on the level of CIL needs to be informed by this evidence but ultimately taken by the Council. In theory the amount a scheme can afford to contribute CIL is to a maximum of all of the difference between the residual value and the threshold land value after taking into account all costs. However it is clear from the guidance that it is not appropriate to charge up to the maximum – to allow for margins of error and the likelihood of different costs and values affecting different locations and sites.

5.24 In practical terms, in Herefordshire, many developments are part of mixed use schemes with the higher value uses able to support the provision of lower value but nonetheless desirable uses – such as the Hereford Cattle Market scheme. Therefore if all of the viability 'headroom' is

taken up by CIL this may jeopardise a larger set of development. Instead it is recommended that CIL is set well below the theoretical maximum and that this is taken into account along with the scheme specific factors when the s106/278 obligations are negotiated.

5.25 If the Council elected to set a CIL rate for the viable uses at around half[17] of the viability headroom this would leave a set of charges as set out in table below.

Table 5.5: Potential CIL charges for viable uses

Uses	Potential CIL
Town centre comparison shops	£90
Out of centre comparison shops	£125
Small convenience store	£80
Supermarket	£120
Superstore	£260
Budget hotel	£27

5.26 A further consideration is the simplicity or complexity of the charging schedule and the types of charges made by other authorities:

- Decisions already made by examiners suggest that simpler charging schedules are easier to justify at examination. Variations by use[18] or by area will need to be clearly supported by increased amounts of evidence;
- Furthermore the higher the charge (in its own right and in comparison with other areas) the more likely that there will be objections to be addressed at examination.

5.27 A review of the adopted or proposed CIL charges across the UK shows that:

- There is a clear picture of the majority of locations with adopted/proposed Charging Schedules having a £0/sq m CIL charge for B1, B2 or B8. The few examples where such development is judged to be viable generally have low CIL rates c. £20-£30 sq m;
- Most authorities have a retail CIL charge although this often varies by location, particularly in areas where town centre retail is not viable. It is relatively common for large format convenience retail to attract the highest CIL. Some authorities have used the 280 sqm Sunday trading breakpoint whilst others have used a larger sized breakpoint or supermarket/superstore description. Large scale convenience retail can attract proposed charges of £200-£300 sqm (sometimes higher), while retail warehouses are a) less likely to have a charge and b) it is likely to be lower. The most recent guidance (December 2012) clarifies that CIL rates can vary by use as opposed to use class.

[17] Note that this is an arbitrary amount based on prudence rather than informed by specific guidance and reflecting the types of sites that may come forward over the life of the plan. DCLG guidance (December 2012) just requires that the charge not be at the margins of viability (para 30)

[18] Note that the CIL regulations use the term 'use' rather than 'use class' (Regulation 13)

5.28 Taking this into account Herefordshire Council may like to consider CIL charges of:

- £90- £125/sq m comparison retail in and out of town centres;
- £80/sq m for small convenience retail (up to the Sunday trading threshold of 280 sqm);
- £120+/sq m for larger convenience retail (over the Sunday trading threshold of 280 sqm);
- £25/sq m for hotel development.

5.29 Although this may slightly reduce the overall CIL receipts for the largest supermarket development it will maintain a simple charging schedule. An alternative to this would be a combined rate for small convenience retail with town centre comparison and a combined rate for larger convenience and out of centre comparison retail.

6 SUMMARY AND CONCLUSIONS

Overview

6.1 The analysis of the potential for CIL in Herefordshire has been undertaken in consultation with the development industry. The analysis has assumed that, consistent with viability considerations, the Council needs to maximise the level of funding it can secure from CIL to help meet the funding gap to provide the infrastructure to support the emerging local plan.

6.2 The EVA demonstrates that it would be wrong for the Council to set a single levy across all uses and Herefordshire as a whole. Different rates are required for different uses and/or different parts of the county.

Residential

6.3 The EVA has considered both a notional 1 hectare scheme and a series of case studies. These produce a generally consistent pattern of results between them but with some nuances that need to be taken into account. However, the combination of different market values across the county and different requirements for affordable housing, produce a complex pattern of potential CIL rates in Herefordshire.

6.4 The results can be summarised as follows:

- In Hereford, with 35% affordable housing, a potential CIL of between £100 and £135 /sq m or more is generally found to be viable but this figure reduces to around £70/sq m for the large-scale (1,000 dwelling) greenfield site tested through a case study, provided that the payment of CIL is in installments. If all the CIL is sought at Day 1, the potential for CIL reduces to £50/sq m;
- In Leominster, the lower market values mean that residual values are lower. Even at 25% affordable housing (with 75% of this as shared ownership) the benchmark land value is exceeded with CIL at £50 to £70/sq m for the notional sites tested. However, with the large scale greenfield development tested (allowing for additional opening up costs and a developable area of 75%), only a very low CIL would be feasible;
- In the higher value areas of Ross and Ledbury and the surrounding rural areas and in Northern Rural and Bromyard, a CIL of £120 to £140 /sq m or more is feasible with 40% affordable housing. This includes both relatively small scale schemes (1 to 20 dwellings) and larger greenfield development (although single dwelling schemes may be much less viable - depending on the dwelling type);
- Hereford Northern and Southern Rural Hinterland a CIL of £50/sq m would exceed the higher land value benchmark;
- In Kington and West Herefordshire, a potential CIL of £70 to £110/sq m generates residual land values that exceed the benchmark for both the notional schemes and the case studies tested (both in the market towns and rural areas in the market value area). For certain types of small schemes, these CIL rates could be significantly increased.

6.5 The Council has a number of options in identifying an appropriate residential CIL. A single rate across the county is not appropriate as the differences in potential rates between different parts of the county are too great. On the other hand, the Council could consider a complex regime with, say, 8-10 zones reflecting the different combinations of market value and housing market areas but this would seem to be overly complex to administer. An alternative approach the Council might consider would be as follows:

- Up to £50/sq m in Hereford Northern and Southern Rural Hinterland and in Leominster but £15/sq m for large-scale greenfield urban extensions in Leominster;
- Up to £100/sq m in Kington and West Herefordshire and Hereford but £60/sq m for large-scale greenfield urban extensions in Hereford;
- Up to £140 /sq m in Ross and Ledbury and the surrounding rural areas and in Northern Rural and Bromyard

Non residential

6.6 The viability assessments show that:

- Convenience retail is viable and is able to bear a CIL charge;
- Town centre and retail warehouse comparison retailing are viable and able to bear a CIL charge;
- Hotels are viable and able to bear a CIL charge;
- The other non-residential uses such as offices, industrial, warehouse and leisure developments are not viable and would require considerable changes in value before they are able to pay CIL.

6.7 In deciding the level of CIL for non-residential uses the Council has room for manoeuvre within the indicative maximum rates set out in the body of the report. The initial recommendation is that the Council might consider the following retail charges which are within the suggested maximum rates:

- £90- £125/sq m comparison retail in and out of town centres;
- £80/sq m for small convenience retail (up to the Sunday trading threshold of 280 sqm);
- £120+/sq m for larger convenience retail (over the Sunday trading threshold of 280 sqm);
- £25/sq m for hotel development.

ANNEXES

Annex 1 Notes of development industry workshop

Hereford United Football Club

19th July 2012

Two workshops were held and this is a combined notes cover both the morning and afternoon workshops.

Introductions

The morning workshop was introduced by Andrew Ashcroft, Assistant Director Economic, Environmental and Cultural Services, Herefordshire Council; and the afternoon workshop by Yvonne Coleman, Planning Obligations Manager, Herefordshire Council.

Siobhan Riddle (SR), Senior Planning Officer at Herefordshire County Council (SR) provided an update for both workshops on the Core Strategy process and provided a paper copy of the presentation available:

- Core Strategy consultation last year amongst the parishes and wards
- Timescale revised to 2031
- Housing figures revised figs
- Cabinet endorsed further consultation for the full draft Core Strategy early 2013, with a late summer pre-submission publication, EIP late 2013 and adoption in spring 2014.

SR explained that setting CIL is optional for Herefordshire Council (HC) but that it intended to do so and that part of the issues was to respond to the changes in the way that S106 contributions could be set and the restriction on pooling contributions from more than five schemes that would be introduced nationally in April 2014. In addition CIL offers a greater transparency about what funds are collected, what they have been spent on and the infrastructure items being delivered. CIL is also necessary to help fund infrastructure particularly in the current economic climate.

Setting a CIL is based on the Regulations set out in 2010 and 2011. SR explained that the basis for setting a charge is to strike an appropriate balance between funding infrastructure and not jeopardising most development. SR also explained that there is relief from CIL for affordable housing and charities.

CIL is:

- Set as £ per sq m net additional floor space
- Based on gross internal area (GIA)
- Becomes due the date development commences
- Falls on owner of land – not developer
- Dependent on an up to date development plan
- Based on evidence of viability and a demonstrated infrastructure gap

The report to the council providing viability evidence is due in October 2012. The council hopes to consult on a preliminary draft charging schedule in February 2013 and then on a draft charging schedule in June 2013, followed by examination and adoption in early 2014. The charging schedule can have nil rates for some uses but this has to be justified in viability terms.

SR's presentation was followed by Q+A. This covered:

- Pooling of S106 – it was noted that S106 agreements will continue but revenue can't be pooled from more than 5 schemes post April 2014 (in line with regulations). The Herefordshire SPD tariff will no longer exist. The CIL viability testing will take account of a notional residual s106 cost (to meet site specific measures).
- If development is consented before the charging schedule is adopted it will not be liable for CIL.
- SR's presentation included reference to the recent Local Housing Market Assessment (LHMA), which looked at housing need by ward but also covered some aspects of viability. This work came to broadly same conclusions about viability as the earlier Three Dragons work. The LHMA concluded that less affordable housing was required in Bromyard (on the basis of need) than the earlier viability study suggested (on the basis of the viability testing).
- The discussion included the role of New Homes Bonus in funding infrastructure as well as S106 and CIL, and the distribution of funds back to town or parish – noting that further guidance on the amount of CIL that should be allocated to local communities, is still awaited from DCLG.

CIL Viability Testing

Lin Cousins (LC) then started the CIL viability testing session by outlining the items to be covered

- CIL and viability testing (and guidance)
- Approach to the study
- Assumptions
- Comment and feedback

It was stated that the discussion would be covered within a follow up note (this document) and that comments would not be attributable. People would have a further opportunity to comment after the workshop if they wished. The point was made that feedback was important as unless the consultant team was made aware of other views, it would be assumed that the attendees agreed with the assumptions made and that they would be used within the viability testing.

CIL Principles

LC set out key CIL principles – to complement the initial presentation from SR:

- CIL is set out as £s per sq metre for developments of 1 dwelling or more or over 100sq m additional on-residential floorspace and is not negotiable unlike S106
- Justification for the levy rate(s) should include:
  - There is a need (Infrastructure funding deficit)
  - The setting of the levy rates is informed by viability assessments
  - Charging authorities are not allowed to set rates for policy purposes
- There can be different rates for different areas / "*intended uses of development*"

- Exemptions include affordable housing and charities
- Charging authorities will have to have a Regulation 123 list setting out how the money will be spent
- Can collect in one place and spend in another
- Identified at planning permission, paid at commencement
- There will still be s106 contributions in order to make the development acceptable in planning terms. This will have to meet the three tests:
  1. necessary to make the development acceptable in planning terms
  2. directly related to the development
  3. fairly and reasonably related in scale and kind to the development

The discussion included the process and timing of CIL rate reviews and it was explained that re-examination would be necessary and that the study would suggest indicators to help identify when this might take place.

The certainty provided by CIL was welcomed as a tool for negotiating with landowners.

Adopted CILs in other Areas

LC provided information about CIL rates already adopted by other local authorities (following examination).
In almost all cases residential development attracts CIL but there is more variance in the approach for non-residential – retail often attracts CIL, especially larger format convenience, B space rarely attracts CIL and hotels/student accommodation will sometimes attract a charge.

CIL Location	Residential	Retail	Office	Industrial/ warehouse	Other
London Mayors	£20 - £50	£20 - £50	£20 - £50	£20 - £50	£20 - £50
Newark & Sherwood	£45 - £75 (C2 £0)	£100 - £125	£0	£0 - £20	£0
Portsmouth	£105	£105 OOC £53 ITC	£0	£0	£53 hotels
Redbridge	£70	£70	£70	£70	£70
Shropshire	£40 - £80	£0	£0	£0	£0
Wandsworth (nya)	£0 - £575	£0 - £100	£0 - £100	£0	£0

Viability Guidance

In comparison to a year ago, there is now guidance on viability testing:

NPPF

"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."

"Local planning authorities should ……..assess the likely cumulative impacts on development in their area of all existing and proposed local standards, ……"

Viability Testing Local Plans - Advice for planning practitioners

"The approach to assessing plan viability should recognise that it can only provide high level assurance "

"The advice and input of local partners, particularly those with knowledge of the local market and development economics, and those who will be involved in delivering the plan, should be sought at each stage."

"….. the role of an assessment is to inform the decisions made by local elected members to enable them to make decisions that will provide for the delivery of the development upon which the plan is reliant…"

The viability tests will then be used to set an appropriate CIL rate - *"Charging authorities will use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy upon the economic viability of development across their area." (CLG 2011)*

During discussion it was noted that

- Charging authorities could not double-fund infrastructure through CIL and through s106; and that once the charging authority had set out its list of infrastructure to be funded from CIL (the published Reg 123 list) it would not be able to take S106 contributions for those items.
- While CIL was not negotiable (baring exceptional circumstances), s106 and the proportion of affordable housing would still be negotiable – and therefore CIL should not be set at a level that would squeeze other requirements.
- The CIL rate can be reviewed at any time – but it is not a simple process and will require re-examination etc. and will probably be triggered by significant changes in values or costs. Therefore a CIL rate should leave enough viability 'headroom' to accommodate short term market downturn.
- CIL liability is due when development commences but the charging authority can put an instalment policy in place. Attendees suggested that liability could be linked to first occupancy etc.
- The Reg 123 list can be constantly changed by the charging authority.
- The issue of phosphates drainage was raised and attendees suggested that addressing this issue might be part of the Infrastructure Delivery Plan and on the Reg 123 list.
- The rate of levy is a function of the size of the infrastructure funding gap and how much development can afford to pay. Even if the funding gap becomes bigger the viability will determine how much development is asked to pay.

- The Hereford relief road was discussed – estimated to cost over £100m with different views on the relative importance of this versus more local/neighbourhood infrastructure aspirations. It was noted that this workshop was about viability rather than the priority infrastructure items for the County, and that the IDP would deal with this point in more detail as part of the Core Strategy process.
- Clarity was sought about the CIL liability from replacing older dwellings with new ones. *(Post meeting note - The levy will not be charged on changes of use that do not involve an increase in floorspace. Charges will on the net additional increase in floorspace of any given development)*.

Residual value approach

LC explained that the analysis (for residential and non residential uses) would be undertaken using a residual value approach, in which all the costs in a scheme (including planning obligations) are deducted from the scheme's total value. The residual value which results is then compared with a benchmark land value and a scheme considered being viable if the residual value exceeds the benchmark.

Some workshop participants questioned whether the overall process is too general to properly take account of the variability of actual development and then how it supported preparation of the core strategy.

Benchmark Land Values

VOA based evidence and analysis was presented showing that benchmark land values for:

- Infill/previously used land might be around £550,000 to £600,000 per gross ha. (based on 20% uplift on industrial values).
- Greenfield urban extension land values might be at least £200,000 per gross ha. (based on at least 10 times agricultural values).

Discussion around this issue included:

- Agriculture is relatively profitable in Herefordshire so landowners are happy to sit on land until values rise, even if that takes a generation or two – banks are happy to lend to farmers and some farmers are actively buying land.
- This lack of inclination to sell reflects the current low point in the economic cycle as well as other pressures on viability such as planning obligations and affordable housing requirements.
- Uplift on agricultural values will have to be more than the 10 times suggested because of capital gains tax, inheritance tax and the general need to share out the monies raised across many members of the same family.
- In addition the high rental values for agricultural land (£200/acre) mean that it is often financially attractive to hold on to the land.
- Although counter intuitive, bigger parcels of land do not reduce per acre value.
- For brownfield sites EUV + 20% is not viable for relocation different from vacant sites - disappears in relocation costs and tax. While the Chief Planning Inspector accepted 20% in London it may be that in lower value areas it may need to be higher.

- Known examples of recent land sales were often distressed sales e.g. Marden - 12 units completed up to roof, renegotiating; 2 developments in Leominster including Barons' Cross, difficult sites. Nothing in the pipeline in the Lugg Valley.
- There was some feeling that the market was starting to recover, with other locations (e.g. Cambridgeshire) seeing trading returning to 2007 levels and developments of 150-200 units.

Overall it seemed that there will be a section of rural landowners who do not fall into the "willing landowner" category defined in the NPPF; and that of the remainder they are likely to require at least 20 times agricultural value (say £400,000/gross ha) in order to part with the land and there may be expectations of open market housing values say £550,000 to £600,000 per hectare.

Non-residential Viability Testing

Dominic Houston set out the initial assumptions to be used in the non-residential viability testing. He set out the classes of development to be considered:

- Offices
- Industrial
- Warehouse
- Hotels
- Health and fitness
- Care homes (Extra Care and Sheltered picked up as separate category in residential)
- Sui Generis?
- Agricultural – a special case?

DH noted that there was little evidence on values for agricultural or horticultural buildings (with agricultural buildings almost only sold as part of their host farms and very few examples nationally of speculative development of glasshouses) and that Sui Generis was tested using analogous types of developments. He also noted that there have been recent challenges to the notion of setting different charges for different retail uses (Sainburys in Poole) and that ultimately this aspect may be tested in the courts. He asked for any available evidence to be brought to the consultant team's attention.

Because of the paucity of recent local transactions for some uses some of the values have considered wider areas. In particular B space has included the wider West Midlands excluding Birmingham; and convenience retail, leisure and care homes have looked at data across Britain excluding London. For convenience retail the assumptions are based upon the strength of the operator's covenant being a more important determinant of value than location, particularly for larger stores.

Convenience Retail - Store Size	Rent/sqft	Rent/sqm	Yield %
Convenience <1000 sqm	£12.00	£129	6.11
Convenience 1001-2500 sqm	£13.00	£140	5.83
Convenience 2501-5000 sqm	£17.00	£183	5.18

Convenience >5000 sqm	£20.00	£215	4.98

Comparison Retail Store Location/Size	**Rent/sqft**	**Rent/sqm**	**Yield %**
Town Centre comparison	£20.00	£215	6.5
Hereford	*£21.00*	£226	*6.5*
Outside Hereford	*£20.00*	£215	*7.8*
Out of centre comparison/retail warehouse	£11.40	£123	7.6
up to 1000 sqm	*£11.30*	£122	*8.0*
1001-2500 sqm	*£13.60*	£146	*6.7*
over 2500 sqm	*£11.00*	£118	*7.2*

B Space Type/Size	**Rent/sqft**	**Rent/sqm**	**Yield %**
Office 50 – 100 sqm	*£9.40*	*£101*	*6.5*
Office >100sqm	*£8.00*	*£86*	*7.0*
1,500 sqm industrial	*£7.40*	*£80*	*7.8*
2,000 sqm warehouse	*£3.60*	*£39*	*7.8*

Hotels/leisure/care homes	**Rent/sqft**	**Rent/sqm**	**Yield %**
Hotels	£11.80	£127	7.3
Mixed Leisure/Fitness	£8.00	£86	7.5
Care Homes	£8.20	£88	6.3

Build costs by development type – Source BCIS.	**Cost/sqft**	**Cost/sqm**
Convenience Retail	£91	£980

Build costs by development type – Source BCIS.	Cost/sqft	Cost/sqm
Town Centre Comparison Retail	£61	£660
Out of Centre Comparison Retail	£44-£50	£480-£540
Office	£103	£1,100
Industrial	£50	£540
Warehouse	£40	£430
Hotels	£78-£114	£839-£1,223
Leisure	£92	£994
Care Homes	£100	£1,080

In addition to these build costs an allowance of 10% is made for external works and £20 psm in order to produce the 20% efficiency standards required by 2013.

Professional fees	12% of build costs
Marketing fees	3% of GDV
Finance	7% of development cost
Developer return	20% of development cost
Purchaser costs	5%
Acquisition costs	Varies – c 2.0% + SDLT
Other	An allowance for S106 would be included in the testing.

Discussion included:

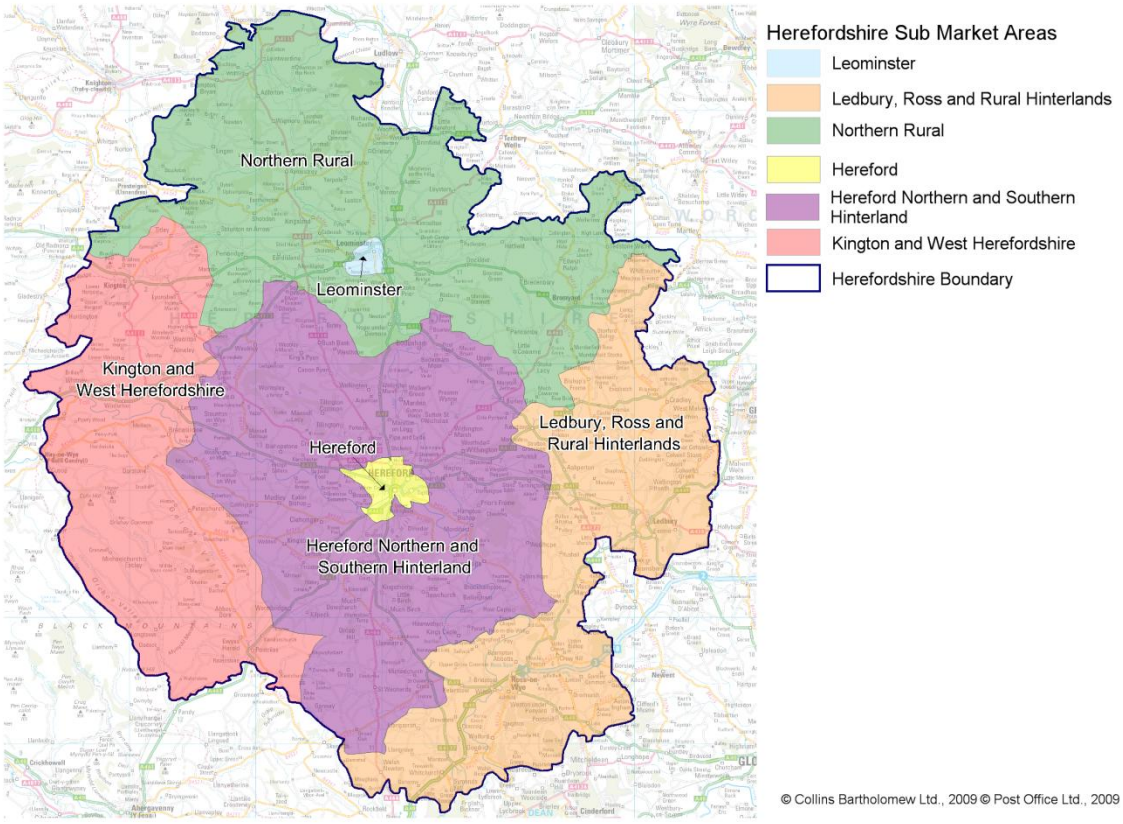
- The importance of including costs of providing for utilities, external works and SUDS in the viability testing.
- The view that retail should pay a rate of CIL at least as much as residential if the viability was there.
- Concern that CIL would render employment uses unviable, and that if commercial development viability is tight, it should have a zero CIL charge.
- The lack of office development in the County to provide evidence of viability
- There was some discussion about re-use of agricultural buildings (for residential rather than for offices) and the likely liability for CIL for net new space.
- Queries were raised about how abnormal development costs are accounted for. The discussion included the likelihood that site specific issues known to both the developer and the landowner would result in the land price being adjusted. However where there are wider issues e.g. phosphates drainage then the position may not be so clear cut and land values may not fall enough to allow development to come forward.
- Most sites will be greenfield and this should be the main focus of the viability testing

- There was evidence of polytunnel development in Herefordshire which was happening to improve the profitability of farms. Question was raised whether a CIL charge was an option for polytunnels (putting aside the question of viability)
- There have been limited B space transactions, but some activity in the Enterprise Zone.
- On the issue of inclusion of voids periods – there was no clear agreement that they should be included as in the current market developers would only build if there potential tenants were identified – particularly with the rates liability on empty premises.
- Detailed comments about the draft assumptions presented were that:
  - Warehouse costs were right
  - That carehome development costs should be higher – up to £2,000 sqm
  - New build warehouses are getting less than £5 per sq ft e.g. £3 per sq ft in Leominster warehouses, Hereford development £5 per sq ft with tenant lined up (newbuild £4.50 per sq ft 5,000 sq ft.). Yield better than 7%.
  - £20-25 per sq m for prime town centre retail is realistic.

Residential Viability Testing

Lin Cousins set out the basis for the residential viability testing and initial assumptions to be used.

- CIL and affordable housing (AH) will be tested in combination
- 2 types of testing will be used:
  - Notional 1 hectare site (for an overview)
  - Series of case study sites – representative of variety of sites likely to come forward
- The initial thinking is to test at 5% intervals around policy for AH and £25 'steps' for CIL.
- That value and cost assumptions from previous studies will be updated.
- The initial review showed that house price areas not changed from previous study – as set out below



Market values

A table of updated values was presented for comment.

	Detached			Semi		Terraced		Flats	
	5 Bed	4 Bed	3 Bed	3 Bed	4 Bed	3 Bed	2 Bed	2 Bed	1 Bed
Ledbury, Ross	£400,000	£345,000	£315,000	£215,000	£252,000	£252,000	£216,000	£160,000	£120,000
Northern Rural	£385,000	£335,000	£300,000	£210,000	£246,000	£240,000	£210,000	£155,000	£115,000
Hereford	£345,000	£295,000	£270,000	£185,000	£240,000	£216,000	£186,000	£140,000	£105,000
Kington	£335,000	£290,000	£260,000	£180,000	£234,000	£210,000	£180,000	£135,000	£100,000
Hereford Hinterland	£330,000	£285,000	£255,000	£175,000	£228,000	£204,000	£174,000	£130,000	£95,000
Leominster	£280,000	£245,000	£220,000	£160,000	£198,000	£180,000	£156,000	£110,000	£85,000

LC noted that new build terraced properties shown an increase in value based on selling prices and asked for comment on this aspect. The responses to the house prices indicated that:

- Kington values are too high should be £135k-150k new build 2 bed terrace
- Hereford terraces were a bit high 2 bed should be £150k, 3 bed semi £180K and 3 bed terrace should be 5% lower
- Ledbury and Ross terrace prices are too high – there has not been much new build in these areas.
- Northern detached 5 bed should be £335k and 4 bed £320k.
- Ledbury and its rural hinterland have premium of 15-20% over Ross and its rural hinterland.
- 3 bed new build semi Leominster £130-£140,000 - but very few sales
- Surveyors are now down valuing properties. Flats are difficult to sell, country cottages no problem.

LC noted that there was limited available evidence on retirement housing prices (only Ross on Wye) and requested any other evidence be made available. None was identified at the workshop.

Development Costs

The development costs proposed for the viability testing were presented:

- Build costs £s per sq m
  - Houses £900
  - Flats £950 (mostly 1 and 2 storey)
  - Sheltered and extra care £1,030 (+ allowance for non revenue earning at c 20/35%)
- Other development costs
  - Professional Fees % 12% of build costs
  - Internal Overheads 5% of build costs
  - Finance 7% of build costs
  - Marketing Fees 3% of market value
  - Developers Return 17% of GDV
  - Contractors Return 6% of developments costs
- Other costs
  Allow £795 per dwelling to achieve Building Regs 2013
  Residual s106 costs – pervious study used £5,000 per dwelling – feedback from workshop requested for appropriate rate for the new study

The discussion included:

- That build costs need to include abnormals, highways, local standards, SUDS
- Opening up costs on greenfield land are higher as services have to go further in agricultural areas. *Information about site opening up costs was requested by LC from participants. What amount per hectare is realistic and how does this relate to the scale of development?*
- That there were few developments of more than 50 dwellings

- That the developer return needs to be minimum 20% (note that the assumptions above include an allowance for internal overheads as well as a straight developer's return; which combine to just under 20%). LC suggested (and there was general agreement) that the testing should be based on a 20% developer return but nil internal overheads.
- Finance costs for small scale development are 6-6.5% plus arrangement fee (so using 7% may be acceptable)
- That the professional fees assumptions might be too low, although no examples were forthcoming.
- That site mitigation, play area, travel plan, drainage ranges between £500 to £3-4K per dwelling.
- The Shropshire CIL covers everything (e.g. play areas and maintenance all in CIL) apart from major transport and that this approach may be worth pursuing in Herefordshire. Alternatively s106 might be more flexible than just using CIL. This issue would need to be decided in due course by Herefordshire Council.
- The costs/dwelling of affordable houses at Code 4 is £1,150 (based on Housing Association payments to contractors).
- Recent tender rates reported to be @ £1850 per sqm – examples were requested.
- That the costs of the reports supporting planning applications should be included.
- That developers should be given incentives to achieve higher code levels.

Clarification was requested about what would be included within s106 post 2014.

Dwelling Mix and Size

LC explained that for the testing of the notional 1 hectare site, a notional scheme mix (for different development densities) needed to be identified and that standard dwelling sizes were proposed both for all testing to be undertaken. The information presented is as follows:.

Mix

Density (dph)	30 dph	40 dph	50 dph	60 dph
1 bed flat				10%
2 bed flat		5%	10%	25%
2 bed town house	10%	15%	20%	25%
3 bed town house	15%	25%	30%	30%
3 bed semi	25%	20%	30%	5%
3 bed detached	15%	10%	10%	5%
4 bed detached	25%	20%		
5 bed detached	10%	5%		
	100%	100%	100%	100%

Dwelling Sizes	Affordable sqm	Market sqm
1 Bed Flat	46	45
2 Bed Flat	67	60
2 Bed Terrace	76	65
3 Bed Terrace	84	80
3 Bed Semi	86	90
3 Bed Detached	90	110
4 Bed Detached	110	135
5 Bed Detached	125	150

Workshop comments were:

- That 50 and 60 dph are not being developed now – don't include in testing
- Terraces are being built but not town houses.
- That the market 4 bed house seemed a bit small – although no examples were provided at the workshop.
- Densities for rural areas are 20-30 dph.
- Densities for urban areas are 30-40 dph.

Affordable Housing

The affordable housing assumptions to be used in the testing were presented by LC who also noted that the council would undertake a short survey of RPs to provide opportunity for more detailed technical feedback. LC explained that revenue for rented housing would be assessed on the basis of a capitalised net rent, with no allowance for any other funding, including an assumption of nil grant.

- Mix of (social) rent and intermediate varies by area
- Intermediate – 80% of LHA or shared ownership (what % - 50% last report)

Bases on the LHMA 2011:

- Hereford HMA (35%) 64% social rent; 36% intermediate
- Bromyard HMA (25%) 100% intermediate
- Ledbury HMA (40%) 100% intermediate
- Ross HMA (40%) 14% social rented; 86% intermediate
- Kington HMA (35%) 30% social rent; 70% intermediate
- Leominster HMA (25%) 16% social rent; 84% intermediate
- Golden Valley HMA (35%) 43% social rent; 57% intermediate

Social and affordable rents
SR – based on target rents
AR – 80% LHA (using information for the Herefordshire BRMA)

Rents are presented in the table below:

Weekly rents	**Social rent**	**Affordable rent**
1 bed	£ 68	£ 73
2 bed	£ 78	£ 92
3 bed	£ 89	£ 110
4 bed	£ 100	£ 134
5 bed	£ 107	£ 134

Views were sought on the appropriate level of service charges for flats and houses.

Assumptions for other costs proposed were:

For SR (and AR)

- Management and maintenance £1000
- Voids/bad debts 3.00%
- Repairs reserve £500
- Capitalisation 6.00%

For shared ownership

- Share size 50%
- Rental charge 2.75%
- Capitalisation 6.00%

Case studies

LC explained that the team would identify a number of notional case study sites for testing. These are to be representative of the type of sites typical in the county.

Suggested case studies included:

- Up to 10 dwellings on the edge of villages with higher build costs of up to £1,000-£1,100 per sq m
- 5-20 dwellings in towns – may not have been allocated. No specific market.
- Sites of at least 1 ha at 35 dph minimum

The discussion noted the costs of ecology etc., and that at the moment there are a lot of schemes with planning permission not coming forward.

Close of workshops

Siobhan Riddle thanked everyone for attending the workshop and confirmed that a combined note of the two workshops would be circulated for further comment.

Annex 2 Residential Development Assumptions

Market value areas

Market value areas and their relationship to Housing Market areas are set out in following table. Results are produced for each market value area. In a number of cases (e.g. Ledbury and Ross) there is more than on one HMA within a single market value area. Viability testing has reflected this.

Market Value Area	HMAs	Benchmark (per ha)
Ledbury, Ross and Rural Hinterland	Ledbury, Ross	£800,000 to £1,000,000
Northern Rural and Bromyard	Bromyard, Leominster rural	£800,000 to £1,000,000
Hereford Northern & Southern Hinterlands	Hereford	£800,000 to £1,000,000
Kington and West Herefordshire	Kington, Golden Valley	£600,000
Hereford	Hereford	£600,000
Leominster	Leominster town	£500,000

% affordable housing

The table below sets out the percentage of affordable housing for each HMA.

	% AH
Hereford	35%
Bromyard	40%
Ledbury	40%
Ross	40%
Kington	35%
Leominster rural	40%
Leominster town	25%
Golden Valley	35%

The standard tenure make up for affordable housing is 75% social rent and 25% intermediate housing with two types of 'intermediate housing' to be assessed – intermediate rent and shared ownership (see later for assumptions to be used for each tenure.)

In Hereford Northern and Southern Hinterland and Leominster town, an alternative affordable housing split is to be used – 25% social rent and 75% intermediate housing. Intermediate housing will be assessed as above.

Market values areas and values

	Detached			Semi		Terrace			Flats	
	5 Bed	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**2 Bed**	**2 Bed**	**1 Bed**
Ledbury, Ross and Rural Hinterlands	£400,000	£345,000	£305,000	£225,000	£205,000	£210,000	£195,000	£170,000	£150,000	£110,000
Northern Rural and Bromyard	£335,000	£320,000	£300,000	£230,000	£210,000	£205,000	£200,000	£175,000	£155,000	£115,000
Hereford	£345,000	£295,000	£245,000	£205,000	£185,000	£200,000	£180,000	£145,000	£140,000	£105,000
Kington and West Herefordshire	£335,000	£290,000	£260,000	£200,000	£180,000	£195,000	£175,000	£145,000	£135,000	£100,000
Hereford Hinterland	£330,000	£285,000	£255,000	£195,000	£175,000	£190,000	£170,000	£145,000	£130,000	£95,000
Leominster	£280,000	£245,000	£220,000	£180,000	£155,000	£165,000	£150,000	£130,000	£110,000	£85,000

Mixes (for notional 1 hectare scheme)
For Market units

	25dph	30 dph	40 dph	50 dph
	%s	%s	%s	%s
1 bed flat				5%
2 bed flat			5%	10%
2 bed terrace		10%	15%	25%
3 bed terrace		15%	30%	30%
4 bed terr	10%			
3 bed semi	25%	25%	20%	25%
3 bed det	15%	15%	10%	5%
4 bed det	40%	25%	20%	
5 bed det	10%	10%		

These are based on information shown at development industry workshop, updated with information about recent planning permissions in Herefordshire.

Test 30 dph and 40 dph in all market value areas

Test 50 dph scheme in Hereford only

Test 25 dph in all market value areas except Hereford and Leominster

Dwelling types for affordable housing to vary with tenure (as advised by the Council):
For social rent -

1 bed flat 30%
2 bed terr 40%
3 bed Semi 25%
4 bed Semi 5%

For shared ownership
2 bed terr 50%
3 bed terr 50%

For intermediate rent
1 bed flat 10%
2 bed terr 40%
3 bed terr 40%
4 bed terr 10%

Dwelling sizes (in sq m GIA)

	Affordable	Market
1 Bed Flat	45	45
2 Bed Flat	67	60
2 Bed Terrace	75	65
3 Bed Terrace	82	80
4 bed terrace/ semi	100	95
3 Bed Semi	85	90
3 Bed Detached	85	110
4 Bed Detached	100	135
5 Bed Detached	125	150

Assume all flats are 2 storey

Development costs

Build costs

£s /sq m – using BCIS 5 year median values, using location factor for Herefordshire with a 15% uplift for external works.

Houses £910 (Reviewed and increased in light of discussion at the development industry workshop.)
Flats £950 (assume 1 and 2 storey, allow 10% for circulation space)

Additional build costs per dwelling
£795 per dwelling Building Regs 2013
£200 per dwelling Code Level 5 for water

Total additional build costs = £995 (rounded up to £1,000 per dwelling)

Other development costs

- Professional Fees % 12% of build costs
- Finance 7% of build costs
- Marketing Fees 3% of market value
- Developers Return 20% of GDV
- Contractors Return 6% of development costs

Residual s106 costs

£2,000 per dwelling (market and affordable).
This covers local highways (site access) and maintenance public open space.

Affordable housing assumptions

For rental properties.

- Management and maintenance £900
- Voids/bad debts 3.00%
- Repairs reserve £500
- Capitalisation 6.00%

For shared ownership

Share size	40%
Rental charge	2.75%
Capitalisation	6.00%

Weekly rents

	Social rent	Intermediate rent	Affordable rent
1 bed (flat)	£70	£73	£110
2 bed (flat)	£80	£92	£133
2 bed (house)	£85	£92	£133
3 bed	£95	£110	£160
4 bed	£105	£134	£220
5 bed	£110	£134	£220

Service charges (for Affordable Rent and Intermediate Rent – no service charges on Social Rent)
Houses - £4
Flats - £7

Annex 3 Residential testing – 1 hectare scheme results

Test 1 – 75% social rent, 25% intermediate rent, % affordable shown in Table 2.2
Test 2 – 75% social rent, 25% intermediate rent, % affordable shown in Table 2.2
Test 3 – 75% social rent, 25% intermediate rent, % affordable shown in Table 2.2 less 5%
Test 4 – 75% social rent, 25% intermediate rent, % affordable shown in Table 2.2 less 5%
Note: in Hereford Northern and Southern Hinterland and Leominster MVAs, the tests are based on 25% social rent with 75% shared ownership.

				%AH			Residual Value less acq costs @	Benchmark values					
Housing Market Area	DPH	Market Value Area	Test No	Market %	Afford able %	**Residual Value**	**10%**	Upper Benchmark	Lower Benchmark	RV less upper benchmark	RV less lower benchmark	**Upper Benchmark Max CIL (£/sq m)**	**Lower Benchmark Max CIL (£/sq m)**
Ledbury	25	LR,R & RH	1	60%	40%	**1,099,000**	**989,100**	1,000,000	800,000	-10,900	189,100	**-£6**	**£107**
Ledbury	25	LR,R & RH	2	60%	40%	**1,259,000**	**1,133,100**	1,000,000	800,000	133,100	333,100	**£76**	**£189**
Ledbury	25	LR,R & RH	3	65%	35%	**1,266,000**	**1,139,400**	1,000,000	800,000	139,400	339,400	**£73**	**£178**
Ledbury	25	LR,R & RH	4	65%	35%	**1,407,000**	**1,266,300**	1,000,000	800,000	266,300	466,300	**£139**	**£244**
Ledbury	30	LR,R & RH	1	60%	40%	**1,171,000**	**1,053,900**	1,000,000	800,000	53,900	253,900	**£28**	**£133**
Ledbury	30	LR,R & RH	2	60%	40%	**1,364,000**	**1,227,600**	1,000,000	800,000	227,600	427,600	**£119**	**£224**
Ledbury	40	LR,R & RH	1	60%	40%	**1,207,000**	**1,086,300**	1,000,000	800,000	86,300	286,300	**£39**	**£129**
Ledbury	40	LR,R & RH	2	60%	40%	**1,463,000**	**1,316,700**	1,000,000	800,000	316,700	516,700	**£142**	**£232**
Ross HMA - see Ledbury above													
Bromyard	25	NR & B	1	60%	40%	**909,000**	**818,100**	1,000,000	800,000	-181,900	18,100	**-£103**	**£10**
Bromyard	25	NR & B	2	60%	40%	**1,077,000**	**969,300**	1,000,000	800,000	-30,700	169,300	**-£17**	**£96**
Bromyard	25	NR & B	3	65%	35%	**1,060,000**	**954,000**	1,000,000	800,000	-46,000	154,000	**-£24**	**£81**
Bromyard	25	NR & B	4	65%	35%	**1,207,000**	**1,086,300**	1,000,000	800,000	86,300	286,300	**£45**	**£150**
Bromyard	30	NR & B	1	60%	40%	**1,018,000**	**916,200**	1,000,000	800,000	-83,800	116,200	**-£44**	**£61**
Bromyard	30	NR & B	2	60%	40%	**1,221,000**	**1,098,900**	1,000,000	800,000	98,900	298,900	**£52**	**£156**
Bromyard	30	NR & B	3	65%	35%	**1,195,000**	**1,075,500**	1,000,000	800,000	75,500	275,500	**£36**	**£133**
Bromyard	30	NR & B	4	65%	35%	**1,371,000**	**1,233,900**	1,000,000	800,000	233,900	433,900	**£113**	**£209**
Bromyard	40	NR & B	1	60%	40%	**1,170,000**	**1,053,000**	1,000,000	800,000	53,000	253,000	**£24**	**£114**
Bromyard	40	NR & B	2	60%	40%	**1,439,000**	**1,295,100**	1,000,000	800,000	295,100	495,100	**£133**	**£222**
Leominster rural HMA - see Bromyard above													
Hereford	25	HN & SH	1	65%	35%	**682,000**	**613,800**	1,000,000	800,000	-386,200	-186,200	**-£202**	**-£98**
Hereford	25	HN & SH	2	65%	35%	**922,000**	**829,800**	1,000,000	800,000	-170,200	29,800	**-£89**	**£16**
Hereford	30	HN & SH	1	65%	35%	**731,000**	**657,900**	1,000,000	800,000	-342,100	-142,100	**-£165**	**-£69**
Hereford	30	HN & SH	2	65%	35%	**1,102,000**	**991,800**	1,000,000	800,000	-8,200	191,800	**-£4**	**£93**
Hereford	40	HN & SH	1	65%	35%	**751,000**	**675,900**	1,000,000	800,000	-324,100	-124,100	**-£134**	**-£51**
Hereford	40	HN & SH	2	65%	35%	**1,247,000**	**1,122,300**	1,000,000	800,000	122,300	322,300	**£51**	**£134**
Hereford	40	HN & SH	1	70%	30%	**915,000**	**823,500**	1,000,000	800,000	-176,500	23,500	**-£68**	**£9**
Hereford	40	HN & SH	1	75%	25%	**1,080,000**	**972,000**	1,000,000	800,000	-28,000	172,000	**-£10**	**£62**
Kington	25	K & WH	1	65%	35%	**728,000**	**655,200**	600,000	600,000	55,200	55,200	**£29**	**£29**
Kington	25	K & WH	2	65%	35%	**835,000**	**751,500**	600,000	600,000	151,500	151,500	**£79**	**£79**
Kington	30	K & WH	1	65%	35%	**778,000**	**700,200**	600,000	600,000	100,200	100,200	**£48**	**£48**
Kington	30	K & WH	2	65%	35%	**906,000**	**815,400**	600,000	600,000	215,400	215,400	**£104**	**£104**
Kington	40	K & WH	1	65%	35%	**809,000**	**728,100**	600,000	600,000	128,100	128,100	**£53**	**£53**
Kington	40	K & WH	2	65%	35%	**980,000**	**882,000**	600,000	600,000	282,000	282,000	**£117**	**£117**
Golden Valley HMA - See Kington above													
Hereford	30	Hereford	1	65%	35%	**808,000**	**727,200**	600,000	600,000	127,200	127,200	**£61**	**£61**
Hereford	30	Hereford	2	65%	35%	**941,000**	**846,900**	600,000	600,000	246,900	246,900	**£119**	**£119**
Hereford	40	Hereford	1	65%	35%	**855,000**	**769,500**	600,000	600,000	169,500	169,500	**£70**	**£70**
Hereford	40	Hereford	2	65%	35%	**1,031,000**	**927,900**	600,000	600,000	327,900	327,900	**£136**	**£136**
Hereford	50	Hereford	1	65%	35%	**731,000**	**657,900**	600,000	600,000	57,900	57,900	**£23**	**£23**
Hereford	50	Hereford	2	65%	35%	**953,000**	**857,700**	600,000	600,000	257,700	257,700	**£104**	**£104**
Leominster town	30	Leominster	1	75%	25%	**487,000**	**438,300**	500,000	500,000	-61,700	-61,700	**-£26**	**-£26**
Leominster town	30	Leominster	2	75%	25%	**688,000**	**619,200**	500,000	500,000	119,200	119,200	**£50**	**£50**
Leominster town	40	Leominster	1	75%	25%	**508,000**	**457,200**	500,000	500,000	-42,800	-42,800	**-£15**	**-£15**
Leominster town	40	Leominster	2	75%	25%	**774,000**	**696,600**	500,000	500,000	196,600	196,600	**£71**	**£71**
Leominster town	40	Leominster	1	80%	20%	**635,000**	**571,500**	500,000	500,000	71,500	71,500	**£24**	**£24**
Leominster town	40	Leominster	1	85%	15%	**762,000**	**685,800**	500,000	500,000	185,800	185,800	**£59**	**£59**

Annex 4 Residential case study details

							Market element of scheme										Social rent				SO				
Case study	Location (Housing Market Area)	Market value area	Total Dwgs	Density	Site Size ha (net)	Gross to net	1 b flat	2 b flat	2 b terr	3 b terr	4 b terr	3 b semi	4 b semi	3 b det	4 b det	5 b det	1 b flat	2 b terr	3 b semi	4 b semi	2 b terr	3 b terr	Opening up costs per net ha		Pace/years to complete
1a	Ledbury/ Ross	Ledbury Ross and rural Hinterland	1	25	0.04	100%										1									1
1b	Bromyard/ Leominster Rural	Northern Rural and Bromyard	1	25	0.04	100%										1									1
1c	Hereford rural	Hereford Northern and Southern Hinterlands	1	25	0.04	100%										1									1
1d	Kington/ Golden Valley	Kington and West Herefordshire	1	25	0.04	100%										1									1
1e	Hereford	Hereford	1	25	0.04	100%										1									1
1f	Leominster Town	Leominster	1	25	0.04	100%										1									1
2	Kington/Golden Valley	Kington and West Herefordshire	4	25	0.16	100%								2.6					1.05			0.35			1
3	Ledbury / Ross	Ledbury Ross and rural Hinterland	5	30	0.17	100%									3				1.5			0.5			1
4	Bromyard/ Leominster Rural	Northern Rural and Bromyard	5	30	0.17	100%									3				1.5			0.5			1
5	Leominster town	Leominster	8	40	0.20	100%			6									1.5			0.5		£50,000		1
6	Hereford	Hereford	10	50	0.20	100%			4	3								2				1			1
7	Ledbury/ Ross	Ledbury Ross and rural Hinterland	20	35	0.57	100%				2		2			8			3	2	1	1	1			1
8	Hereford	Hereford	30	30	1.00	100%						4			16		2	2	2	1	2	1			1
9	Ledbury/Ross	Ledbury Ross and rural Hinterland	100	21	4.76	90%			9	34	3		1		13		9	12	7	2	5	5	£75,000		10 units yr 1, 50 units pa
10	Bromyard	Northern Rural	100	21	4.76	90%			9	34	3		1		13		9	12	7	2	5	5	£75,000		10 units yr 1, 50 units pa
11	Leominster town	Leominster	400	25	16.00	75%			42	171	15		8		64		7.5	10	6.25	1.25	37.5	37.5	£150,000		10 units yr 1, 60 units pa
12	Hereford	Hereford Northern and Southern Hinterlands	300	25	12.00	80%			19	6		15		68	87		23	32	20	4	13	13	£125,000		10 units yr 1, 60 units pa
13	Hereford	Hereford Northern and Southern Hinterlands	1000	30	33.00	65%			65	20		50		225	290		79	106	66	13	43	43	£200,000		0 units yr 1, 100 units pa

Annex 5 Case Study Results

Case Studies 1 to 8

Case Study	HMA	MVA	Total dwgs	% AH	Total market sq m	Density (dph)	Site area (ha)	Gross to net	RV less acq costs	RV less acq costs/ gross ha	Upper Benchmark	Lower Benchmark	RV less upper benchmark	RV less lower benchmark	**Upper Benchmark Max CIL (£/sq m)**	**Lower Benchmark Max CIL (£/sq m)**
1a	Ledbury/ Ross	LR & RH	1	40%	90.0	25	0.04	100%	58,800	1,470,000	1,000,000	800,000	470,000	670,000	**£209**	**£298**
1a	Ledbury/ Ross	LR & RH	1	0%	150.0	25	0.04	100%	123,480	3,087,000	1,000,000	800,000	2,087,000	2,287,000	**£557**	**£610**
1b	Bromyard/ Leominster rural	NR & B	1	40%	90.0	25	0.04	100%	25,480	637,000	1,000,000	800,000	-363,000	-163,000	**-£161**	**-£72**
1b	Bromyard/ Leominster rural	NR & B	1	0%	150.0	25	0.04	100%	74,480	1,862,000	1,000,000	800,000	862,000	1,062,000	**£230**	**£283**
1c	Hereford rural	HNSH	1	35%	97.5	25	0.04	100%	27,440	686,000	600,000	600,000	86,000	86,000	**£35**	**£35**
1d	Kington/ Golden Valley	K & WH	1	35%	97.5	25	0.04	100%	31,360	784,000	600,000	600,000	184,000	184,000	**£75**	**£75**
1d	Kington/ Golden Valley	K & WH	1	0%	150.0	25	0.04	100%	74,480	1,862,000	600,000	600,000	1,262,000	1,262,000	**£337**	**£337**
1e	Hereford	Hereford	1	0%	150.0	25	0.04	100%	82,320	2,058,000	600,000	600,000	1,458,000	1,458,000	**£389**	**£389**
1f	Leominster Town	Leominster	1	0%	150.0	25	0.04	100%	33,320	833,000	500,000	500,000	333,000	333,000	**£89**	**£89**
2	Kington/Golden Valley	K & WH	4	35%	286.0	25	0.16	100%	160,720	1,004,500	600,000	600,000	404,500	404,500	**£226**	**£226**
2	Kington/Golden Valley	K & WH	4	0%	417.0	25	0.16	100%	253,820	1,586,375	600,000	600,000	986,375	986,375	**£378**	**£378**
3	Ledbury/Ross	LR & RH	5	40%	330.0	30	0.17	100%	295,960	1,740,941	1,000,000	800,000	740,941	940,941	**£382**	**£485**
3	Ledbury/Ross	LR & RH	5	0%	580.0	30	0.17	100%	456,680	2,686,353	1,000,000	800,000	1,686,353	1,886,353	**£494**	**£553**
4	Bromyard/ Leominster rural	NR & B	5	40%	330.0	30	0.17	100%	241,080	1,418,118	1,000,000	800,000	418,118	618,118	**£215**	**£318**
4	Bromyard/ Leominster rural	NR & B	5	0%	580.0	30	0.17	100%	407,680	2,398,118	1,000,000	800,000	1,398,118	1,598,118	**£410**	**£468**
5	Leominster Town	Leominster	8	0%	520.0	40	0.20	100%	160,720	803,600	500,000	500,000	303,600	303,600	**£117**	**£117**
6	Hereford	Hereford	10	0%	710.0	50	0.20	100%	416,500	2,082,500	600,000	600,000	1,482,500	1,482,500	**£418**	**£418**
7	Ledbury/Ross	LR & RH	20	40%	1,420.0	35	0.57	100%	917,700	1,610,000	1,000,000	800,000	610,000	810,000	**£245**	**£325**
8	Hereford	Hereford	30	30%	2,520.0	30	1.00	100%	1,101,120	1,101,120	600,000	600,000	501,120	501,120	**£199**	**£199**

Case Studies 9 to 13

Case Study	HMA	MVA	Total dwgs	% AH	Total market sq m	Density (dph)	Site area (ha)	Gross to net	**CIL per sq m**	RV post CIL payment	RV less acq costs	RV less acq costs/ gross ha	Benchmark value per gross ha	
9	Ledbury/Ross	LR & RH	100	40%	5,440.0	21	4.76	90%	**220**	1,762,118	1,621,149	306,520	300,000	
10	Bromyard	NR	100	40%	5,440.0	21	4.76	90%	**210**	1,762,652	1,621,640	306,613	300,000	
11	Leominster Town	Leominster	400	25%	27,235.0	25	16.00	75%	-	4,544,027	4,180,505	195,961	250,000	Falls below benchmark.
11	Leominster Town	Leominster	400	25%	27,235.0	25	16.00	75%	**15**	5,679,156	5,224,824	244,914	250,000	Falls slightly below benchmark
11	Leominster Town	Leominster	400	25%	27,235.0	25	16.00	75%	**15**	5,828,103	5,361,855	251,337	250,000	CIL Payment deferred to year 8
12	Hereford	HNSH	300	35%	22,290.0	25	12.00	80%	**110**	5,049,010	4,594,599	306,307	300,000	CIL Payment in Year 1
12	Hereford	HNSH	300	35%	22,290.0	25	12.00	80%	**145**	5,049,406	4,594,959	306,331	300,000	Deferred CIL payment in Year 6
13	Hereford	HNSH	1000	35%	74,225.0	30	33.00	65%	**50**	17,218,204	15,496,384	305,232	300,000	CIL Payment in Year 1
13	Hereford	HNSH	1000	35%	74,225.0	30	33.00	65%	**92**	16,948,614	15,253,753	300,453	300,000	Deferred CIL Payment in Year 11
13	Hereford	HNSH	1000	35%	74,225.0	30	33.00	65%	**68**	16,956,112	15,260,501	300,586	300,000	CIL Payment phased 25% Yr 1, 50% Yr 5, 25% yr 11

Annex 6 – Examples of the non residential model outputs

Non-residential Viability Assessment Model						
Office development of two storeys out of town (a/c multiple units)						
	Size of unit (GIA)	1500	sq m			
	Ratio of GEA to GIA	100.0%				User input cells
	GEA	1500	sq m			Produced by model
	NIA as % of GIA	95%				Key results
	NIA	1425	sq m	GEA		*Gross external area*
	Floors	2		GIA		*Gross internal area*
	Site coverage	40%		NIA		*Net internal area*
	Site area	0.19	Hectares			
SCHEME REVENUE						
Headline annual rent (in £s per sq m)				£108		
Annual rent for assesment (total) - NIA				£ 153,330		
Yield				6.50%		
(Yield times rent)				**£ 2,358,923**		
Less purchaser costs		5.80	% of yield x rent			
Gross Development Value					**£**	**2,229,606**
SCHEME COSTS						
Build costs	£ 1,099		per sq m	£ 1,647,870		
Allowance for higher environmental standards	£ 20		per sq m	£ 30,000		
External costs		10%	of base build costs	£ 164,787		
Total construction costs					***£***	***1,842,657***
Professional fees		12.00%	of construction costs	£ 221,119		
Sales and lettings costs		3%	of GDV	£ 66,888		
S106 costs (not covered by CIL)				£ 20,000		
Total 'other costs'					***£***	***308,007***
Finance costs		7.0%	Interest rate			
Build period		10	Months			
Finance costs for 100% of construction and other costs				£ 125,455		
Void finance period (in months)		3	Months	£ 31,364		
Total finance costs					***£***	***156,819***
Developer return		20%	Scheme value		***£***	***445,921***
Total scheme costs					**£**	**2,753,404**
RESIDUAL VALUE						
Gross residual value					-£	523,799
Less purchaser costs		0.00	% Stamp duty land tax		£	-
		2.00	% Agent/legal purchase fees		£	-
Residual value	For the scheme				-£	534,274
	Equivalent per hectare				-£	2,849,464
			Not viable			
Potential for CIL						
Benchmark land value (per hectare)					£	432,419
Equivalent benchmark land value for site					£	81,079
Potential for CIL for the scheme					-£	615,353
Potential per sq m						NONE

Non-residential Viability Assessment Model

Office development of four storeys town centre (a/c)

Size of unit (GIA)	2000	sq m	
Ratio of GEA to GIA	100.0%		
GEA	2000	sq m	
NIA as % of GIA	95%		
NIA	1900	sq m	
Floors	4		
Site coverage	75%		
Site area	0.07	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£118	
Annual rent for assesment (total) - NIA			£ 224,884	
Yield			6.50%	
(Yield times rent)			**£ 3,459,754**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 3,270,089**
SCHEME COSTS				
Build costs	£ 1,161	per sq m	£ 2,322,600	
Allowance for higher environmental standards	£ 20	per sq m	£ 40,000	
External costs	10%	of base build costs	£ 232,260	
Total construction costs				***£ 2,594,860***
Professional fees	12.00%	of construction costs	£ 311,383	
Sales and lettings costs	3%	of GDV	£ 98,103	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 409,486***
Finance costs	7.0%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 245,355	
Void finance period (in months)	3	Months	£ 61,339	
Total finance costs				***£ 306,694***
Developer return	20%	Scheme value		***£ 654,018***
Total scheme costs				**£ 3,965,057**
RESIDUAL VALUE				
Gross residual value				-£ 694,969
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 708,868
	Equivalent per hectare			-£ 10,633,019
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 555,967
Equivalent benchmark land value for site				£ 37,064
Potential for CIL for the scheme				-£ 745,932
Potential per sq m				NONE

Non-residential Viability Assessment Model

Four industrial units in a block of 1,600 sqm edge of town

Size of unit (GIA)	1600	sq m
Ratio of GEA to GIA	100.0%	
GEA	1600	sq m
NIA as % of GIA	95%	
NIA	1520	sq m
Floors	1	
Site coverage	40%	
Site area	0.40	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£48	
Annual rent for assesment (total) - NIA			£ 73,598	
Yield			7.00%	
(Yield times rent)			**£ 1,051,406**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 993,767**
SCHEME COSTS				
Build costs	£ 552	per sq m	£ 882,784	
Allowance for higher environmental standards	£ 20	per sq m	£ 32,000	
External costs	10%	of base build costs	£ 88,278	
Total construction costs				***£ 1,003,062***
Professional fees	12.00%	of construction costs	£ 120,367	
Sales and lettings costs	3%	of GDV	£ 29,813	
S106 costs (not covered by CIL)			£ 50,000	
Total 'other costs'				***£ 200,181***
Finance costs	7.0%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 56,151	
Void finance period (in months)	3	Months	£ 14,038	
Total finance costs				***£ 70,189***
Developer return	20%	Scheme value		***£ 198,753***
Total scheme costs				**£ 1,472,186**
RESIDUAL VALUE				
Gross residual value				-£ 478,418
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 487,987
	Equivalent per hectare			-£ 1,219,967
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 370,645
Equivalent benchmark land value for site				£ 148,258
Potential for CIL for the scheme				-£ 636,245
Potential per sq m				NONE

Non-residential Viability Assessment Model

Warehouse unit of 5,000 sqm edge of town, accessible location

Size of unit (GIA)	5000	sq m
Ratio of GEA to GIA	100.0%	
GEA	5000	sq m
NIA as % of GIA	95%	
NIA	4750	sq m
Floors	1	
Site coverage	40%	
Site area	1.25	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£48	
Annual rent for assesment (total) - NIA			£ 229,995	
Yield			7.00%	
(Yield times rent)			**£ 3,285,643**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 3,105,523**
SCHEME COSTS				
Build costs	£ 387	per sq m	£ 1,935,500	
Allowance for higher environmental standards	£ 20	per sq m	£ 100,000	
External costs	10%	of base build costs	£ 193,550	
Total construction costs				***£ 2,229,050***
Professional fees	12.00%	of construction costs	£ 267,486	
Sales and lettings costs	3%	of GDV	£ 93,166	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 380,652***
Finance costs	7.0%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 121,786	
Void finance period (in months)	3	Months	£ 30,447	
Total finance costs				***£ 152,233***
Developer return	20%	Scheme value		***£ 621,105***
Total scheme costs				**£ 3,383,039**
RESIDUAL VALUE				
Gross residual value				-£ 277,516
Less purchaser costs	4.00	% Stamp duty land tax		-£ 11,101
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 294,167
	Equivalent per hectare			-£ 235,334
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 370,645
Equivalent benchmark land value for site				£ 463,306
Potential for CIL for the scheme				-£ 757,473
Potential per sq m				NONE

Non-residential Viability Assessment Model

Town centre comparison retail 800 sqm

Size of unit (GIA)	800	sq m			
Ratio of GEA to GIA	100.0%				User input cells
GEA	800	sq m			Produced by model
NIA as % of GIA	95%				Key results
NIA	760	sq m	GEA		*Gross external area*
Floors	2		GIA		*Gross internal area*
Site coverage	80%		NIA		*Net internal area*
Site area	0.05	Hectares			

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£161	
Annual rent for assesment (total) - NIA			£ 122,664	
Yield			7.00%	
(Yield times rent)			**£ 1,752,343**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 1,656,279**
SCHEME COSTS				
Build costs	£ 820	per sq m	£ 656,208	
Allowance for higher environmental standards	£ 20	per sq m	£ 16,000	
External costs	10%	of base build costs	£ 65,621	
Total construction costs				***£ 737,829***
Professional fees	12.00%	of construction costs	£ 88,539	
Sales and lettings costs	3%	of GDV	£ 49,688	
S106 costs (not covered by CIL)			£ 25,000	
Total 'other costs'				***£ 163,228***
Finance costs	7.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 63,074	
Void finance period (in months)	18	Months	£ 94,611	
Total finance costs				***£ 157,685***
Developer return	20%	Scheme value		***£ 331,256***
Total scheme costs				**£ 1,389,997**
RESIDUAL VALUE				
Gross residual value				£ 266,281
Less purchaser costs	4.00	% Stamp duty land tax		£ 10,651
	2.00	% Agent/legal purchase fees		£ 5,326
Residual value For the scheme				£ 251,209
Equivalent per hectare				£ 5,024,178
		Go to next stage		

Potential for CIL		
Benchmark land value (per hectare)	£	2,223,870
Equivalent benchmark land value for site	£	111,193
Potential for CIL for the scheme	£	140,015
Potential per sq m	£	175

Non-residential Viability Assessment Model

Out of centre comparison retail multiple units totalling 6,000 sqm

Size of unit (GIA)	6000	sq m	
Ratio of GEA to GIA	100.0%		
GEA	6000	sq m	
NIA as % of GIA	95%		
NIA	5700	sq m	
Floors	1		
Site coverage	40%		
Site area	1.50	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£118	
Annual rent for assesment (total) - NIA			£ 674,652	
Yield			7.20%	
(Yield times rent)			**£ 9,370,167**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 8,856,490**
SCHEME COSTS				
Build costs	£466	per sq m	£ 2,793,000	
Allowance for higher environmental standards	£ 20	per sq m	£ 120,000	
External costs	10%	of base build costs	£ 279,300	
Total construction costs				***£ 3,192,300***
Professional fees	12.00%	of construction costs	£ 383,076	
Sales and lettings costs	3%	of GDV	£ 265,695	
S106 costs (not covered by CIL)			£ 300,000	
Total 'other costs'				***£ 948,771***
Finance costs	7.0%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 338,187	
Void finance period (in months)	8	Months	£ 225,458	
Total finance costs				***£ 563,646***
Developer return	20%	Scheme value		***£ 1,771,298***
Total scheme costs				**£ 6,476,014**
RESIDUAL VALUE				
Gross residual value				£ 2,380,476
Less purchaser costs	5.00	% Stamp duty land tax		£ 119,024
	2.00	% Agent/legal purchase fees		£ 47,610
Residual value	For the scheme			£ 2,224,744
	Equivalent per hectare			£ 1,483,162
		Go to next stage		

Potential for CIL	
Benchmark land value (per hectare)	£ 500,000
Equivalent benchmark land value for site	£ 750,000
Potential for CIL for the scheme	£ 1,474,744
Potential per sq m	£ 246

Non-residential Viability Assessment Model

Small Convenience Store 300 sqm

Size of unit (GIA)	300	sq m
Ratio of GEA to GIA	100.0%	
GEA	300	sq m
NIA as % of GIA	95%	
NIA	285	sq m
Floors	1	
Site coverage	40%	
Site area	0.08	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£129	
Annual rent for assesment (total) - NIA			£ 36,799	
Yield			6.10%	
(Yield times rent)			**£ 603,266**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 570,194**
SCHEME COSTS				
Build costs	£ 905	per sq m	£ 271,362	
Allowance for higher environmental standards	£ 20	per sq m	£ 6,000	
External costs	10%	of base build costs	£ 27,136	
Total construction costs				***£ 304,498***
Professional fees	12.00%	of construction costs	£ 36,540	
Sales and lettings costs	3%	of GDV	£ 17,106	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 53,646***
Finance costs	7.0%	Interest rate		
Build period	6	Months		
Finance costs for 100% of construction and other costs			£ 12,535	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 12,535***
Developer return	20%	Scheme value		***£ 114,039***
Total scheme costs				**£ 484,718**
RESIDUAL VALUE				
Gross residual value				£ 85,477
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ 1,710
Residual value	For the scheme			£ 83,801
	Equivalent per hectare			£ 1,117,341
		Go to next stage		

Potential for CIL	
Benchmark land value (per hectare)	£ 500,000
Equivalent benchmark land value for site	£ 37,500
Potential for CIL for the scheme	£ 46,301
Potential per sq m	£ 154

Non-residential Viability Assessment Model

Supermarket of 1,100 sqm

Size of unit (GIA)	1100	sq m	
Ratio of GEA to GIA	100.0%		
GEA	1100	sq m	
NIA as % of GIA	95%		
NIA	1045	sq m	
Floors	1		
Site coverage	40%		
Site area	0.28	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£140	
Annual rent for assesment (total) - NIA			£ 146,175	
Yield			5.80%	
(Yield times rent)			**£ 2,520,252**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,382,090**

SCHEME COSTS				
Build costs	£ 905	per sq m	£ 994,994	
Allowance for higher environmental standards	£ 20	per sq m	£ 22,000	
External costs	10%	of base build costs	£ 99,499	
Total construction costs				***£ 1,116,493***
Professional fees	12.00%	of construction costs	£ 133,979	
Sales and lettings costs	3%	of GDV	£ 71,463	
S106 costs (not covered by CIL)			£ 100,000	
Total 'other costs'				***£ 305,442***
Finance costs	7.0%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 66,357	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 66,357***
Developer return	20%	Scheme value		***£ 476,418***
Total scheme costs				**£ 1,964,710**

RESIDUAL VALUE			
Gross residual value			£ 417,380
Less purchaser costs	3.00	% Stamp duty land tax	£ 12,521
	2.00	% Agent/legal purchase fees	£ 8,348
Residual value	For the scheme		£ 397,505
	Equivalent per hectare		£ 1,445,472
		Go to next stage	

Potential for CIL	
Benchmark land value (per hectare)	£ 500,000
Equivalent benchmark land value for site	£ 137,500
Potential for CIL for the scheme	£ 260,005
Potential per sq m	£ 236

Non-residential Viability Assessment Model

Superstore

Size of unit (GIA)	2500	sq m	
Ratio of GEA to GIA	100.0%		
GEA	2500	sq m	
NIA as % of GIA	95%		
NIA	2375	sq m	
Floors	1		
Site coverage	40%		
Site area	0.63	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£183	
Annual rent for assesment (total) - NIA			£ 434,435	
Yield			5.20%	
(Yield times rent)			**£ 8,354,519**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 7,896,521**
SCHEME COSTS				
Build costs	£ 1,032	per sq m	£ 2,579,850	
Allowance for higher environmental standards	£ 20	per sq m	£ 50,000	
External costs	10%	of base build costs	£ 257,985	
Total construction costs				***£ 2,887,835***
Professional fees	12.00%	of construction costs	£ 346,540	
Sales and lettings costs	3%	of GDV	£ 236,896	
S106 costs (not covered by CIL)			£ 500,000	
Total 'other costs'				***£ 1,083,436***
Finance costs	7.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 277,989	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 277,989***
Developer return	20%	Scheme value		***£ 1,579,304***
Total scheme costs				**£ 5,828,564**
RESIDUAL VALUE				
Gross residual value				£ 2,067,957
Less purchaser costs	5.00	% Stamp duty land tax		£ 103,398
	2.00	% Agent/legal purchase fees		£ 41,359
Residual value	For the scheme			£ 1,932,670
	Equivalent per hectare			£ 3,092,272
		Go to next stage		

Potential for CIL		
Benchmark land value (per hectare)	£	1,000,000
Equivalent benchmark land value for site	£	625,000
Potential for CIL for the scheme	£	1,307,670
Potential per sq m	£	523

Non-residential Viability Assessment Model

70 bedroom budget hotel out of town

Size of unit (GIA)	2450	sq m			
Ratio of GEA to GIA	100.0%				User input cells
GEA	2450	sq m			Produced by model
NIA as % of GIA	95%				Key results
NIA	2327.5	sq m	GEA		*Gross external area*
Floors	3		GIA		*Gross internal area*
Site coverage	50%		NIA		*Net internal area*
Site area	0.16	Hectares			

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£129	
Annual rent for assesment (total) - NIA			£ 300,527	
Yield			7.30%	
(Yield times rent)			**£ 4,116,805**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 3,891,120**
SCHEME COSTS				
Build costs	£ 839	per sq m	£ 2,055,550	
Allowance for higher environmental standards	£ 20	per sq m	£ 49,000	
External costs	10%	of base build costs	£ 205,555	
Total construction costs				***£ 2,310,105***
Professional fees	12.00%	of construction costs	£ 277,213	
Sales and lettings costs	3%	of GDV	£ 116,734	
S106 costs (not covered by CIL)			£ 10,000	
Total 'other costs'				***£ 403,946***
Finance costs	7.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 189,984	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 189,984***
Developer return	20%	Scheme value		***£ 778,224***
Total scheme costs				**£ 3,682,259**
RESIDUAL VALUE				
Gross residual value				£ 208,862
Less purchaser costs	1.00	% Stamp duty land tax		£ 2,089
	2.00	% Agent/legal purchase fees		£ 4,177
Residual value For the scheme				£ 202,778
Equivalent per hectare				£ 1,241,499
		Go to next stage		

Potential for CIL	
Benchmark land value (per hectare)	£ 432,419
Equivalent benchmark land value for site	£ 70,628
Potential for CIL for the scheme	£ 132,150
Potential per sq m	£ 54

Non-residential Viability Assessment Model

Edge of centre mixed leisure development

Size of unit (GIA)	3800	sq m
Ratio of GEA to GIA	100.0%	
GEA	3800	sq m
NIA as % of GIA	95%	
NIA	3610	sq m
Floors	2	
Site coverage	80%	
Site area	0.24	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£86	
Annual rent for assesment (total) - NIA			£ 310,749	
Yield			7.50%	
(Yield times rent)			**£ 4,143,317**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 3,916,179**
SCHEME COSTS				
Build costs	£ 994	per sq m	£ 3,777,200	
Allowance for higher environmental standards	£ 20	per sq m	£ 76,000	
External costs	10%	of base build costs	£ 377,720	
Total construction costs				***£ 4,230,920***
Professional fees	12.00%	of construction costs	£ 507,710	
Sales and lettings costs	3%	of GDV	£ 117,485	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 645,196***
Finance costs	7.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 341,328	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 341,328***
Developer return	20%	Scheme value		***£ 783,236***
Total scheme costs				**£ 6,000,680**
RESIDUAL VALUE				
Gross residual value				-£ 2,084,501
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 2,126,191
	Equivalent per hectare			-£ 8,952,382
		Not viable		

Potential for CIL	
Benchmark land value (per hectare)	£ 432,419
Equivalent benchmark land value for site	£ 102,700
Potential for CIL for the scheme	-£ 2,228,890
Potential per sq m	NONE

Non-residential Viability Assessment Model

Care home 60 bedrooms

Size of unit (GIA)	1800	sq m	
Ratio of GEA to GIA	100.0%		
GEA	1800	sq m	
NIA as % of GIA	95%		
NIA	1710	sq m	
Floors	2		
Site coverage	40%		
Site area	0.23	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£113	
Annual rent for assesment (total) - NIA			£ 193,196	
Yield			6.30%	
(Yield times rent)			**£ 3,066,600**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,898,488**
SCHEME COSTS				
Build costs	£ 1,500	per sq m	£ 2,700,000	
Allowance for higher environmental standards	£ 20	per sq m	£ 36,000	
External costs	10%	of base build costs	£ 270,000	
Total construction costs				***£ 3,006,000***
Professional fees	12.00%	of construction costs	£ 360,720	
Sales and lettings costs	3%	of GDV	£ 86,955	
S106 costs (not covered by CIL)			£ 75,000	
Total 'other costs'				***£ 522,675***
Finance costs	7.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 247,007	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 247,007***
Developer return	20%	Scheme value		***£ 579,698***
Total scheme costs				**£ 4,355,379**
RESIDUAL VALUE				
Gross residual value				-£ 1,456,892
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 1,486,030
	Equivalent per hectare			-£ 6,604,576
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 432,419
Equivalent benchmark land value for site				£ 97,294
Potential for CIL for the scheme				-£ 1,583,324
Potential per sq m				NONE